

Policy

AI Remuneration Policy

Version:	[3.1]		
Effective date:	1 January 2020		
Purpose:	To set out the AI Remuneration Policy for all employees.		
Scope:	All Aviva Investors policies impacting remuneration should be consistent with this overarching Remuneration Policy. Where this is not possible due to local regulatory, legal, operational or taxation requirements, the management team responsible for oversight must apply to Group Reward and the Remuneration Committee for agreement to a modification or exception to this policy.		
Policy Statement:	Aviva believes in rewarding strong performance and achievement of our business and individual goals. The manner in which these goals are achieved is important and this policy provides a framework that aligns individual interests to those of the Company, is compliant with relevant legislation and regulation, prevents excessive risk taking and delivers employees with fair remuneration outcomes in view of results achieved.		
Associated Policies and Procedures:	<ul style="list-style-type: none"> • Remuneration Business Standard • Any relevant annual bonus rules and/or guidelines • Long Term Incentive (LTIP) plan rules & relevant guidelines • Any relevant documents governing the operation of incentive plans • Buyout and Guarantee guidelines • Reward Authorisation and Approvals Matrix (“Governance & Approval Requirements”) • Malus and Clawback policy • Global Mobility policies • Aviva Investors Global Ethical Conduct Code • Guiding Principles for Carried Interest Plans • Aviva Group Conflicts of Interest Policy 		
Approved by:	Remuneration Committee (AI)	Date:	14 January 2020
Amended by:	-		
Last Amended:	January 2019		
Next Review:	January 2021		



Aviva Investors Remuneration Policy, Principles and Framework

1. Introduction

1.1. Scope

This document sets out the overarching remuneration policy, principles and framework “Remuneration Policy” for all employees in Aviva Investors and its operating business (the “Company”) and is consistent with the overarching Aviva Global Remuneration Policy, Principles and Framework.

Any local policies impacting remuneration should be consistent with this overarching Remuneration Policy.

1.2. Purpose

Aviva Investors has a clear strategy that supports the Group Strategy to achieve long-term value for our shareholders.

It is important the Company has a reward framework that supports and enables this, and that prevents excessive risk taking, aligns individual interests to those of the Company and investors, ensures we attract and retain people with the talent needed to maintain and deliver on the strategy, and is compliant with relevant legislation and regulation.

For employees – it is important that reward outcomes are fair in view of the results achieved and of the contribution made by individual.

1.3. Other Relevant Information and Documentation

This document may refer to, and should be used in conjunction with, other relevant guidelines, including specific policies and plan rules and booklets on certain aspects of remuneration. These documents may vary from time to time, but they all fall under the overall umbrella of this framework. They are available on Aviva World or from the People Function upon request.

These include but are not limited to:

- Remuneration Business Standard
- Any relevant annual bonus rules and/or guidelines
- Long Term Incentive (LTIP) plan (including Restricted Share Units (RSU)) rules & relevant guidelines
- Any relevant documents governing the operation of other incentive plans
- Buyout and Guarantee policy
- Reward Authorisation and approval matrix (“Governance & Approval Requirements”)
- Malus and Clawback policy
- Global Mobility policy
- Aviva Investors Global Ethical Conduct Code
- Aviva Group Business Ethics Code



1.4. Approval & Disclosure

This policy is maintained by the AI Reward function. The Aviva Investors Remuneration Committee ('Aviva Investors RemCo') recommends it to the Group Remuneration Committee for approval, and it is approved by the Group Remuneration Committee.

It is available to all employees of Aviva Investors via Aviva World, or other appropriate means of communication.

For any queries on this policy, please contact your People Function representative in the first instance.

2. GOVERNANCE & CONTROL

2.1. Internal Governance & Control

Aviva Investors has a Remuneration Committee ('RemCo') whose purpose is:

- supporting and advising the Aviva Investors Holdings Limited Board on the overall remuneration policy for Aviva Investors and the employment, remuneration, reward and benefits terms for Aviva Investors' senior management and employees subject to regulatory requirements, including Code Staff, Material Risk Takers, as well as other identified staff.
- reviewing and making recommendations on remuneration matters to the Aviva plc Group Remuneration Committee on behalf of the Aviva Investors Holdings Limited Board for approval.

In undertaking its duties, the Aviva Investors RemCo shall have regard to the Aviva Investors' strategy and business plans, its remuneration and reward objectives and strategy, and to the long-term interests of shareholders, customers and investors and other stakeholders and in the public interest.

It will also have regard to the principle that Aviva Investors' remuneration policies and practices should be consistent with sound risk management and the promotion of ethical behaviour and integrity. The policies and practices should not encourage excessive risk-taking by employees and should not engender or condone behaviour which might tacitly or explicitly foster wrongdoing, malpractice, misconduct, corruption or mis-management within Aviva Investors. The policies and practices should promote the alignment of interests of employees with those of customers and investors.

The Aviva Investors RemCo is responsible for reviewing and making recommendations to the Group RemCo and Aviva Investors Holdings Limited Board regarding the Remuneration Policy of Aviva Investors, and for reviewing compliance with the policy in so far as it relates to Executive Directors and senior managers. The Aviva Investors RemCo ensures that individuals are not involved in discussions which affect their own reward.

There is an established set of Governance and Approval Requirements (updated periodically), which outlines from whom and where authorisation should be obtained for any change to the overall remuneration package or arrangements for an employee.

The AI Reward team, AI People Function, and, where required by regulation, local Remuneration Committees (Local RemCo), are responsible for implementing the Remuneration Policy and approach in respect of senior managers, and for the implementation and governance of remuneration arrangements for all other employees.

It is recognised that there may be sound commercial reasons to deviate from this framework in individual cases. Where any remuneration proposals which deviate from this policy are being presented for approval, this should be expressly stated with the business case for such deviation and presented to AI Reward and then to Group Reward, prior to recommendation to the Group RemCo.

All employees are restricted from entering into any form of hedging arrangement or remuneration and liability-related insurance policies which might undermine the risk alignment features (such as delivery in shares, performance



conditions, malus and clawback provisions) incorporated into the remuneration package.

2.2. Remuneration Regulation

Relevant regulation and/or legislation may require that employees in specific roles are subject to specific requirements around remuneration. Broadly speaking these are the individuals who run Aviva Investors or have material impact on the risk profile of Aviva Investors (often referred to as “Identified Individuals”, “Code Staff” or “Material Risk Takers”).

Such individuals are identified using a robust, qualitative and/or quantitative risk-based process involving management, individuals from the Risk and Compliance functions and, where required, Aviva Investors and/or Group and / or Local RemCos, in which significant risks facing Aviva Investors are matched to those individuals responsible for exposure to these risks. Such individuals may include:

- Individuals performing mandated functions, which typically give rise to regulatory obligations, such as Senior Management Functions under SM&CR.
- Heads of Control Functions; and
- Other individuals whose activities are considered to have a material impact on the risk profile of an Aviva Investors entity,

The Company will undertake a review of the Company’s risk profile and of individuals impacting these risks. This review takes place at least annually dependent on joiners and leavers throughout the period and allows the Aviva Investors and/or Local RemCo and/or Group RemCo to agree the identified population. This allows them to review the structure of remuneration to ensure that it meets regulatory/legislative requirements. Code Staff will be informed of their status and the implications for their remuneration including obligations regarding hedging strategies (which apply to all employees).

3. REMUNERATION PRINCIPLES

3.1. Aviva Investors provides a competitive total remuneration package which

- Is in line with relevant regulation, legislation and appropriate market practice;
- Supports the attraction, development, retention and motivation of high-quality employees;
- Supports delivery of our strategy and goals;
- Reinforces our values and behaviours, specifically rewarding behaviour aligned to customer interests; and,
- Involves appropriate controls such as the use of “2 levels up” (manager’s manager) approval for the approval of remuneration proposals for individuals

3.2. Aviva Investors promotes both annual and long term strategic objectives by setting stretching and appropriate targets.

3.3. Aviva Investors differentiates reward based on performance.

- Variable Remuneration incorporates Aviva Investors, business unit and individual performance metrics and goals which include both financial and non-financial objectives.
- We reward those who achieve their goals, and who are a role-model for our values and behaviours.
- We recognise potential and those who are critical to our future success.



- We value both leadership and technical expertise.
- There is a tangible link between these outcomes and reward.

3.4. Aviva Investors aligns senior executives' and senior managers' remuneration with the interests of shareholders, customers and other key stakeholders, seeking feedback where appropriate.

- A significant proportion of remuneration for individuals with bonuses over a threshold is deferred for at least three years which can be in the form of Aviva plc shares, cash and/or funds managed by Aviva Investors.
- Performance metrics (both financial and non-financial) are closely aligned to Aviva Investors' strategy.
- Employees at an appropriately senior level are subject to a shareholding requirement.

3.5. Aviva Investors' remuneration packages and incentives encourage:

- Compliance with regulation and legislation;
- Careful and prudent management;
- Compliance with the Aviva Group Business Ethics Code and AI Global Ethical Conduct Code;
- Employees to treat customers fairly; and,
- Employees to take a responsible approach to risk management.

3.6. Aviva Investors' remuneration programmes are clear and simple to understand, transparent, consistent and fair.

3.7. Any exceptional discretion applied to remuneration decisions should be subject to appropriate governance and reporting.

3.8. Aviva Investors' remuneration programmes take into account risk.

- Reward policies are designed to promote sound effective risk management and not encourage risk-taking that exceeds the risk tolerance limits of the firm.
- Variable pay awards for employees take into account current and future risks through the Risk & Reward Adjustment Framework as outlined in the Variable Pay & Risk Adjustment Policy and are subject to Aviva's Malus and Clawback Policy.

4. GLOBAL REMUNERATION FRAMEWORK

4.1. Approach to Benchmarking

To gain a view on appropriate levels of fixed and variable pay (and hence total remuneration), roles should be benchmarked using reputable providers of benchmarking data, based on appropriate level and job category.

Although benchmarking is an important part of the assessment of the appropriate level of remuneration for an individual, it is only one factor amongst several used in determining pay, and does not displace the need for careful judgment. Other factors are also considered, including:

- internal comparisons;



- skills and expertise of the individual and previous total compensation, where appropriate to do so;
- demands of the role;
- the ability of the business to afford the costs of hiring a specific individual.

As part of the benchmarking process, fixed pay is set at a level which allows the variable component of pay to be fully flexible and proportionate, so that individuals do not rely on variable pay to meet the cost of living which could lead to excessive risk taking by individuals.

Where data is available, pension contributions and other relevant elements of fixed pay should also be included in benchmarking analyses.

To avoid undue focus on external benchmarking in isolation, specific raw benchmarking data is not available to employees,

The performance of the firm, the business unit and the individual, as well as adherence to the Aviva Values and appropriate risk taking and other behaviours, will be the key factors influencing variable and total remuneration, determined in the context of appropriate benchmarking.

4.2. Remuneration Structures

Aviva Investors employees are remunerated primarily through some or all of the following remuneration elements, described in more detail below:

- Basic salary;
- Variable remuneration including, where applicable, discretionary bonus (with cash and deferred elements if appropriate), Long Term Incentive Plan (LTIP) including (RSU), Carried Interest and deferred awards; and,
- Employee benefits (which may include cash allowances where applicable).

The Aviva global grading structure is in place in all markets / functions covering all roles.

In addition to the above, remuneration arrangements for individual contractors not employed by, but providing services to, Aviva Investors should not encourage risk-taking that is excessive in view of the undertaking's risk management strategy.

4.2.1 Basic Salary (Fixed Pay)

Basic salary should be set on the principle of equal treatment for individuals performing work that is the same or broadly similar, irrespective of their diversity characteristics. It should reflect:

- i. The value of a job to Aviva Investors as determined by its external value in the market place (e.g. the market benchmark), and its internal value; as determined by the Aviva Investors Reward team;
- ii. Individual skills and capabilities, performance, conduct and contribution; and,
- iii. Minimum salary levels as set through any collective agreements, where applicable.

A level of basic salary above the upper quartile would exceptionally be justified if warranted by individual performance. Market benchmarking may also indicate that a higher salary should be paid in order to attract and retain scarce talent. A salary below the market median would generally be expected for those new in role and therefore not yet fully performing, and / or those whose performance needs to improve,

Basic salary progression should be based on the sustained performance level of the individual in the role, internal equity, and the ability for the business to pay and absorb fixed costs.



It is important that all our people enjoy a decent standard of living and we are proud to be a real Living Wage employer in the UK

4.2.2 Variable Pay Awards

Individuals may be considered for variable pay awards to align the interest of employees and the Company (and its shareholders). This recognises that individual performance against goals and contribution or potential contribution in the case of long term deferred awards (which includes the deferred element of the Annual Bonus and any Long Term Incentive Awards) is essential for the success and sustainable performance of the business. Variable pay is performance related, and will be based on a combination of individual, business unit and Aviva Investors performance over an appropriate period. Individual performance will be assessed taking into account a combination of financial and non-financial performance metrics.

The market recognises that the direct influence of individuals on business results increases with seniority. As a result, the proportion of total compensation that is directly linked to business results, and is therefore at risk, is higher for more senior employees. At more junior levels, it is recognised that certainty of earnings is more important and therefore bonus relative to base pay is a lower percentage.

In some exceptional cases, 'one-off' bonuses arising from a specific assignments or projects may be considered (subject to the relevant approval procedures and to section 4.4).

Factors influencing variable pay

When determining the frameworks governing ALL variable pay awards, Aviva Investors should ensure that:

- Variable payments are discretionary and fully flexible as opposed to a contractual entitlement, and there is a possibility of zero awards being made should the performance of Aviva Investors or Aviva Group, relevant business unit and/or individuals require this (other than where payments are required by law).
- Variable pay is performance related, and will be based on a combination of individual, business unit, Aviva Investors and Group performance over an appropriate period.
- The financial considerations may include some of the following comparisons -:
 1. Actual results vs. prior period results;
 2. Actual results vs. agreed plans;
 3. Actual results relative to competitors; and
 4. Actual results vs., and progress towards, our long-term target ambition.
- The non-financial considerations include risk, compliance, conduct, culture, customer and employee engagement metrics, with our values clearly underpinning all our decisions. In certain roles, adherence to Responsible Investment and ESG principles will also be a consideration.

The framework(s) should not encourage risk taking outside of Aviva Investors' stated risk appetite, and must include mechanisms by which performance against risk and conduct related goals will have a potentially significant impact on the availability and size of business and individual variable awards.

- Relevant risk and capital measures (which take into account the nature, scale and complexity of the risks inherent in the business), and performance against those measures, should form an input to remuneration policy/decisions, allowing for a downwards adjustment of remuneration (for suitably senior employees) for exposure to current and future risks, taking into account the undertaking's risk profile and cost of capital.
- The framework contains an appropriate balance of financial and non-financial performance metrics at an individual and team level. The Risk & Compliance functions' input on variable pay structure and individual and



group outcomes, and on any application of malus & clawback will be sought, to evaluate the risks facing the business, the likely future risks facing Aviva Investors, and whether or not the performance metrics promote the right performance culture and attitude to risk.

- The framework aims to appropriately manage conflicts of interest in line with the Aviva Group Conflicts of Interest Policy.
- The remuneration of employees in Control Functions (defined as Risk, Compliance and Internal Audit) is determined independently of the financial results of Aviva Investors, to reinforce the independence of these functions.
- The framework has regard to the fair treatment of customers and encourages the right customer outcomes. It requires an assessment of contribution to teamwork and collaboration. It must not encourage mis-selling or non-compliance with any aspects of the Aviva Group Business Ethics Code.
- All variable pay granted or paid to any Aviva Investors employee is subject to malus and clawback provisions, in accordance with the Company's Malus and Clawback Policy. This includes the non-deferred and deferred elements of the annual bonus, long term awards, carried interest plans or any other variable remuneration.
- Individual awards are based on a properly calibrated assessment of the talent and performance of individuals, allowing for differentiation that takes account of a rounded assessment of all financial and non-financial metrics.
- Overall award levels reflect the experience of shareholders over the relevant period.
- Awards reflect market practice as appropriate.

Ratio of fixed to Variable Pay

- Fixed and variable pay should be appropriately balanced, with a sufficiently high proportion of fixed pay to avoid dependence on variable pay to meet day-to-day expenses. This is especially important given the flexibility of variable pay plans, and the possibility of zero pay out in certain circumstances.
- The proportion of pay delivered through variable pay plans generally increases with seniority in the organisation. This reflects the increased ability to impact the success of the organisation with increased seniority, and is in line with general market practice.

Deferral of Variable Pay

- Employees with a bonus over a threshold will have a substantial proportion of variable remuneration deferred into Aviva plc shares, cash or funds managed by Aviva Investors; or other appropriate instruments, for a period of at least 3 years
- Where regulation requires deferral of bonus for individuals identified as "Identified Staff", "Code Staff" or "Material Risk Takers" Aviva Investors will defer at least the minimum amount required by the regulation and deferral will meet the minimum deferral periods and where possible, be in the form of the instrument the regulation details with appropriate retention periods where required.

Annual Discretionary Bonus

- The overall amount of money available for paying bonuses is determined by performance against key financial and non-financial measures. A review of the quality of earnings may be included as part of the overall assessment of performance against the financial targets, to ensure that performance of the business represents sustainable value for our shareholders.
- Funds are allocated to Aviva Investors on a discretionary basis based on a rounded assessment of the



contribution of Aviva Investors to the overall success of Aviva Group, year on year growth and execution of its strategy across a range of financial (excluding Control Functions), risk and control, employee, customer and strategic goals, as well as values and behaviours.

- Individual bonus awards are made from these pools, differentiating for individual performance and taking into account conduct during the year.
- Bonuses will be reduced or withheld from any employee who has failed to complete the required attestation of compliance to the Company's Global Ethical Conduct Code.
- As part of an annual review of bonus pool determinations, it should be documented that the Group RemCo has reviewed the proposed pool levels against capital requirements.

Long Term Deferred Awards

Long term deferred awards (e.g. Performance Shares and Restricted Share Awards) align employee reward with the long term vision and performance objectives of Aviva Investors, Aviva Group and shareholder interests, and, should help retain key talent.

- Employees may be considered for a deferred award, which will take into account both historical and expected individual performance and potential to develop into broader roles.
- Performance conditions may be applied to the vesting of deferred awards made to appropriately senior employees under the Long Term Incentive Plan. At a less senior level, Restricted Share Awards are subject to continued employment and an assessment of quality of earnings, the stewardship of capital and risk review. All awards should be subject to an appropriate risk adjustment process whereby the appropriateness of any payment will be considered under the rules of the plan and/ or the malus and clawback policy.
- The Aviva Investors RemCo makes recommendations to the Group RemCo in relation to any performance conditions and any other conditions that apply to each grant. These may include further structured assessment to ensure that pay outcomes are aligned to sustainable shareholder value created over the performance period.
- As part of the process of avoiding payment for failure, participants in these plans must remain employed and not under notice of termination of employment at the point these awards vest, in order to receive any payment (unless the rules of these plans or the Group RemCo determine otherwise).

Carried Interest

For some employees in Asset Management roles it is appropriate, and often a requirement of an investor, to link part of their remuneration to the successful return on the Asset or Assets that they manage. Such remuneration is designed with the investor outcomes in mind and aligns the remuneration of Asset Managers with the investment returns received by investors. Any Carried Interest arrangement should be established and operated in accordance with the guiding principles for Carried Interest Plans and must be approved by the Group Remuneration Committee.

4.2.3 Employee Benefits

Benefits offered vary by market and may include a company sponsored retirement provision ("pension"), sick pay, share ownership opportunities, and other items, such as Aviva products and services at discounted rates.

In general, benefits aim to:

- Be market competitive as part of total remuneration;
- be compliant with all legal requirements; and,
- provide choice and flexibility to meet individual needs.



Where market practice means that pension provision is appropriate, such provision will be through defined contribution type pension arrangements, or appropriate in-country variations. Aviva Investors does not offer defined benefit type pension arrangements. Legacy defined benefit pension arrangements have been closed to future accrual and all benefits are now deferred, unless mandated otherwise by local legislation.

4.3. Buyouts and Guarantees

On appointment, all employees enter into a standard contract of employment, appropriate for their grade.

A Buyout and/or Guarantee may be appropriate to secure a new hire but will not always be required. Buyouts replace forfeited awards. Guarantees replace forfeited award opportunities.

- To the fullest extent possible, buyouts will be offered on a like-for-like basis. As far as possible, we will match the value taking into account any performance conditions which apply and mirror the pay-out timeframe (including any holding periods) of the awards being forfeited. Buyouts will be no more generous than the award being bought out;
- Buyouts will require sufficient documentary evidence to demonstrate that we are paying no more than the necessary to secure the candidate, and to support the vesting timeline;
- Buyouts will typically be in Aviva plc shares;
- Buyouts are subject to Aviva's Malus and Clawback Policy Statement.

Guarantees may only be offered for the year of hire and may only cover one performance year. They should typically have some form of performance condition attached and may only be offered in exceptional circumstances.

Any buyouts for new entrants must be made in accordance with the Company's Buyout Policy (as determined by the Group RemCo). Any awards above a certain limit (to be determined periodically) require approval from the AI RemCo (via AI Reward) to the Group RemCo (via Group Reward) for final approval, as do any other variable remuneration awards which could be considered to be 'outside of policy'.

Buyouts and Guarantees are subject to malus and clawback provisions in accordance with the Company's policy.

4.4 Retention Awards

Aviva Investors only pays retention and/or incentive awards to key employees in exceptional circumstances, e.g. where there is a corporate restructuring and the individual is essential to the completion of the restructuring.

- Further details of the process are captured in the Variable Pay & Risk Adjustment Policy.

4.5 Tax

Where possible, employees will be able to benefit from tax efficiencies (sanctioned by the relevant tax authority in each market) and / or discounts in the local market on a range of products / benefits. However, on behalf of its employees, Aviva will only undertake planning (i.e. the pursuance of tax efficiencies) in the context of wider business activities with a real commercial and economic basis and not enter into schemes or structures where the whole or main benefit is the avoidance of tax.

The Company will assist executives to understand changes in the tax regime but will not compensate employees for



any loss of tax advantages resulting from changes to remuneration regulations or policy.

4.6 Termination & Severance Arrangements

Any severance pay above and beyond statutory or existing contractual entitlements is at the Company's absolute discretion. There is no automatic right to a pro-rata bonus payment in the event of termination of employment by the Company or individual. Any bonus payments related to early termination of contracts are at the Company's discretion and will reflect performance achieved over time and designed in a way which does not reward poor conduct or failure.

Treatment of any unvested share or bonus awards are governed by the relevant plan rules. There is no automatic entitlement to any payment under these plans other than where expressly stated in the plan rules. Specifically, as stated above in section 4.2.2, unless the relevant plan rules or the Group RemCo determine otherwise, participants in executive share plans should usually be employed and not under notice of termination of employment (however served) at the point of vesting in order to be eligible to receive any payment.

The Group RemCo (or its delegates) are required to approve severance pay for Aviva Leadership Team and review on an annual basis those for Code Staff to ensure they are aligned to this policy. They should be advised of severance pay for senior management above a certain level of seniority as defined in the Reward Approvals Framework. Any severance arrangements that are outside agreed policy should be approved by Group Reward.



Definitions

Malus	The adjustment, cancellation and/or forfeiture of unvested variable pay awards (as defined in the Malus and Clawback Policy)
Clawback	The repayment and/or forfeiture of vested or paid (in the case of non-deferred bonuses) variable pay awards (as defined in the Malus and Clawback Policy)
Control Functions	As referenced in EBA Guidance; being the Risk, Compliance and Internal Audit functions within Aviva Investors.
Material Risk Taker / Identified Staff/ Code Staff	Employees who have been identified, as required under certain regulations as those who can materially impact the risk profile of Aviva Investors