

PILLAR 3 DISCLOSURES

As at December 2014

avivainvestors.com



PILLAR 3 DISCLOSURES

Aviva Investors

DECEMBER 2014



Contents

Abbreviations and glossary of terms	3
1. Introduction	4
1.1 Overview	4
1.1.1 Introduction	4
1.1.2 Basis of disclosures	4
1.1.3 Frequency of disclosures	4
1.1.4 Verification, media and location	4
1.2 Scope	5
1.2.1 Basis of consolidation	5
1.2.2 Transfer of capital resources	5
2. Risk Management Framework	6
2.1 Overview	6
2.2 Risk Appetite Statement	6
2.2.1 Key Risk Appetites	6
2.2.2 Strategic Risk Appetite	6
2.2.3 Capital Surplus Risk Appetite – Pillar 1	7
2.2.4 Capital Surplus Risk Appetite – Pillar 2	7
2.2.5 Information Flow on Risk to the Management Body	7
2.3 Aviva Investors Risk Management Framework	8
2.4 Governance structure and key responsibilities	9
2.4.1 Aviva plc Board	9
2.4.2 AIHL Board	9
2.4.3 AIHL Board committees	9
2.4.4 Personal committees	10
2.4.5 Diagram 1 – Governance structure up to the end of February 2015	11
2.4.6 Diagram 2 – Governance structure from the beginning of March 2015	11
2.5 Three lines of defence	11
2.5.1 First line of defence	12
2.5.2 Second line of defence	12
2.5.3 Third line of defence	13
2.6 Internal loss management	13
2.7 External loss management	13
2.8 Internal audit open items	14
2.9 Risk and Control Self Assessment	14
2.10 Monitoring Key Risks / Key Risk Indicators	14
3. Capital Resources and Adequacy	15
3.1 Capital Resources	15
3.2 Capital Adequacy	15
3.2.1 Capital Resource Requirements – Pillar 1	15
3.3 Features, Terms and Conditions of Capital Instruments	17
3.3.1 CET1 Capital	17
3.3.2 Subordinated Loans	17
3.4 Prudential Filters and Deductions	18
3.5 Capital Ratios	18
3.6 Analysis of Capital Requirements	18
3.6.1 Standardised Credit Risk Capital Requirements	18
3.6.2 Counterparty Credit Risk	18
3.6.3 Credit Risk Adjustments	19
3.6.4 Geographical Analysis of Credit Risk Exposures	19
3.6.5 Encumbered Assets	19
3.6.6 Use of External Credit Assessment Institutions	19
3.6.7 Market Risk	19
4. Internal Capital Adequacy Assessment Process	20
5. Remuneration Code Disclosures	21
5.1 Decision-making process for remuneration policy	21
5.2 External consultants	21
5.3 Role of the relevant stakeholders	21
5.4 Code Staff criteria	21
5.5 The link between pay and performance for Code Staff	22
5.6 Aggregate remuneration cost for Code Staff by business area	23

PILLAR 3 DISCLOSURES

Aviva Investors

DECEMBER 2014



Abbreviations and glossary of terms

AIGSL	Aviva Investors Global Services Limited
AIHL	Aviva Investors Holdings Limited, a member of the Aviva Group
AILL	Aviva Investors London Limited
AIUKFL	Aviva Investors UK Funds Limited
AIUKFSL	Aviva Investors UK Funds Services Limited
AUM	Assets Under Management
Aviva Investors	In accordance with BIPRU 8.5, includes entities detailed on page 6 of this report
Aviva Group	The Aviva plc group of companies as reported in Note 62 – Organisational structure, on page 236 of the Aviva plc Annual report and accounts 2014, available at http://www.aviva.com/reports/2014ar/
Aviva plc	The holding company of the Aviva Group and AIHL's ultimate parent company
BIPRU	Prudential Sourcebook for Banks, Building Societies and Investment Firms
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.
CEO	Aviva Investors Chief Executive Officer
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 reporting.
CRD	Capital Requirements Directive
CRO	Aviva Investors Chief Risk Officer
CRR	Capital Requirements Regulation
ECAI	External Credit Assessment Institutions
EU	European Union
FCA	Financial Conduct Authority
FUM	Funds Under Management
GENPRU	General Prudential Sourcebook for Banks, Building Societies, Insurers and Investment Firms
GROUP	Aviva Investors UK Regulatory Group
ICAAP	Internal Capital Adequacy Assessment Process
IFPRU	Prudential Sourcebook for Investment Firms
IFRS	International Financial Reporting Standards
INSPRU	Prudential Sourcebook for Insurers
NED	Non-Executive Director
ORN	Orn Capital LLP
OTC	Over The Counter
RCSA	Risk and Control Self Assessment
RMF	Risk Management Framework
SREP	Supervisory Review and Evaluation Process
UCITS	Undertakings for Collective Investment in Transferable Securities (Regulatory Status)

PILLAR 3 DISCLOSURES

Aviva Investors

DECEMBER 2014



1. Introduction

1.1 Overview

1.1.1 Introduction

Basel II is an international initiative that sets out a risk-sensitive approach to capital adequacy calculations and disclosure requirements. The CRD is the framework for implementing Basel II and Basel III in the 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.

On 1 January 2014, CRD IV, the fourth amendment of the CRD came into effect. All disclosures in the document are based upon these rules, as set out in the CRR as at 31 December 2014.

Aviva Investors is subject to prudential oversight by the regulators of the countries in which it operates. The UK Regulator implements the Pillar 3 requirements in the UK by way of Part 8 of the CRR.

1.1.2 Basis of disclosures

These disclosures are made in accordance with the requirements of Articles 431 – 455 of CRD IV. Specifically, they cover Aviva Investors' risk management objectives and policies; the processes for managing its material risks; the structure and organisation of its risk management functions; the scope and nature of its risk reporting and measurement systems and its policies for mitigating risk.

1.1.3 Frequency of disclosures

These disclosures will be produced on an annual basis as a minimum and more frequently, if appropriate. Aviva Investors has a reporting date of 31 December and these disclosures reflect the position at 31 December 2014, or later where indicated, when AIGSL, AILL and AIUKFL were classified as IFPRU Limited Licence firms and ORN as a BIPRU Limited Licence firm. AIUKFSL was categorised as a UCITS firm.

1.1.4 Verification, media and location

These disclosures have been produced solely for the purposes of satisfying the Pillar 3 requirements, to explain the basis of preparation, disclosure of certain capital requirements and 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.

The AIHL Board, along with the boards of directors of each respective legal entity, 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 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 in April 2015. Management consider that disclosures as set out in this document adequately convey the risk profile of the Group.

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

PILLAR 3 DISCLOSURES

Aviva Investors

DECEMBER 2014



1.2 Scope

1.2.1 Basis of consolidation

In accordance with the exemptions available under 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 ultimately consolidated into the accounts of 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, include a consolidation of its subsidiaries, joint ventures and relevant proportions of undertakings by virtue of an 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. All undertakings consolidated by Aviva Investors by virtue of an Article 134 relationship are ultimately held by Aviva Investors group's ultimate parent company, Aviva plc. For the purposes of regulatory reporting, and in accordance with discussions held with the FCA, entities included in our consolidated internal reporting under an Article 134 relationship are excluded from our regulatory group.

The following entities are included in the Aviva Investors group regulatory returns:

- Aviva Investors Holdings Limited
- Aviva Investors Global Services Limited
- Aviva Investors London Limited
- ORN Capital Management (Bermuda) Limited
- ORN Capital LLP
- ORN Capital Services Limited
- Aviva Investors Jersey Unit Trusts Management Limited
- Aviva Investors Jersey Nominee Limited
- Aviva Investors Luxembourg SA
- Aviva Investors Asia Pte Ltd
- Aviva Investors Pacific Pty Limited
- Aviva Investors Securities Investment Consulting Company Limited
- Aviva Investors Canada Inc
- Aviva Investors North America Holdings, Inc
- Aviva Investors Americas LLC
- Aviva Investors Employment Services Limited
- Aviva Investors UK Funds Services Limited
- Aviva Investors UK Funds Limited
- Aviva Investors Commercial Finance Limited
- Aviva Investors Poland SA

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.

PILLAR 3 DISCLOSURES

Aviva Investors

DECEMBER 2014



2. Risk Management Framework

2.1 Overview

This section describes the Risk Management Framework and related policies and procedures that have been implemented by Aviva Investors to identify and manage its Key Risks and to protect the interests of its clients. The Risk Management Framework incorporates the Aviva Group's Risk Management Framework which has been implemented globally to optimise Group performance whilst remaining within the overall Group Risk Appetite. The Risk Management Framework has been adapted to the needs and requirements of Aviva Investors.

All employees are responsible for the identification of those risks which could prevent the delivery of Aviva Investors' strategic objectives including those which could result in poor client outcomes and inherent in the end-to-end processes Aviva Group manages. Senior management are responsible for ensuring that those risks are adequately measured through the RCSA process and that controls (or other mechanisms such as insurance) are in place to adequately mitigate exposure to within risk tolerance. Indicators, based on business risk appetite, are used to monitor the risk exposure. Employees are required to escalate control failures (risk events), changes in risk exposure through the introduction of new processes, systems, people or external events to senior management and support functions that in turn monitor, analyse and escalate to the AIHL Board.

The AIHL Board are confident that current and proposed improvements to our risk management arrangements are adequate and appropriate given the groups risk profile and strategy.

2.2 Risk Appetite Statement

Aviva Investors' Risk Appetite is determined by the Board of AIHL. It defines the risks that we are prepared to take in order to deliver the Aviva Investors Strategy as expressed in the Business Plan. It is consistent with the Aviva Group Strategy.

2.2.1 Key Risk Appetites

Aviva Investors manages a range of risks as set out in our Key Risk Register.

This Risk Appetite Statement expresses our appetite for the range of risks that we face in both qualitative statements and quantitative measures. As our business evolves, so our risk appetite may change and so this statement is reviewed on a regular basis. The AIHL Board regularly reviews the Risk Appetite Statement and formally approves each iteration.

The Risk Appetite Statement starts with a series of qualitative statements that set out Aviva Investors' strategic risk appetite. It then considers balance sheet measures such as capital and liquidity before setting out a detailed risk appetite for each of the risks in the Key Risk Register. Key Risk Indicators are provided for each of these risks that provide a quantification of the acceptable risk where possible.

2.2.2 Strategic Risk Appetite

Aviva Investors uses high level statements of risk appetite that determine how we manage our business. These statements are reviewed whenever we are considering material changes to Aviva Investors such as acquiring or disposing of businesses, developing new product sets or distribution channels, or changing our operational platforms. They form the basis of the work that Risk and Compliance do to assess the high-level impact of such developments. The statements refer to either a High, Medium, or Low risk appetite where:

- **High** – Aviva Investors deliberately accepts the risk in order to deliver our strategic goals.
- **Medium** – Aviva Investors will accept the risk as necessary, supported by appropriate controls.
- **Low** – Aviva Investors will actively seek to avoid the risk, other than as incurred through the normal course of business. Controls will be adopted to minimise any risk accepted.

Current risk exposures are regularly monitored in comparison to appetite, and management actions taken where necessary to ensure risks remain within appetite.

PILLAR 3 DISCLOSURES

Aviva Investors

DECEMBER 2014



2.2.3 Capital Surplus Risk Appetite – Pillar 1

We manage our risk appetite for the surplus of capital resources over our Pillar 1 requirement in accordance with Red, Amber, Green (RAG) thresholds. Green status begins where capital resources are at a surplus of 50% or more of our Pillar 1 requirement. The Amber status is a surplus between 30% and 50% of our Pillar 1 requirement and a Red status is a surplus less than 30% of our Pillar 1 requirement. As at 31 December 2014 these thresholds were as follows:

GREEN: Surplus of Capital resources over Pillar 1 requirement greater than **£27.3million**.

AMBER: Surplus between **£16.4million** and **£27.3million**.

RED: Surplus less than **£16.4million**.

These thresholds have been set based on guidelines set out by Aviva Group and have been given due consideration by Aviva Investors, who believe these are appropriate and act as an adequate early warning level for surplus against Pillar 1 requirements and afford us appropriate time to implement management actions designed to restore capital surpluses, when required.

The triggers are monitored by the Capital Committee (see section 2.4.4), and Red or Amber status is escalated to the AIHL Board.

2.2.4 Capital Surplus Risk Appetite – Pillar 2

To set the risk appetite for surpluses of capital resources against our Pillar 2 requirement we have taken the value of a 1-in-5 year loss event of our internal Pillar 2 capital assessment (i.e. the Pillar 2 capital assessment performed at an 80% confidence interval over a 1 – year time period).

This is appropriate given that we consider our internal Pillar 2 assessment to be an accurate assessment of the amount of risk facing the business. Setting a risk appetite based on the 1-in-5 year Pillar 2 assessment results in our risk appetite moving consistently with changes to the risks facing the business.

Therefore in times where risks are elevated we this will be reflected in our risk appetite. As with our Pillar 1 approach we use a RAG set of triggers to express our risk appetite for the surplus of capital resources against our Pillar 2 capital requirement.

Our Green RAG threshold (based on the 1:5 year value of our internal Pillar 2 capital assessment as at 31 December 2014) is **£33.3million**. We are considered to be in Amber status where the surplus of capital resources over capital requirements is between **£0million** and **£33.3million**. If capital resources are less than capital requirements then we are in Red status.

We consider this value sufficiently prudent to allow us to take any appropriate management actions to reverse the impact of short term or permanent capital erosion, where this arises, without falling into a position of capital breach.

The triggers are monitored by the Capital Committee, and Red or Amber status is escalated to the AIHL Board.

2.2.5 Information Flow on Risk to the Management Body

The Group's position against risk appetite is monitored and reported to the Risk Committee (See section 2.4.3) and AIHL Board on a quarterly basis. Additionally, key elements of our ICAAP document are refreshed quarterly and a recommendation is provided to the AIHL Board by the CRO as to whether a full ICAAP update is warranted, based on both the initial refresh results and any other factors known to the CRO at that point.

Material breaches in risk appetite are escalated from the CRO to the AIHL Board as soon as these are known, and a plan and actions to return to within appetite are agreed.

PILLAR 3 DISCLOSURES

Aviva Investors

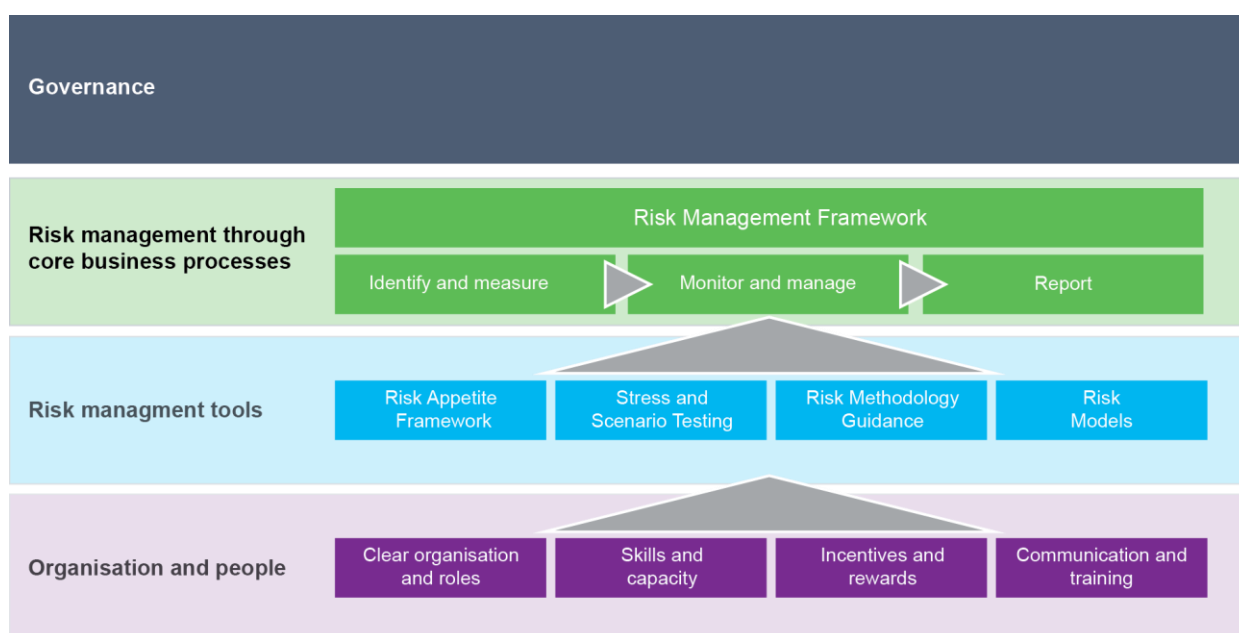
DECEMBER 2014



2.3 Aviva Investors Risk Management Framework

The Aviva Investors RMF includes the strategies, policies, tools, governance arrangements, processes and reporting procedures to manage its risks. This framework outlines the risk strategy, risk policy categorisation and approach to managing risk, including how it identifies, measures, manages, monitors and reports on the risks to which it is, or could be, exposed. The RMF provides the accountabilities of management, the risk function and internal audit in relation to the enterprise-wide risk management.

The RMF is summarised as follows:



The RMF provides a framework for managing risk across the enterprise. In order to facilitate this goal, the following principles are followed:

- The Business Strategy must align with the Risk Strategy, considering risk and return, and deliberately taking the enterprise from its current risk profile to a desired future risk profile in articulating the business' Risk Appetite;
- Risk must be taken into account in all key business decisions;
- An appropriate culture must be in place to ensure the effective management of exposures to remain within the Risk Appetite where this is within management's control. Action plans for risks out of the Risk Appetite must be documented and, once agreed, followed without undue delay;
- An appropriate governance structure, supported by documented AIHL Board and committee terms of reference must exist to ensure effective implementation of the RMF;
- The three lines of defence model for risk management must be operated effectively, supported by clear and documented delegations of authority and role profiles, which maintain an appropriate segregation of duties;
- Material existing or emerging risks must be actively identified, measured, managed, monitored and reported. Risk identification must be forward-looking to allow management to take proactive action;
- Risks must be measured by considering the significance of the risk to the enterprise and its stakeholders (both internal, such as employees, and external, such as clients) in the context of strategy, objectives and Risk Appetite;
- Management should seek to take on only those risks for which there exist the appropriate skills, capability and resources for managing them and should seek to avoid concentrations of exposure;
- The risk management and regulatory requirements of UK and overseas regulators must be met; and
- The business must ensure it can provide documented evidence of effective risk management and annual review of both the

PILLAR 3 DISCLOSURES

Aviva Investors

DECEMBER 2014



risk management system and systems of governance.

To promote a consistent and rigorous approach to risk management across all businesses Aviva Group maintains a set of risk policies and business standards. These set out the Risk Strategy, Risk Appetite, Framework and minimum requirements for the Aviva Group's worldwide operations. On a semi-annual basis the CEO, supported by the CRO, signs-off compliance with these policies and standards, providing assurance to the relevant oversight committees that the framework is being used for managing its business and the associated risks.

2.4 Governance structure and key responsibilities

2.4.1 Aviva plc Board

Aviva Investors forms part of the Aviva Group, headed by Aviva plc. The Aviva plc Board has the overall responsibility to determine the overall Group Risk Appetite, which is an expression of the risk the business is willing to take. Risk Appetites are 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.

2.4.2 AIHL Board

Mandated by the Aviva plc Board, the 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 shareholders as a whole and in a way which is consistent with its Articles of Association, applicable regulatory requirements and current corporate governance practice. The AIHL Board membership is subject to the approval of its shareholder and the UK regulator, and comprises executive and independent NED's.

The AIHL Board recognises its responsibility for the overall management of Aviva Investors and remains responsible for overseeing the activities of Aviva Investors. However, the AIHL Board has established an Aviva Investors Audit Committee ('Audit Committee') and Aviva Investors Risk Committee ('Risk Committee') and has delegated certain matters for decision or consideration to these committees in accordance with their terms of reference, as approved by the AIHL Board.

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; policies and standards; and roles and accountabilities. Board members have specific responsibility to review and monitor the Key Risks aligned to the Business Strategy of Aviva Investors in the form of Key Risk Indicators, obtained from the heads of business, at each AIHL Board meeting. AIHL Board meetings occur on at least a quarterly basis.

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 AIHL Board to manage key strategic matters, review business activity and risks and provide support where needed.

2.4.3 AIHL 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, and control aspects of the Aviva Investors business. Matters may also be escalated by the business to these committees or the AIHL Board. With the exception of the Administration Committee, all Board committees are chaired by a NED.

The **Aviva Investors Audit Committee** works closely with the 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 covering Aviva Investors' global business. In 2014 the Audit Committee met 10 times.

The **Aviva Investors Risk Committee** assists the AIHL Board in the oversight of risk (including Conduct Risk, Regulatory Compliance and Legal Risk). Its remit includes reviewing Risk Appetite and Risk Profile, the effectiveness

PILLAR 3 DISCLOSURES

Aviva Investors

DECEMBER 2014



of the RMF, reviewing the methodology used in determining Capital Requirements, Stress and Scenario Testing, ensuring due diligence appraisals are carried out on strategic or significant transactions, and monitoring regulatory requirements. In 2014 the Risk Committee met 6 times.

The **Aviva Investors Nomination Committee** ("Nomination Committee") comprises the non-executive directors. This committee was established in response to AIGSL being designated as a CRD IV 'Significant IFPRU Firm'. The duties of the Nomination Committee include monitoring the balance of skills, knowledge, experience and diversity of directors and recommending appointments to the Boards of AIHL, AIGSL and other principal regulated entities within Aviva Investors.

The **Aviva Investors Remuneration Committee** ("Remuneration Committee") comprises non-executive directors. It was formerly constituted as a Remuneration Working Group and was raised to the status of an AIHL Board Committee in response to the requirements of CRD IV and AIGSL having been designated a 'Significant IFPRU Firm'. The Remuneration Committee is responsible for supporting and advising the AIHL Board on the overall remuneration policy for Aviva Investors and the employment, remuneration, reward and benefits terms for Aviva Investors' senior management, code staff and any other relevant employees. It works in conjunction with the Aviva plc Remuneration Committee.

The **Administration Committee** ("Administration Committee") comprises all the executive directors of AIHL. The Administration Committee deals with and approves ad hoc and routine/business-as-usual matters as delegated to it by the AIHL Board from time to time.

2.4.4 Personal committees

The AIHL Board has delegated authority to the 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. The members of the Executive team are assisted by their own personal committees that are aligned to their respective business areas and provide challenge and oversight concerning the strategic, financial, reputational and control aspects of the day-to-day management of Aviva Investors. Decisions are taken by individual Executives as part of their personal delegated authority and, as required, matters are escalated to an appropriate Board, committee or individual.

The Personal Committees other than the Executive Committee up until the end of February 2015 were:

- **Investment** (chaired by the Director of Investment Risk) oversees Investment Risk;
- **Operational Risk and Reputation** (chaired by the COO) oversees and monitors the management of the Operational and Reputational Risk profile;
- **Errors and Breaches** (chaired by the CRO) ensures business ownership, investigation and resolution of risk events and errors and breaches; and
- **Capital** (chaired by the CFO) provides financial risk management oversight and supports the CFO in the management of the Aviva Investors' balance sheet and capital position.
- **Pricing and Valuation** (chaired by the COO) oversees and monitors the implementation of consistent and controlled pricing and valuation for all AUM; and
- **Product** (chaired by the Director of Global Business Development) oversees product development and management activities including new product launches and the management of existing products.

As of March 2015, the aggregate risk profile of Aviva Investors will be overseen by a new Risk Management Committee. This has taken the responsibilities of the previous Operational Risk and Reputation Committee and the Errors and Breaches Committee and specifically includes Conduct Risk, Compliance Risk, Investment Risk and Credit Risk in its remit. It supports the CRO in reporting to the Executive Committee, the Risk Committee and the AIHL Board. It is supported by the Operational Controls Committee, the Pricing and Valuation Committee, the Investment Committee and the Financial Crime Committee. Additional details around the Operational Controls Committee and Financial Crime Committee will be included in our Pillar 3 disclosures for the period ended 31 December 2015 once these committees are in operation.

PILLAR 3 DISCLOSURES

Aviva Investors

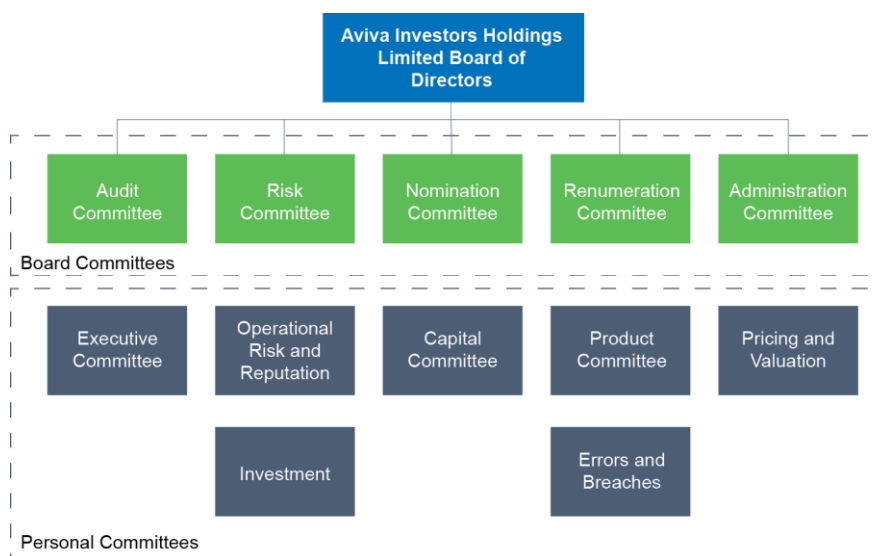
DECEMBER 2014



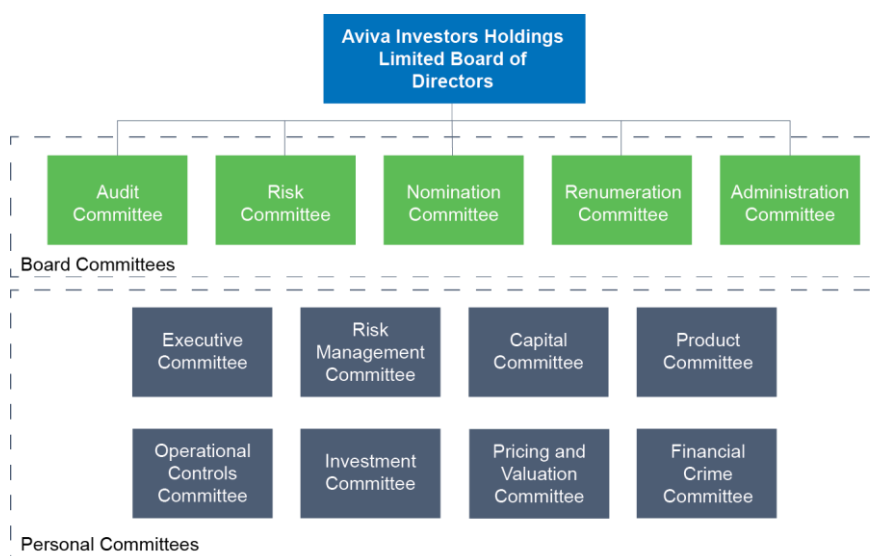
There are additional committees referred to in this report which also support the operations of the business

Diagram 1 below details the governance structure at Aviva Investors that was in place up to February 2015. In March 2015 this was updated to the structure given in Diagram 2.

2.4.5 Diagram 1 – Governance structure up to the end of February 2015



2.4.6 Diagram 2 – Governance structure from the beginning of March 2015



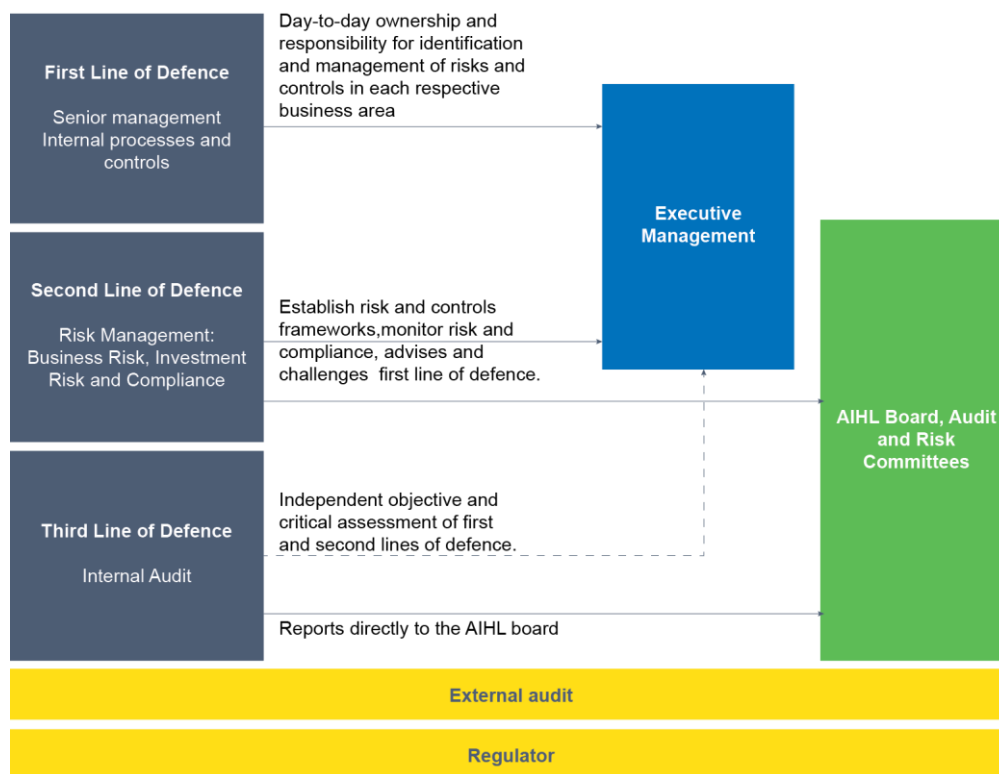
2.5 Three lines of defence

Aviva Investors manages its risks based on the “three lines of defence” model: the first line of defence comprises the business managers who manage business risks on a daily basis; the second line of defence comprises of the Risk and Compliance teams under the CRO who advise and challenge the business on the management of its risks; and the third line of defence comprises Internal Audit who assesses and reports on the effectiveness of controls.

PILLAR 3 DISCLOSURES

Aviva Investors

DECEMBER 2014



2.5.1 First line of defence

In the UK, the FCA requires firms to take reasonable care to maintain a clear and appropriate apportionment of significant responsibilities among their directors and senior managers in such a way that it is clear who has which responsibilities, whereas the business and affairs of the firm can be adequately monitored and controlled by the relevant senior managers and governing body of the firm.

Aviva Investors recognises the importance of clear and appropriate apportionment of significant responsibilities among directors and senior managers, thus ensuring that the business can be adequately monitored. This is achieved by having clear and accurate role profiles that record senior management accountabilities and are consistent with committee and delegated authority structures.

The first line also includes the Controls Assurance Team, responsible for delivering an annual programme of monitoring and testing of all of the key processes and controls across Aviva Investors' operations.

2.5.2 Second line of defence

The CRO is responsible for the second line Risk Function. The Risk and Compliance functions contain the following teams:

The **Business Risk Team** supports and advises the business on the identification, assessment and measurement of business risks. The team provides training to the business on risk management and the Aviva Group RMF and challenges the business on the management of its risks where appropriate. Quarterly independent risk reports are prepared and submitted to the Risk Committee for review, challenge and approval.

The **Investment Risk Team** is responsible for monitoring Investment Risk against fund benchmarks. The team analyses risk, both within asset classes and at a total fund level, and provides expert risk analysis and recommendations to the fund managers. The Risk Team works with the Investment Risk Team to enhance the investment decision making process and provided independent challenge to ensure the level of risk taken is appropriate. Its objective is to ensure that each portfolio's risk profile is consistent with the funds' objectives and the stated investment process. Aviva Investors believes that effective and robust risk analysis, leading to an enhanced

PILLAR 3 DISCLOSURES

Aviva Investors

DECEMBER 2014



understanding of Investment Risk will, over time, deliver superior investment performance that it is consistent with stated investment objectives.

The **Compliance Team** is responsible for establishing the firm's compliance policies and procedures to meet the firm's regulatory obligations, including the prevention of financial crime and monitoring and assessing the adequacy and effectiveness of their implementation. In fulfilling this, the Compliance Team is responsible for both education of the business and provision of secondary assurance to senior management that regulatory risk is mitigated.

Compliance conducts monitoring reviews in accordance with a risk based monitoring programme and on an ad hoc basis as required. This provides senior management with comfort that key controls are in operation and that regulatory risks are being managed effectively. Issues are reported to senior management and the progress of each agreed recommendation is tracked until implementation by the relevant business manager.

In order to ensure that the RMF is applied consistently across Aviva Investors' business globally there are three teams responsible for ensuring local implementation, reporting to:

- The CRO Europe and Funds;
- The CRO Americas; and
- The CRO Asia Pacific.

The regional CROs have a direct reporting line into the CRO.

2.5.3 Third line of defence

Aviva Investors Internal Audit is part of the Aviva plc Group Audit function. It has a dedicated audit team who are specialists in fund management, led by an Audit Director who reports to the Chief Audit Officer of Aviva plc and the AIHL Audit Committee. Internal Audit's purpose is to help the AIHL Board and executive management to protect the assets, reputation and sustainability of Aviva Investors by challenging the effectiveness of the framework of controls (which enable risk to be assessed and managed). The team assists the business in achieving its objectives by exhibiting a systematic, disciplined approach to evaluate the effectiveness of risk management, control and governance processes.

2.6 Internal loss management

The collection of internal operational loss data is a key component of a sound Operational Risk process and provides important information to support the effective management and measurement of Operational Risk. Collection and analysis of internal operational loss data is used to:

- Provide a current and historical indication of the operational loss experience of Aviva Investors;
- Confirm that all loss events have been appropriately resolved and that controls have been enhanced where appropriate;
- Drive the identification of business processes or business areas that require controls enhancements;
- Support risk processes, such as the RCSA and scenario analysis; and
- Support the Operational Risk Capital Requirement quantification and assessment process.

2.7 External loss management

External Operational Risk loss data or events provide information on control deficiencies or lessons learnt by the industry from large risk events. External Operational Risk loss data can provide content for a variety of purposes, such as:

- Self-assessment processes;
- Control benchmarking exercises; and
- Scenario analysis processes.

PILLAR 3 DISCLOSURES

Aviva Investors

DECEMBER 2014



2.8 Internal audit open items

Internal audit open items provide information on control deficiencies or areas for enhancement of the business. Collection and analysis of the internal audit open items is used to:

- Provide a current and historical indication of any control deficiencies or areas for enhancement within the business;
- Provide information on the remediation work being performed to close out each of the internal audit open items;
- Support risk processes, such as the RCSA and scenario analysis; and
- Support the Operational Risk Capital Requirement quantification and assessment process.

2.9 Risk and Control Self Assessment

Business area line management have the primary responsibility for the effective identification, measurement, management, monitoring and reporting of the Operational Risks which could prevent the business from achieving its main objectives. The RCSA focuses on day-to-day bottom-up risks and is operated by the first line of defence and supported and coordinated by the second line.

The risks are assessed regularly, according to the likelihood of those risks materialising and the potential impact on the business should they materialise, with reference to an assessment of the design adequacy and operating effectiveness of existing controls.

The purpose of this process is to produce high quality risk data on which business decisions and management actions are based, such as:

- Support and understand the Operational Risk within each business activity;
- Support a review of the controls within the organisation; and
- Allow business managers to align resources with risk initiatives that are identified during this process.

Management actions are put in place to address risks outside of tolerance or where control deficiencies have been identified.

2.10 Monitoring Key Risks / Key Risk Indicators

The measurements and limits set out in the Risk Appetite Statement are translated into Key Risk Indicators. The risks are monitored through the Key Risk Indicators by comparing the triggers – both qualitatively and quantitatively – to the actual results from the various business and support functions within Aviva Investors. The information is presented to the AIHL Board on at least a quarterly basis in risk reports for challenge. Where necessary, remediation and escalation steps are taken to maintain the appropriate Risk Appetite and profile of the business.

PILLAR 3 DISCLOSURES

Aviva Investors

DECEMBER 2014



3. Capital Resources and Adequacy

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. Total Aviva Investors capital amounted to £272.9m at 31 December 2014, with CET1 capital being £207.9m and T2 capital being £65m. T2 capital consisted of subordinated loans received from AIHL's immediate parent, Aviva Group Holdings Limited.

At 31 December 2014 and throughout the year, Aviva Investors complied with the capital requirements as set out by the UK Regulator.

3.2 Capital Adequacy

3.2.1 Capital Resource Requirements – Pillar 1

All entities within the Group, with the exception of AIUKFSL, are treated as Limited Licence firms for the purpose of calculating the capital resource requirement and are therefore required to calculate a Fixed Overhead Requirement (FOR) rather than an operational risk requirement. As a UCITS Firm, AIUKFSL's capital requirement is based on its FUM requirement plus professional indemnity expenses requirement.

Limited Licence firms are investment firms that:

- Are not UCITS investment firms;
- Do not deal in any financial instruments for their own account or underwrite issues of financial instruments on a firm commitment basis nor are authorised to provide the investment services of dealing on own account or underwriting and/or placing financial instruments on a firm commitment basis; and
- Offer one or more of the following services; reception or transmission of investors' orders for financial instruments, execution of investors' orders for financial instruments, or the management of individual portfolios of investments in financial instruments.

Aviva Investors' Limited Licence entities are required to calculate their capital resource requirements 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 AIUKFSL (a UCITS Firm) the capital resource requirement is calculated as the higher of:

- The FUM requirement and professional indemnity expense; and
- The fixed overhead requirement

PILLAR 3 DISCLOSURES

Aviva Investors

DECEMBER 2014



The Pillar 1 Surplus for the Aviva Investors Group at 31 December 2014 is represented below:

<u>Common Equity Tier 1</u>	£'m
Permanent share capital	193.5
Share premium account	41.6
Profit and loss and other reserves	19.7
Balance Sheet Net Assets	254.8
<i>Deductions from Common Equity Tier 1</i>	
Intangible assets	(25.7)
Material holdings	(6.0)
Unaudited Profits	(15.2)
Common Equity Tier 1 after deductions	207.9
 <u>Tier 2</u>	
Subordinated Loans	65.0
Total capital resources	272.9
 <u>Capital Resource Requirement</u>	
Deduct the higher of the following:	(54.5)
Credit, Market and Counterparty risk requirements	31.4
Fixed Overhead Requirement	54.5
Pillar 1 Surplus	218.4

PILLAR 3 DISCLOSURES

Aviva Investors

DECEMBER 2014



Included in the Aviva Investors Pillar 1 calculations shown in the preceding table are the four Aviva Investors UK Limited Licence Firms; AIGSL, AILL, ORN and AIUKFL as well as AIUKFSL, a UCITS Firm. The stand alone Pillar 1 calculations for these five entities are shown in the below table as follows:

£'m	AIGSL	AILL	ORN (^)	AIUKFL	AIUKFSL(*)
CET1 Capital					
Permanent Share Capital	130.7	23.5	-	5.0	12.0
Eligible Partnership Capital	-	-	0.2	-	-
Share Premium	-	-	-	-	-
Profit and loss and other reserves	(17.2)	5.0	-	9.6	4.7
Balance Sheet Net Assets	113.5	28.5	0.2	14.6	16.7
<i>Deductions from CET1</i>					
Deferred Acquisition Costs Adjustment	-	-	-	2.0	-
Intangible Assets	(24.7)	-	-	-	-
Illiquid Assets	-	-	-	-	(0.2)
Material Holdings	(8.6)	-	-	-	-
Unaudited Profits	-	(6.3)	-	(7.7)	(4.2)
CET1 Capital After Deductions	80.2	22.2	0.2	8.9	12.3
T2 Capital					
Subordinated Loans	25.0	-	0.1	-	-
TOTAL CAPITAL RESOURCES	105.2	22.2	0.3	8.9	12.3
Capital Resource Requirements					
<i>Deduct the higher of the following:</i>					
Credit, market and counterparty risk	12.8	2.3	-	0.5	-
Fixed Overhead Requirement	48.5	-	-	2.1	2.1
FUM Requirement and Professional Indemnity Expense	-	-	-	-	4.0
Base Capital Requirement	0.1	0.1	-	-	-
TOTAL CAPITAL RESOURCES REQUIREMENT	48.5	2.3	-	2.1	4.0
PILLAR 1 SURPLUS	56.7	19.9	0.3	6.8	8.3

(*) As a UCITS Investment Firm AIUKFSL's Pillar 1 Requirement is the higher of the sum of its FUM requirement and professional indemnity expense, and its Fixed Overhead Requirement.

(^) Total capital requirement for ORN is £40k, being the base capital requirement. ORN Data is as at 30 September 2013

3.3 Features, Terms and Conditions of Capital Instruments

3.3.1 CET1 Capital

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 Subordinated Loans

Key features, terms and conditions of the subordinated loans are:

- Each loan is fully paid up;

PILLAR 3 DISCLOSURES

Aviva Investors

DECEMBER 2014



- 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;
- Have 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 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 47, 48, 56, 66 and 79 and CRR.

No directions have been received from the regulator that gives rise to a restriction as to what can be included within our capital resources calculation.

3.5 Capital Ratios

See below for details of the CET1 and Total Capital Ratios, which have been calculated in accordance with amounts disclosed in section 3.2. All ratios were above the required threshold of 4.5% and 8% as set out in the CRR.

%	AIGSL	AILL	ORN	AIUKFL	AIUKFSL
CET1 Capital Ratio	13.2%	77.2%	NA	33.9%	NA
Total Capital Ratio	17.3%	77.2%	NA	33.9%	NA

3.6 Analysis of Capital Requirements

3.6.1 Standardised Credit Risk Capital Requirements

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

%	Aviva Investors Regulatory Group (£'m)
Institutions	5.3
Corporates	20.0
Equity Exposures	2.6
Other Items	0.7
Total	28.6

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.

PILLAR 3 DISCLOSURES

Aviva Investors

DECEMBER 2014



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 a Group 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 our risk weighted credit risk exposures:

£'m	UK	Europe	Asia Pacific	North America	Total
Institutions	58.6	3.2	1.9	3.1	66.8
Corporates	230.7	5.7	1.4	11.4	249.2
Equity Exposures	21.6	9.8	1.2	0.0	32.6
Other Items	7.3	0.0	0.1	1.0	8.4
TOTAL	318.2	18.7	4.6	15.5	357.0

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 trade receivables and cash held at bank with highly rated corporate institutions (including other Aviva Group companies) and highly rated banking institutions.

All exposures are due and payable within 90 days of invoicing. There are no material past due exposures where we have concerns over recoverability. The only long term exposure included in the amounts above is an investment in our Irish Subsidiary (that is excluded from our regulatory group) of £9.8m. This is included within equity exposures above.

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. In doing so, we use Standard & Poor's data on credit worthiness of counterparties.

All exposures to institutions are assigned to credit quality step 1 (20%) having reviewed their credit rating as issued by Standard & Poor's. All other exposures are assigned credit quality step 3 (100%).

3.6.7 Market Risk

Aviva Investors has a market risk exposure amount of £35.0m and a market risk capital requirement of £2.8m. This risk solely relates to foreign currency translation risk on assets and liabilities denominated in currencies other than GBP, as the Group does not operate a trading book.

PILLAR 3 DISCLOSURES

Aviva Investors

DECEMBER 2014



4. Internal Capital Adequacy Assessment Process

Aviva Investors' ICAAP methodology is designed to capture and quantify the key risks faced by the business. The ICAAP is updated annually in line with the reporting and planning cycles of Aviva Investors, and is re-assessed in the event of any material changes to its business model.

As an IFPRU group, the UK Regulator requires Aviva Investors to perform an internal assessment of risks facing the business and quantify the value of capital required to be held to cover these risks (internal Pillar 2 assessment). Following that, standard stress and scenario tests are applied across the business to identify the level of capital resilience held by the group in stressed conditions.

Operational risk is the most material risk faced by the group. The operational risk Pillar 2 assessment was calculated using a three stage approach: operational risk identification, risk quantification and operational risk modelling. Identification and quantification was derived from the business during meetings facilitated jointly by the Capital Management and the Business Risk functions. Scenarios were conducted and the operational risk exposure was calculated using Aviva Investors' stochastic model.

Market and credit risks were identified and Pillar 2 assessments calculated on an individual exposure basis for credit risk, using internally approved loss given default and probability of default factors. The market risk Pillar 2 assessment was calculated using a 1-in-200 year value at risk factor on a per currency basis.

Other risks forming part of our Pillar 2 assessment were transition risk in respect of our proposed acquisition of Friends Life and Pension Obligation Risk in respect of the risks associated with our share of the Aviva Staff Pension Scheme deficit.

The ICAAP is challenged and subject to an approval process through the AIHL Risk Committee and AIHL Audit Committee and each respective legal entity Board prior to adoption. Risk appetite triggers for Pillar 2 capital are implemented and are monitored regularly across Aviva Investors through both the personal Capital Committee and the AIHL Board Risk Committee.

The ICAAP concluded that the Aviva Investors group is adequately capitalised:

- to meet the risks that it faces;
- to meet the minimum capital requirements of the UK Regulator and local regulators; and
- to meet its liabilities as they fall due.

PILLAR 3 DISCLOSURES

Aviva Investors

DECEMBER 2014



5. Remuneration Code Disclosures

The Remuneration Code applies to 20 Aviva Investors Firms. These companies are designated as level three organisations as defined in the Remuneration Code. This disclosure meets the requirements of Article 450 of the Capital Requirements Regulation.

5.1 Decision-making process for remuneration policy

The Aviva Investors Remuneration Committee is comprised of the Aviva Investors Non-Executive Directors. 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. In 2014, the Aviva Investors Remuneration Committee met on 6 occasions.

The Aviva Group Remuneration Committee approves the Remuneration Policy Statements for Aviva Investors. They consider alignment between Group strategy and the remuneration of its Directors and therefore Code staff. Our remuneration policy provides market competitive remuneration, and incentivises Code staff to achieve both the annual business plan and the longer term strategic objectives of the Group. Significant levels of deferral and from 2015, the introduction of an aggregate shareholding requirement align interests with those of shareholders and aid retention of key personnel. As well as rewarding the achievement of objectives, variable remuneration can be zero if performance thresholds are not met. In 2014, the Aviva Group Remuneration Committee met on nine occasions

The creation of long-term wealth for our shareholders is the guiding principle that underpins the work and decisions of the Committee. A clear Group strategy has been defined to achieve long-term sustainable growth, based on the three anchors of:

- True Customer Composite
- Digital First; and
- Not Everywhere

Their full objectives are documented in the Directors' remuneration report in the Aviva Annual Report which is included on the Investor Relations web site, found here:

(<http://www.aviva.com/investor-relations/corporate-governance/board-of-directors/board-committees/remuneration-committee/>.)

5.2 External consultants

The Aviva Investors Remuneration Committee received independent advice on executive remuneration issues from Deloitte LLP, specifically in relation to Sales and Long Term Incentive arrangements. During the year, the Chief Executive provided regular briefings to the Aviva Investors Remuneration Committee who received advice from the Human Resources Director, the Reward Director, the Chief Financial Officer and the Chief Risk Officer, who specifically provided advice to the Aviva Investors Remuneration Committee on the implications of the remuneration policy on risk and risk management. No individual is involved in decisions relating to his or her own remuneration.

During the year the Aviva Group Remuneration Committee received advice on executive remuneration matters from Deloitte LLP which is a member of the Remuneration Consultants Group and adheres to its Code of Conduct. Deloitte LLP was appointed as advisor to the Committee on 4 December 2012.

5.3 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 Bodies seek to preserve shareholder value by ensuring the successful retention, recruitment and motivation of employees.

5.4 Code Staff criteria

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

PILLAR 3 DISCLOSURES

Aviva Investors

DECEMBER 2014



- Legal Directors of UK Regulated Entities
- Member of AI Executive Committee
- Significant Influence Functions at each UK Regulated Entity
 - CF 3 Chief executive function
 - CF 4 Partner function
 - CF 8 Apportionment and oversight function
 - CF 10 Compliance oversight function
 - CF 10a CASS operational oversight function
 - CF 11 Money laundering reporting function
 - CF 28 Systems and controls function
 - CF 29 Significant management function
- Legal department head
- Internal Audit department head
- Human Resources department head
- Chief Operating Officer
- From 2015 (the first full performance year following the introduction of the new EBA guidance on Material Risk Takers), a quantitative assessment for identifying Code staff has also been introduced.

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

5.5 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. These objectives are linked to the firm's values and four theses, which are:

- Investor
- Customer
- Distributor
- People

There are four components of pay:

- 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.
- Annual bonus – a discretionary short term incentive plan where individuals have the opportunity to receive a bonus (which may be subject to 3 year deferral in to Aviva products and/or Aviva Group Plc shares) based on business and individual performance against targets. 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 personal objectives, including Risk and Control objectives, as well as Aviva Investors and the business unit performance against agreed targets. These targets are made up of a mix of, Financial, Net New Sales and Investment Performance
- Executive Incentive Schemes – these may take the form of Long Term Incentive Plans (LTIP), Sales Incentive Bonus, Carried Interest Plans or Performance Fees.
- Benefits in Kind – standard benefits are provided that are appropriate to the market

Aviva 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

PILLAR 3 DISCLOSURES

Aviva Investors

DECEMBER 2014



inappropriate behaviour or conduct which is not in line with Aviva's values. As such the Company may decide that a Deferred Share Award which has not vested will lapse wholly or in part if they consider that:

- the participant or his 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 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.

5.6 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 business unit. The total aggregate remuneration is as follows:

There were **29** Code Staff for all or part of the 2014 performance year. Aggregate remuneration expenditure in respect of Code Staff for the 2014 performance year was **£10.889 million**.

This cumulative remuneration represents 36%, 11% and 53% of fixed, pension/benefits and variable remuneration respectively.

Of the total variable pay (bonus and LTIP) made to Code staff, 49% was deferred for 3 years and is subject to malus provisions as outlined above during this period. From 2016 such deferred payments will additionally be subject to clawback provisions for a further 2 years upon vesting.

Important Information

This document is issued by Aviva Investors Global Services Limited, registered in England and Wales No. 1151805, with its registered office located at No 1, Poultry, London, EC2R 8EJ. Aviva Investors Global Services Limited is authorised and regulated by the Financial Conduct Authority. Firm Reference No. 119178