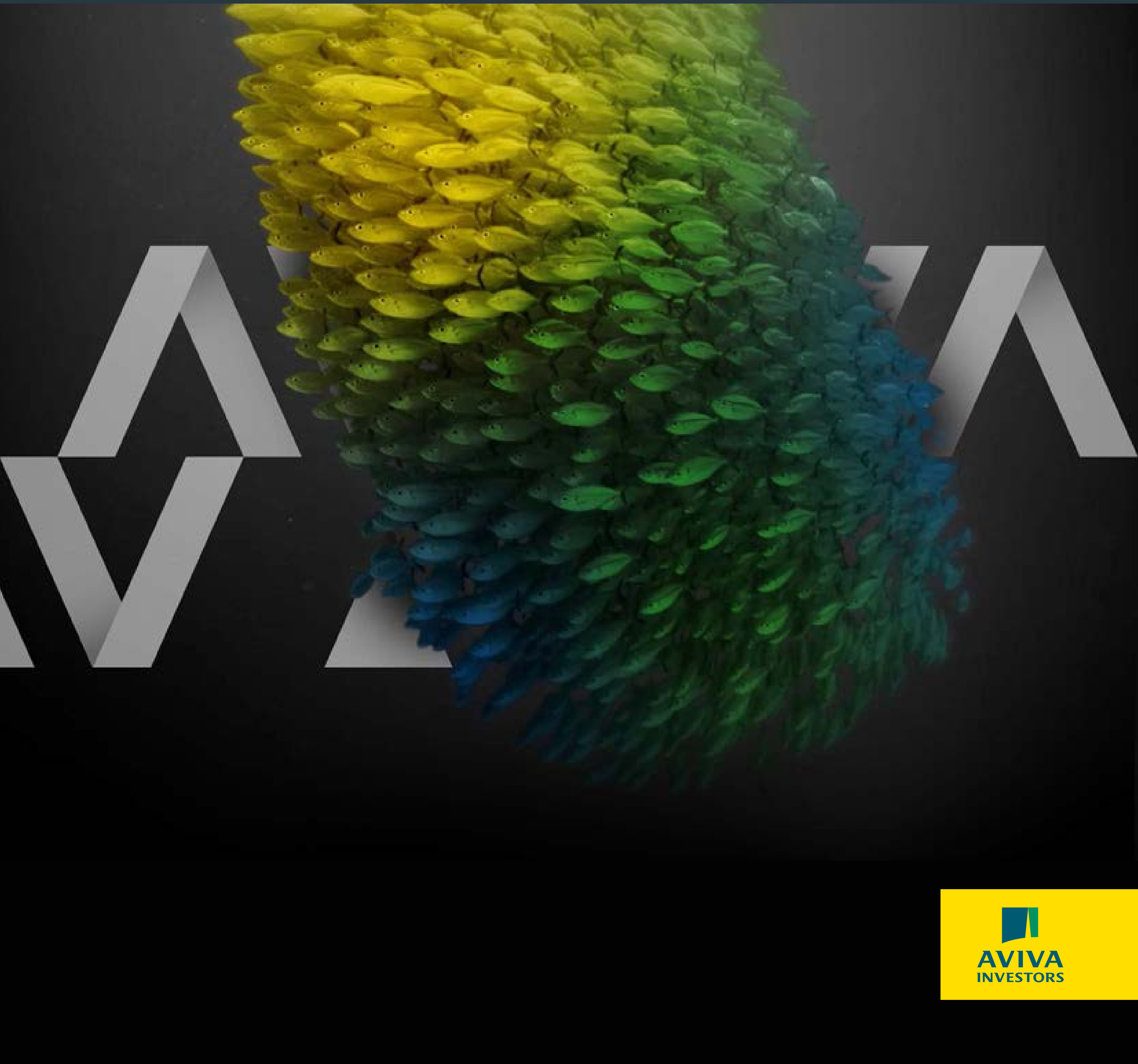
Pillar 3 Disclosures

December 2021



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Introduction

1.1 Overview

1.1.1 Purpose

The Capital Requirements Directive IV ("CRD IV") is the framework for implementing international capital adequacy standards in the European Union ("EU"); and consists of three pillars:

- Pillar 1 sets the minimum capital requirements that regulated entities are required to meet for credit, market and operational risk, as determined by the local regulator;
- Pillar 2 requires regulated entities and their supervisors to assess whether additional capital should be held against risks not covered in Pillar 1; and
- Pillar 3 seeks to improve market discipline by requiring regulated entities to disclose certain information on their risks, risk management and capital.

The Aviva Investors Financial Conduct Authority ("FCA") consolidation group (hereafter referred to as "UK Regulatory Group") is categorised as a significant Prudential Sourcebook for Investment Firms ("IFPRU") Group and is subject to prudential oversight by the regulators of the countries in which it operates. The United Kingdom's Regulator – the FCA – implements the Pillar 3 requirements in the UK by way of Part Eight of the Capital Requirements Regulation ("CRR"). In summary, the regulations require Aviva Investors to consider the following:

- The alignment of Aviva Investors business strategy, plan, forecasts, Risk Appetite Statement ("RAS"), risks and monitoring measurements.
- The identification, definition, exposure and measurement of its key risks and controls to mitigate those risks.
- The capital adequacy assessment process to assess each material risk and determine the appropriate capital requirements.
- The integration of the Internal Capital Adequacy Assessment Process ("ICAAP") into the Aviva Investors Risk Management Framework ("RMF") processes.
- The resilience of the financial position and financial projections by undertaking stress tests and scenario analysis which reflect a range of adverse circumstances relevant to its business and risk profile.

1.1.2 Basis of disclosures

These disclosures are made in accordance with the requirements of Articles 431 to 455 of the CRR. Specifically, these disclosures include Aviva Investors' RMF and policies which include the strategies, culture and processes, governance arrangements, tools and reporting procedures necessary to manage current and future risk profiles.

1.1.3 Frequency of disclosures

These disclosures are produced on an annual basis as a minimum and more frequently, if appropriate. Aviva Investors has a financial reporting date of 31 December and these disclosures reflect the position at 31 December 2021.

1.1.4 Verification, media and location

These disclosures are produced solely for the purposes of satisfying the Pillar 3 requirements, to explain the basis of preparation, disclosure of certain capital requirements and to provide information about the management of certain risks. The disclosures are not subject to audit nor do they constitute any form of audited financial statements.

Aviva Investors Holdings Limited ("AIHL") and its subsidiaries collectively referred to as the "Aviva Investors Group" are responsible for the system of internal control and for reviewing its effectiveness. Such a system can provide reasonable but not absolute assurance against material financial misstatement or loss, conduct and reputational impacts and is designed to mitigate, not eliminate, risk.

The Aviva Investors Pillar 3 disclosures have been prepared and reviewed in accordance with the Aviva Investors Pillar 3 disclosure policy approved by the AIHL Board on 20 April 2022. Management consider that disclosures as set out in this document adequately convey the risk profile of Aviva Investors.

These disclosures are published on the Aviva Investors corporate website **(www.avivainvestors.com)**.

1.2 Scope

1.2.1 Basis of consolidation

In accordance with the exemptions available under International Accounting Standard ("IAS") 27 Consolidated and Separate Financial Statements and section 400 of the Companies Act 2006, AIHL does not publish its own consolidated accounts as the Aviva Investors Group is consolidated into the accounts of its ultimate parent company, Aviva plc, which are published on the Aviva corporate website (www.aviva.com). Internal Aviva Investors Group consolidated management accounts, prepared in accordance with International Financial Reporting Standards ("IFRS"), include a consolidation of its subsidiaries, joint ventures and relevant proportions of undertakings by virtue of a Banking Consolidation Directive Article 134 relationship. An Article 134 relationship is a relationship where significant influence is exercised over another company, but without holding a participation or other capital ties in the company and without being a parent undertaking of the company.

Within the UK Regulatory Group, the following entities are regulated by the FCA and are consolidated for regulatory reporting purposes using the aggregation method under the FCA rules for investment firms:

- Aviva Investors Global Services Limited ("AIGSL"), a significant IFPRU firm – Limited Licence €125k;
- Aviva Investors UK Fund Services Limited ("AIUKFSL"), an IPRU-INV collective portfolio management firm;

The following overseas entities are regulated by local regulatory authorities in their jurisdiction of incorporation and are consolidated using the aggregation method:

- Aviva Investors Luxembourg SA;
- Aviva Investors Asia Pte Ltd;
- Aviva Investors Pacific Pty Limited;
- Aviva Investors Americas LLC;
- Aviva Investors Canada Inc; and
- Aviva Investors Jersey Unit Trusts Management Limited

Aviva Investors Poland TFI was sold in November 2021. The entity was previously consolidated as part of the UK Regulatory Group with a 51% ownership share.

The following investment was not consolidated:

- Aviva Investors Pensions Limited ("AIPL")

AIPL is an "insurance undertaking" and is therefore not an institution or a financial institution and falls under Solvency II regulatory regime, as defined in the Prudential Regulation Authority ("PRA") Rulebook. Consequently, AIPL is excluded from the consolidation, but reflected as an investment in subsidiary.

There are other unregulated and dormant entities in the Aviva Investors Group which are not included in the list above but are consolidated for regulatory reporting purposes. A full list of Aviva Investors entities is included in the Aviva plc Annual Report 2021 available at **www.aviva.com**

1.2.2 Transfer of capital resources

There is no current or foreseen material, practical or legal impediment to the prompt transfer of capital resources from AIHL, the Aviva Investors Group parent undertaking, to its subsidiary undertakings.

Section 2

Governance structure and key responsibilities

Section 2

Governance structure and key responsibilities

2.1 Boards and Committees

2.1.1 Aviva plc Board

The Aviva Investors Group forms part of the Aviva plc group of companies as reported in the Aviva plc Annual Report and Accounts 2021 ("Aviva Group"), headed by Aviva plc. The Aviva plc Board is responsible for determining the overall Group risk appetite, which is an expression of the risk that Aviva Group is willing to take. Risk appetite is set relative to capital, liquidity and franchise value at group and individual entity level. The Group's position against risk appetite is monitored and reported to the Aviva plc Board on a regular basis.

The respective knowledge, skills and experience of the members of the Aviva plc Board are provided in the Aviva plc Annual Report and Accounts. The approach to diversity with regard to the selection of members of the Aviva plc Board, its objectives and targets, and the extent to which these targets have been achieved, are also provided in the Aviva plc Annual Report and Accounts, which are available at www.aviva.com. The Aviva plc Board's Diversity and Inclusion statement, which is in line with the overall Aviva Group Diversity and Inclusion strategy, is available at **https://www.aviva.com/content/dam/aviva-corporate/documents/companysecretarial/pdfs/Aviva_Board_Diversity_Statement.pdf**.

2.1.2 Aviva Investors

AIHL is the holding company for the Aviva Investors Group and heads up the UK Regulatory Group, including AIGSL and AIUKFSL as the FCA regulated entities. As such, the AIHL Board exercises oversight (directly or through its Risk, Audit, Remuneration or Nomination committees (the "Board Committees")) over the operation of these subsidiaries. This oversight includes monitoring the Aviva Investors risk and control environment. AIGSL and AIUKFSL are specifically included within the scope of the Board Committees. As at 31 December 2021, the Directors of AIHL, AIGSL and AIUKFSL are all FCA senior managers by virtue of their responsibilities in respect of each entity.

AIHL Board

The AIHL Board of directors ("AIHL Board") is responsible for organising and directing the affairs of Aviva Investors in a manner that is most likely to promote the success of Aviva Investors for the benefit of its shareholder and in a manner that is consistent with its Articles of Association, applicable regulatory requirements and current corporate governance practice. The AIHL Board membership comprises Executive and non-Executive directors and is subject to the approval of its shareholder and, where the director has a senior management function ("SMF") role, the UK regulator.

Directors and management of Aviva Investors are committed to maintaining a strong risk, control and compliance culture throughout the organisation.

This is achieved through a governance structure consisting of three core elements: boards, board committees and personal committees; three lines of defence, policies, processes, and controls; and roles and accountabilities. Board members have specific responsibility to review and monitor the current and future risks of Aviva Investors.

The governance committees are responsible for reviewing and setting policies and procedures for the business lines within Aviva Investors. These committees are established to assist and support the Board to manage key strategic matters; review business activity and risks; and provide support where needed.

Board Committees

The AIHL Board delegates certain of its duties to the board committees as described below. The AIHL Board, together with these committees, provides oversight and challenge of global strategic, financial, reputational, environmental, social and governance ("ESG"), conduct and control aspects of the Aviva Investors' business. Matters may also be escalated by the business to these committees or the AIHL Board. All board committees are chaired by non-executive directors.

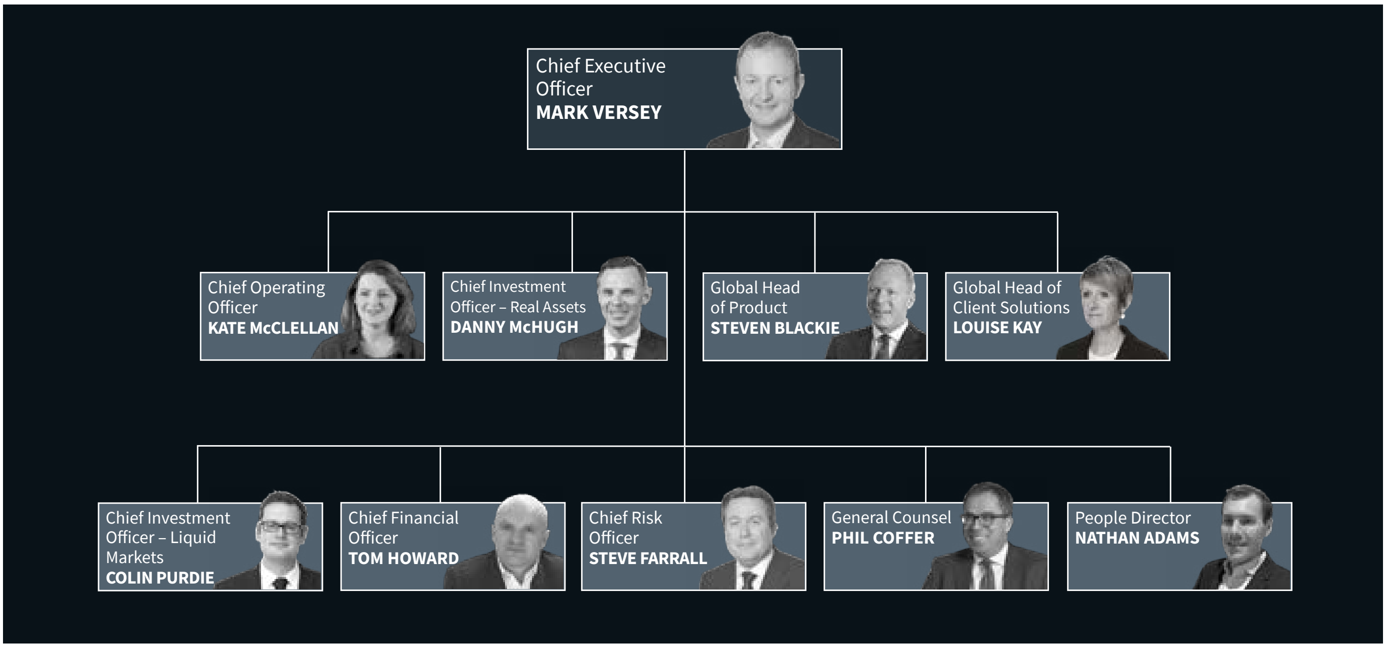
- The **Aviva Investors Audit Committee** ('Audit Committee') works closely with the Aviva Investors Risk Committee and is responsible for monitoring the integrity of financial statements and the effectiveness of systems of internal control, and for monitoring the effectiveness, performance, independence and objectivity of the internal and the external auditors.

- The **Aviva Investors Risk Committee** ('Risk Committee') assists the Board in the oversight of risk (including conduct, regulatory, compliance and legal risk) by reviewing the effectiveness of the RMF, risk appetite and profile, methodology and calculations used in determining capital requirements and stress and scenario testing results, ensuring due diligence appraisals are carried out on strategic or significant transactions; and monitoring regulatory requirements.
- The **Aviva Investors Nomination Committee** ('Nomination Committee') monitors the balance of skills, knowledge, experience and diversity on boards of directors and recommends appointments to the boards of AIHL, AIGSL (for CRD IV purposes) and the other main operating and regulated entities throughout Aviva Investors.
- The **Aviva Investors Remuneration Committee** ('Remuneration Committee') supports and advises the AIHL Board on the overall remuneration policy for Aviva Investors and the employment, remuneration, reward and benefits terms for Aviva Investors' senior management and material employees, including Material Risk Takers and identified staff; and reviews and makes recommendations on remuneration matters to the Aviva plc Group Remuneration Committee and the AIHL Board for approval.

Personal Committees

The AIHL Board has delegated authority to the Aviva Investors Chief Executive Officer ("CEO") for the executive management of the business. The CEO is provided with support and advice by a personal **Executive Committee** comprising all the members of the Executive team. In some functions, sub-committees (referred to as personal committees) formed of Executive Committee members may be used to deliver focused governance outcomes, such as investments, finance, people, risk, client, product and operations.

Aviva Investors Executive Committee*



* As at 31 December 2021

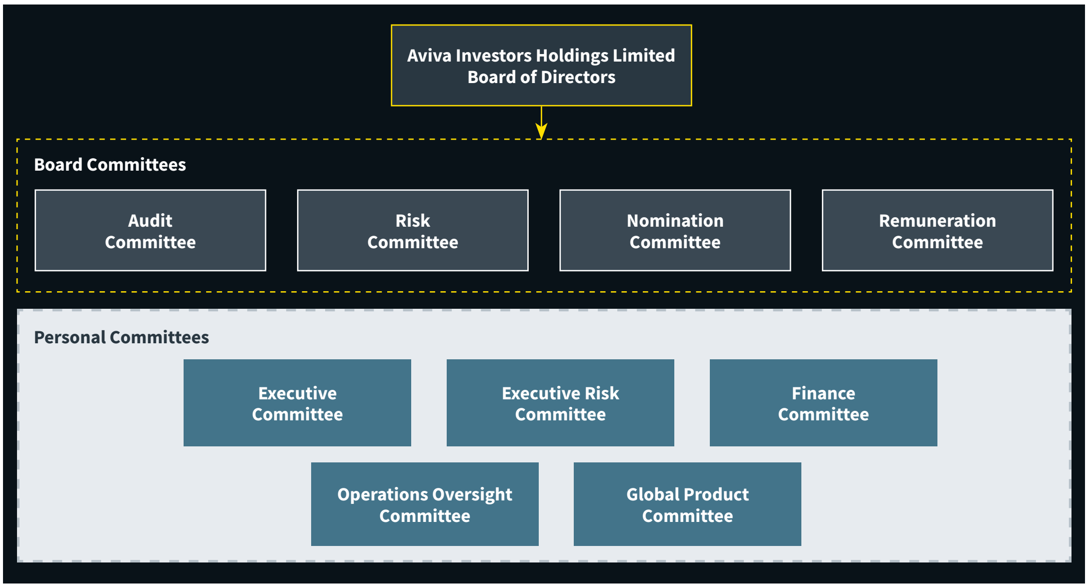
Section 2

Governance structure and key responsibilities Continued

In addition to the **Executive Committee**, the other personal committees are:

- **Executive Risk Committee** (chaired by the Chief Risk Officer ("CRO")) considers the key conduct, credit, investment, operational, compliance, financial crime and emerging risks of Aviva Investors.
- **Finance Committee** (chaired by the Chief Financial Officer ("CFO")) oversees the financial performance and actions to deliver against strategy. Performs a quarterly review of balance sheet and capital provision management.
- **Global Product Committee** (chaired by the Head of Global Product) oversees the implementation of the Aviva Investors product strategy, the product development and product management activities including prioritisation, development and launch of new products and the management of existing products (including mergers and closures) and approves pricing proposals for all collectives including for new funds and changes to pricing of existing funds.
- **Operations Oversight Committee** (chaired by the Chief Operating Officer ("COO")) oversees operational volumes, performance and efficiency. Monitors Client Assets Sourcebook ("CASS"), pricing and valuation consistency. Escalation for supplier oversight and operational resilience issues.

Governance Structure



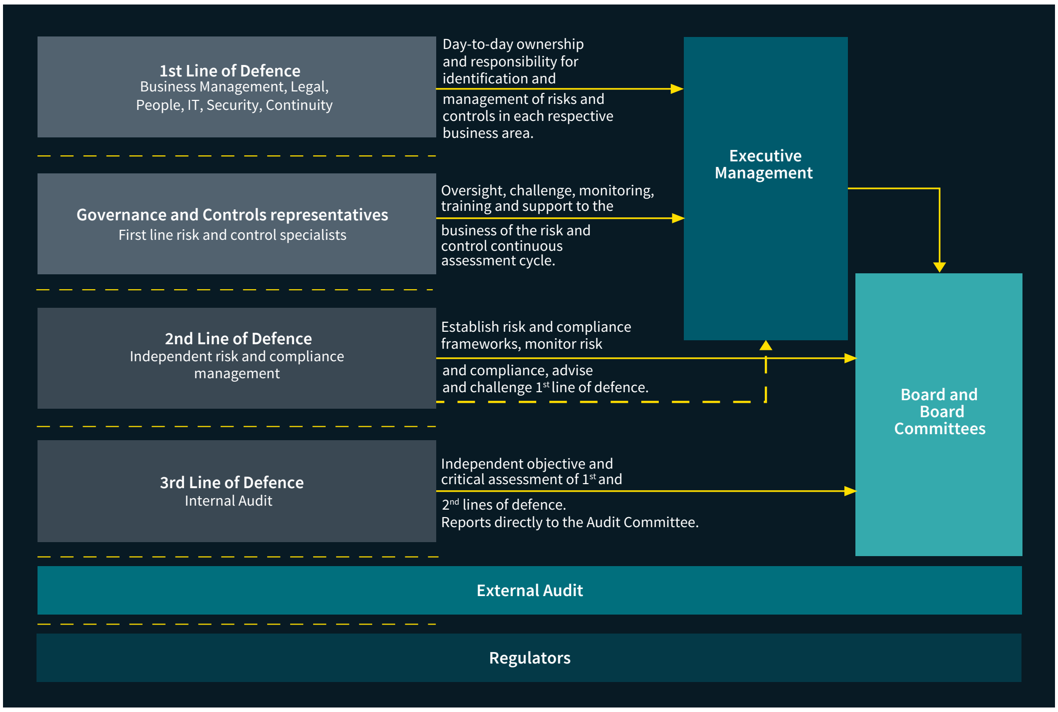
2.2 Three lines of defence

Aviva Investors manages its risks based on the "Three Lines of Defence" model: the first line of defence comprises business managers, Information Technology ("IT"), Security and Continuity teams who manage business risks on a daily basis; the second line of defence comprises the Risk and Compliance teams under the direction of the Aviva Investors global CRO who advise and challenge the business on the management of its risks; and the third line of defence comprises Internal Audit ("IA") who assess and report on the effectiveness of controls.

All employees of the organisation are involved in the management and mitigation of risk at Aviva Investors.

As a result, Aviva Investors RMF is embedded in the day-to-day management and decision-making processes. There is active and demonstrable sponsorship and support from the Board and Executive Management.

The roles of the three lines of defence outlined below each contribute to embedded risk management. Senior management ensure that delegations, where appropriate, are reflected in Statement of Responsibilities.



2.2.1 First line of defence

Aviva Investors recognises the importance of clear and appropriate apportionment of significant responsibilities among directors and senior managers. This is achieved by having clear role profiles that record all employee accountabilities and are consistent with committee and delegated authority structures.

The first line of defence is responsible for future and current risk identification, measurement, management, monitoring and reporting ("IMMMR") through the implementation and practice of risk management techniques described in the RMF.

2.2.2. Governance and control functions

Aviva Investors recognises the importance of oversight, monitoring, training and supporting the business in performing its risk and control management responsibilities. This is achieved by employing appropriate representatives to support the Executive Committee members and their nominees in the successful commencement and completion of the risk and control assessment cycle throughout the year.

The governance and control ("G&C") representatives should remain operationally independent from risk-taking activities that could compromise their independence and ability to challenge. If a G&C member cannot remain operationally independent, appropriate mitigations are undertaken to reduce the independence and self-review threats to a reasonable level.

2.2.3 Second line of defence

The second line of defence consists of the Risk and Compliance Functions.

The Risk and Compliance Functions report directly to the Aviva Investors global CRO and are operationally independent from risk-taking activities and any other activities that could compromise their independence. A summary of activities is outlined below:

- **Risk** is responsible for the design, implementation and validation of the risk and control management frameworks, systems and economic capital models requiring regulatory approval. The Risk function reports to the Aviva Investors global CRO, Executive Risk Committee, Risk Committee and AIHL Board on the overall risk profile of Aviva Investors.

  Material business decisions such as the development of new products or the purchase of new businesses require the support of the Risk Function before proceeding which is summarised in the CRO opinion.

- **Compliance** is responsible for assessing, advising, monitoring and reporting on the firm's compliance risk i.e. the risk that the firm fails to comply with its obligations under the applicable requirements and the standards set by the FCA and other relevant regulatory authorities.

- Aviva Investors has a matrix structure with regional CROs reporting to the Aviva Investors Global CRO.

Regional Risk teams are responsible for ensuring that the RMF is applied consistently across Aviva Investors' business globally. In some instances, the Regional Risk teams may be structured differently in order to meet the requirements of the local Regulator, for example, the CSSF (Commission de Surveillance du Secteur Financier) consider IT and Finance as second line of defence functions.

The local risk teams report to:

- The Director of Risk Transformation and Governance
- The CRO Americas; and
- The CRO Asia Pacific.

2.2.4 Third line of defence

Aviva Investors IA is part of the Aviva plc Group Audit function. It has a dedicated Audit team who are specialised in fund management, led by an Audit Director who reports to the Chief Audit Officer of Aviva plc and the Aviva Investors' Audit Committee. IA's purpose is to help the Board and Executive Management to protect the assets, reputation and sustainability of Aviva Investors by providing independent and objective assurance designed to add value and improve Aviva Investors' operations.

In pursuit of this purpose IA undertakes, objectively and independently from management, to assess whether all significant risks are identified and appropriately reported by management and second line of defence (to Aviva Group and Aviva Investors Audit and Risk committees and Executive Management as appropriate); assessing whether they are adequately managed; and by challenging Executive Management to improve the effectiveness of governance, risk management and internal controls. The scope of IA assurance activities includes assessing and reporting on the effectiveness of the design and operation of the framework of controls and on the effectiveness of management actions to address any deficiencies within the framework of controls and risks that are out of tolerance. IA may also assess relevant post-mortem or 'lessons learned' analysis following significant adverse events at the organisation or in the industry.

IA is responsible for performing these functions efficiently and effectively, but it is not responsible for setting Aviva Investors' risk appetite or for the effectiveness of the framework of controls.

2.3. Culture and Conduct

Aviva Investors' vision is to deliver exceptional client experience while building a sustainable world. In line with the Aviva Investors values, Aviva Investors continually seeks to improve its conduct of business, balancing the needs of all key stakeholders including our customers, our people, our shareholders, our regulators, the markets in which we operate and society at large. The context for our strategic choices and day to day decision making is our culture and behaviours, supported by the Aviva Investors' values and directed by our vision.

The implementation of strategy, the operation of our business, our culture and external events, will all create or mitigate inherent risks to Aviva Investors, but they also create risks to our customers and the markets in which Aviva Investors operates. Failing to effectively identify and manage risks to our customers and our markets creates conduct exposure for Aviva Investors. Therefore, the Conduct Risk Policy is a core component of Aviva Investors' RMF. The purpose of this policy is to provide the framework for the identification and mitigation of the inherent conduct risks arising from the definition and execution of Aviva Investors strategy, culture, customer and market behaviour, as well as its day-to-day operations and governance.

Management information is developed to rigorously and pervasively monitor conduct risk across the global business. Boards receive conduct risk analysis results from all three lines of defence teams, highlighting issues identified for resolution.

Frameworks, processes and controls are continuously reviewed, tested and improved to obtain assurance that Aviva Investors adheres to the conduct standards expected of a large participant in the asset management industry.

Aviva Investors expects all employees to maintain the highest standards of personal and business conduct, market practice, integrity and ethics. Confidence in the integrity of Aviva Investors and its employees is key to establishing trust between the firm and its stakeholders, such as regulators, clients and business partners. Aviva Investors has embedded frameworks and policies that support timely identification, measurement, management, monitoring and reporting of conduct risk.

Individual responsibilities for good conduct are reinforced in written role profiles clearly highlighting conduct responsibilities (underpinned by Senior Managers and Certification Regime (SMCR) requirements), recruitment, remuneration and reward frameworks, as well as annual conduct attestations and training activities. The key framework relating to personal conduct obligation is the Global Ethical Conduct Code.

2.3.1 Global Ethical Conduct Code and supporting policies

Aviva Investors' Global Ethical Conduct Code (referred to as the "Code") provides the standards of ethical conduct expected from all employees including the highest standards of honesty and integrity to avoid even the perception of impropriety.

The Code is underpinned by principles supported by policies describing how employees are required to adhere to the standards in the Code.

The primary policies are noted below:

- Global market conduct;
- Personal account dealing;
- Financial crime;
- Conflicts of interest;
- Gifts and hospitality; and
- Whistleblowing.

2.3.2 Recruitment and Reward

Aviva Investors has policies and procedures to hire the right people. These policies and procedures require prospective employees to be screened, prior to the commencement of employment with Aviva Investors. Enhanced checks are applied to senior employees, controlled functions, other roles with additional regulatory responsibilities and customer facing roles.

Aviva Investors' remuneration policies and practices are consistent with sound risk management and promotion of ethical behaviour and integrity. The policies and practices do not encourage excessive risk taking by employees and address behaviours that amount to wrongdoing, malpractice, misconduct, corruption or mismanagement within Aviva Investors. The policies and practices promote the alignment of the interest of employees with those of Aviva Investors' stakeholders (e.g. clients, parent company and regulators).

2.4 Risk, Compliance and Control Environment

Aviva Investors seeks to optimise its asset management business' performance subject to remaining within risk appetite and meeting the expectations of stakeholders. This is achieved by embedding rigorous and consistent risk, compliance and control management across the asset management business and responsibly investing available resources to optimise the balance between risks and returns.

The RMF is approved by the AIHL Board annually in the fourth quarter of the calendar year on a forward-looking basis. The most recent approval occurred on 15 December 2021.

2.4.1 Frameworks

The risk, compliance, financial crime and control management frameworks are developed by second line. These include appropriate principles, strategies, policies, processes, governance arrangements, tools and reporting procedures used by all employees to IMMMR the current and future risk, compliance, financial crime and control profiles of the business.

All frameworks are aligned to each other and aim to drive consistency and control across the business. Second line provide procedures, training, advice and guidance to, and monitors, all employees on the appropriate embedding of such frameworks in their day-to-day management activities.

All frameworks incorporate the Aviva Group Enterprise frameworks which are adapted to the needs and requirements of the asset management business.

2.4.2 Aviva Investors Risk Register

The purpose of the Aviva Investors Risk Register ("AIRR") is to provide a common basis to IMMMR all risks across the business. The AIRR developed contains 3 registers: causal, event and effect registers that are complementary registers to each other.

1. **Causal register**

The Causal register provides a common basis to analyse the root cause(s) of weaknesses identified across the business. The Causal register is divided into 4 level 1 categories, namely: people, process, internal systems and external factors which are further divided into granular causal categories (level 2).

2. **Event register**

The Event register provides a common basis to classify and group residual risk exposures and consists of the following:

- IFPRU 2.2.7 regulatory risk categories (level 1);
- Operational risk, which is further divided into the 7 Basel II risk event categories together with the other regulatory risk categories that have been divided into risk event categories internally developed by the business (level 2);
- The risk event categories are further divided into granular categories aligned to the individual business activities across the business (levels 3 and 4).

3. **Effect register**

Effect type register provides a common basis to assess the effect that each event – if crystallised – could have on the business (financial, misstatement, conduct and reputational impacts).

The AIRR is used to aggregate the individual risk exposures of the business which enables the CRO to report the overall risk profile to the AIHL Board and Aviva Group.

2.4.3 Risk appetite statement

The AIHL Board owns the RAS which articulates how all major risk groups are defined, assessed and monitored in line with the business strategy, plan, forecast and Aviva Investors' current capital position. The RAS forms part of the risk management process. Its purpose is to articulate the risk appetite of the AIHL Board in providing asset management services and products by outlining:

- The definition of each risk group and how this is interpreted as exposure facing the business.
- Reconciliation between the risk groups and categories assessed in the RAS and AIRR.
- The appetite for each of these risk groups in delivering the business plan.
- The rationales developed to determine the appropriate risk appetites for each risk group.
- The approach used (both leading, lagging, quantitative and qualitative) by the business to IMMMR the actual risk exposures compared to risk appetites.
- The approach taken in the event that the measurements indicate a risk appetite is about to be breached as well as action taken to address risk appetites which have been breached.
- The qualitative statements used to define the culture and behaviour of Aviva Investors.

The RAS expresses Aviva Investors' appetite for the range of risks facing the business both qualitatively and quantitatively. As the business evolves, so the risk appetite may change. Consequently, the statement is reviewed at least annually by the AIHL Board of which iterations require formal approval.

2.4.4 Risk tolerances and aggregation

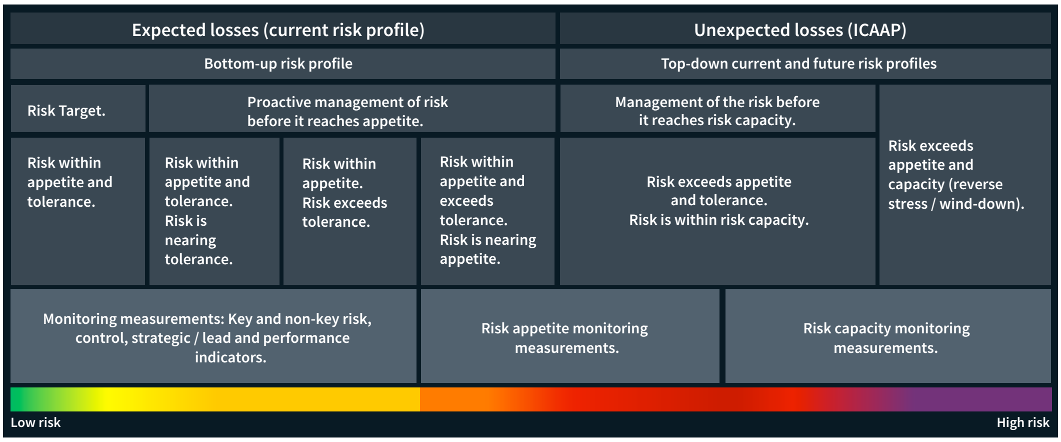
The risk appetites are translated into granular risk tolerances and mapped against the granular risks in AIRR. The risk tolerances are approved at least annually or with every significant business change by the AIHL Board. The approved risk tolerances are provided to the business to measure the residual risk exposures of the business against, in order to identify those risk exposures exceeding tolerance which require remediation. The risk aggregation method implemented by Aviva Investors aggregates the risk exposures at its most granular level to its highest level (regulatory risk categories) which allows the AIHL Board to obtain a view of its overall risk profile.

2.4.5 Approach

- All risks – such as (but not limited to) operational, compliance, conduct, financial crime, legal and strategic – are included in these frameworks and grouped into two categories:
- Future risks are those risks to which Aviva Investors may be exposed to sometime in the future; and
- Current risks are those risks currently facing the business (both residual and inherent) whilst achieving its strategic objectives.

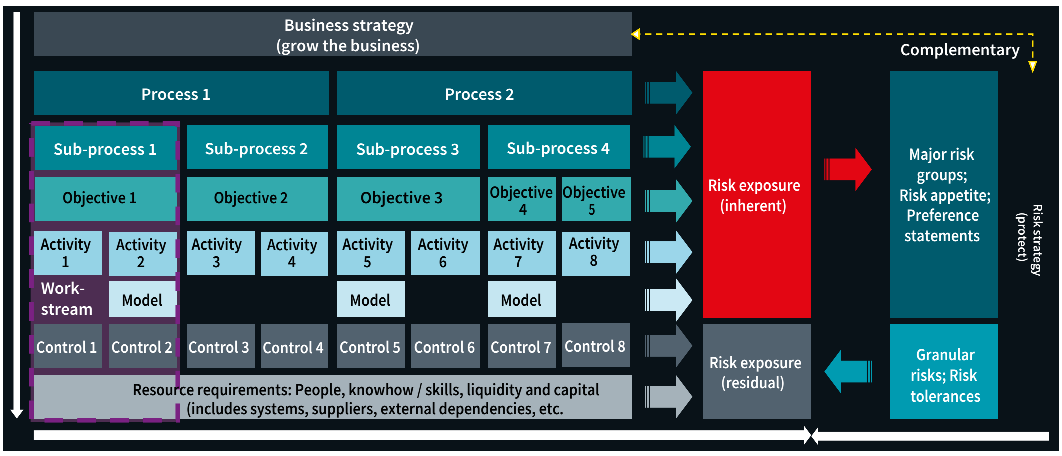
Both future and current risks are identified and assessed by senior management to determine the top down concerns of the business. Below is a risk continuum diagram presenting the different areas of risk management included in the IMMMR process ranging from granular risks (left-hand side of the diagram) to once-in-a-lifetime risks (right-hand side of the diagram).

Risk continuum



The business model has been split into process categories which includes objectives, activities and controls underpinned by the appropriate resources. The control activities are used to both achieve the business strategy and mitigate Aviva Investors' current and future risks to an acceptable level. The below diagram illustrates the complementary relationship between the business and risk strategy.

Complementary Relationship between Risk and Business Strategy



Process Categories

Process categories incorporating the business activities, control objectives and control activities are illustrated in the diagram. These are incorporated into our risk management system called iCARE.

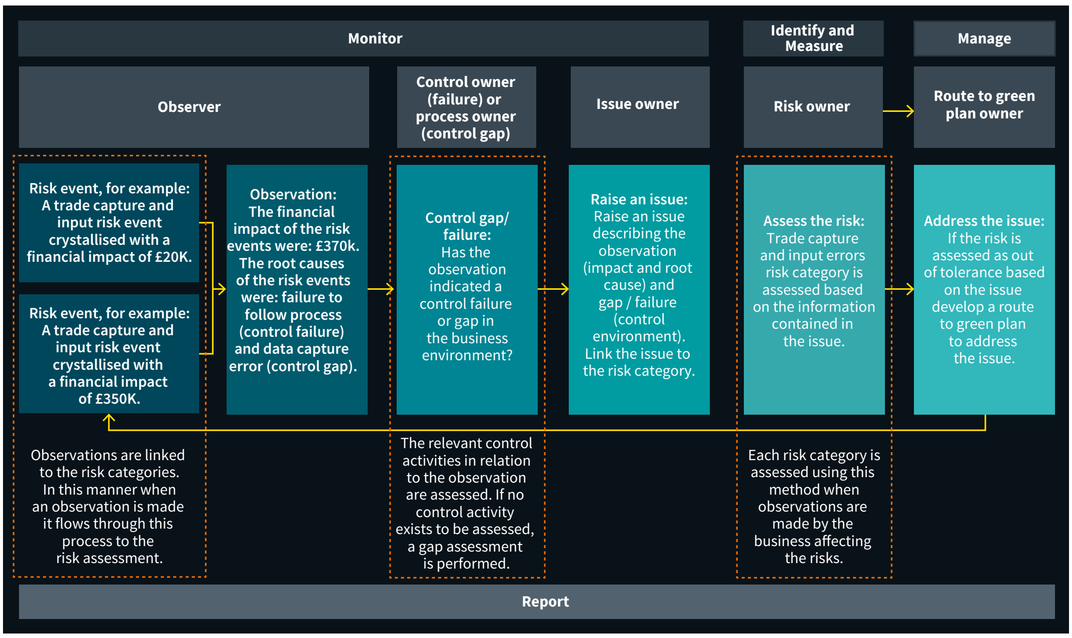
Mark Versey (CEO – responsible for all processes) (SMF1 Chief Executive)									
C/F/A	C/F/A	C/F/A	C/F/A	C/F/A	FD	FD	C/F/A/FD	FD/O	O
Products Governance	Global Client Solutions	Liquid Markets	Real Assets	Operations	Finance and Tax	Legal and Company Secretarial	People	Supplier, data, controls, IT and facilities	Risk and Compliance
Steven Blackie	Louise Kay	Colin Purdie	Daniel McHugh	Kate McClellan	Tom Howard	Phil Coffer	Nathan Adams	Kate McClellan	Steve Farrall
SMF18 Other responsibility	SMF3 Director	SMF3 Director	SMF18 Other overall responsibility	SMF24 Chief Operations Function	SMF2 Chief Finance Function	CF Significant management	SMF18 Other overall responsibility	SMF24 Chief Operations Function	SMF4 Chief Risk Function

Process	Category
Product lifecycle management	C/F/A
Marketing and communications	C/F/A
Sales and distribution	C/F/A
Client experience	C/F/A
Client operations	C/F/A
Financial crime operations	C/F/A
Investment management and financial data - real assets	C/F/A
Investment management - liquid markets	C/F/A
Trading	C/F/A
Mandate monitoring	C/F/A
Trade and derivative operations	C/F/A
Loan servicing and banking – illiquids	C/F/A
Securities finance operations	C/F/A
Counterparty exposure monitoring	C/F/A
Security data setup and management	C/F/A
Investment system support and development	C/F/A
Asset servicing, corporate actions and income	C/F/A
Cash and stock management	C/F/A
Pricing and valuation	C/F/A
Performance measurement	C/F/A
Payment governance	C/F/A
CASS oversight and transaction reporting	C/F/A
Fund accounting oversight	C/F/A
Legal and Company Secretarial	FD
People	FD
Finance and Tax	FD
Information technology and business protection	FD
Facilities management	FD
Change and data	FD
Fund services	O
Internal governance	O
Risk and Compliance	O

Key:
C/F/A: Client / Fund / Asset management
FD: Foundation
O: Internal Oversight and Governance

Identify, Measure, Manage, Monitor and Report

The IMMMR process – as illustrated by the diagram below – revolves around the setup of the business model and its relationships between processes, controls and risks.



Observer (monitor)

Observations are methods used by Aviva Investors, auditors, advisors, employees, consultants or any relevant party to observe the business model and identify failures or gaps exposing the firm to risk or failure of achieving objectives. All observations identified as issues are mapped to the relevant current or future risks facing the business and to the objectives that Aviva Investors endeavours to achieve.

Observations are categorised into four groups:

- Risk events and near misses;
- Internal and external reviews;
- Tracking mechanisms (e.g. indicators); and
- Assurance and control testing.

Governance structure and key responsibilities Continued

Control and Process Owner (monitor)

Control and process owners require an intimate knowledge of the control environment and markets in which Aviva Investors operates as well as the relevant control activities' control objectives and risk exposures. Control assessments are performed by thoroughly analysing all observations to appropriately determine whether a control failure has occurred, or a gap exists in the business.

Issue Owner (monitor)

If an observation results in a control failure or gap, the observer and control or process owner collaborates to raise an issue against the particular gap or failure. An appropriate issue owner is identified who is responsible for:

- Managing and monitoring the remediation of the issue;
- Gathering the necessary evidence to demonstrate adequate and appropriate remediation has been completed; and
- Closing the issue upon completion of the remediation.

Risk Owner (identify and measure)

Risk owners equipped with an intimate knowledge of the business, the markets in which Aviva Investors operates, and its strategic and business objectives are responsible for identifying and measuring risks in response to the issues raised across the business. Risk identification and measurement is refreshed when changes in the environment occur.

A variety of risk measurement tools and processes are available to support risk identification and measurement depending on whether it is a current or future risk being assessed. Current risks use a likelihood and impact scale whereas future risks consider a proximity, impact and readiness scale. All risk assessments are performed on a forward-looking basis.

Both measurement scales allow the risk owner to identify the primary concerns of the business which are then prioritised for remediation.

Route to Green Plans (manage)

Risk owners are responsible for deciding how risk exposures need to be managed which includes: acceptance, avoidance, transfer and remediation. For risks outside acceptable levels, remediation is selected in almost all instances. In some rare circumstances, risk acceptance, transfer or avoidance is selected. All risk management decisions are documented.

Remediation required for issues identified targets root causes. The issue owner reports on the progress of the remediation back to the risk owners on a continuous basis in order to early identify remediation which is not on track.

Risks outside acceptable levels requiring an acceptance, avoidance or transfer of the exposure undergo a robust governance process with second line in order to consider changes to the acceptable risk levels.

Risk Reporting

Risk reporting encompasses the reporting of each of the four steps of risk management (identify, measure, manage and monitor) and is provided to senior management based on their risk profile needs, committee Terms of Reference, escalation requirements and decision-making responsibilities.

Risk reporting is developed to be clear, relevant, accurate and timely, highlighting and prioritising the primary concerns of the business. All decisions made are documented and monitored for execution across the business.

Internal capital adequacy assessment process (ICAAP)

The ICAAP is a process used to carry out assessments of the amounts, types and distribution of financial resources, capital resources and internal capital required to cover the nature and level of the risks to which Aviva Investors is exposed. This process consists of several underlying activities which considers the information of the day-to-day current risk profiles (e.g. operational, market, credit risk, etc.) and future risk profiles (e.g. geopolitical, macroeconomic, regulatory developments, etc) to inform the internal capital adequacy assessment process.

In summary, the ICAAP includes the below three activities:

- The ICAAP estimates the amount of capital that needs to be held to ensure that the business can withstand the impact of a severe, yet plausible 1-in-200-year combination of its top-down risks crystallising on a forward-looking basis.
- Scenario workshops are conducted to identify, prepare, update and validate the appropriate scenarios to assess and stress the capital position of Aviva Investors as part of the ICAAP.
- The Aviva Investors CRO is responsible for the production of the ICAAP report, which is produced annually for the AIHL Board and summarises the results and conclusions of the ICAAP activities. It is reviewed and challenged by the Executive Committee, Finance Committee, Executive Risk Committee and Risk Committee; and approved by the AIHL Board.

2.4.6 Risk Improvement and Delivery Program

The Risk Improvement and Delivery Program (RIDP) was created in 2021 to improve risk management across Aviva Group. As a result of improvements made to Aviva Group's Common Operational Risk Register (CORR), Aviva Investors will transition from using the AIRR to CORR in January 2023 whilst maintaining our granular risk tolerances and Asset Management specific risks.

2.4.7 Risks after the reporting period

On 24 February 2022, on-going tensions between Russia and Ukraine developed into full-scale armed conflict between the two countries. Western countries have responded with severe economic sanctions on Russia and Belarus and connected companies and individuals. There is considerable uncertainty over how the conflict might develop, including the possibility of the conflict spreading to neighbouring countries, some of which are members of the North Atlantic Treaty Organisation. The conflict has resulted in increased volatility in a number of markets and may impact wider global macroeconomic conditions which could have implications for the principal risks faced by Aviva Investors. The RMF is used to monitor and manage risks in this dynamic situation and as a result the Aviva Group's crisis management framework was invoked with the meeting of the Aviva plc Crisis Leadership Team in order to assess the Aviva Group's response, provide strategic direction and manage communications. Likewise, the Aviva Investors' Crisis Leadership Team meets regularly to assess tactical response options, agree response actions, and manage communications with the Aviva plc Crisis Leadership Team.

The Russia-Ukraine conflict has heightened the risk of cyber security attacks on Aviva or its suppliers, in particular via denial of service attacks. The Company relies on the cyber security controls implemented within Aviva Group. Although to date no serious cyber security incidents have been reported, the Aviva Group has strengthened its perimeter controls. The Aviva Group has engaged with its suppliers to ensure they have put in place all reasonable measures to ensure that services to Aviva remain unaffected.

The Aviva Group has in place systems and controls to ensure it does not provide financial services and/or funds to individuals or connected companies subject to sanctions arising from the Russia-Ukraine conflict, and that for any client relationships existing before the imposition of sanctions assets are frozen and policies cancelled.

Section 3

Capital Resources and Adequacy

Section

3

Capital Resources and Adequacy

CET1 capital is the highest-ranking form of capital and comprises ordinary share capital, share premium, retained profits and other reserves amounting to

£411.6m

at 31 December 2021.

3.1 Capital Resources

Aviva Investors has a simple capital structure comprising Common Equity Tier 1 (“CET1”) and Tier 2 (“T2”) capital. CET1 capital is the highest-ranking form of capital and comprises ordinary share capital, share premium, retained profits and other reserves amounting to **£411.6m** at 31 December 2021.

At 31 December 2021 and throughout the year, Aviva Investors complied with the capital requirements as set by the FCA.

3.2 Capital Resource Requirements – Pillar 1

For the UK Regulatory Group (significant IFPRU Group) and individual Limited Licence IFPRU entities the capital resource requirement is calculated as the higher of:

- The base capital resources requirement;
- The sum of its credit risk and market risk capital requirements; and
- The Fixed Overhead Requirement (“FOR”).

For AIUKFSL (a collective portfolio management firm) the capital resource requirement is calculated as the higher of:

- The Funds Under Management (“FUM”) requirement (including the base capital resources requirement); and
- The FOR;

Plus either:

- The professional negligence capital requirement; or
- The professional indemnity insurance (excess) capital requirement.

Overseas regulated entities are following local capital requirements.

The Pillar 1 capital surplus for the UK Regulatory Group at 31 December 2021 is represented below:

Bridge from Net Assets to CET1 Capital		**£'m**
Permanent share capital		248.0
Share premium account		41.6
Profit and loss and other reserves		216.6
Balance Sheet Net Assets (excluding MI)		**506.2**
Deductions:		
Intangible assets[1]		(8.7)
Unaudited Profits[2]		(85.9)
CET1 Capital After Deductions [A]		**411.6**
T2 Capital		
Subordinated Loans		-
Total Capital Resources [B]		**411.6**
Capital Resource Requirement		
Deduct the higher of the following:		
Credit and Market risk requirements[3]		(53.1)
Fixed Overhead Requirement [C]		**(79.0)**
Pillar 1 Surplus		**332.6**
	Required	**Actual**
Capital Ratios	**%**	**%**
CET1 Capital Ratio A/(12.5*C)	4.5%	41.7%
Total Capital Ratio B/(12.5*C)	8.0%	41.7%

1. Deductions have been made for capitalised project costs.
2. 2021 unaudited profit and the capital position aligns to Q4 2021 COREP submission and therefore may not align to the final audited UK Regulatory Group statutory financial statements.
3. The UK Regulatory Group is a limited license IFPRU Group and as such operational risk is not considered under Pillar 1, however, this is included in the Pillar 2 internal capital adequacy assessment as at 31 December 2021.

Section 3

Capital Resources and Adequacy Continued

Included in the consolidated Aviva Investors Pillar 1 calculations shown in the preceding table are AIGSL, a Limited Licence Firm and AIUKFSL, a collective portfolio management firm. The stand-alone Pillar 1 calculations for these two entities are shown in the below table as follows:

£'m	AIGSL	AIUKFSL
Bridge from Net Assets to CET1 Capital		
Permanent Share Capital	207.1	21.5
Profit and loss and other reserves	49.1	18.0
Balance Sheet Net Assets	**256.2**	**39.5**
Deductions:		
Intangible Assets	(8.7)	-
Unaudited Profits[4]	(7.1)	(6.3)
CET1 Capital After Deductions [A]	**240.4**	**33.2**
T2 Capital		
Subordinated Loans	27.6	-
Total Capital Resources [B]	**268.0**	**33.2**
Capital Resource Requirements		
Deduct the higher of the following:		
Credit and Market Risk	(27.6)	N/A
Fixed Overhead Requirement	(61.7)	(5.5)
FUM Requirement	-	(8.4)
Plus:		
PII Requirement	-	(8.6)
Total Capital Resources Requirement [C]	**(61.7)**	**(17.0)**
Pillar 1 Surplus	**206.3**	**16.2**
Capital Ratios[5]	**%**	**%**
CET1 Capital Ratio A/(12.5*C)	31.2%	N/A
Total Capital Ratio B/(12.5*C)	34.8%	N/A

4. 2021 unaudited profit and the capital position aligns to Q4 2021 COREP submission and therefore may not align to the final audited AIGSL statutory financial statements.
5. The CET1 and Total Capital Ratios only apply to IFPRU firms (UK Regulatory Group and AIGSL) as at 31 December 2021.

3.3 Features, Terms and Conditions of Capital Instruments

3.3.1 CET1 Capital

CET1 Capital comprises of Permanent Share Capital (Ordinary Shares). All ordinary shares are fully paid up and rank equally with regard to voting rights and dividend entitlements declared, made or paid by the Company. All shares will also be entitled to a proportional share of the residual assets of the Company upon winding up.

Share Premium represents the excess amount received over the par value of shares.

Profit and loss and other reserves consist primarily of retained earnings. Other reserves consist of currency retranslation reserves reflecting the impact of exchange rate movements and a capital contribution reserve.

3.3.2 Tier 2 Capital

Tier 2 Capital comprises of Subordinated Loans of which the key features, terms and conditions are:

- Each loan is fully paid up;
- Claims on the principal amount of the subordinated loan is wholly subordinated to the claims of all non-subordinated creditors;
- The loans are neither secured, nor subject to a guarantee or any other arrangement that enhances the seniority of the claim by the borrower, any direct or indirect holding company or any undertaking that has close links with the borrower;
- Each loan has an original maturity of greater than five years;
- Provisions of the loans do not include any incentive for their principal amount to be redeemed or repaid prior to their maturity;
- Any early repayment option is exercisable at the sole discretion of the borrower; and
- The lender has no right to accelerate the future scheduled payment of interest or principal, other than in the insolvency or liquidation of the borrower.

3.4 Prudential Filters and Deductions

No prudential filters, including those in respect of unrealised gains or losses on fair value assets, have been applied to capital resources in arriving at common reporting ("COREP") Own Funds.

Intangible asset deductions as set out in section 3.2 relate to capitalised internal project costs.

All appropriate items have been deducted in accordance with Articles 36, 47, 48, 66 and 79 of the CRR.

3.5 Capital Ratios

See the tables in 3.2 for details of the CET1 and Total Capital Ratios, which have been calculated for Full Year 2021 in accordance with amounts disclosed for the UK Regulatory Group and one IFPRU firm (AIGSL). All ratios were above the minimum required threshold of 4.5% (CET1 Ratio) and 8% (Total Capital Ratio) as set out in Article 92 of the CRR.

3.6 Analysis of Capital Requirements

3.6.1 Standardised Credit Risk Capital Requirements

Pillar 1 credit risk capital requirement calculations have been carried out in line with the CRR. Aviva Investors applies the standardised approach to calculating its credit risk capital requirement as set out in Part Three Title II of the CRR. The Pillar 1 capital requirement is calculated by applying a risk weighting to the balance sheet asset value and then applying an Own Funds Requirement percentage of 8% to the risk weighted asset.

See below for an analysis of Aviva Investors credit risk capital requirements on an exposure class basis:

Exposure class (£'m)	2021
Corporate	31.6
Unit or shares in CIUs	9.2
Equity Exposures	0.0
Institutions	1.5
Retail	0.4
Other items	5.2
Default	0.0
Central Governments	0.0
Regional Governments	0.0
Grand Total	**47.9**

As at 31 December 2021, Aviva Investors had not employed any of the credit risk mitigation techniques outlined in Part Three, Title II, Chapter 4 of CRR.

3.6.2 Counterparty Credit Risk

Aviva Investors does not have any exposures to OTC derivatives and does not have a trading book, therefore faces no counterparty risk exposures outlined in Article 439 of the CRR at present.

3.6.3 Credit Risk Adjustments

Aviva Investors defines past due items for accounting purposes as any items not received within 90 days of the invoice date.

Crystallised and anticipated losses are provided for within the income statement as soon as their crystallisation is considered probable and the quantum can be reliably estimated.

No accounting offsets are present that would result in exposure values different from those outlined in section 3.6.1.

At Aviva Investors level there have been no material impairments to assets.

3.6.4 Geographical Analysis of Credit Risk Exposures

See below for a table outlining the geographic distribution of Aviva Investors risk weighted credit risk exposures at 31 December 2021:

Exposure class (£'m)	UK	UK Retail	Europe	Asia Pacific	North America	Total
Corporate	342.4	11.5	21.2	10.9	7.8	393.8
Unit or shares in CIUs	111.2	2.3	0.2	0.9	0.0	114.6
Other items	49.6	0.7	1.7	0.9	11.6	64.5
Equity exposure	0.0	0.0	0.0	0.0	0.0	0.0
Institutions	0.4	11.7	3.0	2.4	3.2	20.7
Retail	0.0	5.2	0.0	0.0	0.0	5.2
Central Governments	0.0	0.0	0.0	0.0	0.0	0.0
Credit Balances	0.0	0.0	0.0	0.0	0.0	0.0
Default	0.0	0.0	0.0	0.0	0.0	0.0
Grand Total	**503.6**	**31.4**	**26.1**	**15.1**	**22.6**	**598.8**

In respect of Article 442 (e) of the CRR and taking into account both proportionality and the fact that Aviva Investors is not a credit institution, exposures primarily relate to investments and trade receivables with highly rated corporate institutions (including other Aviva Group companies).

All exposures are due and payable within 90 days of invoicing. There are no material past due exposures which cause concern over recoverability.

3.6.5 Encumbered Assets

Aviva Investors does not hold any encumbered assets.

3.6.6 Use of External Credit Assessment Institutions

Aviva Investors calculates risk-weighted exposure amounts in accordance with Part Three, Title II, Chapter 2 of the CRR. The External Credit Assessment Institutions ("ECAI") used by Aviva Investors are Standard & Poor's, Moody's and Fitch across all exposure classes. As per the Aviva Investors Global Counterparty Credit Policy, where counterparties have split ratings, the middle rating is used and if the counterparty has only two ratings, the lower will be used. The policy sets the minimum long-term credit rating as A-/A3 which is equivalent to an ECAI score of 2. The ECAI's credit assessment is used to determine the credit quality step of each exposure using the standardised mapping.

3.6.7 Market Risk

Aviva Investors follows a standardised approach to calculating the Pillar 1 market risk capital requirement and is calculated in line with Article 352 of CRR. Positions in each currency are netted to either a net long or net short position (other than the reporting currency) and converted at spot rates into GBP. The higher of either; sum of all long or sum of all short positions is the overall Foreign Exchange ("FX") exposure. The capital requirement is calculated as 8% of the overall net FX exposure. As at 31 December 2021, Aviva Investors has a market risk exposure amount of £64.9m and a Pillar 1 market risk capital requirement of £5.2m. This risk solely relates to foreign currency translation risk on assets and liabilities denominated in currencies other than GBP, as Aviva Investors does not operate a trading book.

Excessive leverage risk is the "current or prospective risk resulting from Aviva Investors' vulnerability due to leverage or contingent leverage that may require unintended corrective measures to its business plan, including distressed selling of assets which might result in losses or in valuation adjustments to its remaining assets".

Aviva Investors does not currently undertake any business activities on its own account that use leverage and the leverage ratio is therefore not applicable.

3.7 Other Exposures

3.7.1 Exposure in equities not included in the trading book

AIUKFSL, an IPRU-INV collective portfolio management firm, has OEIC box float units which are classified as equity exposures.

The box holdings are in a large number of funds across numerous asset types (property, equity, fixed income, multi-asset). Different asset classes are exposed to different risks. This has been included in Pillar 1 credit risk calculation and treated according to CRD IV/CRR rules and is not considered material for disclosure.

3.7.2 Exposure to interest rate risk on positions not included in the trading book

Aviva Investors has no Pillar 1 capital requirement for interest rate risk in the banking book ("IRRBB") and is not exposed to interest rate risk on positions not included in the trading book for regulatory capital purposes.

3.7.3 Exposure to securitisation risk

Securitisation risk is the "current or prospective risk of loss arising from exposure to inadequate capital resources held by Aviva Investors for assets which are securitised having regard to the economic substance of the transaction, including the degree of risk transfer achieved."

Aviva Investors does not participate in securitisation activities on its own account and, as a result, it is not necessary to hold capital against securitisation risk.

3.8 Capital Resource Requirements – New prudential regime for investment firms

The UK Investment Firms Prudential Regime (UK IFPR) came into force on 1 January 2022 and applies to investment firms that are authorised with the provisions of the Markets in Financial Instruments Directive (MiFID). The IFPR replaces the CRR and CRD IV rules, and Aviva Investors UK Regulatory Group and AIGSL fall into the scope of the new requirements.

The major changes impacting Aviva Investors are:

- changes to the definition of capital and methodology for deductions,
- new minimum own funds requirement which includes the introduction of K-factor approach
- new rules on prudential consolidation, group risk and concentration risk
- application of minimum liquidity requirements for all investment firms
- a requirement to identify, monitor and, where appropriate, reduce all potential material harms that the firm could pose on its clients and counterparties, the markets within which it operates, and on itself
- a new approach for investment firm's own funds and liquid assets assessments, and the supervision of those requirements
- new requirements on remuneration policies
- changes to reporting and disclosure requirements
- for Aviva Investors, preparation of an internal capital and risk assessment (ICARA) report on a group basis

Aviva Investors complies with the new IFPR requirements from 1 January 2022.

Section 4

Remuneration Code Disclosure

Section
4

Remuneration Code Disclosure

The Remuneration Code (SYSC 19A) applies to AIGSL and AIUKFSL, both FCA regulated entities within the UK Regulatory Group. These companies are designated as proportionality level three organisations as defined in the Remuneration Code. This disclosure meets the requirements of Article 450 of the CRR.

4.1 Decision-making process for remuneration policy

The Aviva Investors Remuneration Committee is comprised of the Aviva Investors Independent Non-Executive Directors:

- Alexa Coates
- Andrew Kirton
- Jeffrey Weingarten, Chair
- Mark White

And one Non-Executive Director:

- Mike Craston

This Committee considers issues relating to the remuneration policy and structures for Aviva Investors including the terms of annual bonus and long-term incentive plans and individual remuneration packages for all employees to which the Remuneration Code applies. It is also responsible for reviewing and making recommendations on the Reward Policy Statements for Aviva Investors to the Aviva Group Remuneration Committee. Aviva Investors operates the Aviva Group Malus and Clawback Policy. In 2021, the Aviva Investors Remuneration Committee met on 7 occasions.

The Aviva Group Remuneration Committee approves the Remuneration Policy Statements for Aviva Investors. The Independent Non-Executive Directors of the Group Remuneration Committee are:

- Patricia Cross
- Patrick Flynn
- Pippa Lambert
- Michael Mire

The Aviva Group Remuneration Committee considers alignment between Group strategy and the remuneration of Directors, Code Staff and Material Risk Takers within Aviva Investors. The remuneration policy provides a structure to deliver market competitive remuneration for all staff, including Code Staff, to achieve both the annual business plan and the longer term strategic objectives of the Group. Significant levels of deferral aid retention and align the interests of key personnel. As well as rewarding the achievement of objectives, variable remuneration can be zero if performance thresholds are not met. In 2021, the Aviva Group Remuneration Committee met on 10 occasions.

The full objectives of the Aviva Group Remuneration Committee are documented in the Directors' remuneration report in the Aviva Annual Report which is included on the Investor Relations website, found here:

https://www.aviva.com/investors/

4.2 External consultants

The Aviva Investors Remuneration Committee received independent advice on executive remuneration issues from Deloitte LLP which is a member of the Remuneration Consultants Group and adheres to its Code of Conduct. No individual is involved in decisions relating to his or her own remuneration.

During the year the Aviva Group Remuneration Committee also received advice on executive remuneration matters from Deloitte LLP.

4.3 Role of the relevant stakeholders

The relevant Remuneration Committees take full account of the Company's strategic objectives in setting remuneration policy and are mindful of their duties to shareholders and other stakeholders. The Committees seek to preserve shareholder value by ensuring the successful retention, recruitment and motivation of employees.

4.4 Code Staff criteria

In addition to applying the EBA Regulatory Technical standards, Aviva Investors consider further qualitative criteria for the purposes of Code Staff identification, these include individuals whose professional activities / who:

- Could have a material impact to the balance sheet of Aviva Investors;
- Could have a material impact to the revenue or net profit of Aviva Investors;
- Could have a material impact to the reputation of Aviva Investors;
- Manage AUM of £10bn or more (c3% of total firm assets) where investment risk is not rated as low;
- Manage retail funds with £5bn or over where investment risk is not rated as low; or
- Are head of an investment desk

The following groups of employees have been identified as meeting the criteria for Code Staff:

- Legal Directors of UK Regulated Entities;
- Members of AI Executive Committee;
- FCA-designated SMF's at each UK Regulated Entity as outlined in the table below;

SMF 1	CEO
SMF 2	Chief Finance
SMF 3	Executive Director
SMF 4	Chief Risk
SMF 5	Head of Internal Audit
SMF 9	Chair of the Governing Body
SMF10	Chair of the Risk Committee
SMF 11	Chair of the Audit Committee
SMF 12	Chair of the Remuneration Committee
SMF 13	Chair of the Nominations Committee
SMF 16	Compliance Oversight
SMF 17	Money Laundering Reporting Officer
SMF 18	Other Overall Responsibilities
SMF 24	Chief Operations

- General Counsel;
- People Director;
- Direct report of Chief Risk Officer, SM16, SM17 and Internal Audit Director who would be considered deputy;
- Individuals identified as part of an additional qualitative assessment; or
- Individuals identified as part of a quantitative assessment.

The Code Staff population is reviewed at least annually by the Remuneration Committees and Code Staff are notified of their status.

4.5 The link between pay and performance for Code Staff

Aviva Investors' remuneration framework is based on a total reward approach and is designed to reflect the success or failure against a range of personal and company performance objectives.

There are four components of pay:

1. Basic Salary – set within an appropriate market range, which is sufficient to allow the possibility, where performance so warrants, that an employee may receive no variable pay.
2. Annual bonus – a discretionary short-term incentive plan where individuals may receive a bonus based on business and individual performance against targets. Where bonuses are equal to or greater than £75,000, a 3 year deferral with pro-rata vesting in Aviva funds and/or Aviva Group plc shares occurs, following this a further holding period applies where regulation requires.

   The extent to which each aspect of performance affects the overall payment level depends on the role and responsibilities of the individual. Performance is measured against a combination of individual, business unit, Aviva Investors and Group performance over an appropriate period

   - A rounded assessment of financial performance is made accounting for a range of financial considerations, including, but not limited to operating profit, investment performance and net flows. The assessment of Aviva Investors' financial performance is formed with reference to:
     - Actual results vs. prior period results
     - Actual results vs. agreed plans
     - Actual results relative to competitors
     - Actual results vs., and progress towards, our long-term target ambition.
   - The remuneration of employees in Control Functions (defined as Risk, Compliance and Audit) is determined independently of the financial results of Aviva Investors in order to reinforce the independence of these functions.
   - The non-financial considerations include consideration of risk, conduct, culture, customer and employee engagement metrics, with Aviva values clearly underpinning all our decisions.
   - The Performance assessment does not encourage risk taking outside the Aviva Investors stated risk appetite and includes mechanisms by which performance against risk and conduct related measures has a significant impact on the availability and size of business and individual variable awards.
   - Through Aviva Investors' Global Reward Framework, all investment employees should support responsible investment and integrate ESG considerations into their investment processes, including the consideration of Sustainability Risk. ESG metrics and research are embedded in the investment process and form part of the investment scorecard and annual risk attestation. The Chief Investment Officers and investment desk heads consider how investment employees demonstrate their commitment to ESG processes as part of the determination of performance and pay outcomes.
3. Long Term Incentive Awards (LTIA) – discretionary long-term incentive plan to align reward with long-term investment performance, Aviva Group and shareholder interests, and with the additional intention to help retain key talent. Part of the long-term incentive plan is in Aviva Investors Funds and part is in Aviva Restricted Share Units (RSUs), for the AI CEO the RSUs have additional performance conditions of Total Shareholder Return and Solvency II Return on Equity. Vesting is after 3 years and awards for Identified Staff will be subject to a pre-vesting assessment of individual performance, behaviours and alignment with the company values of Aviva Investors throughout the three-year performance period.
4. Benefits in Kind – standard benefits are provided that are appropriate to the market.

Code Staff are not permitted to undertake personal hedging strategies in any variable remuneration.

Aviva Investors believes in rewarding strong performance and achievement of our business and individual goals; however, the manner in which these goals are achieved is also important. We do not consider it appropriate to reward people who have engaged in inappropriate behaviour or conduct which is not in line with Aviva's values and variable pay awards are subject to the Aviva Group Malus and Clawback Policy. As such, Aviva may decide that a Deferred Award which has not vested will lapse wholly or in part if they consider that:

- The participant or their team has, in the opinion of the Directors, engaged in misconduct which ought to result in the complete or partial forfeit or repayment of their award;
- There has been, in the opinion of the Directors, a material failure of risk management by reference to Group risk management standards, policies and procedures, taking into account the proximity of the participant to the failure of risk management in question and the level of the participant's responsibility;
- There is, in the opinion of the Directors, a materially adverse misstatement of Aviva's or the participant's relevant business unit's financial statements for which the participant has some responsibility;
- The participant participated in or was responsible for conduct which resulted in significant, or potentially significant, loss(es) to their relevant business unit, Aviva or any member of the Aviva Group;
- The participant failed to meet appropriate standards of fitness and propriety;
- There is evidence of misconduct or material error that would justify, or would have justified, had the participant still been employed, summary termination of their contract of employment; or
- Any other circumstances required by local regulatory obligations to which any member of the Group or business unit is subject.

4.6 Aggregate remuneration cost for Code Staff by business area

Following a review of the business, it has been determined that the operations of Aviva Investors should be considered as one material business unit. The total aggregate remuneration is as follows:

There were 69 Code Staff for all or part of the 2021 performance year. Aggregate remuneration expenditure in respect of Code Staff for the 2021 performance year was £33.8 million.

Fixed remuneration represents 36% of this total, with 5% being pension/benefits and 59% variable remuneration.

Of the total variable pay (bonus and LTPP) made to Code Staff, 62% was deferred and is subject to malus provisions as outlined above during this period. These awards are also subject to clawback provisions for a further 2 years upon vesting.

The remuneration split between Senior Management and other Code Staff that make up the total Code Staff is as follows:

	Senior Management	Other Code Staff
Total Remuneration	**£12.7m**	**£21.2m**
Of which, Fixed Remuneration	30%	40%
Variable Remuneration	66%	54%
Of which deferred	69%	56%
Pension/Benefits	4%	5%
Number of Code Staff	**20**	**49**

Abbreviations and glossary of terms

AGHL	Aviva Group Holdings Limited
AIGSL	Aviva Investors Global Services Limited
AIHL	Aviva Investors Holdings Limited
AIPL	Aviva Investors Pensions Limited
AIRR	Aviva Investors Risk Register
AIUKFSL	Aviva Investors UK Fund Services Limited
AUM	Assets Under Management
Aviva Investors	In accordance with Article 7 and 9 of the CRR, includes entities detailed on page 6 of this report
Aviva Group	The Aviva plc group of companies as reported in Note 61 – Organisational structure, on page 273 of the Aviva plc Annual Report and accounts 2021 available at www.aviva.com
Aviva plc	The holding company of the Aviva Group and AIHL's ultimate parent company
Board	Board of Directors
Business Standards	A set of business standards which set out the requirements for operating across Aviva Group's most important business processes. The business standards are a key part of the Aviva Group's risk management framework.
CASS	Client Assets Sourcebook
CCO	Aviva Investors Chief Compliance Officer
CEO	Aviva Investors Chief Executive Officer
CET1	Common Equity Tier 1 capital
CFO	Aviva Investors Chief Financial Officer
COO	Aviva Investors Chief Operating Officer
COREP	Common Reporting – Standardised reporting framework issued by the European Banking Authority for CRD IV reporting
CORR	Common Operational Risk Register
CRD IV	Capital Requirements Directive IV
CRO	Aviva Investors Chief Risk Officer
CRR	Capital Requirements Regulation
EBA	European Banking Authority
ECAI	External Credit Assessment Institutions
ESG	Environmental, Social & Governance
EU	European Union
FCA	Financial Conduct Authority
FOR	Fixed Overhead Requirement
FUM	Funds Under Management

G&C	Governance & Controls
IA	Aviva Investors Internal Audit
IAS	International Accounting Standards
ICAAP	Internal Capital Adequacy Assessment Process
ICARA	Internal Capital and Risk Assessment
iCARE	Integrated Common Assurance Reporting
IFD	Investment Firms Directive
IFPRU	Prudential Sourcebook for Investment Firms
IFR	Investment Firms Regulation
IFRS	International Financial Reporting Standards
IMMMR	Identification, measurement, management, monitoring and reporting
IPRU-INV	Interim Prudential sourcebook for Investment Businesses
IRRBB	Interest Rate Risk in the Banking Book
LTIA	Long Term Incentive Award
MiFID	Markets in Financial Instruments Directive
OEIC	Open-ended Investment Company
OTC	Over-the-counter
PRA	Prudential Regulation Authority
RAS	Risk Appetite Statement
RIDP	Risk Improvement & Delivery Program
RMF	Risk Management Framework
SMCR	Senior Managers & Certification Regime
SMF	Senior Management Function
SREP	Supervisory Review and Evaluation Process
T2	Tier 2 capital
UK IFPR	UK Investment Firms Prudential Regime
UK Regulatory Group	The Aviva Investors FCA Consolidation Group

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