

Risk Committee report



Andrea Blance
Chair, Risk Committee

“In a challenging macroeconomic environment, the Committee has overseen the Group's current and future risk exposures and profile; providing advice to the Board whilst overseeing the continued evolution of the Group Risk function.”

Committee at a glance

Committee membership and meeting attendance

Name	Appointed	Meeting attendance
Andrea Blance	21-02-22	5/5
Patrick Flynn	16-07-19	5/6
Shonaid Jemmett-Page	16-02-22	4/5
Mohit Joshi	01-12-20	5/6
Jim McConville	01-12-20	6/6
Martin Strobel	01-11-21	6/6

I am pleased to present the Risk Committee (the Committee) report for the year ended 31 December 2022.

Committee purpose

The Committee assists the Board in its oversight of risk by assessing the effectiveness of the Group's risk management framework, risk strategy, risk appetite and profile; risk intelligent culture; the methodology used in determining the Group's capital requirements and stress testing these requirements; assessing the adequacy of the Group's system of non-financial reporting controls; ensuring due diligence appraisals are carried out on strategic or significant transactions; and compliance with regulatory requirements.

The Company's approach to risk and risk management together with detail on the principal risks that face the Group are explained within the 'Our Risks and Risk Management' section of the Strategic report.

Key committee activities during 2022

- Monitored risk appetite, risk management and reporting, including approving the Group's Solvency II capital risk tolerances by risk type, the internal model change application and the ORSA report.
- Monitored Group capital and liquidity, particularly in light of macroeconomic conditions, and related risks to the financial plan.
- Approved the scenarios for Group-wide stress testing to support the financial plan and the Group Recovery Plan.
- Reviewed the subsidiary Consumer Duty implementation plans.
- Discussed operational risks to the financial plan, including people, cyber, operational resilience and transformation based risks.
- Considered the impact of economic stress and related cost of living crisis on employees and customers.
- Monitored external risk factors, reviewing the most significant emerging risk scenarios affecting the delivery of the Company's strategy.

2023 priorities

- Monitor the risks created by the macroeconomic environment, particularly capital and liquidity risks.
- Oversight of conduct risk and the implementation of the new Consumer Duty Regulations.
- Enhance the linkage between the Committee and subsidiary Risk Committees.

Committee membership

I was delighted to join the Committee on 21 February 2022 and become Acting Chair, subject to regulatory approval, in May 2022, before being subsequently approved in that role.

Belén Romana García retired from the Committee on 9 May 2022, and Michael Mire stood down from the Committee on 12 September 2022. I would like to extend my thanks to Belén for her commitment in Chairing the Committee since 31 March 2019, and to Michael Mire for his contribution over the past nine years. During the year, I was pleased to welcome Stephen Gould as our interim Group Chief Risk Officer.

The members of the Committee as at 31 December 2022 are shown in the table opposite. Details of members' experience, qualifications and attendance at Committee meetings during the year are shown within the 'Our Board of Directors' and 'Governance at a glance' sections of the Governance report.

Risk Committee report continued

Oversight of risk management

The main purpose of the Committee is to assist the Board in its oversight of risk within the Group, with a focus on reviewing the Group's risk appetite and risk profile in relation to solvency, liquidity, climate, operational, conduct and reputational risks and reviewing the effectiveness of the Group's risk management framework (RMF) making recommendations to the Board as required.

The Committee reviews the methodology and internal model used in determining the Group's capital requirements and associated stress testing, and the due diligence appraisals carried out on strategic or significant transactions.

In addition to the risks inherent in the Group's investment portfolio, the Committee reviews the Group's operational risks, including significant changes to the regulatory framework.

During the year the Committee reviewed management actions in response to the Group's increased exposure to general insurance property catastrophic risk as a result of hardening reinsurance markets.

The Committee works with the Remuneration Committee so that risk management and risk culture are properly considered in setting the Remuneration Policy and determining remuneration outcomes.

During the year, the oversight of conduct risk was transferred to the Risk Committee as part of the transition of the Customer, Conduct, and Reputation Committee to the

Customer and Sustainability Committee. The Committee will continue to focus on conduct risk into 2023, particularly as the requirements of the new Consumer Duty Regulations are embedded.

The Committee also continued to work closely throughout the year with the Audit Committee on risk and control matters.

There has been good engagement with the chairs of the subsidiary risk committees in 2022, covering thematic risks across the Group as well as business unit specific focus areas.

Macroeconomic environment

During the year the Committee considered one of the biggest threats to the Group's capital and liquidity position to be macroeconomic risks and received regular updates on interest, inflation, capital and liquidity. Continuing areas of uncertainty include the war in Ukraine, credit spreads and downgrades, inflation, interest rate movements and the risk of commercial property price volatility on the commercial mortgage portfolio.

The Committee considered actions being taken to support customer wellbeing, and oversaw and supported the proactive steps undertaken by the business in relation to specific customer threats, which included customer focused education and awareness in response to the cost of living crisis, and the related increase in cyber based investment scams targeting customers.

Employee wellbeing has remained high on the agenda and the Committee discussed the actions being taken to manage people

risk, including resource stretch, and the cost of living crisis.

Control environment

The Committee received regular updates on the risk profile, residual risks, key concerns and outlook across all markets and risk appetites. Whilst the insights gained from the dashboard demonstrated continued improvement in the management of risk and controls across the Group, they also enabled the Committee to request deep dives in certain areas including the management of capital and liquidity risk, cyber and energy security risk, as well as the risk culture throughout the Group.

The Committee also received regular updates and challenged the progress made by management on operational resilience and change management related risk appetite and tolerances in particular.

Climate change

As detailed in its Committee Report, the Customer and Sustainability Committee oversaw the progress made in 2022 against the goals contained with Aviva's Sustainability Ambition. However, overseeing the management of climate-related risk is a key pillar of the risk management framework, and was accordingly managed in close collaboration between the Committee, the Customer and Sustainability Committee and the Audit Committee.

During the year the Committee considered a deep dive on governance and monitoring across asset classes and the role of Aviva's Sustainability Ambition in managing climate-related risk appetite.

Committee effectiveness review

The Committee undertakes a review of its effectiveness annually as part of the Board Evaluation. More information can be found in the 'Governance in action' section of the Governance report.

2023 priorities

Continue to support the search and appointment process for the Group CRO.

Monitor the impacts and associated risks arising from the macroeconomic environment, regulatory landscape, and global climate change, with a particular focus on consideration of emerging risks. Focus on the management of capital and liquidity risks.

Oversight of the current and future conduct risk exposures of the Group, including determination of risk appetite and tolerance and desired risk intelligent culture, particularly as the new Consumer Duty Regulations are implemented during 2023.

Build a strong dialogue between the Committee and our equivalent subsidiary level risk committees, and embed the changes introduced by the repurposing of the Customer and Sustainability Committee.

Andrea Blance
Chair of the Risk Committee
8 March 2023