Aviva plc

Annual Report and Accounts 2022

Part 1

It all starts with our customers.

Make the most out of life. Plan for your future. Have the confidence that if things go wrong, we'll be there to help put them right.

It takes Aviva.

How to navigate this report

Use your browser's bookmarks and tools to navigate

To search this document
PC use Ctrl+F, MAC use Command+F

Throughout the Strategic Report we use a colour coding system:

Insurance

Wealth

Retirement

Our reporting suite

This report forms part of our reporting suite.

Results Presentation 2022
Presentation of Group financial results, including non-financial KPIs to analysts.

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Sustainability Report 2022
Our report on how we are progressing against our sustainability goals.

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Climate-related Financial Disclosure 2022
Our report in compliance with the Taskforce on Climate-related Financial Disclosure (TCFD).

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Reporting Criteria 2022
Sets out the principles and definitions used to report the Group's Key Sustainability Performance Indicators and selected data points.

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Results Announcement 2022
Includes our press release and analysis of the financial results.

⊕ Download PDF

Read more and find our reporting suite in the download centre on our website.
> aviva.com/investors/reports/

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Foreword

The Strategic report and Governance pages form part 1 of the Annual Report and Accounts. The IFRS Financial Statements and Other Information form part 2 of the Annual Report and Accounts. Parts 1 and 2 together comprise the Aviva plc Annual Report and Accounts 2022.

The Strategic report contains information about Aviva, how we create value and how we run our business. It includes our strategy, our business model, key performance indicators, overview of our businesses, our approach to risk and our responsibility to our people, our communities and the planet.

The Strategic report is only part of the Annual Report and Accounts 2022, which was approved by the Board on 8 March 2023 and signed on its behalf by Amanda Blanc, Chief Executive Officer. The Directors' Report required under the Companies Act 2006 comprises the 'Governance' section of the Annual Report.

The Strategic report should be read in conjunction with the Cautionary Statement, included within the Other Information section.

More information about Aviva can be found at **www.aviva.com**.

As a reminder

Reporting currency:
We use £ sterling. Unless otherwise stated, all figures referenced in this report relate to Group.

Explanations of key terms used in this report are available on:
www.aviva.com/glossary

www.aviva.com/climate-goals-glossary

The Company's registered office:
St Helen's
1 Undershaft
London
EC3P 3DQ

Alternative Performance Measures:
Throughout the Annual Report and Accounts we use a range of financial metrics to measure our performance and financial strength. These metrics include Alternative Performance Measures (APMs), which are non-Generally Accepted Accounting Principles (GAAP) measures that are not bound by the requirements of IFRS or Solvency II.

A complete list of the APMs used by the Group, and further guidance in respect of their use, can be found in the 'Other information' section in part 2 of the Annual Report and Accounts. This guidance includes definitions and, where possible, reconciliations to relevant line items or sub-totals in the financial statements.

At a glance

Aviva is one of the UK's leading Insurance, Wealth and Retirement businesses, with 18.7 million customers in the UK, Ireland and Canada.

Our purpose is to be: With you today for a better tomorrow

We're there to protect the things that matter most to our customers: their homes and belongings, their health and wealth, their future and their families.

To live up to that purpose, we have an ambition to be:

The leading UK provider and go-to customer brand for all insurance, wealth and retirement solutions, with strong franchises in Canada and Ireland

Watch our manifesto film to find out more
> www.aviva.com/about-us/who-we-are-and-what-we-do

We have a clear strategy and plan to achieve this vision:

Customer

Go-to customer brand for Insurance, Wealth and Retirement

Growth

Targeted, disciplined and profitable growth

Efficiency

Top quartile efficiency with technology at the core

Sustainability

Leading on Climate Action, Stronger Communities and Sustainable Business

Read more on our strategy

We are guided by our values:

Care

We care deeply about the positive difference we can make in our customers' lives

Commitment

We understand the impact we have on the world and take the responsibility that comes with it seriously

Community

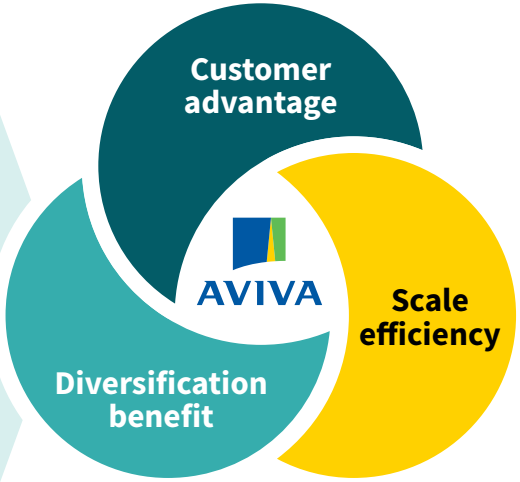
We recognise the strength that comes from working as one team, built on trust and respect

Confidence

We believe the best is yet to come for our customers, our people, and society

Read more on people

Delivering our strategy will unlock our competitive advantage:



By doing so, we will create value for our stakeholders: our customers, colleagues, society and shareholders

Read more on our stakeholders

At a glance

Our diversified model allows us to build lifetime relationships with our customers, serving them across the full range of their insurance, wealth and retirement needs.

How we're organised

We provide our customers with insurance, wealth and retirement solutions through our businesses in the UK, Ireland, Canada and Aviva Investors, each with high quality businesses and strong market positions. We also have international investments in China, India and Singapore.

AVIVA

UK & Ireland Life	UK & Ireland General Insurance	Aviva Investors
	Canada General Insurance	
Insurance	Insurance	Wealth
Wealth		
Retirement		

‡ Denotes Alternative Performance Measures (APMs) and further information can be found in the 'Other information' section
1. Comparatives presented are from continuing operations
2. Operating profit represents Group adjusted operating profit which is a non-GAAP APM. Operating profit is not bound by the requirements of IFRS. Further details are included in the 'Other information' section.
3. Baseline controllable costs exclude strategic investment, cost reduction implementation, IFRS 17 and other costs not included in the 2018 costs
4. Estimated dividends are for guidance and are subject to change. The Board has not approved or made any decision to pay any dividend in respect of any future period.

Highlights of the year

Strong results demonstrating benefits of diversified model

- Solvency II operating own funds generation‡ up 37% to £1,623m (2021[1]: £1,187m)
- Operating profit‡,[2] up 35% to £2,213m (2021[1]: £1,634m)
- IFRS loss for the year of £(1,139)m (2021: £2,036m profit)
- General Insurance gross written premiums up 8% to £9,749m (2021[1]: £8,807m)
- UK & Ireland value of new business‡ up 15% to £767m (2021: £668m)
- Cash remittances‡ up 11% to £1,845m (2021[1]: £1,662m)
- Baseline controllable costs‡,[3] down 3% to £2,771m (2021[1]: £2,854m)
- Final dividend per share of 20.7 p, up 41% on 2021

Capital position robust - £300m share buyback to commence

- Solvency II shareholder cover ratio‡ of 212% (2021: 244%)
- Centre liquidity‡ (Feb 23) of £2.2bn (Feb 22 :£6.6bn)
- Solvency II debt leverage ratio‡ of 31% (2021: 27%)
- Solvency II return on equity‡ of 16.4% (2021: 10.7%)
- Given our robust capital position, we are commencing a £300m share buyback on 10 March 2023
- Our preference remains to return surplus capital regularly and sustainably
- We expect to pay a dividend of c.£915m for 2023[4], with low to mid-single digit growth in the cash cost of the dividend thereafter

Significant momentum in 2022

- Our combination of insurance, wealth and retirement is bringing clear benefits.
- We are investing in Aviva's future: improving customer experience, targeting growth, and further reducing costs.
- Delivering strong results despite a difficult political and economic backdrop shows that our strategy and diversified business model is working.
- Our strong performance reinforces our confidence in the prospects, financial targets and outlook for the Group.
- We are on target to exceed our Solvency II own funds generation target, and to meet our cash remittances and cost targets.
- 2022 performance shows that we can, and we will, deliver on Aviva's promise.

As our customers grapple with the financial puzzles in their lives, we'll be right there to help solve them. We're with them when it matters in the moment, and we're thinking about what's needed for tomorrow too.

The world is undergoing momentous change: a climate in crisis, social unrest, conflict, natural disasters and economic uncertainty. Amongst all that, our customers are trying to make life work, trying to do the best for their families or their businesses.

The way we serve people has never been more important, and we're going further to help them make sense of it all. Delivering on our promise to customers is how we live up to our purpose to be with you today, for a better tomorrow.

Amanda Blanc,
Group Chief Executive Officer

With you **today**

This year has been a particularly challenging time and we understand the financial pressure faced by our customers, colleagues and communities. In response, we've acted to increase the range and amount of support we provide.

Customers: We offered customers flexibility to reduce their cover and monthly payments, maintained a payment deferral scheme implemented during COVID and rolled out a new range of affordable motor and home propositions called Quotemehappy Essentials, so that people can save money while still maintaining peace of mind.

Colleagues: We're proud to pay our people a Real Living Wage. In addition, in October we made a one-off payment to over 9,000 colleagues to help our people deal with the financial pinch.

£9m

pledged to Citizens Advice and the Money Advice Trust

Communities: As people across the UK struggle to cope with rises in the cost of living, demand for help and advice has jumped. Aviva has joined new partnerships with Citizens Advice and the Money Advice Trust, pledging £9 million over two years. The money will allow them to help more families and small businesses. We also added a £2 million Cost of Living Boost to the Aviva Community Fund and the Aviva Foundation continues to support organisations that help people with money problems.

Read more on support for colleagues in Our people section

With our customers in **insurance**

When the chips are down, you want your insurer to step up. This year our teams have been helping customers recover from the upheaval of storms, fire and flood. And we're looking at new ways to help with new problems too.

A familiar story

In February 2022, three violent storms struck the UK and Ireland in quick succession. Thousands of households once again had to face up to widespread flooding, damage and disruption. Our teams were on hand for them in their hour of need, dealing with over 19,000 claims in the UK alone. Thanks to the flexibility of our model, colleagues from Canada were able to join in the effort and 10% of those claims were settled on the first day, helping people get back to normal as soon as they could.

19,000

UK customer claims for February storm damage

A new approach

This year also saw the start of a new partnership with US insurer Lemonade. They are widely recognised as a leading disrupter in the industry, using sophisticated data and technology to create simple, quick customer experiences with quotes in seconds and claims paid instantly.

The partnership will begin by focusing on developing new products for renters, a growing market that is typically under-insured, helping more people protect their homes and belongings.

Read more in Our business review

With our customers in **wealth**

As our customers navigate market volatility and an uncertain economic outlook, we're expanding our range of products and services to help. We're also doing more to make sure they have access to advice and guidance that works for them.

Finding lost money

People can lose track of their pensions as they move in to new jobs, or move home. We have been working with Fabric, a start-up from our Founders Factory partnership, to help solve the problem. We've automated the process of tracking down previous pensions and simplified the experience for our customers.

Process time has been cut by two thirds and the journey helps customers understand what they have, putting them back in control.

£18k

average pension pot found by new Fabric pension tracing service

Offering advice

Three in five people in the UK feel stressed about planning for later life, according to research we published in November. The need for accessible, affordable advice and guidance has never been higher.

This year we acquired Succession Wealth, a national independent advice firm. This acquisition broadens our ability to help customers better secure their financial future. It complements our integrated offering from Wealthify at the self-serve end of the market, through to our own Aviva Finance Advice offering and whole-of-market independent advice.

Read more in Our business review

With our customers in **retirement**

Customers increasingly have to take responsibility for their own financial futures. Our financial strength and range of products means we can be with them at every step of the way.

The right products

More customers came to Aviva for open-market individual annuities as we continue to meet the demand for a guaranteed income during retirement.

We also expanded our adviser capability to include advice on equity release, helping guide customers through the option of unlocking the value in their homes. This gives customers the chance to live the retirement they want, offering peace of mind and financial flexibility, without having to leave their homes.

over 1m

annuity customers in the UK

For the long-term

Our customers rely on us for a dependable income in retirement. We've got expertise in investing for sustainable, long-term returns to live up to our promise to them.

This year, we've gone a step further to find and originate suitable assets using Aviva Group capital. Our new in-house capital unit, Aviva Capital Partners (ACP), will use our financial strength to create projects that improve the infrastructure of our communities while delivering returns to support people's retirement.

ACP will take a broader spectrum of risks where our equity can unlock larger scale assets. It has already signed a partnership with real estate developer Stories who focus on projects that make a positive difference to the quality of life in communities across the UK.

Read more in Our business review

For a better **tomorrow**

We're helping people get ready for a changing climate. From carbon offsetting car insurance to letting people invest in the transition to a low carbon economy, we're giving our customers options to make smart choices for a sustainable future.

Driving change

We're making it easier to make a difference. In the UK, we've introduced our carbon-conscious car insurance, Aviva Zero, which offsets carbon emissions from driving or charging your car.

In Canada we've launched a new type of cover for electric vehicles, tackling some of the concerns people might have with adopting a new technology. As well as an insurance discount, it offers free tows to help deal with range anxiety.

Investing in the future

Your pension is powerful. The move to automatically enrol people into workplace pensions has greatly increased the numbers saving for their future. We offer the chance to use their money to help shape the future they want to retire into. By June 2022, we had exceeded our 2022 goal of £10 billion of auto-enrolment assets into low carbon equities and climate transition strategies.

>£10bn

auto-enrolment assets in low carbon equities and climate transition strategies

Read more in Our sustainability ambition

Chair's statement

We have delivered another twelve months of strong performance.

George Culmer
Chair

"Difficult times serve to highlight the importance of what Aviva does and why we exist."

It has been another year like no other. Hard on the heels of the pandemic, we're witnessing war in Europe and a global energy crisis. Domestic politics has been volatile, to say the least. Inflation, rising interest rates, and a cost of living crisis unseen in generations are creating anxiety for millions of people.

A year of delivery

Times like these are testing for businesses, as they are for our people, and for our customers. This year's performance demonstrates that Aviva is more than rising to the challenge.

We have delivered another twelve months of strong performance. We're delivering against our strategy, focused now in markets where we have leading positions and clear competitive advantage.

And our financial stability, and diverse products and channels mean our customers, communities and shareholders can have confidence that we're well positioned to be there for them come what may.

Our strong financial performance in 2022, and our confidence in Aviva's prospects, meant we have declared a full year dividend of 31.0p. On top of this, we are also delivering on our commitment to return further capital through a £300 million buyback programme, providing even more value to our shareholders.

31p

2022 total dividend per share

Fundamental strengths

In many ways, the events of the year brought into sharp relief the fundamental strengths of our business.

Aviva has always had the right pieces and they are now much better aligned to delivering good outcomes for all our stakeholders. This comes from having the right leadership team, led by Amanda Blanc and bolstered further by the recent arrival of Charlotte Jones as Group Chief Financial Officer, the right vision and the right strategy to achieve it.

For our customers, this means we can serve a very broad range of their lifetime needs, helping more people with their financial challenges. This is supported by our scale, which brings efficiencies on both costs and investment, and allows us to share expertise across the organisation. And our diversification provides resilience to shifting economic conditions as well as giving us capital and earnings benefits.

Chair's statement continued

Customers

The renewed focus of Aviva means we are well set up to serve individuals and businesses. We're on hand to help with people's financial conundrums, offering solutions to help make sense of the increasingly complicated choices about their insurance, wealth and retirement needs. We've also acted this year to help ease the impact of the cost of living crisis.

To serve them fully requires a new focus on ensuring our customers are at the forefront of our minds in all aspects of the business. This in turn demands a shift in our culture to become outstandingly customer-centric, a shift that is well underway.

This does not mean we will always get things right but there is a determination to learn and improve where we fall down. We are also intent on building from and improving on what we already have, innovating to offer a more seamless service, and better options to keep pace with our customers' evolving needs. This way we can continue to live up to our purpose of being 'with you today, for a better tomorrow'.

Community

That purpose also still underpins our ambition to be a sustainable business, fulfilling our responsibilities to be a good corporate citizen in all aspects of what we do.

2040

Our ambition to be Net Zero

You can read more fully in this report about our plans to reach our ambition to be Net Zero by 2040. This ranges from plans to generate more of our own renewable energy, through offering better choices for our customers, to leading the debate about the need for organisations in both the private and public sector to have specific, credible plans to achieve the transition to a low-carbon economy.

Sustainability is about more than helping the UK become ready for a changing climate, of course. It also involves tackling the loss of biodiversity, and helping build stronger, more resilient communities.

We've also taken steps this year to offer more support to people in the challenging economic environment, and we remain committed to reinvesting 2% of Group adjusted operating profit into communities in the UK, Ireland and Canada.

2%

of Group adjusted operating profit reinvested into communities

The Aviva Community Fund and the Aviva Foundation also continue to support organisations making a difference to people's lives up and down the country.

Colleagues

None of this year's undoubted progress would be possible without the ongoing hard work, expertise and professionalism of our people. They continue to epitomise our values of care, commitment, community and confidence and I'd like to thank all my colleagues for the tremendous job they have done.

I'm further encouraged by the increasing pride our people have in being part of Aviva, and the high levels of engagement and support we are seeing for our collective goal. Our shared success depends on everyone being able to give their all to the task.

Looking ahead

It is likely that times will remain difficult for many people in the months to come. But difficult times serve to highlight the importance of what Aviva does and why we exist.

I'm confident that Amanda, her team, and our people have got what it takes to take the business further forward. They have shown it this year. I trust they will show it again in the year ahead, doing the right things for our customers and for you, our shareholders.

George Culmer
Chair
8 March 2023

Our investment case

Our ambition

The leading UK provider and go-to customer brand for all insurance, wealth and retirement solutions, with strong franchises in Canada and Ireland

Our strategic priorities

Clear strategy with a focus on execution in 4 priority areas

Customer
Go-to customer brand for insurance, wealth and retirement

Growth
Targeted, disciplined and profitable growth

Efficiency
Top-quartile efficiency with technology at the core

Sustainability
Leading on climate action and regenerating communities

Our Group targets

We have confidence in medium-term financial targets

>£5.4bn
cash remittances 2022-24

£1.5bn
Solvency II own funds generated p.a. by 2024

£750m
cost reduction 2018-24

Sustainable cash generation that supports strong returns for shareholders and makes for a compelling investment case for Aviva

Competitive advantage of Aviva model:
across customer, scale and diversification

Position of market strength:
market leading positions in core segments

Consistent performance delivery:
strong 2022 results, operating momentum continues

Attractive and growing dividend:
expect to pay c.£915m in 2023 with low-to-mid single digit growth in cash cost thereafter

Further capital returns:
£300m in 2023 and preference to return capital sustainably and regularly

Chief Executive Officer's report

We are making excellent progress at Aviva. Operating profit and dividends are growing and we have strong trading momentum despite significant market volatility.

Amanda Blanc
Group Chief Executive Officer

"Our plan is working and our combination of Insurance, Wealth and Retirement brings clear benefits, as evidenced in our 2022 results. Although we have delivered a lot, there is so much more to go after to satisfy our big ambitions. This year's performance shows that we can, and we will, deliver on Aviva's promise."

Aviva had an excellent 2022. We are making clear strategic progress and have delivered consistently strong results throughout the year.

Overview

Our combination of insurance, wealth and retirement brings clear benefits. Our capital position remains very solid and has proven its resilience in the face of market volatility. Importantly, we have also invested significantly in Aviva's future: improving customer experience, targeting growth and further reducing our costs.

The fact that we've achieved this despite a difficult economic and political backdrop, shows once more that our strategy is the right one and the diversified business model we have built is working.

I would like to thank all of my Aviva colleagues for their contribution to the 2022 results. In the face of a very challenging year, the team really delivered. Every single customer that chooses Aviva, every single life or business that we protect, every single claim that we handle well, is down to our people and their ability to deliver for our customers.

So, a very big thank you to the Aviva team.

Significant momentum in 2022

This year's results underline Aviva's ability to grow. We have demonstrated consistent and reliable momentum through disciplined, profitable growth and tight cost control. Value of new business (VNB) is up 14%, gross written premiums are up 11%, and we have had over £9 billion of net flows into our Wealth business.

In Insurance, our Canadian business performed very well and is now number two by size in an attractive market. Commercial lines premiums were up 14%[1] across mid-market and Global Corporate Specialty (GCS) and Canadian personal lines delivered excellent growth in our key Royal Bank of Canada (RBC) partnership.

In the UK we delivered growth of 13% in our General Insurance Commercial Small and Medium Enterprise business. Group protection grew 29%, and health premiums were up 14% driven by strong SME sales.

In Wealth, workplace net flows of £5.8 billion were up 14%, driven by strong retention and the inflationary impact on salaries.

Our advisor platform business remained resilient with £3.8 billion of net flows, despite severe cost of living pressures.

Aviva Investors delivered positive net flows of £1.3 billion with our external clients in an extremely volatile year and was ranked third in ShareAction's report on the responsible investment practices of 77 of the world's largest asset managers.

In our Retirement business we transacted on 50 bulk purchase annuities (BPA) deals in 2022 for £4.4 billion of present value of new business premiums (PVNBP) at very strong margins. The BPA pipeline is positive and we announced an £850 million buy-in transaction with the Arcadia schemes in February 2023.

External individual annuities PVNBP were around 70% higher, as rising interest rates drive more attractive pricing for consumers, and equity release PVNBP were up 17%.

Solvency II own funds generation increased by 37%; group adjusted operating profit was 35% higher and we delivered a strong Group combined operating ratio (COR) of 94.6% despite the impact of inflation and adverse weather in the UK.

1. At constant currency

Chief Executive Officer's report continued

The strength of our COR once more points to the benefits of the scale and diversification of our general insurance businesses in the UK, Ireland and Canada.

Cash remittances from continuing operations are up 11% to £1.8 billion in 2022 while costs were 3% lower. We have maintained our focus on cost discipline and efficiency, which is a strong performance given the significant inflationary backdrop.

These results are testament to the progress that we have made over the past two years in simplifying the business, building resilience, and further embedding a high performance culture across Aviva.

And that performance underpins our confidence in the delivery of our targets.

We completed the return of £4.75 billion of capital to shareholders during 2022 and we have declared a final dividend of 20.7p, bringing the total dividend for the year to 31.0p, in line with our guidance.

We know how important a sustainable dividend is for our shareholders and our guidance of c.£915 million cash cost for 2023 remains unchanged. We have also announced an upgrade to our dividend guidance. We have strong confidence in our future performance, and in the outlook for sustainable growth in cash generation, and so we now expect to grow the cash cost of our dividend by low-to-mid single digits from 2024 onwards.

Under our capital framework, surplus capital is available for reinvestment in the business, focused M&A and returns to shareholders. The momentum and consistency in our performance, together with our capital strength allow us to deliver on our commitment of further capital returns, starting immediately with a £300 million share buyback programme. Our preference remains for regular and sustainable returns of surplus capital over time, in addition to the ordinary dividend.

Delivering the strategy is unlocking competitive advantage

Our plan and strategy to transform Aviva remains unchanged.

We are utterly focused on executing against each of our four strategic priorities – customer, growth, efficiency, and sustainability – and this is unlocking the clear competitive advantages that come from Aviva's model: our customer base, our scale, and our diversification.

In turn this is driving a higher quality and more consistent financial performance for our shareholders.

Meeting more of our customers' needs

The strategy starts with our 18.7 million customers. Almost 14% of the UK population are saving or retiring with Aviva. They are central to everything we do, and over the past year we have continued to deliver for them.

In 2022 we paid £23.2 billion in claims, fulfilling our purpose to be with people in the crunch times when it really matters.

We want more customers to stay with us for longer, so we can look after more of their needs, brilliantly. And we are making good progress.

This year we have won over 370 new Workplace schemes and customer numbers in the UK have grown to 15.5 million.

We are investing to accelerate this advantage. To make it easier for our customers to buy from us, we are building an engaging mobile-led customer experience which will deliver more personalised interactions. And we can see that this investment is working. For example, improvements we made to the MyAviva pension digital journey have resulted in over £600 million of additional flows in 2022.

We are also investing in innovation to improve the products and services we can offer and are making it easier for customers to do business with us.

For example, we are launching a new market-leading pension tracing and consolidation proposition which will be available for all Workplace and Direct customers.

Delivering on our ambitious growth plans

Our excellent performance is a result of our simpler, more focused business. We recognise the difficult economic environment we are operating in, with the cost of living crisis, high inflation and macro-economic uncertainty. But even in these challenging times, we are driving profitable growth right across Insurance, Wealth and Retirement.

Each plays a critical role in our portfolio and we are not relying on any single business for our growth.

1. Estimated dividends are for guidance and are subject to change. The Board has not approved or made any decision to pay any dividend in respect of any future period.

Chief Executive Officer's report continued

We also benefit from scale and diversification which underpin our profitable growth.

We already enjoy a balanced portfolio with significant capital diversification benefits, lower earnings volatility, and resilient performance.

And, as we continue to accelerate growth in Insurance and Wealth, we will maximise this benefit.

In Insurance, our ambition is above market growth and to achieve this we will continue expanding our Commercial and GCS capability in Canada and the UK. We will also build on our leading position in UK High Net Worth (HNW) following our acquisition of Azur's UK HNW personal lines business.

In Wealth, we are aiming for at least 10% growth in net flows. We have enhanced our master trust proposition and launched open banking functionality, furthering our market leadership in Workplace.

We are now focused on building our direct wealth offering and an integrated wealth proposition.

We also completed the acquisition of Succession Wealth in August and we moved quickly to enhance our proposition for customers and advisors with better service, a lower-cost Aviva platform, and award-winning investment solutions from Aviva Investors.

Finally, in Retirement we are continuing to invest in our BPA platform which went live to new customers in 2022, and we are expanding our adviser capabilities to support growth in Equity Release.

Delivering real efficiency gains

Running ourselves efficiently remains a non-negotiable and despite high inflation across our markets, we have delivered our 2022 target with a net cost[1] reduction of £327 million. This equates to £575 million gross of inflation. We are on track to deliver our £750 million gross cost reduction target by the end of 2024.

We have achieved this with simplified customer journeys, reduced property costs, outsourcing in Aviva Investors, streamlined IT and a reduced number of products.

We have also significantly reduced costs at the Group centre.

All of this points to a new and permanent culture of operational efficiency that we are embedding across the group, to deliver our commitment of top quartile efficiency.

Leading in sustainability

On sustainability we continue to lead the pack on climate action, working towards our ambition to become Net Zero by 2040.

We are ranked fifth amongst global insurers by Sustainalytics and our S&P Global rating improved – putting us in the 95th percentile.

We have donated £38 million to restore Britain's lost temperate rainforests as part of a broader £100 million programme to help address climate change through supporting biodiversity.

On social action, we are stepping up our ambition to help regenerate communities, investing £25 billion in the UK economy over the next 10 years. And we are reinvesting 2% of our group adjusted operating profit in communities every year.

Delivering Aviva's Promise

All the elements are clicking into place for Aviva to provide even more value for customers and shareholders.

We have had an excellent year. We have delivered strong and resilient financial performance quarter by quarter.

Our plan is working and our combination of Insurance, Wealth and Retirement brings clear benefits, as evidenced in our 2022 results.

We have leading positions in all chosen markets, high performing businesses, talented leaders, committed people and a formidable brand.

We have the right strategy to unlock the unique advantages of our model and we are executing it. We generate an attractive and growing dividend and we are aiming for regular and sustainable capital returns alongside this.

Although we have a delivered a lot, there is so much more to go after to satisfy our big ambitions.

This year's performance shows that we can, and we will, deliver on Aviva's promise.

Amanda Blanc
Group Chief Executive Officer
8 March 2023

1. Baseline controllable costs exclude strategic investment, cost reduction implementation, IFRS 17 and other costs not included in the 2018 costs savings target baseline

Chief Financial Officer's report

2022 was another excellent year for Aviva. Against the backdrop of an extremely challenging market environment we have continued to deliver very strong results and have demonstrated that the diversified business model we have built is working.

Charlotte Jones
Chief Financial Officer

"These results demonstrate the excellent progress we have made in transforming Aviva's performance. But there is so much more for us to go after."

We have shown consistent and reliable positive momentum, through disciplined profitable top line growth and tight cost control. We have made further progress against our existing targets, which we are now on track to meet or exceed.

Overview

2022 was an excellent year for Aviva as we continued to deliver strong financial performance, giving us momentum as we move forward into 2023.

We delivered on our promise to shareholders by returning £3.75 billion of capital through a B share scheme, taking the total amount of capital returned to shareholders to £4.75 billion following the reshaping of the portfolio.

We made further progress on deleveraging, reducing debt by £0.5 billion as we move towards meeting our ambition to reduce Solvency II debt leverage below 30%.

Cash remittances‡,1

£1,845m

2022	£1,845m
2021	£1,662m

Solvency II operating own funds generation‡,1

£1,623m

2022	£1,623m
2021	£1,187m

Estimated Solvency II shareholder cover ratio‡

212%

2022	212%
2021	244%

Controllable costs‡,1,2

£3,152m

2022	£3,152m
2021	£3,096m

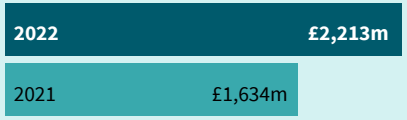
‡ This is an Alternative Performance Measure (APM) which provides useful information to enhance the understanding of financial performance. Further information on APMs, including a reconciliation to the financial statements (where possible), can be found in the 'Other Information' section.

1. Comparatives presented for continuing operations and do not include results from discontinued operations no longer part of the Group
2. Baseline controllable costs exclude strategic investment, cost reduction implementation, IFRS 17 and other costs not included in the 2018 costs savings target baseline

Chief Financial Officer's report continued

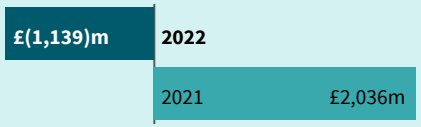
Group adjusted operating profit[‡,1,2]

£2,213m



IFRS loss for the year

£(1,139)m



General insurance gross written premiums[1]

£9,749m

Life present value of new business premiums[‡,1]

£34,451m

‡ This is an Alternative Performance Measure (APM) which provides useful information to enhance the understanding of financial performance. Further information on APMs, including a reconciliation to the financial statements (where possible), can be found in the 'Other Information' section.

1. Comparatives presented for continuing operations and do not include results from discontinued operations no longer part of the Group
2. Group adjusted operating profit is an APM which is used by the Group to supplement the required disclosures under IFRS. Please see note B in the 'Accounting Policies' section of IFRS Financial Statements and the 'Other Information' section for further information.
3. Baseline controllable costs exclude strategic investment, cost reduction implementation, IFRS 17 and other costs not included in the 2018 costs savings target baseline
4. Estimated dividends are for guidance and are subject to change. The Board has not approved or made any decision to pay any dividend in respect of any future period.

Throughout this report we use a range of financial metrics to measure our performance and financial strength. These metrics include APMs, which are non-Generally Accepted Accounting Principles (GAAP) measures that are not bound by the requirements of IFRS or Solvency II. A complete list of the APMs used by the Group, and further guidance in respect of their use, can be found in the 'Other information' section in part 2 of the Annual Report and Accounts.

We've delivered a further £200 million of cost reduction gross of inflation[3], taking total cost reduction since 2018 to £575 million. We are on track to achieve our cost target of £750 million by 2024.

Alongside this strong progress on efficiency, we have also grown the business. We now expect to exceed our own funds generation target of £1.5 billion by 2024 and are firmly on track to meet our cash remittance target of >£5.4 billion cumulative 2022-24.

Our capital position has proved extremely robust, remaining very strong throughout the year in the face of significant market volatility. This has enabled us to deliver on our commitment to shareholders as we have announced a new share buyback of £300 million which will commence on 10 March 2023. We anticipate further returns of surplus capital in the future and our preference remains for returns to be regular and sustainable.

Our confidence in the performance trajectory of Aviva, and in the outlook for sustainable growth in cash generation means we have also upgraded our dividend guidance.

Our guidance for a c.£915 million dividend cash cost in 2023[4] remains unchanged, but we now expect to grow the cash cost of our dividend by low-to-mid single-digits from 2024 onwards.

I am confident that Aviva is well placed to succeed. We have a strong brand and market leading positions in our core markets. We have a clear strategy and are focused on executing it as we have begun to unlock the competitive advantage of the diversified business model.

It is clear that we are starting to see the results of the steps we have taken to transform performance, but there is so much more we want to achieve. We are extremely confident in the future of Aviva and our commitment to deliver on our promise to our customers, our shareholders, our employees and our communities.

Read more
More details can be found in:
> **Key performance indicators**

Chief Financial Officer's report continued

Group financial headlines

Operating results

Cash remittances

Cash remittances were up 11% to £1,845 million (2021[1]: £1,662 million). UK & Ireland Life remittances were lower in 2022 however this was more than offset by UK & Ireland General Insurance and Canada, demonstrating the benefits of our diversified business model. We are on track to deliver our cash remittance target of >£5.4 billion over 2022-24.

IFRS performance

Group adjusted operating profit[2] increased by 35% to £2,213 million (2021[1]: £1,634 million). Excluding UK Life management actions and other of £278 million (2021: £77 million), group adjusted operating profit[2] was up 24% to £1,935 million (2021[1]: £1,557 million).

UK & Ireland Life adjusted operating profit[2] was up 34% with strong performance in Retirement (Annuities & Equity Release) driven by improved margins, earnings growth on the in-force book and other favourable experience.

Adjusted operating profit[2] in Wealth was lower in 2022 while Protection & Health was flat. Heritage adjusted operating profit grew in the period, reflecting the impact of market movements on policyholder tax.

General Insurance adjusted operating profit[2] was up 1% to £771 million (2021[1]: £762 million) reflecting strong performance in Canada partly offset by lower profits in UK & Ireland.

The UK, Ireland and Canada all saw a return to more normal claims frequency, and benefited from improved LTIR returns from higher reinvestment yields. Importantly, the Group has managed the inflationary environment well, and continues to remain vigilant in this regard.

We manage the business on a Solvency II basis and our hedging strategy, which reduces volatility from economic and market fluctuations, is focused on protecting the Solvency II capital position and securing our ability to pay dividends. This approach introduces IFRS volatility from the movement in the fair-value of assets which are held for the long term to back liabilities and capital requirements. During 2022 our IFRS results were adversely impacted by rising interest rates which reduced the fair value of these assets. As we focus on the Solvency II capital position, we accept variability in the IFRS results. The IFRS loss for the year was £(1,139) million (2021: profit of £2,036 million) while basic earnings per share decreased to (38.2) pence (2021: 50.1 pence). Higher operating profit was more than offset by these economic and market movements.

Cost reduction

Baseline controllable costs[3] from continuing operations, fell by 3% to 2,771 million (2021: £2,854 million) despite headwinds from inflation. Since 2018 we have achieved £327 million of savings net of inflation, ahead of target. We are on track to meet our ambition of £750 million (gross of inflation) cost reduction from the 2018 baseline by the end of 2024.

£327m

Controllable costs savings vs. 2018[3]

Solvency II operating own funds generation (Solvency II OFG)

Solvency II OFG, a key measure of growth, increased by 37% to £1,623 million (2021[1]: £1,187 million) driven primarily by strong growth in UK Life, which benefited from growth in Retirement, Wealth, and management actions and other.

Solvency II OFG in UK & Ireland General Insurance and Canada was marginally lower in 2022, a good performance given the inflationary backdrop and the return to more normal levels of claims frequency in 2022. Solvency II OFG also benefited from lower central costs and external debt costs as a result of our simplification and deleveraging programme.

Solvency II OFG excluding management actions and other was up 15% in 2022.

We are £1.5 billion per annum by 2024, a target which assumes a lower contribution from management actions & other than seen in 2022.

Financial targets

>£5.4bn

Cash remittances cumulative 2022-2024

£1.5bn

Solvency II Own funds generation per annum by 2024

£750m

Gross controllable costs reduction (2018-2024)[3]

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3. Baseline controllable costs exclude strategic investment, cost reduction implementation, IFRS 17 and other costs not included in the 2018 costs savings target baseline

Chief Financial Officer's report continued

Solvency II operating capital generation (Solvency II OCG)

Solvency II OCG increased by 5% to £1,434 million (2021[1]: £1,364 million) driven primarily by growth in UK & Ireland Life, partly offset by adverse impacts from the latest reinsurance renewal across our General Insurance business.

Solvency II return on equity (Solvency II RoE)

Solvency II RoE was 16.4%, improving by 5.7pp (2021[1]: 10.7%), primarily reflecting the increase in Solvency II OFG and lower 2022 opening capital driven by higher interest rates in 2021.

Business performance

UK & Ireland Life

UK & Ireland Life adjusted operating profit[2] increased by 34% to £1,908 million (2021: £1,428 million) driven by strong margins in Retirement, strong performance in Ireland Life, the impact of market movements on policyholder tax in Heritage, and a higher contribution from management actions and other, partly offset by Wealth where revenue was adversely impacted by market volatility.

Solvency II OFG increased by 44% to £1,368 million (2021: £953 million) driven by Retirement, Wealth, and a higher contribution from Other, partly offset by Protection & Health and Heritage.

Cash remittances were £780 million (2021: £1,219 million) reflecting the deferral of a dividend payment into 2023 amid market volatility during the second half of 2022.

Value of new business (VNB) increased by 15% to £767 million (2021: £668 million) driven by improved margins across all lines of business.

Present value of new business premiums (PVNBP) were 7% lower at £33.3 billion (2021: £35.6 billion) reflecting lower BPA volumes of £4.4 billion (2021: £6.2 billion) and the impact of higher discounting of future premiums in Wealth and Protection & Health as a result of higher interest rates.

Wealth net flows were resilient at £9.1 billion (2021: £10.0 billion) driven by strong performance in Workplace offset by Platform which remained robust in the face of market volatility.

Baseline controllable costs[3] decreased by 1% to £1,093 million (2021: £1,102 million).

UK & Ireland General Insurance

UK & Ireland General Insurance adjusted operating profit[2] was 5% lower at £338 million (2021: £356 million) reflecting a return to more normal claims frequency partly offset by higher investment returns, while we have mitigated the impact of rising inflation through pricing discipline. UK & Ireland combined operating ratio (COR) was 96.1% (2021: 94.3%), a strong result given the challenging conditions in 2022.

Solvency II OFG was 14% lower at £293 million (2021: £339 million), with the lower result primarily reflecting a return to more normal claims frequency.

Cash remittances increased 180% to £731 million (2021: £261 million), reflecting both the cash generated from the operations as well as surplus capital in excess of local risk appetite.

Gross written premiums (GWP)increased 7% to £5,740 million (2021: £5,352 million). UK commercial lines was up 12% driven by strong retention, new business growth and increased rates.

UK personal lines was up 2% as we focused on pricing discipline amid adverse conditions, while we benefited from our strengths in price comparison websites and from the launch of Aviva Zero.

Baseline controllable costs[3] reduced 1% to £703 million (2021: £713 million) despite the inflationary environment, and while continuing to grow the business.

Canada

Canada adjusted operating profit[2] increased 6% to £433 million (2021: £406 million) and was flat in constant currency. A lower underwriting result, driven by increased claims frequency and the impact of inflation was offset by improved investment returns. The combined operating ratio was 92.5% (2021: 90.7%).

This is a strong performance in 2022 given challenging conditions and reflects our focus on prudent underwriting and rate actions.

Solvency II OFG was 2% lower at £325 million (2021: £332 million) reflecting inflationary impacts and increased claims frequency. Cash remittances grew strongly to £287 million (2021: £156 million), with higher remittances partly reflecting the payment of surplus capital in excess of local risk appetite.

GWP of £4,009 million (2021: £3,455 million) was up 9% on a constant currency basis. Personal lines was up 6% in constant currency reflecting higher rate in Ontario motor and growth in our direct business. Commercial lines was up 14%[4] reflecting the favourable rate environment as well as strong growth in mid-market and large corporate accounts.

Baseline controllable costs[3] increased 3% on a constant currency basis to £410 million (2021: £399 million) as we invest in our core capabilities and our digital direct business.

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3. Baseline controllable costs exclude strategic investment, cost reduction implementation, IFRS 17 and other costs not included in the 2018 costs savings target baseline

Chief Financial Officer's report continued

Aviva Investors

Aviva Investors adjusted operating profit[1] decreased to £25 million (2021: £41 million), or £48 million (2021: £58 million) excluding cost reduction implementation, strategic investment costs and impact of foreign exchange movements. Revenues were 6% lower at £379 million (2021: £403 million) reflecting the impact of weak investment markets on average AUM, with the most significant impact on credit.

Solvency II OFG was £24 million (2021: £36 million) while cash remittances increased to £28 million (2021: £15 million).

Net outflows improved to £(3.8) billion (2021: £(4.6) billion), of which £(3.9) billion related to strategic actions, mainly from the sale of France. External net flows were resilient in light of difficult market conditions at £1.3 billion (2021: £3.3 billion).

Baseline controllable costs[2] were 4% lower at £331 million (2021: £345 million).

International investments

Adjusted operating profit[1] was £52 million (2021: £97 million) and SII OFG was £106 million (2021: £124 million), with the lower operating performance primarily due to a one-off property charge.

PVNBP was 3% lower in constant currency at £1,172 million (2021: £1,122 million) and up 5% at reported FX.

Cash remittances increased to £19 million (2021: £11 million) benefiting from an increased dividend pay-out ratio agreed with our partner in China.

Capital and cash

Solvency II capital

At 31 December 2022, Aviva's Solvency II shareholder surplus was £8.7 billion and estimated Solvency II shareholder cover ratio was 212% (2021: 13.1 billion and 244% respectively). Our pro forma Solvency II shareholder cover ratio allowing for the remaining debt reduction and £(0.1)billion pension scheme payment, is estimated at 207%.

After allowing for the payment of the final dividend and £300 million share buyback, the ratio is estimated to be 196%.

The solvency capital requirement of £7.8 billion includes a £2.1 billion benefit from Group diversification.

Solvency II net asset value per share was 390 pence (2021: 417 pence).

Centre liquidity

At end February 2023, centre liquidity was £2.2 billion (end February 2022: £6.6 billion) with the reduction primarily driven by the £3.75 billion capital return, £0.5 billion subordinated debt redemption, ordinary dividends of £0.8 billion and centre and debt costs of £0.8 billion, partly offset by cash remittances of £1.8 billion.

Solvency II debt leverage

Solvency II debt leverage ratio increased to 31% (2021: 27%) primarily as a result of the reduction in own funds following the capital return.

Our pro forma Solvency II debt leverage ratio is 30% after allowing for the planned £0.5 billion debt reduction[3] and the £0.1 billion pension payment.

Dividend

On 8 March 2023 we approved a final dividend per share for 2022 of 20.7 pence (2021: 14.7 pence). Together with an interim dividend of 10.30 pence (2021: 7.35 pence) this bring total dividends for the year to 31.00 pence (2021: 22.05 pence) with a cash cost of c.£870 million.

Our guidance for 2023 is for a dividend payment of c.£915 million[4]. We anticipate low-to-mid single digit growth in the cash cost of ordinary dividends thereafter.

31p

2022 total dividend per share

Share buyback

Under our capital framework, surplus capital is available for reinvestment in the business, focused M&A and returns to shareholders.

Given our strong capital position and prospects,we have launched a £300 million share buyback programme, commencing on 10 March 2023. Our preference remains to return surplus capital regularly and sustainably. This builds on the £4.75 billion capital return programme completed in 2022.

1. Group adjusted operating profit is an APM which is used by the Group to supplement the required disclosures under IFRS. Please see note B in the 'Accounting Policies' section of IFRS Financial Statements and the 'Other Information' section for further information.
2. Baseline controllable costs exclude strategic investment, cost reduction implementation, IFRS 17 and other costs not included in the 2018 costs savings target baseline
3. Expected to incorporate a combination of subordinated and senior debt
4. Estimated dividends are for guidance and are subject to change. The Board has not approved or made any decision to pay any dividend in respect of any future period.

Read more
More details can be found in:
> **Our business review**
> **Capital management**

Chief Financial Officer's report continued

Shareholder asset portfolio

Aviva's high quality shareholder asset portfolio of £78.4 billion at 31 December 2022 continues to perform well and is defensively positioned.

Shareholder asset exposure to equities, emerging market sovereigns, and European peripherals is low.

Corporate bonds represent £21.6 billion or 27.6% of the portfolio. Of this 87% is externally rated investment grade and 13% internally rated. Aviva has a long history in private debt, with a robust internal rating model, and these internally rated assets have an average rating of 'single A' quality.

The corporate bond portfolio continues to perform well with <£150 million downgraded to a lower letter in 2022, and no corporate bond downgrades below investment grade.

Our commercial mortgage portfolio of £6.0 billion comprises largely long-duration fixed rate contracts with low average loan-to-value (LTV) ratios of c.49%.

Our securitised mortgage loans and equity release portfolio of £9.5 billion is mostly internally securitised with low average LTVs of c.28%.

Outlook

Our positive momentum continued in 2022 with a strong set of results, and our diversified business model positions us well to navigate the current macroeconomic environment. This reinforces our confidence in the prospects, financial targets and outlook for the Group.

In UK & Ireland Life we expect higher BPA volumes in 2023 as a growing number of pension schemes look to de-risk. Our Wealth business remains positioned to grow, and while market conditions are challenging in the near-term in Adviser Platform, our Workplace business offers strong growth opportunities. We continue to expect good demand for Protection and Health products.

In General Insurance we will remain focused on pricing appropriately for the inflationary environment. In the UK, we expect to see continued momentum in commercial lines while we focus on growing our retail business in personal lines. In Canada, rates are expected to remain supportive in commercial lines along with personal property, while we continue to focus on managing rate in personal motor given the inflationary pressures, and growing our RBC partnership and direct business.

Across General Insurance, we remain focused on meeting our <94%[1] COR ambition over time.

Aviva Investors continues to focus on improving efficiency across the business, and is taking actions to drive improvements. However, conditions are likely to remain challenging in 2023 given ongoing uncertainty in the macro environment and investment markets.

We are committed to delivering for our shareholders.We have set out a sustainable dividend policy, and expect to pay a dividend of c.£915 million[2] for 2023, with low-to-mid single digit growth in the cash cost of the dividend thereafter.

Under our capital framework, surplus capital is available for reinvestment in the business, focused M&A and returns to shareholders. We have announced a share buyback on 9 March 2023, and anticipate further regular and sustainable capital returns in the future[2].

Charlotte Jones
Chief Financial Officer
8 March 2023

1. Based on IFRS 4
2. Estimated dividends are for guidance and are subject to change. The Board has not approved or made any decision to pay any dividend in respect of any future period.

Our business model

Building on the unique advantages of our model

Customer franchise

18.7 million

Customers in UK, Ireland and Canada
(2021: 18.5 million)

Serving more lifetime customer needs, retaining customers for longer, growing our customer franchise and doing it more effectively than the competition

Scale efficiency

£352 billion

Group assets under management
(2021: £401 billion)

Cost and investment efficiencies, synergies of an in-house asset manager and shared talent and know-how

Diversification benefit

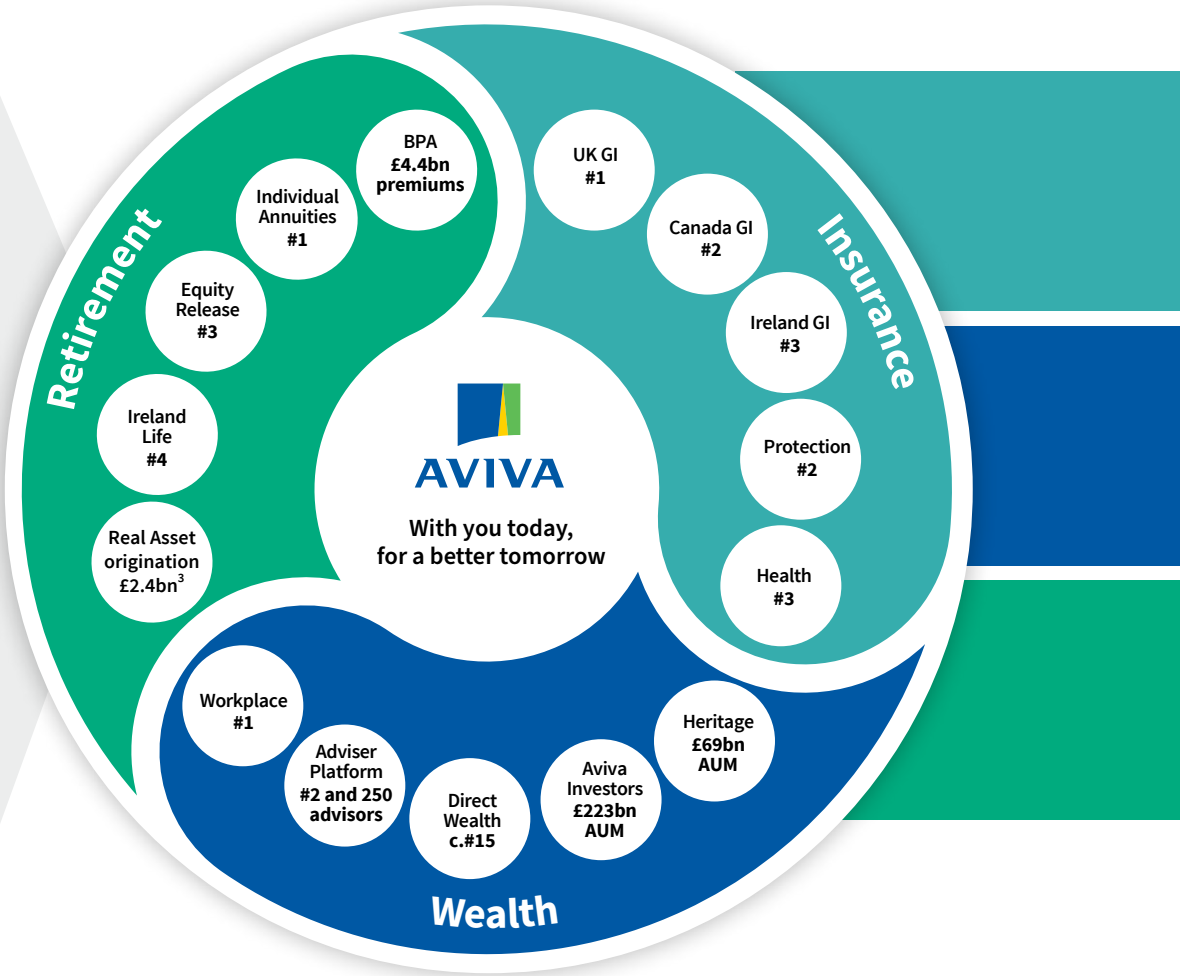
£2.1 billion

Capital diversification benefit[1]
(2021: £1.9 billion)

Capital diversification, earnings diversification and capital allocation flexibility

1. The Group diversification between markets is the diversified Solvency Capital Requirement (SCR) arising from the sum of the SCR for each market (e.g. UK & Ireland Life, UK & Ireland GI, Canada, Aviva Investors, International investments) being higher than the SCR at Group
2. Aviva's analysis using latest information available including company reporting, Fundscape, Boring Money, LCP, Laing & Buisson, Swiss Re Group Watch, MSA, Milliman
3. Originated in support of our BPA business, with a total of £4.4 billion (including origination for external and internal clients)

Leading market positions across Insurance, Wealth and Retirement[2]



Our business model continued

Meeting the full breadth of our customers' needs

Insurance

Protecting & insuring our customers against key risks, including their health and the wellbeing of their employees

Customers pay us a premium to insure against a specific risk. Our scale enables us to pool these risks and maintain capital strength, so that we are able to pay customers' claims and be there when they need us the most

Wealth

Helping our customers to save for the future and generate a return on their investments

We manage and administer these investments for a fee, offering guidance and financial advice for our customers' complex needs

Retirement

Helping our customers to manage their retirement

Customers pay us premiums which we invest over time to provide them with income in their retirement via a lump sum or regular payments, or by releasing the money tied up in their property

1. <50 employees

Creating value for all our stakeholders

Our Customers

Providing a trusted financial services offering that is easy to engage with and delivers great customer outcomes across all their needs

£23bn

paid out in benefits and claims to our customers in 2022

Our Communities

Leading the UK Financial Services sector on Climate Action, building Stronger Communities and embedding a Sustainable Business

41,610

hours volunteered by our colleagues to support local communities in 2022

Our People

Enabling our people to thrive as individuals while delivering great outcomes for our customers, Aviva and themselves

86%

employee engagement score in 2022

Our Suppliers

Supporting our small business partners[1] in our operations and by committing to the Prompt Payment Code

95%

of small business invoices are paid within 30 days

Our Shareholders

Delivering consistent performance, an attractive and growing dividend and anticipate further capital returns

c.£870m

2022 dividend cash cost

Our external environment

Key external trends across our strategic priorities.

90%

customers who say experience is at least as important as the product

Rising customer expectations

Anything, anytime, anywhere - consumers demand for convenience continues to grow.

Driven by the fast-paced changes in consumer demands, advancements in technology, innovation from start-ups and accelerated by the COVID-19 pandemic, convenience is increasingly critical to a positive customer experience and how consumers decide what products and services to buy.

Research suggests 1 in 4 consumers will pay up to 10% more if they know they will receive excellent service. As organisations continue to innovate, complementing their in-person experience and creating new offerings, so will consumers expectations around convenience continue to rise.

Putting customers first

Maintaining a relentless focus on enhancing customer experience and learning from experience leaders across other industries.

Source: Salesforce Survey (2022)

11.1%

UK inflation in October 2022 (41-year high)

Exceptional market volatility

The global economy is in the midst of a prolonged period of global economic volatility.

There are several key drivers, including the Russian invasion of Ukraine and it's impact on global energy markets, persistent inflation, rising interest rates and geo-political fragmentation affecting global trade and co-operation.

In the UK, families and businesses are facing high inflation, while interest rates are expected to remain above 4% in 2023. Material increases to food and energy prices are reducing customers' disposable income and contributing to the worst cost of living crisis in the UK since the 1950s.

Benefiting from our diversified model

Leveraging the benefits of our diversified model to drive targeted and profitable growth and supporting our customers through the cost of living crisis.

Source: Bank of England (2023), Office for National Statistics (2022)

$500bn

global spending on artificial intelligence by 2023

Rapid advances in AI

Over the last five years, global adoption of artificial intelligence (AI) has increased 2.5 times, the average number of AI capabilities has doubled and the 2022 global spend is up by almost 20%.

Increasingly, AI is being used across the value chain. From targeting and attracting customers with direct marketing to driving new levels of efficiency and productivity through digitisation and automation.

In addition, while early foundation models in generative AI are focused on the ability to augment creative work, recent breakthroughs suggest this is just the beginning and more sophisticated and transformational uses are to come.

Putting technology at our core

Monitoring the leading developments in technology and ensuring we harness the full potential of AI across our businesses.

Source: McKinsey Global Survey (2022), IDC forecasts (2022)

1.5°C

global temperature increases expected by 2050

Climate urgency rising

As the impacts of climate change continue to intensify across the globe, the need for urgent action increases.

In 2022, the world experienced catastrophic floods in Pakistan, continued drought in Africa and record heatwaves across the northern hemisphere which in turn caused wildfires and mass disruption. These extreme impacts are expected to continue to intensify.

The latest Emissions Gap Report published by the United Nations highlights that we are not on track to meet the target set out by the Paris Agreement. Urgent, rapid, and transformative action is required to cut greenhouse gas emissions across industries.

Leading on Sustainability

Leading on climate action, building stronger communities and embedding sustainability into our businesses.

Source: United Nations Emissions Gap Report (2022)

Our external environment continued

Key external trends across Insurance, Wealth and Retirement.

88%

of new car sales in the UK will be electric vehicles (battery electric or plug-in-hybrid) by 2030

Changing world of mobility

The way we travel is changing radically. The future is going to be increasingly more autonomous, electric, connected and underpinned by shared ownership.

The pace of this change is fast with immediate impacts driven by the increase in the number of electric vehicles and the rapid adoption of connected technology, as the majority of cars are now sold with this capability.

The impacts of autonomous driving technology, alternative ownership and mobility models (e.g. mobility-as-a-service) are still nascent but expected to disrupt the market and create new opportunities across the mobility ecosystem, from car manufacturers to insurers.

Preparing for the future

Ensuring we are ready to serve the needs of customers with electric vehicles, while also preparing for the changing world of mobility.

Source: SMMT new car market and outlook to 2035 (2021)

38 million

adults in the UK are not receiving any formal support with their finances

Democratisation of financial advice

Due to the high cost of financial advice, much of the UK population has historically not had access to the right support for their most complex financial needs.

This situation is changing however as customer digital adoption, an evolving regulatory stance and innovation are creating new, lower-cost solutions.

In future, customers will be able to access and choose between financial support offerings across digital financial education, robo-guidance and hybrid advice, as well as traditional financial advice.

Developing flexible solutions

Creating an integrated wealth proposition, which offers customers a range of guidance, advice and hybrid solutions.

Source: The Financial Conduct Authority, Financial Lives Survey (2020)

1 in 4

people in the UK will be 65+ by 2039

Changing nature of retirement

Across the world, people are living longer. Better standards of living and improvements in medical science means that between 2015 and 2050, the proportion of the world's population over 60 years old will nearly double from 12% to 22%.

At the same time, there is growing pressure on public finances and increasing responsibility on individuals to manage saving for retirement and the rising costs of healthcare are putting traditional retirement models under pressure.

As the nature of retirement changes, the demand for non traditional and flexible retirement products and services will grow.

Innovating for the new retirement landscape

Developing holistic retirement solutions which provide customers with flexible drawdown and guaranteed income components.

Source: Office for National Statistics (2022), World Health Organisation (2022)

Our strategy

We have four clear strategic priorities.

Customer

Go-to customer brand for Insurance, Wealth and Retirement

Read more on > page 1.27

Growth

Targeted, disciplined and profitable growth

Read more on > page 1.28

Efficiency

Top quartile efficiency with technology at the core

Read more on > page 1.29

Sustainability

Leading on Climate Action, Stronger Communities and Sustainable Business

Read more on > page 1.30

Delivering our strategy will further unlock our competitive advantages and create value for our stakeholders

Our strategy continued

Customer

Go-to customer brand for Insurance, Wealth and Retirement

2022 progress highlights

Helping our customers to navigate the challenges of today's world is central to our strategy and critical to accelerating our customer advantage.

Leveraging our brand across Insurance, Wealth and Retirement
We recently launched our new brand campaign 'Making It Click' aimed at strengthening our brand and highlighting that our wide range of products and services can meet all our customers' Insurance, Wealth and Retirement needs.

Making it easier to engage with us
We have prioritised improvements to our digital customer journeys, making it easier and more convenient for customers to interact with us. This includes the expansion of our digital support, (e.g. helping customers through Live Chat) and the introduction of Apple Pay. We have also enabled self-help on Aviva Connect, allowing intermediaries to access documents and data online.

Innovating for our customers
Customers who hold multiple products are more engaged, more inclined to buy new products and more likely to stay with us for longer.

We are developing propositions that connect our products for our customers and have seen some early signs of success (e.g. offering pension customers real-time preferential pricing for motor products).

We are also investing in innovation to improve the products and services we can offer and are making it easier for customers to do business with us. For example, we are launching a new market-leading pension tracing and consolidation proposition, built in partnership with the Founders Factory. This will benefit our Workplace customers immediately and Direct customers from April this year. Our ambition here is to generate material growth over the next three years.

Focus for 2023

We will focus on strengthening our brand and connecting it to what we do, while also enhancing our marketing effectiveness and moving us towards our ambition to be the number 1 brand for trust and consideration across our Insurance, Wealth and Retirement markets.

We will continue to prioritise the optimisation of our digital customer journeys as we aim to engage more customers through MyAviva and support more customers to self-serve across their products.

We will also continue to look for innovative ways to leverage our product expertise to develop propositions for our individual and corporate customers.

18.7m
Number of Customers
(2021: 18.5m)

40.5
Transactional Net Promoter Score
(2021: 42.5)

4.4m
Multi product holding (UK customers only)
(2021: 4.4m)

Read more on KPIs > page 1.31

Our strategy continued

Growth

Targeted, disciplined and profitable growth

2022 progress highlights

Our diversified portfolio has delivered material benefits and supported resilient performance, even in difficult times.

Insurance

We have seen double digit growth in UK Commercial Lines, driven by an increase in underwriting capacity for regional brokers and an expansion of digital trading. We have also grown our UK Personal Lines business and shown resilience in a difficult economic climate. This has been supported by continued growth in Aviva Online, reaching 1 million policies. We launched Aviva Zero, a carbon-conscious proposition in Motor, selling over 50,000 policies and offsetting over 300 million miles of driving. To further accelerate our growth in the attractive high net worth (HNW) segment, we purchased Azur underwriting, bringing scale and strength to our HNW proposition. In Canada, we have continued to accelerate our Commercial Lines business exploring new opportunities in Mid-market and GCS.

Wealth

We have made good progress on our integrated wealth proposition, which remains critical to our growth strategy. In Workplace, we have delivered 374 new Workplace schemes and enhanced our Master Trust proposition. We have strengthened our advice business with the acquisition of Succession Wealth and recorded above market client and adviser retentions.

We have also added over £2 billion in assets through acquisitions. Our Direct Wealth business has delivered a new pension consolidation and tracking service for our customers.

Retirement

Our retirement business continues to play a key role supporting our medium-term cash generation. Our BPA business has delivered stable profits and we have made good progress on the modernisation of our BPA platform. We have improved pricing in Individual Annuities and expanded our advisor capability to include Equity Release advice for our customers.

Focus for 2023

We remain focused on delivering targeted, disciplined and profitable growth and achieving our external ambitions which include a combined operating ratio of less than 94%[1], at least 10% compounded annual growth rate in Wealth net flows and an annual growth rate of 5-7% in the value of new business for UK & Ireland Life.

To support these ambitions, we have a number of focus areas, including targeting new distribution opportunities in our General Insurance business, accelerating GCS growth in Canada, connecting customers with our integrated wealth proposition and ensuring our Bulk Purchase Annuity business continues to play a key role in delivering future cash generation.

94.6%

Group Combined Operating Ratio
(2021: 94.1%)

£9.1bn

Wealth net flows
(2021: £10.0bn)

15%

UK & Ireland Life Solvency II VNB growth
(2021: (1)%)

Read more on KPIs > page 1.31

1. On IFRS 4 basis

Our strategy continued

Efficiency

Top quartile efficiency with technology at our core

2022 progress highlights

We are delivering on our cost commitments by simplifying, automating and digitising our business.

IT simplification
We have simplified our IT estate, removing several legacy systems and applications. We have modernised our Equity Release IT estate and re-engineered our General Insurance claims processes. This has improved our overall operational resilience, customer service and agility. We are on track to achieve our target reduction in UK IT applications of 25%[2] by the end of 2023.

Product rationalisation
We have also prioritised the simplification of our UK Personal Lines product portfolio, rationalising the number of product variations we offer and exceeding our ambition of 65%[2] by the end of 2022.

Digitisation and automation
We have made it easier for our customers to interact with us by digitising and automating our customer journeys. In UK Life, we digitised 34 customer journeys and implemented data led pricing and underwriting in our UK General Insurance business.

Property footprint
Reduction in our property footprint remains a key priority for us. We have recently reduced our occupied footprint across our Leatherhead, Edinburgh and Bristol properties.

Organisation simplification
We continue to focus on the simplification of our organisation. In Aviva Investors, we have optimised the outsourcing of our Real and Liquid asset operations with implementation expected to continue into 2023 and in Canada, we have centralised operations in Commercial Lines. We have also focused on embedding cost discipline across the organisation and implemented a new and more efficient operating model.

Focus for 2023

We will continue to drive scale efficiencies and deliver our £750 million gross savings target by the end of 2024.

Simplification of our business will continue to be a key priority and we remain committed to delivering top quartile efficiency across all our businesses.

We will also commence the move to our new London headquarters. We expect this to complete delivery of a c.40% reduction in our Aviva UK property footprint while continuing to support our sustainability ambitions with a significant reduction to our carbon emissions.

£327m
Cumulative controllable cost savings (vs. 2018 baseline)[1]
(2021: £244 m)

22%
Reduction in UK IT applications[2]
(2021: 11%)

70%
Reduction in UK GI Personal Lines products[2]
(2021: 30%)

57%
UK Customer journeys digitised and automated[2]
(2021: 52%)

Read more on KPIs > page 1.31

1. Baseline controllable costs exclude strategic investment, cost reduction implementation, IFRS 17 and other costs not included in the 2018 cost savings target baseline
2. Momentum and ambitions against 2020 baseline, unless otherwise stated

Our strategy continued

Sustainability

Leading on Climate Action, Stronger Communities and Sustainable Business

2022 progress highlights

We are striving to lead the UK Financial Services on climate change, building stronger communities and embedding a sustainable business.

Climate Action

In March 2022, we released our first Climate Transition Plan, outlining our pathway to Net Zero across three scopes of emissions including focus on indirect emissions (e.g., from our supply chain, business investments, underwriting and investment portfolios). To date we have achieved a 43% reduction in our operational carbon emissions against our 2019 baseline and are focused on making our operations and supply chain Net Zero by 2030.

We have also validated our carbon-reduction goals with the Science Based Targets initiatives (SBTi), strengthened our Environmental, Social and corporate Governance (ESG) Baseline Underwriting and Investment Exclusion policies, established partnerships for our nature-based projects and received a Building Public Trust Award for our climate reporting for the second year in a row.

Stronger Communities

To support those impacted by the cost of living crisis, we pledged £9 million to Citizens Advice and The Money Advice Trust.

For our colleagues we have provided 21,000 free kids lunches and made over 9,000 one-off cost of living payments. For our customers we have provided affordable and robust product options and extended our premium deferrals. We also donated £1.2 million to the DEC Ukraine Humanitarian Appeal and launched a number of nature-based projects as part of our partnership with World Wide Fund for Nature.

Sustainable Business

We have made tangible progress on diversity, equity and inclusion this year and increased the percentage of senior women leaders.

Our overall progress has been recognised with strong external rankings. In February 2023, we were ranked 5th out of 293 Global Insurers by Sustainalytics.

Focus for 2023

Along with members of the Net Zero Insurance Alliance (NZIA), we will publish our baseline metrics and targets to identify and understand the attributed carbon emissions from the activities we underwrite.

We will continue to build stronger communities, invest in the UK economy and reinvest 2% of our annual Group adjusted operating profit into communities (three year average).

We will continue to ensure sustainability is embedded across our business and make progress on our diversity, equity and inclusion targets.

39%

Reduction in the weighted average carbon intensity of our credit and equity investments (Shareholder and With-profits Portfolio only)[1]
(2021: 24%)

£6.9bn

Amount invested in UK infrastructure and real estate from 2021-22
(2021: £4.3bn)

37.3%

Women in senior leadership roles
(2021: 33.7%)

Read more on KPIs > page 1.31

1. % reduction in weighted average carbon intensity (tCO_2e/$m sales) of Aviva's shareholder and with-profit investment portfolio (equity and credit) and does not extend to policyholder funds

Key performance indicators

We assess how we serve our customers, how we are performing against out sustainability ambition, the engagement of our employees and how we generate value for our shareholders. These financial and non-financial metrics enable us to measure our performance against our strategic priorities and our purpose.

The financial KPIs include Alternative Performance Measures (APMs), denoted with the symbol ‡. APMs are non-GAAP measures, which are not bound by the requirements of IFRS or Solvency II. A complete list of the APMs used by the Group, and further guidance in respect of their use, can be found in the 'Other information' section. This guidance includes definitions and, where possible, reconciliations to relevant line items or sub-totals in the financial statements.

Financial KPIs

Cash remittances‡, 1

Measure of the cash transferred from businesses to the Group. Cash flows across the Group reflect our aim of ensuring sufficient net remittances from businesses to cover the cash requirements at Group level.

£1,845m

2022	£1,845m
2021	£1,662m

Solvency II operating own funds generation‡, 1

Measures the amount of own funds the Group generates from operating activities.

£1,623m

2022	£1,623m
2021	£1,187m

Baseline controllable costs‡, 1

Represents the underlying day-to-day expenses and operational overheads involved in running the business.

£2,771m

2022	£2,771m
2021	£2,854m

Solvency II debt leverage ratio‡

An indicator used by management to assess the Group's financial strength.

31%

2022	31%
2021	27%

Estimated Solvency II shareholder cover ratio‡

Provides an indicator of the Group's balance sheet strength.

212%

2022	212%
2021	244%

Solvency II return on equity‡, 1

Shows how efficiently we are using our financial resources to generate a return for shareholders.

16.4%

2022	16.4%
2021	10.7%

Value of new business on an adjusted Solvency II basis‡, 1

Measures growth and is the source of future cash flows in our life businesses.

£851m

2022	£851m
2021	£746m

Group adjusted operating profit‡, 1

Supports decision making and internal performance management as it enhances the understanding of the Group's operating performance over time.

£2,213m

2022	£2,213m
2021	£1,634m

Combined operating ratio‡, 1

A measure of general insurance profitability. A COR below 100% indicates profitable underwriting.

94.6%

2022	94.6%
2021	92.9%

IFRS (loss)/profit for the year1

Measures the profit after tax, attributable to shareholders, generated by the Group. Further detail is included within the Consolidated Income Statement.

£(1,139)m

2022	£(1,139)m
2021	£336m

To read more about how these KPIs are used as a base to determine or modify remuneration, see Directors' Remuneration Policy.

1. Comparatives presented for continuing operations and do not include results from discontinued operations no longer part of the Group

Key performance indicators continued

Non-Financial KPIs

Operational carbon emissions reduction[1]

Percentage reduction in absolute Scope 1 and 2 (market-based) emissions from 2019 base year.

43% AL

2022	**43%**
2021	20%

Financed emissions carbon intensity[2]

Weighted average carbon intensity (tCO_2e / $m revenue) of credit and equities (includes shareholder and policyholder).

120 AR

2022	**120**
2021	135

Transactional Net Promoter Score® (TNPS®)

Measure of advocacy which quantifies the likelihood of a customer recommending Aviva following a recent transaction or interaction in the Group's businesses in UK, Ireland and Canada.

40.5 AL

2022	**40.5**
2021	42.5

Number of customers

Total number of policy-holding Aviva customers in the Group's businesses in the UK, Ireland and Canada with at least one active product.

18.7 m AL

2022	**18.7m**
2021	18.5m

People saving or retiring with Aviva

Percentage of UK adult population who have a Aviva Life Savings Policy or Aviva Investment policy in the UK.

13.9% AL

2022	**13.9%**
2021	13.7%

Women in senior leadership roles

The percentage of women in senior leadership roles in UK, Ireland and Canada).

37.3% AR

2022	**37.3%**
2021	33.7%

Ethnic diversity in senior leadership roles in the UK

The percentage of ethnically diverse employees in senior leadership roles in the UK.

9.4% AR

2022	**9.4%**
2021	9.1%

Amount invested in UK infrastructure and real estate

Cumulative amount of investment in UK infrastructure and real estate.

£6.9bn AR

2022	**£6.9bn**
2021	£4.3bn

Employee engagement

We measure this through our 'Voice of Aviva' annual employee engagement survey.

86% AL

2022	**86%**
2021	72%

To read more about how these KPIs are used as a base to determine or modify remuneration see Directors' Remuneration Policy.

AR **Indicates that this data was subject to independent reasonable assurance by PricewaterhouseCoopers LLP.**

AL **Indicates that this data was subject to independent limited assurance by PricewaterhouseCoopers LLP.**

The PwC report which was prepared under ISAE 3000 (Revised) and - where relevant - ISAE 3410 is available within the Independent assurance section of our Climate-related Financial Disclosure.

1. We have updated our baseline from 2010 to 2019. The 2021 comparative has been updated accordingly.
2. The 2021 comparative for weighted average carbon intensity for credit and equities has been re-presented from 134 tCO_2e/$m, previously published, to 135 tCO_2e/$m, as a result of the inclusion of policyholder data

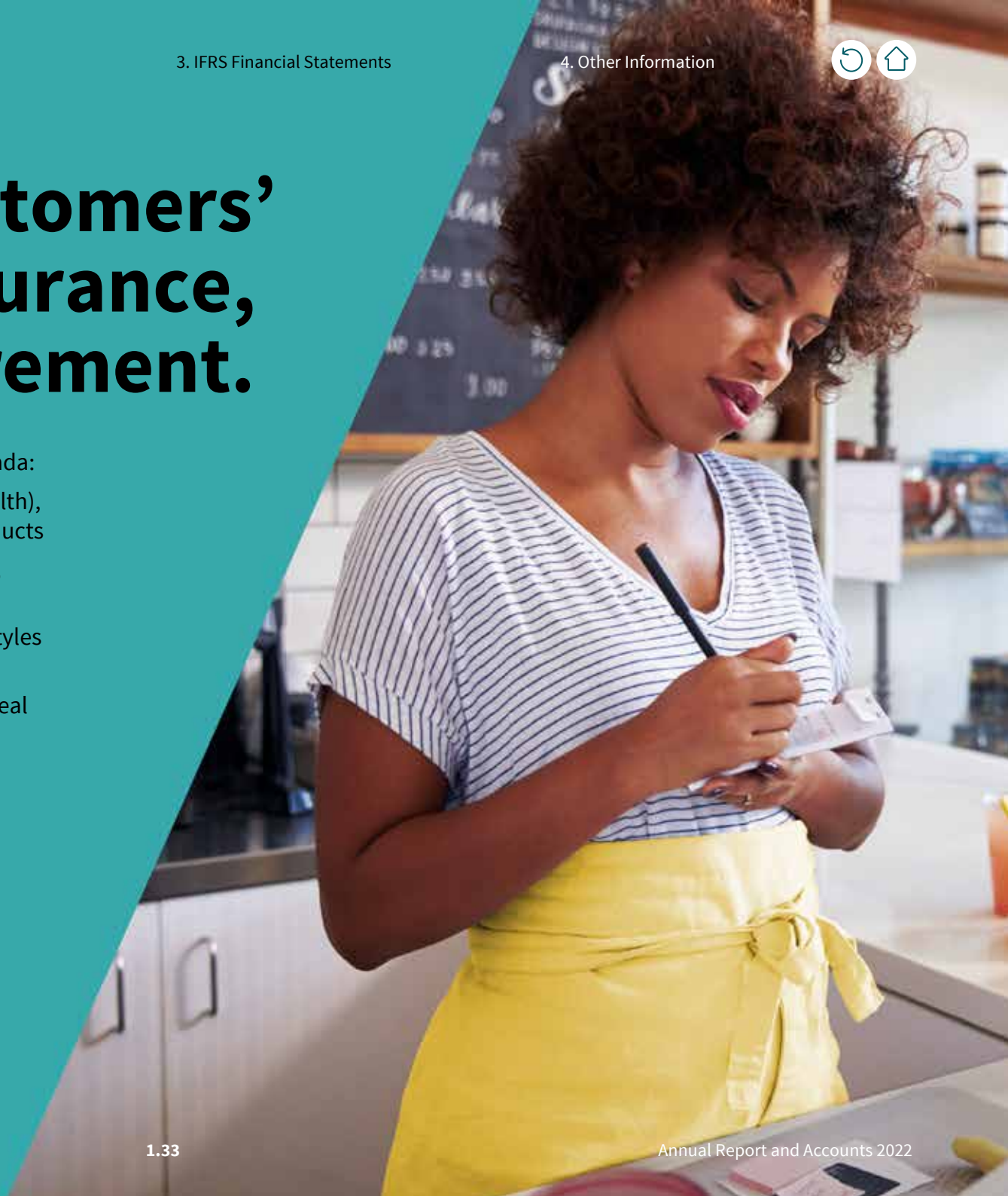
Our business review

We serve our customers' needs across Insurance, Wealth and Retirement.

We operate through businesses in the UK, Ireland and Canada:

- **UK & Ireland Life:** Offering insurance (protection and health), wealth and retirement (annuities and equity release) products
- **UK & Ireland General Insurance:** Protecting homes, cars, holidays and businesses
- **Canada General Insurance:** Protecting homes, cars, lifestyles and businesses
- **Aviva Investors:** Global asset manager with expertise in real assets, multi assets, equities and credit

We also have international investments in India, China and Singapore.



Our business review: UK & Ireland Life

Doug Brown
Chief Executive Officer, UK & Ireland Life

"In 2022, Aviva UK & Ireland Life displayed resilient trading performance in an exceptionally volatile and challenging economic environment. We have shown strong progress on our strategic ambitions, pivoting the portfolio towards Wealth & Insurance, and have significant transformation planned for 2023 and beyond."

Providing our customers with solutions for:

- Insurance
- Wealth
- Retirement

Our ambition

Solvency II VNB

c.5-7%

average per annum growth

Wealth net flows

≥10%

compound annual growth rate 2021-2024

Key financial indicators

	2022	2021
PVNBP	**£33bn**	£36bn
Solvency II value of new business	**£767m**	£668m
Wealth net flows	**£9.1bn**	£10.0bn
Adjusted operating profit	**£1,908m**	£1,428m
IFRS (loss)/profit before tax	**£(669)m**	£571m
Solvency II operating own funds generation	**£1,368m**	£953m
Cash remittances	**£780m**	£1,219m

Solvency II VNB

£767m

Investment in sustainable assets[1]

£7.7bn

Wealth net flows

£9.1bn

Weighted average carbon intensity (tCO_2e/$m revenue)[2]

116

Overview

Business strategy overview

Aviva is the largest life insurer in the UK, holding a 20% share[3] of the UK market. Our unique position in the market enables us to support over 11 million customers with products spanning Insurance, Wealth and Retirement.

More importantly than ever, we continue to help our customers protect themselves and their families. We have strengthened our capabilities to provide customers with advice, supporting them to save for their future, and are connecting our propositions to better coordinate our offering to clients.

We are innovating to meet the changing needs of our customers, partner intermediaries and corporate clients, whilst developing our digital journeys and automating our processes to drive efficiencies.

We have demonstrated resilience and financial strength during challenging market conditions and economic volatility. We are well capitalised and the composite nature of the UK Life business and wider Aviva Group gives us a significant advantage.

1. In 2022 the definition of Investment in sustainable assets has been updated. The comparative has been re-presented accordingly.
2. Relates to equity and credit investments within Aviva's shareholder and policyholder funds
3. Association of British Insurers (ABI) - 9 months to 30 September 2022 based on the share of new business

Our business review: UK & Ireland Life continued

Operational highlights

- Despite the uncertain environment faced in 2022, we have successfully delivered across Aviva's four strategic priorities: Customer, Growth, Efficiency and Sustainability.
- Our commitment to customers remains paramount, especially at times of hardship. We have launched additional support for customers affected by the cost of living crisis. We have also honoured our COVID-19 pledge, returning £81 million to eligible UK private health insurance customers for claims that were delayed throughout the pandemic.

+9%

Increase in MyAviva registrations during 2022 compared to 2021

- We strive to make our customer experience the best in the market, making it easy for customers, intermediaries and clients to do business with us in the way that works best for them. By the end of 2022, we digitised over 62% of our customer journeys, supporting pension consolidation, faster payments and online customer service to name but a few. Our MyAviva app was downloaded over 625,000 times for managing pensions alone, as customers are increasingly looking to self-serve on the go.
- We have listened to our intermediaries too, delivering the functionality they need most. In total, 4.6 million digital transactions took place across our customers, advisers and brokers.
- As well as enabling us to meet the changing needs of our customers, digitisation of our journeys and automation of our processes has also supported our efficiency ambitions, contributing to over £40 million in operational cost savings during 2022.
- We have pursued targeted growth opportunities. In March, we announced the acquisition of leading independent financial advice firm Succession Wealth accelerating our ability to offer high-quality financial advice to a significant number of our customers without an existing adviser. Integration was completed in August, six months ahead of schedule. Since then, Succession Wealth has continued to expand its presence across the UK and the firm's advisers can now select Aviva from their panel of providers.
- Meanwhile, we have written new business with improved margins across product lines, for instance winning £4.4 billion bulk purchase annuity (BPA) deals in 2022 whilst maintaining pricing discipline.
- Our position in the Group is critical to the delivery of Aviva's Sustainability Ambition. By June 2022, we had exceeded our 2022 goal of £10 billion of auto-enrolment assets placed into low carbon equities and climate transition strategies.

Products and customers

Insurance

We are the UK's only provider of scale, offering protection and health for both individuals and corporate clients. We have sustained strong market positions and received recognition at the 2022 Cover Excellence Awards for the impact we have made on the industry over the past 25 years.

Through individual protection, we support customers and their families in the event of loss of income, critical illness or bereavement. In 2021, we paid out £1.1 billion of individual protection claims.

Group protection helps employers keep their workforce healthy and supports them in adverse circumstances. Our Group Protection portfolio[1] grew from £494 million to £552 million in 2022, driven by strong retention and large client wins. The strength of our support and add-on services makes us first choice for key brokers and employer benefits consultants.

Our digitally led wellness proposition, DigiCare+, provides both individual and group protection customers with a holistic wellbeing solution, including health checks, access to digital GPs (General Practitioners), second medical opinions, mental health support and bereavement support.

£81m

Returned to eligible UK private health insurance customers as part of our COVID-19 pledge

Our health proposition gives 1.1 million people seamless access to private medical services and treatment. In 2022, we have continued to see increased demand for private health insurance. We have paid over £485 million in claims and supported our customers with access to digital GPs.

Wealth

We are the UK's largest bundled workplace provider[2], with over 26,000 corporate clients and four million members, and won over 370 new schemes in 2022. Our success has been built on strong relationships with intermediaries and innovative workplace propositions. Our commitment to ESG and members' financial wellbeing has been recognised, winning "Best Default ESG Strategy" at the 2022 Corporate Adviser Awards and five Gold awards from Benefits Guru.

Our Intermediated & Retail business includes the UK's second largest adviser platform by net flows in the open market[3], and we have written business with c.7,600 advisors to whom we provide a wide range of support.

1. Measure of Annual Premium Equivalent (APE) from total in-force book
2. Corporate adviser, Workplace Savings Report, December 2022
3. Fundscape Q3 2022 press release, 9 months to 30 September 2022

Our business review: UK & Ireland Life continued

14%

Of UK population saving or retiring with Aviva (UK population 18 years or over)

In 2022, we continued to deliver capability in support of our sustainability ambitions and enhanced our ability to support adviser client conversations regarding sustainable investing.

We remain committed to our Heritage customers, enabling 28,000 of them to approach retirement with the benefit of a new Aviva policy.

Following our acquisition of Succession Wealth, we have firmly established our position in the wealth market and grown our advice capability to help customers secure their financial future.

We have also enhanced the capabilities and customer journeys for our direct-to-consumer platform as part of building our integrated proposition for Wealth.

Retirement

Our Retirement business consists of bulk purchase annuities, individual annuities and equity release. We work hand in hand with Aviva Investors to support the UK economy, with over £25 billion invested in UK infrastructure and commercial mortgages over the last ten years.

BPA allows pension trustees to secure future obligations to defined benefit scheme members by de-risking their pension schemes. We are the third largest provider[1] in one of the largest growth areas in the UK insurance market. We manage exposure to longevity risk and maximise the capital efficiency of new business by partnering with reinsurance counterparties.

£3.4bn

The amount of individual and bulk annuities we paid out in 2022

Individual annuities give customers secure lifetime retirement income. We are the UK's largest provider[2] and provide an income to over one million customers.

Equity release supplements retirement income in a tax efficient way by unlocking housing equity. We manage the UK's largest book of equity release mortgages[3] and lent over £800 million to customers in 2022. We believe the market will continue to grow reflecting an increasing need for customers to release equity from their homes.

Ireland Life

In Ireland we are number four[4] in the market. We offer a wide range of products across protection, savings, pensions and annuities and are committed to making it easier for intermediaries to do business with Aviva.

In 2022, we embarked on an ambitious three-year Digital Transformation & Automation program to redefine how we interact with our customers. Our overall transactional net promoter score (TNPS) improved by five points to +35 (2021: +30).

+5pts

Increase in 2022 Ireland Life TNPS score compared to 2021

We delivered on a number of key initiatives, including the introduction of Master Trust to our Corporate and Retail pension product offerings to meet customer demand.

We were awarded eight Sustainability awards in 2022, including the Diversity, Equity and Inclusion award at the prestigious Business & Finance Irish Business Awards. Aviva Ireland also announced funding of €5 million to The Nature Trust to plant new native woodlands.

Key priorities for 2023

We have come out of 2022 in a strong position, with many foundations now in place across Aviva's strategic priorities.

In 2023, we are continuing to focus on delivering what matters most to our customers whilst driving profitable growth and long-term efficiencies. We remain committed to deliver on our ambitions across climate, community, and business sustainability.

We are leveraging the unique breadth of the Aviva Group to best meet the needs of our customers and clients in a compelling, cohesive way.

We are continuing to develop customer-focused propositions and innovation across our Insurance, Wealth and Retirement businesses.

We are focusing on connecting our customers to our growing advice capability, with solutions across the full spectrum of face-to-face, digital and hybrid engagement.

We are promoting diversified growth by strengthening our Workplace, Retail, Health and Protection propositions, whilst continuing to apply rigorous selection and a high level of discipline in our BPA growth strategy and accelerating the development of our Wealth offering available to our customers through the direct channel.

Ongoing digitisation of customer journeys, automation of operations and simplification of our IT infrastructure remain a priority to succeed. We are significantly investing in the digital experiences we bring to our customers, partners and clients.

Finally, we will continue to deliver on our promises to be a climate champion by leading the UK's financial services industry in sustainability and ESG.

1. LCP H1 analysis - September 2022
2. Aviva analysis of half year 2022 company reporting
3. UK Finance 2021 data on UK mortgage lenders
4. Aviva calculation derived from the Milliman Life and Pensions New Business 2022 H1 Report, which is based on responses from a number of key companies within the Irish Life market

Our business review: UK & Ireland General Insurance

Adam Winslow
Chief Executive Officer, Aviva UK & Ireland General Insurance

"In 2022 we have delivered against our profitable growth ambitions, demonstrating resilience in the face of uncertain times, and maintaining a great level of service for customers. Going forward we will continue that customer and growth focus, concentrating on forging first class foundations, and leading on sustainability across the market."

Providing our customers with solutions for:

Insurance

Our ambition

Group combined operating ratio (COR)

<94%

Key financial indicators

	2022	2021
Gross written premiums	**£5,740m**	£5,352m
Combined operating ratio	**96.1%**	94.3%
Adjusted operating profit	**£338m**	£356m
IFRS (loss)/profit before tax	**£(315)m**	£247m
Solvency II operating own funds generation	**£293m**	£339m
Cash remittances	**£731m**	£261m

GWP

£5,740m

2022	£5,740m
2021	£5,352m

Commercial lines GWP

£3,162m

2022	£3,162m
2021	£2,815m

Combined operating ratio

96.1%

2022	96.1%
2021	94.3%

Weighted average carbon intensity (tCO_2e/$m sales)[1]

70

2022	70
2021	84

Overview

Business strategy overview

Aviva is a leading insurer in both the UK and Ireland market, providing insurance solutions to around six million customers, number one in the UK[2] and number three in Ireland[3].

The market for general insurance (GI) in 2022 has been impacted by headwinds from weather and rising inflationary pressures, combined with the return to more normal claims frequency following impacts of the COVID-19 pandemic. Despite this, we continue to grow market share by winning new business, while maintaining pricing and portfolio discipline and a continued focus on our cost base.

Our strategy remains investing for profitable, diversified growth; and to deliver on our ambition to be the clear market leader for GI in the UK and Ireland. We are pursuing this by delivering across four priorities:

- Being a trusted customer champion;
- Becoming a diversified growth engine;
- Forging first class operational foundations to drive efficiency;
- Leading on sustainability.

1. Relates to equity and credit investments within Aviva's shareholder and policyholder funds.
2. Source: ABI General Insurance Company Rankings 2021, by GWP.
3. Source: Insurance Ireland Non-life Members ranking 2021, by GWP.

Our business review: UK & Ireland General Insurance continued

Operational highlights

- We started the year with the successful implementation of the FCA Pricing Practices regulation, and we support bringing greater clarity and consistency to consumers across GI pricing. We remain confident in both our execution against the new rules and our competitive position.
- In Q1 we launched Quotemehappy (QMH) Essentials, providing quality cover but with fewer features, helping customers access insurance in the current cost of living crisis, and QMH Connect, a new app based connected motor proposition that encourages and rewards safer driving from younger customers.
- We also launched Aviva Zero, our new sustainable motor proposition, selling around 51,000 policies in 2022 and carbon offsetting more than 300 million miles of driving.
- To further accelerate our growth in the attractive high net worth (HNW) segment, we purchased Azur underwriting, bringing further scale and strength to the Aviva HNW proposition. We will now build on our leading position.
- Our cladding proposition now supports over 7,000 leaseholders, over 1,400 of which were new customers who previously had no affordable access to insurance. We also continue to lobby for greater support from the wider market through the ABI.
- We have grown our renewables insurance book by 30%, and are supporting new initiatives such as "Connected Kerb" in its plans to deliver 190,000 on-street EV chargers by 2030.
- Our Risk Management Solutions team provided prevention advice, virtually and on-site, with 50,000 client engagements in 2022.
- We continue to expand our distribution footprint, launching partnerships that include offering flexible renters insurance with Lemonade, and with Zego to offer telematics based, flexible fleet insurance.
- We provide vital specialist cover for the particular risks faced by some of the leading financial institutions, and have already built a £25 million portfolio.
- We continue to develop our product proposition suite with the launch of Aviva Minifleet, a flexible motor policy for businesses with up to 15 vehicles, writing more than £3 million in the first year.
- We have continued to build capabilities in our Commercial Lines business, with over 400 underwriting license increases, 140 promotions and 191 new hires.
- The positive sentiment we receive from brokers was validated with the Insurance Times 5* Commercial Lines rating, and our Financial Lines proposition topped the Insurance Age broker survey. We were also winner of 'General insurer of the year' for the ninth year at the Insurance Times awards in December.
- Performance in the Irish business has now been stabilised (following a couple of years of portfolio remediation), and returned to growth in 2022.
- We are investing heavily in technology to support the Irish business, modernising technology in the front and back office.
- Engagement across our people increased from 70% to 88% for UK & Ireland GI in our annual 'Voice of Aviva' survey.

Products and customers

Personal lines

In personal lines we offer motor, home, travel and gadget insurance. Our multi-channel distribution includes selling direct to customers through MyAviva and price comparison websites, as well as reaching our customers through intermediary relationships with brokers, affinity partners, 'fintechs' and several of the UK's leading banks.

Our strategy is to focus on growing our Retail business and attractive, profitable segments within our market leading business-to-business (B2B) distribution.

Critically, we priced ahead of inflation, balancing growth (GWP was higher by 2%) with the maintenance of pricing and underwriting discipline. This helped us to partly mitigate the headwinds of inflation and increased claims frequency.

The HNW market is a priority in B2B and, in part due to our growth in that market, we now enjoy the number one position in the UK home insurance market.

In October, we became the UK partner for Lemonade, with a focus on growing share of an underserved renters market and gaining insight into leading customer data and AI techniques.

In addition, we continue to enjoy a leadership position in the UK bancassurance sector. Our long-term Home and Travel partnership with TSB Bank has been renewed for a further five years to 2028.

2022 saw a material change in regulation with the introduction of the FCA's GI Pricing Practices, implemented on 1 January 2022. In complying with the new rules, we have concurrently balanced pricing, profit and volume.

In service, we have maintained our relationship NPS lead on the market and enjoy TNPS scores in the mid-30s for our main brands. Our digital credentials continue to grow: more than 75% of Retail customers are using our digital channels, and a third of customer support enquiries are being handled by intelligent virtual assistance.

We also continue to cut complexity from our business, removing a further 106 products this year and around 300 since the end of 2019.

These changes are customer focused, improving experience through augmented digital journeys as well as improving our agility and ability to compete in a highly price-competitive market.

Our business review: UK & Ireland General Insurance continued

Commercial lines

In the UK and Ireland, we offer commercial lines insurance to a wide array of businesses, from the micro segment, right up to large UK and global corporates.

Our strategy is to leverage our market-leading distribution and broker sentiment to accelerate profitable growth; and continually review our underwriting appetite to create new growth opportunities.

We continue to develop our product proposition, including specialty lines, and to deliver on our digital ambition of driving market-leading broker sentiment towards Aviva. We've also invested in our resource and capabilities across the regions and have actively encouraged our people back into offices and into the market – providing our customers and brokers direct access to our underwriters to efficiently write risks. We are also actively investing in our systems and processes - we've deployed our broker claims portal to allow customers to access their claims data at any time, and built our analytical and catastrophe modelling capabilities to allow us to better support our customers where there is exposure to natural perils or catastrophes.

#1

for UK broker sentiment[1]

1. General insurer of the year, Insurance Times awards 2022

In 2022, we made a step change to our core capabilities in cyber, and focused on our heartland Small and Medium Enterprise (SME) customer base to grow in this market.

We have launched offshore wind as a new proposition, and are currently trialling a mass timber construction proposition with a pool of clients – all to complement and support our Net Zero ambition.

Investment in automation and digital distribution continues to play a key role in creating new opportunities to distribute our broad product offering.

In 2022, we have grown our SME business by 13%, enabled by the acceleration of our digital capabilities, data insights, automation and additional underwriting capability.

Our Global Corporate business (GCS) has grown 12% as our clients sought to get ahead of underinsurance in property as we see inflation play into sum insured. In addition, we saw strong growth in specialty as we increased lead line propositions.

And we continue to increase efficiency for our people, decommissioning legacy IT platforms in our IT infrastructure, freeing up their time to underwrite and tailor service to customer needs.

Key priorities for 2023

- Continue our ambition of being a trusted customer champion, by keeping customers at the forefront of all decisions, and delivering market leading broker sentiment through best-in-class servicing.
- Delivering as a diversified growth engine, growing Retail in personal lines, scaling Aviva Zero and delivering the Azur integration; and consolidating our strong commercial lines position, while also seeking to grow our share of mid-market and GCS.
- Forging first class foundations, for example with the execution of our motor claims re-design, and continuing to execute our digitisation and simplification agenda.
- Leading on sustainability in the UK general insurance market, developing plans for our Net Zero ambitions, and launching propositions to help the UK become climate ready.

Our business review: Canada General Insurance

Jason Storah
Chief Executive Officer, Aviva Canada

"A strong year for Aviva Canada achieving number two position in the market with a combined operating ratio of 92.5% and premium growth of 16%, or 9% at constant currency. We are well positioned to deliver for our customers into 2023."

Providing our customers with solutions for:
Insurance

Our ambition

Group combined operating ratio (COR)

<94%

Key financial indicators

	2022	2021
Gross written premiums	**£4,009m**	£3,455m
Combined operating ratio	**92.5%**	90.7%
Adjusted operating profit	**£433m**	£406m
IFRS profit before tax	**£17m**	£259m
Solvency II operating own funds generation	**£325m**	£332m
Cash remittances	**£287m**	£156m

Total GWP

£4,009m

2022	£4,009m
2021	£3,455m

Commercial lines GWP

£1,543m

2022	£1,543m
2021	£1,268m

Combined operating ratio

92.5%

2022	92.5%
2021	90.7%

Weighted average carbon intensity (tCO_2e/$m sales)[1]

50

2022	50
2021	46

Overview

Business strategy overview

We have set clear priorities to become the leading insurer in Canada – the top choice for customers, distributors and our people. Our strategy is aligned to the Group strategic pillars:

- Set a new industry standard for customer experience and delivering fast and fair claims settlement.
- Evolve and diversify our portfolio by growing Commercial Lines, pursuing new profit pools, delivering growth at scale and top-decile profitability .
- Build best-in-class capabilities by creating a leading data & analytics practice and modernising our technology.
- Lead the industry on sustainability using our scale to drive customers, businesses, and governments to act with greater urgency in the transition to a low carbon economy.

Canada is one of the ten largest property and casualty insurance markets globally[2] and Aviva Canada holds the number two position with a c.8% market share[3], offering a range of general insurance products.

1. Relates to equity and credit investments within Aviva's shareholder and policyholder funds.
2. Canadian property & casualty market position source: statista.com
3. Canadian market share source: 2022 Q3YTD MSA Research Results. Includes: Lloyds, excludes: ICBC, SAF, SGI and Genworth.

Our business review: Canada General Insurance continued

Operational highlights

- Continued investment in digitisation, delivering an improved experience for brokers and customers.
- Steady growth across personal lines led by strong performance in our Royal Bank of Canada (RBC) partnership, specialty personal insurance, and Direct.
- Strong growth in commercial lines driven by new business opportunities in Aviva Business (AB) Mid-Market and Global Corporate Specialty (GCS).

Inflation and supply chain disruption have posed significant challenges to insurers in 2022. Aviva Canada continues to show resilience through this inflationary environment, in large part due to our focus on improving underlying performance over the last few years. Significant focus and resources have been dedicated to monitor the macro-environment and act swiftly as a business. Our outlook on 2023 performance continues to be strong.

In 2022 we have seen more people driving again, as provinces lifted restrictions from COVID-19, albeit still below pre-COVID levels. Consumers have also continued to shift towards digital channels continuing a trend that has been evident for the last few years, and accelerated by the pandemic. Brokers and carriers are building digital capabilities and technological change is a top priority for insurers, including Aviva.

Personal lines

Our Personal insurance portfolio (CAD$4 billion, 62% of overall business mix) is largely made up of mass market propositions, particularly in regulated lines/geographies.

Our retail and group business is predominantly sold by brokers and by RBC Insurance, the most recognised financial services brand in Canada. Here, our focus is to improve pricing sophistication and operational efficiency. Our market-leading lifestyle products, such as watercraft, recreational vehicles (RV), classic cars and snowmobiles, continue to be a profitable growth driver and our product range, expertise, broker relationships and best-in-class claims service set us apart in the market.

Our focus continues to be on margin preservation through rate adequacy in personal lines. We continue to leverage our expertise in data science, pricing sophistication and indemnity management to maintain performance. In addition, we are focusing on increasing customer digital interactions for sales and service in order to deliver value to our customers and drive efficiency.

In 2022 we launched a new telematics offering for our brokers in Ontario – Aviva Journey – which has seen strong uptake in this initial phase of our public rollout. In the third quarter we also launched an electric vehicle product which has been well received by our distribution partners and customers. We are innovating in response to customer and broker needs, and in support of our sustainability ambition.

Our investment in Digital Direct is ensuring that our Direct book grows rapidly and sustainably, with 49.5% revenue growth in 2022.

Our personal insurance retail segment is highly commoditised and cyclical. In 2023 growth is projected to be in line with the market (i.e. low single digit). We are focused on delivering above-market growth in our Direct channel as well as in our speciality lines, where we have market-leading expertise.

Commercial lines

Our commercial lines are divided into AB businesses (19% of overall segment) and GCS businesses (20%). Our commercial lines business is a focus of our growth ambition, and we see opportunities for growth across AB and GCS.

Within AB we are focusing on value growth over policy-count growth by targeting new business with a high average premium. We are gaining traction on our strategy with growth in Medium Enterprise and Mid-Market proposition.

Within GCS we have been expanding our attainable market by building new capabilities and processes. We have started to build a fronting business, where we take a risk-free margin by selling Aviva-branded insurance in which the insured risks are ceded to a reinsurer. We're also establishing ourselves as a multinational insurer, by offering insurance for the globally domiciled operations of Canadian customers. We recognise the value of frequent and high-quality interactions with our customers, leveraging the strength of our people.

Across commercial lines we are building deeper, more meaningful relationships with brokers and positioning to grow through differentiated service via operational efficiency, attractive pricing, and underwriting expertise. We are also helping Canadian businesses to protect themselves against severe weather events by providing weather index-triggered insurance coverage – GCS Parametric Solutions – which pays out based on published indices.

Despite the pressures of inflation, and challenges posed by macroeconomic developments, we overcame these headwinds to achieve significant GWP growth of 14% in commercial lines in 2022, on a constant-currency basis (22% GBP, as reported). Looking ahead, we are committed to maintaining underwriting discipline, and we we are focused on delivering strong premium and customer growth in our target segments through 2023.

Our business review: Canada General Insurance continued

Customers

Our claims TNPS performance (Auto +46, Property +50) has been impacted by macroeconomic trends that are affecting the whole insurance industry, resulting in delays in parts and repair shop capacity. This has contributed to increased cycle times in 2022 and a reduction in customer satisfaction. In response we have introduced a number of initiatives, for example launching Aviva-Auto care centres (car body shops) aimed at providing better outcomes in customer experience and indemnity management.

Distribution channels

In Canada, we have a strong, long-standing relationship with our network of over 800 independent brokers and a partnership with RBC, the largest bank and most valuable brand in Canada[1].

In 2022 we have undergone an IT transformation that has significantly changed how we deliver technology change. This will allow us to unlock business benefit through technology, and give us a strong foundation as we continue on our platform modernisation journey. We continue to work on digitising our RBC, Direct, and broker channels.

Our commercial lines business remains intermediated by our broker network, as well as via Managing General Agents, whose proposition is based on their ability to provide a unique product or expertise for a specific group of customers.

Key priorities for 2023:

- Launch Buy Online in Ontario Auto;
- Continue expansion in most attractive segments;
- Continue to focus on operational efficiencies;
- Continue to focus on underwriting excellence;
- Continue to enhance our diversity and inclusion progress;
- Expand and deliver tangible outcomes across our sustainability ambitions.

1. RBC market position/share based on market capitalisation and brand rank source: 2023 ADV ratings; Brand Finance Global 500 2022

Our business review: Aviva Investors

Mark Versey
Chief Executive Officer, Aviva Investors

"I am proud of how Aviva Investors is delivering for our customers, society and our people. With resilient financial and operating performance in an extraordinary market environment we are well positioned for growth."

Providing our customers with solutions for:

Wealth

Our ambition

Cost income ratio

<75%

Key financial indicators

	2022	2021
Aviva Investors revenue	**£379m**	£403m
Cost income ratio	**87%**	86%
Adjusted operating profit[1]	**£25m**	£41m
IFRS profit before tax	**£25m**	£41m
Solvency II operating own funds generation	**£24m**	£36m
Cash remittances	**£28m**	£15m

Assets under management

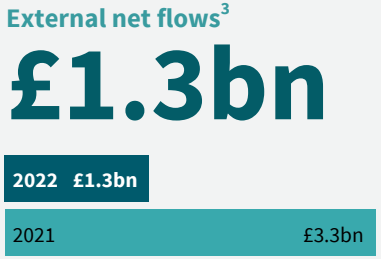
£223bn

Amount invested in UK infrastructure and real estate (cumulative)[2]

£6.9bn

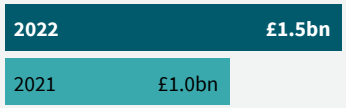
External net flows[3]

£1.3bn



Climate transition funds[4]

£1.5bn



Overview

Business strategy overview

We continue to deliver for customers and investors by meeting their investment needs. Our focus on ESG is demonstrated by our strategy and actions in 2022, leading by example and influencing others to act.

Aviva Investors is an asset manager that combines our insurance heritage, investment capabilities and sustainability expertise to deliver investment outcomes that matter most to clients. Aviva Investors manages £223 billion (2021: £268 billion) of assets, with £185 billion (2021: £216 billion) managed on behalf of Aviva Group.

By combining our insurance heritage with our skills and experience in asset allocation, portfolio construction and risk management, we provide a range of asset management solutions to our institutional, wholesale and retail clients.

1. Excluding cost reduction implementation, strategic investment costs and foreign exchange movements this is £48 million (2021: £58 million)
2. Cumulative amount invested in UK infrastructure and real estate from 1 October 2020 to 31 December 2022 (2021: 31 December 2021)
3. Net flows from external assets excluding net flows from strategic actions. Strategic actions include outflows from clients previously part of the Group and corporate actions.
4. The 2021 comparative for climate transition funds has been re-presented to align with the updated definition as outlined in our Climate-related Financial Disclosure 2022 report

Our business review: Aviva Investors continued

Operational highlights

- Originated £4.4 billion of real assets for UK Life and external clients.
- Improved efficiency through a new outsourcing arrangement.
- Approval for £54 billion of funds to be classified as SFDR Article 8[1].
- Strong brand impact - ranked 21st globally for our integrated marketing[2].

We have a highly diversified range of capabilities, with expertise in real assets, multi-assets, equities and credit.

Our goal is to support Aviva's vision to be the leading UK provider and go-to customer brand while also leveraging our expertise for the benefit of external clients.

The key drivers of our strategy are:

- Customer: deliver investment needs through strong investment performance, sustainability impact and maintaining a rigorous risk and control culture.
- Simplification: use data and automation to streamline processes and simplify our businesses to become more efficient and deliver better customer outcomes.
- Growth: continue to grow in both our Aviva client business, supporting its growth in BPAs, pensions and Wealth, and our external business, by being recognised for our expertise and strength in ESG.
- People: develop a high-performance culture by embedding our diversity, equity and inclusion strategy, and promoting focused learning and upskilling, talent management and career development.

Market overview

Active managers require good access to distribution, scale and operating efficiency as well as the ability to respond to the changing needs of clients, to compete effectively and profitably.

Our focus on sustainable investing provides further opportunities for growth while playing an active role in the fight against climate change, promoting biodiversity, human rights and building stronger communities. We have an ambition to become Net Zero by 2040, with 2025 and 2030 interim decarbonisation plans. We have also signed up to the Net Zero Asset Managers Initiative.

Our leadership position in ESG is recognised with various industry awards and ratings:

- Voted the Best ESG Asset Manager 2021 and 2022 by the Corporate Adviser Awards;
- Strong scores in all modules of the 2021 United Nations' Principles for Responsible Investment (PRI) ratings, including ranked 5 stars for strategy and governance;
- Won the Climate Mitigation Investment Initiative of the Year for the Climate Engagement Escalation Programme (CEEP) and the Stewardship Initiative of the Year at the Insurance Asset Risk Awards 2022;

Top 3

Ranked globally for responsible investment by ShareAction

- Ranked in the Top 3 asset managers globally for responsible investment by ShareAction and rated as a leader on climate voting by Majority Action; and
- Aviva was ranked 2nd, and the top insurance company, in the World Benchmark Alliance 2022 Financial System Benchmark.

Products and customers

Consistent delivery of strong investment performance is key to meeting our customers' investment needs and remains a key priority. In 2022 our relative investment performance has been negatively impacted by the exceptional market environment which included rapidly rising interest rates and outperformance of sectors such as energy. Nevertheless, against this market backdrop, our investment performance has remained resilient with 51% (2021: 69%) of AUM exceeding benchmark over one year and 50% (2021: 65%) over three years.

Net flows excluding strategic actions[3] and liquidity were £42 million (2021: £1.5 billion). Positive external net flows were resilient in light of difficult market conditions at £1.3 billion (2021: £3.3 billion), reflecting the diversity of our business with strong demand for our real assets capabilities more than offsetting a weak market for liquid strategies. Reduction in internal net outflows to £(1.3) billion (2021: £(1.8) billion) reflects demand for new ESG solutions.

Our Aviva client distribution channels mainly comprise:

- Wealth, where we develop ESG-focused propositions to meet the long-term savings needs of Aviva's pension and savings customers; and
- Aviva shareholder, where we develop investment solutions to support Aviva's growth ambitions, primarily in the UK BPA and individual annuity markets.

Our external client distribution channels include:

- Large asset owners, including insurance companies, consultants, pension funds, and sovereign wealth funds;
- Global financial institutions such as large private banks; and
- UK wholesale intermediaries to retail customers, such as independent financial advisers and wealth managers.

Key priorities for 2023:

- Continued improvement in investment performance to deliver enhanced investment returns for our clients;
- Capitalising on growth opportunities within Aviva Group and externally through our strengths in ESG, real assets, multi-assets, sustainable equities and credit; and
- Ongoing focus on simplifying our business to deliver efficiency benefits and improvements in the cost income ratio.

1. An Article 8 Fund under Sustainable Finance Disclosure Regulation is defined as an EU domiciled fund which 'promotes, among other characteristics, environmental or social characteristics, or a combination of those characteristics, provided that the companies in which the investments are made follow good governance practices'
2. Per Peregrine Communications Global 100 Report 2022
3. Strategic actions include outflows from clients previously part of the Group and corporate actions

Capital management

Our Group capital management policy

Capital and liquidity management supports strategic decision making, such as mergers and acquisitions, business capital allocation, pricing, hedging, reinsurance, asset allocation and transformation projects.

Dividend policy

We aim to deliver sustainable dividends at a level that is resilient in times of stress and is covered by capital and cash generated from our businesses.

For the 2023 financial year our dividend guidance is as follows[1]:

- Ordinary dividends of c.£915 million
- Thereafter, we anticipate low to mid-single digit growth in the cash cost of the dividend

Capital framework

At the core of our capital framework is financial strength and efficient deployment of capital.

Key elements of our capital framework are as follows:

- Solvency II shareholder cover ratio working range of 160%-180%
- Centre liquid assets of c.£1.5 billion
- Solvency II debt leverage ratio below 30%
- To maintain our AA credit rating metrics

Surplus capital

After the payment of our regular dividend, surplus capital is available for:

- Investment in the business to support growth and top quartile efficiency objectives
- Bolt-on M&A where this delivers attractive risk adjusted returns and the opportunity is in line with our strategy
- Additional returns to shareholders releasing excess capital over time

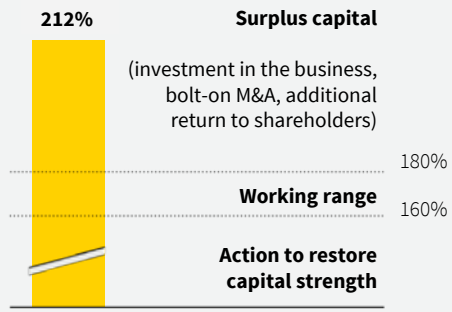
Capital and liquidity risk appetite

The Group seeks to retain financial flexibility by maintaining strong liquidity, access to a range of capital markets and significant unutilised committed credit lines.

The Group's economic capital risk appetite is set in terms of our Solvency II shareholder cover ratio. Our Solvency II shareholder cover ratio working range is 160%-180%.

Our businesses are capitalised based on their regulatory minimum levels with further prudent volatility buffers specific to each entity. Subsidiary capital appetites and working ranges are reviewed regularly by subsidiary boards.

Solvency II capital



Our Solvency II alternative performance measures

Solvency II performance

- Solvency II Operating Own Funds Generation (Solvency II OFG) and Solvency II return on capital / equity (Solvency II RoC / Solvency II RoE) is used by the Group to assess performance and growth
- Solvency II OFG growth is a key driver of increased Solvency II OCG in future periods

See 'Solvency II performance'section

Solvency II capital generation

- Solvency II operating capital generation (Solvency II OCG): provides a foundation for sustainable cash remittances from our businesses
- Solvency II future surplus emergence: provides an indication of our Solvency II OCG from existing life business in future periods

See 'Solvency II capital generation' section

Cash remittances and centre liquidity

- Driven by our capital and liquidity risk appetite

See 'Cash and Liquidity' section

Key to our capital framework is our robust Solvency II position

1. Estimated dividends are for guidance and are subject to change. The Board has not approved or made any decision to pay any dividend in respect of any future period.

Capital Management continued

Cash and liquidity

Cash remittances

The table reflects actual remittances received by the Group from our businesses.

Cash remittances from our continuing operations increased by 11% to £1,845 million (2021: £1,662 million). Amid market volatility following the UK mini-budget, we made the decision to defer a remittance from UK & Ireland Life and accelerated remittances from UK & Ireland General Insurance and Canada. We are on track to exceed our cash remittance target of £5.4 billion over 2022-24.

>£5.4bn

Cash remittances cumulative target 2022-2024

Cash remittances 2022:

£1,845m

2021 cash remittances are on a continuing basis

Centre liquidity

Centre liquidity comprises cash and liquid assets. Excess centre cash flow represents cash remitted by our businesses to the Group centre less central operating expenses and debt financing costs. It is an important measure of the cash that is available to pay dividends, reduce debt or invest into our core markets. The table shows the movement in centre liquidity over the year.

Centre liquidity as at end of February 2023 is £2,220 million (February 2022: £6,644 million) with the decrease primarily driven by the the £3,750 million capital return during 2022 and ordinary dividends to external shareholders, offset by cash remittances.

Cash remittances	2022 £m	2021 £m
UK & Ireland Life[1,2]	**780**	1,219
UK & Ireland General Insurance[1,2]	**731**	261
Canada[1,2]	**287**	156
Aviva Investors	**28**	15
UK, Ireland, Canada and Aviva Investors	**1,826**	1,651
International investments	**19**	11
Cash remittances from continuing operations	**1,845**	1,662
Discontinued operations[1] and Other	**—**	237
Total	**1,845**	1,899

1. We use a wholly-owned, UK domiciled reinsurance subsidiary for internal capital and cash management purposes. Some remittances otherwise attributable to the operating businesses arise from this internal reinsurance vehicle.
2. In 2022 a review was undertaken of the basis of allocation of remittances from Aviva's internal reinsurance vehicle. From April 2022, remittances are allocated to business units using an aggregate capital basis, previously remittances were allocated on a first in, first out basis.

Centre Liquidity	2022 £m	2021 £m
Cash remittances	**1,845**	1,899
External interest paid	**(355)**	(388)
Internal interest paid	**(30)**	(40)
Central spend	**(397)**	(432)
Other operating cash flows[1]	**88**	62
Excess centre cash inflow	**1,151**	1,101
Ordinary dividend	**(828)**	(841)
Net reduction in borrowings	**(419)**	(2,035)
Disposal proceeds	**—**	6,150
Share buyback	**(147)**	(853)
Capital return	**(3,750)**	—
Net reduction/(increase) in internal borrowings	**500**	(708)
Other non-operating cash flows[2]	**(931)**	(255)
Movement in centre liquidity	**(4,424)**	2,559
Centre liquidity as at end of February 2023 and 2022 respectively	**2,220**	6,644

1. Other operating cash flows include group tax relief receipts.
2. Other non-operating cash flows include capital injections, other investment cash flows and transaction costs paid on disposals and includes a £75 million payment relating to our staff pension scheme.

Capital Management continued

Solvency II performance

Solvency II operating own funds generation and Solvency II return on capital/equity

Solvency II operating own funds generation and Solvency II return on equity (Solvency II RoE) is used by the Group to assess performance and growth, as we look to deliver long-term value for our shareholders.

Solvency II RoE is a more relevant measure of performance than IFRS return on equity as it is an economic value measure, the basis on which we manage Group capital.

Solvency II operating own funds generation from continuing operations has increased by £436 million to £1,623 million (2021: £1,187 million).

In the UK & Ireland Life businesses, Solvency II operating own funds generation has increased driven by existing business improvements in BPAs and Wealth as well as the beneficial impact of longevity and expense assumption changes.

Solvency II operating own funds generation 2022:

£1,623m

2021 Solvency II operating own funds generation is on a continuing basis

In the UK & Ireland general Insurance businesses and Canada, Solvency II operating own funds generation has decreased marginally by £53 million, reflecting a strong performance given the inflationary backdrop and the general insurance catastrophe reinsurance renewal market.

Solvency II operating own funds generation has benefitted from a reduction in corporate centre costs and other, £(279) million in 2022 (2021: £(342) million) and Group external debt costs, £(214) million in 2022 (2021: £(255) million). This is primarily as a result of lower project spend and debt reduction over 2021 and 2022.

Solvency II operating own funds generation	2022 £m	2021 £m
UK & Ireland Life	**1,368**	953
UK & Ireland General Insurance	**293**	339
Canada	**325**	332
Aviva Investors	**24**	36
UK, Ireland, Canada and Aviva Investors	**2,010**	1,660
International investments	**106**	124
Corporate centre costs and Other	**(279)**	(342)
Group external debt costs	**(214)**	(255)
Continuing operations	**1,623**	1,187
Discontinued operations	**—**	458
Solvency II operating own funds generation at 31 December	**1,623**	1,645

Solvency II RoE has increased on continuing basis by 5.7pp to 16.4% (2021: 10.7%) over 2022 reflecting the increase in Solvency II operating own funds generation over the period and the reduction in 2022 opening capital position due to higher interest rates.

Solvency II operating own funds generation by business and Solvency II RoE is summarised in the tables below.

Solvency II return on equity 2022:

16.4%

2021 Solvency II return on equity is on a continuing basis

Solvency II return on capital/equity	2022 %	2021 %
Market Solvency II return on capital		
UK & Ireland Life	10.4%	6.6%
UK & Ireland General Insurance[1]	12.5%	14.1%
Canada	18.6%	21.6%
Aviva Investors	6.0%	9.3%
UK, Ireland, Canada and Aviva Investors	11.3%	8.8%
International investments	10.8%	13.6%
Discontinued operations	—%	7.2%
Group Solvency II return on equity		
Solvency II return on equity at 31 December	16.4%	11.3%
Solvency II return on equity at 31 December on a continuing basis[2]	16.4%	10.7%
Solvency II return on equity at 31 December on a continuing basis (excluding UK Life Heritage business)[2,3]	19.0%	12.3%

1. For UK General Insurance only, capital held for internal risk appetite purposes is used instead of opening shareholder Solvency II own funds to ensure consistency in measuring performance across markets. This is only applicable to UK General Insurance Solvency II return on capital and not to the aggregated Group Solvency II return on equity.
2. Group Solvency II return on equity on a continuing basis excludes our discontinued operations. Further details can be found in the 'Other Information: Alternative Performance Measure' section.
3. Group Solvency II return on equity (excluding UKL Heritage business) has been calculated on a consistent basis to Group Solvency II RoE except that an adjustment is made to remove the contribution of UK Life Heritage business from the numerator and the denominator. When calculating opening unrestricted tier 1 shareholder Solvency II own funds attributable to UKL Heritage, adjusted to exclude excess capital, a proportion of restricted tier 1, tier 2 and tier 3 capital is assumed to be attributable to UKL Heritage with a consistent adjustment to debt costs in the numerator.

Capital Management continued

Solvency II capital generation

Solvency II operating capital generation (Solvency II OCG)

Solvency II OCG measures the amount of Solvency II capital the Group generates from operating activities. Capital generated enhances Solvency II surplus which can be used to support sustainable cash remittances from our businesses, which in turn supports the Group's dividend as well as funding investment to generate sustainable growth. Solvency II OCG by business is summarised in the table below.

In our continuing operations, Solvency II OCG increased by 5% to £1,434 million (2021: £1,364 million).

The increase is driven by strong growth in Solvency II OFG partially offset by lower solvency capital requirement (SCR) benefit from management actions and other in UK & Ireland Life and an increase in capital requirements in our general insurance businesses mainly due to changes to our external catastrophe reinsurance treaties and higher exposure from strong business growth.

The increase in capital requirements in general insurance is partially mitigated by a higher Group diversification benefit included within Corporate centre costs and other Solvency II OCG.

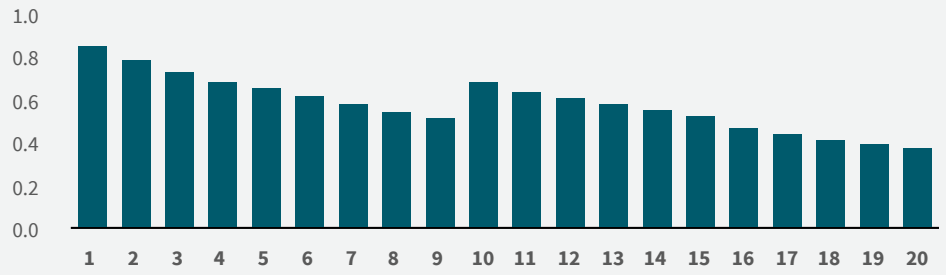
Solvency II future surplus emergence

The chart shows the expected future emergence of Solvency II surplus from our existing long-term in-force UK & Ireland life business. The projection does not include future new business or the potential impact of active management of the business (for example hedging, risk transfer and expense management). Years 1 - 9 include the run-off of Transitional Measures on Technical Provisions (TMTP) hence there is an uplift from Year 10 onwards.

Solvency II future surplus emergence on our in-force life business together with capital generation on our future life new business, Aviva Investors, International investments and General Insurance business will provide Solvency II OCG in future periods.

Solvency II operating capital generation	2022 £m	2021 £m
UK & Ireland Life	**1,494**	1,219
UK & Ireland General Insurance	**(18)**	296
Canada	**208**	338
Aviva Investors	**26**	53
UK, Ireland, Canada and Aviva Investors	**1,710**	1,906
International investments	**34**	55
Corporate centre costs and Other	**(96)**	(342)
Group external debt costs	**(214)**	(255)
Continuing operations	**1,434**	1,364
Discontinued operations	**—**	197
Group Solvency II operating capital generation	**1,434**	1,561

Solvency II Future surplus emergence – UK & Ireland life business (undiscounted) (£bn)



Capital Management continued

Solvency II capital position

The Group is required to measure and monitor its capital resources on a regulatory basis and to comply with minimum capital requirements of regulators in each territory it operates in. At a Group level, we have to comply with the Solvency II requirements regulated by the PRA. The Group Solvency II capital requirements are calculated using a Partial Internal Model (PIM) which assesses the risks on an Internal Model basis approved by the PRA.

Group capital is represented by Solvency II own funds. Solvency II own funds are comprised of a combination of shareholders' funds, preference share capital, subordinated debt, and deferred tax assets measured on a Solvency II basis.

Solvency II surplus at the Group level represents the excess of eligible Solvency II own funds over the Group's solvency capital requirements calculated in accordance with Solvency II requirements.

The Group Solvency II position disclosed is based on a 'shareholder view'.

The shareholder view is considered by management to be more representative of the shareholders' risk exposure and the Group's ability to cover the SCR with eligible own funds. It also aligns with management's approach to dynamically manage its capital position.

In arriving at the shareholder position, a number of adjustments are typically made to the regulatory Solvency II position, including removal of own funds and SCR in respect of with-profit funds and staff pension schemes in surplus.

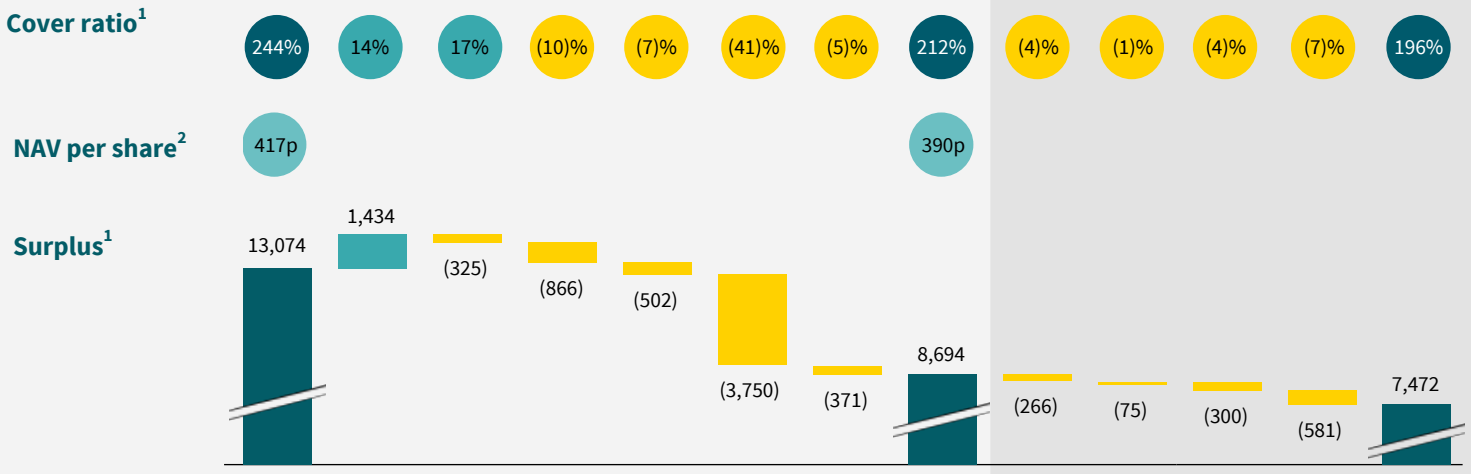
Financial strength is key to the Group's strategy and the Group's estimated Solvency II shareholder cover ratio is 212% at 31 December 2022 (2021: 244%).

The movement in the Solvency II shareholder surplus over the period is shown in the chart.

The decrease in surplus since 31 December 2021 is mainly due to £3.75 billion capital return to shareholders (reducing Solvency II shareholder cover ratio by 41pp), dividend payments, net debt redemption, acquisitions and non-operating capital generation partially offset by operating capital generation.

Non-operating capital generation includes the impact of market movements primarily from increase in interest rates and widening of credit spreads.

The pro forma Solvency II cover ratio is 196% allowing for the redemption of c£0.5 billion of debt over time (which we now expect to incorporate a combination of subordinated and senior debt), £0.1 billion payment in relation to our staff pension scheme, the £0.3 billion share buyback and final 2022 dividend of c.£0.6 billion.



£m

	31 December 2021	Operating capital generation	Non-operating generation	Dividends	Debt repayment	Capital return	Acquisitions	31 December 2022	Debt reduction	Pension payment	Share buyback	2022 final dividend	31 December 2022 pro forma
Own funds[1]	22,150	1,623	(1,827)	(866)	(502)	(3,750)	(360)	16,468	(266)	(75)	(300)	(581)	15,246
SCR[1]	(9,076)	(189)	1,502	—	—	—	(11)	(7,774)	—	—	—	—	(7,774)
Surplus[1]	13,074	1,434	(325)	(866)	(502)	(3,750)	(371)	8,694	(266)	(75)	(300)	(581)	7,472

1. The estimated Solvency II position represents the shareholder view only
2. Solvency II net asset value per share is used to monitor the value generated by the Group in terms of the equity shareholders' face value per share investment and is calculated as the closing unrestricted Tier 1 Solvency II shareholder own funds, divided by the actual number of shares in issue as at the balance sheet date. Solvency II net asset value per share is an economic value measure used by the Group to assess growth.

Capital Management continued

	Impact on surplus	Impact on shareholder cover ratio
Group Solvency II cover ratio	–	212%

Sensitivities at 31 December 2022	£bn	pp
Changes in economic assumptions		
50 bps increase in interest rate	0.0	4 pp
100 bps increase in interest rate	0.1	7 pp
50 bps decrease in interest rate	(0.1)	(5)pp
100 bps decrease in interest rate	(0.1)	(10)pp
50 bps increase in corporate bond spread[1]	0.0	4 pp
100 bps increase in corporate bond spread[1]	0.0	6 pp
50 bps decrease in corporate bond spread[1]	(0.1)	(5)pp
Credit downgrade on annuity portfolio[2]	(0.4)	(7)pp
10% increase in market value of equity	0.1	— pp
25% increase in market value of equity	0.2	(2)pp
10% decrease in market value of equity	(0.1)	— pp
25% decrease in market value of equity	(0.3)	(1)pp
20% increase in value of commercial property	0.4	7 pp
20% decrease in value of commercial property	(0.5)	(9)pp
20% increase in value of residential property	0.3	5 pp
20% decrease in value of residential property	(0.5)	(9)pp
Changes in non-economic assumptions		
10% increase in maintenance and investment expenses	(0.7)	(10)pp
10% increase in lapse rates	(0.3)	(4)pp
5% increase in mortality/morbidity rates – life assurance	(0.2)	(2)pp
5% decrease in mortality rates – annuity business	(0.7)	(12)pp
5% increase in gross loss ratios	(0.3)	(4)pp

1. The corporate bond spread sensitivity is applied such that even though movements vary by rating and duration consistent with the approach in the solvency capital requirement, the weighted average spread movement equals the headline sensitivity. Fundamental spreads remain unchanged.
2. An immediate full letter downgrade on 20% of the annuity portfolio credit assets (e.g. from AAA to AA, from AA to A)

Sensitivity analysis

As part of the Group's internal capital management process, we regularly monitor the Group's sensitivity to economic and non-economic scenarios.

The table shows the absolute change in Solvency II shareholder surplus and cover ratio under each sensitivity, e.g. a 2pp positive impact would result in the Solvency II shareholder cover ratio increasing from 212% to 214%.

As a result of the capital deployment, the sensitivity of the Solvency II shareholder cover ratio to economic and non-economic assumptions typically reduces. The table shows the sensitivity impacts post deployment.

Limitations of sensitivity analysis

The table above demonstrates the effect of an instantaneous change in a key assumption while other assumptions remain unchanged. In reality, changes may occur over a period of time and there is a correlation between the assumptions and other factors. It should also be noted that these sensitivities are non-linear, and larger or smaller impacts should not be interpolated or extrapolated from these results.

The sensitivity analysis does not take into consideration that the Group's assets and liabilities are actively managed. Additionally, the Solvency II position of the Group may vary at the time that any actual market movement occurs. For example, the Group's financial risk management strategy aims to manage the exposure to market fluctuations.

As investment markets move past various trigger levels, management actions could include selling investments, changing investment portfolio allocations and taking other protective action.

Other limitations in the above sensitivity analysis include the use of hypothetical market movements to demonstrate potential risks that only represent the Group's view of possible near-term market changes that cannot be predicted with any certainty and the assumption that all parameters move in an identical fashion.

Specific examples:

- The sensitivity analysis assumes a parallel shift in interest rates at all terms. These results should not be used to calculate the impact of non-parallel yield movements.
- The sensitivity analysis assumes equivalent assumption changes across all markets i.e. UK and non-UK yield curves move by the same amounts, equity markets across the world rise or fall identically.

Additionally, the movements observed by assets held by Aviva will not be identical to market indices so caution is required when applying the sensitivities to observed index movements.

Stress and scenario testing

In addition to our sensitivity analysis, stress and scenario testing (including reverse stress testing) is used to test the resilience of business plans and to inform decision-making.

The results of this testing demonstrates that through the use of key management actions (including expense management, hedging and capital raising) the Group can maintain sufficient liquidity and surplus of Solvency II own funds over SCR to withstand a variety of severe scenarios and stresses.

Capital Management continued

Diversified Solvency Capital Requirement (SCR) analysis

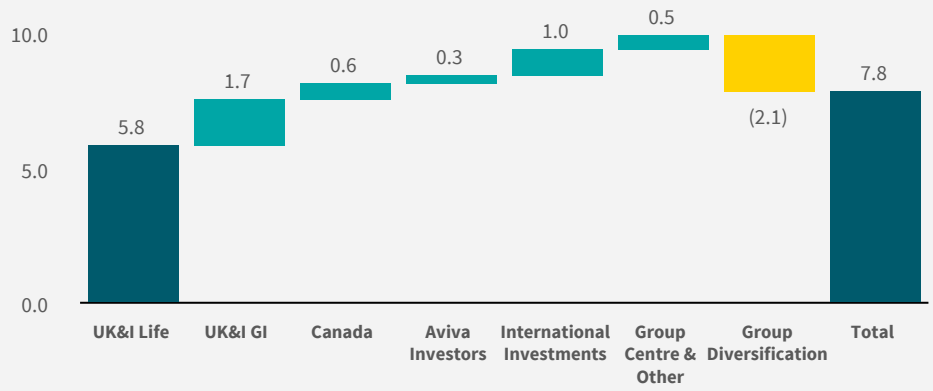
The chart summarises the SCR by business. The Group diversification between businesses is the SCR diversification arising from the sum of the SCR for each market being higher than the SCR at Group.

The benefit from Group diversification is £2.1 billion at 31 December 2022 (2021: £1.9 billion) primarily due to an increase in general insurance capital requirements

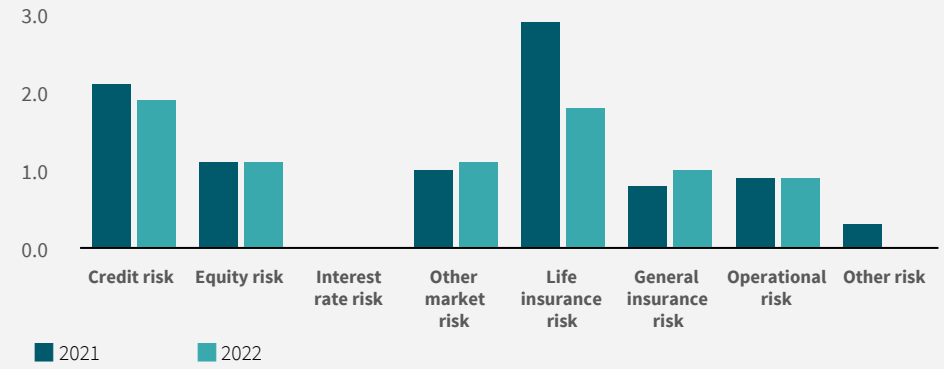
Capital required is closely linked to the Group's risk exposures. Analysis of the SCR by risk type is a key measure used in managing risk exposures. The split of SCR by risks is summarised in the chart.

The SCR has decreased by £1.3 billion to £7.8 billion since 31 December 2021 primarily due to an increase in interest rates over the period which affect several risks through the impact of discounting.

SCR by Business (£bn)



SCR by Risk (£bn)



Solvency II regulatory own funds by Tier and Solvency II debt leverage ratio

One of the objectives of capital management is to maintain an efficient capital structure using a combination of equity shareholders' funds, preference share capital, subordinated debt and borrowings, in a manner consistent with our risk profile and the regulatory and market requirements of our business.

The table provides a summary of the Group's regulatory Solvency II own funds by Tier and Solvency II debt leverage ratio.

Solvency II debt leverage ratio at 31 December 2022 is 31% (2021: 27%). The increase is primarily due to the decrease in regulatory own funds following the completion of the £3.75 billion capital return to ordinary shareholders during the first half of 2022 and interest rate increases over the period. The Group redeemed a net £0.5 billion of debt in the period.

Regulatory view	2022 £m	% of own funds 2022	2021 £m	% of own funds 2021
Solvency II regulatory debt[1]	**5,210**		6,330	
Senior notes	**687**		651	
Commercial paper	**252**		50	
Total debt	**6,149**		7,031	
Unrestricted Tier 1[2]	**13,162**	**70%**	19,120	75%
Restricted Tier 1[3]	**946**	**5%**	967	4%
Tier 2[4]	**4,264**	**23%**	5,363	21%
Tier 3[5]	**296**	**2%**	123	—%
Total regulatory own funds	**18,668**		25,573	
Solvency II debt leverage ratio[6]	**31%**		27%	

1. Solvency II regulatory debt consists of Restricted Tier 1 and Tier 2 regulatory own funds, and Tier 3 subordinated debt
2. Unrestricted Tier 1 capital, 70% of own funds, includes Aviva's ordinary share capital and share premium which are high quality instruments with principal loss absorbing features such as permanence, subordination, undated, absence of redemption incentives, mandatory costs and encumbrances
3. Restricted Tier 1, 5% of own funds, includes preference shares and subordinated debt. None of these instruments include principal loss absorbency features and all qualify as restricted Tier 1 capital under transitional provisions.
4. Tier 2 capital, 23% of own funds, consists of dated subordinated debt. The features of Tier 2 capital include subordination, a minimum duration of 10 years with no contractual opportunity to redeem within 5 years, absence of redemption incentives and mandatory costs and encumbrances.
5. Tier 3 capital consists of subordinated debt and net deferred tax assets after taking into account the ability to offset assets against deferred tax liabilities. The features of Tier 3 capital include subordination and a minimum duration of 5 years. Tier 3 regulatory own funds at 31 December 2022 consist of £296 million net deferred tax assets (2021: £123 million). There is no subordinated debt included in Tier 3 regulatory own funds.
6. Solvency II debt leverage is calculated as the total debt as a proportion of total regulatory own funds plus commercial paper and senior notes

Our Section 172(1) Statement

Our Stakeholders

We report here on how our directors have performed their duty under Section 172(1) ('s.172') of the Companies Act 2006.

Overview

S.172 sets out a series of matters which the directors must have regard to when performing their duty to promote the success of the Company for the benefit of its shareholders, including having regard to other stakeholders. Where this statement draws upon information contained in other sections of the Strategic report, this is signposted accordingly[1].

Our Board considers it crucial that the Company maintains a reputation for high standards of business conduct. The Board is responsible for establishing, monitoring and upholding the culture, values, standards, ethics and reputation of the Company to ensure that our obligations to our shareholders, employees, customers and others are met. The Board monitors adherence to our policies and compliance with local corporate governance requirements across the Group and is committed to acting where our businesses fall short of the standards we expect.

Our Board is also focused on the wider social context within which our businesses operate, including those issues related to climate change which are of fundamental importance to the planet's well-being.

A detailed explanation of how Aviva continues to manage the impact of its business on communities and the environment is outlined in the 'Our Sustainability ambition' section of the Strategic report.

Our culture

Our culture is shaped by our clearly defined purpose – to be with you today for a better tomorrow. As the provider of financial services to millions of customers, Aviva seeks to earn their trust by acting with integrity and a sense of responsibility at all times. We look to build relationships with all stakeholders based on openness and transparency. We value diversity, equity and inclusivity in our workforce and beyond, and the 'Our people' section of the Strategic report sets out how that underpins everything we do.

Key strategic decisions in 2022

For each matter, the Board considers the likely consequences of any decision in the long term, identifies stakeholders who may be affected, and carefully considers their interests and any potential impact as part of the decision-making process. The key strategic decisions taken during 2022 were informed and supported by stakeholder engagement activities as set out in this section.

On 2 March 2022, following the programme of divestment in 2021, we announced a £3.75 billion 'B Share Scheme' and share consolidation which completed in May 2022. This followed on from the increased and extended £1 billion share buyback programme completed on 31 March 2022.

We have subsequently announced a further £300 million share buyback. This brings the total capital returned to shareholders to over £5 billion since 2021. In addition to the return of capital to shareholders, the Board also approved the redemption of the Aviva plc 6.125 % £800 million fixed rate perpetual reset subordinated notes at the first call date on 29 September 2022.

On 2 March 2022, the Board announced the acquisition of Succession Wealth (a leading national independent financial advice firm) in order to enhance significantly our position in the fast-growing wealth market. The transaction successfully completed in August 2022. Succession Wealth's advisers can now access Aviva's platforms and our customers are benefiting from the competitive offering and high-quality service. The Board continues to consider, where appropriate, potential bolt-on acquisition candidates that would complement our target growth areas.

During 2022, we have monitored and responded to the impact that inflationary pressures have exerted on our customers, our people, and our communities.

In response to our customers' needs we launched our 'Essentials' products on Quotemehappy, a range of low cost general insurance products to provide an essential level of cover for our customers. Following colleague feedback on the impact of the cost of living crisis we supported colleagues in the UK with one-off cost of living payments and made similar payments to our colleagues in Canada and Ireland. On 27 October 2022, we pledged to invest £7 million and £2 million respectively to our new partnership charities Citizens Advice and Money Advice Trust's Business Debtline to support their services in this period of unprecedented need.

The Board has continued to support Aviva's Sustainability Ambition into 2023, in a number of areas. This included committing £38 million to The Wildlife Trust for the rebuilding of the Celtic Rainforests. Aviva Ireland also announced the donation of €5 million to the Nature Trust to help accelerate its native afforestation project. This is part of a £100 million programme of nature-based projects in the UK and Ireland to help address climate change by removing carbon dioxide from the atmosphere. These investments are aligned to our goal of reinvesting 2 % of our group adjusted operating profit in our communities as part of our Sustainability Ambition. We were proud to be recognised as the leading insurance company in the World Benchmarking Alliance 2022 Financial System Benchmark[2].

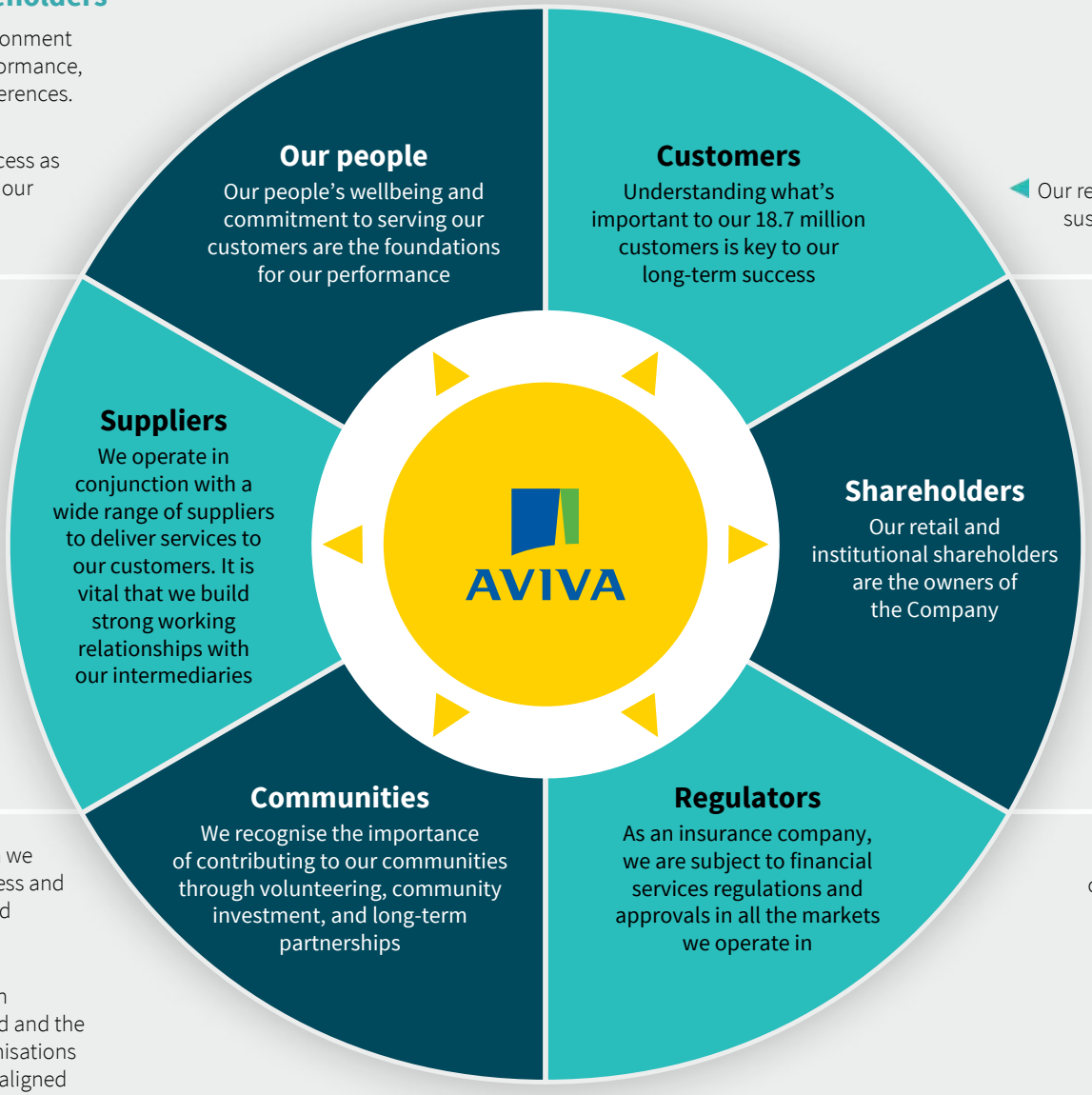
1. The s.172 statements of our qualifying subsidiaries will be made available on the Aviva plc website
2. **https://www.worldbenchmarkingalliance.org/financial-system-benchmark/**

Our stakeholders continued

Relationships with our stakeholders

We provide an inclusive working environment where we develop talent, reward performance, support our people and value our differences.

Our people share in the business' success as shareholders through membership of our global share plans.



We aim to provide products and solutions to meet customer needs as well as empowering our customers to save for their goals.

Our relationship NPS survey shows five years of sustained high-level customer advocacy in a challenging marketplace.

We treat our suppliers fairly so we both mutually benefit from our relationship.

Annually we hold our Club 110 Broker Conference and our Key Partner Conference, attended by the Group CEO and senior management.

Our strategy is to focus on three core markets to support long-term delivery of future shareholder returns through value appreciation and dividends.

The Board engages with shareholders, including at the AGM, and receives briefings from our corporate brokers on investors' views.

We support the communities in which we operate, through investment in business and infrastructure, paying tax revenues and community support activity.

The Board receives regular updates on the work of the Aviva Community Fund and the Aviva Foundation. Both of these organisations fund community investment projects aligned to our values.

We maintain a constructive and open relationship with our regulators and the Board has regular meetings with our UK regulators.

Regulators engage with us to discuss their objectives, priorities and concerns, and how they affect our business.

Our stakeholders continued

Stakeholder engagement

The table below sets out our approach to stakeholder engagement during 2022:

Stakeholders	Why are they important to Aviva?	What is our approach to engaging with them?
Customers	Understanding what is important to our customers is key to our long term success.	• The Board supports the delivery of our Customer Strategy and reviewed its progress as part of the Strategic Delivery updates to the May and November 2022 Board meetings. • The Customer and Sustainability Committee continues to receive regular reporting on customer experience, customer journeys, customer service levels and outcomes and customer-related strategic initiatives, and engages with the leadership team if our performance does not meet our customers' expectations. • As noted above, the Board supported key strategic decisions such as the launch of our 'Essential' product range. • The Board engaged with customer facing teams to better understand their role and the challenges they face. During 2022 the Board visited the teams in the York and Perth offices. • For further information on how we engage with our customers, please see the 'With you today' section.
Our people	Our people's well-being and commitment to serving our customers are essential for our long-term success.	• Through employee forums, global internal communications and informal meetings, the directors engage with our people on a wide range of matters and act on the output of our annual global employee engagement survey, Voice of Aviva ('VoA'). In response to the cost of living crisis, we supported colleagues with one-off payments. • The Chair continues to participate in the Evolution Council (a diverse group of high calibre leaders from across the business), involving them in discussions related to the Group's strategy. The meetings are attended by several Non-Executive directors. The Chair reports feedback from the Evolution Council to the following Board meeting to allow the Board to consider the Evolution Council's input in its decision-making. The Evolution Council feedback included input in to the Group CEO's 2023 objectives. • The Group CEO and Chair of the Remuneration Committee attended 'Your Forum' meetings in 2022, our fully elected employee forum, representing UK employees. We believe this method of engagement with Aviva employees is effective in building and maintaining trust and communication and allows for openness, honesty and transparency within the business. It also acts as a platform for employees to influence change in relation to matters that affect them. The output of these meetings provided the Remuneration Committee with employee feedback when reviewing wider workforce remuneration and policies. • The Board recognises the benefits of a diverse workforce and an inclusive culture and there has been significant investment and activity to increase diversity, equity and inclusion. To ensure alignment and retain focus on the diversity, equity and inclusion agenda the Executive Directors' Long-Term Incentive Plan (LTIP) has been linked to two diversity performance metrics and employee engagement is a primary metric in the Annual Bonus Plan (ABP). • The Board reviewed the Board Diversity, Equity and Inclusion Statement in August 2022 and the annual VoA colleague engagement survey and Culture Diagnostic in December 2022 and discussed the areas management had identified for improvement. • For further information on how we engage with our people, please see the 'Our people' section.

Our stakeholders continued

Stakeholders	Why are they important to Aviva?	What is our approach to engaging with them?
Suppliers	We operate in conjunction with a wide range of suppliers to deliver services to our customers. It is vital that we build strong working relationships with our intermediaries.	• All supplier-related activity is managed in line with the Group Procurement and Outsourcing Business Standards. This ensures that supply risk is managed appropriately in relation to customer outcomes, data security, corporate responsibility, and financial, operational, and contractual issues. • An update on supplier risk and relations was presented to the Board in August 2022 as part of the Board's continuing programme of supplier engagement. • In the UK, Aviva is a signatory of the Prompt Payment Code which sets high standards for payment practices. We are a Living Wage employer in the UK, and our supplier contracts include a commitment to paying eligible employees not less than the Living Wage in respect of work provided to Aviva in the UK. • The Group CEO attended three Key Partner Conferences held during the year which provided an opportunity to meet with partners and receive feedback on their interaction with Aviva.
Communities	We recognise the importance of contributing to our communities through volunteering, community investment, and long-term partnerships.	• The Board receives regular updates on our corporate responsibility activity, including the activities supported by the Aviva Community Fund and the Aviva Foundation. • The Aviva Foundation will continue to invest in organisations delivering public benefit aligned to Aviva's purpose and expertise with a focus on financial capability. During the year the Board approved a further £10 million payment to the Aviva Foundation from unclaimed shareholder funds derived from the 2022 return of capital. • The Board reaffirmed the Group's sustainability agenda and Aviva's ambition to become the first major insurer worldwide to reach Net Zero by 2040 and regularly reviews progress in relation to our ambitions. • More information on how the Board assesses climate risks and opportunities is included in 'Our Climate-related Financial Disclosure' section.
Regulators	As an insurance company, we are subject to financial services regulations and approvals in all the markets we operate in.	• We maintain a constructive and open relationship with our regulators and have a programme of regular meetings between the directors and our UK regulators. • Both the Prudential Regulation Authority and the Financial Conduct Authority have attended a Board meeting during the year and discussed regulatory issues with Board members.
Shareholders	Our retail and institutional shareholders are the owners of the Company.	• The Board meets with shareholders at the Annual General Meeting (AGM) which provides an opportunity, predominantly for our retail shareholders, to engage directly with the Board. In 2022 shareholders were able to attend the AGM in person or to participate electronically, including the ability to vote and ask questions, to ensure our engagement with shareholders continued as far as possible. • A shareholder newsletter is published on aviva.com every quarter and provides shareholders with publicly available information including recent Board changes, financial or strategic updates, and information about our Aviva Foundation projects. • The Board receives regular updates on management's interaction with institutional shareholders.

1. The Aviva Foundation is administered by Charities Trust under charity registration number 327489

Our people

Aviva's diverse workforce includes nearly 22,000 colleagues in the UK, Canada and Ireland.

Danny Harmer
Chief People Officer

"Our wonderful people have continued to commit their very best to our customers and our business in a challenging environment. Making Aviva a really great place to work, offering fantastic development and careers, now and in the future, has been our priority."

Our approach

The people function is focused on unleashing the power of our people to deliver our strategy for our customers, colleagues and shareholders.

Engaging our people

In our 2022 Voice of Aviva colleague listening survey 86% of colleagues said they would recommend Aviva as a great place to work. Amid our ongoing transformation as a business, and despite the uncertain socio-economic environment, our employee engagement levels have significantly improved since 2021 and Aviva sits well above the financial services benchmark.

Understanding of the Group's strategy is strong and perceptions of flexibility and workload sustainability have improved. Feedback on the frequency and quality of individual talent and performance conversations is also positive, and these remain a critical lever to support employee progression, performance and engagement. While we have made headway on perceptions of Diversity, Equity and Inclusion we need to improve visible representation in leadership.

In response to the 2022 survey, we will focus on our ability to adapt to change quickly and continue to help people connect to our strategy through communications and engagement approaches, owned by senior leaders.

Diversity, Equity and Inclusion

Our ambition is for people to be able to be themselves at Aviva, and for our workforce to reflect the customers and communities we serve. It's a fundamental part of living up to our purpose and values, key to continuing as a sustainable, successful business and contributes to a more equal society. In the Voice of Aviva survey 86% of colleagues responded that they 'can be themselves at work'.

Diversity, Equity and Inclusion is woven into everything we do, from employee policies to customer propositions to relationships with suppliers and partners, supported by leaders owning and driving this agenda. Inclusion across all communities is important, and we are particularly focused on gender and ethnicity. We've set ourselves the targets of increasing female senior leadership to 40% and ethnically diverse senior leadership to 13% by 2024. Our Executive Long-Term Incentive Plans are tied to performance against these targets, reinforcing our commitment to action and driving sustainable change. Our work on gender is underpinned by our market-leading approach to equal parental leave and we continue to champion our Ethnically Diverse Leadership programme and Reverse Mentoring Programmes.

In 2022 we launched three programmes to specifically help our diverse colleagues thrive and advance their careers. The Mission Include and Mission Gender Equity cross-company mentoring programmes for 80 colleagues, in partnership with Moving Ahead, focused on building and strengthening our diverse pipeline. The Aviva Sponsorship Programme, in partnership with School for CEOs, is pairing 130 sponsees with sponsors across Aviva. The pilot saw 54% of sponsees promoted or appointed into stretch roles.

We have been recognised through numerous awards including achieving Gold Employer status in Stonewall's Workplace Equality Index, ranking in the top 15 for the Social Mobility Index and appearing in the Sunday Times Top 50 Employers for Women for the fifth consecutive year. A number of our people were also recognised on the HERoes, OUTstanding and EMpower Role Mode lists.

As a Disability Confident Employer, we interview every disabled applicant who meets the minimum criteria for the job and offer Workplace Adjustment Passports to all colleagues.

86%

of colleagues recommend Aviva as a great place to work

Our people continued

Health and wellbeing

Our people, and their wellbeing, are core to our success; 83% of our employees believe Aviva values their health and wellbeing. We offer extensive health and wellbeing benefits and foster an environment where everyone feels cared for, and stigmas are removed.

This year we've also:

- Refreshed our leader mental health awareness training which is mandatory for people leaders;
- Created a fertility awareness hub and leader guidance, bringing together information and support for colleagues;
- And worked with our Aviva Inclusion Communities to build wellbeing content into events including Mental Health Awareness Week, International Men's Day, Carers' Week, and Grief Awareness Week.

Our support for our people shines through in the moments that matter. This has been recognised by Hospice UK who awarded us their first Gold Standard in the Compassionate Employer scheme.

Leadership and learning

Upskilling and reskilling our people to ensure Aviva is ready for the future is one of our key priorities.

In 2022, 200 leaders participated in our Courage to Lead programme, designed to drive a step-change by equipping and supporting leaders to take bold decisions and inspire their teams. Courage to Lead will be cascaded to our top 1,000 leaders during 2023.

All our people accessed Aviva University, our learning platform, at least once in 2022 with around 50% of colleagues accessing it each month, and an average of 16 hours learning per colleague this year. Our Learning at Work Week was focused on 'getting your dream job and super charging your development', and over 4,500 colleagues participated in Skillsfest, focused on the capabilities our people need both now and in the future.

Our plans for 2023

We have the foundations in place to help Aviva deliver its commitments to our customers, colleagues and shareholders through our people.

In 2023 we will:

- Help colleagues put customers at the forefront of our decisions and the way we work;
- Continue to build and enable the workforce of the future;
- Maintain momentum on Diversity, Equity and Inclusion;
- Push our Courage to Lead leadership training through the organisation;
- And grow our Aviva University curriculum with learning for all.

The average number of full-time equivalent employees during 2022 was 23,701 (2021: 22,312). This includes Aviva India, Sesame Banking Group, Solus, Succession Wealth, and Wealthify.

Responding to challenges

2022 was a challenging year and we know that the ongoing cost of living crisis was a worry for many of our colleagues, along with our communities and customers.

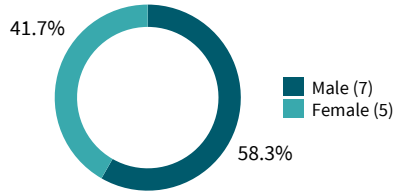
We are proud to be a Real Living Wage employer in the UK but also want our colleagues to be able to save for their retirement. Our minimum rate of pay means our colleagues can make an 8% pension contribution (benefitting from the 14% employer contribution) while still taking home the Real Living Wage.

In October we made a one-off payment to over 9,000 colleagues across Aviva. While the payment didn't benefit everyone, it was focussed where we believed it would have the most impact.

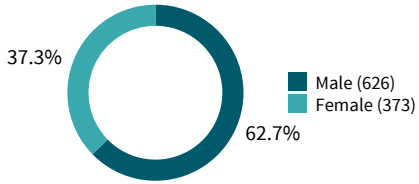
We also removed office car parking charges, provided free lunches to employees' children over the holidays and gave colleagues access to free flu vaccinations. We also offer our people a range of flexible benefits including employee rates for Aviva products, discounted shopping and financial advice.

At 31 December 2022, we had the following gender split:

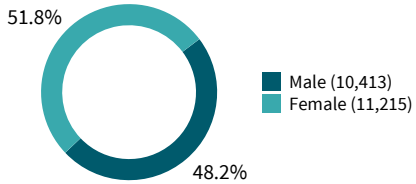
Board membership



Senior management



Aviva Group employees



Read more

More details about our approach to responsible and sustainable business can be found in the 'Our sustainability ambition' section of this report and our people strategy at:

> **www.aviva.com/about-us/our-people**

Our sustainability ambition

Our ambition is to lead the UK financial services sector in taking action on climate change, building stronger, more resilient communities and running ourselves as a sustainable business.

We're setting out a plan to become Net Zero by 2040, ten years ahead of the Paris Agreement target.

We're on a mission to create a climate of change, because the time for action is now. From lower carbon emissions to carbon removal, from renewable energy generation to biodiversity regeneration.

We've an ambitious goal to make 10 million people more resilient to climate and financial risks by 2025.

We also have goals to ensure we increase diversity and inclusion within our senior management teams.

All of our goals are in service of our purpose to be: with you today for a better tomorrow.

"Acting sustainably is a cornerstone of Aviva's strategy for very good reasons. It matters to our customers, our people and our world. The future health of our business depends entirely on a sustainable future to be doing business in. We want to help set the standard."

Amanda Blanc
Group Chief Executive Officer

Climate Action p1.59

Stronger Communities p1.61

Sustainable Business p1.62

Our sustainability ambition continued

Aviva is taking climate action.

We've been a carbon neutral company since 2006 and our ambition is to have Net Zero operations by 2030 and become Net Zero by 2040.

In March 2022 we released our first **Climate Transition Plan**, outlining how we might get to Net Zero by 2040. Our Net Zero ambition covers three scopes of emissions:

- Scope 1 covers direct sources e.g. fuels used to power our buildings and company cars;
- Scope 2 is focused on energy generated elsewhere and supplied to our business; and
- Scope 3 focuses on indirect emissions e.g. from our supply chain, business investments, and underwriting and investment portfolios.

Quantifying the impact of climate change is an emerging practice. It is challenging to obtain consistent asset data across our entire portfolio and quantify the impact of carbon emissions from our scope 3 category 15 financial investments. We have made several methodology improvements in 2022 and will continue to enhance our capabilities in line with industry developments and standards.

We have an ambitious climate transition plan for our journey to Net Zero by 2040, yet no one can achieve Net Zero on their own. We need governments and international institutions to develop their own plans to enable the global transition.

In December 2022, Aviva became the first international composite insurer to have carbon reduction goals validated by the Science Based Targets initiative (SBTi)[1].

Aviva's targets[2] include commitments to:

- Achieve a 90% reduction in absolute scope 1 and 2 greenhouse gas (GHG) emissions by 2030 compared to 2019 levels;
- Ensure that 70% of suppliers (by spend) will have science-based targets by 2025;
- Ensure that a third of shareholder, With-Profits and Aviva Investors Discretionary Mandate equity, bonds and loans portfolio by invested value have science-based targets by 2025;
- Continue financing only renewable electricity in electricity generation project finance portfolio until 2030; and
- Reduce real estate portfolio greenhouse gas emissions by 57% per square metre by 2030 compared to 2019 levels.

We will update our Climate Transition Plan to include the implementation and progress of our science-based targets and we will develop further baselines and targets in 2023 in due course.

Carbon reductions in our operations

We have achieved a 43% reduction in our operational carbon emissions against our 2019 baseline. Now we are focused on our ambition to make our operations and supply chain Net Zero by 2030.

We currently offset any remaining operational emissions, ensuring that our business continues to remain 'carbon neutral'.

In 2015, we set ourselves the ambition of using electricity generated entirely from renewable sources in our own operations by 2025. In 2022, we achieved our goal and now 'match' all our electricity to renewable sources[3].

Investments are the largest source of emissions

For Aviva, the investments we make for customers and shareholders are the largest source of emissions in our carbon value chain. Over 90% of our current emissions are part of Scope 3.

We have relationships with businesses and existing assets that may be associated with significant emissions, and know the economy-wide shift to Net Zero emissions requires a greater and deeper level of engagement between companies and their investors.

Focusing on the biggest emitters

As an asset owner, we can influence the global transition to lower-carbon economies through responsible investments.

Our Engagement Escalation programme, which started in 2021, involves engagement with the 30 largest systemically important carbon emitters in the world that contribute 30% of global Scope 3 emissions. We will work with them to act on positive climate transition, or we will withdraw our capital. The programme includes a five-step approach to discussions, with progress monitored twice a year over a three year period.

During 2022, we engaged either individually or collaboratively on climate 345 times and voted on 159 resolutions related to climate issues.

1. The SBTi Net Zero Standard defines corporate Net Zero as: (i) Reducing Scope 1, 2 and 3 emissions to zero or to a residual level that is consistent with reaching Net Zero emissions at the global or sector level in eligible 1.5°C-aligned pathways; (ii) Neutralising any residual emissions at the Net Zero target year and any GHG emissions released into the atmosphere thereafter.
2. See Science Based Targets that Aviva has committed to https://sciencebasedtargets.org/resources/files/Target-language-and-summary_Aviva-plc.docx.pdf
3. Our business investments in China (Aviva CofCo) and Singapore (SingLife) are outside of our control boundary and do not count as our "own operations". These are international investments where we do not have any operational or financial control. As per the GHG Protocol, China and Singapore operations are accounted for under scope 3 Category 15 - investments. Note: 2010 goal was location based and 2019 to 2030 goal is market-based.

Read more
More details can be found in the:
> **Aviva Climate-related Financial Disclosure 2022**
> **Aviva Climate Transition Plan**

Our sustainability ambition continued

Aviva is protecting and restoring biodiversity as part of its climate action.

We are living through climate and biodiversity crises.

Protecting and enhancing the planet's precious biodiversity through nature-based solutions is an integral part of Aviva's long-standing commitment to sustainability.

Investing in nature

Nature-based solutions work with nature to remove carbon from the atmosphere by improving habitats and biodiversity.

As part of our 2040 Net Zero announcement in 2021, we announced funding of £100 million to remove carbon from the atmosphere in this way. We are working initially with The Wildlife Trust, The Woodland Trust and The Nature Trust, and other major conservation groups in the UK, Canada and Ireland.

Confirmed projects will reintroduce woodland across 3,000 hectares - removing around 1.4 million tonnes of carbon from the atmosphere in their lifetime– equivalent to the emissions created by driving over 4.2 billion miles.

Bringing back the UK's lost rainforests

We are re-establishing temperate rainforest across the UK. Native to the British Isles, temperate rainforest once stretched from Cornwall to the west of Scotland. It now covers less than 1% of the UK and is thought to be more threatened than tropical rainforests. Working with the Wildlife Trust, we aim to re-establish this rare and biodiverse habitat by planting native tree species. The project will also bring biodiversity benefits by creating habitat that can support flora and wildlife.

A broad focus on biodiversity

We were the first UK insurer to commit to the Finance for Biodiversity Pledge. As part of our commitment, we launched a Biodiversity Policy in 2021. The policy outlined a set of principles to guide our biodiversity decisions from 2021 onwards.

In 2022, we published a report to show the progress we made in our first year of our policy. It included the following:

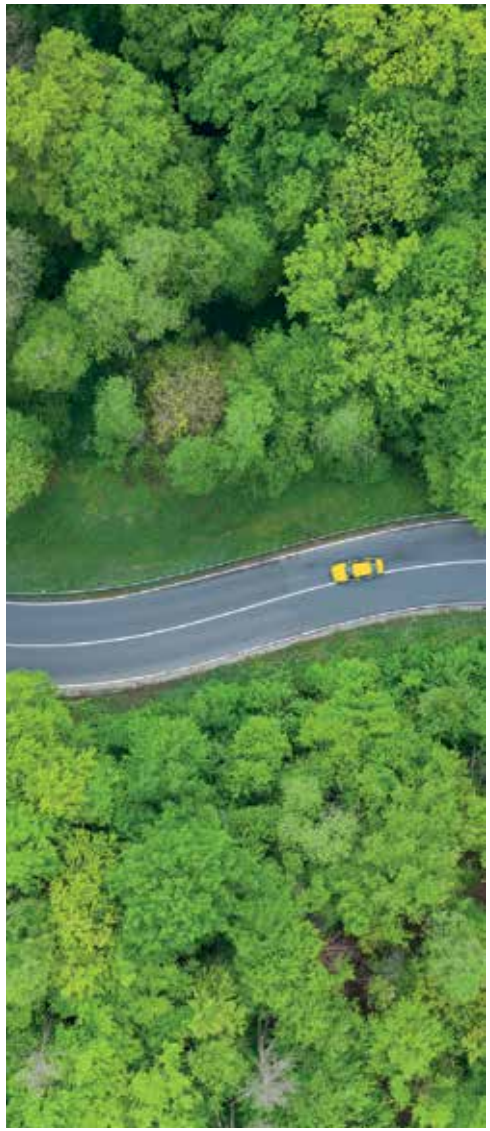
- Carried out an assessment of deforestation risks in our investments and underwriting activities to understand our exposure to commodity-driven deforestation. These results will be used to inform our investor engagement programme with high risk companies on deforestation and inform our decision-making on insurance activities with associated deforestation risk.
- Launched our first biodiversity themed global equity fund (the Nature Capital Transition Fund) to support the transition to a nature positive economy.
- Played a leading role in the Finance for Biodiversity Foundation's delegation at COP15 to represent financial institutions, and make sure they have a defined role to play in reversing biodiversity loss by the end of the decade.
- We strengthened our voting policy by making deforestation a more formal element. We now vote against targeted management resolutions at companies with exposure to deforestation risk when they lack robust policies and targets on reducing deforestation. We voted against 75 companies by August 2022 on this basis.

The World Benchmarking Alliance rated Aviva second out of 400 financial services companies globally.

The World Benchmarking Alliance (WBA) said of Aviva:

"This financial institution is one of the few that is committed to minimising its negative impacts on nature and biodiversity across its financing activities."

Read more
> Aviva Sustainability Report 2022
> Aviva Biodiversity Report 2022



Our sustainability ambition continued

Aviva is building stronger communities.

We help people build financial, climate and health resilience.

Aviva has an ambition to help 10 million people become more resilient from 2020 - 2025. By end of 2022 we had helped an estimated 7.9 million people. In 2022 our community investment totalled over £33.7 million[1].

Financial resilience

The rising cost of living puts extra strain on our customers, our colleagues and the wider community. That's why in 2022 we announced millions of pounds of financial resilience funding to support our UK customers, colleagues and communities during 2022.

Aviva committed £9 million to Citizens Advice and Money Advice Trust. These new partnerships gave the UK public increased access to free independent advice.

Aviva employees and families benefitted from 21,000 free kids' lunches during the summer holiday and over 9,400 colleagues received one-off cost of living payments.

We invest in communities through the Aviva Community Fund (ACF). In the UK, we have used the ACF platform to donate funds to over 7,800 good causes since 2015. In 2022, we added a £2 million Cost of Living Boost to the Aviva Community Fund to support charities helping people tackle the cost of living challenge.

Responding to a humanitarian crisis

We've worked with the British Red Cross since 2016. In response to the crisis in Ukraine, we donated £1.2 million to the DEC Ukraine Humanitarian Appeal, including the matching of employee and customer donations, to support the Red Cross Movement in accelerating their response and providing critical care to those who need it most. We also continued to contribute to the Red Cross Disaster Relief Alliance to enable their response to wider global disasters.

Environmental resilience

Our Building Future Community reports and the Aviva Climate Ready Index, both call for greater government, business and cross-industry support to help protect communities and make the countries we operate within more climate ready.

Our partnership with the World Wide Fund for Nature (WWF) is in its second year using natural land management to improve flood resilience. In the UK, Aviva and WWF work on a range of projects in Scotland, Yorkshire, East Anglia and the Midlands. One project is the River Soar in Leicestershire. This area is vulnerable to flooding. Through WWF we're funding innovative large natural flood-management initiatives that will create multiple benefits for nature, while building greater climate resilience within the wider community.

It takes partnership to tackle cost of living challenge

In 2022, Aviva launched two sector leading financial resilience partnerships. One with Citizens Advice and another with Money Advice Trust, two of the country's leading charities, providing financial support and debt advice across the UK.

These charities faced unprecedented levels of demand for advice and support.

We supported both organisations to significantly increase their capacity to support hundreds of thousands of people up and down the UK.

Through Aviva's support:

- Citizens Advice will help up to 250,000 more people over 2 years; and
- Money Advice Trust will support an estimated 17,000 more small businesses and self-employed people through the Business Debtline.

Estimated
7.9m

people made more resilient from 1 January 2020 until 31 December 2022

Volunteering in the community

In total, our global employees contributed more than 41,610 volunteering hours to support local communities throughout 2022.

1. Our community investment focus areas align with our Stronger Communities priorities which relate to climate, financial and health resilience

Read more
- > Building Future Communities
- > Climate-Ready Index
- > Aviva Reporting Criteria 2022

Our sustainability ambition continued

Aviva's sustainable business.

We are committed to high standards of ethical conduct, behaving responsibly and transparently.

Good governance

The high standards of ethical behaviour we expect are outlined in the Aviva Business Ethics Code 2022. We require all our people, at every level, to read and sign-up to our Code every year (99.6% of our employees did so in 2022).

We have a zero-tolerance approach to acts of bribery and corruption. We therefore have a risk management framework that sets out relevant policies and standards across all markets.

These apply to everyone at Aviva and it is the responsibility of CEOs (or equivalent) to ensure that their business operates in line with them.

The Financial Crime Business Standard, and supporting Minimum Compliance Standards, guide our risk-based financial crime programmes. These seek to prevent, detect and report financial crime, including any instances of bribery and corruption, while complying fully with relevant legislation and regulation.

At a Group level, the Chief Risk Officer provides the Risk Committee with regular reporting on financial crime matters. These include Aviva's anti-bribery and anti-corruption programme.

The Customer and Sustainability Committee assists the Board in its oversight of the Group's customer strategy and Aviva's Sustainability Ambition.

Aviva plc is subject to the UK Corporate Governance Code (the Code), which we aim to comply with fully. Stephen Doherty, our Chief Brand and Corporate Affairs Officer is the Aviva Group Executive Committee member responsible for corporate responsibility and sustainability.

In 2021 we established the executive level Aviva Sustainability Ambition Steering Committee to drive and monitor the delivery of our plan and targets. The Aviva Sustainability Ambition Steering Committee has delegated authority from the Group Executive Committee. The Sustainability function, which reports to the Aviva Executive, provides sustainability expertise to enable delivery and coordination of local activity across Aviva's markets and functions. Crucially, there is clear individual executive accountability for all the sustainability KPIs. ESG factors are included in senior executive long term incentive plans.

We conduct due diligence when recruiting and engaging external partners. At the end of 2022, 100% of our UK, Canada, Ireland and India registered suppliers have agreed to abide by our Third Party Business Code of Behaviour (or provided a satisfactory reason why they didn't do so, for example, because they have their own existing code of behaviour). Our Third Party Business Code of Behaviour outlines the way in which we commit to behave in our dealings with each other and includes guidance on financial crime laws and regulations.

In addition to paying the Living Wage in the UK we also support the Living Hours campaign to ensure that workers have sufficient, predictable hours. We encourage other companies to do the same.

Our overarching Sustainability Business Standard includes how we manage our material operational and core business environmental and climate impacts, and our community impacts.

99.6%

Employees signed up to Aviva Business Ethics Code 2022

Read more
> **Aviva ESG Datasheet 2022**

Our sustainability ambition continued

Our support for human rights

We are committed to respecting human rights and we continue to pursue our anti-modern slavery agenda both within our operations and supply chain, and through our partnerships. In 2022 we refreshed our human rights approach following our last biennial Group-wide human rights due diligence assessment.

We continue to work across sectors to encourage business action and disclosure on Human Rights and Modern Slavery.

Our malpractice helpline, Speak Up, makes it easy to report any concerns in confidence, with all reports referred to an independent investigation team. In 2022, 131 cases were reported through Speak Up (2021: 77), with none related to modern slavery.

Our modern slavery statement, as well as our Human Rights Policy and the Aviva Business Ethics Code 2021, can all be found on **www.aviva.com**.

The Company's compliance with the Code, as well as the activities of the Customer and Sustainability Committee, can be found in the Governance section of this report. Our climate risks and impacts can be found in 'Our risks and risk management' section of our Climate-related Financial Disclosure.

Towards a sustainable future

As a multinational group, and one of the UK's largest companies, we are very aware that the tax we pay plays an important part in the economies and societies in which we operate.

In 2021/22 we were the 11th largest corporate contributor of tax in the UK[1].

We continue to play our role as a responsible asset owner actively engaging with the companies, projects and assets we own on issues such as climate change, human rights and diversity.

During 2022, we attended the climate and biodiversity conferences COP27 and COP15 respectively.

Ahead of COP27, the Women in Finance Climate Action Group, led by our Group CEO, with GenderSmart and the 2X Collaborative, wrote an open letter calling for urgent action to improve gender equality when designing, providing and accessing climate finance.

At COP27, Aviva Investors CEO Mark Versey called for reform of the international financial architecture. He called for each institution to produce its own Net Zero transition plan and for the institutions collectively to create and implement a Global Financial Transition Plan for an orderly and just transition to Net Zero by or before 2050.

11th

largest corporate contributor of tax in the UK[1]

1. Based on PwC analysis of the 100 Group Total Tax Contribution Survey December 2022

Our Climate-related Financial Disclosure

Aviva recognises the value of disclosure as part of the journey to a more sustainable future.

We can control the decarbonisation of our own operations and supply chain, and can influence through the £352 billion in Assets under Management (AUM) that we have stewardship over, alongside the innovations and customers we support via our insurance.

Strategy

To deliver on our climate ambition, and reduce our exposure to climate-related risks, we focus on five key areas:

1. Accountability and leadership

We advocate for systemic change to the international financial architecture so we can collectively deliver on the goals of the Paris Agreement. We collaborate across our industry and with global alliances.

2. Decarbonising our investment portfolio

As an asset owner and a long-term savings and pensions provider and as an asset manager, we seek to align our investments with a pathway towards Net Zero emissions. It is our ambition to have a Net Zero portfolio by 2040. Aviva Investors is building a Climate Transition Fund range that helps investors support the transition to a low carbon economy.

3. Insuring a Net Zero future

To support the transition to a low carbon economy, we are developing products and services which reward customers for environmentally responsible actions across our global markets. We now offer a range of 34 different green and low carbon insurance propositions across our businesses. We have published our ESG Baseline Underwriting Statement which defines the activities we exclude as an insurer.

4. Decarbonising our operations and supply chain

We have an ambition to be Net Zero in our operations and supply chain by 2030. Our operations have been carbon neutral since 2006, through reducing our emissions year-on-year and offsetting any remaining emissions. We have exceeded our long-term emissions reduction target of 70% by 2030, set in 2010. We are now aiming for Net Zero by 2030.

5. Embedding climate in our culture

ESG considerations have been incorporated into decision-making processes at Aviva, and our staff pension scheme trustees aligned the scheme to be Net Zero by 2040.

Risk management

Aviva's risk management framework sets out how we identify, measure, monitor, manage and report on the risks to which our business is, or could be, exposed to (including climate-related risks and other sustainability risks). We use our risk identification process to identify potential exposure to climate-related risks via the associated physical and transition transmission channels (for example new climate policies or increases in average temperatures). We then conduct exposure analysis to understand how these risks will impact our most material exposures. The principal risks impacted by climate change are credit risk, market risk, general insurance risk and life insurance risk.

In 2022, we continued to build our climate risk capability and integrate it into our governance, strategy, risk management, and disclosure as well as to develop our associated metrics and targets, to support better understanding, monitoring and reporting as well as ensure climate-related risks and opportunities are embedded in our day-to-day decision making in line with our climate risk appetite.

See 'Our risks and risk management' section for further information.

Metrics and targets

Aviva has developed and expanded the climate metrics reported in 2021. This includes reporting absolute emissions and economic carbon intensity for credit and equities (in addition to weighted average carbon intensity) and absolute emissions and carbon intensity for sovereign debt.

We also use scenario analysis as a tool for helping to identify the potential impact of climate change on an organisation and its end to end value chain.

The following table sets out the assets which are in-scope for our climate metrics compared to the AUM on the IFRS consolidated statement of financial position:

£bn	2022	2021
Total assets for which emissions are calculated	**165**	191
AUM on IFRS consolidated statement of financial position	**289**	329
Coverage	**57%**	58%

A reconciliation of climate metrics to AUM on the IFRS consolidated statement of financial position and more information on our climate metrics, is included in the Metrics and Targets section of the Climate-related Financial Disclosure report.

Financed emissions

Financed emissions represent the carbon emissions of our investment portfolio (i.e. Aviva's share of Scope 3 category 15) from the Greenhouse Gas (GHG) Protocol. We monitor the emissions of our investment portfolio for shareholder, with-profit funds and policyholder funds for credit and equities, which is our most significant asset class in category 15.

Operational emissions

We have set out below our GHG emissions on an absolute CO_2e basis in accordance with the Streamlined Energy and Carbon Reporting (SECR). The 2021 comparatives have been re-presented to exclude the emissions for China which are presented under Scope 3 investments reporting, given there is no operational control.

Our Climate-related Financial Disclosure continued

Operational emissions	2022 UK	2022 Overseas	2022 Total	2021 UK	2021 Re-presented Overseas[1]	2021 Total[1]
Emissions						
Scope 1 (tCO_2e)	6,550	1,976	8,526	8,870	1,724	10,594
Scope 2 (tCO_2e) - market-based	—	563	563	—	2,288	2,288
Scope 3 (tCO_2e)	3,172	1,697	4,869	1,072	582	1,654
Total emissions (tCO_2e)	**9,722**	**4,236**	**13,958**	9,942	4,594	14,536
Carbon avoidance credits (tCO_2e)[2]	(9,722)	(4,236)	(13,958)	(9,942)	(4,594)	(14,536)
Total net market-based emissions (tCO_2e)	**—**	**—**	**—**	—	—	—
Intensity ratios (market-based)						
Scope 1 and 2 - market-based emissions (tCO_2e) / £ million GWP	0.46	0.54	0.48	0.58	0.97	0.66
Total market-based emissions (tCO_2e) / £ million GWP	0.69	0.90	0.74	0.65	1.11	0.75
Total market-based emissions (tCO_2e) / employee	0.59	0.59	0.59	0.64	0.60	0.63
Location-based emissions (tCO_2e)						
Scope 1 (tCO_2e)	6,550	1,976	8,526	8,870	1,724	10,594
Scope 2 (tCO_2e) - location-based	5,024	2,813	7,837	5,912	3,517	9,429
Total Scope 1 and 2 location-based (tCO_2e)	**11,574**	**4,789**	**16,363**	14,782	5,241	20,023
Scope 3 (tCO_2e)	3,172	1,697	4,869	1,072	582	1,654
Total location-based (tCO_2e)	**14,746**	**6,486**	**21,232**	15,854	5,823	21,677
Intensity ratios (location-based)						
Scope 1 and 2 - location-based emissions (tCO_2e) / £ million GWP	0.82	1.01	0.86	0.97	1.27	1.03
Total location-based emissions (tCO_2e) / £ million GWP	1.04	1.37	1.12	1.04	1.41	1.12
Total location-based emissions (tCO_2e) / employee	0.89	0.91	0.90	1.02	0.76	0.93
Energy consumption						
Energy consumption (MWh)	57,233	14,537	71,770	65,547	15,524	81,071

Notes:
Scope 1: Natural gas, fugitive emissions (leakage of gases from air conditioning and refrigeration systems), oil, and company-owned car
Scope 2: Electricity
Scope 3: Includes certain Scope 3 categories for business travel (category 6) and grey fleet (private cars used for business) (category 6), waste (category 5) and water
Location-based: A location-based method reflects the average emissions intensity of grids on which energy consumption occurs
Market-based: A market-based method reflects emissions from electricity that companies have purposefully chosen
In 2022 and 2021 we offset our residual carbon emissions from our Scope 2 market-based total as this takes account of the reduced emissions from our use of electricity from renewable sources. In 2020 and 2019 we offset Scope 2 location-based total. As at 1 March 2023, the 16,354 credits purchased in relation to the 2022 market-based emissions footprint were retired
Includes Scopes 1 and 2 energy MWh and fuel from company car use
1. The 2021 comparatives have been re-presented following review of the treatment of the 50% joint venture in China. See note 1 in the Climate-related Financial Disclosure report.
2. All residual emissions have been offset.

Operational and financed emissions

Scope 1 emissions relate to our operations excluding electricity usage. Scope 2 emissions relate to electricity usage of our operations. Scope 3 emissions relate to the value chain across 15 different categories. Aviva is engaged with regulators, industry bodies, alliances and companies across multiple sectors to develop consistent and standardised frameworks and approaches to calculate Scope 3 emissions. Aviva reports Scope 3 emissions as follows:

Not yet reported	Category 1 - Purchased goods and services
Included in operational carbon emissions	Category 3 - Fuel and energy-related activities, Category 5 - Waste generated in operations, Category 6 - Business travel, Category 7 - Employee commuting
Aviva does not engage in activities linked to these categories	Category 2 - Capital goods, Category 4 - Upstream transportation and distribution, Category 8 - Upstream leased assets, Category 9 - Downstream transportation and distribution, Category 10 - Processing of sold goods, Category 11 - Use of sold products, Category 12 - End-of-life treatment of sold products, Category 13 - Downstream leased assets, Category 14 - Franchises
Included in Financed emissions	Category 15 - Investments

Our Climate-related Financial Disclosure continued

Taskforce on Climate-related Financial Disclosure (TCFD) compliance summary

The TCFD outlines 11 recommendations for organisations to include in their climate reporting. We have embedded the reporting of climate in this report, including Governance, Strategy, Risk Management and the inclusion of climate metrics. We also publish a separate Climate-related Financial Disclosure report, which provides more detailed information. This report is available at **www.aviva.com**. Our Climate-related Financial Disclosure report is consistent with the 11 recommendations and the table below sets out the relevant section of the Climate-related Financial Disclosure report where the 11 TCFD recommendations are covered, also taking into account the TCFD Annex (issued October 2021).

TCFD pillars	TCFD recommended disclosures	Section of the separate Climate-related Financial Disclosure report, that disclosure is included in
Governance Disclose the organisation's governance around climate-related issues and opportunities.	a. Describe the Board's oversight of climate-related risks and opportunities.	• Governance, page 16
	b. Describe management's role in assessing and managing climate-related risks and opportunities.	• Governance, page 16
Strategy Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation's business, strategy and financial planning where such information is material.	a. Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long-term.	• Our climate strategy, risks and opportunities, page 23
	b. Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning.	• Our climate strategy, risks and opportunities, page 23 • Our strategic focus, page 29
	c. Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	• Our climate VAR measure, page 27
Risk management Disclose how the organisation identifies, assesses and manages climate-related risks.	a. Describe the organisation's processes for identifying and assessing climate-related risks.	• Risk management - refer to 'Our process for identifying and assessing climate-related risks', page 55
	b. Describe the organisation's processes for managing climate-related risks.	• Risk management - refer to 'Our process for identifying and assessing climate-related risks', page 55
	c. Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management.	• Risk management - refer to 'Our process for identifying and assessing climate-related risks', page 55
Metrics and Targets Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.	a. Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.	• Our metrics to assess climate-related risks and opportunities, page 61
	b. Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas emissions (GHG), and the related risks.	• Decarbonising our investment portfolio, page 33 • Decarbonising our operations and supply chain, page 49 • Our metrics to assess climate-related risks and opportunities, page 61
	c. Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.	• Our 2022 climate highlights and looking ahead, page 7 • Our metrics to assess climate-related risks and opportunities, page 61

Our risks and risk management

Effective risk management leadership, capability and culture are key to Aviva's success.

Stephen Gould
Interim Group Chief Risk Officer
(subject to regulatory approval)

"Enabling Aviva to grow profitably, responsibly and sustainably by optimising our risk exposure safely, and with a key focus on our culture and purpose to protect our customers and society for a better tomorrow."

We accept the risks inherent in our business lines of life, health and general insurance and asset management. We diversify these risks through our scale, the variety of the products and services we offer, and the channels through which we sell our products and services.

Our strategy for risk

We receive premiums which we invest to maximise risk-adjusted returns, so that we can fulfil our promises to customers while providing a return to our shareholders.

In doing so we prefer retaining risks we believe we are capable of managing to generate a return.

Looking forward, the preferred risks we retain may be magnified or dampened by current and emerging external trends which may impact our current and longer-term profitability and viability, in particular our ability to write profitable new business.

The 'Principal emerging risk trends and causal factors' table in this section describes those trends, their impact, outlook and how we manage those emerging risks.

How we manage risk

In 2022, Stephen Gould was appointed as interim Group Chief Risk Officer (subject to regulatory approval). Stephen is a Partner in a Big Four professional services firm and a leading practitioner in risk management and risk culture in insurance. He is supporting the search underway for a permanent Group Chief Risk Officer.

Effective risk management is fundamental to the sustainable success of Aviva.

Aviva's risk management framework (RMF) is critical in supporting the business to deliver on Aviva's purpose for our customers, our people and our shareholders, helping the business discover, predict, understand and manage our risks, thereby maintaining a safe, sustainable and competitive risk and control environment.

Our RMF is illustrated on the next page and comprises our systems of risk governance, risk and control management processes and risk appetite framework. It applies Group-wide, to embed a rigorous and consistent approach to risk management throughout the business.

Aviva's culture underpins all aspects of our RMF and makes sure different and balanced risk perspectives inform decision-making at Aviva. We monitor the effectiveness of our control consciousness and risk behaviours through feedback from our people throughout our businesses, regular assessment and industry benchmarking.

1. Our risk management framework

Our risk management framework (RMF) sets out our all-encompassing approach to risk management throughout Aviva. As illustrated on the figure to the left, our RMF is made up of several key components, including sub-frameworks for risk appetite and key risk categories, as well as our risk policy, governance, processes, procedures, systems and desired behaviours and attitudes for risk management.

2. Our risk appetite framework

Our risk appetite framework outlines the risks we select and manage in the pursuit of return, the risks we accept and retain at a moderate level as part of doing business and the risks we actively avoid or take action to mitigate as far as practical.

Our risk appetites express the level of risk our business is willing to accept, are set at an aggregate level (sometimes covering multiple risk types) and act as hard constraints. The Group has risk appetites for solvency, liquidity, climate, operational, conduct and reputational risk.

Our risks and risk management continued

Maintaining a safe, sustainable and competitive risk environment.

Our risk management framework

The risk appetites are supported by risk tolerances, preferences, triggers, and limits.

3. Our risk processes and systems
The processes and systems we use to identify, measure, manage, monitor and report risks, including the use of our risk models, Operational Risk and Control Management System (ORCM) and stress and scenario testing, are designed to enable dynamic risk-based decision-making and effective day-to-day risk management. Having identified the risks to our business and measured their impact, depending on our risk appetite, we either accept these risks or take action to reduce, transfer or mitigate them.

4. Risk and capital management
The Group's Own Risk and Solvency Assessment (ORSA) comprises all processes and procedures employed to identify, measure, monitor, manage and report the short-term and long-term risks Aviva faces or may face. The ORSA underpins the consideration of risk and capital implications in key decisions and, in particular, in strategy setting and business planning.

For robust and reliable financial reporting throughout the Group, we have in place Group reporting manuals in relation to International Financial Reporting Standards (IFRS) and Solvency II reporting requirements and a Financial Reporting Control Framework (FRCF).

5. Our risk governance approach
Our governance approach includes risk policies and business standards, risk oversight committees (both Board and management) and clearly defined roles and responsibilities.

Our suite of risk policies sets out the Board's expectations for the management of risk throughout the Group. The Group's suite of business standards sets out Aviva's required control objectives and minimum control requirements for effective internal control throughout the Group.

These control objectives include:

- the business demonstrating a commitment to integrity and ethical behaviour and promotes Aviva's desired culture and values, including in relation to risk and control;
- reducing future losses and detriment to customers arising from failures in operational risk management and controls; and
- supporting reliable reporting on the operational risk and control environment at all levels of the business, to increase the confidence of the Board, Regulator and Customers in the effectiveness and efficiency of our operational processes.

Our risks and risk management continued

Line management in the business is accountable for risk management which, together with the risk function and internal audit, form our 'three lines of defence' risk governance model.

The roles and responsibilities of the Risk and Audit Committees in relation to the oversight of risk management and internal control are set out in the Governance section of this Report.

Integration of climate into our risk management framework

We consider climate change to be a significant risk to our strategy and business model and its impacts are already being felt. We are acting now through our Sustainability Ambition to mitigate and manage its impacts both today and in the future.

Through these actions, we continue to build resilience to climate-related transition, physical and liability risks. The principal risks impacted by climate change are credit risk, market risk, general insurance risk, life insurance risk and operational risk.

Our risk policies (including the risk management framework and ORSA) to explicitly cover climate and other sustainability risks and to integrate these risks in our risk and control management activities.

The Board has approved the climate business plan as well as the risk appetite which acts as an expression of the level of risk we are willing to accept.

We use a variety of metrics to identify, measure, monitor and report alignment with global or national targets on climate change mitigation and the potential financial impact on our business.

We have a very low appetite for climate-related risks which could have a material negative impact upon our balance sheet and business model as well as our customers and wider society.

We actively seek to limit our exposure over time to the downside risks arising from the transition to a low carbon economy. We seek to identify and support solutions that will drive a transition to a low-carbon, climate resilient economy.

We seek to limit our net exposure to the more acute and chronic physical risks that will occur in the event the Paris Agreement target is not met. We actively avoid material exposure to climate litigation risks including greenwashing risk. We review and monitor our exposure to this risk taking into account rapidly evolving regulatory requirements.

For further details see our Climate-related Financial Disclosure 2022 report.

The Risk Committee engages with the Customer and Sustainability Committee on the Climate and wider Sustainability agenda. There are three Group-level management committees designed to assist members of the Aviva Executive Committee in the discharge of their delegated authorities and their accountabilities within the Aviva Governance Framework and in relation to their defined regulatory responsibilities: the Group Asset and Liability Committee; the Group Executive Risk Committee and the Group Disclosure Committee.

6. Oversight and challenge

The risk function is committed to enabling Aviva to grow profitably, responsibly and sustainably through oversight and challenging how the first line optimises our risk exposure safely with a key focus on protecting our customers and society for a better tomorrow. This is delivered through our risk leadership team specialising in financial risk, non-financial risk (including IT, cyber, climate and conduct), and consists of our Market CROs and risk directors. The risk function has been proactive on key initiatives around climate risk and the Consumer Duty Regulations in the year.

Three lines of defence

First line of defence

Line management

Accountable for the implementation and practice of risk management. Primary responsibility for risk identification, measurement, management, monitoring and reporting lies with management.

Second line of defence

Risk function

Accountable for providing quantitative and qualitative oversight and challenge of risk identification, measurement, management, monitoring and reporting, as well as advisory support to the business on risk innovation.

Third line of defence

Internal audit

Responsibility for assessing and reporting on the effectiveness of the design and operation of the framework of internal controls which enable risk to be assessed and managed.

Principal risk types

The types of risk to which the Group is exposed have not changed significantly over the year. All of the inherent risks to our business described below, and in particular operational risks, may have an adverse impact on our brand and reputation. Our exposure to these risks and mitigating actions are set out in detail in note 58.

Types of risk inherent to our business model:

Risks customers transfer to us

Life insurance risk includes longevity risk (annuity customers living longer than we expect), mortality risk (customers with life protection), expense risk (the amount it costs us to administer policies) and persistency risk (customers lapsing or surrendering their policies). Specific actions we have taken to mitigate life insurance risk include use of reinsurance on longevity risk for our annuity business and the staff pension scheme.

General insurance risk arises from loss events (for example, fire, flooding, windstorms, accidents) and inflation (on expenses and claims). Health insurance exposes the Group to morbidity risk (the proportion of our customers falling sick) and medical expense inflation. Specific actions we have taken to mitigate general insurance risk include use of reinsurance to reduce the financial impact of a catastrophe and manage earnings volatility.

Asset management risk is the risk of customers redeeming funds, not investing with us, or switching funds, resulting in reduced fee income. Specific actions we have taken to mitigate asset management risk include investment performance and risk management oversight and review process; and client relationship teams managing client retention risk.

Risks arising from our investments

Credit risks (actual defaults and market expectation of defaults) create uncertainty in our ability to offer a minimum investment return on our investments. Specific actions we have taken:

- credit limit framework imposes limits on credit concentration by issuer, sector and type of instrument;
- investment restrictions on certain sovereign and corporate exposures; and
- credit risk hedging programme and asset de-risking.

Liquidity risk is the risk of not being able to make payments when they become due because there are insufficient assets in cash form. In September 2022, we experienced one of the largest liquidity squeezes in recent times. Specific actions we have taken to mitigate this risk include:

- maintain borrowing facilities from banks, commercial paper issuance and contingency funding plans; and
- minimum liquidity buffers and intergroup funding helped enable us to meet collateral calls in the year because of the sharp interest rate rises.

Market risks result from fluctuations in asset values, including equity prices, property prices, foreign exchange, inflation and interest rates. Specific actions we have taken to mitigate this risk include:

- ongoing review of strategic asset allocations; and
- active asset management and hedging.

Risks from our operations and other business risks

Operational risk is the risk of direct or indirect loss, arising from inadequate or failed internal processes, (including those outsourced to third parties), people and systems, or external events including changes in the regulatory environment.

Conduct risk is the risk of causing harm to our customers, the markets in which we operate and/or our regulatory relationships.

Specific actions we have taken to mitigate these risks include:

- implementation plans for new Consumer Duty Regulations;
- actively monitoring the cyber and data threat environment leading to actions enhancing the IT infrastructure and cyber controls to identify, detect and prevent attacks; and
- supplier oversight and continuity plans in case of third party supplier failure.

Principal risk types continued

Principal emerging trends and causal factors

The following table sets out the emerging trends and causal factors impacting our inherent risks, their impact, future outlook and how we take action to manage these risks. We consider the individual and aggregate impact from these trends when designing and implementing our risk management processes.

Key trends and movement	Trend	Risks impacted	Risks managed	Outlook
Economic and credit cycle – challenging prospects for future macroeconomic growth given cost of living pressures. Rising inflation, higher interest rates and Sterling weakness: • will likely impact our customers' savings behaviours; and • could also impact the level of the returns we can offer to customers going forwards and our ability to profitably meet our promises of the past.	Increasing	Credit risk, Market/ Investment risk, Liquidity risk	We limit the sensitivity of our balance sheet to investment risks. While interest rate exposures are complex, we aim to closely duration-match assets and liabilities and take additional measures to limit interest rate risk. We hold substantial capital against market risks, and we protect our capital with a variety of hedging strategies to reduce our sensitivity to shocks. We regularly monitor our exposures and employ both structured and ad-hoc processes to evaluate changing market conditions. Liquidity is managed through maintaining sufficient buffers and taking through asset sales or intergroup funding where required.	The current economic uncertainty continues to pose trading risks (for example, lower margins) to the business. Heightened volatility is expected to persist with elevated inflation, rising interest rates, sterling weakness and stagnating economic growth. In 2023 the potential deterioration in global credit and property markets caused by materially higher borrowing costs and reduced affordability may pose a risk to our investments. However, our solvency and group centre liquidity positions are expected to remain within appetite.
Changes in public policy – any change in public policy (government or regulatory) could influence the demand for, and profitability of, our products. In some markets, such as Canada, there are (or could be in the future) restrictions and controls on premium rates, rating factors and charges. The nature of the UK relationship with the EU and the EU's treatment of third countries in respect of financial services has implications for our business models for our asset management and insurance businesses in the EU.	Increasing	Operational risk	We actively engage with governments and regulators in the development of public policy and regulation. We do this to understand how public policy may change and to help obtain better outcomes for our customers and the Group. The Group's multi-channel distribution and product strategy and geographic diversification, although reduced following the divestment programme, underpin the Group's adaptability to public policy risk, and often provides a hedge to the risk. For example, since the end of compulsory annuitisation in the UK, we have compensated for falling sales of individual annuities by increasing sales of other pension products – particularly bulk purchase annuities and Workplace pensions.	In the UK, pressure on public finances may result in further erosion of tax relief for pension savings and increase in Insurance Premium Tax. The FCA have now confirmed the new consumer duty rules, which come into effect in July 2023. In Ireland the regulator has expressed concerns over renewal pricing and have adopted reforms similar to those recently implemented in the UK. In Canada, where motor premium increases are approved by provincial regulators, pressure to minimise these will persist. The Financial Services and Markets Bill, which will set the post-Brexit regulatory and policy framework plus new objectives for the financial regulators, is progressing through Parliament. The UK has completed its review of Solvency II and agreed a broadly positive reform package. The reforms will now be implemented under the new regulatory framework, although government has reserved the right to set key aspects (including the Matching Adjustment) in legislation.

Principal risk types continued

Key trends and movement	Trend	Risks impacted	Risks managed	Outlook
New technologies and data – failure to understand and react to the impact of new technology and its effect on customer behaviours and how we distribute products could potentially result in our business model becoming obsolete. Failure to keep pace with the use of data to price more accurately and to detect insurance fraud could lead to loss of competitive advantage and underwriting losses.	Increasing	Operational risk	Aviva continues to develop our data science capabilities to both inform and enable improvements in the customer journey, our understanding of how customers interact with us and our underwriting disciplines. Our Data Charter sets out our public commitment to use data responsibly and securely. Aviva is continuing to modernise its data environment and tools to improve the management and governance of data and deliver improved value for our customers.	Data mastery and the effective use of 'Big Data' through artificial intelligence, cognitive and advanced analytics has and will continue to be a critical driver of competitive advantage for insurers. However, this will be subject to increasing regulatory scrutiny to ensure this is being done so in an ethical, transparent and secure way. The competitive threat to traditional insurers will continue to persist with the potential for big technology companies and low cost innovative digital start-ups to grow their footprint in the insurance market, where previously underwriting capability, risk selection and required capital have proven to be a sufficient barrier to entry.
Climate change – potentially resulting in higher than expected weather-related claims (including business continuity claims), inaccurate pricing of general insurance risk, possible changes in morbidity and/or mortality rates, reputational impact from not being seen as a responsible steward/ investor, as well as adversely impacting economic growth and investment markets. This also includes transition risks for our investments relating to the impact of the transition to a low carbon economy and litigation risk where we provide insurance cover.	Increasing	General insurance risk, Life insurance risk, Credit risk, Market risk	Our ambition is to align our business to the 1.5°C Paris Agreement target and aspire to be a Net Zero carbon company by 2040. Our Climate-related Financial Disclosure sets out how Aviva incorporates climate-related risks and opportunities into governance, strategy, risk management, metrics (for example, climate Value-at-Risk) and targets.	Aviva considers climate change to be a significant risk to our strategy and business model and its impacts are already being felt. Global average temperatures over the last five years have been the hottest on record. Despite the United Nations Framework Convention on Climate Change Paris Agreement, the current trend of increasing CO_2 emissions is expected to continue, in the absence of radical action by governments, with global temperatures likely to exceed pre-industrial levels by at least 2°C and weather events (floods, droughts and windstorms) increasing in frequency and severity.

Principal risk types continued

Key trends and movement	Trend	Risks impacted	Risks managed	Outlook
Cyber crime – criminals (including state sponsored activity) may attempt to access our IT systems to steal and/or utilise company and customer data, or plant malware viruses to access customer funds, company funds, and/or damage our reputation and brand.	Increasing	Operational risk	The threat environment has remained dynamic and in response Aviva has strengthened its perimeter controls and enhanced our ability to identify, detect and prevent such attacks. Aviva has measures in place to prevent and, where required, assess and respond to data breaches. The threat environment is actively monitored and our IT infrastructure and cyber controls are enhanced where necessary to prevent attacks. Aviva's cyber defences are regularly tested using our own 'ethical hacking' team as well as through using external penetration testing to evaluate our infrastructure. Aviva uses the Information Security Forum (ISF) Standard of Good Practice and cross references to ISO 27001 and the NIST Cybersecurity Framework. Aviva conducts regular internal audits using the financial services three lines of defence model and are audited externally at least annually.	High profile cyber security incidents continue to impact corporates globally driven by the use of destructive malware and ransomware and this is expected to persist in 2023. Aviva continuously monitors the external threat environment so that our cyber investment and the effectiveness of our controls remains appropriate to mitigate the continued and changing nature of cyber threats.
Longevity advancements (e.g. due to medical advances) – these contribute to an increase in life expectancy of our annuity customers and accordingly future payments over their lifetime may be higher than we currently expect.	Stable	Life insurance risk (longevity)	We monitor our own experience carefully and analyse external population data to identify emerging trends. Detailed analysis of the factors that influence mortality informs our pricing and reserving policies. We add qualitative medical expert inputs to our statistical analysis and analyse factors influencing mortality and trends in mortality by cause of death. We also use longevity swaps to hedge some of the longevity risk from the Aviva Staff Pension Scheme and longevity reinsurance for bulk purchase annuities and for some of our individual annuity business.	There is considerable uncertainty as to whether the improvements in life expectancy that have been experienced over the last 40 years will continue into the future. In particular, there is likely to be a reduced level of improvement from the two key drivers of recent improvements, smoking cessation (as you can only give up smoking once) and the use of statins in the treatment of cardiovascular disease (where the most significant benefit from use in higher risk groups has now been seen). Despite continued medical advances emerging, dietary changes, increasing obesity and strains on public health services have slowed the historical trend since around 2011. In the UK, this has led to some significant industry-wide longevity reserve releases in recent years, as the assumptions around future longevity improvements have been weakened. The potential impact of the COVID-19 pandemic on medium and longer term longevity projections, via ongoing direct effects (e.g. endemic COVID-19) or via indirect effects (e.g. strains on the NHS), also adds to the uncertainty and we do not currently anticipate a material impact on the overall outlook.

Principal risk types continued

Key trends and movement	Trend	Risks impacted	Risks managed	Outlook
Talent – an ageing workforce and new technologies requiring new skills will make recruitment, retention and investing in talent increasingly important.	Increasing	Operational risk	To attract and retain top talent we have various internal talent development programmes, a broad variety of graduate and apprentice schemes and a range of diversity, equity and inclusion initiatives, including gender and sponsorship programmes. Our 'Aviva University' promotes life-long learning for colleagues supporting development of skills in key areas such as our customers, data and digital interactions. We have launched a new career compass to enable colleagues to have brilliant career conversations as well as a Data Academy. Our retention measures include innovative policies such as flexible working and equal parental leave as well as providing great leadership and career progression for our people.	We expect technology and automation to increasingly change the skills required for our workforce, and the pace of change will accelerate the required reskilling of existing workforces and recruitment of new talent. Our voluntary attrition has remained consistent throughout 2022, tracking below the Financial Services industry average. Our latest colleague survey results are very positive with engagement rising to 86%, with 84% of colleagues saying they intend to stay with Aviva for at least the next 12 months. Recruitment and retention will become more challenging as the relative size of the working-age population declines, education systems fail to produce future generations with the right skills in sufficient numbers and immigration controls restrict the talent pool. Expectations of the next generation of employees (i.e. Generation Z) will require us to change how we operate if we are to retain talent.
Pandemic – in an increasingly globalised world, new or mutations of existing bacteria or viruses may be difficult for stretched healthcare systems to contain, disrupting national economies and affecting our operations and the health and mortality of our customers.	Stable	Life Insurance risk (mortality, longevity, morbidity), General Insurance (business interruption, travel) and Operational risk.	We have contingency plans which are designed to reduce as far as possible the impact on operational service arising from mass staff absenteeism, travel restrictions and supply chain disruption caused by a pandemic, which we were able to put into action during the recent COVID-19 pandemic. We reinsure much of the mortality risk arising from our life protection business and hold capital to cover the risks of a 1-in-200 year pandemic event. We model a range of extreme pandemic scenarios including a repeat of the 1918 global influenza pandemic and COVID-19. In the Group and commercial insurance business we manage our potential exposure through our policy wordings. As an investment manager and investor, we engage with companies on the responsible use of antibiotics to reduce the risk that antimicrobial resistance negates the efficacy of medical treatment.	As COVID-19 becomes endemic its long-term impact on mortality and morbidity is uncertain and dependent on the extent natural immunity develops in the general population, the efficacy of new healthcare treatments and possible future strains that may emerge. This includes the long-term effects of Long-COVID. Legal uncertainty over the outcome of business interruption claims litigation arising from the COVID-pandemic is expected to persist for a number of years. Trends such as global climate change, urbanisation, antimicrobial resistance and intensive livestock production are likely to increase the risk of future pandemics, while reductions in migration and international travel as a result of COVID-19 have largely reversed making the containment of future pandemics more challenging. While we expect the experience and learnings from the recent COVID-19 will improve the effectiveness of the public healthcare response to any future pandemics, this is likely to be offset by increasing strain on public healthcare from an ageing population and stretched public finances.

Non-financial information statement

The information presented here, including the sections referred to, represents our non-financial information statement as required by sections 414CA and 414CB of the Companies Act 2006.

Our purpose is to be with you today, for a better tomorrow. We aim to be the leading UK provider and go-to customer brand for all insurance, wealth and retirement solutions, with strong businesses in Canada and Ireland.

For further information, see Our business model and Our strategy.

The table below outlines Aviva's policies across certain key, non-financial areas with links to where further information on these topics can be found in this Annual Report.

Our policies can be read in full at **https://www.aviva.com/sustainability/reporting/#policies-and-response**.

On the next page is a summary of how we go about managing these aspects of our business and measuring our performance.

Climate and environment	Employees	Social matters	Human rights	Anti-corruption
We've been a carbon neutral company since 2006 and our ambition is to have Net Zero operations and a Net Zero supply chain by 2030, and to be Net Zero by 2040. In March 2022 we published our climate transition plan setting out our pathway to achieve our 2040 ambition. We can impact the carbon emissions of our operations and have significant influence through our assets under management that we have stewardship over, alongside the innovations and customers we support via our insurance. To deliver on our climate ambition, and reduce our exposure to climate-related risk, we focus on five key areas: accountability and leadership, decarbonising our investment portfolio, insuring a Net Zero future, decarbonising our operations and supply chain and embedding climate in our culture.	Our focus is on unleashing the power of our people to deliver our strategy. We believe in a high-performance culture and expect the highest standards of behaviour and integrity of our people consistent with our values. Our Conduct and Performance Policy sets out the standards for all colleagues at work. Our mandatory learning covers all the important things employees need to know about working at Aviva so we can protect our business, customers and colleagues. We also want our people to feel comfortable sharing their insights and experiences so we can work together to understand the needs of all customers and find solutions to problems together. Our Fairness and Equality at Work policy and its supporting procedures help colleagues understand what it means to work in a way that's fair, equal, and within the law – and also how to raise concerns. We do not tolerate discrimination of any description on any grounds.	We are building stronger communities by allocating an average of 2% of group adjusted operating profit a year to community investment; helping people build financial, climate and health resilience. We have an ambition to help 10 million people become more resilient from 2020 - 2025. Through our fund management operations, we seek to invest in assets that can be put to positive social use, where we can. We finance many social infrastructure developments, including healthcare, education, transport, housing, water and renewable energy. Through our life insurance companies we have a goal to help at least 13% of adults in the UK to save or retire with Aviva. Across Aviva we work with our customers, communities and partners to help more people get the insurance protection and income in retirement they need for a better tomorrow.	Our approach is to be committed to respecting the human rights of others. This includes preventing, addressing and remediating any potential adverse human rights impacts in our operations, our business activities and relationships, and our investments. We continue to pursue our anti-modern slavery agenda within our operations and supply chain, and through our partnerships. In 2022 we refreshed our wider human rights approach following our last biennial, Group-wide human rights due diligence assessment. In addition we widened the scope of our supplier assessments and selected a new Sustainability partner - Business for Social Responsibility (BSR). BSR will specifically support the ongoing development of our Human Rights and Anti-modern slavery agendas, aiming to identify the most salient issues across our operations and value chain.	We will always seek to protect our customers, shareholders, employees and communities from financial crime. We have a zero-tolerance approach to acts of bribery and corruption. All Group offices must comply with our Financial Crime Business Standard and associated Minimum Compliance Standards, which include robust anti-bribery and corruption requirements based on the UK Bribery Act. Our Business Ethics Code strictly prohibits any person associated with the Group from doing anything that supports, encourages or facilitates bribery and corruption.
Read more in Our sustainability ambition and Our Climate-related Financial Disclosure sections of this report.	**Read more in Our people section of this report.**	**Read more in Our sustainability ambition section of this report.**	**Read more in this report under Our support for human rights. Also see Our modern slavery statement on aviva.com.**	**Read more about our Business Ethics Code on aviva.com.**

Non-financial information statement continued

	Climate and environment	Employees	Social matters	Human rights	Anti-corruption
Due diligence processes	• Climate governance structure in place involving board and its committees. • Sustainability Ambition Steering Committee monitors the climate-related risks and opportunities and evaluates progress against targets set. • Sustainability Business Standard includes how we manage material operational, climate, environmental and community impacts.	• Annual all colleague Voice of Aviva engagement survey and pulse surveys. • People Risk dashboard and regular tracking of HR metrics and trends. • Global People Business Standard and Remuneration Standard. • Inclusion Council and executive-sponsored diversity, equity and inclusion communities.	• Customer and Sustainability Committee – oversees the execution of the Aviva Sustainability Ambition.	• In 2021 we conducted our most recent biennial Group-wide human rights due diligence assessment across all our businesses.	• Financial Crime Business Standard oversight and governance structure. • Ongoing group-wide bribery and corruption risk assessment. • Risk-based training for those acting on Aviva's behalf. • Due diligence and risk rating of all third-party relationships. • Gifts and Entertainment and Conflicts of Interest procedures. • Speak Up malpractice helpline.
Policy outcomes	• Net Zero by 2040 ambition. • Net Zero operations by 2030 ambition. • Net Zero supply chain by 2030 ambition.	• A great place to work, where colleagues can build fantastic careers, feel included and be fairly rewarded.	• Use of Aviva's community investment and asset investments as a force for good.	• The results were reviewed by Slave Free Alliance, our external expert partner. We have also conducted modern slavery threat assessments on a range of key suppliers.	• Maintaining a culture of the highest ethics and compliance with our Business Ethics Code. • Seeking to prevent, detect and report financial crime, including any instances of bribery and corruption. • In 2022, 131 cases were reported through Speak Up (2021: 77).
Principal risks	• Reduction in returns from investments not compatible with transition to low-carbon economy. • Disruption to Life or General Insurance businesses.	• Talent recruitment, retention and reskilling.	• Reduction in returns from investments in real estate and social infrastructure. • Macroeconomic conditions impacting customers' capacity to invest in our insurance, wealth or retirement products.	• Talent recruitment, retention and reskilling.	• Failure to prevent, detect and report financial crime, including instances of bribery and corruption. • Cyber criminals: attempting to access our IT systems to steal or utilise company and customer data.
Non-financial KPIs	• Operational carbon emissions reduction. • Carbon intensity reduction.	• Employee engagement. • Women in senior management. • Ethnic diversity in senior leadership roles.	• Investment in communities. • People saving or retiring with Aviva.	• % of registered suppliers that have agreed to Supplier Codes of Behaviour.	• Number of cases reported through Speak Up. • % of registered suppliers that have agreed to Supplier Codes of Behaviour.

Governance

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Governance at a glance

Strong corporate governance delivers value to all our stakeholders.

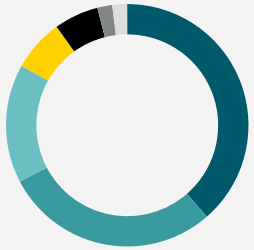
Governance highlights

Return of capital	The Board approved a £3.75 billion capital return to shareholders through a B Share Scheme in addition to the £1 billion ordinary share buyback completed in March 2022.	**Read more in** > **in Governance in action**
Board diversity	The Board met diversity targets and has updated the Board Diversity, Equity and Inclusion Statement to recognise wider diversity factors.	**Read more in** > **in the Nomination and Governance Report**
Consumer duty	The Board strengthened its customer focus through its oversight of the new Consumer Duty.	**Read more in** > **in Governance in action**
Effective Governance	The Board streamlined governance to better align with the size and structure of the Group.	**Read more in** > **in Governance in action**
Acquisition of Succession Wealth	The Board focused on investing in growth through targeted acquisition activity that will benefit customers and shareholders.	**Read more on** > **in Governance in action**

Board priorities for 2023

Growth	Deliver our strategic plan, including delivering targeted, disciplined and profitable growth.
Efficiency	Target top quartile efficiency with technology at the core.
Customers	Provide an engaging customer experience in the market, helping our customers navigate the challenges of today's world.
Sustainability	Deliver progress on our ambition to become Net Zero and continue to build stronger communities.

Board Governance focus areas[1]



Key

Strategy and business plans	39%
Financial reporting and performance, capital structure and dividend policy	29%
Significant transactions	16%
Oversight of risk and risk management	7%
Governance and Regulatory	6%
Sustainability	2%
People and culture	2%

1. Excludes Board Committee discussions

Board and Committee meetings attendance during 2022

Number of meetings held	Board 20	Audit Committee 6	Customer and Sustainability 5	Nomination and Governance 6	Remuneration Committee 6	Risk Committee 6
Chair						
George Culmer	20/20			6/6		
Executive Directors						
Amanda Blanc	20/20					
Jason Windsor[1]	8/10					
Charlotte Jones[2]	5/5					
Non-Executive Directors						
Andrea Blance[3,6]	14/16	6/6		5/5	4/4	5/5
Mike Craston[4]	11/11		2/2	3/3		
Patricia Cross[5]	8/9	2/3		2/2	3/3	
Patrick Flynn[7]	20/20	6/6		6/6	6/6	5/6
Belén Romana García[5]	8/9	3/3	2/2	2/2		2/2
Shonaid Jemmett-Page[6]	20/20	6/6	4/4	6/6		4/5
Mohit Joshi[8]	19/20			6/6		5/6
Pippa Lambert[7]	19/20		5/5	6/6	6/6	
Jim McConville	20/20	6/6	5/5	6/6		6/6
Michael Mire[8]	17/20		4/5	6/6	4/4	4/4
Martin Strobel	20/20	6/6		6/6		6/6

1. Jason Windsor resigned from the Board on 9 May 2022
2. Charlotte Jones was appointed to the Board on 5 September 2022
3. Andrea Blance was appointed to the Board on 21 February 2022
4. Mike Craston was appointed to the Board on 17 May 2022
5. Patricia Cross and Belén Romana García retired from the Board on 9 May 2022
6. Meetings not attended were as a result of existing commitments in place prior to joining the Board
7. Meetings not attended related to unscheduled meetings called at short notice
8. Meetings were not attended due to prior commitments

Governance at a glance continued

The tables illustrate the diversity of the Board as at the date of this report.

Board gender diversity

	Number of Board members	Percentage of the Board	Number of senior positions on the Board (CEO, CFO, SID and Chair)
Men	7	58%	2
Women	5	42%	2
(Other categories)	—	—	—
Not specified/prefer not to say	—	—	—

Board ethnicity

	Number of Board members	Percentage of the Board	Number of senior positions on the Board (CEO, CFO, SID and Chair)
White British or other White (including minority-white groups)	11	92%	4
Mixed/multiple ethnic groups	—	—	—
Asian/Asian British	1	8%	—
Black/African/Caribbean/Black British	—	—	—
Other ethnic group, including Arab	—	—	—
Not specified/prefer not to say	—	—	—

Further information on the Board policies on diversity, equity and inclusion can be found in the Nomination and Governance Committee Report.

Non-Executive Directors' tenure

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
George Culmer							09/2019									09/2028			
Patrick Flynn							07/2019									07/2028			
Shonaid Jemmett-Page									12/2021									12/2030	
Mohit Joshi								12/2020									12/2029		
Pippa Lambert									01/2021									01/2030	
Jim McConville								12/2020									12/2020		
Michael Mire	09/2013											05/2024							
Martin Strobel									10/2021									10/2030	
Andrea Blance										02/2022									02/2031
Mike Craston										05/2022									05/2031

Experience and skills[1]

	Non-Executive including Chair	Executive	Executive committee
Insurance	10	2	10
Asset Management	10	1	4
Finance	10	2	8
People	8	1	6
Risk	7	2	8
Legal & Regulatory	8	2	4
Customer	6	1	5
Technology, Digital & Operations	7	1	6
Strategy	9	2	8
Sustainability	2	1	4

1. Individual directors may fall into one or more categories

Chair's Governance letter

Good governance is central to making good decisions. It helps promote the long-term, sustainable success of the company, and ensures we consider the views and interests of the Group's wider stakeholders.

George Culmer
Chair

"During the year the Board approved a substantial return of capital to shareholders, the repayment of debt and further investment in our business to promote growth and better support our customers."

Governance and strategy at Aviva

Our Governance report sets out how the Board and its Committees operated during 2022. Our role is to set the strategy and to ensure that Aviva continues to deliver on that strategy.

As evidence of that focus on delivery, during the year the Board approved a substantial return of capital to shareholders, repayment of debt, and further investment in our business to promote growth and better support our customers.

The Board also approved the acquisition of Succession Wealth and the high-net-worth business of Azur. These acquisitions will support the longer-term growth of the business.

And as a continuation of our previously stated proposal to return surplus capital to shareholders, I am pleased that the Board has been able to confirm the £300 million share buyback programme first announced with the Half Year 2022 results.

Of course 2022 was a challenging year with the war in Ukraine, the energy crisis and the severe cost of living pressures.

The Board responded to these challenges in a number of ways. The period of increasing inflation and interest rates led to additional support for our most junior colleagues to help them adapt to the cost of living crisis and for our customers through developing new more affordable products and propositions. Accordingly we made a one-off payment to colleagues in the UK and an equivalent payment to our colleagues in Canada and Ireland. In response to our customers' needs we supported the launch of our new 'Essential' range of products. The Board will continue to assess the impact of the cost of living crisis on both our colleagues and our customers in 2023.

The UK Corporate Governance Code

As a UK Premium Listed company, Aviva's governance framework is based on the 2018 UK Corporate Governance Code (the Code). The Code is publicly available at **www.frc.org.uk**. Details of how we have applied the principles and complied with the provisions of the Code during 2022 are set out in this report and the Directors' Remuneration report. The Board can confirm that the Company was compliant with the Code throughout the financial year under review. We set out how we have applied the principles of the Code in this report and describe how we have engaged with our workforce and performed our duties under s.172 of the Companies Act 2006 within the Strategic report.

Chair's Governance letter continued

Board changes

During the year there have been several changes to the composition of the Board.

On 13 January 2022 we announced that Jason Windsor had resigned as an Executive Director of Aviva plc, he stepped down from the Board with effect from 9 May 2022. I wish to thank Jason for his commitment and contribution during his time with us. Following the resignation of Jason, the Nomination and Governance Committee led the process to identify a replacement CFO, and on 5 September 2022 Charlotte Jones joined the Board.

In terms of Non-Executive Directors, on 21 February 2022 Andrea Blance joined the Board, and Mike Craston joined on 17 May 2022.

Following the AGM on 9 May 2022, Patricia Cross and Belén Romana García retired from the Board. Patricia joined the Board in December 2013, and Belén in June 2015, and they served as Chairs of the Remuneration and Risk Committees respectively. I would like to thank Patricia and Belén for their contribution to the Board and for their leadership of these Committees during their tenure.

Diversity, equity and inclusion

The Board is committed to having a diverse, equitable and inclusive membership. This helps ensure we have the range of perspectives and insight that is so important for good decision making. I am pleased that the Board meets the Parker Review target to have at least one director from an ethnic minority background and that women account for 42% of the current Board. In August 2022, we reviewed our Board Diversity, Equity and Inclusion Statement, articulating our commitment to diversity and setting out targets for women in leadership roles. I am pleased to report the Statement has been expanded to include socio-economic and educational backgrounds, and we published the revised Board Diversity, Equity and Inclusion Statement on our website in January 2023.

More information on diversity, equity and inclusion is set out in the Nomination and Governance Committee report.

Culture

The Board continues to assess and monitor the Group's culture. A culture diagnostic has been developed along with associated action plans, which the Board reviews annually. The culture diagnostic was updated during 2022 to add two further measures. The culture diagnostic combines employee sentiment with other employee and customer data and is in addition to our annual Voice of Aviva employee engagement survey.

Dividend

In light of our 2022 performance and resilient capital and liquidity, the Board has declared a final dividend of 20.7 pence per 32 17/19p ordinary share (2021: 14.7 pence), bringing the full year dividend in respect of the 2022 financial year to 31 pence per 32 17/19p ordinary share (2021: 22.1 pence per share).

George Culmer
Chair
8 March 2023

Our Board of Directors

Key

- Audit Committee
- Customer and Sustainability Committee
- Nomination and Governance Committee
- Remuneration Committee
- Risk Committee
- Chair
- Executive
- Group General Counsel and Company Secretary
- Non-Executive

George Culmer

Position: Chair

Nationality: British

Committee membership: Nomination and Governance Committee (Chair)

Tenure: 3 years 5 months. Appointed to the Board as a Non-Executive Director on 25 September 2019, as Senior Independent Director on 1 January 2020 and as Chair on 27 May 2020

Skills and experience: George brings significant Board-level exposure with 15 years' experience as a FTSE 100 CFO and a deep understanding of insurance and wider financial services. George was previously Chief Financial Officer of Lloyds Banking Group plc and joined its board on 16 May 2012. He was formerly a director and Chief Financial Officer of RSA Insurance Group plc; Head of Capital Management of Zurich Financial Services and Chief Financial Officer of its UK operations; and held senior management positions at Prudential plc. George has deep insight into the challenges that affect Aviva's businesses and the implications for shareholders. This makes him well placed to lead the Board in driving the strategy, culture and values of the Group.

External appointments: Senior Independent Director of Rolls Royce plc.

Amanda Blanc

Position: Group Chief Executive Officer (CEO)

Nationality: British

Committee membership: N/A

Tenure: 2 years 8 months. Appointed to the Board as a Non-Executive Director on 2 January 2020 and as CEO on 6 July 2020

Skills and experience: Amanda started her career as a graduate at one of Aviva's legacy companies, Commercial Union plc. Since then she has held senior executive roles across the insurance industry. She was previously Group CEO at AXA UK PPP & Ireland, and CEO, EMEA & Global Banking Partnerships at Zurich Insurance Group. Amanda has served as Chair of the Association of British Insurers; Chair of the Insurance Fraud Bureau and President of the Chartered Insurance Institute. In 2021, she was appointed by HM Treasury to the role of Women in Finance Charter Champion. In September 2022 she joined the Board of BP plc, as a Non-Executive Director. Amanda's broad executive experience in the insurance industry makes her well qualified to lead Aviva.

External appointments: Non-Executive Director of BP plc; member of the Prime Minister's Business Council, and GFANZ CEO Principals Group Meeting; Co-Chair of the UK Transition Plan Taskforce.

Charlotte Jones

Position: Group Chief Financial Officer (CFO)

Nationality: British

Committee membership: N/A

Tenure: 6 months. Appointed to the Board and as CFO on 5 September 2022

Skills and experience: Charlotte is a qualified Chartered Accountant. She is a director of Aviva Life Holdings UK Limited, and its subsidiary Aviva Life & Pensions UK Limited. She has held a number of executive positions during her career, including Chief Financial Officer of RSA Insurance plc, Interim Chief Executive Officer of the RSA UK & International business, Deputy Group CFO at Deutsche Bank Group and Chief Financial Officer of Jupiter Fund Management plc; with responsibility for finance and corporate strategy. Before that, Charlotte was Head of Group Finance at Credit Suisse Group and an audit partner at EY. She is a highly experienced CFO with an impressive track record across the insurance, banking and asset management industries. Charlotte's financial expertise and strategic decision-making skills play a fundamental role in driving Aviva towards its strategic goals.

External appointments: None.

Our Board of Directors continued

Patrick Flynn

Position: Senior Independent Director

Nationality: Irish

Committee membership: Audit Committee (Chair), Nomination and Governance Committee, Remuneration Committee, Risk Committee

Tenure: 3 years 7 months. Appointed to the Board as a Non-Executive Director on 16 July 2019 and as Senior Independent Director on 7 September 2020

Skills and experience: Patrick is an experienced finance executive and has significant experience in retail, financial and insurance services. Patrick was previously Chief Financial Officer of ING, the Netherlands' largest financial services group. Prior to that, Patrick was Chief Financial Officer of HSBC Insurance. He also served as a Non-Executive Director of the Boards of two listed former ING insurance companies. His experience thoroughly equips Patrick to chair the Audit Committee and to support the Chair as Senior Independent Director.

External appointments: Non-Executive Director and Audit Committee Chair of NatWest Group plc.

Shonaid Jemmett-Page

Position: Independent Non-Executive Director

Nationality: British

Committee membership: Customer and Sustainability Committee (Chair), Audit Committee, Nomination and Governance Committee, Risk Committee

Tenure: 1 year 2 months. Appointed to the Board on 20 December 2021

Skills and experience: Shonaid is an experienced director and her business leadership and broad experience including in the financial services, sustainability and digital sectors make her a valuable addition to the Board. Shonaid was previously Chair of MS Amlin and has held a number of senior roles during her executive career including as Chief Operating Officer of CDC Group, Global SVP Finance and Information at Unilever and a partner at KPMG.

External appointments: Chair of Greencoat UK Wind Plc and Cordiant Digital Infrastructure Limited, Senior Independent Director of ClearBank Ltd and Non-Executive Director of QinetiQ Group Plc.

Mohit Joshi

Position: Independent Non-Executive Director

Nationality: British

Committee membership: Nomination and Governance Committee, Risk Committee

Tenure: 2 years 3 months. Appointed to the Board on 1 December 2020

Skills and experience: Mohit is President of Infosys Limited, a global leader in next-generation digital services and consulting. He heads the Financial Services, Healthcare and Life Sciences business verticals for the company and is the Chairperson for EdgeVerve, its software subsidiary. Mohit joined Infosys in 2000 after an initial career in banking and has over 24 years of professional experience working across the US, India, Mexico, and Europe. Mohit is an established business leader in technology and transformation and this expertise adds significantly to the skills and expertise of the Board.

External appointments: President, Infosys Limited.

Pippa Lambert

Position: Independent Non-Executive Director

Nationality: British

Committee membership: Remuneration Committee (Chair), Customer and Sustainability Committee, Nomination and Governance Committee

Tenure: 2 years 2 months. Appointed to the Board on 1 January 2021

Skills and experience: Pippa was previously Global Head of Human Resources at Deutsche Bank where she was responsible for leading the development of a successful and progressive HR transformation programme, focused on improving the group's culture, diversity and inclusion and digital agendas. Prior to that, Pippa was Group Head of Reward at the Royal Bank of Scotland plc (now Natwest Group plc) where she worked closely with the Board on the redevelopment and restructure of the bank's compensation and benefits programme. Pippa's experience contributes significantly to the Board discussions in areas relating to people and reward matters.

External appointments: Trustee at Breast Cancer Haven and a member of the Senior Salaries Review Board.

Our Board of Directors continued

Jim McConville

Position: Independent Non-Executive Director

Nationality: British

Committee membership: Customer and Sustainability Committee, Audit Committee, Nomination and Governance Committee, Risk Committee and Remuneration Committee

Tenure: 2 years 3 months. Appointed to the Board on 1 December 2020

Skills and experience: Jim was previously Group Finance Director of The Phoenix Group, where he was responsible for all aspects of the Group's financial strategy and management and led the transition programme bringing Phoenix and Standard Life Assurance together. Prior to that he was Chief Financial Officer of Northern Rock from 2010 to 2012, and for many years worked for Lloyds TSB Group (now Lloyds Banking Group plc) in a number of senior finance and strategy related roles. Jim's expertise makes him a strong Chair of the Aviva Life Holdings UK Board and its subsidiary Aviva Life & Pensions UK Limited. Jim's experience also significantly adds to the knowledge and expertise of the Board and its Committees.

External appointments: Trustee of the Leuchie Forever Fund and of the National Galleries of Scotland.

Michael Mire

Position: Non-Executive Director

Nationality: British

Committee membership: Customer and Sustainability Committee, Nomination and Governance Committee

Tenure: 9 years 5 months. Appointed to the Board on 12 September 2013

Skills and experience: Michael was most recently senior partner at McKinsey & Company where he worked for more than 30 years, and through his governmental experience, he brings a unique perspective and insight to the Board. His experience with Department of Health and Social Care and Care Quality Commission gives additional insight into Aviva's Health and Protection business. Michael has a detailed understanding of the financial services sector, and a wealth of experience in business transformation and developing strategies for retail and financial services companies. This makes Michael a valuable member of the Customer and Sustainability Committee and Nomination and Governance Committee.

External Appointments: Chairman of Luther Systems Ltd, Senior Independent Director of Realty Income Corporation and Senior Adviser to Lazard.

Martin Strobel

Position: Independent Non-Executive Director

Nationality: Swiss

Committee membership: Audit Committee, Nomination and Governance Committee, Risk Committee.

Tenure: 1 year 4 months. Appointed to the Board on 22 October 2021

Skills and experience: Martin was most recently Senior Independent Director of RSA Insurance plc. Prior to this he held a number of senior roles during his career including Group CEO of Baloise-Holding AG, Operating Partner of Advent International and a strategy consultant with Boston Consulting Group. Martin is an accomplished director in insurance and private equity, and his business leadership and non-executive experience in both the insurance and technology sectors make him a valuable addition to the Aviva Board, and Chair of the Aviva Insurance Limited Board, a wholly owned subsidiary of Aviva plc.

External appointments: Vice Chair and Lead Independent Director of Partners Group Holding AG and Deputy Chair of MSG Life AG.

Andrea Blance

Position: Independent Non-Executive Director

Nationality: British

Committee membership: Risk Committee (Chair), Audit Committee, Nomination and Governance Committee and Remuneration Committee.

Tenure: 1 year. Appointed to the Board on 21 February 2022

Skills and experience: Andrea is an experienced financial services leader and board member who has deep understanding of governance, the regulatory environment and risk management, making her a strong Chair of the Risk Committee. Andrea spent her executive career at Legal & General Group plc where she held a range of senior leadership roles including Group Chief Risk Officer and Strategy & Marketing Director. More recently, Andrea has been Senior Independent Director and Audit Committee Chair at ReAssure plc and Risk Committee Chair at Scottish Widows plc and Lloyds Banking Group Insurance.

External appointments: Non-Executive Director of Hargreaves Lansdown plc and Senior Independent Director of Vanquis Banking Group plc.

Our Board of Directors continued

Mike Craston ● ● ▲

Position: Non-Executive Director

Nationality: British

Committee membership: Customer and Sustainability Committee and Nomination and Governance Committee

Tenure: 9 months. Appointed to the Board as a Non-Executive Director on 17 May 2022

Skills and experience: Mike is Chair of Aviva Investors Holdings Limited, having been appointed in September 2017. He is also Chair of the Aviva Investors Nomination Committee, and of Aviva Investors Canada Inc. He is a Non-Executive Director of Aviva Investors Pensions Ltd, Aviva Investors UK Funds Services Ltd and Aviva Investors North America Holdings, Inc.

Mike joined Aviva Investors in 2016 as a member of the Global Executive Committee responsible for leading the global business development function. Prior to this he held a number of roles at Legal & General including that of CEO America and Asia, and senior positions at Aegon Asset Management, Scottish Equitable and Schroders, making him well positioned to serve the Board and its Committees.

External appointments: Chairman of Railpen Investments Limited, London LGPS CIV Ltd, and ThomasLloyd plc, Pension Defined Contribution Schemes Governance Committee member of Tesco plc.

Kirstine Cooper ◆

Position: Group General Counsel and Company Secretary

Nationality: British

Committee membership: N/A

Tenure: 12 years 3 months. Appointed as Company Secretary in December 2010 and a member of the Executive Committee in July 2012

Skills and experience: Kirstine has over 30 years' experience at Aviva and is a trusted advisor to the Board. As a qualified solicitor Kirstine is able to execute the role of Company Secretary by advising the Board on governance issues and the regulatory environment. Kirstine established the legal and secretarial function as a global team and is responsible for the provision of legal services to the Group. She also leads the Group Investigations team. From March 2016 to March 2017, Kirstine was the Commissioner on the Cabinet Office's Dormant Assets Commission.

External appointments: Trustee of the Royal Opera House and Non-Executive Director of HM Land Registry. Kirstine is also Insurance and Pension Champion for the expanded Dormant Assets scheme.

The full biographies for all our Board and Executive Committee members are available online at

> **www.aviva.com/about-us**

How we are governed

Board and Committee structure

The Board is collectively responsible for promoting the long-term, sustainable success of the Company through seeking to generate value for shareholders while fulfilling its responsibilities to all of our stakeholders and contributing positively to the societies in which we operate. One of the Board's key roles is to determine our shared purpose and to set and uphold the Group's values, standards and ethics which combine to create our corporate culture. We recognise that there is a clear link between our culture and our conduct, both with regards to our customers and to the way in which governance operates across the Group.

Governance framework

The Board

Each Committee Chair reports to the Board on activities after each meeting

Nomination and Governance Committee
Assists the Board in its oversight of Board composition; Board and executive succession; talent development; diversity, equity and inclusion initiatives; and the operation of the Group's governance framework and Aviva's subsidiary governance principles.

Read more
> **Nomination and Governance Committee report**

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

Read more
> **Risk Committee report**

Audit Committee
Assists the Board in its oversight of financial, climate-related and non-financial reporting by assessing the integrity of the Company's financial, climate-related and non-financial statements and related announcements; monitoring the adequacy of controls over financial, climate-related and non-financial reporting; monitoring the Group's whistleblowing policies; and monitoring the independence and performance of the internal audit function and the external auditors.

Read more
> **Audit Committee report**

Customer and Sustainability Committee
Assists the Board in its oversight of the Group's customer strategy and Aviva's Sustainability Ambition, with responsibility for overseeing Aviva's ambition to be a leading customer-centric company. Works with the Risk Committee to oversee alignment of the Aviva Sustainability Ambition with risk management and with the Audit Committee on climate-related disclosures. Formerly the Customer, Conduct and Reputation Committee.

Read more
> **Customer and Sustainability Committee report**

Remuneration Committee
Assists the Board in its oversight of remuneration by reviewing the Group Remuneration Policy; the Directors' Remuneration Report; approving remuneration packages for the Non-Executive Chair and Group Executive Committee; reviewing the approach for the remuneration of regulated employees; and wider workforce remuneration and policies. Works with the Risk Committee to ensure the alignment of incentive and reward with risk management.

Read more
> **Remuneration Committee report**

How we are governed continued

In order to ensure there is a clear division of responsibilities between the running of the Board and the running of the business, the Board has identified certain reserved matters for its approval. In relation to other matters, unless they are specifically reserved for shareholder approval in a general meeting, the Board delegates responsibility for these to our Group CEO, who then delegates responsibility for specific operations to members of the Group Executive Committee.

The Board has established committees to assist in fulfilling its oversight and other responsibilities, providing dedicated focus in these areas.

The Board

As at the date of this report the Board is comprised of a Non-Executive Chair, two Executive Directors, seven independent Non-Executive Directors and two Non-Executive Directors who are not considered independent. Details of the role of the Board and its committees are described in this section and the duties of the Board and of each of its committees are set out in their respective Terms of Reference (ToR). The committees' ToR can be found on the Company's website at **www.aviva.com/committees** and are also available on request from the Group Company Secretary.

The ToR list both matters that are specifically reserved for decision by our Board and those matters that must be reported to it.

The Board delegates clearly defined responsibilities to its committees and reports from the Audit, Customer and Sustainability, Nomination and Governance, and Risk Committees are contained in this section. A report from the Remuneration Committee is included in the Directors' Remuneration report.

Division of responsibility

Consistent with the Code and the Senior Managers and Certification Regime (SMCR), role profiles for the Non-Executive Chair, Senior Independent Director (SID), Group CEO and Non-Executive Directors are all available at **www.aviva.com/about-us/roles**.

The Chair is tasked with leadership of the Board, setting its agenda, ensuring its effectiveness, and enabling the constructive challenge of the performance and strategic plans of the Executive Directors by the Non-Executive Directors. The Chair also plays a key role in working with the Board to establish our culture, purpose and values. The Group CEO is the senior executive of the Company and has overall accountability for the development and execution of the Group's strategy in line with the policies and objectives agreed by the Board.

The role of the SID is to provide a sounding board for the Chair and to serve as an intermediary for the other directors where necessary. The SID should be available to shareholders should they have concerns they have been unable to resolve through normal channels, or when such channels would be inappropriate.

Throughout the year the Chair held several meetings with the Non-Executive Directors without management present. Additionally, the SID met with the other Non-Executive Directors without the Chair present to discuss any matters they wished to raise and to review the Chair's performance.

Board independence

During the year the Nomination and Governance Committee assessed the independence of the Non-Executive Directors to ensure that they are able to properly fulfil their roles on the Board and provide constructive challenge to the Executive Directors. The independence criteria set out in the Code was taken into account as part of the selection process for the two Non-Executive Directors who joined Aviva during 2022.

During 2022, the Committee determined that all Non-Executive Directors were free from any relationship or circumstances that could affect, or appear to affect, their independent judgement except Mike Craston and, for part of the year, Michael Mire. Mike Craston was appointed to the Board on 17 May 2022, and was not considered to be independent due to his previous executive role within Aviva Investors terminating within the five year period stipulated in the Code.

The Committee also carefully considered the continued independence of Michael Mire, who reached nine years tenure on 12 September 2022. As a result, and with effect from that date, Michael was no longer considered to be independent and stood down from the Risk and Remuneration Committees. The Nomination and Governance Committee reviewed the Board's tenure profile and the recent refreshment activity that had been undertaken.

Following careful consideration, the Committee considered that Michael continues to provide constructive challenge and robust scrutiny of matters that are brought to the Board for consideration. Accordingly, while no longer considering Michael to be independent, the Committee recommended that Michael remain on the Board to provide continuity while the newer Board appointees fully embed in their roles. In line with the Code, over half of our Board members, excluding the Chair, are independent Non-Executive Directors.

How we are governed continued

Time commitment

It is vital to the proper functioning of our Board and committees that each Non-Executive Director is able to commit sufficient time to their role in order to discharge their responsibilities effectively. In January 2023 the Nomination and Governance Committee assessed the Non-Executive Directors' time commitment considering both the time required for the Aviva Board and Committee appointments and the number and nature of the Directors' external commitments and reported the outcome to the Board.

In particular the Nomination and Governance Committee carefully considered the time commitments for Shonaid Jemmett-Page, taking into account investor guidelines and voting policies and their application to Shonaid's current directorships.

The Committee also reviewed in detail her portfolio, her overall capacity and her Chair roles on two investment trusts, which have a lesser time commitment than other listed company roles. In addition, the Committee noted that on 24 October 2022 it was announced that Shonaid would retire from the board and as Chair of Greencoat UK Wind Plc at its 2023 AGM. Following its review, and noting her retirement from the Board of Greencoat UK Wind Plc, the Committee considered Shonaid to have sufficient time to dedicate to her role as an Independent Non-Executive Director of Aviva.

The Board also considered and approved a number of additional external director commitments. On 12 May 2022, George Culmer was appointed as Senior Independent Director at Rolls Royce plc, having previously served as a Non-Executive Director since January 2020.

In February 2022, Amanda Blanc was appointed Co-Chair of the UK Transition Taskforce, an organisation seeking to assist in the development of 'gold standard' private sector climate transition plans.

On 2 August 2022, Amanda was appointed as an Independent Non-Executive Director of BP plc with effect from 1 September 2022, supporting BP as it transforms into an integrated energy company. Amanda was also appointed to the Remuneration Committee and the People and Governance Committee of BP plc from 1 January 2023.

On 4 July 2022, Mike Craston was appointed as Non-Executive Chair of ThomasLloyd plc.

The time commitment involved in these appointments were assessed by the Board who determined that George, Amanda and Mike all continued to have sufficient time to commit to the Aviva Board and their committee appointments. The SID reviewed the time commitment of the Chair as part of his annual review of the Chair's performance.

During the year, all Non-Executive Directors have continued to demonstrate that they have sufficient time to devote to their present role within Aviva, including during any potential periods of corporate stress.

Conflicts of interest

In accordance with the Companies Act 2006, the Company's Articles of Association allow the Board to authorise potential conflicts of interest that may arise and to impose such limits or conditions as are deemed necessary. The decision to authorise a conflict of interest can only be made by non-conflicted directors (those who have no interest in the matter being considered) and in making such a decision the directors must act in a way they consider, in good faith, will be most likely to promote the success of the Company for the benefit of its shareholders as a whole. The Board continues to monitor and note any potential conflicts of interest that each Director may have and recommends to the Board whether these should be authorised and whether conditions should be attached to any such authorisation.

The directors are regularly reminded of their continuing obligations in relation to potential or actual conflicts of interest and are required to bi-annually review and confirm their external interests, which helps to determine whether they can continue to be considered independent.

The Board carefully considered any potential conflicts of interest in relation to the appointment of Amanda Blanc as an Independent Non-Executive Director of BP plc and Mike Craston as Non-Executive Chair of ThomasLloyd plc.

It determined that no actual conflicts existed at the time of the appointments, and that any conflicts that may later arise would be managed in accordance with the Group Conflicts of Interest Policy.

Independent advice

All directors have access to the advice and services of the Group Company Secretary in relation to the discharge of their duties on the Board and any committees they serve on. Furthermore, any directors may take independent professional advice at the Company's expense. During the year, no directors sought to do so.

The Company arranges appropriate insurance cover in respect of legal actions against its directors and has also entered into indemnities with its directors as described in the Directors' Report section of this report.

Induction, training and development

A commitment to support the continuing development of all employees is a central part of Aviva's culture. Our directors are highly supportive of this and are committed to their own ongoing professional development. During 2022, the directors participated in internal training sessions on subjects including whistleblowing, climate change and sustainability, Consumer Duty regulation and IFRS 17. Further training sessions have been incorporated into the Board and Committee plans for 2023.

How we are governed continued

The Board also receives regular briefings on a range of strategically important matters to ensure they are informed of developments in these areas.

A structured and tailored induction programme was prepared for each of our newly appointed Non-Executive Directors and Group CFO. This covered, amongst other matters, the current financial and operational plan; meeting packs and minutes from recent Board and Committee meetings; stakeholder engagement; organisation structure charts; a history of the Group; role profiles; and all relevant policies, procedures and other governance material. The induction also included meeting key members of the management team and the external and internal auditors. Any knowledge or skill enhancements identified during the directors' regulatory application process were also addressed through directors' induction programmes.

Board calendar

During 2022, 20 Board meetings were held, of which 13 were scheduled meetings and seven were additional meetings called to approve certain strategic matters. In addition, the Board delegated responsibility for certain items to specially created Board Committees which met six times to discuss these items.

If any directors are unable to attend a meeting, they can communicate their opinions and comments on the matters to be considered via the Chair of the Board or the relevant Committee Chair.

The Board visited our York offices in April 2022, and the Perth office in September 2022.

In June 2022, the Board held its annual two-day strategy meeting at an offsite location to review progress against our strategic priorities and to consider how these should be further developed to ensure we deliver on our commitments to our shareholders and our wider stakeholders.

Communication with shareholders

The Company places considerable importance on communication with shareholders. The Executive Directors have an ongoing dialogue and a programme of meetings with institutional investors, fund managers and analysts which are managed by the Company's investor relations function. The Chair also meets with all the Group's major shareholders. At those meetings a range of issues is discussed within the constraints of information already made public to understand shareholders' perspectives. Shareholders' views are regularly communicated to the Board through reports from the Group CEO and Group CFO and weekly briefings from our corporate brokers and the Investor Relations function. The SID was available to meet with major investors to discuss any concerns that could not be resolved through normal channels. Further detail on our engagement with shareholders is set out in the 'Our Stakeholders' section of the Strategic Report.

2023 Annual General Meeting (AGM)

The 2023 AGM will be held on Thursday 4 May 2023 and the Notice of AGM and related papers will be sent to shareholders at least 20 working days before the meeting. To enable a diverse segment of our shareholder base to more easily attend our AGM, the meeting this year will be held in Norwich at the premises of Norwich City Football Club. The AGM provides a valuable opportunity for the Board to communicate with private shareholders. Shareholders are invited to ask questions related to the business of the meeting at the AGM and a presentation will be given on the Group's performance. Further details on the AGM are provided in the 'Shareholder Services' section of this report.

Other disclosures relevant to our Board are included in this report and the reports of our Committees and in the Directors' report.

Systems for risk management and internal controls

The Board is responsible for promoting the long-term success of the Company for the benefit of shareholders, as well as taking account of other stakeholders including employees and customers. This includes putting in place throughout the Group an appropriate system of risk governance. To discharge this responsibility, the Board has established frameworks for risk management and internal control using a 'three lines of defence' risk governance model and reserves for itself the setting of the Group's risk appetite.

In-depth monitoring of the establishment and operation of prudent and effective key controls for assessing and managing the key risks associated with the Group's operations is delegated to the Risk, Customer and Sustainability and Audit Committees which report regularly to the Board. However, the Board retains ultimate responsibility for the Group's systems of risk management and internal control and has reviewed their effectiveness during the year.

The systems for risk management and internal control play a key role in the management of risks that may impact the fulfilment of the Board's objectives. They are designed to identify and manage, rather than eliminate, the risk of the Group failing to achieve its business objectives and can only provide reasonable and not absolute assurance against material misstatement or losses. The systems are regularly reviewed and were in place for the financial year under review and up to the date of this report. They help the Group comply with the Financial Reporting Council's (FRC) guidance on risk management, internal control and related financial and business reporting.

At the mid-year 2022, the Risk Committee, on behalf of the Board, carried out a robust assessment of the Group's emerging and principal risks. This exercise was repeated in January 2023. The outcome of these assessments was reported to and discussed at the Board.

How we are governed continued

In addition to these assessments, the Risk Committee monitored and assessed the principal risks facing the Group, the conclusions of which were also shared with and discussed by the Board. The assessments included those emerging risks that could impact the Group's business model, future performance, solvency and liquidity and therefore required management prioritisation and action. Specifically the Board considered the principal risks facing the Group when approving the Group business plan.

In 2022, the Risk Committee received updates on emerging risks and associated mitigating actions covering the developing conflict in Ukraine, cyber security, risks posed by climate change and sources of economic uncertainty, including inflation. The Customer and Sustainability Committee (previously the Customer, Conduct and Reputation Committee) also received updates on emerging threats to the Group's reputation and conduct risk profile.

Emerging risks were also considered by the Risk Committee and management in the design of scenarios which are intended to stress test the Group's three-year business plan, recovery plan, climate change impacts, decisions on the return of capital to shareholders and operational resilience.

Aviva's approach to risk management together with the principal risks that face the Group are explained within the 'Our risks and risk management' section of the Strategic report.

Risk management framework

Aviva's risk management framework (RMF) is designed to identify, measure, manage, monitor and report the principal risks to the achievement of the Group's business objectives and is embedded throughout the Group.

It is codified through risk policies, business standards and risk management frameworks which set out the approach to risk management, risk appetite and the minimum requirements and key controls for the Group's operations.

Internal controls

Internal controls facilitate effective and efficient operations, the development of robust and reliable internal reporting and compliance with laws and regulations. Group reporting manuals in relation to the latest International Financial Reporting Standards and Solvency II reporting requirements and a Financial Reporting Control Framework (FRCF) are in place across the Group.

The FRCF relates to the preparation of reliable financial reporting, covering IFRS, Solvency II, Alternative Performance Measures (APM) and local statutory reporting activity. The FRCF methodology leverages best practice, including consideration of elements of the Sarbanes Oxley Act (2002), relating to assessment of Internal Controls over Financial Reporting. The methodology follows a risk-based approach, considering the likelihood of material misstatement, with management identification of the areas of higher risk, assessment of design adequacy and operating effectiveness of related controls (documentation and testing), remediation of identified deficiencies (as required), reporting and certification over key financial reporting related controls.

We have a similar Non-Financial Reporting Control Framework (NFRCF) relating to the preparation of our climate and non-financial reporting disclosures.

Any open financial reporting deficiencies are assessed for the Group as a whole, in isolation and in aggregate, considering the impact on the financial reporting control environment. Materiality is used to assess whether any deficiency constitutes a material weakness in our financial reporting control environment. The assessment is presented to the Group Audit Committee on a quarterly basis through reports on the identification and resolution of control deficiencies which are also shared with the external auditors.

Based on its assessment, management has concluded that, as of 31 December 2022, Aviva Group's internal controls over financial reporting are effective.

During 2022, the Aviva Group has continued to focus on strengthening the internal controls, overseeing assurance over non-financial information, including sustainability and ESG disclosures, and in continuing to assess the impact from the Business, Energy and Industrial Strategy (BEIS) consultation on 'Restoring trust in audit and corporate governance'. Management will continue to progress on these topics and monitor the impact of the audit and corporate governance reforms until final requirements are confirmed. The Aviva Group has also continued to focus on operational risks to the financial plan, including people, cyber, operational resilience and transformation based risks. Further information is in the 'Our risks and risk management' section of the Strategic report.

By March 2022, Aviva had implemented the initial FCA and PRA policy around operational resilience (PS21/3). The initial activity was refreshed throughout the remainder of 2022, with work being focussed on extending the breadth and depth of mapping of our important business services and developing our approach to stressing our resilience and recovery capabilities against severe but plausible scenarios.

Board Oversight of Risk Management

The Board's delegated responsibilities regarding oversight of risk management and the approach to internal controls are set out above. There are good working relationships between the Board committees, and they provide regular reports to the Board on their activities and escalate significant matters where appropriate.

The responsibilities and activities of each Board Committee are set out in the Committee reports.

How we are governed continued

Assessment of Effectiveness of Risk Management

Each business unit Chief Executive Officer is required to make a declaration that the Group's governance, and system of internal controls are effective and are fit for purpose for their business and that they are kept under review throughout the year.

Any material risks not previously identified, key control weaknesses or non-compliance with the Group's risk policies or local delegations of authority must be highlighted as part of this process. This is supplemented by investigations carried out at Group level and a Group CEO and CRO declaration for Aviva plc.

The effectiveness assessment draws on the regular cycle of assurance activity carried out during the year, as well as the results of the annual assessment process. During 2022, this has been supported by the application of the Group's Operational Risk & Control Management (ORCM) framework. The details of key failings or weaknesses are reported to the Risk and Audit Committees and the Board on a regular basis and are summarised annually to enable them to carry out an effectiveness assessment.

The Risk Committee, working closely with the Audit Committee, on behalf of the Board carried out a full review of the effectiveness of the systems of risk management and internal control during the year, covering all key controls, including financial, operational and compliance controls and the RMF.

In addition, internal audit plays a significant role in contributing to the routine ongoing assessment of the Group's RMF. There has been regular reporting to the Risk Committee throughout the year so that the main outstanding areas of improvement identified in 2021 (relating primarily to risk transformation activity) had been largely remediated by the end of 2022.

The reports to the Audit and Risk Committees also enabled ongoing oversight of the management of any transitional service arrangement risks associated with the businesses divested during 2021 and 2022.

Areas of continued focus remain the operational risk and control environment risk profile, cyber security and risk management through major change.

Specific areas for improvement continued to be mitigated in India, which became a majority owned subsidiary in September 2022. The Risk Committee, working in conjunction with the Audit Committee, on behalf of the Board, will continue to monitor the effectiveness of risk management throughout 2023.

The RMF of Aviva's international investments, including China and Singapore joint ventures, can differ from the RMF outlined in this report but with a strong focus on local regulatory compliance. We continue to work with these entities so that their residual risk profiles do not unduly increase the Group's overall risk profile compared to Group's risk appetite.

The principal committees that oversee risk management

The Risk Committee	The Audit Committee
Assists the Board in its oversight of risk and risk management across the Group and makes recommendations on risk appetite to the Board. Reviews the effectiveness of the RMF, and the methodology in determining the Group's capital and liquidity requirements. Ensures that risk management is properly considered in setting remuneration policy.	Works closely with the Risk Committee and is responsible for assisting the Board in discharging its responsibilities for the integrity of the Group's financial statements, the effectiveness of the system of internal controls and for monitoring the effectiveness, performance and objectivity of the internal and external auditors. The Committee works with the Customer and Sustainability Committee on climate-related and non-financial disclosures. The Committee also recommends the appointment and remuneration of external auditors.

Key board activities/Governance in action

Calendar of events 2022

March

- Approved publication of Full Year Results 2021

p2.17

- **Approved £3.75 billion Capital Return via 'B' share issuance**

p2.19

- **Approved acquisition of Succession Wealth**

April

- Board offsite visit to the business unit operations in York
- Approved appointment of Charlotte Jones as CFO

May

- Approved the Q1 trading update
- Approved redemption of the £502 million 6.125 % fixed rate perpetual reset notes at the first call date on the 29 September 2022
- Approved a new issue of £500 million of restricted tier 1 securities, subject to market conditions
- Reviewed a Group Strategic Delivery update

p2.18

- **Streamlined our governance arrangements to better align with the size and shape of the Group**

June

- Dedicated strategy offsite

August

- Approved Half Year 2022 Results

September

Board offsite visit to the business unit operations in Perth

November

- Approved the Q3 trading update
- Reviewed a Group Strategic Delivery update
- Reviewed the Asset Exclusion Policy

p2.19

- **Reviewed the progress of our customer strategy and the new Consumer Duty**

December

- Approved the 2023-2025 Group Financial Plan
- Reviewed the Voice of Aviva Results and Culture Diagnostic
- Reviewed the Workforce of the Future outcomes

Key board activities/Governance in action continued

Outcomes from the 2022 Board evaluation and steps to be taken in 2023

Focus area	Theme	Feedback/actions
Customer strategy	Becoming the go to brand for Insurance, Wealth and Retirement	The Board will continue to focus on delivery of our customer strategy to meet more of our customer needs while moving us towards our ambition to be the number one brand for trust and consideration across all our Insurance, Wealth and Retirement markets.
Drivers for growth	Continuing to achieve profitable growth	The Board will enhance its focus on the key drivers of growth and review and support delivery of the change agenda.
Oversight of change	Ensuring sufficient change management capability	The Group's capability for change as it delivers our customer strategy is crucial and the Board will continue to focus on change management execution and change risk.

Board and Committee evaluation

The effectiveness of the Board is vital to the success of the Group. The Board undertakes a rigorous evaluation process each year to assess how it, its Committees and individual directors are performing. In line with the Code, the Board instructed Lintstock Limited to conduct an externally facilitated evaluation in November and December 2022. Lintstock Limited provides external board evaluation services and has no other connection with Aviva or its directors. The evaluation was conducted through a questionnaire completed by all directors and the results of the evaluation were presented and discussed at the Board in January 2023.

Following this discussion, the Board agreed the key areas of focus, and an action plan to address these specific areas as shown in the table above. All actions from the 2021 Board evaluation were addressed during 2022.

The evaluation also assessed the effectiveness of each of the Board Committees. The current Committee structure was considered effective and the Audit, Nomination and Governance, Risk and Remuneration Committees were all considered to be working effectively. The remit of the Customer and Sustainability Committee has evolved during the course of the year to focus more on customer and sustainability in line with the Group's strategic priorities and will continue to be embedded during 2023.

Capital return

During 2021, the Board delivered on its strategy to focus the portfolio on the UK, Ireland and Canada where our businesses have market-leading positions and to undertake a programme of divestment for our other businesses. On 2 March 2022, we also delivered on our promise to make a substantial capital return to shareholders and announced a £3.75 billion return of capital to ordinary shareholders via a B Share Scheme. This was in addition to the £1 billion share buyback which was completed on 31 March 2022. Ordinary shareholders approved the B Share Scheme at the General Meeting on 9 May 2022.

As part of the return of capital, and recognising that our people are central to our success, the Board approved the award of £1,000 in Aviva shares to each of our 22,000 employees. Later in the year, the Board considered and approved the payment of £10 million in unclaimed payments from the B Share Scheme to the Aviva Foundation to support a range of community organisations focused on financial inclusion and community resilience. The Board has ensured that Aviva continues to maintain its financial strength while returning capital and had an estimated Solvency II shareholder cover ratio of 212% at 31 December 2022.

Key board activities/Governance in action continued

Effective governance

Following our successful programme of divestment in 2021, the Board commissioned a rigorous review of governance arrangements to streamline and better align governance to the size and structure of the remaining Group. This review has resulted in more efficient use of Board and Committee time, for example, to further increase the time available to set and monitor delivery of our strategy.

During the year, the Board also approved the change in the remit of the Customer, Conduct and Reputation Committee which became the Customer and Sustainability Committee. The objective of the change in remit was to allow more detailed oversight of these two key areas of strategy.

To further strengthen the linkage between the Board and the boards of our principle operating entities, the Aviva plc Board approved the appointment of two of its members, Jim McConville and Martin Strobel, as Chairs of Aviva Life & Pensions UK Limited, and Aviva Insurance Limited, respectively. In addition, Mike Craston, Chair of Aviva Investors Holdings Limited was appointed to the Board of Aviva plc.

Key board activities/Governance in action continued

Acquisition of Succession Wealth

On 2 March 2022 the acquisition of Succession Wealth was announced. The acquisition was part of the strategy to drive growth by enhancing Aviva's position in the fast growing UK wealth market and to offer high-quality financial advice to a significant number of our six million pension and savings customers without an existing advisor. The business acquired has a proven track-record of consolidating advice firms and delivering improved client outcomes.

The acquisition of Succession Wealth supported delivery on one of the Board's priorities for 2022 to focus on 'bolt on' acquisitions, to support the aim of delivering growth in our business. The acquisition is expected to deliver a double digit return on capital invested in the medium term and was funded from Aviva's strong capital position.

Customers and Consumer Duty

The Board, together with the Customer and Sustainability Committee, has reviewed the new Consumer Duty and its alignment with the customer strategy. The Board's focus was to ensure that the new Consumer Duty framework was fully embedded and all interdependencies with our customer strategy were understood and appropriate oversight was in place.

The Board has conducted deep dives into the new Consumer Duty regulations and the customer experience more generally and designated Consumer Duty champions have been identified for Aviva Plc and all our principal regulated entities.

All UK businesses are prepared to implement the requirements of Consumer Duty Regulations during 2023.

Nomination and Governance Committee report

George Culmer
Chair, Nomination and Governance Committee

"During the year, the Committee reviewed the skills, experience and diversity on the Board and led the selection process for the appointments of Andrea Blance, Mike Craston and Charlotte Jones."

Committee at a glance

Committee membership and meeting attendance

Name	Appointed	Meeting attendance
George Culmer (Chair)	25/09/19	6/6
Andrea Blance	21/02/22	5/5
Mike Craston	09/08/22	3/3
Patrick Flynn	16/07/19	6/6
Shonaid Jemmett-Page	20/12/21	6/6
Mohit Joshi	01/12/20	6/6
Pippa Lambert	01/01/21	6/6
Jim McConville	01/12/20	6/6
Michael Mire	12/09/13	6/6
Martin Strobel	22/10/21	6/6

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

Committee purpose

The Committee assists the Board in its oversight of Board composition; Board and executive succession; talent development; diversity, equity and inclusion initiatives; and the operation of the Group's governance framework and Aviva's subsidiary governance principles.

Key committee activities during 2022

- The Committee led the selection process for the appointment of Non-Executive Directors to the Board.
- The Committee led the appointment process for the appointment of Charlotte Jones as Chief Financial Officer on 5 September 2022.
- The Committee reviewed the succession plans and the talent development framework for senior executives and continued to oversight the governance and effectiveness of the Group's subsidiary boards.

2023 priorities

- Continue to focus on succession planning at the Board and senior management level to develop a strong and diverse talent pipeline.
- Continue to oversee the governance arrangements of, and engagement with, our subsidiary boards.

Committee membership

Andrea Blance joined the Committee upon her appointment on 21 February 2022 and Mike Craston was also appointed to the Committee on 9 August 2022. Patricia Cross and Belén Romana García both retired from the Committee at the Annual General Meeting on 9 May 2022. Details of members' experience, qualifications and attendance at Committee meetings, together with the number of Committee meetings held during the year, are shown in the 'Our Board of Directors' and 'Governance at a glance' sections of the Governance report.

As already noted, whilst the Committee no longer considered Michael Mire to be independent, he continued to contribute positively to the Committee discussions as a member of the Committee.

Nomination and Governance Committee report continued

Board and executive succession planning

The 2018 UK Corporate Governance Code (the Code) places an emphasis on succession planning and the Committee continues to build on its existing processes to strengthen its focus in this area.

The Committee, on behalf of the Board, assesses the balance of Executive and Non-Executive Directors, and the composition of the Board in terms of skills, experience, diversity and capacity.

During the year, the Committee reviewed the Board skills matrix and identified areas of experience which would be beneficial to add to the composition of the Board. Andrea Blance was appointed on 21 February 2022, bringing detailed understanding of customers, risk and regulation to the Board. Mike Craston was appointed as a Non-Executive Director with effect from 17 May 2022. Mike is Chair of the Aviva Investors' Board in the UK and Canada and brings invaluable asset management and corporate leadership experience to the Board.

The Committee also reviewed the succession plan for the Group CEO to ensure that the internal and external talent pipeline was robust and diverse.

On 13 January 2022, we announced that Jason Windsor had resigned as an Executive Director of Aviva plc, he stepped down from the Board with effect from 9 May 2022.

The Committee led on the appointment of Charlotte Jones as Chief Financial Officer and Executive Director with effect from 5 September 2022.

Michael Mire reached nine years of tenure on 12 September 2022 and therefore no longer met the independence criteria from that date. The Committee considered the composition of the Board and agreed that it would further support the Board's discussion if Michael remained on the Board as a Non-Executive Director.

Patricia Cross and Belén Romana García retired from the Board as Non-Executive Directors at the Company's 2022 AGM.

Board appointments

Our Non-Executive Directors played a principal role in the process to appoint new directors to the Board. Russell Reynolds, an independent consulting company, undertook the search processes for the appointment of the CFO. MWM Consulting supported the Committee in identifying Andrea Blance as a suitable candidate for the Board. Mike Craston, as noted in the 'Effective Governance', case study on 'Governance in Action' was Chair of the Aviva Investors Board and was appointed, inter alia, to strengthen the linkage between the Board and boards of our principle operating entities . Neither Russell Reynolds nor MWM Consulting have other connections with the Company or any individual Director other than the provision of recruitment services.

In line with our succession planning processes, we undertake a formal, rigorous and transparent search process for each external appointment, considering the current balance of skills, experience and diversity amongst our directors. Each appointment is made subject to receipt of the requisite regulatory approvals.

Furthermore, the Board is subject to an annual board effectiveness review including confirming that each Director's performance continues to be satisfactory. In accordance with the Code and the Company's Articles of Association, all serving directors must retire and those who wish to continue in office must stand for election or re-election by our shareholders at each AGM. All directors intending to remain in office at the time of the 2022 AGM, were elected or re-elected at that meeting.

Talent management

The Committee monitors the development of the Group Executive Committee (ExCo) to ensure that there is an appropriate pipeline of senior executives and potential future Executive Board members with the required skills and experience.

During 2022, the Committee received updates from the Group CEO on composition and changes to the Group ExCo and considered the development plans and talent profiles of these individuals in line with the Group's succession plans.

The Committee also considered the development plans designed to prepare successors for ExCo roles. Internal talent development and developing a pipeline of potential future leaders remained an area of focus for the Committee during the year.

The Committee also considers initiatives to enhance, strengthen and diversify the talent pipeline across the wider Group and members of the Committee remain involved in various initiatives, including the Ethnically Diverse Leadership programme and reverse mentoring programmes with senior leaders.

Diversity, Equity and Inclusion

Diversity, Equity and Inclusion continued to be an area of focus for the Committee and the Board. The Board is committed to having a diverse and inclusive leadership team which provides a range of perspectives and insights and the challenge needed to support good decision making. Diversity at Aviva includes, but is not limited to, gender, ethnicity, skills and experience, geographic and socio-economic and educational backgrounds, disability and sexual orientation.

The ways in which we seek to put into practice these values are set out in our Board Diversity, Equity and Inclusion Statement, which supports the Committee's approach to succession planning. This includes our commitment to increasing the number of women in leadership roles to 40% by 2024 and to enhancing the ethnic diversity of our leadership and succession pipeline.

Nomination and Governance Committee report continued

During the year, the Committee reviewed the Statement and expanded its remit to include socio-economic and educational backgrounds. The Statement, which aligns to the overall Group Diversity, Equity and Inclusion strategy, is available on the Company's website at **www.aviva.com/corporate-governance**.

As at the date of this report the representation of women on the Board is 42%. In addition, women represent 42% of the ExCo and further details on gender diversity in the workforce and wider senior leadership population can be found in the Strategic report.

We actively support women advancing into senior roles, with the Group CEO being a member of the 30% Club and HM Treasury's Women in Finance Champion, which commits financial services companies to a range of measures to improve gender diversity amongst senior management.

The Board is pleased to have met the Parker Review Committee's target for all FTSE 100 boards to have at least one director from an ethnic minority background.

The Company also ranks as number 27 on the Stonewall UK Workplace Equality Index.

Conflicts of interest and independence

During 2022, the Committee regularly reviewed the independence of the Board, and conducted a review of individual Director conflict authorisations as recorded in the Conflicts of Interest register. This included any potential conflicts related to external appointments, including Amanda Blanc's appointment to the board of BP plc. In order to form a view of a Director's independence, consideration was also given to other external appointments held by each Director.

For Non-Executive Directors, independence of thought and judgement is vital to facilitating constructive and challenging debate in the boardroom and is essential to the operational effectiveness of the Board and Committees of Aviva. The Committee determines a Non-Executive Director's independence in line with Provision 10 of the Code and was satisfied that all Independent Non-Executive Directors met the criteria for independence and that the Chair of the Board met the criteria on appointment to that role. Mike Craston was not considered an independent Non-Executive Director upon appointment due to his previous role at Aviva Investors. Michael Mire reached nine years of tenure on 12 September 2022 and therefore no longer met the independence criteria from that date. As a result he stood down from the Risk and Remuneration Committees on 12 September 2022.

Organisational design

The Committee considers proposals for operating model simplification within the Group. The reduced geographic size of the Group provided an opportunity to optimise and simplify our operating model to drive efficiency and deliver greater value to our shareholders. The Committee reviewed the organisational design plans and the programme workstreams and considered the governance and controls around the proposed changes.

Corporate governance

The Committee monitors the Group's compliance with the Code and other areas of regulation and guidance. The Group Company Secretary provides updates to the Committee on governance matters, and legal and litigation risks which have the potential to impact the reputation of the Group.

During 2022, the Committee focused on the implementation and embedding of the Group Governance Framework for the oversight of the Group's subsidiaries, as reported in the Subsidiary Governance dashboard. Updates were provided relating to enhancements to the Subsidiary Governance Principles, the effectiveness of the Company's subsidiary boards and the Group Conflicts of Interest policy, and related safeguards.

The Committee considers succession planning for material subsidiaries around the Group and, where appropriate, approves changes to the composition of the material subsidiary boards. The Committee also reviews the outcomes of the board evaluations completed by subsidiaries and monitors the action plans developed by those boards in response to those outcomes.

Committee effectiveness review

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

George Culmer
Chair of the Nomination and Governance Committee
8 March 2023

Audit Committee report

Patrick Flynn
Chair, Audit Committee

"The Committee approved a number of policies relating to the implementation of IFRS 17, reviewed developments in financial and non-financial reporting systems and oversaw enhancements in the control environment ."

Committee at a glance

Committee membership and meeting attendance

Name	Appointed	Meeting attendance
Andrea Blance	21-02-22	6/6
Patrick Flynn (Chair)	16-07-19	6/6
Shonaid Jemmett-Page	20-12-21	6/6
Jim McConville	01-12-20	6/6
Martin Strobel	22-10-21	6/6

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

Committee purpose

The Committee assists the Board in its oversight of financial reporting to ensure that the full year, half-year and quarterly financial statements are suitable for publication. The Committee also provides assurance over the integrity of the Group's financial and non-financial reporting (NFR) including climate-related disclosures. Together with the Risk Committee, it monitors the effectiveness of the internal control environment over financial and non-financial reporting.

The Committee monitors the effectiveness, performance, objectivity and independence of our internal and external auditors. The Committee also monitors our whistleblowing arrangements.

Key committee activities during 2022:

- Reviewed and recommended for approval the quarterly reporting, half-year and full year financial statements.
- Reviewed developments in climate-related and non-financial reporting.
- Reviewed and approved IFRS 17 accounting policies and monitored the development and implementation of systems and processes to support IFRS 17 reporting.
- Assessed the effectiveness of the work of the external auditors and the internal audit function including the outcomes of associated external reviews.
- Monitored the effectiveness of the systems of internal control over financial and non-financial reporting that support the integrity of Aviva's financial and non-financial disclosures.

2023 priorities

- Monitor the implementation and financial reporting under IFRS 17.
- Monitor the process for the transition of the external auditor from PwC to EY.
- Further enhance the quality and assurance procedures for climate-related and non-financial reporting.
- Assess the potential impact of BEIS proposals on corporate reporting, internal controls and audit committees.

Committee membership

Andrea Blance was appointed to the Committee on 21 February 2022. Andrea is an experienced Board member with extensive experience of the financial services industry. Patricia Cross and Belén Romana García retired from the Committee at the Annual General Meeting on 9 May 2022. The members of the Committee as at 31 December 2022 and their attendance are shown in the opposite table. Details of their experience and qualifications are shown in the 'Our Board of Directors' and 'Governance at a glance' sections of the Governance report.

Audit Committee report continued

Committee member requirements

In my role as Committee Chair I annually review how members meet the experience and expertise criteria set out in the 2018 UK Corporate Governance Code and the FCA Disclosure Guidance and Transparency Rules (DTRs). I, as Committee Chair, Andrea Blance, Shonaid Jemmett-Page and Jim McConville fulfilled both this Code and the DTR requirements for financial expertise and experience. The Committee as a whole has competence relevant to the insurance and broader financial services industry.

External and internal audit effectiveness

The Committee regularly receives reports from the external auditor on the progress of its audit activities. The Committee reviews the contents of these reports and the level of professional scepticism and challenge of management assumptions demonstrated by the external auditor, and where appropriate, requests that management respond to that challenge and tracks management response to ensure a satisfactory outcome to the challenges raised.

The 2022 External Audit Effectiveness review was undertaken to assist the Committee in assessing the quality of audit services provided to the Group through completion of a questionnaire by the Committee, subsidiary company audit committees, senior management, and members of the Group's finance teams. The review focused on the effectiveness of the audit team, expertise and resources and interaction with audit committee meetings. Overall feedback was positive and where opportunities for improvement were identified, PwC was asked to take account of that feedback in the planning for future audit activity. The Committee was provided with the FRC Audit Quality Review (AQR) report on the PwC audit of the 2021 Annual Report and Accounts and discussed the findings with PwC. No specific actions were required as a result of the AQR. The AQR provided further external evidence to the Committee of the robustness and quality of the external audit.

The Committee concluded that the external auditor continued to perform effectively and is recommended to shareholders for reappointment at the 2023 AGM. PwC have been Aviva's external auditor since 2012, and subject to continued satisfactory performance, it is anticipated that PwC will continue in its role until completion of the Full Year 2023 audit, when in line with the outcomes of last year's competitive tender process, EY will be appointed as the external auditor. The Company has complied with the Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014 for the year ended 31 December 2022.

The Committee also conducts an annual review of the internal audit function to assess its independence, effectiveness and to satisfy itself that the quality, experience and expertise of the internal audit function is appropriate for the business. This is carried out by reviewing reports issued by internal audit and the output of an annual stakeholder effectiveness survey. This formal process is supplemented by regular private discussions with executive management, the internal auditor and the external auditor. During the year, an External Quality Assessment (EQA) of the internal audit function was completed by Deloitte. The outcome of the EQA was built into an action plan to further enhance the effectiveness of the internal audit function. The Committee concluded that for 2022 the function performed well and remained effective.

Committee effectiveness review

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

Whistleblowing

The Committee Chair is the whistleblowers' champion for the Group and is responsible for overseeing the integrity, independence and effectiveness of the Group's policies in relation to whistleblowing. The Committee receives reports on the number of cases reported to the Speak Up Service, the proportion of reports that are designated as instances of whistleblowing, the number of substantiated cases and summaries of the action taken.

The Committee continues to support the Speak Up team and review opportunities to further enhance the Speak Up Service. The outcome of the Voice of Aviva survey is used to assess staff comfort and confidence in the whistleblowing processes.

2023 Priorities

The Committee will continue to monitor the programme to implement IFRS 17, including the design of reporting systems and calculation of new measures.
The Committee will also seek assurance over the design and implementation of the system of controls over financial reporting relating to disclosures under IFRS 17.
Working in conjunction with the Customer and Sustainability Committee there will be further enhancement to our climate and non-financial reporting and assurance processes.

The Committee also continues to monitor the latest Government proposals for the Department for Business, Energy and Industrial Strategy (BEIS) consultation on audit and corporate governance reform. Proposals, including the development of an Audit and Assurance Policy (AAP), are being closely monitored. While new regulation is not expected during 2023, the Committee is overseeing development of an AAP and changes in external disclosures in readiness for the new regulations when they do take effect.

The Committee will also provide oversight of the work to transition the role of the external auditor from PwC to EY, who, subject to approval at the 2024 AGM, will be appointed for the financial year ended 31 December 2024.

Patrick Flynn
Chair of the Audit Committee
8 March 2023

Audit Committee report continued

Key matters considered during 2022

The significant matters that the Committee considered during the year are set out in the table below.

Matter considered	Context	Committee's response
IFRS and Solvency II (SII) technical provisions	The Committee reviews IFRS and SII technical provisions and the impact of those technical provisions on IFRS Shareholders' Net assets and SII surplus used for the quarterly operating updates, and 2022 Half Year and Full Year financial statements. The Committee reviews the underlying assumptions as these involve complex judgements and changes can have a significant impact on reported results.	**Technical provisions.** The Committee reviewed and challenged the assumptions used in the calculation of the Best Estimate Liability component of the technical provisions required under SII, and the expense impacts on SII reserves across our life and general insurance businesses. The Committee reviewed and challenged the longevity, persistency, expense and residential and commercial property growth assumptions used for the quarterly operating updates, and 2022 half year and full year financial statements. The process around the setting of longevity assumptions was a particularly significant area for review as those judgements could have a material impact on Aviva's SII and IFRS results. During 2022, the Committee worked closely with the Audit Committee of the Group's UK Life subsidiary, Aviva Life & Pensions UK Ltd, to review the detailed analysis and to validate changes observed in recent mortality experience and the resulting impact on the existing longevity assumptions. The Committee reviewed the impact of the period of higher inflation and the rising interest rate environment during 2022. This included residential property assumptions, the impact on the general insurance business of current and future claims inflation, and impacts on the Aviva Staff Pension Scheme. **COVID-19 assumptions on business interruption.** The Committee reviewed the judgements made in relation to COVID-19 Business Interruption losses in the UK and Canada businesses and agreed the changes in provisions required. Following assessment of the proposed assumption changes the Committee considered and noted the expected impact on the financial statements. The Committee reviewed and provided comment on the output of a deep-dive conducted on the key issues and judgements relating to COVID-19 claims for Business Interruption and the expected period of uncertainty while potential claims were resolved. **Reserving process.** Reviewed the controls associated with the SII and IFRS reserving process. The Committee reviewed the sign-off procedures and control framework for movements in IFRS reporting and SII results.
IFRS and SII key accounting judgements and disclosures	The Committee reviews and recommends to the Board Quarterly, Half Year and Full Year disclosures and the impact of accounting judgements on those disclosures. The Committee reviews and recommends to the Board the Annual Solvency and Financial Condition Report.	**Estimates and judgements for IFRS and SII reporting bases.** The Committee reviewed, challenged and recommended approval of IFRS and SII judgements, including the impact of acquisitions on the Group balance sheet and the outcome of goodwill and intangible asset impairment reviews. The Committee reviewed the Group's exposure to contingent liabilities and other risk factors, including amounts allowed for and disclosures. The Committee also considered the financial impact and disclosures stemming from the war in Ukraine. Where appropriate, the Committee monitored and tracked management's response to the challenges it raised to ensure a satisfactory outcome. **Alternative Performance Measures (APMs).** The Committee reviewed and approved the clarification and treatment of certain items within the Group's Alternative Performance Measures (APMs) to further improve the transparency and consistency of reporting of APMs. **Fair, balanced and understandable.** The Committee reviewed the Quarterly, Half Year and Full Year results to support the Board conclusion that taken as a whole, these reports were fair, balanced and understandable and provided the information necessary for shareholders to assess the Group's position, performance, business model and strategy.

Audit Committee report continued

Matter considered	Context	Committee's response
Implementation of IFRS 17	IFRS 17 is a new insurance accounting standard issued by the International Accounting Standards Board (IASB) effective from 1 January 2023. IFRS 17 is expected to have a significant impact on reporting of the Group's financial performance.	The Committee continued to monitor preparedness for the implementation of new IFRS standards, but most significantly in respect of IFRS 17. IFRS 17 will have a significant impact on the measurement and presentation of insurance contracts and the Committee has spent significant time considering the new accounting policies and judgements. The Committee continued to regularly assess the impact on the financial reporting process, the operation of new internal financial tools to be used for financial forecasting and planning purposes, and the calculation of insurance liabilities under the new standard. The Committee monitored updates on the planning and implementation activities for IFRS 17, and reviewed and approved tranches of accounting methodologies during 2022 in support of a series of 'dry runs' ahead of the effective date of 1 January 2023. The Committee initially commenced the review and agreement of IFRS 17 accounting policies and judgements during 2021. This continued into 2022 as the Committee reviewed, challenged and approved the material accounting judgements required to implement IFRS 17. The Committee also assessed the effectiveness of the systems of controls over the new IFRS 17 reporting systems. The Committee has overseen the implementation of the approved policies in determining the impact of IFRS 17 on Aviva plc's Statement of Financial Position as at 1 January 2022. Further information on these policies is provided in Note 62.
Non-financial and Sustainability Reporting	The Committee provides oversight of the integrity of climate-related and non-financial reporting.	The Committee reviewed and challenged the application of critical climate-related and non-financial metrics related policies, practices, methods and judgements to calculate the metrics. This included the monitoring of the systems of controls over these disclosures. The Committee reviewed the findings of the assurance with the external auditor and shared with the Customer and Sustainability Committee the outcome of the review, and how it contributed to the integrity of climate and non-financial metrics reporting in the Annual Report and Sustainability Report. The Committee, working with the Customer and Sustainability Committee, recommended the climate-related disclosures to the Board for approval.
Internal Controls	The Committee provides oversight of the system of internal control over financial reporting.	**Review of the effectiveness of the Operational Risk and Control Management (ORCM) system.** The Committee regularly reviewed a number of reports to allow the evaluation of the effectiveness of controls and any failings or weaknesses. The Committee continued to challenge and support developments to the risk aware culture of our people and strong internal control framework. **Review of internal controls.** The Committee reviewed reports on the effectiveness of the internal controls over financial and non-financial reporting to gain assurance that these remained in tolerance with no control weaknesses which could have a material impact on the financial results and non-financial metrics. As referenced in 'How we are governed' section, the Committee received reports on the assessment of financial reporting controls deficiencies and the detailed findings of the testing undertaken for the remediation. The Committee also reviewed an assessment of the overall effectiveness of the governance, and risk and control framework of the organisation. The review concluded that Aviva's risk appetite framework was being adhered to and was effectively being tracked and monitored. **Legal and regulatory reports.** The Committee received quarterly reports on current and emerging legal and regulatory matters and any potential impact on Aviva's financial statements.

Audit Committee report continued

Matter considered	Context	Committee's response
Internal Audit	The Committee has responsibility for overseeing the work, effectiveness and independence of the internal audit function.	**Annual plan, budget and reports.** The Committee reviewed and approved the internal audit plan and budget and monitored progress against this plan to ensure completion of the plan by year end. The Committee received an annual report where internal audit provided an assessment of the control environment of the areas on which work had not been undertaken. The Committee reviewed the output of the external quality assessment and actions to further enhance the effectiveness of the internal audit function. **Internal Audit Charter.** Reviewed and approved the Internal Audit Charter. **Quarterly reports.** The Committee also received quarterly control reports from the internal audit function, including monitoring the quantum and trend in internal report findings, and challenged management on the actions being taken to improve the effectiveness of the governance and risk and control framework of the organisation. The quarterly internal audit reports contain control environment metrics including: the status of internal audit opinions that are rated as unsatisfactory or where major improvement is needed; key issues identified, emerging trends and their impacts on the organisation's risk profile; and the status of management actions to resolve issues identified.
External Audit	The Committee has responsibility for monitoring the external auditor PricewaterhouseCoopers LLP's (PwC) independence and objectivity and the effectiveness of the external audit process.	**External auditor independence.** The Committee reviewed the auditors compliance with the independence criteria in the UK Corporate Governance Code and monitored compliance with our external auditor Business standard. The Committee meets with external auditor without management present to provide a forum for any issues to be raised. **External audit plan and budget.** The Committee reviewed and approved the 2022 audit plan presented by PwC and progress against the plan. **Audit related and non-audit services.** The Committee monitors the External Auditor Business Standard to ensure no firm, other than PwC, undertakes audit and audit-related services other than in exceptional circumstances. The Committee also monitors non-audit services (including audit-related and other assurance services) provided by PwC. The Committee has put in place a structure to review and approve the provision of audit and audit-related services by PwC and receives bi-annual reports on these services provided by PwC and the fees charged for those services. The Committee also gains assurance that the fees remain well below the 70% non-audit services fee cap. There were no material non-audit services provided by PwC during 2022. In 2022 the Group paid PwC £30.4 million (2021: £17.5 million) for audit and audit-related assurance services. PwC were paid £1.7 million (2021: £1.3 million) for other assurance services, giving a total fee to PwC of £32.1 million (2021: £18.8 million). Further information on auditors' remuneration is set out in note 11. **Implementation of IFRS 17.** The Committee reviewed reports from PwC on Aviva's progress in implementing IFRS 17. PwC reviewed and provided commentary to the Committee on key accounting policies and judgements which supported the Committee's oversight and approval of IFRS 17 accounting policies and judgements. PwC worked with the FRCF team to perform process walkthroughs, identify key controls and understand the testing of key controls. The Committee did not request any specific areas of review from the external auditor beyond the normal cycle of audit activity.

Audit Committee report continued

Matter considered	Context	Committee's response
Longer Term Viability Statement (the Statement) and Going Concern Assessment	The UK Corporate Governance Code requires the Board to assess the Company's current position and principal risks and state whether it has a reasonable expectation the Company will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment. The Committee supports the Board in making that assessment.	The Committee reviewed the principles underpinning the Statement for 2022 and concluded that the Company and its subsidiaries will be able to continue in operation and meet their liabilities as they become due. The Committee recommended to the Board the Statement and going concern assessment to the Board. More information on these statements can be found in the Directors' report. The Committee continues to consider it appropriate that the Statement covers a three-year period.

Customer and Sustainability Committee report

Shonaid Jemmett-Page
Chair, Customer and Sustainability Committee

"During the year, the Committee transitioned from the Customer, Conduct and Reputation Committee to focus more closely on overseeing the progress of our customer and sustainability ambitions."

Committee at a glance

Committee membership and meeting attendance

Name	Appointed	Meeting attendance
Shonaid Jemmett-Page (Chair)	14-02-22	4/4
Mike Craston	09-08-22	2/2
Jim McConville	01-12-20	5/5
Pippa Lambert	01-01-21	5/5
Michael Mire	12-09-13	4/5

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

Committee purpose

The Committee assists the Board in its oversight of customer and sustainability issues. This includes evaluating progress on Aviva's ambition to be a leading customer-service-oriented company, including in our investments and innovation in customer experience. The Committee also reviews our progress in bringing the power of the whole of Aviva to the benefit of our existing and future customers and our communities, as well as delivering on our Sustainability Ambition.

Key committee activities during 2022

- Reviewed the customer agenda, received regular updates on material customer trends and monitored progress against customer metrics.
- Undertook deep dives in relation to the FCA's new Consumer Duty Regulations, vulnerable customers, customer data, corporate customers and financial inclusion, including the community investments we made.
- Monitored the progress of Aviva's Sustainability Ambition, including tracking performance against key metrics and targets.
- Reviewed our Sustainability Report, Climate Transition Plan, TCFD report and non-financial metrics and recommended these to the Board for approval.
- Received updates on how we measure and track our reputation.
- Reviewed the Group's conduct risk dashboard (including emerging risks) and received regulatory updates.
- Reviewed the Groups's Modern Slavery Statement and approved Aviva's Business Ethics Code.

2023 priorities

- Continue to focus on the customer agenda and the progress of the customer strategy.
- Monitor the impact the implementation of the Consumer Duty will have on our customers.
- Oversee progress against our sustainability scorecard and review our Sustainability Report, Climate Transition Plan and TCFD report.

Committee membership

I was delighted to join the Committee on 14 February 2022. During the year, Jim McConville stepped down as Chair, while remaining a member of the Committee. I became Chair on 17 May 2022. I would like to thank Jim for his leadership of the Committee since 2020. Mike Craston joined the Committee on 9 August 2022. The members of the Committee as at 31 December 2022 and their attendance are shown in the table opposite. Details of their experience and qualifications are shown within the 'Our Board of Directors' and 'Governance at a glance' sections of the Governance report. In addition, the UK Life Insurance and UK General Insurance Conduct Committee Chairs also attend the committee by standing invite.

Customer and Sustainability Committee report continued

Transition to the Customer and Sustainability Committee during 2022

During the year, the Committee transitioned from the Customer, Conduct and Reputation Committee to the Customer and Sustainability Committee. Conduct matters were transferred to the remit of the Risk Committee and reputational matters to the Board. This has enabled the Committee to focus more closely on customer and sustainability matters across all of Aviva's businesses, routinely from the UK Life Insurance and UK General Insurance businesses and by way of deep dives from the Canadian and Irish businesses.

Customer

The Committee provided oversight of our customer strategy and operations. This included regular reviews of the customer dashboard, which provided the Committee with an overview of key customer metrics, data and insights. The Committee reviewed our Customer and Marketing transformation plan, which is designed to help Aviva meet more of our customers' needs. It also monitored the progress of customer journeys which could be undertaken digitally and the improvements in customer experience.

The Committee reviewed and supported our new brand campaign, "Making it Click" which recognises that taking financial action can be difficult for customers and was aimed at helping customers make decisions in relation to their finances.

In a joint meeting with the Risk Committee, the Committee undertook a deep dive on Aviva's data strategy and reviewed our data capabilities, as well as our plans to enhance customer experience, including for our more vulnerable customers.

Sustainability

The Committee tracked progress against Aviva's Sustainability Ambition, including programme governance, Key Performance Indicators and the Sustainability Ambition scorecard. The Committee reviewed and agreed the non-financial metrics, which demonstrate Aviva's ESG performance and monitored progress against the metrics. The Committee also provided input into the governance model for external reporting.

The Committee provided oversight of the Aviva Climate Transition Plan which supports Aviva's ambition to become a Net Zero carbon company by 2040. The Committee reviewed the content of the TCFD disclosures in preparation for the climate disclosures being voted on (on an advisory basis) at the Annual General Meeting. The Committee also reviewed the Aviva Sustainability Report and recommended this to the Board.

The Committee continued to monitor and support our community investment and received updates on the partnership with Citizens Advice and the Money Advice Trust.

The Committee received updates on the actions we are taking to help our customers and communities through the cost of living challenge.

Further information on our integrated responsibility and sustainable business approach can be found on the Company's website at: **www.aviva.com/sustainability**.

Aviva Canada and Ireland

During the year, Aviva Canada and Aviva Ireland presented to the Committee an update on their customer strategies including customer journeys and experience and on the sustainability scorecards for their markets. The presentations provided the Committee with information on how Aviva Canada and Ireland contributed to the overall group performance.

Conduct and compliance

Whilst as the Customer, Conduct and Reputation Committee, the Committee reviewed Aviva's conduct risk agenda, conduct risk profile, compliance obligations and the wider regulatory landscape. The Committee received regular updates on the implementation of the FCA's Pricing Practices regulation which came into effect on 1 January 2022.

The Committee also conducted a deep dive into the FCA's new Consumer Duty proposals, following the FCA's second consultation paper published in December 2021 and reviewed Aviva's response to the consultation in February.

The Committee continued to receive regular updates on the Consumer Duty regulation throughout the year and assessed the impact the Duty would have on our customers.

Reputation

Prior to the transition of the Committee, the Committee monitored developments in the Group's reputation and reputational risk position. Key areas of focus included feedback on Aviva's reputation amongst different stakeholder groups, as well as the impact of business interruption litigation on Aviva and the cost of living challenges faced by Aviva customers.

Committee effectiveness review

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

Shonaid Jemmett-Page
Chair of the Customer and Sustainability Committee
8 March 2023

Risk Committee report

Andrea Blance
Chair, Risk Committee

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

Committee at a glance

Committee membership and meeting attendance

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

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

Committee purpose

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

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

Key committee activities during 2022

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

2023 priorities

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

Committee membership

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

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

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

Risk Committee report continued

Oversight of risk management

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

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

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

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

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

During the year, the oversight of conduct risk was transferred to the Risk Committee as part of the transition of the Customer, Conduct, and Reputation Committee to the Customer and Sustainability Committee. The Committee will continue to focus on conduct risk into 2023, particularly as the requirements of the new Consumer Duty Regulations are embedded.

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

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

Macroeconomic environment

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

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

Employee wellbeing has remained high on the agenda and the Committee discussed the actions being taken to manage people risk, including resource stretch, and the cost of living crisis.

Control environment

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

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

Climate change

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

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

Committee effectiveness review

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

2023 priorities

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

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

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

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

Andrea Blance
Chair of the Risk Committee
8 March 2023

Remuneration Committee report

Pippa Lambert
Chair of the Remuneration Committee

"Our 2022 remuneration outcomes reflect the strong performance of Aviva"

Throughout the Directors' Remuneration Report we use a colour coding system:

Salary, pension and other benefits

Bonus LTIP

Committee at a glance

Committee membership and meeting attendance

Name	Appointed	Meeting attendance
Pippa Lambert (Chair)	01-01-21	6/6
Andrea Blance	21-02-22	4/4
Patrick Flynn	15-06-20	6/6
Jim McConville	01-02-23	N/A

On behalf of the Remuneration Committee (the Committee), I am pleased to present the Directors' Remuneration Report (DRR), for the year ended 31 December 2022.

The DRR is presented in three parts in addition to this letter:

- 'Remuneration at a glance' - key aspects of interest to shareholders
- 'Annual report on remuneration' - further detail on how the Directors' Remuneration Policy (the Policy) has been applied and remuneration outcomes in respect of 2022, and how the Policy will be implemented in 2023
- 'Directors' Remuneration Policy' - as approved by shareholders in 2021

Committee purpose

The Committee assists the Board in its oversight of remuneration by:

- Reviewing the Directors' Remuneration Policy and Directors' Remuneration Report
- Approving remuneration packages for the Non-Executive Chair and Executive Committee (ExCo)
- Approving the remuneration framework for regulated employees and reviewing wider workforce remuneration and policies
- Working with the Risk Committee to ensure that risk management is considered in setting the Policy through the alignment of incentive and rewards with risk management

Key committee activities during 2022

- Senior management objectives, pay decisions, bonus and Long Term Incentive Plan (LTIP) target setting
- Responding to cost of living challenges impacting our colleagues
- Progressing our ambitious diversity, equity and inclusion (DE&I) agenda
- Share plan operations and performance testing
- Governance and regulatory matters

More details are provided in the Annual report on remuneration.

The Committee's decisions are taken in the context of the Reward Governance Framework, which sets out the key policies, guidelines and internal controls and is summarised in the Annual report on remuneration.

2023 priorities

- Review of the Directors' Remuneration Policy
- Continued monitoring of the impact of the rising cost of living on our colleagues

More details about our 2023 focus areas are provided later in my letter.

Committee membership

Michael Mire stood down from the Committee on 12 September 2022. Michael joined the Committee in 2015 and I would like to thank him for his contribution over the past seven years.

Jim McConville joined the Committee in February 2023. Jim brings significant experience of the financial services industry and of group strategy and transformation.

2022 performance

Our strong performance through 2022 reflects our market leading positions, customer focus and the benefits of our diversified business.

Aviva's capital and liquidity position is strong, and our high-quality asset portfolio has performed despite market volatility.

Remuneration Committee report continued

Growth in the value created in our businesses

Performance against the financial measures in relation to our incentive plans exceeded targets:

- Growth in the value created by our businesses was demonstrated in the increase in Solvency II own funds generation (Solvency II OFG) and cash remittances, both exceeding target levels.
- Cost reductions achieved in 2022 were in line with our targets, reflecting continued efficiency improvements.
- Growth and expense discipline saw increased group adjusted operating profit, in excess of target level.

In terms of non-financial performance, the Committee welcomed the continued improvement evident in our risk and control environment, as reflected in an above target assessment against the qualitative and quantitative measures within the Risk scorecard. Our employee engagement levels saw a 14 point increase to 86%, a figure well ahead of market norms. This reflects the focus on leadership development and visibility, and actions to support our people through a difficult economic environment.

Performance against our customer measures was more challenging, given the impact of inflation on product pricing, supply chain issues, and market volatility on pension valuations.

Supporting our people

Oversight of remuneration across the wider colleague population featured prominently on the Committee's agenda during 2022. Aviva is proud to pay all of our UK colleagues at least the Real Living Wage, plus an additional 8% to enable colleagues to benefit from our 14% matching pension contribution and save for their retirement.

During 2022, we closely monitored the impact of the rising cost of living on our colleagues and welcomed the actions that were taken to support them, which included:

- Over 9,000 colleagues received a one-off cost of living payment of up to £1,000.
- All colleagues received £1,000 of free shares to recognise their contribution to the reshaping of our business and the capital return to shareholders.
- Car parking charges have been removed at UK sites where Aviva is the facility operator.
- An extension to our wellbeing programmes to include financial education.
- 21,000 free lunches were provided to children of UK colleagues during school holidays.

For 2023, the UK salary budget was 7%. Recognising the current cost of living challenges, a higher budget was targeted at more junior colleagues offset by a significantly lower budget for senior management.

Remuneration outcomes for 2022

Our remuneration outcomes reflect the strong performance of Aviva in 2022, as set out below.

2022 annual bonus

The formulaic outcome from the annual bonus scorecard was 79.7% of maximum (at 159.3%).

The Committee carefully considered this outcome in the context of broader performance and a quality of earnings assessment, noting input from the Audit and Risk Committees, to ensure the scorecard outcome was reflective of overall performance and aligned with the experience of shareholders. The Committee determined that no adjustments were required to the formulaic bonus scorecard outcome.

In line with the Policy the Committee also considered the individual performance of the Group CEO and Group CFO to determine whether individual adjustments to the scorecard outcome were required.

Amanda Blanc's performance as Group CEO continues to be exceptional. Aviva's share price has performed strongly against both our sector and the broader FTSE 100, reflecting strong execution of the clear strategy which Amanda has set out.

From an external perspective, Amanda has continued to enhance Aviva's profile across multiple industry and public forums and has been recognised as an influential business and financial services leader. This performance is reflected in Amanda's annual bonus for 2022 of 97.2% of maximum (at 194.3% of salary).

Since joining Aviva as Group CFO in September 2022, Charlotte Jones has made an impressive start, quickly building relationships and credibility with stakeholders. Charlotte has provided effective leadership through a period of external volatility while developing an ambitious business plan for the Group and creating a long-term vision and strategy for the Finance function. Charlotte's annual bonus for 2022 was 86.4% of maximum (at 129.7% of salary).

2020-22 LTIP

The formulaic vesting outcome was 80.2%, reflecting strong performance against the Solvency II return on equity (Solvency II RoE) and relative Total Shareholder Return (TSR) targets. Consistent with our commitments, the Committee carefully reviewed whether this vesting outcome was appropriate, being mindful of the guidance from proxy agencies and investors around the issue of 'windfall gains'. This assessment, detailed within the report, resulted in a 10% downward adjustment in the vesting outcome.

Remuneration Committee report continued

Appointment of Charlotte Jones

As announced, Charlotte Jones was appointed as Group CFO on 5 September 2022. On appointment, Charlotte's remuneration package was in line with that of her predecessor. I have been particularly impressed with how quickly Charlotte has built relationships with our stakeholders. Further details can be found within the DRR.

Shareholder consultation

The Chair and Executive Directors (EDs) meet with institutional shareholders during the year. Topics raised during 2022 included Aviva's dividend policy, capital returns, climate risk and progress against our strategic plan. A shareholder newsletter is published quarterly on aviva.com.

I look forward to continued constructive engagement with shareholders this year as we prepare a revised Policy for approval at the 2024 AGM.

Remuneration in 2023

Salary

Amanda will receive a salary increase of 4.85%. Charlotte will receive a salary increase of 4.81%.

The percentage increases for our Executive Directors are significantly below the overall increase in the UK salary budget of 7%.

2023 annual bonus and 2023-25 LTIP

For Amanda and Charlotte, the opportunities are unchanged from the awards made for the prior year. Charlotte's award opportunities are consistent with those of her predecessor.

	Annual bonus		
	Target opportunity	Maximum opportunity	LTIP opportunity
Group CEO	100%	200%	350%
Group CFO	100%	150%	225%

Opportunities are in line with the Policy.

2023 focus areas

The Committee will continue to focus on ensuring that remuneration fairly rewards, and is aligned with, business performance.

In addition, the Committee will perform a comprehensive review of the Directors' Remuneration Policy in 2023. I look forward to engaging with shareholders as part of the review ahead of the 2024 AGM vote.

Finally, the Committee took a number of actions to support colleagues through cost of living challenges during 2022. In 2023, we will continue to closely monitor the ongoing impacts to colleagues.

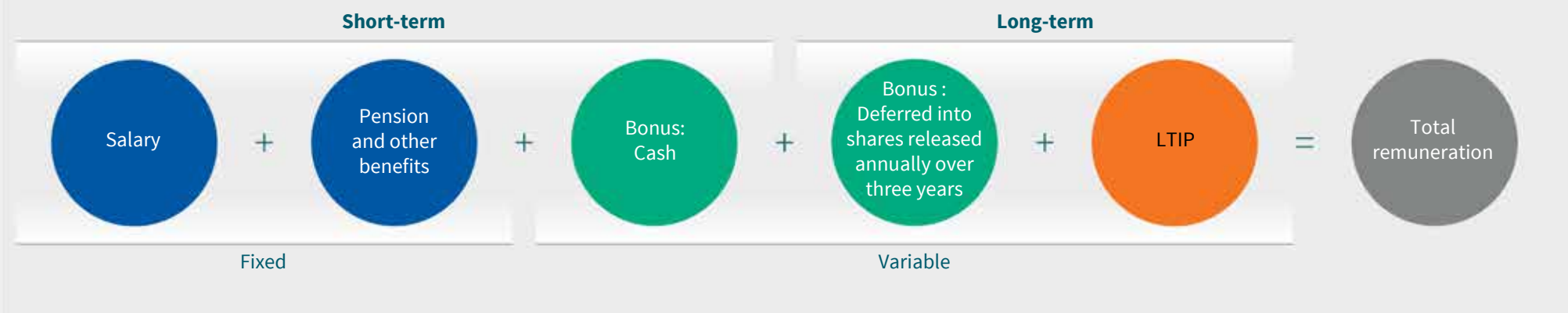
Conclusion

Aviva has again delivered very strong results in a challenging and volatile economic environment, demonstrating the benefits of our diversified business. As a Committee, we have sought to make decisions which effectively drive and reward results, while continuing to align with UK best practice remuneration and governance expectations. I hope that this report is clear and informative and I look forward to seeing shareholders at the forthcoming AGM.

Pippa Lambert
Chair of the Remuneration Committee
8 March 2023

Remuneration at a glance

1. What are the elements of our Executive Directors' remuneration?



2. How remuneration is linked to our purpose and strategy

Our purpose

To be with you today, for a better tomorrow.

Our strategic priorities

Customer focus (1)
TNPS, RNPS and OES ensure our remuneration outcomes are linked to our continued focus on customers.

Targeted growth (2)
Financial measures assess value created and incentivise growth.

Top quartile efficiency (3)
Cost reduction and return measures reflect focus on efficiency.

Leading on sustainability (4)
LTIP award includes both environmental and DE&I measures.

Measuring outcomes

2023 Annual Bonus Plan (ABP)	Linked to	2023-2025 LTIP	Linked to
Transactional Net Promoter Score (TNPS)	1	Relationship Net Promoter Score (RNPS) gap to competition	1
Online experience score (OES)	1	Relative total shareholder return	2
Solvency II OFG	2, 3	Cumulative cash remittances	2, 3
Group adjusted operating profit	2, 3	Solvency II RoE	2, 3
Gross cash remittances	2, 3	Ethnically diverse employees in senior leadership roles	4
Cost reduction	3	Females in senior leadership roles	4
Employee engagement	4	Reduction in carbon intensity of shareholder assets	4
Risk scorecard	4		

Pay for performance

Remuneration outcomes
We are committed to ensuring that remuneration outcomes for EDs reflect performance and are aligned to strategic priorities and shareholders' interests.

Variable pay, subject to the achievement of stretching performance targets, makes up a significant portion of total remuneration, largely delivered in shares to create further shareholder alignment.

Remuneration at a glance continued

3. How did we determine performance-based pay in 2022?

Component	Measure	Maximum Outcome	% Outcome Achieved
2022 Annual bonus	Solvency II OFG	40%	40%
	Gross cash remittances	50%	50%
	Group adjusted operating profit	30%	30%
	Cumulative cost savings	20%	11%
	Risk scorecard	30%	19%
	Transactional NPS	10%	0%
	MyAviva online experience score	10%	0%
	Employee engagement	10%	10%
	Total scorecard outturn[1]	**200%**	**159.3%**

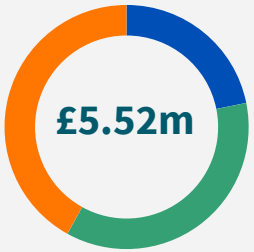
Component	Measure	Maximum Outcome	% Outcome Achieved
2020-22 LTIP	Relative total shareholder return	50%	30%
	Solvency II RoE	50%	50%
	2020 LTIP vesting outcome[1]	**100%**	**80.2%**

1. No discretion was exercised by the Committee in the outturn of the Annual bonus

4. How much did we pay our Executive Directors in 2022?

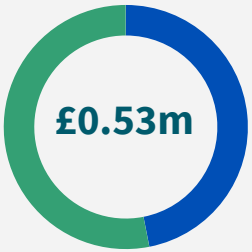
A significant proportion of EDs' remuneration is long-term, performance-based, and remains 'at risk' by virtue of malus and clawback conditions.

Chief Executive Officer – Amanda Blanc



Salary, pension and other benefits
Bonus
LTIP[1]

Chief Financial Officer – Charlotte Jones[2]



Salary, pension and other benefits
Bonus
LTIP

1. Amanda Blanc's 2020 LTIP vesting was subject to a downwards adjustment of 10% as a result of a review of potential 'windfall gains', please see description after table 4 for further details
2. Charlotte Jones joined Aviva on 5th September 2022; her salary and bonus are pro-rated for the four months worked in 2022. She did not receive a buyout award upon joining Aviva.

Remuneration at a glance continued

5. How does our remuneration policy operate throughout the wider workforce?

	Executive Directors	Executive Committee	Senior Management	Wider workforce
Salary	Our principle is of pay equity for performing the same, or broadly similar, work, accounting for local market benchmarks and union/collective agreements, where applicable.			
	Salaries are reviewed annually and increases are typically in line with or less than the wider employee population.			Salaries are reviewed annually subject to engagement with employee representatives/unions where applicable. It is important that all colleagues enjoy a reasonable standard of living and we are proud to be both a Real Living Wage and a Living Hours employer in the UK.
Benefits	Eligible for a range of voluntary benefits and wellbeing support available to all colleagues in respective markets. Colleagues can participate in a share matching plan (Aviva matches two shares for every one bought up to £50 per month) and, in the UK, the Aviva Savings Related Share Option Scheme 2020 (SAYE). UK benefits include 8 times' salary death-in-service. In addition, flexible benefits allow colleagues to add to and/or supplement where Company provisions differ, e.g. private health benefit.			
	Private medical insurance.			Essential health support in lieu of private medical insurance.
Pension	Eligible to participate in Aviva's UK defined contribution pension scheme with a 14% contribution (or where applicable receive cash in lieu). Rates in Ireland are 14 %, different rates apply in Canada in line with market.			
Bonus basis	Annual performance-related bonus based on Group, business unit (where applicable) and individual performance against goals.			
Bonus deferral	⅔ into shares	½ into shares	⅓ into shares	All paid in cash
Long-term incentive	LTIP share awards are subject to strategic performance measures over three years.		Eligible for Restricted Share Awards aligned with shareholder interests, long-term Aviva performance and retention of key talent.	Not eligible
	Additional two-year holding period post-vesting applies to EDs.	Additional holding period post-vesting not applicable to ExCo.		

Remuneration at a glance continued

Alignment with the UK Corporate Governance Code

The Committee is mindful of the UK Corporate Governance Code's six principles when it determines remuneration policy. The Committee's view is that the Remuneration Framework at Aviva is well-aligned with these areas.

Clarity

- Our remuneration framework is structured to support the financial and strategic objectives of the Group, aligning the interests of our EDs with those of shareholders and wider stakeholders.
- We are committed to transparent communication with all our stakeholders, including shareholders – further details of our engagement process for the Policy are set out under the 'Views' section on the next page.

Risk

Our reward structure ensures risk events are reflected in remuneration outcomes through:

- Opinion from Risk on appropriate performance measures and targets; risk, performance management and consequence management inputs are considered before awards are made.
- Overarching discretion is retained to adjust formulaic outcomes to properly reflect any risk events.
- Deferral of annual bonus (over three years) and LTIP (five years, including an additional two-year holding period for EDs), subject to malus and clawback provisions which mitigates against future risk.
- Our within- and post-employment shareholding guidelines align to the successful delivery of the Group's long-term strategy.

Simplicity

- We operate a simple remuneration framework, comprising fixed pay elements, along with short-and long-term variable elements.
- This structure provides clear line of sight for both executives and shareholders.
- The annual bonus and LTIP are focused on our strategic priorities, rewarding performance against key measures of success for the business.

Proportionality

- There is clear alignment between the performance of the Group and the rewards available to EDs.
- Incentive elements are closely aligned to our strategic goals, transparent and robustly assessed, with the Committee having full discretion to adjust outcomes to ensure they align with overall Aviva performance.

Predictability

- The Policy sets out the possible future value of remuneration which EDs could receive, including the impact of share price appreciation of 50% – see the illustration of the Policy for further details.

Alignment to culture

- We are committed to effective stakeholder and colleague engagement.
- As part of this, the Committee regularly reviews data and insights relating to pay and broader employment conditions in the workforce, and takes these into account when considering executive remuneration.

Remuneration at a glance continued

Views

Shareholders

In its ongoing dialogue with shareholders and proxy advisory bodies, the Committee actively seeks their views, ensuring that feedback received is discussed at Committee meetings and ultimately feeds into the development of new proposals. We will consult with shareholders during 2023 in preparation for presenting our Policy to shareholders at the 2024 Annual General Meeting.

Our colleagues

The Committee has sight of colleague views through the colleague engagement survey (Voice of Aviva), input from the People function during Committee meetings, colleague forums and the Evolution Council, chaired by the Board Chair. Specifically for the last two channels:

- The Committee Chair met with Your Forum (a fully elected employee forum representing UK colleagues) as well as members of Unite the Union in June 2022. Discussion included matters of interest to colleagues and members covering areas such as colleagues' return to the office and hybrid working; recruitment and retention; the Group's ongoing response to the cost of living challenges as well as our ESG goals and strategy for the future.
- The Evolution Council consists of a diverse group of high calibre leaders from across the business who discuss a range of topics related to the Group's strategy, values, culture and performance.

When determining the Policy and arrangements for EDs, the Committee also reviews:

- Pay and employment conditions elsewhere in the Group to ensure reward structures are suitably aligned and that levels of remuneration remain appropriate, as set out below table 12. Other considerations include:
  - Changes in remuneration (salary, benefits and bonus) of UK employees compared with that of directors (see table 8).
  - The ratio of CEO pay to that of employees (see tables 11 and 12).
  - Gender and ethnicity pay gaps. We released our UK Pay Gap Report 2022 in February 2023. This was the sixth year that we published our gender pay gap and the second time we published our ethnicity pay gap. The report also included details of actions we are taking to drive change and close the gap. The report can be found at **www.aviva.com/about-us/uk-pay-gap-report**.
  - Any material changes to benefit and pension provision for colleagues more widely.

Annual report on remuneration

This section of the report sets out how Aviva has implemented its Policy during 2022.

This is in accordance with the requirements of the Large & Medium Sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended).

Committee membership

The members of the Committee during the year are shown below. Patricia Cross retired from the Committee at the AGM on 9 May 2022 and Michael Mire retired from the Committee on 12 September 2022. Jim McConville joined the Committee in February 2023 so is not included in the table.

	Appointed	Years on the Committee
Pippa Lambert[1]	01-01-21	2
Patricia Cross[2]	01-12-13	N/A
Michael Mire[3]	14-05-15	N/A
Patrick Flynn	15-06-20	3
Andrea Blance	21-02-22	1

1. Became Chair of the Committee on 14 September 2021
2. Retired from the Committee on 9 May 2022
3. Retired from the Committee on 12 September 2022

The Committee met six times during 2022, all of which were scheduled meetings. Details of Committee members' experience, qualifications and attendance at Committee meetings during the year are shown in the 'Our Board of Directors' and 'Governance at a glance' sections of the Governance report.

The Group Chair attended all meetings of the Committee. The Group General Counsel and Company Secretary acted as secretary to the Committee. The Chair of the Committee reported to subsequent meetings of the Board on the Committee's work and the Board received a copy of the minutes of each Committee meeting.

During the year, the Committee received assistance in considering executive remuneration from a number of senior managers, who attended certain meetings (or parts thereof) by invitation during the year, including:

- the Group CEO;
- the Group CFO;
- the Group Chief People Officer;
- the Group Reward and Performance Director;
- the Chief Financial Controller;
- the Chief Audit Officer;
- the Group Chief Risk Officer; and
- the Remuneration Committee Chair of Aviva Investors.

No person was present during any discussion relating to their own remuneration.

During the year, the Committee received advice on executive remuneration matters from Deloitte LLP. Deloitte LLP were approved by the Committee and appointed as their advisers in 2012 following a competitive tender process. The Committee regularly reviews and satisfies itself that the advice received from Deloitte LLP is independent and objective.

The Committee notes Deloitte LLP is a member of the Remuneration Consultants Group and adheres to its Code of Conduct. During the year, Deloitte LLP also provided advice to the Group on various taxation, risk, compliance and other consulting advisory services.

Tapestry Compliance Limited, appointed by the Company, provided legal and regulatory advice on share incentive plan related matters, including on senior executive remuneration matters and views on shareholder perspectives.

Annual report on remuneration continued

During the year, Deloitte LLP were paid fees totalling £165,850 and Tapestry Compliance Limited were paid fees totalling £40,811 for their advice to the Committee on these matters. Fees were charged on a time plus expenses basis.

The Committee reflects on the quality of the advice provided and whether it properly addresses the issues under consideration as part of its normal deliberations. The Committee is satisfied that the advice received during the year was objective and independent.

Committee effectiveness review

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

Committee activities during 2022

Governance, regulatory issues and reporting policy

- Reviewed updates from external advisers on the regulatory environment and on benchmarking the Group's remuneration policies and practices against industry best practice.
- Reviewed and approved the Company's annual remuneration regulatory reporting and disclosures.
- Reviewed and approved the Reward Governance Framework Policies.
- Approved the list of in scope staff in respect of the different regulatory regimes to which the Company is subject.

Senior management objectives, pay decisions and bonus and LTIP target setting

- Determined appropriate levels of discretion to be applied to ED and ExCo remuneration outcomes, taking into account the potential impact of windfall gains, shareholder experience and the risk and control environment.
- Discussed and approved the annual bonus targets for 2023.
- Reviewed and approved the proposed individual remuneration for each member of the ExCo in relation to their performance.
- Agreed an appropriate approach to remuneration packages for incoming and outgoing ExCo members in line with policy.
- Reviewed wider workforce pay and employment terms and conditions.
- Concluded its review of 2021 performance:
  - Reviewed the Risk and Internal Audit 2021 Performance Opinion in relation to remuneration.
  - Discussed and approved the overall maximum bonus pool available to senior managers for the 2021 performance year, taking into account measures on culture and risk as well as on financial performance.

Share plan operation and performance testing

- Reviewed performance testing of all existing LTIP awards, and approved targets for the 2022 LTIP awards.
- Approved vesting outcomes for the 2019 LTIP and noted the interim testing for the 2020, 2021 and 2022 awards, including consideration of potential windfall gains on the 2020 LTIP awards.
- Reviewed and approved any application of malus and clawback.
- Approved the terms of the SAYE, the Aviva Ireland Save as You Earn Scheme, the Ireland Profit Share Scheme, and the invitation terms for eligible employees.

The Committee's decisions were taken in the context of the Reward Governance Framework, which sets out the key policies, guidelines and internal controls and is summarised on the next page.

Annual report on remuneration continued

Reward Governance Framework

Terms of reference, policies and guidelines				Control and assurance	
Terms of reference	**Remuneration Committee terms of reference** Sets out the Committee's scope and responsibilities, including authorities which may be delegated but which still retain Committee oversight			**Remuneration business standard** Assurance framework to attest reward operations are conducted within the Aviva Remuneration Policy, Directors' Remuneration Policy and supporting policies	**Reward approvals framework** Approval requirements to ensure Reward operations are conducted within the Aviva Remuneration Policy, Directors' Remuneration Policy and supporting policies
	Subsidiary board remuneration committee terms of reference Sets out the subsidiary remuneration committees' scopes and responsibilities				
Overarching policy	**Aviva Remuneration Policy** Approved by the Committee, applies to all employees in entities within Aviva Group	**Directors' Remuneration Policy** Approved by shareholders, applies to directors of Aviva Group plc			
Supporting policies	**Identification of remuneration regulated employees**	**Variable pay and risk adjustment** (includes bonus, LTIPs, buyout, retention, recognition awards and funding)	**Malus and clawback**		
Internal guidelines and non-Remuneration Committee approved policies (examples)	**Benchmarking**	**Bonus deferral**	**Buyouts and guarantees**		
	Global mobility	**Retention awards**	**Specialist incentive schemes**		

Key

Element of the Reward Governance Framework managed as part of the business of the Committee

Element of the Reward Governance Framework managed mainly under delegated authority from the Committee

Annual report on remuneration continued

Single total figures of remuneration for 2022

The table below sets out the total remuneration for 2022 and 2021 for each of our EDs.

Table 1 Total 2022 remuneration – Executive Directors (audited information)

	Executive Directors				Former Executive Directors		Total emoluments of Executive Directors[8]	
	Amanda Blanc		Charlotte Jones[6]		Jason Windsor[7]			
	2022 £000	2021 £000	**2022 £000**	2021 £000	**2022 £000**	2021 £000	**2022 £000**	2021 £000
Basic salary[1]	**1,023**	1,000	**220**	—	**354**	675	**1,596**	1,675
Benefits[2]	**59**	121	**2**	—	**5**	7	**66**	128
Pension[3]	**125**	123	**27**	—	**43**	83	**195**	206
Total fixed pay	**1,206**	1,244	**249**	—	**402**	765	**1,857**	2,009
Annual bonus[4]	**2,001**	1,766	**283**	—	**—**	—	**2,284**	1,766
LTIP[5]	**2,315**	—	**—**	—	**—**	—	**2,315**	—
Total variable pay	**4,317**	1,766	**283**	—	**—**	—	**4,599**	1,766
Total[9]	**5,523**	3,010	**532**	—	**402**	765	**6,457**	3,775

1. Basic salary received during the relevant year
2. The benefits disclosure includes the cost, where relevant, of private medical insurance, life insurance, accommodation, travel and car benefits. All numbers disclosed include the tax charged on the benefits, where applicable. Year-on-year decrease in Amanda's benefits is because she did not receive taxable relocation assistance after 2021.
3. Pension contributions consist of employer defined contribution benefits, excluding salary exchange contributions made by the employees, plus cash payments in lieu of pension. Amanda, Charlotte and Jason received cash payments equivalent to a pension contribution of 14%, reduced for the effect of employers' National Insurance contributions when paid as cash. No ED has a prospective entitlement to benefit in a defined benefit scheme.
4. Bonus payable in respect of the financial year including any deferred element at the face value at the date of award. EDs are required to defer two-thirds of any bonus awarded into Aviva shares. The deferred share element is granted under the ABP and will vest in equal tranches on the first, second and third anniversary of the award date, subject to continued employment. No discretion was exercised in determining the 2021 annual bonus outturn.
5. The value of Amanda Blanc's LTIP for 2022 relates to the 2020 award, which has a three-year performance period ending 31 December 2022. As a result of the downwards adjustment of 10%, as disclosed in the description below table 4, 72.18 % of the award will vest in March 2023. An assumed share price of 429.65 pence has been used to determine the value of the award based on the average share price over the final quarter of the 2022 financial year. The amount of the value of the LTIP that is attributable to share price appreciation (the appreciation being the difference between the face value at the date of award and the vested value of the award) is £1,081k. The nil LTIP amount in 2021 reflects the fact that neither Amanda Blanc nor Jason Windsor received an LTIP award in 2019, which had a three-year performance period ending 31 December 2021. 0% of the award vested in March 2022.
6. Charlotte Jones was appointed as Group CFO on 5 September 2022; the figures for 2022 reflect the period since her appointment
7. Jason Windsor gave notice of his resignation on 12 January 2022 and resigned as CFO on 10 July 2022. During this period, Jason continued to receive his contractual salary and benefits. Deferred awards for Jason Windsor under the ABP and LTIP did not vest and lapsed on termination of his employment.
8. Year-on-year decrease in total fixed pay is primarily due to 2022 figures only reflecting part-year remuneration for Jason Windsor and Charlotte Jones. Year-on-year increase in total emoluments of Executive Directors is primarily due to Amanda Blanc's eligibility for LTIP in 2022.
9. The EDs have not received any items in the nature of remuneration other than those disclosed in table 1

Annual report on remuneration continued

2022 Annual bonus outcomes

The chart below summarises how our annual bonus[1] operated for 2022.

Step I

Financial measures

- 25% Gross cash remittances
- 20% Solvency II OFG
- 15% Group adjusted operating profit
- 10% Cumulative cost reduction

Performance against financial measures subject to a quality of earnings assessment.

Strategic measures

- 5% Transactional NPS
- 5% MyAviva online experience score
- 5% Employee engagement
- 15% Risk scorecard

Performance is assessed against defined minimum, target and maximum targets

Step II – Individual performance

The bonus scorecard outcome from step I may then be modified based on:

- Individual contribution and achievements;
- How the individual has assisted the Group achieve progress against its strategic objectives;
- The leadership they have exhibited; and
- How the individual has demonstrated Aviva's values.

Individual adjustments are not determined in a formulaic manner. The Committee reviews overall performance against each individual's objectives and applies judgement as to whether any adjustment is warranted. In recent years adjustments have ranged from -17.5% to +25%.

1. This approach also used as the basis for determining bonuses for colleagues across the Group. For Aviva Investors, bonus funding is primarily based on profitability.

Step I – Bonus scorecard

The table below sets out performance against financial and non-financial targets under the bonus scorecard. The overall scorecard outcome percentage applies to all EDs.

Table 2 2022 performance against bonus scorecard for Executive Directors' bonuses (audited information)

Measure	Weighting	Minimum (50 %)	Target (100 %)	Maximum (200 %)	Actual	Outcome
Financial measures (70% of total)						
Gross cash remittances	25.0%	£1,700m	£1,750m	£1,800m	**£1,845m**	**50.0%**
Solvency II OFG	20.0%	£1,140m	£1,230m	£1,320m	**£1,623m**	**40.0%**
Group adjusted operating profit	15.0%	£1,615m	£1,745m	£1,875m	**£2,213m**	**30.0%**
Cumulative cost reduction	10.0%	£300m	£325m	£350m	**£327m**	**10.8%**
Total financial measures	70.0%					**130.8%**
Strategic measures (30% of total)						
Transaction NPS	5.0%	41.0	44.0	47.0	**40.5**	**0%**
MyAviva online experience score	5.0%	50.0%	52.5%	55.0%	**45.5%**	**0%**
Employee engagement	5.0%	70.0%	73.0%	76.0%	**86%**	**10.0%**
Risk scorecard[1]	15.0%	7.5%	15.0%	30.0%	**18.5%**	**18.5%**
Total strategic measures	30.0%					**28.5%**
Scorecard outcome	100.0%					**159.3%**

1. The Risk Scorecard objectively assesses and reports on how effectively first line Aviva employees and senior management manage risk and controls. The Risk Scorecard considered risk behaviours, outcomes and a second line check and challenge. The Group outturn rating reflects ongoing progress with strengthening the Risk and Control environment and desired Risk Culture throughout Aviva.

Annual report on remuneration continued

Step II – Individual performance

The Committee assessed Amanda on her individual performance in the year which is set out below. The Committee also assessed Charlotte on her individual performance from the period of joining Aviva in September 2022 to the end of the year. This assessment is set out to the right.

Amanda Blanc

Amanda's strong leadership continues to have a significant impact on the performance and transformation of the Aviva Group. Key achievements include:

- Delivery of a robust set of financial results, meeting or exceeding targets for: Cash remittances, Solvency II OFG, Group adjusted operating profit and cost savings.
- Completion of the £4.75 billion capital return, with an additional capital return scheduled for the 2022 results announcement.
- Completion of strategic bolt-on acquisitions, namely Succession Wealth and Azur.
- Playing a significant role in lobbying for Solvency II reforms, which would enable Aviva to invest in a wider range of asset classes, most notably, Infrastructure.
- Disciplined and active management of pricing and underwriting to mitigate inflationary pressures.
- Employee engagement 5% above Financial Services (FS) norms[1], employees feeling safe to speak up 10% above FS norms, and trust in senior leadership has increased 14% year on year.
- Continued strengthening of the senior leadership team through the appointment of Charlotte Jones as Group CFO.
- Enhancement of customer digital journeys with 200+ changes made this year.
- Significant progress towards Aviva's ambition to be Net Zero by 2040 and continuing to shape the future financial architecture for climate change through work with GFANZ and attendance at COP15.
- Enhancing Aviva's brand through her media activity. Amanda was named as The Sunday Times Business Person of the Year and Insurance Personality of the Year at the British Insurance Awards. She was also included in The Financial Times' 25 most influential women of 2022 and Forbes – The World's 100 Most Powerful Women in 2022.
- Amanda is the Women in Finance Charter Champion and helped to issue a blueprint of best practice to help all organisations in progressing the female agenda.

Charlotte Jones

Key achievements include:

- Building relationships and credibility with colleagues, analysts, shareholders and regulators.
- Maintaining the financial strength of the Group, with strong capital and liquidity positions, despite market volatility and political uncertainty.
- Partnering with the Group CEO on delivering key updates to the market, including an update on IFRS 17 implementation.
- Leading on the development of a stretching and ambitious three-year business plan, which is aligned to the Group's strategic priorities and commitments to investors.
- Creating a long-term vision and strategy for Finance and reshaping the function to deliver transformative commercial partnering to the business.

Table 3 2022 bonus outcomes for Executive Directors (audited information)[2]

The Committee considered that in light of Amanda's outstanding performance during the year, it was appropriate to apply an individual adjustment of 35% to her bonus outcome. As Charlotte was newly appointed, the Committee did not make any adjustment to her bonus outcome.

	Amanda Blanc	Charlotte Jones
Bonus scorecard (0% – 200%)	159.3%	159.3%
Committee discretion	—%	—%
Sub total	**159.3%**	**159.3%**
Individual adjustment	35.0%	—%
Final outcome	**194.3%**	**159.3%**
Target opportunity (% of salary)	100.0%	100.0%
Maximum opportunity for 2022[2] (% of salary)	200.0%	150.0%
Final bonus outcomes		
% of salary[3]	**194.3%**	**129.7%**
% of maximum	**97.2%**	**86.4%**
£ amount	**£2,001,290**	**£282,921**

1. FS norms are provided by Perceptyx. The benchmark is composed of 53 global financial services organisations
2. The Group CEO has a maximum bonus opportunity, inclusive of any individual adjustment, of two times target (i.e. 200% of salary) while the Group CFO has a maximum opportunity, inclusive of any individual adjustment, of one and a half times target (150% of salary)
3. The bonus scorecard for EDs can range from 0 to 200 %. When the final outcome is above 100%, the resulting final bonus outcome, as a percentage of salary, is on a '1% for 1%' basis for the Group CEO and on a '2% for 1%' basis for other EDs; e.g. a final outcome of 140% would result in a bonus of 140% of salary for the Group CEO and 120% of salary for other EDs. When below 100%, scaling is '1% for 1%', such that a final outcome of 80% would result in a bonus of 80 % of salary for all EDs, including the Group CEO.

Annual report on remuneration continued

Discretion

The Committee is conscious of the provisions of the 2018 Code, with remuneration committees being encouraged to review incentive outcomes against individual and company performance, together with any wider circumstances, and to exercise independent judgement and discretion in relation to remuneration outcomes. Taking into account the impact of the outcome of the quality of earnings assessment (see opposite), the Committee is of the view that these outcomes appropriately reflect the overall performance of Aviva during the year and align with the experience of shareholders and no discretion was exercised.

2020 LTIP vesting in respect of performance period 2020-2022 (audited information)

The Solvency II RoE and TSR outcomes for the 2020 LTIP are detailed in the table below.

Table 4 2020 LTIP award – performance conditions

Measure		Threshold (20 % vest)[1]	Maximum (100 % of vest)	Vesting (% of maximum)
Solvency II RoE - 50%	Aviva performance	10.5%	12.5%	100%
			13.2%	
Relative TSR[2] - 50%	Aviva performance	Median	Upper quintile and above	60%
		5.2 out of 14		

1. Threshold vesting is 20% for each performance measure independently
2. For the purposes of measuring the TSR performance condition, the Company's TSR and that of the comparator group will be based on the 90-day average TSR for the period immediately preceding the start and end of the performance period. The comparator group is provided in footnote 4 to table 16.

Amanda was granted 641,921 conditional shares under the LTIP on 6 August 2020 for the three-year performance period from 1 January 2020 to 31 December 2022. An additional 104,637 shares have accrued as dividend equivalents. Amanda was appointed as Group CEO on 6 July 2020 and her 2020 LTIP award was pro-rated to represent period of time worked in 2020.

On a formulaic basis, the 2020 LTIP award vested at 80.2% of maximum. This reflected strong performance against the financial Solvency II RoE target, with favourable economic movements over the period not affecting the vesting outcome, and above median relative TSR performance. Consistent with our commitments in the 2020 DRR, the Committee carefully reviewed whether this vesting outcome was appropriate, being mindful of the guidance from proxy agencies and investors around the issue of 'windfall gains'.
In doing so, the Committee recognised three key factors:

- Firstly, there was a fall in the share price in the period prior to grant. The extent to which this fall was driven by COVID-19 is ultimately a subjective judgement, but the overall magnitude was not wholly out of line with that seen in the wider market or sectoral peers.
- Secondly, Aviva's performance over the last three years, and particularly in the period since Amanda Blanc's appointment in July 2020, has been outstanding. From a total shareholder return perspective, we outperformed our sector[1] median by c.14 percentage points and the broader FTSE 100 by c.13 percentage points. The strategy which Amanda announced with our Half Year 2020 results has delivered strong financial performance – we have seen robust growth across targeted areas, while continued progress on our cost base has driven greater efficiencies throughout the business. We also sold businesses in continental Europe (France, Poland and Italy) and Asia (Singapore and Vietnam). This strong performance allowed us to return £4.75 billion to shareholders, and we have announced a new share buyback scheme beginning in March 2023.
- Thirdly, in determining the LTIP award made to Amanda on joining Aviva, the Committee at that time decided on an extremely conservative approach, resulting in an award of 147% of salary. This represented 49% of a full award despite Amanda being in role for 83% of the performance period.

Taking all of the above into consideration, the Committee concluded that a downwards adjustment of 10% was appropriate. This reflects the Committee view that there had been an impact from COVID-19 on the share price at the time of grant, but also recognises both the outstanding performance delivered over the last three years and the significant reduction which had already been applied to Amanda's award. The Committee considered that this adjustment provided a reasonable final vesting outcome, aligned with Aviva's performance and circumstances over the period.

1. Based on the median of Aviva's 2020 LTIP comparator group, which can be found in footnote 4 to table 16.

Quality of earnings assessment – 2022 remuneration decisions

The Committee discussed those items that impacted the overall results in 2022 e.g. foreign exchange, acquisitions and disposals, life assumption and modelling changes, prior year reserve development, and other items that are non-recurring in nature. This process provides the Committee with an understanding of the core profitability of the business taking these factors into account.

Malus and clawback

As part of the annual pay review process, the Committee has considered whether any recovery or withholding under the malus and clawback provisions of Aviva's incentive plans is required by any current circumstances.

Annual report on remuneration continued

No incidents concerning the EDs are currently subject to action under Aviva's Malus and Clawback policy.

Table 5 Awards granted during the year (audited information)

Share and option awards granted to EDs during the year are set out below.

	Date of award	Award type[1]	Face value (% of basic salary)[2]	Face value (£)[2]	Threshold performance (% of face value)[3]	Maximum performance (% of face value)	End of performance period	End of vesting/ holding period
Amanda Blanc	21 Mar 2022	LTIP	350%	£3,500,000	20%	100%	31 Dec 2024	21 Mar 2027
	21 Mar 2022	ABP	118%	£1,177,333	N/A	N/A	N/A	21 Mar 2025
Charlotte Jones	5 Sep 2022	LTIP	225%	£1,518,750	20%	100%	31 Dec 2024	21 Mar 2027

1. ABP and LTIP awards have been granted as conditional share awards. The LTIP is a conditional right to receive shares, which vest at the end of a three-year performance period, with an additional two-year holding period. ABP represents two-thirds of the 2021 bonus, which is deferred into shares and vests in three equal annual tranches. Shares issued in lieu of dividends accrue on ABP and LTIP awards during the ABP deferral period and the LTIP performance period.
2. Face values for the awards granted on 21 March 2022 and 5 September 2022 have been calculated using the average of the middle-market closing price of an Aviva ordinary share on the three consecutive business days immediately preceding the date of the main grant for employees, 21 March 2022, of 424 pence
3. Threshold vesting is 20% for each performance measure independently. This means less than 20% may vest overall.

Targets for LTIP awards made in 2022

Three-year targets are set annually within the context of the Company's strategic plan. The 2022 targets are provided below.

Table 6 2022 LTIP performance targets (audited information)

		Vesting	Below threshold	Threshold		Maximum	Above maximum
Measure	Weighting		0%	20%	20-100 %	100 %	100 %
Solvency II RoE[1]	**15%**			**11%**		**13%**	
Cumulative cash remittances[1]	**25%**			**£5.3bn**		**£5.8bn**	
Relative TSR[2]	**40%**			**Median**		**Upper quintile**	
Reduction in CO_2 intensity of shareholders' assets and with-profit funds[3]	**7.5%**			**25%**		**27.5%**	
RNPS gap to competition[4]	**7.5%**			**11.0**		**14.0**	
Females in senior leadership roles[5]	**2.5%**			**37.0%**		**40.0%**	
Ethnically diverse employees in senior leadership roles[6]	**2.5%**			**10.0%**		**13.0%**	

1. Any vesting of the Solvency II RoE and Cumulative cash remittances elements of the LTIP are subject to a Solvency II shareholder cover ratio that meets or exceeds the minimum of the stated working range (in 2022, this was 160%)
2. Aviva's TSR performance will be assessed against that of the following companies: Admiral, Allianz, AXA, Direct Line Group, Hargreaves Lansdown, Hiscox, Intact, Legal & General, Lloyds Banking Group, M&G, Phoenix, Quilter and Zurich Insurance Group. The performance period for the TSR performance condition is the three years beginning 1 January 2022. For the purposes of measuring the TSR performance condition, the Company's TSR and that of the comparator group will be based on the 90-day average TSR for the period immediately preceding the start and end of the performance period.
3. Reduction in CO_2 intensity of shareholder assets and with-profit funds over the three-year performance period is aligned to Aviva Group's target of being Net Zero by 2040
4. RNPS is calculated on gap to competition over a three-year average
5. Calculated as the percentage of colleagues in senior leadership roles in the UK, Ireland, Canada and Group functions who identify as female
6. Calculated as the percentage of colleagues in senior leadership roles in the UK who identify their ethnicity as anything other than 'white'

Payments to past directors (audited information)

There were no payments made to past directors during the year.

Payments for loss of office (audited information)

There were no payments for loss of office made during the year.

Annual report on remuneration continued

Table 7 Total 2022 remuneration for Non-Executive Directors (audited information)

The table below sets out the total remuneration earned by each NED who served during 2022 for Group-related activities.

	Aviva plc						Subsidiaries						Group total	
	Fees		Benefits[1]		Total		Fees		Benefits[1]		Total			
	2022 £000	2021 £000	**2022 £000**	2021 £000	**2022 £000**	2021 £000	**2022 £000**	2021 £000	**2022 £000**	2021 £000	**2022 £000**	2021 £000	**2022 £000**	2021 £000
Chair														
George Culmer	**550**	550	**14**	8	**564**	558	**—**	—	**—**	—	**—**	—	**564**	558
NEDs														
Andrea Blance[2]	**144**	—	**4**	—	**148**	—	**—**	—	**—**	—	**—**	—	**148**	—
Mike Craston[2]	**74**	—	**6**	—	**80**	—	**129**	—	**3**	—	**132**	—	**212**	—
Patricia Cross[3]	**42**	141	**—**	—	**43**	141	**—**	—	**—**	—	**—**	—	**43**	141
Patrick Flynn	**210**	210	**9**	1	**219**	211	**—**	—	**—**	—	**—**	—	**219**	211
Belén Romana García[3]	**62**	175	**—**	—	**62**	175	**—**	—	**—**	—	**—**	—	**62**	175
Shonaid Jemmett-Page[2]	**156**	3	**4**	—	**160**	3	**—**	—	**—**	—	**—**	—	**160**	3
Mohit Joshi	**105**	105	**2**	1	**107**	106	**—**	—	**—**	—	**—**	—	**107**	106
Pippa Lambert[4]	**145**	124	**2**	—	**147**	124	**—**	—	**—**	—	**—**	—	**147**	124
Jim McConville	**151**	170	**19**	1	**170**	171	**113**	—	**12**	—	**125**	—	**295**	171
Michael Mire	**125**	135	**4**	1	**128**	136	**—**	—	**—**	—	**—**	—	**128**	136
Martin Strobel[2]	**125**	23	**16**	—	**141**	23	**84**	—	**22**	—	**106**	—	**247**	23
Total emoluments of NEDs	**1,889**	1,636	**80**	12	**1,969**	1,648	**326**	—	**37**	—	**363**	—	**2,332**	1,648

1. Benefits include the gross taxable value of expenses relating to accommodation, travel and other expenses incurred on Company business in accordance with our expense policy and may vary year-on-year dependent on the time required to be spent in the UK
2. Martin Strobel was appointed to the Board on 22 October 2021, Shonaid Jemmett-Page on 20 December 2021, Andrea Blance on 21 February 2022 and Mike Craston on 17 May 2022
3. Patricia Cross and Belén Romana García retired from the Board on 9 May 2022. Patricia Cross received benefits with a gross taxable value of £472.
4. Pippa Lambert was appointed as Chair of the Remuneration Committee effective 14 September 2021. Her Chair fees in 2021 are pro-rated to reflect this.

The Aviva plc total fees paid to NEDs in 2022 was £1,889,000, which is within the limits set in the Company's Articles of Association, as previously approved by shareholders.

Subsidiary company board memberships

During the year, the following NEDs were appointed to subsidiary companies and received emoluments in respect of those appointments:

- Mike Craston received an additional fee of £205,000 in respect of his duties as Chair of Aviva Investors Holdings Ltd, Chair of Aviva Investors Canada Inc. and as a director of two Aviva Investors subsidiary companies, all positions which he held before his appointment as a NED of Aviva plc. Only the fees payable during his time as a director of Aviva plc are disclosed here, equating to £128,616. While he received fees in 2021 for these appointments, these fees are not included as he was not a director of Aviva plc at the time.
- Jim McConville received an additional fee of £112,500 (2021: N/A) in respect of his duties as Chair of both Aviva Life Holdings UK Ltd and Aviva Life & Pensions UK Ltd, positions to which he was appointed on 27 April 2022.
- Martin Strobel received an additional fee of £84,462 (2021: N/A) in respect of his duties as a NED and then Chair of Aviva Insurance Ltd. He was appointed as a NED on 5 May 2022 and took on the role of Chair from 30 June 2022.

Annual report on remuneration continued

Percentage change in remuneration of the directors

Table 8 sets out the change in the basic salary, bonus and benefits of each of the directors and that of the wider workforce. The regulations require a comparison between the remuneration of each director and that of all employees of the parent company on a full-time equivalent basis. As Aviva plc has no direct employees, and in line with our approach in prior years, we have voluntarily disclosed for the UK employee workforce. The Group CEO and CFO are based in the UK (albeit with global responsibilities) and pay changes across the Group vary widely depending on local market conditions.

Table 8 Percentage change in remuneration of the directors

	2021-22			2020-21			2019-20		
	Salary/Fees	Bonus	Benefits[9,10]	Salary/Fees	Bonus	Benefits[10]	Salary/Fees	Bonus	Benefits
Group CEO[1]									
Amanda Blanc	**2.3%**	**13.3%**	**(51.4)%**	0.0%	47.2 %	(23.9)%	—	—	—
Group CFO[1]									
Charlotte Jones	**-**	**—**							
Jason Windsor	**(47.5)%**			0.0%	(100.0)%	(82.6)%	0.0%	(0.6)%	11.1%
Chair[1]									
George Culmer	**0.0%**	**—**	**74.8%**	0.0%	—	57.7%	263.6%	—	(26.3)%
NEDs[2]									
Andrea Blance[4]	**-**								
Mike Craston[4]	**-**								
Patricia Cross[1,7]	**(14.9)%**	**—**	**—**	0.2%	—		10.4%	—	— %
Patrick Flynn[1,3]	**0 %**	**—**	**1433.4%**	5.0%	—	(75.0)%	44.8%	—	(39.4)%
Belén Romana García[1,7]	**0%**	**—**	**660.1%**	6.1%	—	(98.0)%	18.9%	—	(47.9)%
Shonaid Jemmett-Page[1,5]	**83.0%**	**—**	**—**	—	—	—	—	—	—
Mohit Joshi	**0%**	**—**	**69.8%**	—	—	—	—	—	—
Pippa Lambert[1]	**17.0%**	**—**	**350.7%**	—	—	—	—	—	—
Jim McConville[6]	**(11.1)%**	**—**	**4997.8%**	—	—	—	—	—	—
Michael Mire[8]	**(7.8)%**	**—**	**484.0%**	4.9%	—	10.5%	9.6%	— %	(82.8)%
Martin Strobel[1]	**0%**	**—**	**—**	—	—	—	—	—	—
All UK-based employees	**6.5%**	**2.1%**	**(14.2)%**	3.8%	47.4%	34.8%	3.3%	0.5%	10.7%

1. Salary/fees, annual bonus and benefit amounts for the EDs, the Chair and the NEDs have been annualised where applicable to reflect what they would have been over a full 12-month period to aid comparison. The decrease in benefits for EDs reflects lower relocation and taxable travel and subsistence.
2. The increase in fee levels for NEDs in 2020 are mainly driven by increases in fees effective July 2020
3. Patrick Flynn was appointed as Senior Independent Director of Aviva plc and a Remuneration Committee member on 15 June and 7 September 2020 respectively
4. Andrea Blance was appointed to the Board on 21 February 2022 and Mike Craston on 17 May 2022
5. Shonaid Jemmett-Page joined the Audit Committee and the Risk Committee on 14 February 2022; she became chair of the Customer and Sustainability Committee on 17 May 2022
6. Jim McConville stood down as Chair of the Customer and Sustainability Committee, remaining a member, on 17 May 2022
7. Belén Romana García and Patricia Cross stepped down from the Board on 9 May 2022
8. Michael Mire stood down from the Risk Committee and Remuneration Committee on 14 September 2022
9. The increase in taxable benefits for UK based employees in 2021, and subsequent decrease in 2022 has been mainly driven by the one-off recognition in 2021 of colleagues for their hard work during the pandemic. The taxable benefits also increased in 2021 due to the increase in the cost of private medical insurance. Without these items, benefits would have increased by 8.4 % in 2021 reflecting greater use of our online recognition platform.
10. The increase in benefits for NEDs in 2022 compared to 2021 is largely reflective of the return of taxable travel and subsistence costs after the pandemic. The reduction in benefits in 2021 compared to 2020 is largely reflective of reduced taxable travel and subsistence costs due to the pandemic.

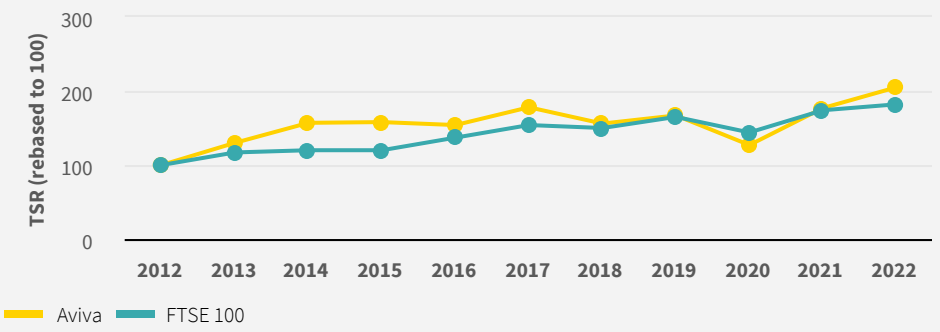
Annual report on remuneration continued

Historical TSR performance and Group CEO remuneration outcomes

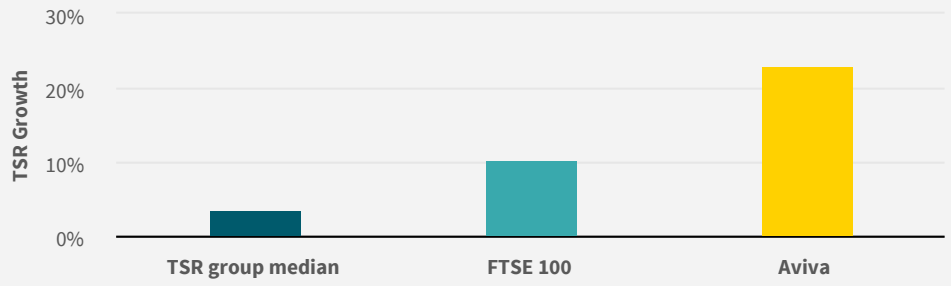
The table below compares the TSR performance of the Company over the past ten years against the TSR of the FTSE 100. This index has been chosen because it is a recognised equity market index of which Aviva plc is a member.

For additional context, the chart below also shows on a three-year basis the performance against the FTSE 100 and median TSR performance for the LTIP comparator group. The companies that comprise the 2022 LTIP group for TSR purposes are listed below table 6.

Table 9
Aviva plc ten-year TSR performance against the FTSE 100



Three-year TSR performance against the FTSE 100 and the median of the 2022 LTIP comparator group



The table below summarises the historical Group CEO single figure for total remuneration, and annual bonus and LTIP outcomes as a percentage of maximum over this period.

Table 10 Historical Group CEO remuneration outcomes

	Group CEO	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Annual bonus payout (as a % of maximum opportunity)	Amanda Blanc[1]	—	—	—	—	—	—	—	60.0%	88.3%	**97.2%**
	Maurice Tulloch[2]	—	—	—	—	—	—	48.1%	0.0%	—	**— %**
	Mark Wilson[3]	75.0%	86.7%	91.0%	91.0%	94.0%	42.0%	—	—	—	**— %**
LTIP vesting (as a % of maximum opportunity)	Amanda Blanc	—	—	—	—	—	—	—	—	—	**72.2%**
	Maurice Tulloch	—	—	—	—	—	—	50.0%	0.0%	—	**0**
	Mark Wilson	—	—	53.0%	41.3%	36.9%	—	—	—	—	**0**
Group CEO single figure of remuneration (£000)	Amanda Blanc	—	—	—	—	—	—	—	1,205	3,010	**5,523**
	Maurice Tulloch	—	—	—	—	—	—	2,352	1,030	—	—
	Mark Wilson	2,615	2,600	5,438	4,523	4,318	1,836	—	—	—	—

1. Amanda Blanc was appointed Group CEO on 6 July 2020
2. Maurice Tulloch was appointed Group CEO on 4 March 2019. Maurice stepped down as Group CEO and retired from the Board on 6 July 2020.
3. Mark Wilson joined the Board as an ED with effect from 1 December 2012 and became Group CEO on 1 January 2013. Mark stepped down as Group CEO and left the Board on 9 October 2018.

Annual report on remuneration continued

CEO Pay ratio reporting

The table below sets out the ratio at median, 25th and 75th percentile of the total remuneration received by the Group CEO compared to the total remuneration received by our UK employees. Total remuneration reflects all remuneration received by an individual in respect of the relevant years, and includes salary, benefits, bonus, pension, and value received from incentive plans.

Table 11 CEO Pay ratio table

Year	Method	P25 (lower quartile)	P50 (median)	P75 (upper quartile)
2022	**Option A**	**181:1**	**127:1**	**76:1**
2021	Option A	102:1	70:1	42:1
2020	Option A	80:1	56:1	34:1
2019	Option A	90:1	63:1	37:1

We would highlight the following in terms of the approach taken.

- In calculating the ratio for 2020, the single figure for both Amanda Blanc and Maurice Tulloch in respect of their services as Group CEO were aggregated
- In 2019, the single figure for Maurice Tulloch was aggregated with the pro rata fees for Sir Adrian Montague as Executive Chairman
- The P25, P50 and P75 employees were calculated based on full-time equivalent data as at 31 December of the relevant years
- Out of the three alternatives available for calculating the ratio, we chose to use Option A as it is considered to be the most accurate way of identifying employees at P25, P50 and P75, and is aligned with shareholder expectations. Under this approach we calculate total remuneration on a full-time equivalent basis for all of our UK employees and rank them accordingly.

The increase in the ratio reflects the fact that Amanda Blanc's first LTIP since becoming Group CEO vested during the year. The ratio for 2021 was therefore lower as no LTIP was due to vest for the CEO in respect of that year. Executive Directors receive a greater proportion of their remuneration in elements tied to performance, including participation in the LTIP. This means that the pay ratio will vary in large part due to incentive outcomes each year.

Although the CEO pay ratio has increased, the total remuneration for each quartile employee has increased. This reflects the measures taken by Aviva to support our colleagues through the rising cost of living.

Table 12 provides further information on the total remuneration figure for each quartile employee, and the salary component within this.

Table 12 Salary and total remuneration used in the CEO pay ratio calculations

Year	Pay element	P25 (lower quartile)	P50 (median)	P75 (upper quartile)
2022	Salary	£25,667	£33,875	£55,506
	Total remuneration	£30,583	£43,603	£72,530

In reviewing the employee pay data, the Committee is comfortable that the P25, P50 and P75 individuals identified appropriately reflect the employee pay profile at those quartiles, and that the overall picture presented by the ratios is consistent with our pay, reward and progression policies for UK employees.

At Aviva, we are equally focused on our colleagues as we are on our customers. We recognise the individual needs of colleagues and we are proud of the reward, benefits and overall career packages that we offer our colleagues:

- In the UK, we have been an accredited Real Living Wage employer since April 2014 and a Real Living Hours employer since October 2020. Our salaries are set above Real Living Wage to allow colleagues to save for their retirement and benefit from an employer pension contribution up to 14% whilst still earning the Real Living Wage.
- We have a structured salary progression scheme for our frontline colleagues, providing salary increases to recognise colleagues as they develop and gain experience.
- We conduct regular market reviews of our salary ranges in order to maintain competitiveness to market rates, and we move everyone who is below a band to at least the minimum of that range each year.
- Our comprehensive, flexible benefits offering provides colleagues with the opportunity to select the benefits that matter most to them, and our range of inclusive colleague policies support life's big moments, including equal parental leave.
- UK colleagues are eligible to participate in our SAYE and AESOP offerings with similar plans operating for many of our overseas colleagues. We are proud of the participation rates in these plans, with over 60% participating in the SAYE and over 70% in the AESOP, meaning colleagues both share in Aviva's success and benefit from tax-efficient savings.

Annual report on remuneration continued

Relative importance of spend on pay

Table 13 outlines Group adjusted operating profit, dividends paid to shareholders and share buybacks, compared to overall spend on pay in total. This measure of profit has been chosen as it is used for decision-making and the internal performance management of the Group's operating segments.

Table 13 Relative importance of spend on pay

	2022 £m	2021 £m	% change between 2021 – 2022
Group adjusted operating profit from continuing operations[1]	**2,213**	1,634	35%
Ordinary dividends paid to shareholders	**828**	1,110	(25)%
Share buybacks[2]	**336**	663	(49)%
Capital return[3]	**3,750**	—	100%
Total staff costs from continuing operations[4]	**1,658**	1,580	5%

1. Group adjusted operating profit for 2021 is from continuing operations and therefore excludes operating profit from discontinued operations totalling £631 million
2. On 31 March 2022, Aviva completed the share buyback programme originally announced on 12 August 2021, and extended to an aggregate purchase of up to £1 billion on 16 December 2021. During the period £336 million (2021: £663 million) of shares were purchased and shares with a nominal value of £19 million (2021: £42 million) were cancelled, giving rise to an additional capital redemption reserve of an equivalent amount. See note 31 for further details.
3. On 2 March 2022, Aviva announced a proposed return of capital, including a £3,750 million B Share Scheme for the holders of ordinary shares. The capital return was completed on 16 May 2022. The capital return is included here as it was a material distribution to shareholders. The value stated aligns with the value attributed to the capital return in the Consolidated statement of changes in equity. See note 31 for further details.
4. Total staff costs from continuing operations includes wages and salaries, social security costs, post-retirement obligations, profit sharing and incentive plans, equity compensation plans and termination benefits. The average number of employees in continuing operations was 23,701 (2021: 22,312).

Statement of Directors' shareholdings and share interests

EDs share ownership requirements

Under our Shareholding Policy applicable to 2022, the Company requires the Group CEO to build a shareholding in the Company equivalent to 300% of basic salary and each ED to build a shareholding in the Company equivalent to 225% of basic salary.

- The EDs are required to retain 50% of the net shares released from ABP and LTIP awards until the shareholding requirement is met.
- The shareholding requirement needs to be built up over a period not exceeding five years.
- Unvested share awards, including shares held in connection with bonus deferrals, are not taken into account in applying this test.
- A post-cessation holding period of two years applies. This is at the same level as the current (within employment) guideline. The Committee retains the discretion to waive part or all of the guideline where considered appropriate, for example in exceptional or compassionate circumstances.
- EDs are required to retain shares vesting from incentive plans within the Company-sponsored nominee account, and are not permitted to transfer them, e.g. into their own brokerage accounts, unless otherwise agreed by the Committee. In this manner, the Committee is able to retain oversight of the shares and is comfortable that this provides the ability to enforce the post-cessation guidelines in practice and helps with the enforcement of malus and clawback.

Table 14 Executive Directors – share ownership requirement (audited information)

	Shares held			Options held				
Executive Directors	**Owned outright[1]**	**Unvested and subject to performance conditions[2]**	**Unvested and subject to continued employment[3]**	**Unvested and subject to continued employment[4]**	**Vested but not exercised**	**Shareholding requirement (% of salary)**	**Current shareholding[5] (% of salary)**	**Requirement met**
Amanda Blanc	407,880	2,226,885	343,715	—	—	300	175	No
Charlotte Jones[6]	—	358,195	—	—	—	225	—	No
Jason Windsor[7]	373,500	—	—	—	—	225	245	Yes

1. Directors' beneficial holdings in the ordinary shares of the Company. This information includes holdings of any connected persons.
2. Awards granted under the Aviva LTIPs, which vest only if the performance conditions are achieved
3. Awards arising through the ABP. Under this plan, some of the earned bonuses are paid in the form of conditional shares which are deferred for three years and released in three equal annual tranches. The transfer of the shares to the director at the end of the period is not subject to the attainment of performance conditions but the shares can be forfeited if the ED leaves service before the end of the period.
4. Savings-related options (without performance conditions) over shares granted under the SAYE plan
5. Based on the closing middle-market price of an ordinary share of the Company on 31 December 2022 of 442.8 pence. The closing middle-market price of an ordinary share of the Company during the year ranged from 373.8 pence to 467.9 pence.
6. Charlotte Jones was appointed on 5 September 2022
7. Jason Windsor left on 10 July 2022. Deferred awards under the ABP and LTIP lapsed on departure.

There were no changes to the EDs interests in Aviva shares during the period 1 January 2023 to 8 March 2023.

Annual report on remuneration continued

Table 15 Non-Executive Directors' shareholdings[1] (audited information)

	1 January 2022	31 December 2022[2]
George Culmer	130,922	99,500
Andrea Blance[3]	N/A	15,000
Mike Craston[3]	N/A	30,771
Patricia Cross[4]	32,903	N/A
Patrick Flynn	10,000	7,600
Belén Romana García[4]	27,509	N/A
Shonaid Jemmett-Page	—	4,565
Mohit Joshi	7,618	5,789
Pippa Lambert	2,903	6,985
Jim McConville	18,667	14,186
Michael Mire	50,000	38,000
Martin Strobel	40,000	30,400

1. This information includes holdings of any connected persons
2. On 16 May 2022, the Company's share capital was consolidated (see note 31 for more information), which led to a reduction in the number of shares held at that date
3. Andrea Blance was appointed to the Board on 21 February 2022 and Mike Craston on 17 May 2022
4. Patricia Cross and Belén Romana García retired from the Board on 9 May 2022

There were no changes to the NEDs interests in Aviva shares during the period 1 January 2023 to 8 March 2023.

Share awards and share options

Details of the EDs who were in office for any part of the 2022 financial year and hold or held outstanding share awards or options over ordinary shares of the Company pursuant to the Company's share based incentive plans are set out in the table on the next page. EDs are eligible to participate in the Company's broad-based employee share plans on the same basis as other eligible employees. Details of awards and options granted to EDs under these plans are also included in tables 1, 5 and 14 (and SAYE options are included in table 16). More information around HMRC tax-advantaged plans can also be found in note 32. EDs are restricted from entering into any form of hedging arrangement or remuneration and liability-related insurance policies which might undermine the risk alignment features of share awards (such as delivery in shares, performance conditions, malus and clawback provisions).

Annual report on remuneration continued

Table 16 LTIP, ABP and options over Aviva shares (audited information)

	At 1 January 2022 (number)	Options/awards granted during year[1] (number)	Options/awards exercised/vesting during year (number)	Options/awards lapsing during year (number)	At 31 December 2022 (number)	Market price at date awards granted[2] (pence)	SAYE exercise price (options) (pence)	Market price at date awards vested/ option exercised (pence)	Vesting date(s)/ exercise period(s)[3]
Amanda Blanc									
LTIP[4,5]									
2020	641,921	—	—	—	641,921	297.50	—	—	Mar-23
2021	759,493	—	—	—	759,493	412.50	—	—	Mar-24
2022	—	825,471	—	—	825,471	426.30	—	—	Mar-25
ABP									
2021	99,064	—	34,769[6]	—	66,043	412.50	—	437.80	1/2: Mar-23 1/2: Mar-24
2022	—	277,672	—	—	277,672	426.30	—	—	1/3: Mar-23 1/3: Mar-24 1/3: Mar-25
Charlotte Jones									
LTIP[4,5]									
2022	—	358,195	—	—	358,195	425.30	—	—	Mar-25
Jason Windsor[7]									
LTIP[4,5]									
2019[8]	73,634	—	—	73,634	—	409.00	—	—	N/A
2020	663,209	—	—	663,209	—	211.00	—	—	N/A
2021	384,493	—	—	384,493	—	412.50	—	—	N/A
ABP									
2019	10,770	—	—	10,770	—	409.00	—	—	N/A
2020	85,123	—	—	85,123	—	211.00	—	—	N/A
2021	113,924	—	—	113,924	—	412.50	—	—	N/A
SAYE[9]							—		
2019	6,338	0	—	6,338	—	—	284.00	—	N/A

1. The aggregate net value of share awards granted to the EDs in the period was £6.2 million (2021: £5.4 million). The net value has been calculated by reference to the closing middle-market price of an ordinary share of the Company at the date of grant (2021: date of main grant to employees).
2. The actual price used to calculate the ABP and LTIP awards is based on a three-day average closing middle-market price of an ordinary share of the Company, prior to the date of main grant to employees. These were in 2019: 421 pence, 2020: 229 pence, 2021: 395 pence and 2022: 424 pence.
3. Vesting date(s)/exercise period(s) for awards outstanding at 31 December 2022. ABP awards are deferred and released in three equal annual tranches.
4. For the 2019 LTIP, the comparator group is: Aegon, Allianz, Assicurazioni Generali, AXA, CNP Assurances, Direct Line Group, Legal & General, Lloyds Banking Group, Old Mutual, Phoenix, Prudential, RSA, Standard Life Aberdeen and Zurich Insurance Group. For the 2020 LTIP, the TSR comparator group is: Aegon, Allianz, Assicurazioni Generali, AXA, Direct Line Group, Intact, Legal & General, Lloyds Banking Group, M&G, Phoenix, RSA, Standard Life Aberdeen and Zurich Insurance Group. For the 2021 LTIP, the TSR comparator group is: Aegon, Allianz, AXA, Direct Line, Generali, Intact, Legal & General, Lloyds Banking Group, M&G, Phoenix and Zurich. For the 2022 LTIP, the TSR comparator group is: Admiral, Allianz, AXA, Direct Line Group, Hargreaves Lansdown, Hiscox, Intact, Legal & General, Lloyds Banking Group, M&G, Phoenix, Quilter and Zurich Insurance Group.
5. The performance periods for these awards begin at the commencement of the financial year in which the award is granted and run for a three-year period
6. The shares comprised in these vested awards include shares issued in lieu of dividends accrued during the deferral period
7. Deferred awards under the ABP and LTIP lapsed on departure. Any options under the SAYE also lapsed.
8. LTIP awards for Jason Windsor comprised RSUs and were granted prior to his appointment to the Board. The transfer of the shares at the end of the period was not subject to the attainment of performance conditions but the shares were forfeited when he left service.
9. Options are not subject to performance conditions. The option price was fixed by reference to a three-day average closing middle-market price of an ordinary share of the Company, prior to invitation date, with a discount of 20% as permitted under the SAYE plan.

Annual report on remuneration continued

Dilution

Awards granted under Aviva employee share plans, apart from SAYE options, have historically been satisfied primarily through shares purchased in the market. SAYE options have historically been satisfied primarily through new issue shares. In future, all awards granted under Aviva employee share plans, including SAYE options will be satisfied primarily through shares purchased in the market. Shares are held in employee trusts, details of which are set out in note 33.

The Company monitors the number of shares issued under the Aviva employee share plans and their impact on dilution limits. The Company's usage of shares compared to the relevant dilution limits set by the Investment Association in respect of all share plans (10% in any rolling ten-year period) and executive share plans (5% in any rolling ten-year period) was 3.94% and 1.46% respectively on 31 December 2022.

Governance Regulatory Remuneration Code

Aviva Investors Global Services Limited (AIGSL) and a number of small 'firms' (as defined by the FCA) within the UK Life Insurance business are subject to the Investment Firms Prudential Regime (IFPR) and the Markets in Financial Instruments Directive II (MiFID II).

Aviva Investors UK Funds Services Ltd and Aviva Investors Luxembourg are subject to the Alternative Investment Fund Management Directive (AIFMD) and the Undertakings for Collective Investments in Transferable Securities (UCITS V) directive.

Remuneration Code requirements include an annual disclosure. For AIFMD and UCITS V the disclosure is part of the Financial Statements and/or Annual accounts of the Alternative Investment Funds or UCITS. For IFPR the 2022 AIGSL disclosure will be found, when published, at **www.avivainvestors.com/en-gb/capabilities/regulatory/** and a link to the disclosure for the UK Insurance firms can be found at **www.aviva.com/about-us/remuneration-committee/**

Solvency II remuneration

Remuneration Requirements (PRA PS22/16 & SS10/16) apply to the Aviva Group. Our remuneration structures have been designed in a way that is compliant with these requirements for all senior managers across the Group, not just those identified as being specifically covered by the requirements of the regulation. Such employees at Aviva are termed 'Covered Employees'. We are required to complete a Remuneration Policy Statement, which outlines how we have complied with each of the requirements. This document is approved annually by the Group Remuneration Committee.

The Solvency II reporting requirements for the year ended 31 December 2022 necessitate firms to produce the Solvency and Financial Condition Report (SFCR) which contains remuneration information and is publicly available. Aviva's reward principles and arrangements are designed to incentivise and reward employees for achieving stated business goals in a manner that is consistent with the Company's approach to sound and effective risk management.

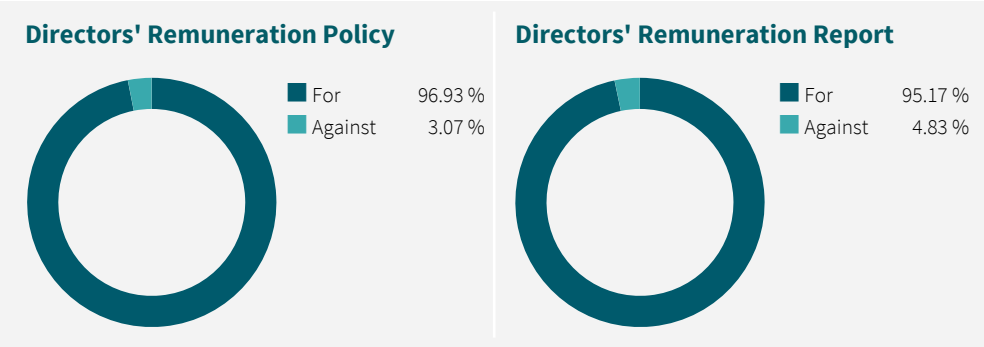
Annual report on remuneration continued

Statement of voting at AGM

The results of the shareholder votes at the Company's 2021 AGM in respect of the Policy and at the 2022 AGM in respect of the 2021 DRR are set out in table 17. The Committee was pleased with the level of support received from shareholders for the resolutions.

Table 17 Results of votes at AGM

	Year of AGM	Percentage of votes cast		Number of votes cast		
		For	Against	For	Against	Votes withheld
Policy	2021	96.93%	3.07%	2,374,520,911	75,190,042	2,529,266
DRR	2022	95.17%	4.83%	2,312,723,155	117,286,675	2,225,918



Approach to NED fees for 2023

NED fees are reviewed annually and were last increased with effect from 1 July 2020, the first such increase since 1 April 2014.

Table 18 Non-Executive Directors' fees

Role	Fee from 1 January 2023	Fee from 1 January 2022
Chair of the Company[1]	£550,000	£550,000
Board membership fee	£75,000	£75,000
Additional fees are paid as follows:		
Senior Independent Director	£35,000	£35,000
Committee Chair (inclusive of committee membership fee):		
Audit	£55,000	£55,000
Customer and Sustainability	£45,000	£45,000
Remuneration	£45,000	£45,000
Risk	£55,000	£55,000
Committee membership:		
Audit	£20,000	£20,000
Customer and Sustainability	£15,000	£15,000
Nomination and Governance	£10,000	£10,000
Remuneration	£15,000	£15,000
Risk	£20,000	£20,000

1. Inclusive of Board membership fee and any committee membership fees, and committee chair of the Nomination and Governance Committee

Annual report on remuneration continued

Table 19 How will our Policy be implemented in 2023?

The implementation of the Policy will be consistent with that outlined in table 20.

Key element	Implementation in 2023	Phasing (2023 – 2028)
Fixed Pay	Group CEO • Salary[1]: £1,080,000 per annum • Pension: 14 % of salary in line with wider workforce • Benefits: As outlined in the Policy Group CFO • Salary[1]: £707,500 per annum	
Annual Bonus[2]	• Group CEO – 200 % of salary • Group CFO - 150 % of salary • One-year performance assessed against financial and non-financial performance measures – Financial measures (70 % of total) – 15 % – Group adjusted operating profit – 25 % – Gross cash remittances – 20 % – Solvency II OFG – 10 % – Cost reduction[3] – Non-financial strategic measures (30 % of total) – 15 % – Risk scorecard – 5 % – Transactional NPS – 5 % – Online experience score – 5 % – Employee engagement • A quality of earnings assessment will be undertaken by the Committee to provide assurance that bonus payouts appropriately reflect underlying performance and the shareholder experience • Individual performance during the year will be taken into account	Performance period 1/3 paid in cash 2/3 deferred into shares vesting in three equal tranches over three years 1/3 released after 1 year 1/3 released after 2 years 1/3 released after 3 years
LTIP	• Group CEO – 350 % of salary • Group CFO - 225 % of salary • Performance assessed over three years against financial (80 %) and non-financial (20 %) performance measures • Performance measures (please reference LTIP measures and weightings for 2023 on next page)	Performance period 2 year holding period Released
Share ownership guidelines	• Group CEO – 300 % of salary • Group CFO - 225 % of salary • To be built up over a period not exceeding five years • Post-cessation shareholding requirements also apply to EDs being the guideline or the holding on termination of employment, for two years post-cessation	

1. Group CEO and Group CFO's salaries will be effective from 1 April 2023
2. The target ranges are considered by the Board to be commercially sensitive and disclosure of these would put the Company at a disadvantage compared to its competitors. Target ranges will be disclosed in the 2023 DRR.
3. Cumulative gross of inflation savings versus 2018 baseline assuming on target bonus

Annual report on remuneration continued

LTIP measures and weightings for 2023

		Vesting	Below threshold	Threshold		Maximum	Above maximum
Measure	Weighting		0%	20%	20-100%	100%	100%
Solvency II RoE[1,2]	15%			15%		17%	
Cumulative cash remittances	25%			£5.5bn		£6.0bn	
Relative TSR[3]	40%			Median		Upper quintile	
Reduction in CO_2 intensity of shareholders' assets and with-profit funds	7.5%			12.5%		17.5%	
RNPS gap to competition[4]	7.5%			8.0		11.0	
Females in senior leadership roles[5]	2.5%			38.0%		41.0%	
Ethnically diverse employees in senior leadership roles[5]	2.5%			12.0%		14.0%	

1. For 2023 awards, the Solvency II shareholder cover ratio is to meet or exceed the minimum of the stated working range (currently 160%)
2. The Committee is mindful of the volatile economic environment and the impact of significant changes in key external variables such as interest rates on RoE outcomes. The Committee therefore will keep the economic assumptions and environment under review.
3. Aviva's TSR performance will be assessed against that of the following companies: Admiral, Allianz, AXA, Direct Line Group, Hargreaves Lansdown, Hiscox, Intact, Legal & General, Lloyds Banking Group, M&G, Phoenix, Quilter and Zurich Insurance Group. 2023 TSR comparator group is unchanged from that used for the 2022 awards. The performance period for the TSR performance condition is the three years beginning 1 January 2023. For the purposes of measuring the TSR performance condition, the Company's TSR and that of the comparator group will be based on the 90-day average TSR for the period immediately preceding the start and end of the performance period.
4. RNPS is calculated on gap to competition over a three-year average
5. Senior leadership in the UK, Ireland and Canada

Approval by the Board

This Directors' Remuneration Report was reviewed and approved by the Board on 8 March 2023.

Pippa Lambert
Chair, Remuneration Committee

Directors' Remuneration Policy

Our Directors' Remuneration Policy was approved by shareholders at our AGM on 6 May 2021 and will apply for a period of up to three years.

The full and definitive Policy is set out in our 2020 Annual report and accounts, which can be found on our website at **www.aviva.com/reports/**

Although reproduced here for convenience, the 2021 Policy is our formally approved Policy and should be consulted where required. Please note the updates to the scenario charts to reflect 2023 remuneration arrangements for our EDs, as well as appointment end dates for NEDs.

Alignment of Group strategy with executive remuneration

The Committee considers that alignment between Group strategy and ED remuneration is critical. The Policy provides market competitive remuneration, and incentivises EDs to achieve the annual business plan and the Group's longer-term strategic objectives. Significant levels of deferral and shareholding requirements align EDs' interests with those of shareholders and aid retention of key personnel. Variable remuneration can be zero if performance thresholds are not met. Remuneration payments to directors can only be made if they are consistent with the approved Policy.

Table 20 provides an overview of the Policy for EDs. The Policy for NEDs is in table 22.

Table 20 Key aspects of the Policy for Executive Directors

Element		
Basic salary	**Purpose** To provide core market related pay to attract and retain the required level of talent. **Operation** Annual review, with changes normally taking effect from 1 April each year. The review is informed by: • Individual and business performance • Levels of increase for the broader employee population • Relevant pay data including market practice among relevant FTSE listed companies of comparable size to Aviva in terms of market capitalisation, large European and global insurers, and UK financial services companies	**Maximum opportunity** There is no maximum increase within the Policy. However, basic salary increases take account of the average basic salary increase awarded to the broader employee population. Different levels of increase may be agreed in certain circumstances at the Committee's discretion, such as: • An increase in job scope and responsibility • Development of the individual in the role • A significant increase in the size, value or complexity of the Group **Assessment of performance** Any movement in basic salary takes account of the performance of the individual and the Group.

Directors' Remuneration Policy continued

Element		
Annual bonus	**Purpose** To reward EDs for achievement against the Company's strategic objectives and for demonstrating the Aviva values and behaviours. Deferral provides alignment with shareholder interests and aids retention of key personnel. **Operation** Awards are based on performance in the year. Targets are normally set annually and pay-out levels are determined by the Committee based on performance against those targets and a quality of earnings assessment and risk review. **Form and timing of payment** • One-third of any bonus is payable in cash at the end of the year • Two-thirds of any bonus awarded is deferred into shares which vest in three equal annual tranches Additional shares are awarded at vesting in lieu of dividends paid on the deferred shares. **Malus and clawback** Cash and deferred awards are subject to malus and clawback. Details of when these may be applied are set out in the notes below.	**Maximum opportunity** 200% of basic salary for Group CEO 150% of basic salary for other EDs **Outcome at threshold and on target** Performance is assessed against multiple measures. Threshold performance against a single measure would result in a bonus payment of no more than 25% of basic salary. 100% of basic salary is payable for on target performance. **Assessment of performance** Performance is assessed against a range of relevant financial, employee, customer and risk targets designed to incentivise the achievement of our strategy, as well as individual strategic objectives as set by the Committee. Although financial performance is the major factor in considering overall expenditure on bonuses, performance against non-financial measures including progress towards our strategic priorities and behaviours in line with our values will also be taken into consideration. **Discretion** See notes to this table.

Element		
Long-term incentive plan	**Purpose** To reward EDs for achievement against the Company's longer-term objectives; to align EDs' interests with those of shareholders and to aid the retention of key personnel and to encourage focus on long-term growth in enterprise value. **Operation** Shares are awarded annually which vest dependent on the achievement of performance conditions. Vesting is subject to an assessment of quality of earnings, the stewardship of capital and risk review. **Performance period** Three years. Additional shares are awarded at vesting in lieu of dividends on any shares which vest. **Additional holding period** Two years. **Malus and clawback** Awards are subject to malus and clawback. Details of when these may be applied are set out in the notes below.	**Maximum opportunity** 350% of basic salary. **Performance measures** Awards will vest based on a combination of financial, TSR and strategic performance measures. The Policy provides for a minimum aggregate weighting of 80% for financial measures and TSR and for up to 20% to be based on strategic performance measures. We would engage with shareholders before changing measures or weighting in future years. For the 2023 awards the measures and weightings will be: • 15% Solvency II RoE • 25% Cumulative cash remittances • 40% Relative TSR • 20% Non-financial measures: – 7.5% Environment – 7.5% Customer – 5% DE&I **Vesting at threshold** Threshold vesting for all measures is 20%. **Discretion** See notes to this table.

Directors' Remuneration Policy continued

Element		
Pension	**Purpose** To give a market competitive level of provision for post-retirement income. **Operation** EDs are eligible to participate in a defined contribution plan up to the annual limit. Any amounts above annual or lifetime limits are paid in cash.	**Maximum opportunity** If suitable employee contributions are made, the Company contributes 14 % of basic salary for all EDs, aligned to the rate available to the majority of the UK workforce.

Element		
Benefits	**Purpose** To provide EDs with a suitable but reasonable package of benefits as part of a competitive remuneration package. This involves both core executive benefits, and the opportunity to participate in flexible benefits programmes offered by the Company (via salary sacrifice). This enables us to attract and retain the right level of talent necessary to deliver the Company's strategy. **Operation** Benefits are provided on a market related basis. The Company reserves the right to deliver benefits to EDs depending on their individual circumstances, which may include a cash car allowance, life insurance, private medical insurance and access to a company car and driver for business use. In the case of non-UK executives, the Committee may consider additional allowances in line with standard relevant market practice. EDs are eligible to participate in the Company's broad based employee share plans on the same basis as other eligible employees.	**Maximum opportunity** Set at a level which the Committee considers appropriate against comparable roles in companies of a similar size and complexity to provide a reasonable level of benefit. Costs would normally be limited to providing a cash car allowance, private medical insurance, life insurance, and reasonable travel benefits (including the tax cost where applicable). In addition, there may be one-off or exceptional items on a case by case basis, which would be disclosed in the DRR.

Directors' Remuneration Policy continued

Element		
Relocation and mobility	**Purpose** To assist with mobility across the Group to ensure the appropriate talent is available to execute strategy locally. **Operation** EDs who are relocated or reassigned from one location to another receive relevant benefits to assist them and their dependants in moving home and settling into the new location.	**Maximum opportunity** Dependent on location and family size, benefits are market related and time bound. They are not compensated for performing the role but to defray costs of a relocation or residence outside the home country. The Committee would reward no more than it judged reasonably necessary, in the light of all applicable circumstances.
Shareholding requirements	**Purpose** To align EDs' interests with those of shareholders. **Operation** A requirement to build a shareholding in the Company equivalent to 300% of basic salary for the Group CEO and 225% for other EDs. This shareholding is normally to be built up over a period not exceeding five years (subject to the Committee's discretion where personal circumstances dictate). Post-cessation shareholding requirements also apply to EDs being the lower of 300% of basic salary for the Group CEO and 225% for other EDs, or the holding on termination of employment, for two years post-cessation.	

Notes to the table:

Performance measures

For the annual bonus, performance measures are chosen to align to the Group's key performance indicators and include financial, strategic, risk, employee and customer measures. Achievement against individual strategic objectives is also taken into account.

LTIP performance measures are chosen to provide an indication of both absolute and relative return generated for shareholders. In terms of target setting, a number of reference points are taken into account each year including, but not limited to, the Group's business plan and external market expectations of the Company. Maximum payouts require performance that significantly exceeds expected performance under both the annual bonus and the LTIP.

Quality of earnings assessments

Throughout the year, the Committee engages in a regular quality of earnings assessment. A quality of earnings assessment sign-off is the final step in determining annual bonus scorecard outcomes, and is performed before vesting is determined against financial measures under the LTIP.

As a minimum, at any Committee meeting where LTIP vesting or annual bonus scorecard decisions are considered, the Chief Financial Controller prepares a report to the Committee on the quality of earnings reflected in the results being assessed, against performance targets. Extensive information from the audited accounts is used to explain the vesting and scorecard outcomes – ranging from movements in reserves, capital management decisions, consistency of accounting treatment and period to period comparability. The Chief Financial Controller attends the Committee meeting to answer any questions that any member of the Committee may choose to ask. Any vesting decision or confirmation of awards is made after this process has been undertaken.

Malus and clawback

The circumstances when malus (the forfeiture or reduction of unvested shares awarded under the ABP and LTIP) and clawback (the recovery of cash and share awards after release) may apply include (but are not limited to) where the Committee considers that the employee concerned has been involved in or partially/wholly responsible for:

- A materially adverse misstatement (as defined by the Board) of the Company's financial statements, or a misleading representation of performance;
- A significant failure of risk management and/or controls;
- A scenario or event which causes material reputational damage to the Company;

Directors' Remuneration Policy continued

- A scenario or event which causes material corporate failure;
- Any regulatory investigation or breach of laws, rules or codes of conduct;
- Misconduct which, in the opinion of the Committee, ought to result in the complete or partial lapse of an award;
- Conduct which resulted in significant loss(es) or summary termination of employment;
- Failure to meet appropriate standards of fitness and propriety;
- A material error (as defined by the Board) in the calculation of a financial or non-financial performance measure used to determine the outcome of variable pay, or any other error or material misstatement that results in overpayment to employees;
- Any circumstances determined by the Board that mean the underlying financial health of the Group or member of the Group has significantly deteriorated, resulting in severe financial constraints which preclude or limit the ability to fund variable pay; and
- Any other circumstance required by local regulatory obligations or that, in the Board's opinion, justifies the reduction or repayment of variable pay.

The clawback period runs for two years from the date of payment in the case of the cash element of any annual bonus award.

For deferred bonus elements and LTIP awards, the overall malus and clawback period is five years from the date of grant.

Discretions

The discretions the Committee has in relation to the operation of the ABP and LTIP are set out in the plan rules. In relation to the outcomes under these plans, the Committee has unfettered discretion to adjust upward or downward (including to nil) the mechanical outcome where it considers that:

- The outcome does not reflect the underlying financial or non-financial performance of the participant or the Group over the relevant period;
- The outcome is not appropriate in the context of circumstances that were unexpected or unforeseen at the award date;
- There exists any other reason why an adjustment is appropriate; and/or
- It is appropriate to do so, taking into account a range of factors, including the management of risk and good governance and, in all cases, the experience of shareholders.

Other discretions include, but are not limited to, the ability to set additional conditions and the discretion to change or waive those conditions. Such discretions would only be applied in exceptional circumstances, to ensure that awards properly reflect underlying business performance. Any use of the discretions and how they were exercised will be disclosed, where relevant, in the DRR and, where appropriate, be subject to consultation with Aviva's shareholders.

Change in control

In the event of a change in control, unless a new award is granted in exchange for an existing award, or if there is a significant corporate event like a demerger, awards under the LTIP would normally vest to the extent that the performance conditions have been satisfied as at the date of the change in control, and unless the Committee decides otherwise, would be pro-rated to reflect the time between the date of grant and the change in control event. Awards under the ABP would normally vest on the date of the change in control and may vest if there is a significant corporate event.

Consistency of executive Policy across the Group

The Policy for our EDs is designed as part of the remuneration philosophy and principles that underpin remuneration for the wider Group. Remuneration arrangements for employees below the EDs take account of the seniority and nature of the role, individual performance and local market practice. The components and levels of remuneration for different employees may therefore differ from the Policy for EDs.

Any such elements are reviewed against market practice and approved in line with internal guidelines and frameworks.

Differentiation in reward outcomes based on performance and behaviour that is consistent with the Aviva values is a feature of how Aviva operates its annual bonus plan for its senior leaders and managers globally.

A disciplined approach is taken to moderation across the Company in order to recognise and reward the key contributors. The allocation of LTIP awards also involves strong differentiation, with expected contribution and ability to collaborate effectively in implementation of the strategy driving award levels.

Directors' Remuneration Policy continued

Legacy payments

The Committee reserves the right to make any remuneration payments and payments for loss of office (including exercising any discretions available to it in connection with such payments) notwithstanding that they are not in line with the Policy set out above, where the terms of the payment were agreed (i) before May 2014 (the date the Company's first Policy came into effect), (ii) before the Policy set out above came into effect, provided that the terms of the payment were consistent with the Policy in force at the time they were agreed, or (iii) at a time when the relevant individual was not a director of the Company and, in the opinion of the Committee, the payment was not in consideration for the individual becoming a director of the Company. For these purposes, 'payments' includes the Committee satisfying awards of variable remuneration and, in relation to an award over shares, the terms of the payment are 'agreed' at the time the award is granted.

Approach to recruitment remuneration

On hiring a new ED, the Committee would align the proposed remuneration package with the Policy in place for EDs at the time of the appointment.

In determining the actual remuneration for a new ED, the Committee would consider the package in totality, taking into account elements such as the skills and experience of the individual, local market benchmarks, remuneration practice, and the existing remuneration of other senior executives. The Committee would ensure any arrangements agreed would be in the best interests of Aviva and its shareholders. It would seek not to pay more than necessary to secure the right candidate.

Where considered appropriate the Committee may make awards on hiring an external candidate to 'buyout' remuneration arrangements forfeited on leaving a previous employer. In doing so, the Committee would take account of relevant factors including any performance conditions attached to these awards, the form in which it was paid (e.g. cash or shares) and the timeframe of awards.

Buyout awards would be awarded on a 'like for like' basis compared to remuneration being forfeited, and would be capped to reflect the value being forfeited. The Committee considers that a buyout award is a significant investment in human capital by Aviva, and any buyout decision will involve careful consideration of the contribution that is expected from the individual.

The maximum level of variable pay which could be awarded to a new ED, excluding any buyouts, would be in line with the Policy set out above and would therefore be no more than 550% of basic salary for the Group CEO (200% of basic salary annual bonus opportunity and 350% of basic salary as the face value of a LTIP grant) and 500% of basic salary for other EDs (150% of basic salary annual bonus opportunity and 350% of basic salary as the face value of a LTIP grant).

All other elements of remuneration will also be in line with the Policy set out above.

Should the Company have any prior commitments outside of this Policy in respect of an employee promoted internally to an ED position, the Committee may continue to honour these for a period of time. Where an ED is appointed from within the organisation, the normal policy of the Company is that any legacy arrangements would be honoured in line with the original terms and conditions. Similarly, if an ED is appointed following Aviva's acquisition of, or merger with, another company, legacy terms and conditions may be honoured.

On appointing a new NED, the Committee would align the remuneration package with the Policy for NEDs, outlined in table 22, including fees and travel benefits.

Directors' Remuneration Policy continued

Illustration of the Policy

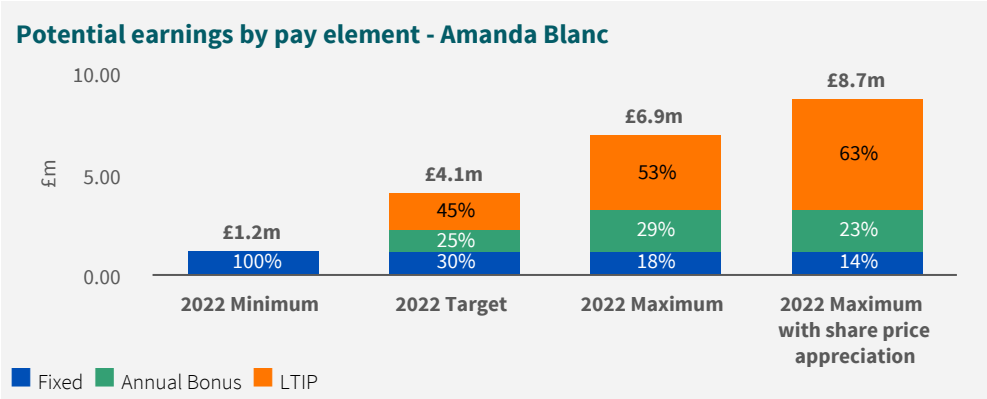
The charts below illustrate how much EDs could earn under different performance scenarios in one financial year:

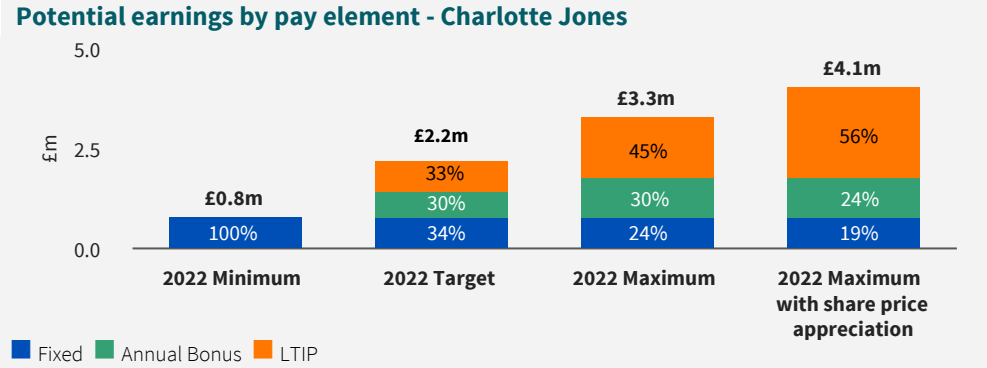
- **Minimum** – basic salary, pension or cash in lieu of pension and benefits, no bonus and no vesting of the LTIP

- **Target** - basic salary, pension or cash in lieu of pension, benefits, and:
  - A bonus of 100 % and a LTIP of 350 % of basic salary (with notional LTIP vesting at 50 % of maximum) for the Group CEO
  - A bonus of 100 % and a LTIP of 225 % of basic salary (with notional LTIP vesting at 50 % of maximum) for the Group CFO

- **Maximum** – basic salary, pension or cash in lieu of pension, benefits, and:
  - A bonus of 200 % and a LTIP of 350 % of basic salary (with notional LTIP vesting at maximum) for the Group CEO
  - A bonus of 150 % and a LTIP of 225 % of basic salary (with notional LTIP vesting at maximum) for the Group CFO

- **Maximum with share price appreciation** – indicative maximum remuneration, assuming a notional LTIP vesting at maximum and share price appreciation of 50 % on the LTIP





Notes to the charts

1. The charts are illustrative only and the actual value EDs could earn is subject to business performance and share price movement to the date of vesting of the LTIP and of the deferred share element of the annual bonus
2. Fixed pay consists of basic salary, pension as described in table 1, and estimated value of benefits provided under the Policy, excluding any one offs. Actual figures may vary in future years.
3. The value of the deferred element of the annual bonus assumes a constant share price and does not include additional shares awarded in lieu of dividends that may accrue during the vesting period
4. The value of the LTIP assumes a constant share price (with the exception of the maximum with share price increase scenario) and does not include additional shares awarded in lieu of dividends that may accrue during the vesting period
5. The LTIP is as proposed to be awarded in 2023, which would vest in 2026, subject to the satisfaction of performance conditions. The shares would then be subject to a further two-year holding period.

Employment contracts and letters of appointment

ED employment contracts and NED letters of appointment are available for inspection at the Company's registered office during normal hours of business, and at the place of the Company's 2023 AGM on 4 May 2023 from 10.15am until the close of the meeting.

The key employment terms and conditions of the current EDs, and those who served during the year, as stipulated in their employment contracts, are set out in the table below.

Directors' Remuneration Policy continued

Table 21 Executive Directors' key conditions of employment

Provision	Policy	
Notice period **By the ED** **By the Company**	6 months. 12 months, rolling. No notice or payment in lieu of notice to be paid where the Company terminates for cause.	
Termination payment	Pay in lieu of notice up to a maximum of 12 months' basic salary. Any payment is subject to phasing and mitigation requirements. An ED would be expected to mitigate the loss of office by seeking alternative employment. Any payments in lieu of notice would be reduced, potentially to zero, by any salary received from such employment.	
Remuneration and benefits	The operation of the annual bonus and LTIP is at the Company's discretion.	
Expenses	Reimbursement of expenses reasonably incurred in accordance with their duties.	
Holiday entitlement	30 working days plus public holidays.	
Private medical insurance	Private medical insurance is provided for the ED and their family. The ED can choose to opt out of this benefit or take a lower level of cover. However, no payments are made in lieu of reduced or no cover.	
Other benefits	Other benefits include participation in the Company's staff pension scheme, life insurance and, where applicable, access to a Company car and driver for business related use.	
Sickness	100 % of salary for the first 52 weeks and up to £150,000 per annum for a further 5 years.	
Non-compete	During employment and for nine months after leaving (less any period of garden leave) without the prior written consent of the Company.	
Contract dates	**Director**	**Date current contract commenced**
	Amanda Blanc	6 July 2020
	Charlotte Jones	5 September 2022

Policy on payment for loss of office

There are no pre-determined ED special provisions for compensation for loss of office. The Committee has the ability to exercise its discretion on the final amount actually paid. Any compensation would be based on basic salary, pension entitlement and other contractual benefits during the notice period, or a payment made in lieu of notice, depending on whether the notice is worked.

Where notice of termination of a contract is given, payments to the ED would continue for the period worked during the notice period. Alternatively, the contract may be terminated, and phased monthly payments made in lieu of notice for, or for the balance of, the 12 months' notice period. During this period, EDs would be expected to mitigate their loss by seeking alternative employment. Payments in lieu of notice would be reduced by the salary received from any alternative employment, potentially to zero. The Company would typically make a reasonable contribution towards an ED's legal fees in connection with advice on the terms of their departure.

There is no automatic entitlement to an annual bonus for the year in which loss of office occurs. The Committee may determine that an ED may receive a pro rata bonus in respect of the period of employment during the year loss of office occurs based on an assessment of performance. Where an ED leaves the Company by reason of death, disability or ill health, or any other reason determined by the Committee, there may be a payment of a pro rata bonus for the relevant year at the discretion of the Committee.

The treatment of leavers under the ABP and LTIP is determined by the rules of the relevant plans. Good leaver status under these plans would be granted in the event of, for example, the death of an ED. Good leaver status for other leaving reasons is at the discretion of the Committee, taking into account the circumstances of the individual's departure, but would typically include planned retirement, or their departure on ill health grounds.

In circumstances where good leaver status has been granted, awards may still be subject to malus and clawback in the event that inappropriate conduct of the ED is subsequently discovered post departure, and retirees are subject to post-activity restrictions which allow the Committee to reduce or recover awards if certain employment is taken elsewhere. If good leaver status is not granted, all outstanding awards will lapse.

In the case of LTIP awards, where the Committee determines an ED to be a good leaver, vesting is normally based on the extent to which performance conditions have been met at the end of the relevant performance period, and the proportion of the award that vests is pro-rated for the time from the date of grant to final date of service (unless the Committee decides otherwise). Any decision not to apply this would only be made in exceptional circumstances and would be fully disclosed. It is not the practice to allow such treatment.

Directors' Remuneration Policy continued

Consideration of wider employee pay and shareholder views

When determining the Policy and arrangements for our EDs, the Committee considers:

- Pay and employment conditions elsewhere in the Group to ensure that pay structures are suitably aligned and that levels of remuneration remain appropriate. The Committee reviews levels of basic salary increases for other employees and executives based on their respective locations. It reviews changes in overall bonus pool funding and long-term incentive grants. The Committee considers feedback on pay matters from sources including the employee opinion survey and employee forums. The Committee also takes into account information provided by the people function and external advisers and the Committee Chair has in place a programme of consultation and meetings with employee forums including trade unions, Your Forum and the Evolution Council to discuss remuneration.
- In its ongoing dialogue with shareholders, the Committee seeks shareholder views and takes them into account when any significant changes are being proposed to remuneration arrangements and when formulating and implementing the Policy. For example, there was detailed engagement with our largest shareholders regarding the proposed Policy during 2020, continuing into 2021.

Non-Executive Directors

The table below sets out details of our Policy for NEDs.

Table 22 Key aspects of the Policy for Non-Executive Directors

Element		
Chair and NEDs' fees	**Purpose** To attract individuals with the required range of skills and experience to serve as a Chair or as a NED. **Operation** NEDs receive a basic annual fee in respect of their Board duties. Further fees are paid for membership and, where appropriate, chairing Board committees. The Chair receives a fixed annual fee. Fees are reviewed annually taking into account market data and trends and the scope of specific Board duties. NEDs are able to use up to 100 % of their post-tax base fees to acquire shares in Aviva plc. The Chair and NEDs do not participate in any incentive or performance plans or pension arrangements and do not receive an expense allowance. NEDs are reimbursed for reasonable expenses, and any tax arising on those expenses is settled directly by Aviva. To the extent that these are deemed taxable benefits, they will be included in the DRR, as required.	**Maximum opportunity** The Company's Articles of Association provide that the total aggregate remuneration paid to the Chair of the Company and NEDs will be determined by the Board within the limits set by shareholders and detailed in the Company's Articles of Association.
Chair's travel benefits	**Purpose** To provide the Chair with suitable travel arrangements for them to discharge their duties effectively.	The Chair has access to a company car and driver for business use. Where these are deemed a taxable benefit, the tax is paid by the Company.

Directors' Remuneration Policy continued

Element	Purpose	Operation
NED travel and accommodation	To reimburse NEDs for appropriate business travel and accommodation, including attending Board and committee meetings.	Reasonable costs of travel and accommodation for business purposes are reimbursed to NEDs. On the limited occasions when it is appropriate for a NED's spouse or partner to attend, such as a business event, the Company will meet these costs. The Company will meet any tax liabilities that may arise on such expenses.

The NEDs, including the Chair of the Company, have letters of appointment which set out their duties and responsibilities. The key terms of the appointments are set out in the table below.

Table 23 Non-Executive Directors' key terms of appointment

Provision	Policy
Period	In line with the requirement of the Code, all NEDs, including the Chair, are subject to annual re-election by shareholders at each AGM.
Termination	By the director or the Company at their discretion without compensation upon giving one month's written notice for NEDs and three months written notice for the Chair of the Company.
Fees	As set out in table 18.
Expenses	Reimbursement of travel and other expenses reasonably incurred in the performance of their duties.
Time commitment	Each director must be able to devote sufficient time to the role in order to discharge his or her responsibilities effectively.

Director	Appointment date[1]	Appointment end date[2]	Committee				
George Culmer	25 September 2019	AGM 2023			C		
Andrea Blance	21 February 2022	AGM 2023	●		●	●	C
Mike Craston	17 May 2022	AGM 2023		●			
Patrick Flynn	16 July 2019	AGM 2023	C		●	●	●
Shonaid Jemmett-Page	20 December 2021	AGM 2023	●	C	●		●
Mohit Joshi	1 December 2020	AGM 2023			●		●
Pippa Lambert	1 January 2021	AGM 2023		●	●	C	
Jim McConville	1 December 2020	AGM 2023	●	●	●		●
Michael Mire	12 September 2013	AGM 2023		●	●		
Martin Strobel	22 October 2021	AGM 2023	●		●		●

1. The dates shown reflect the date the individual was appointed to the Aviva plc Board
2. All appointment end dates are the 2023 AGM, in accordance with the NEDs' letters of appointment

Committee membership key

- ● Audit Committee
- ● Customer and Sustainability Committee
- ● Nomination and Governance Committee
- ● Remuneration Committee
- ● Risk Committee
- C Chair

Directors' report

The directors submit their Annual Report and Accounts for Aviva plc, together with the consolidated financial statements of the Aviva group of companies, for the year ended 31 December 2022.

The Directors' report required under the Companies Act 2006 comprises the Governance section, which includes this Directors' report, the Directors' Remuneration report, any notes to the IFRS Financial Statements incorporated by reference into this report and the following disclosures in the Strategic report:

- Corporate responsibility – disclosure of our energy consumption included in climate-related financial disclosure and greenhouse gas emissions in line with the Streamlined Energy and Carbon Reporting (SECR) framework
- Our people – inclusive diversity – details of our employment policies
- Our people – engaging with our people – details of employee engagement
- Our business relationships – suppliers, customers and others
- Our strategy – delivering on a clear plan of action
- Our business model
- Our risks and risk management
- Social matters - respect for human rights, anti-corruption and anti-bribery rights
- Important events since the financial year end
- Future developments

Details of significant post balance sheet events that have occurred after 31 December 2022 are disclosed in note 65 to the IFRS Financial Statements.

The management report required under Disclosure Guidance and Transparency Rule 4.1.5R comprises the Strategic report (which includes the principal risks relating to our business) and details of material acquisitions and disposals made by the Group during the year which are included in note 2 and certain other disclosures referred to in this section. This Governance section, including the Directors' Remuneration Report, fulfils the requirements of the corporate governance statement under Disclosure Guidance and Transparency Rule 7.2.1.

Our policy on hedging

The hedging policy is disclosed in note 58(c) to the IFRS Financial Statements.

Related party transactions

Related party transactions are disclosed in note 61 to the IFRS Financial Statements.

Dividends

Dividends for ordinary shareholders of Aviva plc are as follows:

- Paid interim dividend of 10.3 pence per 32 17/19 pence ordinary share (2021: 7.35 pence per 25 pence ordinary share)
- Proposed final dividend of 20.7 pence per 32 17/19 pence ordinary share (2021: 14.7 pence per 25 pence ordinary share)
- Total ordinary dividend of 31.00 pence per 32 17/19 pence ordinary share (2021: 22.05 pence per 25 pence ordinary share)
- Total cost of ordinary dividends paid in 2022 was £828 million (2021: £1,110 million)

Subject to shareholder approval at the 2023 AGM, the final dividend for 2022 will become due and payable on 18 May 2023 to all holders of ordinary shares on the Register of Members at the close of business on 31 March 2023, by reference to the number and nominal value of ordinary shares in issue at that time. (The payment date is approximately four business days later for holders of the Company's American Depositary Shares). In compliance with the rules issued by the Prudential Regulation Authority and other regulatory requirements to which the Group is subject, any final dividend declared by the Company is required to remain cancellable at any point prior to becoming due and payable and to be cancelled if, prior to payment, the Group ceases to hold capital resources equal to or in excess of its Solvency Capital Requirement, or if that would be the case if the dividend was paid. The directors have no intention of exercising this cancellation right, other than where they determine it may be necessary or appropriate to do so as a result of legal or regulatory requirements (including without limitation if, prior to payment, the Group ceases to hold capital resources equal to or in excess of its Solvency Capital Requirement, or if that would be the case if the dividend were paid). Details of any dividend waivers are disclosed in note 33 to the IFRS Financial Statements.

Dividend policy

In light of our 2022 performance and resilient capital and liquidity, the Board has recommended a final dividend of 20.7 pence per 32 17/19 pence ordinary share (2021: 14.7 pence per 25 pence ordinary share), bringing the full year dividend in respect of 2022 financial year to 31.00 pence per 32 17/19 pence ordinary share (2021: 22.05 pence per 25 pence ordinary share). We recognise that dividends are important to our shareholders, with sustainable growth in cash generation an important driver of dividend capacity and in March 2022 Aviva provided clear guidance on dividends for the 2022 and 2023 financial years. For the period thereafter we anticipate low to mid-single digit growth in the cash cost of the dividend. This guidance is subject to market conditions and Board approval.

Under UK company law, we may only pay dividends if the Company has 'distributable profits' available. 'Distributable profits' are accumulated, realised profits/(losses) not previously distributed or capitalised, less accumulated, unrealised losses not previously written off based on IFRS. Even if distributable profits are available, we pay dividends only if the amount of our net assets is not less than the aggregate of our called-up share capital and non-distributable reserves and the payment of the dividend does not reduce the amount of our net assets to less than that aggregate. As a holding company, the Company is dependent upon dividends and interest from our subsidiaries to pay cash dividends.

Directors' report continued

Many of the Company's subsidiaries are subject to insurance regulations that restrict the amount of dividends that they can pay to us.

Historically, the Company has declared an interim and a final dividend for each year (with the final dividend being paid in the following year).

Subject to the restrictions set out above, the payment of interim dividends on ordinary shares is made at the discretion of the Board, while payment of any final dividend requires the approval of the Company's shareholders at a general meeting. Dividends on preference shares are made at the discretion of the Board.

The Company pays cash dividends in pounds sterling and euros, although the Articles of Association permit payment of dividends on ordinary shares in any currency and in forms other than cash, such as ordinary shares.

Interim dividends are typically paid in September/October, subject to declaration by the Board. A final dividend is typically proposed by the Company's Board after the end of the relevant year and generally paid in May. Table 1 shows certain information regarding the dividends that we paid on the Company's ordinary shares.

Distributable reserves

At 31 December 2022, Aviva plc itself had sufficient distributable reserves to support the paid and proposed dividends during the period of our business plan. In Aviva Life & Pensions UK Limited, our largest operating subsidiary, distributable reserves, which could be paid to Aviva plc via its intermediate holding company, are based on the updated Companies Act 2006 (Distributions of Insurance Companies) Regulations 2016 which uses an adjusted Solvency II Own Funds measure in determining profits available for distribution.

While the UK insurance regulatory laws applicable to UK Life and our other UK subsidiaries impose no statutory restrictions on an insurer's ability to declare a dividend, the rules require maintenance of each insurance company's solvency margin, which might impact their ability to pay dividends to the parent company.

Our other life insurance, general insurance, and fund management subsidiaries' ability to pay dividends and make loans to the parent company is similarly restricted by local corporate or insurance laws and regulations. In all jurisdictions, when paying dividends, the relevant subsidiary must take into account its capital position and must set the level of dividend to maintain sufficient capital to meet minimum solvency requirements and any additional target capital expected by local regulators.

Acquisition of own shares

On 31 March 2022, Aviva completed the share buyback programme of ordinary shares originally announced on 12 August 2021 for an aggregate purchase price of up to £750 million and later increased and extended on 16 December 2021 to an aggregate purchase of up to £1 billion. In total, 245,225,489 ordinary shares of 25 pence each were repurchased for an aggregate consideration of £1 billion and a nominal value of £61 million.

At 31 March 2022, 79,587,629 ordinary shares with the nominal value of £19,896,907.25 (representing 2.154 % of the called up ordinary share capital as at 31 December 2022) were repurchased and cancelled during 2022, for an aggregate total consideration of £336,617,822.69. All repurchased shares have been cancelled.

Table 1 Dividend information

Year	Interim dividend per share (pence)	Interim Dividend per share (cents)[1]	Final dividend per share (pence)	Final dividend per share (cents)[1]
2017	8.40	9.50	19.00	21.77
2018	9.25	10.25	20.75	24.12
2019	15.50 [2]	17.35	0.00 [3]	0.00
2020	7.00	7.75	14.00	16.15
2021	7.35	8.60	14.70	17.46
2022	10.30	11.89	20.70	—

1. Euro dividend rate per share
2. Interim dividend in respect of 2019 paid in September 2019, second interim in respect of 2019 paid in September 2020
3. On 8 April 2020 the Board withdrew its recommendation to pay the 2019 final dividend, referencing the unprecedented challenges COVID-19 presented for businesses, households and customers and the adverse and highly uncertain impact on the global economy

Directors' report continued

Overall, the number of shares in issue is reduced by 245 million in respect of shares acquired and cancelled under the buyback programme. Net of new shares issued, in respect of the Company's employee share plans, during the period from 13 August to 31 March 2022, the number of shares in issue reduced by 242 million. Details of shares purchased, held or disposed by employee share plan trusts on the recommendation of the Company in 2022 for use in conjunction with the Company's employees' share plans are set out in note 33 to the IFRS Financial Statements.

Share class and listing

All the Company's shares in issue are fully paid up and the ordinary and preference shares have a Premium and Standard listing respectively on the London Stock Exchange.

Details of the Company's share capital and shares under option at 31 December 2022 and shares issued during the year are given in notes 31 to 34 to the IFRS Financial Statements. The calculation of earnings per share is included in note 13 to the IFRS Financial Statements.

Share capital

During the year, 79,587,629 ordinary shares were cancelled following re-purchase by the Company as outlined above. On 9 May 2022, shareholders approved a return of capital and share consolidation. Through the return of capital, 3,687,322,000 B shares were issued and immediately redeemed. Through the share consolidation, 3,687,322,000 ordinary shares of 25 pence each were cancelled and replaced with 2,802,364,720 ordinary shares of 32 17/19 pence each. This resulted in a reduction of 884,957,280 ordinary shares. A total of 6,814,159 ordinary shares were allotted to satisfy amounts under the Group's employee share and incentive plans which comprised of 1,214,203 ordinary shares of 25 pence each and 5,599,956 ordinary shares of 32 17/19 pence each. At 31 December 2022:

- Issued ordinary share capital totalled 2,807,964,676 shares of 32 17/19 pence each (82% of total share capital)
- Issued preference share capital totalled 200,000,000 shares of £1 each (18% of total share capital)

Further details on the ordinary share capital of the Company are shown in note 31 to the IFRS Financial Statements.

Rights and obligations attaching to the Company's ordinary shares and preference shares

Rights and obligations attaching to the Company's shares together with the powers of the Company's directors are set out in the Company's Articles of Association (the Articles), copies of which can be obtained from Companies House and the Company's website at **www.aviva.com/articles**, or by writing to the Group Company Secretary. The powers of the Company's directors are subject to relevant legislation and, in certain circumstances (including in relation to the issue or buying back by the Company of its shares), are subject to authority being given to the directors by shareholders at a general meeting. At the 2023 AGM, shareholders will be asked to renew the directors' authority to allot new securities. Details will be contained in the Notice of 2023 Annual General Meeting (Notice of AGM) due to be published at the end of March 2023.

Restrictions on transfer of securities/ voting rights

With the exception of restrictions under the Company's employee share incentive plans, where the shares are subject to the plan rules, there are no restrictions on the voting rights attaching to the Company's ordinary shares or the transfer of securities in the Company.

Where, under an employee share incentive plan operated by the Company, participants are the beneficial owners of shares but not the registered owners, the voting rights are normally exercised at the discretion of the participants. No person holds securities in the Company carrying special rights with regard to control of the Company. The Company is not aware of any agreements between holders of securities that may result in restrictions on the transfer of securities or voting rights.

Significant agreements – change of control

There are a number of agreements that take effect, alter or terminate upon a change of control of the Company following a takeover bid, such as commercial contracts and joint venture agreements. None are considered to be significant in terms of their potential impact on the business of the Group as a whole. All of the Company's employee share incentive plans contain provisions relating to a change of control. Outstanding awards and options would normally vest and become exercisable on a change of control, subject to the satisfaction of any performance conditions and pro rata reduction as may be applicable under the rules of the employee share incentive plans.

Authority to purchase own shares

Details of shares purchased during 2022 are outlined above (under 'Acquisition of own shares'). At the 2022 AGM, shareholders renewed the Company's authorities to make market purchases of up to 392 million ordinary shares, up to 100 million preference shares of 8¾% each and up to 100 million preference shares of 8⅜% each. No shares have been purchased under this authority.

At the 2023 AGM, shareholders will be asked to renew the authorities to buy the Company's shares for another year and the resolution in relation to the ordinary shares will once again propose a maximum aggregate number of ordinary shares which the Company can purchase of less than 10% of the issued ordinary share capital. Details are contained in the Notice of AGM available at **www.aviva.com/agm**. The Company held no treasury shares during the year or up to the date of this report.

Directors' report continued

Disclosure guidance and transparency rule 5 – major shareholders

The table 2 shows the holdings of major shareholders in the Company's issued ordinary share capital in accordance with the Disclosure Guidance and Transparency Rules (DTRs) notified to the Company as at 31 December 2022 and 3 March 2023. Information provided to the Company under the DTRs is publicly available via the regulatory information services and on the Company's website.

Directors

The directors as at the date of this report, together with their biographical details and details of Board appointments, resignations and retirements are shown earlier in the 'Our Board of Directors' section.

The rules regarding the appointment and removal of directors are contained in the Company's Articles. Under the Articles, the Board can appoint additional directors or appoint a director to fill a casual vacancy.

The new Director must retire at the first AGM following their appointment and can only continue as a Director if they are elected by shareholders at the AGM.

At no time during the year did any director hold a material interest in any contract of significance with the Company or any of its subsidiary undertakings other than an indemnity provision between each director and the Company and employment contracts between each executive director and a Group company. The Company has purchased and maintained throughout the year directors' and officers' liability insurance in respect of itself, its directors and others.

The Company has also executed deeds of indemnity for the benefit of each director of the Company, and each person who was a director of the Company during the year, in respect of liabilities that may attach to them in their capacity as Directors of the Company or of associated companies. The Articles allow such indemnities to be granted. These indemnities are qualifying third-party indemnity provisions as defined by section 234 of the Companies Act 2006.

These indemnities are currently in force. Details of Directors' remuneration, service contracts, employment contracts and interests in the shares of the Company are set out in the Directors' Remuneration report.

The Company has also granted indemnities by way of a deed poll to the directors of the Group's subsidiary companies, including former directors who retired during the year and directors appointed during the year, which is a 'qualifying third party indemnity' for the purposes of the applicable sections 309A to 309C of the Companies Act 1985. The deed poll indemnity was in force throughout the year and remains in force.

Financial instruments

Group companies use financial instruments to manage certain types of risks, including those relating to credit, foreign currency exchange, cash flow, liquidity, interest rates, and equity and property prices. Details of the objectives and management of these instruments are contained in the 'Our risks and risk management' section and in note 58 on risk management to the IFRS Financial Statements.

Political donations

Aviva did not make any political donations during 2022.

Disclosure of information to the auditor

In accordance with section 418 of the Companies Act 2006, the directors in office at the date of approval of this Annual Report and Accounts confirm that, so far as they are each aware, there is no relevant audit information of which the Company's external auditor, PwC, is unaware and each Director has taken all steps that ought to have been taken as a Director in order to make themselves aware of any relevant audit information and to establish that PwC is aware of that information.

Table 2 Shareholding interest

	At 31 December 2022		At 3 March 2023	
Shareholder	Notified holdings[1]	Nature of holding	Notified holdings[1]	Nature of holding
BlackRock, Inc[2]	5.01%	Indirect	5%	Indirect
Cevian Capital II G.P. Limited	5.01%	Indirect	Below 5%	Indirect

1. Percentage as at date of notification
2. Holding includes holdings of subsidiaries

Directors' report continued

Annual General Meeting (AGM)

The 2023 AGM of the Company will be held at Norwich City Football Club, Carrow Road, Norwich, NR1 1JE, on Thursday, 4 May 2023, at 10.30am with facilities to attend electronically. The Notice of AGM convening the meeting describes the business to be conducted thereat. Any proxy voting instruction, whether provided online, by post or via CREST or Proximity voting, must be received by our Registrar, Computershare Investor Services PLC, by no later than 10.30am on Tuesday, 2 May 2023. Further details can be found in the shareholder information section of the Notice of AGM.

Articles of association

Unless expressly stated to the contrary in the Articles, the Company's Articles may only be amended by special resolution of the shareholders. The Company's current Articles were adopted on 9 May 2022.

Fair, balanced and understandable

To support the directors' statement below that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable, the Board considered the process followed to draft the Annual Report and Accounts:

- Each section of the Annual Report and Accounts is prepared by a member of management with appropriate knowledge, seniority and experience. Each preparer receives guidance on the requirement for content included in the Annual Report and Accounts to be fair, balanced and understandable
- The overall co-ordination of the production of the Annual Report and Accounts is overseen by the Chief Financial Controller to ensure consistency across the document
- An extensive verification process is undertaken to ensure factual accuracy
- Comprehensive reviews of drafts of the Annual Report and Accounts are undertaken by members of the Aviva Executive Committee and other members of senior management and, in relation to certain parts of the report, external legal advisers and the external auditor
- An advanced draft is considered and reviewed by the Disclosure Committee
- The final draft is reviewed by the Audit Committee prior to consideration by the Board
- Board members receive drafts of the Annual Report and Accounts for their review and input. This includes the opportunity to discuss the drafts with both management and the external auditor, challenging the disclosures where appropriate.

Directors' report continued

Going concern and longer-term viability

A detailed going concern and longer-term viability review has been undertaken as part of the 2022 reporting process. The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic report, along with the Group's approach to risk and risk management. In addition, the 'Financial statements' sections include notes on the Group's borrowings (note 51); its contingent liabilities and other risk factors (note 54); its capital management (note 56); management of its risks including market, climate, credit and liquidity risk (note 58); and derivative financial instruments (note 59).

The going concern and longer-term viability review includes consideration of the Group's current and forecast solvency and liquidity positions over a three-year period which aligns to management's 2023-2025 business plan and evaluates the results of stress and scenario testing. Stress and scenario testing (including reverse stress testing) is used to test the resilience of business plans and to inform decision-making.

These tests are driven by the Group's risk profile at a range of severities, as well as a range of other scenarios as part of the Group solvency and liquidity management processes.

The Group continues to maintain strong solvency and liquidity positions through a range of scenarios and stress testing. Particular areas of uncertainty include credit downgrades where a specific focus has been our commercial mortgage portfolio which we continue to monitor closely and have taken several actions including debt restructuring. The Group's balance sheet exposure has been reviewed and actions taken to reduce the sensitivity to economic shocks.

Even in severe downside scenarios, no material uncertainty in relation to going concern and longer-term viability has been identified, due to the Group's strong solvency and liquidity positions providing considerable resilience to external shocks, underpinned by the Group's approach to risk management (see note 58).

It is fundamental to the Group's longer-term strategy that the directors manage and monitor risk, considering all key risks the Group faces, including longer-term insurance risks, so that it can continue to meet its obligations to policyholders. The Group is also subject to extensive regulation and supervision under the UK Solvency II regulatory framework.

Going concern

After making enquiries, the directors have a reasonable expectation that the Company and the Group as a whole have adequate resources to continue in operational existence for a period of at least 12 months from the date of approval of the financial statements. For this reason, they continue to adopt, and to consider appropriate, the going concern basis in preparing the financial statements.

Longer-term viability statement

The directors have assessed the prospects of the Group in accordance with Provision 31 of the 2018 UK Corporate Governance Code, with reference to the Group's current position and prospects, its strategy, risk appetite, and the potential impact of the principal risks and how these are managed. Based on this assessment, the directors have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the three-year assessment period to 31 December 2025.

Directors' report continued

Directors' responsibilities

The directors are responsible for preparing the Annual Report and Accounts, the Directors' Remuneration report and the financial statements in accordance with applicable law and regulations.

Company law required the directors to prepare financial statements for each financial year. Under that law the directors have prepared the Group and parent financial statements in accordance with UK-adopted international accounting standards. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and apply them consistently;
- make reasonable and prudent judgements and accounting estimates;
- state where applicable the directors have prepared the Group and parent company financial statements in accordance with UK-adopted international accounting standards; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company and Group will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and Group, enable them to ensure that the financial statements and the Directors' Remuneration report comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Company and Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for making, and continuing to make, the Company's Annual Report and Accounts available on the Company's website. The directors are responsible for the maintenance and integrity of the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The directors consider that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's and the Company's position, performance, business model and strategy.

Each of the current directors whose names and functions are detailed in the 'Our Board of Directors' section and in the Directors' and Corporate Governance report confirm that, to the best of their knowledge: the Group financial statements, which have been prepared in accordance with UK-adopted international accounting standards, give a true and fair view of the assets, liabilities, financial position and profit of the Group; and the Strategic report and the Directors' and Corporate Governance report in this Annual report include a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that it faces.

Listing Rules requirements

For the purposes of Listing Rule (LR) 9.8.4C R, the information required to be disclosed by LR 9.8.4 R can be found in the following locations:

Section in LR 9.8.4C R	Topic	Location in the Annual Report and Accounts
12	Shareholder waivers of dividends	IFRS Financial Statements – note 33
13	Shareholder waivers of future dividends	IFRS Financial Statements – note 33

By order of the Board on 8 March 2023.

Amanda Blanc
Group Chief Executive Officer

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Aviva plc
St Helen's, 1 Undershaft
London EC3P 3DQ
+44 (0)20 7283 2000

www.aviva.com
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Number 2468686

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Annual Report and Accounts 2022

Part 2

Make the most out of life. Plan for your future. Have the confidence that if things go wrong, we'll be there to help put them right.

It takes Aviva

As a reminder

Reporting currency:
We use £ sterling. Unless otherwise stated, all figures referenced in this report relate to Group.

Explanations of key terms used in this report are available on:
www.aviva.com/glossary

www.aviva.com/climate-goals-glossary

The Company's registered office:
St Helen's
1 Undershaft
London
EC3P 3DQ

Foreword
The Strategic report contains information about Aviva, how we create value and how we run our business. It includes our strategy, our business model, key performance indicators, overview of our businesses, our approach to risk and our responsibility to our people, our communities and the planet.

The Strategic report is only part of the Annual Report and Accounts 2022, which was approved by the Board on 8 March 2023 and signed on its behalf by Amanda Blanc, Chief Executive Officer. The Directors' Report required under the Companies Act 2006 comprises the 'Governance' section of the Annual Report.

The Strategic report and Governance pages form part 1 of the Annual Report and Accounts. The IFRS Financial Statements and Other Information form part 2 of the Annual Report and Accounts. Parts 1 and 2 together comprise the Aviva plc Annual Report and Accounts 2022. More information about Aviva can be found at **www.aviva.com**.

Alternative Performance Measures:
Throughout the Annual Report and Accounts we use a range of financial metrics to measure our performance and financial strength. These metrics include Alternative Performance Measures (APMs), which are non-Generally Accepted Accounting Principles (GAAP) measures that are not bound by the requirements of IFRS or Solvency II.

A complete list of the APMs used by the Group, and further guidance in respect of their use, can be found in the 'Other information' section in part 2 of the Annual Report and Accounts. This guidance includes definitions and, where possible, reconciliations to relevant line items or sub-totals in the financial statements.

IFRS Financial Statements

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Independent auditors' report to the members of Aviva plc

Report on the audit of the financial statements

Opinion

In our opinion, Aviva plc's Group financial statements and Company financial statements (the "financial statements"):

- Give a true and fair view of the state of the Group's and of the Company's affairs as at 31 December 2022 and of the Group's loss, the Company's profit and the Group's and Company's cash flows for the year then ended;
- Have been properly prepared in accordance with UK-adopted international accounting standards; and
- Have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Accounts 2022 (the "Annual Report"), which comprise: the Consolidated and Company statements of financial position as at 31 December 2022; the Consolidated and Company income statements and statements of comprehensive income for the year then ended; the Reconciliation of Group adjusted operating profit to (loss)/profit for the year then ended; the Consolidated and Company statements of cash flows for the year then ended; the Consolidated and Company statements of changes in equity for the year then ended; the principal accounting policies adopted in the preparation of financial statements; and the notes to the financial statements.

Our opinion is consistent with our reporting to the Audit Committee.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided.

Other than those disclosed in Note 11, we have provided no non-audit services to the Company or its controlled undertakings in the period under audit.

Our audit approach

Context

In addition to forming this opinion, in this report we have also provided information on how we approached the audit, how it has changed from the previous year and details of the significant discussions that we have had with the Audit Committee.

Overview

Audit scope

- Our audit scope has been determined to provide coverage of all material financial statement line items; and
- In designing our audit, we have considered the impacts that climate change could have on the Group, including the physical or transitional risks which could arise. In particular, we have assessed the impacts on reporting of the commitments related to climate change which the Group has made.

Key audit matters

- Valuation of life insurance liabilities (Group)
  - Annuitant mortality assumptions (Group)
  - Credit default assumptions for: illiquid assets (commercial mortgages and equity release mortgages) and corporate bonds (Group)
  - Expense assumptions (Group)
- Valuation of general insurance liabilities (Group)
- Valuation of hard to value investments (Group)
- Disclosure of the impact of adopting IFRS 17 (Group)
- Valuation of investments in subsidiaries (Company)

Materiality

- Overall Group materiality: £93,000,000 (2021: £143,000,000) based on 5% of three-year average of the Group adjusted operating profit before tax attributable to shareholders' profits from continuing operations.
- Overall Company materiality: £65,900,000 (2021: £88,000,000) based on 0.5% of total equity.
- Performance materiality: £69,000,000 (2021: £107,000,000) (Group) and £49,400,000 (2021: £65,990,000) (Company).

Independent auditors' report to the members of Aviva plc continued

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

This is not a complete list of all risks identified by our audit.

The asset class of corporate bonds has been added to the credit default assumption key audit matter this year. Furthermore, the disclosures in Note 62 in accordance with International Accounting Standard ("IAS") 8 'Accounting Policies, Changes in Accounting Estimates and Errors' in relation to the impact on the opening balance sheet as a result of adopting IFRS 17 'Insurance Contracts' for the period beginning 1 January 2023 is a new key audit matter this year. Otherwise the key audit matters below are consistent with last year.

Key audit matter	How our audit addressed the key audit matter
Valuation of life insurance liabilities (Group)	
Refer to Accounting policy (L) *'Insurance and participating investment contract liabilities - Long-term business provisions'* and Note 41 - *Insurance liabilities (b) Long-term business liabilities.*	
For UK Life insurance liabilities, the valuation of the long-term business provision for the settlement of future claims involves complex and subjective judgements about future events, both internal and external to the business, for which small changes in assumptions can result in material impacts to the valuation of these liabilities. As part of our consideration of the entire set of assumptions, we focused particularly on the following three assumptions given the level of judgement involved in their determination, and the sensitivity of the valuation of the insurance liabilities to them: • The mortality assumptions used in the valuation of annuity business insurance liabilities ("annuitant mortality"); • Credit default assumptions for illiquid assets and corporate bonds; and • Expense assumptions. We provide more detailed consideration of each of these below.	The work to address the valuation of the life insurance liabilities included the following procedures: • Understood and evaluated the process and the design and implementation of controls in place to determine the life insurance liabilities; • Tested the design and operating effectiveness of controls in place over life insurance liabilities, including those covering the approval of assumptions, and the completeness and accuracy of the data used; • Using our actuarial specialist team members, applied industry knowledge and experience and compared the methodology, models and assumptions used against recognised actuarial practice. This included consideration of the reasonableness of assumptions against actual historical experience, and the appropriateness of any judgements applied, including if there was any indication of management bias; • Tested the key judgements over the preparation of the life insurance liabilities, including manual calculation of components focusing on the consistency in treatment and methodology year-on-year and with reference to recognised actuarial practice; • Used the results of an independent PwC annual benchmarking survey of assumptions to further challenge the assumption setting process by comparing certain assumptions used relative to the Group's industry peers; and • Assessed the disclosures in the financial statements. As part of our consideration of the entire set of assumptions, we focused particularly on annuitant mortality, credit default for illiquid assets and corporate bonds, and expense assumptions given their significance to the Group's result and the level of judgement involved. These aspects of our work have been considered in more detail below.

Independent auditors' report to the members of Aviva plc continued

Annuitant mortality assumptions (Group)

Refer to Accounting policy (L) *'Insurance and participating investment contract liabilities - Long-term business provisions'* and Note 42 - *Insurance liabilities methodology and assumptions (a) Long-term business.*

Annuitant mortality assumptions used to value life insurance liabilities for the UK Life insurance business require a high degree of judgement due to the number of factors which may influence mortality experience. The differing factors which affect the assumptions are underlying mortality experience (in the portfolio), industry and management's views on the future rate of mortality improvements, and external factors arising from developments in the annuity market.

There are two main components to the annuitant mortality assumptions:

- Mortality base assumption: this component is typically less subjective as it is derived using the external Continuous Mortality Investigation ("CMI") tables for individual annuities and Club Vita 3 ("CV3") tables for Bulk Purchase Annuities ("BPA"), adjusted for internal experience. However, judgement is required in choosing the appropriate table and fitting Aviva's own experience to this table. In setting this assumption, management opted to exclude 2020 and 2021 experience from the analysis, as a result of the distorting impact of the COVID-19 pandemic, and maintained the same external mortality tables as at 31 December 2021;and
- Rate of mortality improvements: this component is more subjective given the uncertainty over how life expectancy will change in the future and the lack of available data to support judgements made in respect of this. In setting this assumption, management has adopted the latest CMI model (CMI 2021) and dataset, whilst maintaining the specific parameters for the long-term rate and adjustments to reflect the profile of the portfolio.

In respect of the annuitant mortality assumptions we performed the following:

- Tested the methodology used by management to derive the assumptions with reference to relevant rules and actuarial guidance and by applying our industry knowledge and experience. This included evaluating management's decision to retain the existing base tables, published in mid-2020, as well as to move to the latest CMI model (CMI 2021) and dataset for determining both improvements and the margin for prudence;
- Assessed the reasonableness of the base mortality assumptions. This included assessing the judgement applied by management in excluding 2020 and 2021 data from the experience investigation due to the distorting impact of the COVID-19 pandemic; and
- Considered the reasonableness of other assumptions, including those unchanged, such as the socio-economic group adjustments, following the move to the latest CMI model. We performed this by assessing the continued appropriateness of these elements of the mortality improvement basis against the impact arising from the change in the CMI model.

Based on the work performed and the evidence obtained, we consider the assumptions used for annuitant mortality to be appropriate.

Credit default assumptions for illiquid assets (commercial mortgages and equity release mortgages) and corporate bonds (Group)

Refer to Accounting policy (L) *'Insurance and participating investment contract liabilities - Long-term business provisions'* and Note 42 - *Insurance liabilities methodology and assumptions (a) Long-term business.*

Life Insurance liabilities are valued by discounting expected future cash flows at an interest rate based on the yield of assets backing the liabilities, allowing for a prudent deduction for the credit risk associated with holding these assets.

UK Life has substantial holdings in asset classes with significant credit risk. For illiquid assets, the underlying asset valuation requires a number of different assumptions. Internally developed models are then used to project the associated cash flows for the assets, using these assumptions, to calculate the asset value and associated credit risk.

There is a heightened risk around the corporate bonds credit default assumptions for the year ended 31 December 2022, relating to the methodology and judgements applied in the calculation of credit default allowances being no longer materially appropriate given the current heightened economic uncertainty. We have consequently included this asset class within this key audit matter.

The calculated credit risk for illiquid assets and corporate bonds is converted into credit default assumptions for each asset type. These assumptions are then uplifted by a prudence margin and used, alongside credit default assumptions for other assets, in the calculation of the valuation interest rate used to value life insurance liabilities.

In respect of the credit default assumptions for illiquid assets, we performed the following:

- Tested the methodology and the credit risk pricing models used by management to derive the assumptions for commercial and equity release mortgages. This included consideration of the relevant rules and actuarial guidance, such as the adoption of an appropriate prudence margin, and by applying our industry knowledge and experience; and
- Validated the significant assumptions used by management by ensuring consistency with the assumptions used for the valuation of the illiquid assets, and by considering any additional judgements applied, market observable data (to the extent available and relevant) and our experience of market practice.

In respect of the credit default assumptions for corporate bonds, we performed the following:

- Tested the appropriateness of the methodology used by management. This included consideration of the relevant rules and actuarial guidance, such as the adoption of an appropriate prudence margin, and by applying our industry knowledge and experience; and
- Assessed the reasonableness of the significant assumptions used in the calculation of the credit default assumption, with a focus on recent market volatility.

Based on the work performed and the evidence obtained, we consider the assumptions used for credit default risk on illiquid assets (commercial mortgages and equity release mortgages) and corporate bonds to be appropriate.

Independent auditors' report to the members of Aviva plc continued

Expense assumptions (Group)

Refer to Accounting policy (L) *'Insurance and participating investment contract liabilities - Long-term business provisions'* and Note 42 - *Insurance liabilities methodology and assumptions (a) Long-term business.*

Future maintenance expenses and expense inflation assumptions are used in the measurement of life insurance liabilities and require a significant amount of judgement. The assumptions reflect the expected future expenses that will be required to maintain the in-force policies at the balance sheet date, including an allowance for project costs and a margin for prudence.

As at 31 December 2022, inflation is significantly higher than historical rates. There is also significant uncertainty around future inflation and how inflation will vary across the economy. This increases the materiality and risk associated with judgements applied in the calculation of expense inflation.

In respect of the expense assumptions, we performed the following:

- Tested the methodology used by management to derive the assumptions with reference to relevant rules and actuarial guidance and by applying our industry knowledge and experience. This included testing the split of expenses between acquisition and maintenance expenses by agreeing a sample to supporting evidence;
- Tested that the assumptions appropriately reflect the expected future expenses for maintaining policies in force at the balance sheet date, which includes consideration of the allowance for project costs and planned controlled cost reduction; and
- Tested the actuarial reserving models to ensure that the expense assumptions continue to be applied appropriately within the models, and assessed the appropriateness of new and existing maintenance expense manual provisions.

In respect of the excess inflation assumption, we performed the following:

- Considered the reasonableness of the expense inflation assumption with respect to market views of inflation as at 31 December 2022. This included the reasonableness of any adjustments made to market inflation to set the expense inflation assumption.

Based on the work performed and the evidence obtained, we consider the expense assumptions to be appropriate.

Valuation of general insurance liabilities (Group)

Refer to Accounting policy (L) *'Insurance and participating investment contract liabilities - General insurance and health provisions'* and Note 41 - *Insurance liabilities (c) General insurance and health liabilities.*

General insurance liabilities include the provision for claims incurred but not reported ("claims IBNR"). The estimation of these liabilities involves a significant degree of judgement in determining the valuation of the provision for claims IBNR as at 31 December 2022.

We focused particularly on the following:

- The methodologies and assumptions used in estimating the costs of claims for general insurance products, in particular assumptions relating to the expected settlement amount and settlement patterns of claims, including personal injury lump sum compensation amounts;
- The underlying volatility attached to estimates for the larger classes of business such as the motor accounts, where small changes in assumptions can lead to large changes in the level of the estimate held and the reported combined operating ratio ("COR");
- The magnitude of uncertainty in respect of rising inflation in claims costs and its impact on assumptions adopted in the determination of claims IBNR; and
- The risk of inappropriate assumptions in determining the impact of COVID-19 on the provision for claims IBNR.

Our work focused on the provision for claims IBNR in the UK General Insurance and Canada General Insurance components, given their size in relation to the consolidated Group and the subjectivity of the judgements involved.

We assessed the calculation of the general insurance liabilities by performing the following procedures:

- Understood and evaluated the process and the design and implementation of controls in place to determine the provision for claims IBNR. This included testing the design and operating effectiveness of the relevant controls in place, and the completeness and accuracy of data used;
- Tested the underlying data to source documentation;
- Using our actuarial specialist team members, applied our industry knowledge and experience and compared the methodology, models and assumptions used against recognised actuarial practices. This included consideration of the reasonableness of assumptions against actual historical experience and the appropriateness of any judgements applied;
- Using our actuarial specialist team members, independently estimated the provision for claims IBNR on selected classes of business, particularly focusing on the reserves for larger and higher risk classes. For these classes, we compared our estimates which included assumptions in respect of inflation, that we determined were appropriate, to those booked by management, to determine whether the provision for claims IBNR represented a reasonable estimate;
- For the remaining classes, which include business interruption losses arising as a direct result of COVID-19 we evaluated the methodology and assumptions applied, or performed key indicator tests to identify and investigate any anomalies;
- Considered whether any of our audit procedures gave rise to an indication of management bias in the estimates; and
- Assessed the disclosures in the financial statements.

Based on the work performed and evidence obtained, we consider the methodology and assumptions used to value the general insurance liabilities to be appropriate.

Independent auditors' report to the members of Aviva plc continued

Valuation of hard to value investments (Group)

Refer to Accounting policy (V) *'Loans'* and Note 23 - *Loans.*

The valuation of the investment portfolio involves judgement and continues to be an area of inherent risk. The valuation risk is not uniform for all investment types and is greatest for the following assets in the UK Life business, categorised as level 3 under the fair value methodology, given the level of judgement required in the selection and application of significant assumptions and unobservable inputs: • Commercial mortgage loans; • Equity release mortgage loans; and • Infrastructure loans.	We assessed the valuation of hard to value investments by performing the following procedures: • Understood and evaluated the process and the design and implementation of controls in place to determine the pricing and oversight of the process; • Evaluated the methodology and assumptions used by management, including yield curves, discounted cash flows, property growth rates, house prices, longevity, credit spread and illiquidity premiums as relevant to each asset class and credit rating through benchmarking these to market available data and engaging valuation experts; including assessing if there was any indication of management bias; • Tested the operation of data integrity and change management controls for the commercial and private finance initiative ("PFI") mortgages and equity release valuation models; • Using our valuation experts, performed independent valuations for each different type of infrastructure loan model; • Tested data inputs used in the valuation models to underlying documentation on a sample basis; • Using our property valuation experts, assessed the objectivity, independence and competency of the surveyors used by management to determine the collateral values input into the commercial mortgage valuation models; and • Assessed the disclosures in the financial statements. Based on the work performed and the evidence obtained, we consider the methodology and assumptions used by management to value hard to value assets to be appropriate.

Independent auditors' report to the members of Aviva plc continued

Disclosure of the impact of adopting IFRS 17 (Group)

Refer to Accounting policy (A(i)) *'Basis of preparation - IFRS 17, Insurance contracts'* and Note 62 - *IFRS 17 Transition.*

International Accounting Standard 8 *'Accounting Policies, Changes in Accounting Estimates and Errors' ("IAS 8")* requires the disclosure of reasonably estimable information relevant to assessing the possible impact of new accounting standards issued but not yet effective. International Financial Reporting Standard 17 *'Insurance Contracts'*, ("IFRS 17" or the "standard") became effective for periods beginning on or after 1 January 2023, replacing International Financial Reporting Standard 4, Insurance Contracts. The related IAS 8 disclosures in section A of the Accounting Policies and in Note 62 of these financial statements are intended to provide readers with an understanding of the estimated impact of the new standard on the transition date of 1 January 2022 and, as a result, are more limited than the disclosures which will be required within the 2023 interim and annual reports and accounts. Management has estimated the impact of the transition to IFRS 17 on the Group's opening total equity position and the resultant recognition of the Contractual Service Margin ("CSM") as at the transition date, 1 January 2022, and disclosed these impacts in accordance with IAS 8.

We determined the disclosure of the impact of IFRS 17 to be an area of focus because of the significant changes introduced by the standard, which includes a number of new estimates and judgements, and because the impacts will be of particular importance to the readers of these financial statements. In particular, we have focused on the following key judgements that management have taken in calculating the impact of implementing IFRS 17:

- The determination of the transition approach adopted for each group of insurance contracts;
- The methodology used by management to determine discount rates;
- The methodology and assumptions in respect of determining the risk adjustment;
- The methodology applied to the amortisation of the CSM for annuities where the fully retrospective approach is being applied;
- The methodology that has been used to determine the fair value CSM on transition for annuity and with-profits business;
- The assumptions made by management in determining the fair value of annuity liabilities; and
- The calculations performed in management's new models; specifically models relating to annuities and with-profits business for the fair value approach, annuities for the full retrospective approach, and the risk adjustment models.

In respect of our audit work over the valuation of the estimated impact on the Group's opening total equity position and the recognition of the CSM as at 1 January 2022, we performed the following procedures:

- Understood and evaluated the design effectiveness of controls in place, and tested the operating effectiveness of relevant data integrity and management controls, and substantively tested relevant data inputs;
- Assessed whether the judgements applied by management in determining their accounting policies are in accordance with IFRS 17;
- Using our actuarial specialist team members, evaluated the appropriateness of the methodology used to determine discount rates as at 1 January 2022 and historic periods where the fully retrospective approach is adopted;
- Applied industry knowledge and compared the methodology, models and assumptions used in determining the risk adjustment, CSM, fair value of annuity liabilities and IFRS 17 best estimate liabilities against expected market practice. This included consideration of the reasonableness of assumptions and the appropriateness of any judgements applied, including whether or not there was any indication of management bias;
- Tested the mathematical accuracy of the supporting calculations and adjustments used to determine the impact on the Group's opening total equity position and the recognition of the CSM as at 1 January 2022; and
- Evaluated the reasonableness of the quantitative and qualitative disclosures included in the financial statements in accordance with the requirements of IAS 8.

Based on the audit procedures performed and evidence obtained, we consider the disclosures related to the initial impact of IFRS 17, and key judgements and assumptions to be appropriate.

Valuation of investments in subsidiaries (Company)

Refer to Accounting policy (D) *'Consolidation principles - The Company's investments'* and Note E to the Financial Statements of the Company - *Investments in subsidiaries and joint venture.*

In the Company's statement of financial position, investments in subsidiaries are reported at cost less impairment. The investments in subsidiaries are the largest assets on the Company's statement of financial position. There is a risk that the carrying value of the investments in subsidiaries exceeds the recoverable amount and therefore an impairment loss should be recognised.

In respect of the carrying value of investments in subsidiaries we have:

- Obtained management's assessment of impairment indicators in investments in subsidiaries and tested relevant key inputs;
- Evaluated whether there is an impact on the carrying value of the investment based on our understanding of the business and accounting treatment; and
- Tested the disclosures made by management in the financial statements.

Based on the work performed and the evidence obtained, we consider the carrying value of investments in subsidiaries to be appropriate.

Independent auditors' report to the members of Aviva plc continued

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Group and the Company, the accounting processes and controls, and the industry in which they operate.

Based on the output of our risk assessment, along with our understanding of the Aviva Group structure, we performed full scope audits over the following components: UK Life, UK General Insurance, Canada General Insurance and Aviva plc.

We identified an additional component: Aviva Investors, where one account balance was considered to be significant in size in relation to the Group and scoped our audit to include detailed testing of the account balance. We also performed audit procedures over the corporate centre operations and the consolidation process, as well as over certain other Group activities, including specific account balances in the Aviva Employment Services, Aviva Central Services, and Aviva Group Holdings components.

We completed review procedures over the other components not subject to full scope audits.

As the Group audit team, we determined the level of involvement required at those components to be able to conclude whether sufficient and appropriate audit evidence had been obtained as a basis for our opinion on the consolidated financial statements as a whole. In our role as Group auditors, we exercised oversight of the work performed by auditors of the components including performing the following procedures:

- Issued Group instructions outlining areas requiring additional audit focus, including the key audit matters above;
- Maintained an active dialogue with reporting component audit teams throughout the year;
- Attended meetings with local management;
- Reviewed reporting requested from component teams, including those areas determined to be of heightened audit risk; and
- Met with all full scope components and reviewed the detailed working papers, where relevant.

The impact of climate risk on our audit

We have made enquiries of management (both within and outside of the Group's finance functions) in order to understand the extent of the impact of climate change risks and the commitments made by the Group on the Group's financial statements. As part of this, we have reviewed minutes of meetings of the Aviva Sustainability Ambition ("ASA") Steering Committee and reviewed the Group's climate reporting framework. We have also made enquiries to understand, and performed a risk assessment in respect of, the commitments made by the Group and how these may affect the financial statements and the audit procedures that we perform. We have assessed the risks of material misstatement to the financial statements as a result of climate change and concluded that for the year ended 31 December 2022, the main audit risks are related to consistency of disclosures included within the Annual Report and 'other information' including the Task Force on Climate-related Financial Disclosure ("TCFD") report. As a result of this assessment, we concluded that there was no impact on our key audit matters.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Independent auditors' report to the members of Aviva plc continued

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Financial statements – Group	Financial statements – Company
Overall materiality	£93,000,000 (2021: £143,000,000) .	£65,900,000 (2021: £88,000,000).
How we determined it	5% of three-year average of the Group adjusted operating profit before tax attributable to shareholders' profits from continuing operations.	0.5% of total equity
Rationale for benchmark applied	In determining our materiality, we considered financial metrics which we believed to be relevant and concluded that Group adjusted operating profit before tax attributable to shareholders' profits from continuing operations was the most relevant benchmark. For the year ended 31 December 2022, we have determined that a 3-year average of this metric is more appropriate as it normalises both economic and non-economic assumption changes and provides consistency which aligns better with the trend in the primary metrics used to assess the businesses performance and dividend capability such as capital metrics. This benchmark has been changed from the prior year audit in order to exclude the Group adjusted operating profit before tax attributable to shareholders' profit from discontinued operations. This allows comparability year-on-year of Group adjusted operating profit and reduces the volatility resulting from the reduction in total Group adjusted operating profit following the completion of disposals in the prior year.	In determining our materiality, we considered financial metrics which we believed to be relevant and concluded, consistent with prior year, that total equity was the most appropriate benchmark. The primary use of the financial statements is to determine the entity's ability to pay dividends, and the users will therefore be focused on a total equity benchmark.

For each component in the scope of our Group audit, we allocated a materiality that is less than our overall Group materiality. The range of materiality allocated across components was £34,000,000 - £88,000,000. Certain components were audited to a local statutory audit materiality that was also less than our overall Group materiality.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% (2021: 75%) of overall materiality, amounting to £69,000,000 (2021: £107,000,000) for the Group financial statements and £49,400,000 (2021: £65,990,000) for the Company financial statements.

In determining the performance materiality, we considered a number of factors - the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls - and concluded that an amount at the upper end of our normal range was appropriate.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £4,600,000 (Group audit) (2021: £7,000,000) and £3,200,000 (Company audit) (2021: £4,400,000) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

Our evaluation of the directors' assessment of the Group's and the Company's ability to continue to adopt the going concern basis of accounting included:

- Obtaining the directors' Going Concern assessment and challenging the rationale for the downside scenarios adopted and material assumptions made using our knowledge of Aviva's business performance, review of regulatory correspondence and obtaining further corroborating evidence;
- Considering the directors' assessment of the regulatory solvency coverage and liquidity position in the forward looking scenarios considered, which have been derived from Aviva's Own Risk and Solvency Assessment ("ORSA");
- Considering information obtained during the course of the audit and publicly available market information to identify any evidence that would contradict the directors' assessment of going concern (including the impacts of COVID-19); and
- Enquiring and understanding the actions taken by the directors to mitigate the risks arising from the impacts of economic uncertainty, including review of Board Risk Committee minutes and attendance of all Audit Committees.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the Group's and the Company's ability to continue as a going concern.

In relation to the directors' reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

Independent auditors' report to the members of Aviva plc continued

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information, which includes reporting based on the Task Force on Climate-related Financial Disclosures ("TCFD") recommendations. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the year ended 31 December 2022 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Group and Company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' report.

Directors' Remuneration

In our opinion, the part of the Annual report on Remuneration to be audited has been properly prepared in accordance with the Companies Act 2006.

Corporate governance statement

The Listing Rules require us to review the directors' statements in relation to going concern, longer-term viability and that part of the corporate governance statement relating to the Company's compliance with the provisions of the UK Corporate Governance Code specified for our review. Our additional responsibilities with respect to the corporate governance statement as other information are described in the Reporting on other information section of this report.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the financial statements and our knowledge obtained during the audit, and we have nothing material to add or draw attention to in relation to:

- The directors' confirmation that they have carried out a robust assessment of the emerging and principal risks;
- The disclosures in the Annual Report that describe those principal risks, what procedures are in place to identify emerging risks and an explanation of how these are being managed or mitigated;
- The directors' statement in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the Group's and Company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- The directors' explanation as to their assessment of the Group's and Company's prospects, the period this assessment covers and why the period is appropriate; and
- The directors' statement as to whether they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period of its assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Our review of the directors' statement regarding the longer-term viability of the Group and Company was substantially less in scope than an audit and only consisted of making inquiries and considering the directors' process supporting their statement; checking that the statement is in alignment with the relevant provisions of the UK Corporate Governance Code; and considering whether the statement is consistent with the financial statements and our knowledge and understanding of the Group and Company and their environment obtained in the course of the audit.

In addition, based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- The directors' statement that they consider the Annual Report, taken as a whole, is fair, balanced and understandable, and provides the information necessary for the members to assess the Group's and Company's position, performance, business model and strategy;
- The section of the Annual Report that describes the review of effectiveness of risk management and internal control systems; and
- The section of the Annual Report describing the work of the Audit Committee.

Independent auditors' report to the members of Aviva plc continued

We have nothing to report in respect of our responsibility to report when the directors' statement relating to the Company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified under the Listing Rules for review by the auditors.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Directors' responsibilities statement in the Directors' Report, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error

In preparing the financial statements, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the Group and industry, we identified that the principal risks of non-compliance with laws and regulations related to breaches of UK and European regulatory principles, such as those governed by the Prudential Regulation Authority ("PRA") and the Financial Conduct Authority ("FCA"), and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls) and determined that the principal risks were related to management bias in accounting estimates and judgmental areas of the financial statements as shown in our 'Key Audit Matters'. The Group engagement team shared this risk assessment with the component auditors so that they could include appropriate audit procedures in response to such risks in their work. Audit procedures performed by the Group engagement team and/or component auditors included:

- Discussions with the Board, management, Internal Audit, senior management involved in the Risk and Compliance functions and Group and Company's legal function, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Evaluation and testing of the operating effectiveness of management's controls designed to prevent and detect irregularities;
- Assessment of matters reported on the Group and Company's whistleblowing helpline and fraud register and the results of management's investigation of such matters;
- Meeting with the PRA periodically and reading key correspondence with the PRA and the FCA, including those in relation to compliance with laws and regulations;
- Reviewing relevant meeting minutes including those of the Board of Directors, Audit, Remuneration and Disclosure Committees;
- Identifying and testing journal entries based on risk criteria;
- Designing audit procedures to incorporate unpredictability around the nature, timing or extent of our testing;
- Testing transactions entered into outside of the normal course of the Group and Company's business;
- Reviewing the Group's register of litigation and claims, Internal Audit reports, and Compliance reports in so far as they related to non-compliance with laws and regulations and fraud; and
- Attendance at Audit and Risk Committee meetings.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: **www.frc.org.uk/auditorsresponsibilities**. This description forms part of our auditors' report.

Independent auditors' report to the members of Aviva plc continued

Use of this report

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the Company financial statements and the part of the Annual report on Remuneration to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Appointment

Following the recommendation of the Audit Committee, we were appointed by the members on 3 May 2012 to audit the financial statements for the year ended 31 December 2012 and subsequent financial periods. The period of total uninterrupted engagement is 11 years, covering the years ended 31 December 2012 to 31 December 2022.

Other matter

In due course, as required by the Financial Conduct Authority Disclosure Guidance and Transparency Rule 4.1.14R, these financial statements will form part of the UKSEF-prepared annual financial report filed on the National Storage Mechanism of the Financial Conduct Authority in accordance with the UKSEF Regulatory Technical Standard ("UKSEF RTS"). This auditors' report provides no assurance over whether the annual financial report will be prepared using the single electronic format specified in the UKSEF RTS.

Philip Watson (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

8 March 2023

Accounting policies

Aviva plc (the 'Company'), a public limited company incorporated and domiciled in the United Kingdom (UK), together with its subsidiaries (collectively, the 'Group' or 'Aviva') transacts life assurance and long-term savings business, fund management and most classes of general insurance and health business through its subsidiaries, joint ventures, associates and branches in the UK, Ireland, Canada and Asia.

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

(A) Basis of preparation

The consolidated financial statements and those of the Company have been prepared and approved by the directors in accordance with UK-adopted international accounting standards and the legal requirements of the Companies Act 2006.

On 31 December 2020, IFRS as adopted by the EU at that date was brought into UK law and became UK-adopted International Accounting Standards, with future changes being subject to endorsement by the UK Endorsement Board. The Group transitioned to UK-adopted international accounting standards on 1 January 2021.

The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of land and buildings, investment property, available-for-sale financial assets, and financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

In accordance with IFRS 4 Insurance Contracts, the Group has applied existing accounting practices for insurance and participating investment contracts, modified as appropriate to comply with the IFRS framework and applicable standards. Further details are given in accounting policy L.

Items included in the financial statements of each of the Group's entities are measured in the currency of the primary economic environment in which that entity operates (the functional currency). The consolidated financial statements are stated in pounds sterling, which is the Company's functional and presentational currency. Unless otherwise noted, the amounts shown in these financial statements are in millions of pounds sterling (£m).

New standards, interpretations and amendments to published standards that have been adopted by the Group and/or the Company

The Group and/or the Company has adopted the following amendments to standards which became effective for the annual reporting period beginning on 1 January 2022. The amendments have been issued and endorsed by the UK and do not have a significant impact on the Group's consolidated financial statements.

- Annual Improvements to IFRS 2018-2020 Cycle: Amendments to IFRS 1 Presentation of Financial Statements, IFRS 9 Financial Instruments, IFRS 16 Leases and IAS 41 Agriculture (published by the IASB in May 2020)
- Amendments to IAS 16 Property, Plant and Equipment: Proceeds before Intended Use (published by the IASB in May 2020)
- Amendments to IFRS 3 Business Combinations: Reference to the Conceptual Framework (published by the IASB in May 2020)
- Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets: Onerous Contracts – Costs of Fulfilling a Contract (published by the IASB in May 2020)
- Amendments to IFRS 16 Leases: COVID-19 Related Rent Concessions beyond 30 June 2021 (published by the IASB in March 2021)

Standards, interpretations and amendments to published standards that are not yet effective and have not been adopted early by the Group or the Company

The following new standards and amendments to existing standards have been issued, are not yet effective for the Group and have not been adopted early by the Group:

(i) IFRS 17, Insurance Contracts

In May 2017, the IASB published IFRS 17 Insurance Contracts, a comprehensive new accounting standard for insurance contracts. Amendments to the standard were published in June 2020 and December 2021 (Initial Application of IFRS 17 and IFRS 9 —Comparative Information). In May 2022, the UK endorsed both IFRS 17 and the amendments, all of which apply to annual reporting periods beginning on or after 1 January 2023. IFRS 17 replaces IFRS 4 Insurance Contracts, which was issued in 2005. In contrast to the requirements in IFRS 4, which are largely based on grandfathering of previous local accounting policies, IFRS 17 provides a comprehensive and consistent approach to accounting for insurance contracts.

The measurement and presentation of insurance contracts, reinsurance contracts and investment contracts with discretionary participating features are significantly impacted by the transition to IFRS 17. Further details, including the expected financial impacts on Group equity at the transition date of 1 January 2022, are given in note 62.

(ii) IFRS 9, Financial Instruments

In September 2016, the IASB published amendments to IFRS 4 Insurance Contracts that addressed the accounting consequences of the application of IFRS 9 to insurers prior to implementing IFRS 17. Under the deferral approach set out in the amendments, the Group has elected to apply the temporary exemption from applying IFRS 9 from 1 January 2018. The Group has however been required to apply the additional disclosure requirements of IFRS 4 which are set out in notes 22 and 58. Eligibility for the deferral approach was based on an assessment of the Group's liabilities as at 31 December 2015, in accordance with the date specified in the amendments to IFRS 4. At this date the Group's liabilities connected with insurance exceeded 90% of the carrying amount of the Group's total liabilities. The Group's total liabilities were £369,642 million and liabilities connected with insurance in the statement of financial position at this date primarily included insurance and participating investment contracts within the scope of IFRS 4 (£218,604 million), non-participating investment contract liabilities (£103,125 million), unallocated divisible surplus (£8,811 million), borrowings (£8,770 million), and certain amounts within payables and other financial liabilities which arise in the course of writing insurance business (£10,285 million).

In November 2016, the EU endorsed IFRS 9, followed by the Amendments to IFRS 4 Insurance Contracts – deferral of IFRS 9 in December 2020, which extends the fixed expiry date for the temporary exemption for insurers from applying IFRS 9 from 1 January 2021 until 1 January 2023, to align the effective dates with IFRS 17 Insurance contracts.

IFRS 9 incorporates new classification and measurement requirements for financial assets, the introduction of an expected credit loss impairment model which will replace the incurred loss model of IAS 39, and new hedge accounting requirements. Under IFRS 9, all financial assets will be measured at either amortised cost or fair value.

Accounting Policies continued

The basis of classification will depend on the business model and the contractual cash flow characteristics of the financial assets. The standard retains most of IAS 39's requirements for financial liabilities except for those designated at fair value through profit or loss whereby that part of the fair value changes attributable to own credit is to be recognised in other comprehensive income instead of the income statement.

Under IFRS 9, entities have the option to restate prior periods on transition. The Group will elect to restate comparatives in line with the IFRS 17 approach for restatement. We have assessed the interaction of IFRS 9 with IFRS 17 and intend to continue to apply the Group's current policy of measuring the majority of its financial instruments at fair value through profit or loss, hence we do not expect any significant measurement differences on adoption of IFRS 9. There will be changes to presentation and disclosures, including reflecting the business model assessment required for classification of financial investments under IFRS 9.

The Company is not eligible to apply the deferral approach and has adopted IFRS 9 from 1 January 2018. IFRS 9 information relating to entities within the Group which have applied IFRS 9 from 1 January 2018 can be found in the entities' publicly available individual financial statements.

(iii) Amendments to IAS 1 Presentation of Financial Statements: Disclosure of Accounting Policies
Published by the IASB in January 2020. The amendments are effective for annual reporting beginning on or after 1 January 2023 and have been endorsed by the UK.

(iv) Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates
Published by the IASB in February 2021. The amendments are effective for annual reporting beginning on or after 1 January 2023 and have been endorsed by the UK.

(v) Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Published by the IASB in May 2021. The amendments are effective for annual reporting beginning on or after 1 January 2023 and have been endorsed by the UK.

(vi) Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current
Published by the IASB in January 2020. The amendments are effective for annual reporting beginning on or after 1 January 2024 and have yet to be endorsed by the UK.

(vii) Amendments to IAS 1 Presentation of Financial Statements: Non-current Liabilities with Covenants
Published by the IASB in October 2022. The amendments are effective for annual reporting beginning on or after 1 January 2024 and have yet to be endorsed by the UK.

(viii) Amendments to IFRS 16: Lease Liability in a Sale and Leaseback
Published by the IASB in September 2022. The amendments are effective for annual reporting beginning on or after 1 January 2024 and have yet to be endorsed by the UK.

(B) Group adjusted operating profit

The long-term nature of much of the Group's operations means that, for management's decision-making and internal performance management of our operating segments, the Group focuses on Group adjusted operating profit, a non-GAAP alternative performance measure (APM) which is not bound by IFRS. The APM incorporates the expected return on investments which supports its long-term and non-long-term businesses.

Group adjusted operating profit for long-term business is based on expected investment returns on financial investments backing shareholder and policyholder funds over the reporting period, with allowance for the corresponding expected movements in liabilities. Variances between actual and expected investment returns, and the impact of changes in economic assumptions on liabilities, are disclosed separately outside Group adjusted operating profit. For non-long-term business, the total investment income, including realised and unrealised gains, is analysed between that calculated using a longer-term return and short-term fluctuations from that level. The exclusion of short-term realised and unrealised investment gains and losses from the Group adjusted operating profit APM reflects the long-term nature of much of our business and presents separately the operating profit APM which is used in managing the performance of our operating segments from the impact of economic factors. Further details of this analysis and the assumptions used are given in notes 7 and 8.

Group adjusted operating profit excludes impairment of goodwill, associates and joint ventures; amortisation and impairment of intangibles acquired in business combinations; amortisation and impairment of acquired value of in-force business; and the profit or loss on disposal and remeasurement of subsidiaries, joint ventures and associates. These items principally relate to mergers and acquisition activity which we view as strategic in nature, hence they are excluded from the operating profit APM as this is principally used to manage the performance of our operating segments when reporting to the Group's chief operating decision maker.

Group adjusted operating profit also excludes other items, which are those items that, in the directors' view, are required to be separately disclosed by virtue of their nature or incidence to enable a full understanding of the Group's financial performance. Details of these items, including an explanation of the rationale for their exclusion, are provided in the Alternative Performance Measures section within 'Other information'.

The Group adjusted operating profit APM should be viewed as complementary to IFRS GAAP measures. It is important to consider Group adjusted operating profit and profit before tax together to understand the performance of the business in the period.

(C) Critical accounting policies and the use of estimates

The preparation of financial statements requires the Group to select accounting policies and make estimates and assumptions that affect items reported in the consolidated income statement, consolidated statement of financial position, other primary statements and notes to the consolidated financial statements.

The Audit Committee reviews the reasonableness of judgements and assumptions applied and the appropriateness of significant accounting policies. The significant judgements considered by the Committee in the year are included within the Audit Committee Report and summarised in the following table.

Accounting Policies continued

Critical accounting judgement
Consolidation (accounting policy - D) Assessment of whether the Group controls the underlying entities including consideration of its decision making authority and rights to the variable returns from the entity. As part of this assessment Aviva applies a corridor approach to consolidation thresholds, where the Group's percentage ownership in certain investment vehicles fluctuates daily.
Classification of insurance and investment contracts (accounting policy - G) Assessment of the significance of insurance risk transferred to the Group and discretionary participation features in determining whether a contract should be accounted for as an insurance or investment contract. Insurance contracts are defined as those containing significant insurance risk. Contracts that transfer financial risks, but not significant insurance risk are classified as investment contracts. Judgement is required to assess whether insurance risk is significant at inception of the contract. Some insurance and investment contracts contain a discretionary participation feature which is a supplement to guaranteed benefits. Judgement is required to determine whether discretionary additional benefits are likely to be a significant portion of the total contractual payments.
Financial Investments (accounting policy - T) Classification of investments including the application of the fair value option. The Group classifies its investments as either fair value through profit or loss (FVTPL) or available for sale (AFS). The classification depends on the purpose for which the investments were acquired and is determined by local management at initial recognition.

All estimates are based on management's knowledge of current facts and circumstances, assumptions based on that knowledge and their predictions of future events and actions. Actual results may differ from those estimates, possibly significantly.

The table below sets out those estimates considered particularly susceptible to changes in assumptions, that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year, and the relevant accounting policy and note disclosures.

Significant accounting estimates	Assumptions	Carrying values	Sensitivity
Measurement of insurance and participating investment contract liabilities (accounting policy – L)			
Principal assumptions used in the calculation of life insurance and participating investment contract liabilities include those in respect of annuitant mortality, expenses, valuation interest rates and credit default allowances on corporate bonds and other non-sovereign credit assets.	note 41(b)	note 40(a), Note 43(a)	note 58(h)
Principal assumptions used in the calculation of general insurance and health liabilities include the discount rates used in determining latent claim and structured settlements liabilities, and the assumption that past claims experience can be used as a basis to project future claims (estimated using a range of standard actuarial claims projection techniques).	note 42(b)	note 41(c)	note 42(b)
Fair value of financial instruments and investment property (accounting policy – F, T, U)			
Where quoted market prices are not available, valuation techniques are used to value financial instruments and investment property. These include broker quotes and models using both observable and unobservable market inputs. The valuation techniques involve judgement with regard to the valuation models used and the inputs to these models can lead to a range of plausible valuations for financial investments.	note 22(g)	note 22(g)	note 22(g)

During the year management reassessed the critical accounting policies and estimates previously provided and, based on their assessment of qualitative and quantitative risk factors, resolved that no change was required.

Accounting Policies continued

(D) Consolidation principles

Subsidiaries

Subsidiaries are those entities over which the Group has control. The Group controls an investee if and only if the Group has all of the following:

- power over the investee;
- exposure, or rights, to variable returns from its involvement with the investee, and
- the ability to use its power over the investee to affect its returns.

The Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including: the purpose and design of an investee, relevant activities, substantive and protective rights, and voting rights and potential voting rights.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

Investment vehicles

In several countries, the Group has invested in a number of specialised investment vehicles such as Open-ended Investment Companies (OEICs) and unit trusts. These invest mainly in equities, bonds, cash and cash equivalents, and properties, and distribute most of their income.

In determining whether the Group controls such vehicles, primary considerations include whether the Group is acting as a principal or an agent (including an assessment of the substantive removal rights of third parties) and the variability in the returns associated with the Group's aggregate economic interest in the fund (direct interest and expected management fees) relative to the total variability of returns.

Additionally, the Group's percentage ownership in these vehicles can fluctuate on a daily basis according to the level of participation of the Group and third-parties. To avoid transitory or minor changes in fund holdings (which do not reflect the wider facts and circumstances of the Group's involvement) resulting in binary changes in the consolidation conclusions, the Group takes into account the trend of ownership over a period of time. This is performed in line with the following principles:

- Where the entity is managed by a Group asset manager, and the Group's ownership holding in the entity exceeds 40%, the Group is judged to have control over the entity;
- Where the entity is managed by a Group asset manager, and the Group's ownership holding in the entity is between 30% and 40%, the facts and circumstances of the Group's involvement in the entity are considered, in forming a judgement as to whether the Group has control over the entity. Considerations include the rights held by other parties, the Group's rights to fees from the entity, the variability in the returns associated with the Group's aggregate economic interest in the fund and the nature of the Group's exposure to variability compared with that of other investors; and
- Where the entity is managed by a Group asset manager, and the Group's ownership holding in the entity is less than 30%, the Group is judged to not have control over the entity.

Where the Group is deemed to control such vehicles, they are consolidated, with the interests of parties other than Aviva being classified as liabilities. These appear as 'Net asset value attributable to unitholders' in the consolidated statement of financial position. The interest of parties other than Aviva in the investment return on these funds appear as 'Investment expense/(income) attributable to unitholders' in the income statement.

Where the Group does not control such vehicles, and these investments are held by its insurance or investment funds, they are carried at fair value through profit or loss within financial investments in the consolidated statement of financial position, in accordance with IAS 39 Financial Instruments: Recognition and Measurement.

As part of their investment strategy, long-term business policyholder funds have invested in a number of property limited partnerships (PLPs), either directly or via property unit trusts (PUTs), through a mix of capital and loans. The PLPs are managed by general partners (GPs), in which the long-term business shareholder companies hold equity stakes and which themselves hold nominal stakes in the PLPs. The PUTs are managed by a Group subsidiary.

Accounting for the PUTs and PLPs as subsidiaries, joint ventures, associates or other financial investments depends on whether the Group is deemed to have control or joint control over the PUTs and PLPs' shareholdings in the GPs and the terms of each partnership agreement are considered along with other factors that determine control, as outlined above.

Where the Group exerts control over a PUT or a PLP, it has been treated as a subsidiary and its results, assets and liabilities have been consolidated.

Where the partnership is managed by an agreement such that there is joint control between the parties, notwithstanding that the Group's partnership share in the PLP (including its indirect stake via the relevant PUT and GP) may be lower or higher than 50%, such PUTs and PLPs have been classified as joint ventures (see below). Where the Group has significant influence over the PUT or PLP, as defined in the following section, the PUT or PLP is classified as an associate. Where the Group holds non-controlling interests in PLPs, with no significant influence or control over their associated GPs, the relevant investments are carried at fair value through profit or loss within financial investments.

Consolidation procedure

Subsidiaries are consolidated from the date the Group obtains control and are excluded from consolidation from the date the Group loses control. All intercompany transactions, balances and unrealised surpluses and deficits on transactions between Group companies have been eliminated. Accounting policies of subsidiaries are aligned on acquisition to ensure consistency with Group policies.

The Group is required to use the acquisition method of accounting for business combinations. Under this method, the Group recognises identifiable assets, liabilities and contingent liabilities at fair value, and any non-controlling interest in the acquiree. For each business combination, the Group has the option to measure the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. The excess of the consideration transferred over the fair value of the net assets of the subsidiary acquired is recorded as goodwill (see accounting policy O below). Acquisition-related costs are expensed as incurred.

Transactions with non-controlling interests that lead to changes in the ownership interests in a subsidiary but do not result in a loss of control are treated as equity transactions.

Merger accounting and the merger reserve

Prior to 1 January 2004, the date of first time adoption of IFRS, certain significant business combinations were accounted for using the 'pooling of interests method' (or merger accounting), which treats the merged groups as if they had been combined throughout the current and comparative accounting periods.

Accounting Policies continued

Merger accounting principles for these combinations gave rise to a merger reserve in the consolidated statement of financial position, being the difference between the nominal value of new shares issued by the Parent Company for the acquisition of the shares of the subsidiary and the subsidiary's own share capital and share premium account. These transactions have not been restated, as permitted by the IFRS 1 transitional arrangements.

The merger reserve is also used where more than 90% of the shares in a subsidiary are acquired and the consideration includes the issue of new shares by the Company, thereby attracting merger relief under the Companies Act 1985 and, from 1 October 2009, the Companies Act 2006.

Associates and joint ventures

Associates are entities over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control. Generally, it is presumed that the Group has significant influence if it has between 20% and 50% of voting rights.

Joint ventures are joint arrangements whereby the Group and other parties that have joint control of the arrangement have rights to the net assets of the joint venture.

Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. In a number of these, the Group's share of the underlying assets and liabilities may be greater or less than 50% but the terms of the relevant agreements make it clear that control is not exercised. Such jointly controlled entities are referred to as joint ventures in these financial statements.

Gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in the associates and joint ventures. Losses are also eliminated, unless the transaction provides evidence of an impairment of the asset transferred between entities.

Other than investments in investment vehicles which are carried at fair value through profit or loss, investments in associates and joint ventures are accounted for using the equity method of accounting. Under this method, the cost of the investment in a given associate or joint venture, together with the Group's share of that entity's post-acquisition changes to shareholders' funds, is included as an asset in the consolidated statement of financial position. As explained in accounting policy O, the cost includes goodwill recognised on acquisition. The Group's share of their post-acquisition profit or losses is recognised in the income statement and its share of post-acquisition movements in reserves is recognised in reserves. Equity accounting is discontinued when the Group no longer has significant influence or joint control over the investment.

If the Group's share of losses in an associate or joint venture equals or exceeds its interest in the undertaking, the Group does not recognise further losses unless it has incurred obligations or made payments on behalf of the entity.

The Company's investments

In the Company's statement of financial position, subsidiaries, associates and joint ventures are stated at cost less impairment. Investments are reviewed annually to test whether any indicators of impairment exist. Where there is objective evidence of such an asset being impaired the investment is impaired to its recoverable value and any unrealised loss is recorded in the income statement.

(E) Foreign currency translation

Income statements and cash flows of foreign entities are translated into the Group's presentation currency at average exchange rates for the year while their statements of financial position are translated at the year-end exchange rates. Exchange differences arising from the translation of the net investment in foreign subsidiaries and of borrowings and other currency instruments designated as hedges of such investments, are recognised in other comprehensive income and taken to the currency translation reserve or the hedging instrument reserve within equity. On disposal of a foreign entity, such exchange differences are transferred out of this reserve and are recognised in the income statement as part of the gain or loss on sale. The cumulative translation differences were deemed to be zero at the transition date to IFRS.

Foreign currency transactions are accounted for at the exchange rates prevailing at the date of the transactions. Gains and losses resulting from the settlement of such transactions, and from the translation of monetary assets and liabilities denominated in foreign currencies, are recognised in the income statement.

Translation differences on debt securities and other monetary financial assets measured at fair value and designated as held at FVTPL (see accounting policy T) are included in foreign exchange gains and losses in the income statement. For monetary financial assets designated as AFS, translation differences are calculated as if they were carried at amortised cost and so are recognised in the income statement, while foreign exchange differences arising from fair value gains and losses are recognised in other comprehensive income and included in the investment valuation reserve within equity. Translation differences on non-monetary items, such as equities which are designated as FVTPL, are reported as part of the fair value gain or loss, whereas such differences on AFS equities are included in the investment valuation reserve.

(F) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. This presumes that the transaction takes place in the principal (or most advantageous) market under current market conditions. Fair value is a market-based measure and in the absence of observable market prices in an active market, it is measured using the assumptions that market participants would use when pricing the asset or liability.

The fair value of a non-financial asset is determined based on its highest and best use from a market participant's perspective. When using this approach, the Group takes into account the asset's use that is physically possible, legally permissible and financially feasible.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price i.e. the fair value of the consideration given or received. In certain circumstances, the fair value at initial recognition may differ from the transaction price.

If the fair value is evidenced by comparison with other observable current market transactions in the same instrument (i.e. without modification or repackaging), or is based on a valuation technique whose variables include only data from observable markets, then the difference between the fair value at initial recognition and the transaction price is recognised as a gain or loss in the income statement.

Accounting Policies continued

When unobservable market data has a significant impact on the valuation of financial instruments, the difference between the fair value at initial recognition and the transaction price is not recognised immediately in the income statement, but deferred and recognised in the income statement on an appropriate basis over the life of the instrument but no later than when the valuation is supported wholly by observable market data or the transaction is closed out or otherwise matured.

If an asset or a liability measured at fair value has a bid price and an ask price, the price within the bid-ask spread that is most representative of fair value in the circumstances is used to measure fair value.

(G) Product classification

Insurance contracts are defined as those containing significant insurance risk if, and only if, an insured event could cause an insurer to make significant additional payments in any scenario, excluding scenarios that lack commercial substance, at the inception of the contract.

Such contracts remain insurance contracts until all rights and obligations are extinguished or expire. Contracts can be reclassified as insurance contracts after inception if insurance risk becomes significant. Contracts that transfer financial risks, but not significant insurance risk are classified as investment contracts.

Some insurance and investment contracts contain a discretionary participation feature, which is a contractual right to receive additional benefits as a supplement to guaranteed benefits (i) that are likely to be a significant portion of the total contractual payments; (ii) whose amount or timing is at the discretion of the issuer; and (iii) that are based on the performance of a specified pool of assets, company, or other entity that issues the contracts. Investment contracts with discretionary participation features, referred to as participating investment contracts, are accounted for under IFRS 4. Investment contracts without discretionary participation features, referred to as non-participating investment contracts, are accounted for as financial instruments under IAS 39.

The classification of the Group's main contracts is summarised below:

Type of contract	Classification
Annuities	Insurance contract
Unit-linked with significant insurance risk	Insurance contract
Unit-linked without significant insurance risk	Investment contract
Protection	Insurance contract
General insurance (e.g. motor, property, liability)	Insurance contract
Health	Insurance contract
With-profits	Insurance contract / Participating investment contract

As noted in accounting policy A, insurance contracts and participating investment contracts in general continue to be measured and accounted for under existing accounting practices at the later of the date of transition to IFRS ('grandfathered') or the date of the acquisition of the entity, in accordance with IFRS 4. IFRS accounting for insurance contracts in UK companies was grandfathered at the date of transition to IFRS and determined in accordance with the Statement of Recommended Practice issued by the Association of British Insurers (subsequently withdrawn by the ABI in 2015).

In certain businesses, the accounting policies or accounting estimates have been changed, as permitted by IFRS 4 and IAS 8 respectively, to remeasure designated insurance liabilities to reflect current market interest rates and changes to regulatory capital requirements. When accounting policies or accounting estimates have been changed, and adjustments to the measurement basis have occurred, the financial statements of that year will have disclosed the impacts accordingly. One such example is our adoption of Financial Reporting Standard 27 Life Assurance (FRS 27) which was issued by the UK's Accounting Standards Board (ASB) in December 2004 (subsequently withdrawn by the ASB in 2015).

(H) Premiums earned

Premiums on long-term insurance contracts and participating investment contracts are recognised as income when receivable, except for investment-linked premiums which are accounted for when the corresponding liabilities are recognised. For single premium business, this is the date from which the policy is effective. For regular premium contracts, receivables are recognised at the date when payments are due.

Premiums are shown before deduction of commission and before any sales-based taxes or duties. Where policies lapse due to non-receipt of premiums, then all the related premium income accrued but not received from the date they are deemed to have lapsed is offset against premiums.

General insurance and health premiums written reflect business incepted during the year, and exclude any sales-based taxes or duties. Unearned premiums are those proportions of the premiums written in a year that relate to periods of risk after the statement of financial position date. Unearned premiums are calculated on either a daily or monthly pro rata basis. Premiums collected by intermediaries, but not yet received, are assessed based on estimates from underwriting or past experience, and are included in premiums written.

Deposits collected under investment contracts without a discretionary participation feature (non-participating contracts) are not accounted for through the income statement, except for the fee income (covered in accounting policy I) and the investment income attributable to those contracts, but are accounted for directly through the statement of financial position as an adjustment to the investment contract liability.

(I) Other investment contract fee revenue

Investment contract policyholders are charged fees for policy administration, investment management, surrenders or other contract services. The fees may be for fixed amounts or vary with the amounts being managed, and will generally be charged as an adjustment to the policyholder's balance. Fees related to investment management services are recognised as revenue over time, as performance obligations are satisfied. In most cases this revenue is recognised in the same period in which the fees are charged to the policyholder. Fees that are related to services to be provided in future periods are deferred and recognised when the performance obligation is fulfilled. Variable consideration, such as performance fees and commission subject to clawback arrangements, is not recognised as revenue until it is reasonably certain that no significant reversal of amounts recognised would occur.

Accounting Policies continued

Initiation and other 'front-end' fees (fees that are assessed against the policyholder balance as consideration for origination of the contract) are charged on some non-participating investment and investment fund management contracts. Where the investment contract is recorded at amortised cost, these fees are deferred and recognised over the expected term of the policy by an adjustment to the effective yield. Where the investment contract is measured at fair value, the front-end fees that relate to the provision of investment management services are deferred and recognised as the services are provided. Origination fees are recognised immediately where the sale of fund interests represent a separate performance obligation.

(J) Other fee and commission income

Other fee and commission income consists primarily of fund management fees, distribution fees from mutual funds, commissions on reinsurance ceded, commission revenue from the sale of mutual fund shares and transfer agent fees for shareholder record keeping. Reinsurance commissions receivable are deferred in the same way as acquisition costs, as described in accounting policy X. All other fee and commission income is recognised over time as the services are provided.

(K) Net investment income

Investment income consists of dividends, interest and rents receivable for the year, movements in amortised cost on debt securities, realised gains and losses, and unrealised gains and losses on FVTPL investments (as defined in accounting policy T). Dividends on equity securities are recorded as revenue on the ex-dividend date. Interest income is recognised as it accrues, taking into account the effective yield on the investment. It includes the interest rate differential on forward foreign exchange contracts. Rental income is recognised on an accruals basis, and is recognised on a straight line basis unless there is compelling evidence that benefits do not accrue evenly over the period of the lease.

A gain or loss on a financial investment is only realised on disposal or transfer, and is the difference between the proceeds received, net of transaction costs, and its original cost or amortised cost, as appropriate.

Unrealised gains and losses, arising on investments which have not been derecognised as a result of disposal or transfer, represent the difference between the carrying value at the year end and the carrying value at the previous year end or purchase value during the year, less the reversal of previously recognised unrealised gains and losses in respect of disposals made during the year. Realised gains or losses on investment property represent the difference between the net disposal proceeds and the carrying amount of the property.

(L) Insurance and participating investment contract liabilities

Claims

Long-term business claims reflect the cost of all claims arising during the year, including claims handling costs, as well as policyholder bonuses accrued in anticipation of bonus declarations.

General insurance and health claims incurred include all losses occurring during the year, whether reported or not, related handling costs, a reduction for the value of salvage and other recoveries, and any adjustments to claims outstanding from previous years.

Claims handling costs include internal and external costs incurred in connection with the negotiation and settlement of claims. Internal costs include all direct expenses of the claims department and any part of the general administrative costs directly attributable to the claims function.

Long-term business provisions

Under current IFRS requirements, insurance and participating investment contract liabilities are measured using accounting policies consistent with those adopted previously under existing accounting practices, with the exception of liabilities remeasured to reflect current market interest rates to be consistent with the value of the backing assets, and those relating to UK with-profits and non-profit contracts.

The long-term business provisions are calculated separately for each life operation, based either on local regulatory requirements or existing local GAAP (at the later of the date of transition to IFRS or the date of the acquisition of the entity); and actuarial principles consistent with those applied in each local market. Each calculation represents a determination within a range of possible outcomes, where the assumptions used in the calculations depend on the circumstances prevailing in each life operation. The principal assumptions are disclosed in note 42(a). For the UK with-profits funds, FRS 27 required liabilities to be calculated on the realistic basis adjusted to remove the shareholders' share of future bonuses.

FRS 27 was grandfathered from UK regulatory requirements prior to the adoption of Solvency II. For UK non-profit insurance contracts, the liabilities are calculated using the gross premium valuation method. This method uses the amount of contractual premiums payable and includes explicit assumptions for interest and discount rates, mortality and morbidity, persistency and future expenses. These assumptions are set on a prudent basis and can vary by contract type and reflect current and expected future experience. These estimates depend upon the outcome of future events and may need to be revised as circumstances change. The liabilities are based on the UK regulatory requirements prior to the adoption of Solvency II, adjusted to remove certain regulatory reserves and margins in assumptions, notably for annuity business.

Unallocated divisible surplus

In certain participating long-term insurance and investment business, the nature of the policy benefits is such that the division between shareholder reserves and policyholder liabilities is uncertain. Amounts whose allocation to either policyholders or shareholders has not been determined by the end of the financial year are held within liabilities as an unallocated divisible surplus.

If the aggregate carrying value of liabilities for a particular participating business fund is in excess of the aggregate carrying value of its assets, then the difference is held as a negative unallocated divisible surplus balance, subject to recoverability from margins in that fund's participating business. Any excess of this difference over the recoverable amount is charged to net income in the reporting period.

Embedded derivatives

Embedded derivatives that meet the definition of an insurance contract or correspond to options to surrender insurance contracts for a set amount (or based on a fixed amount and an interest rate) are not separately measured. All other embedded derivatives are separated and measured at fair value if they are not considered closely related to the host insurance contract or do not meet the definition of an insurance contract. Fair value reflects own credit risk to the extent the embedded derivative is not fully collateralised.

Accounting Policies continued

Liability adequacy

At each reporting date, an assessment is made of whether the recognised long-term business provisions are adequate, using current estimates of future cash flows. If that assessment shows that the carrying amount of the liabilities (less related assets) is insufficient in light of the estimated future cash flows, the deficiency is recognised in the income statement by setting up an additional provision in the statement of financial position.

General insurance and health provisions

Outstanding claims provisions

General insurance and health outstanding claims provisions are based on the estimated ultimate cost of all claims incurred but not settled at the statement of financial position date, whether reported or not, together with related claims handling costs. Significant delays are experienced in the notification and settlement of certain types of general insurance claims, particularly in respect of liability business, including environmental and pollution exposures, the ultimate cost of which cannot be known with certainty at the statement of financial position date. As such, booked claim provisions for general insurance and health insurance are based on the best estimate of the cost of future claim payments plus an explicit allowance for risk and uncertainty. Any estimate represents a determination within a range of possible outcomes. Further details of estimation techniques are given in note 42(b).

Provisions for latent claims and claims that are settled on an annuity type basis such as structured settlements are discounted, in the relevant currency at the reporting date, having regard to the expected settlement dates of the claims and the nature of the liabilities.

The discount rate is set at the start of the accounting period with any change in rates between the start and end of the accounting period being reflected below operating profit as an economic assumption change. The range of discount rates used is described in note 42(b). Outstanding claims provisions are valued net of an allowance for expected future recoveries. Recoveries include non-insurance assets that have been acquired by exercising rights to salvage and subrogation under the terms of insurance contracts.

Provision for unearned premiums

The proportion of written premiums, gross of commission payable to intermediaries, attributable to subsequent periods is deferred as a provision for unearned premiums. The change in this provision is taken to the income statement as recognition of revenue over the period of risk.

Liability adequacy

At each reporting date, the Group reviews its unexpired risks and carries out a liability adequacy test for any overall excess of expected claims and deferred acquisition costs over unearned premiums, using the current estimates of future cash flows under its contracts after taking account of the investment return expected to arise on assets relating to the relevant general business provisions.

If these estimates show that the carrying amount of its insurance liabilities (less related deferred acquisition costs) is insufficient in light of the estimated future cash flows, the deficiency is recognised in the income statement by setting up a provision in the statement of financial position.

Other assessments and levies

The Group is subject to various periodic insurance-related assessments or guarantee fund levies. Related provisions are established where there is a present obligation (legal or constructive) as a result of a past event. Such amounts are not included in insurance liabilities but are included under 'Pension deficits and other provisions' in the statement of financial position.

(M) Non-participating investment contract liabilities

Claims

For non-participating investment contracts with an account balance, claims reflect the excess of amounts paid over the account balance released.

Contract liabilities

Deposits collected under non-participating investment contracts are not accounted for through the income statement, except for the investment income attributable to those contracts, but are accounted for directly through the statement of financial position as an adjustment to the investment contract liability.

The majority of the Group's contracts classified as non-participating investment contracts are unit-linked contracts and are measured at fair value.

The liability's fair value is determined using a valuation technique to provide a reliable estimate of the amount for which the liability could be transferred in an orderly transaction between market participants at the measurement date, subject to a minimum equal to the surrender value. For unit-linked contracts, the fair value liability is equal to the current unit fund value, including any unfunded units. In addition, if required, non-unit reserves are held based on a discounted cash flow analysis.

For non-linked contracts, the fair value liability is based on a discounted cash flow analysis, with allowance for risk calibrated to match the market price for risk.

(N) Reinsurance

The Group assumes and cedes reinsurance in the normal course of business, with retention limits varying by line of business. Premiums on reinsurance assumed are recognised as revenue in the same manner as they would be if the reinsurance were considered direct business, taking into account the product classification of the reinsured business.

The cost of reinsurance related to long-duration contracts is accounted for over the life of the underlying reinsured policies, using assumptions consistent with those used to account for these policies.

Where general insurance liabilities are discounted, any corresponding reinsurance assets are also discounted using consistent assumptions.

Gains or losses on buying retroactive reinsurance are recognised in the income statement immediately at the date of purchase and are not amortised. Premiums ceded and claims reimbursed are presented on a gross basis in the consolidated income statement and statement of financial position as appropriate.

Accounting Policies continued

Reinsurance assets primarily include balances due from both insurance and reinsurance companies for ceded insurance and investment contract liabilities. This includes balances in respect of investment contracts which are legally reinsurance contracts but do not meet the definition of a reinsurance contract under IFRS. Amounts recoverable from reinsurers are estimated in a manner consistent with the underlying contract liabilities, outstanding claims provisions or settled claims associated with the reinsured policies and in accordance with the relevant reinsurance contract.

Reinsurance of non-participating investment contracts and reinsurance contracts that principally transfer financial risk are accounted for directly through the statement of financial position. A deposit asset or liability is recognised, based on the consideration paid or received less any explicitly identified premiums or fees to be retained by the reinsured. These deposit assets or liabilities are shown within reinsurance assets in the consolidated statement of financial position.

If a reinsurance asset is impaired, the Group reduces the carrying amount accordingly and recognises that impairment loss in the income statement. A reinsurance asset is impaired if there is objective evidence, as a result of an event that occurred after initial recognition of the reinsurance asset, that the Group may not receive all amounts due to it under the terms of the contract, and the event has a reliably measurable impact on the amounts that the Group will receive from the reinsurer.

(O) Goodwill, AVIF and intangible assets

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net assets of the acquired subsidiary, associate or joint venture at the date of acquisition. Goodwill arising on the Group's investments in subsidiaries is shown as a separate asset, while that on associates and joint ventures is included within the carrying value of those investments.

Goodwill on acquisitions prior to 1 January 2004 (the date of transition to IFRS) is carried at its book value (original cost less cumulative amortisation) on that date, less any impairment subsequently incurred. Goodwill arising before 1 January 1998 was eliminated against reserves and has not been reinstated.

Where negative goodwill arises on an acquisition, this is recognised immediately in the consolidated income statement.

Acquired value of in-force business (AVIF)

The present value of future profits on a portfolio of long-term insurance and investment contracts, acquired either directly or through the purchase of a subsidiary, is recognised as an asset.

If the AVIF results from the acquisition of an investment in a joint venture or an associate, it is held within the carrying amount of that investment. In all cases, the AVIF is amortised over the useful lifetime of the related contracts in the portfolio on a systematic basis. The rate of amortisation is chosen by considering the profile of the additional value of in-force business acquired and the expected depletion in its value.

Non-participating investment contract AVIF is reviewed for evidence of impairment, consistent with reviews conducted for other finite life intangible assets. Insurance and participating investment contract AVIF is reviewed for impairment at each reporting date as part of the liability adequacy requirements of IFRS 4 (see accounting policy L). AVIF is reviewed for evidence of impairment and impairment tested at product portfolio level by reference to a projection of future profits arising from the portfolio.

Intangible assets

Intangible assets consist primarily of contractual relationships such as access to distribution networks, customer lists and software. The economic lives of these are determined by considering relevant factors such as usage of the asset, typical product life cycles, potential obsolescence, maintenance costs, the stability of the industry, competitive position and the period of control over the assets. Finite life intangibles are amortised over their useful lives, which range from three to 30 years, using the straight-line method.

The amortisation charge for the year is included in the income statement under 'Other expenses'. For intangibles with finite lives, impairment charges will be recognised in the income statement where evidence of such impairment is observed.

Intangibles with indefinite lives are subject to regular impairment testing, as described below.

Impairment testing

For impairment testing, goodwill and intangible assets with indefinite useful lives have been allocated to cash-generating units. The carrying amount of goodwill and intangible assets with indefinite useful lives is reviewed at least annually or when circumstances or events indicate there may be uncertainty over this value. Goodwill and indefinite life intangibles are written down for impairment where the recoverable amount is insufficient to support its carrying value. Further details on goodwill allocation and impairment testing are given in note 15. Any impairments are charged as expenses in the income statement.

(P) Property and equipment

Owner-occupied properties are carried at their revalued amounts, and movements are recognised in other comprehensive income and taken to a separate reserve within equity. When such properties are sold, the accumulated revaluation surpluses are transferred from this reserve to retained earnings. These properties are depreciated down to their estimated residual values over their useful lives.

This excludes owner-occupied properties held under lease arrangements, which are measured at amortised cost. Refer to accounting policy Z for further information.

All other items classed as property and equipment within the statement of financial position are carried at historical cost less accumulated depreciation.

Investment properties under construction are included within property and equipment until completion, and are stated at cost less any provision for impairment in their values until construction is completed or fair value becomes reliably measurable.

Depreciation is calculated on a straight-line basis to write down the cost of other assets to their residual values over their estimated useful lives as follows:

• Properties under construction	No depreciation
• Owner-occupied properties, and related mechanical and electrical equipment	25 years
• Motor vehicles	Three years, or lease term (up to useful life) if longer
• Computer equipment	Three to five years
• Other assets	Three to five years

Accounting Policies continued

The assets' residual values, useful lives and method of depreciation are reviewed regularly, and at least at each financial year end, and adjusted if appropriate. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. Gains and losses on disposal of property and equipment are determined by reference to their carrying amount.

Borrowing costs directly attributable to the acquisition and construction of property and equipment are capitalised. All repair and maintenance costs are charged to the income statement during the financial period in which they are incurred. The cost of major renovations is included in the carrying amount of the asset when it is probable that future economic benefits in excess of the most recently assessed standard of performance of the existing asset will flow to the Group and the renovation replaces an identifiable part of the asset. Major renovations are depreciated over the remaining useful life of the related asset.

(Q) Investment property

Investment property is held for long-term rental yields and is not occupied by the Group. Completed investment property is stated at its fair value, as assessed by qualified external valuers or by qualified staff of the Group. Changes in fair values are recorded in the income statement in net investment income.

As described in accounting policy P above, investment properties under construction are included within property and equipment, and are stated at cost less any impairment in their values until construction is completed or fair value becomes reliably measurable.

(R) Impairment of non-financial assets

Property and equipment and other non-financial assets are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised in the income statement for the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows. Non-financial assets, except goodwill which have suffered an impairment, are reviewed annually for possible reversal of the impairment.

(S) Derecognition and offset of financial assets and financial liabilities

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- The rights to receive cash flows from the asset have expired;
- The Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- The Group has transferred its rights to receive cash flows from the asset and has either transferred substantially all the risks and rewards of the asset, or has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a currently enforceable legal right to set off the recognised amounts and there is the ability and intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

(T) Financial investments

The Group classifies its investments as either FVTPL or AFS.

The classification depends on the purpose for which the investments were acquired, and is determined by management at initial recognition. The FVTPL category has two subcategories – those that meet the definition as being held for trading and those the Group chooses to designate as FVTPL (referred to in this accounting policy as 'other than trading') upon initial recognition.

In general, the other than trading category is used as, in most cases, the Group's investment or risk management strategy is to manage its financial investments on a fair value basis. Debt securities and equity securities, which the Group acquires with the intention to resell in the short term, are classified as trading, as are non-hedge derivatives (see accounting policy U below). The AFS category is used where the relevant long-term business liability (including shareholders' funds) is passively managed, as well as in certain fund management and non-insurance operations.

Purchases and sales of investments are recognised on the trade date, which is the date that the Group commits to purchase or sell the assets, at their fair values.

Debt securities are initially recorded at their fair value, which is taken to be amortised cost, with amortisation credited or charged to the income statement. Investments classified as trading, other than trading and AFS, are subsequently carried at fair value. Changes in the fair value of trading and other than trading investments are included in the income statement in the period in which they arise.

Changes in the fair value of securities classified as AFS are recognised in other comprehensive income and recorded in a separate investment valuation reserve within equity. When securities classified as AFS are sold or impaired, the accumulated fair value adjustments are transferred out of the investment valuation reserve to the income statement with a corresponding movement through other comprehensive income.

Impairment

The Group reviews the carrying value of its AFS investments on a regular basis. If the carrying value of an AFS investment is greater than the recoverable amount, the carrying value is reduced through a charge to the income statement in the period of impairment. The following policies are used to determine the level of any impairment, some of which involve considerable judgement.

AFS debt securities

An AFS debt security is impaired if there is objective evidence that a loss event has occurred which has impaired the expected cash flows, i.e. where all amounts due according to the contractual terms of the security are not considered collectible. An impairment charge, measured as the difference between the security's fair value and amortised cost, is recognised when the issuer is known to be either in default or in financial difficulty. Determining when an issuer is in financial difficulty requires the use of judgement, and we consider a number of factors including industry risk factors, financial condition, liquidity position and near-term prospects of the issuer, credit rating declines and a breach of contract.

Accounting Policies continued

A decline in fair value below amortised cost due to changes in risk-free interest rates does not necessarily represent objective evidence of a loss event.

For securities identified as being impaired, the cumulative unrealised loss previously recognised within the investment valuation reserve is transferred to realised losses for the year, with a corresponding movement through other comprehensive income. Any subsequent increase in fair value of these impaired securities is recognised in other comprehensive income and recorded in the investment valuation reserve unless this increase represents a decrease in the impairment loss that can be objectively related to an event occurring after the impairment loss was recognised in the income statement. In such an event, the reversal of the impairment loss is recognised as a gain in the income statement.

AFS equity securities

An AFS equity security is considered impaired if there is objective evidence that the cost may not be recovered. In addition to qualitative impairment criteria, such evidence includes a significant or prolonged decline in fair value below cost. Unless there is evidence to the contrary, an equity security is considered impaired if the decline in fair value relative to cost has been either at least 20% for a continuous six-month period or more than 40% at the end of the reporting period, or been in an unrealised loss position for a continuous period of more than 12 months at the end of the reporting period. We also review our largest equity holdings for evidence of impairment, as well as individual equity holdings in industry sectors known to be in difficulty. Where there is objective evidence that impairment exists, the security is written down regardless of the size of the unrealised loss.

For securities identified as being impaired, the cumulative unrealised loss previously recognised within the investment valuation reserve is transferred to realised losses for the year with a corresponding movement through other comprehensive income.

Any subsequent increase in fair value of these impaired securities is recognised in other comprehensive income and recorded in the investment valuation reserve.

Reversals of impairments on any of these assets are only recognised where the decrease in the impairment can be objectively related to an event occurring after the write-down (such as an improvement in the debtor's credit rating), and are not recognised in respect of equity instruments.

(U) Derivative financial instruments and hedging

Derivative financial instruments include foreign exchange contracts, interest rate futures, currency and interest rate swaps, currency and interest rate options (both written and purchased) and other financial instruments that derive their value mainly from underlying interest rates, foreign exchange rates, credit or equity indices, commodity values or equity instruments.

All derivatives are initially recognised in the statement of financial position at their fair value, which usually represents their cost. They are subsequently remeasured at their fair value, with the method of recognising movements in this value depending on whether they are designated as hedging instruments and, if so, the nature of the item being hedged. Fair values are obtained from quoted market prices or, if these are not available, by using valuation techniques such as discounted cash flow models or option pricing models. All derivatives are carried as assets when the fair values are positive and as liabilities when the fair values are negative. Premiums paid for derivatives are recorded as an asset on the statement of financial position at the date of purchase, representing their fair value at that date.

Derivative contracts may be traded on an exchange or over-the-counter (OTC). Exchange-traded derivatives are standardised and include certain futures and option contracts. OTC derivative contracts are individually negotiated between contracting parties and include forwards, swaps, caps and floors. Derivatives are subject to various risks including market, liquidity and credit risk, similar to those related to the underlying financial instruments. Many OTC transactions are contracted and documented under International Swaps and Derivatives Association master agreements or their equivalent, which are designed to provide legally enforceable set-off in the event of default, reducing the Group's exposure to credit risk.

The notional or contractual amounts associated with derivative financial instruments are not recorded as assets or liabilities on the statement of financial position as they do not represent the fair value of these transactions. These amounts are disclosed in note 59(b).

The Group has collateral agreements in place between the individual Group entities and relevant counterparties. Accounting policy W covers collateral, both received and pledged, in respect of these derivatives.

Interest rate and currency swaps

Interest rate swaps are contractual agreements between two parties to exchange fixed rate and floating rate interest by means of periodic payments, calculated on a specified notional amount and defined interest rates. Most interest rate swap payments are netted against each other, with the difference between the fixed and floating rate interest payments paid by one party. Currency swaps, in their simplest form, are contractual agreements that involve the exchange of both periodic and final amounts in two different currencies. Both types of swap contracts may include the net exchange of principal. Exposure to gain or loss on these contracts will increase or decrease over their respective lives as a function of maturity dates, interest and foreign exchange rates, and the timing of payments.

Interest rate futures, forwards and options contracts

Interest rate futures are exchange-traded instruments and represent commitments to purchase or sell a designated security or money market instrument at a specified future date and price.

Interest rate forward agreements are OTC contracts in which two parties agree on an interest rate and other terms that will become a reference point in determining, in concert with an agreed notional principal amount, a net payment to be made by one party to the other, depending upon what rate prevails at a future point in time. Interest rate options, which consist primarily of caps and floors, are interest rate protection instruments that involve the potential obligation of the seller to pay the buyer an interest rate differential in exchange for a premium paid by the buyer. This differential represents the difference between current rate and an agreed rate applied to a notional amount. Exposure to gain or loss on all interest rate contracts will increase or decrease over their respective lives as interest rates fluctuate. Certain contracts, known as swaptions, contain features which can act as swaps or options.

Foreign exchange contracts

Foreign exchange contracts, which include spot, forward and futures contracts, represent agreements to exchange the currency of one country for the currency of another country at an agreed price and settlement date.

Accounting Policies continued

Foreign exchange option contracts are similar to interest rate option contracts, except that they are based on currencies, rather than interest rates.

Hedge accounting

Hedge accounting is applied to certain transactions which meet the criteria set out in IAS 39, in order to mitigate the Group's exposure to risk. At the inception of the transaction, the Group documents the relationship between the hedging instrument and the hedged item, as well as the risk management objective and the strategy for undertaking the hedge transaction. The Group also documents its assessment of whether the hedge is expected to be, and has been, highly effective in offsetting the risk in the hedged item, both at inception and on an ongoing basis.

Changes in the fair value of hedging instruments that are designated and qualify as a hedge of a net investment in a foreign operation (net investment hedges) or a hedge of a future cash flow, attributable to a recognised asset or liability, a highly probable forecast transaction or a firm commitment (cash flow hedges), and that prove to be highly effective in relation to the hedged risk, are recognised in other comprehensive income and a separate reserve within equity. Gains and losses accumulated in this reserve are included in the income statement on disposal of the relevant hedged item.

Changes in the fair value of hedging instruments that are designated and qualify as a hedge of the fair value of a recognised asset or liability (fair value hedges) are recognised in the income statement. The gain or loss on the hedged item that is attributable to the hedged risk is recognised in the income statement.

This applies even if the hedged item is an available for sale financial asset or is measured at amortised cost. If a hedging relationship no longer meets the criteria for hedge accounting, the cumulative adjustment made to the carrying amount of the hedged item is amortised to the income statement, based on a recalculated effective interest rate over the residual period to maturity. In cases where the hedged item has been derecognised, the cumulative adjustment is released to the income statement immediately.

The Group does not currently apply the specific hedge accounting rules to its derivative transactions which are treated as derivatives held for trading. The fair value gains and losses on these derivatives are recognised immediately in net investment income.

(V) Loans

Loans with fixed maturities, including policyholder loans, mortgage loans on investment property, securitised mortgages and collateral loans, are recognised when cash is advanced to borrowers.

Certain loans are carried at their unpaid principal balances and adjusted for amortisation of premium or discount, non-refundable loan fees and related direct costs. These amounts are deferred and amortised over the life of the loan as an adjustment to loan yield using the effective interest rate method.

However, for the majority of mortgage loans, the Group has taken advantage of the fair value option under IAS 39 to present the mortgages, associated borrowings and derivative financial instruments at fair value, since they are managed as a portfolio on a fair value basis. This presentation provides more relevant information and eliminates any accounting mismatch that would otherwise arise from using different measurement bases for these three items. The fair values of these mortgages are estimated using discounted cash flow models, based on a risk-adjusted discount rate which reflects the risks associated with these products. They are revalued at each period end, with movements in their fair values being taken to the income statement.

At each reporting date, we review loans carried at amortised cost for objective evidence that they are impaired and uncollectable, either at the level of an individual security or collectively within a group of loans with similar credit risk characteristics. To the extent that a loan is uncollectable, it is written down as impaired to its recoverable amount, measured as the present value of expected future cash flows discounted at the original effective interest rate of the loan, taking into account the fair value of the underlying collateral through an impairment provision account. Subsequent recoveries in excess of the loan's written-down carrying value are credited to the income statement.

The Company classifies and measures loans at either amortised cost, fair value through other comprehensive income, or fair value through profit or loss based on the outcome of an assessment of the Company's business model for managing financial assets and the extent to which the financial assets' contractual cash flows are solely payment of principal and interest.

The Company calculates expected credit losses for all financial assets held at either amortised cost or fair value through other comprehensive income. Expected credit losses are calculated on either a 12-month or lifetime basis depending on the extent to which credit risk has increased significantly since initial recognition.

(W) Collateral

The Group receives and pledges collateral in the form of cash or non-cash assets in respect of stock lending transactions, certain derivative contracts and loans, in order to reduce the credit risk of these transactions. Collateral is also pledged as security for bank letters of credit. The amount and type of collateral required depends on an assessment of the credit risk of the counterparty.

Collateral received in the form of cash, which is not legally segregated from the Group, is recognised as an asset in the statement of financial position with a corresponding liability for the repayment in financial liabilities (note 60). However, where the Group has a currently enforceable legal right of set-off and the ability and intent to net settle, the collateral liability and associated derivative balances are shown net.

Non-cash collateral received is not recognised in the statement of financial position unless the transfer of the collateral meets the derecognition criteria from the perspective of the transferor. Such collateral is typically recognised when the Group either (a) sells or repledges these assets in the absence of default, at which point the obligation to return this collateral is recognised as a liability; or (b) the counterparty to the arrangement defaults, at which point the collateral is seized and recognised as an asset.

Collateral pledged in the form of cash, which is legally segregated from the Group, is derecognised from the statement of financial position with a corresponding receivable recognised for its return. Non-cash collateral pledged is not derecognised from the statement of financial position unless the Group defaults on its obligations under the relevant agreement, and therefore continues to be recognised in the statement of financial position within financial investments.

Accounting Policies continued

(X) Deferred acquisition costs and other assets

Costs relating to the acquisition of new business for insurance and participating investment contracts are deferred in line with existing local accounting practices, to the extent that they are expected to be recovered out of future margins in revenues on these contracts. For participating contracts written in the UK, acquisition costs are generally not deferred as the liability for these contracts is calculated on a realistic basis which was grandfathered from UK regulatory requirements prior to the adoption of Solvency II (see accounting policy L). For non-participating investment and investment fund management contracts, incremental acquisition costs and sales enhancements that are directly attributable to securing an investment management service are also deferred.

Long-term business deferred acquisition costs are amortised systematically over a period no longer than that in which they are expected to be recoverable out of these future margins. Deferred acquisition costs for non-participating investment and investment fund management contracts are amortised over the period in which the service is provided. General insurance and health deferred acquisition costs are amortised over the period in which the related revenues are earned. The reinsurers' share of deferred acquisition costs is amortised in the same manner as the underlying asset.

Deferred acquisition costs are reviewed by category of business at the end of each reporting period and are written-off where they are no longer considered to be recoverable.

Where such business is reinsured, an appropriate proportion of the deferred acquisition costs is attributed to the reinsurer. Recoverability is assessed net of reinsurance, and may result in deferred acquisition costs being written-off if any liability recognised for the reinsurer's share is insufficient.

Other receivables and payables are initially recognised at cost, being fair value. Subsequent to initial measurement they are measured at amortised cost.

(Y) Statement of cash flows

Cash and cash equivalents

Cash and cash equivalents consist of cash at bank and in hand, deposits held at call with banks, treasury bills and other short-term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value. Such investments are those with less than three months' maturity from the date of acquisition, or which are redeemable on demand with only an insignificant change in their fair values.

For the purposes of the statement of cash flows, cash and cash equivalents also include bank overdrafts, which are included in payables and other financial liabilities on the statement of financial position.

Operating cash flows

Purchases and sales of investment property, loans and financial investments are included within operating cash flows as the purchases are funded from cash flows associated with the origination of insurance and investment contracts, net of payments of related benefits and claims.

(Z) Leases

Where the Group is the lessee, a lease liability equal to the present value of outstanding lease payments and a corresponding right-of-use asset equal to cost are initially recognised. The right-of-use asset is subsequently measured at amortised cost and depreciated on a straight-line basis over the length of the lease term. Depreciation on lease assets and interest on lease liabilities is recognised in the income statement.

The Group has made use of the election available under IFRS 16 to not recognise any amounts on the balance sheet associated with leases that are either deemed to be short-term, or where the underlying asset is of low value. A short-term lease in this context is defined as any arrangement which has a lease term of 12 months or less. Lease payments associated with such arrangements are recognised in the income statement as an expense on a straight-line basis. The Group's total short-term and low value lease portfolio is not material.

Where the Group is the lessor, leases are classified as finance leases if the risks and rewards of ownership are substantially transferred to the lessee and operating leases if they are not substantially transferred. Lease income from operating leases is recognised in the income statement on a straight-line basis over the lease term. When assets are subject to finance leases, the present value of the lease payments, together with any unguaranteed residual value, is recognised as a receivable.

(AA) Provisions and contingent liabilities

Provisions are recognised when the Group has a present obligation as a result of past events, it is more probable than not that the Group will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

The Group recognises provisions under a variety of circumstances including for product governance rectification, which may include customer redress, and for onerous contracts when the expected benefits to be derived from a contract are less than the unavoidable costs of meeting the obligations under the contract.

The amount recorded as a provision is the best estimate of the expenditure required to settle the present obligation at the balance sheet date. Discounting is applied to the provision where the effect of the time value of money is material. Provisions are not recognised for future operating losses.

Restructuring provisions are recognised when the Group has a detailed formal plan and has raised a valid expectation that the restructure will be carried out, for example by announcing its main features to those affected. Costs included in restructuring provisions comprise only the direct expenditures arising from the restructuring. Costs associated with the ongoing activities of the entity are excluded.

Where the Group expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is only recognised as a separate asset when virtually certain.

Contingent liabilities are disclosed if there is a possible future obligation as a result of a past event, or if there is a present obligation as a result of a past event but either a payment is not probable or the amount cannot be reasonably estimated.

Accounting Policies continued

(AB) Employee benefits

Pension obligations

The Group operates a number of pension schemes, whose members receive benefits on either a defined benefit or defined contribution basis. Under a defined contribution plan, the Group's legal or constructive obligation is limited to the amount it agrees to contribute to a fund and there is no obligation to pay further contributions if the fund does not hold sufficient assets to pay benefits. A defined benefit pension plan is a pension plan that is not a defined contribution plan and typically defines the amount of pension benefit that an employee will receive on retirement.

The defined benefit obligation is calculated by independent actuaries using the projected unit credit method. The pension obligation is measured as the present value of the estimated future cash outflows, using a discount rate based on market yields for high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension liability. The resultant net surplus or deficit recognised as an asset or liability on the statement of financial position is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets.

Plan assets exclude unpaid contributions due from Group entities to the schemes, and any non-transferrable financial instruments issued by a Group entity and held by the schemes. If the fair value of plan assets exceeds the present value of the defined benefit obligation, the resultant asset is limited to the asset ceiling defined as present value of economic benefits available in the form of future refunds from the plan or reductions in contributions to the plan. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to any plan in the Group.

Remeasurements of defined benefit plans comprise actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions, the return on plan assets (excluding net interest) and the effect of the asset ceiling (if any). The Group recognises remeasurements immediately in other comprehensive income and does not reclassify them to the income statement in subsequent periods.

Service costs comprising current service costs, past service costs, gains and losses on curtailments and net interest expense/income are charged or credited to the income statement.

Past service costs are recognised at the earlier of the date the plan amendment or curtailment occurs or when related restructuring costs are recognised.

The Group determines the net interest expense/income on the net defined benefit liability/asset for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the year to the net defined benefit liability/asset. Net interest expense is charged to finance costs, whereas, net interest income is credited to investment income.

The Group pays contributions to the defined contribution pension plans. Once the contributions have been paid, the Group, as employer, has no further payment obligations. The Group's contributions are charged to the income statement in the year to which they relate and are included in staff costs.

Equity compensation plans

The Group offers share award and option plans over the Company's ordinary shares for certain employees, including a Save As You Earn plan (SAYE plan), details of which are given in the Directors' Remuneration Report and in note 33.

The Group accounts for options and awards under equity compensation plans, which were granted after 7 November 2002, until such time as they are fully vested, using the fair value based method of accounting (the 'fair value method'). Under this method, the cost of providing equity compensation plans is based on the fair value of the share awards or option plans at date of grant, which is recognised in the income statement over the expected vesting period of the related employees and credited to the equity compensation reserve, part of shareholders' funds. In certain jurisdictions, awards must be settled in cash instead of shares, and the credit is taken to liabilities rather than reserves.

The fair value of these cash-settled awards is recalculated each year, with the income statement charge and liability being adjusted accordingly.

Shares purchased by employee share trusts to fund these awards are shown as deduction from shareholders' equity at their weighted average cost.

When the options are exercised and new shares are issued, the proceeds received, net of any transaction costs, are credited to share capital (par value) and the balance to share premium. Where the shares are already held by employee trusts, the net proceeds are credited against the cost of these shares, with the difference between cost and proceeds being taken to retained earnings. In both cases, the relevant amount in the equity compensation reserve is then credited to retained earnings.

(AC) Income taxes

The current tax expense is based on the taxable profits for the year, after any adjustments in respect of prior years. Tax, including tax relief for losses if applicable, is allocated over profits before taxation and amounts charged or credited to components of other comprehensive income and equity, as appropriate.

Provision is made for deferred tax liabilities, or credit taken for deferred tax assets, using the liability method, on all material temporary differences between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements.

The rates enacted or substantively enacted at the statement of financial position date are used to value the deferred tax assets and liabilities.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Where there is a history of tax losses, deferred tax assets are only recognised in excess of deferred tax liabilities if there is convincing evidence that future profits will be available.

Deferred tax is provided on any temporary differences arising from investments in subsidiaries, associates and joint ventures, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the difference will not reverse in the foreseeable future.

Accounting Policies continued

Deferred taxes are not provided in respect of temporary differences arising from the initial recognition of goodwill, or from the initial recognition of an asset or liability in a transaction which is not a business combination and affects neither accounting profit nor taxable profit or loss at the time of the transaction.

Current and deferred tax relating to items recognised in other comprehensive income and directly in equity are similarly recognised in other comprehensive income and directly in equity respectively.

Deferred tax related to fair value re-measurement of available for sale investments, pensions and other post-retirement obligations and other amounts charged or credited directly to other comprehensive income is recognised in the statement of financial position as a deferred tax asset or liability. Current tax on interest paid on subordinated debt instruments is credited to the income statement.

Current and deferred tax includes amounts provided in respect of uncertain tax positions, where management expects it is more likely than not that an economic outflow will occur as a result of examination by a relevant tax authority.

Provisions reflect management's best estimate of the ultimate liability based on their interpretation of tax law, precedent and guidance, informed by external tax advice as necessary. The final amounts of tax due may ultimately differ from management's best estimate at the balance sheet date. Changes in facts and circumstances underlying these provisions are reassessed at each balance sheet date, and the provisions are re-measured as required to reflect current information.

In addition to paying tax on shareholders' profits ('shareholder tax'), the Group's life businesses in the UK, Ireland and Singapore pay tax on policyholders' investment returns ('policyholder tax') on certain products at policyholder tax rates. The incremental tax borne by the Group represents income tax on policyholder's investment return. In jurisdictions where policyholder tax is applicable, the total tax charge in the income statement is allocated between shareholder tax and policyholder tax. The shareholder tax is calculated by applying the corporate tax rate to the shareholder profit. The difference between the total tax charge and shareholder tax is allocated to policyholder tax. This calculation methodology is consistent with the legislation relating to the calculation of tax on shareholder profits. The Group has decided to show separately the amounts of policyholder tax to provide a meaningful measure of the tax the Group pays on its profit. In the reconciliation, the Group adjusted operating profit has been calculated after charging policyholder tax.

(AD) Borrowings

Borrowings are classified as being for either core structural or operational purposes. They are recognised initially at their issue proceeds less transaction costs incurred. Subsequently, most borrowings are stated at amortised cost, and any difference between net proceeds and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest rate method. All borrowing costs are expensed as they are incurred except where they are directly attributable to the acquisition or construction of property and equipment as described in accounting policy P.

Where loan notes have been issued in connection with certain securitised mortgage loans, the Group has taken advantage of the fair value option under IAS 39 to present the mortgages, associated liabilities and derivative financial instruments at fair value, since they are managed as a portfolio on a fair value basis. This presentation provides more relevant information and eliminates any accounting mismatch which would otherwise arise from using different measurement bases for these three items.

(AE) Share capital and treasury shares

Equity instruments

An equity instrument is a contract that evidences a residual interest in the assets of an entity after deducting all its liabilities.

Accordingly, a financial instrument is treated as equity if:

(i) there is no contractual obligation to deliver cash or other financial assets or to exchange financial assets or liabilities on terms that may be unfavourable; and

(ii) the instrument is a non-derivative that contains no contractual obligation to deliver a variable number of shares or is a derivative that will be settled only by the Group exchanging a fixed amount of cash or other assets for a fixed number of the Group's own equity instruments.

Share issue costs

Incremental external costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds of the issue and disclosed where material.

Dividends

Interim dividends on ordinary shares are recognised in equity in the period in which they are paid. Final dividends on these shares are recognised when they have been approved by shareholders. Dividends on preference shares are recognised in the period in which they are declared and appropriately approved.

Treasury shares

Where the Company or its subsidiaries purchase the Company's share capital or obtain rights to purchase its share capital, the consideration paid (including any attributable transaction costs net of income taxes) is shown as a deduction from total shareholders' equity. Gains and losses on own shares are charged or credited to the treasury share account in equity.

(AF) Fiduciary activities

Assets and income arising from fiduciary activities, together with related undertakings to return such assets to customers, are excluded from these financial statements where the Group has no contractual rights in the assets and acts in a fiduciary capacity such as nominee, trustee or agent.

Accounting Policies continued

(AG) Earnings per share

Basic earnings per share is calculated by dividing profit attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the year, excluding the weighted average number of treasury shares.

Earnings per share has also been calculated on Group adjusted operating profit attributable to ordinary shareholders, net of tax, non-controlling interests, preference dividends and Tier 1 notes as the directors believe this figure provides a better indication of operating performance. Details are given in note 13.

For the diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares, such as convertible debt and share options granted to employees. No adjustments are made if the impact of the conversion of potential ordinary shares is antidilutive, which would decrease loss per share.

Potential or contingent share issuances are treated as dilutive when their conversion to shares would decrease net earnings per share.

(AH) Discontinued operations

Discontinued operations comprise those activities that were disposed of or classified as held for sale at the end of the period and represent a separate major line of business or geographical area that can clearly be distinguished for operational and financial reporting purposes.

The results of discontinued operations are presented separately in the consolidated income statement, disaggregated between the profit on disposal of discontinued operations and profit from discontinued operations. Similarly, results of discontinued operations are presented separately in the consolidated statement of cash flows. Notes to the consolidated statement of financial position are presented on a total group basis and, as a result, income statement and cash flow movements included within these notes may not reconcile to those presented in the consolidated income statement and the consolidated statement of cash flows.

Consolidated income statement

For the year ended 31 December 2022

	Note	2022 £m	2021 £m
Continuing operations			
Income	4		
Gross written premiums		**18,919**	19,398
Premiums ceded to reinsurers		**(3,585)**	(4,701)
Premiums written net of reinsurance		**15,334**	14,697
Net change in provision for unearned premiums		**(356)**	(307)
Net earned premiums	H	**14,978**	14,390
Fee and commission income	I & J	**1,453**	1,488
Net investment (expense)/income	K	**(37,673)**	17,138
Share of (loss)/profit after tax of joint ventures and associates		**(2)**	146
Profit on the disposal and remeasurement of subsidiaries, joint ventures and associates		**—**	22
		(21,244)	33,184
Expenses	5		
Claims and benefits paid, net of recoveries from reinsurers		**(13,201)**	(12,493)
Change in insurance liabilities, net of reinsurance	40(b)	**22,342**	1,699
Change in investment contract provisions		**15,449**	(15,304)
Change in unallocated divisible surplus		**(13)**	(175)
Fee and commission expense		**(3,489)**	(3,172)
Investment income/(expense) attributable to unitholders		**531**	(224)
Other expenses		**(2,211)**	(2,412)
Other net foreign exchange (losses)/gains		**(73)**	201
Finance costs	6	**(470)**	(503)
		18,865	(32,383)
(Loss)/profit before tax from continuing operations		**(2,379)**	801
Tax attributable to policyholders' returns	12(d)	**774**	(245)
(Loss)/profit before tax attributable to shareholders' profits from continuing operations		**(1,605)**	556
Tax credit/(expense)	AC & 12	**1,240**	(465)
Less: tax attributable to policyholders' returns	12(d)	**(774)**	245
Tax attributable to shareholders' profits		**466**	(220)
(Loss)/profit from continuing operations		**(1,139)**	336
Profit for the year from discontinued operations		**—**	150
Profit on disposal of discontinued operations		**—**	1,550
Profit from discontinued operations	2(c)	**—**	1,700
(Loss)/profit for the year		**(1,139)**	2,036
Attributable to:			
Equity holders of Aviva plc		**(1,160)**	1,966
Non-controlling interests	39	**21**	70
(Loss)/profit for the year		**(1,139)**	2,036
Earnings per share	AG & 13		
Basic (pence per share)		**(38.2)**	50.1
Diluted (pence per share)		**(38.2)**	49.7
Continuing operations - basic (pence per share)		**(38.2)**	7.7
Continuing operations - diluted (pence per share)		**(38.2)**	7.6

The above consolidated income statement should be read in conjunction with the accounting policies and accompanying notes to the financial statements.

Consolidated statement of comprehensive income

For the year ended 31 December 2022

	Note	2022 £m	2021 £m
(Loss)/profit for the year from continuing operations		**(1,139)**	336
Other comprehensive income from continuing operations:			
Items that may be reclassified subsequently to income statement			
Share of other comprehensive (loss)/income of joint ventures and associates	37	**(38)**	5
Foreign exchange rate gains/(losses)	37, 39	**145**	(34)
Aggregate tax effect – shareholder tax on items that may be reclassified subsequently to income statement	12(b)	**6**	(7)
Items that will not be reclassified to income statement			
Remeasurements of pension schemes	50	**(1,542)**	59
Aggregate tax effect – shareholder tax on items that will not be reclassified subsequently to income statement	12(b)	**412**	(159)
Total other comprehensive loss, net of tax from continuing operations		**(1,017)**	(136)
Total comprehensive (loss)/income for the year from continuing operations		**(2,156)**	200
Profit for the year from discontinued operations	2(c)	**—**	1,700
Other comprehensive loss, net of tax from discontinued operations	2(c)	**—**	(241)
Total comprehensive income for the year from discontinued operations		**—**	1,459
Total comprehensive (loss)/income for the year		**(2,156)**	1,659
Attributable to:			
Equity holders of Aviva plc			
From continuing operations		**(2,169)**	178
From discontinued operations		**—**	1,444
Non-controlling interests			
From continuing operations		**13**	22
From discontinued operations		**—**	15
		(2,156)	1,659

The above consolidated statement of comprehensive income should be read in conjunction with the accounting policies and accompanying notes to the financial statements.

Reconciliation of Group adjusted operating profit to (loss)/profit for the year

For the year ended 31 December 2022

	Note	2022 £m	2021 £m
Group adjusted operating profit before tax attributable to shareholders' profits from continuing operations		**2,213**	1,634
Group adjusted operating profit before tax attributable to shareholders' profits from discontinued operations		**—**	631
Group adjusted operating profit before tax attributable to shareholders' profits		**2,213**	2,265
Adjusted for the following:			
Life business: Investment variances and economic assumption changes	7	**(2,387)**	(805)
Non-life business: Short-term fluctuation in return on investments	8(a)	**(1,375)**	(149)
General insurance and health business: Economic assumption changes	8(a)	**147**	(85)
Impairment of goodwill, joint ventures, associates and other amounts expensed	15(a),18	**(8)**	—
Amortisation and impairment of intangibles acquired in business combinations	16	**(54)**	(66)
Amortisation and impairment of acquired value of in-force business[1]	16	**(182)**	(199)
Profit on the disposal and remeasurement of subsidiaries, joint ventures and associates	2(b)	**—**	1,572
Other[2]		**41**	(204)
Adjusting items before tax		**(3,818)**	64
(Loss)/profit before tax attributable to shareholders' profits from continuing operations and discontinued operations		**(1,605)**	2,329
Tax on group adjusted operating profit		**(289)**	(470)
Tax on other activities		**755**	177
		466	(293)
(Loss)/profit for the year		**(1,139)**	2,036

1. Includes £13 million (2021: £9 million) attributable to the Group's joint venture shareholding in Singapore Life Holdings Pte Limited
2. Other in 2022 primarily includes £77 million negative goodwill on the India acquisition partially offset by £15 million charge associated with reinsurance accepted from the former Aviva France general insurance entity and charges in relation to our historic divestments, share buybacks and acquisitions in the period. Other in 2021 primarily includes net charges of £67 million from onerous contracts and indemnity provisions arising from acquisition and disposal activity, a £76 million charge associated with reinsurance accepted from the former Aviva France general insurance entity and a charge of £51 million relating to the redemption payment in excess of the market value of debt repaid.

The above reconciliation of group adjusted operating profit to (loss)/profit for the year should be read in conjunction with the accounting policies and accompanying notes to the financial statements.

Reconciliation of Group adjusted operating profit to (loss)/profit for the year continued

Group adjusted operating profit can be further analysed into the following segments and by product and services (details of segments can be found in note 3):

For the year ended 31 December 2022	Products and services				
	Long-term business £m	General insurance and health £m	Fund management £m	Other operations £m	Total £m
Operating segments					
UK & Ireland Life	**1,840**	**70**	**—**	**(2)**	**1,908**
General Insurance					
UK & Ireland GI	**—**	**337**	**—**	**1**	**338**
Canada	**—**	**432**	**—**	**1**	**433**
Aviva Investors	**—**	**—**	**25**	**—**	**25**
International investments	**61**	**(6)**	**(1)**	**(2)**	**52**
Other operations	**(13)**	**—**	**—**	**26**	**13**
	1,888	**833**	**24**	**24**	**2,769**
Corporate centre costs					**(310)**
Group debt costs and other interest					**(246)**
Group adjusted operating profit before tax attributable to shareholders' profits from continuing operations (note 3)					**2,213**
Group adjusted operating profit before tax attributable to shareholders' profits from discontinued operations					**—**
Group adjusted operating profit before tax attributable to shareholders' profits					**2,213**

For the year ended 31 December 2021	Products and services				
	Long-term business £m	General insurance and health £m	Fund management £m	Other operations £m	Total £m
Operating segments					
UK & Ireland Life	1,384	47	—	(3)	1,428
General Insurance					
UK & Ireland GI	—	350	—	6	356
Canada	—	405	—	1	406
Aviva Investors	—	—	41	—	41
International investments	92	5	—	—	97
Other operations	(10)	—	—	(9)	(19)
	1,466	807	41	(5)	2,309
Corporate centre costs					(360)
Group debt costs and other interest					(315)
Group adjusted operating profit before tax attributable to shareholders' profits from continuing operations (note 3)					1,634
Group adjusted operating profit before tax attributable to shareholders' profits from discontinued operations (note 2(c))					631
Group adjusted operating profit before tax attributable to shareholders' profits					2,265

The above reconciliation of group adjusted operating profit to (loss)/profit for the year should be read in conjunction with the accounting policies and accompanying notes to the financial statements.

Consolidated statement of changes in equity

For the year ended 31 December 2022

	Ordinary share capital Note 31 £m	Preference share capital Note 34 £m	Capital reserves[1] Notes 31 and 36 £m	Treasury shares Note 33 £m	Currency translation reserve Note 37 £m	Other reserves Note 37 £m	Retained earnings Note 38 £m	Tier 1 notes Note 35 £m	Total equity excluding non-controlling interests £m	Non-controlling interests Note 39 £m	Total equity £m
Balance at 1 January	**941**	**200**	**10,308**	**(51)**	**314**	**(66)**	**7,556**	**—**	**19,202**	**252**	**19,454**
(Loss)/profit for the year	—	—	—	—	—	—	(1,160)	—	(1,160)	21	(1,139)
Other comprehensive income/(loss)	—	—	—	—	197	(76)	(1,130)	—	(1,009)	(8)	(1,017)
Total comprehensive income/(loss) for the year	—	—	—	—	197	(76)	(2,290)	—	(2,169)	13	(2,156)
Dividends and appropriations	—	—	—	—	—	—	(862)	—	(862)	—	(862)
Non-controlling interests share of dividends declared in the year	—	—	—	—	—	—	—	—	—	(21)	(21)
Reserves credit for equity compensation plans	—	—	—	—	—	58	—	—	58	—	58
Shares purchased under equity compensation plans	2	—	15	(34)	—	(46)	9	—	(54)	—	(54)
Shares purchased in buyback[2]	(19)	—	19	—	—	—	(336)	—	(336)	—	(336)
Return of capital to ordinary shareholders via B share scheme[3]	—	—	—	—	—	—	(3,750)	—	(3,750)	—	(3,750)
Issue of tier 1 notes[4]	—	—	—	—	—	—	—	496	496	—	496
Non-controlling interests in acquired subsidiaries[5]	—	—	—	—	—	—	—	—	—	66	66
Changes in non-controlling interests in subsidiaries	—	—	—	—	—	—	—	—	—	—	—
Transfer to profit on disposal of subsidiaries, joint ventures and associates	—	—	—	—	—	—	—	—	—	—	—
Owner-occupied properties fair value gains transferred to retained earnings on disposals	—	—	—	—	—	—	—	—	—	—	—
Balance at 31 December	**924**	**200**	**10,342**	**(85)**	**511**	**(130)**	**327**	**496**	**12,585**	**310**	**12,895**

1. Capital reserves consist of share premium of £1,263 million, a capital redemption reserve of £3,855 million and a merger reserve of £5,224 million
2. In the year ended 31 December 2022, £336 million of shares were purchased and shares with a nominal value of £19 million have been cancelled as part of the share buyback programme
3. On 2 March 2022, Aviva announced a proposed return of capital, via a £3,750 million B Share Scheme for the holders of ordinary shares. 3,687,322,000 B shares were issued for nil consideration with a nominal value of 101.69 pence per share on 16 May 2022, resulting in a total of £3,750 million being credited to the B share capital account. At the same time, the merger reserve was reduced by £3,750 million. On 17 May 2022, the B shares were redeemed at 101.69 pence per share, which resulted in a £3,750 million reduction in the B share capital account and a corresponding increase in the capital redemption reserve. Retained earnings reduced by £3,750 million on payment of the return of capital to ordinary shareholders.
4. On 15 June 2022, the Group issued £500 million of 6.875% fixed rate reset perpetual Restricted Tier 1 contingent convertible notes (the RT1 notes). These RT1 notes are treated as equity and any coupon payments are recognised directly in equity as they arise (see note 35).
5. On 28 September 2022, Aviva acquired an additional 25% or the ordinary shares of Aviva Life Insurance Company India Limited giving Aviva a controlling interest in the entity (see note 2(a))

The above consolidated statement of changes in equity should be read in conjunction with the accounting policies and accompanying notes to the financial statements.

Consolidated statement of changes in equity continued

For the year ended 31 December 2021

	Ordinary share capital Note 31 £m	Preference share capital Note 34 £m	Capital reserves[1] Notes 31 and 36 £m	Treasury shares Note 33 £m	Currency translation reserve Note 37 £m	Other reserves Note 37 £m	Retained earnings Note 38 £m	Tier 1 notes Note 35 £m	Total equity excluding non-controlling interests £m	Non-controlling interests Note 39 £m	Total equity £m
Balance at 1 January	982	200	10,260	(6)	862	(212)	7,468	—	19,554	1,006	20,560
Profit for the year	—	—	—	—	—	—	1,966	—	1,966	70	2,036
Other comprehensive loss	—	—	—	—	(221)	(23)	(100)	—	(344)	(33)	(377)
Total comprehensive (loss)/income for the year	—	—	—	—	(221)	(23)	1,866	—	1,622	37	1,659
Dividends and appropriations	—	—	—	—	—	—	(1,127)	—	(1,127)	—	(1,127)
Non-controlling interests share of dividends declared in the year	—	—	—	—	—	—	—	—	—	(60)	(60)
Reserves credit for equity compensation plans	—	—	—	—	—	24	—	—	24	—	24
Shares purchased under equity compensation plans	1	—	6	(45)	—	(29)	3	—	(64)	—	(64)
Shares purchased in buyback[2]	(42)	—	42	—	—	—	(663)	—	(663)	—	(663)
Return of capital to ordinary shareholders via B share scheme	—	—	—	—	—	—	—	—	—	—	—
Issue of tier 1 notes	—	—	—	—	—	—	—	—	—	—	—
Non-controlling interests in acquired subsidiaries	—	—	—	—	—	—	—	—	—	—	—
Changes in non-controlling interests in subsidiaries	—	—	—	—	—	—	—	—	—	(9)	(9)
Transfer to profit on disposal of subsidiaries, joint ventures and associates	—	—	—	—	(327)	183	—	—	(144)	(722)	(866)
Owner-occupied properties fair value gains transferred to retained earnings on disposals	—	—	—	—	—	(9)	9	—	—	—	—
Balance at 31 December	941	200	10,308	(51)	314	(66)	7,556	—	19,202	252	19,454

1. Capital reserves consist of share premium of £1,248 million, a capital redemption reserve of £86 million and a merger reserve of £8,974 million
2. On 12 August 2021, the Group announced a share buyback of ordinary shares for an aggregate purchase price of up to £750 million. On 16 December 2021 Aviva announced the increase and extension of the share buyback programme to £1 billion. In the year ended 31 December 2021, £663 million of shares had been purchased and shares with a nominal value of £42 million were cancelled.

The above consolidated statement of changes in equity should be read in conjunction with the accounting policies and accompanying notes to the financial statements.

Consolidated statement of financial position

As at 31 December 2022

	Note	2022 £m	2021 £m
Assets			
Goodwill	O & 15	**2,072**	1,741
Acquired value of in-force business and intangible assets	O & 16	**2,089**	1,950
Interests in, and loans to, joint ventures	D & 17	**1,933**	1,855
Interests in, and loans to, associates	D & 18	**41**	118
Property and equipment	P & 19	**350**	428
Investment property	Q & 20	**5,899**	7,003
Loans	V & 23	**29,647**	38,624
Financial investments	S, T, U & 26	**224,086**	264,961
Reinsurance assets	N & 45	**13,056**	15,032
Deferred tax assets	AC & 48	**611**	138
Current tax assets		**336**	170
Receivables	27	**6,043**	6,088
Deferred acquisition costs	X & 28	**2,592**	2,721
Pension surpluses and other assets	X & 29	**1,234**	2,769
Prepayments and accrued income	29(b)	**2,822**	2,391
Cash and cash equivalents	Y & 57(d)	**22,505**	12,485
Total assets		**315,316**	358,474
Equity			
Capital	AE		
Ordinary share capital	31(c)	**924**	941
Preference share capital	34	**200**	200
		1,124	1,141
Capital reserves			
Share premium	31(d)	**1,263**	1,248
Capital redemption reserve	31(d)	**3,855**	86
Merger reserve	D & 36	**5,224**	8,974
		10,342	10,308
Treasury shares	33	**(85)**	(51)
Currency translation reserve	37	**511**	314
Other reserves	37	**(130)**	(66)
Retained earnings	38	**327**	7,556
Equity attributable to shareholders of Aviva plc		**12,089**	19,202
Tier 1 notes	35	**496**	—
Equity excluding non-controlling interests		**12,585**	19,202
Non-controlling interests	39	**310**	252
Total equity		**12,895**	19,454
Liabilities			
Gross insurance liabilities	L & 41	**99,685**	122,250
Gross liabilities for investment contracts	M & 43	**158,999**	172,452
Unallocated divisible surplus	L & 47	**1,990**	1,960
Net asset value attributable to unitholders	D	**14,080**	16,427
Pension deficits and other provisions	AA, AB & 49	**761**	1,001
Deferred tax liabilities	AC & 48	**825**	1,983
Current tax liabilities		**40**	35
Borrowings	AD & 51	**6,755**	7,344
Payables and other financial liabilities	S & 52	**16,442**	12,609
Other liabilities	53	**2,844**	2,959
Total liabilities		**302,421**	339,020
Total equity and liabilities		**315,316**	358,474

Approved by the Board on 8 March 2023

Charlotte Jones
Chief Financial Officer

Company number: 2468686

The above consolidated statement of financial position should be read in conjunction with the accounting policies and accompanying notes to the financial statements.

Consolidated statement of cash flows

For the year ended 31 December 2022

The cash flows presented in this statement cover all the Group's activities and include flows from both policyholder and shareholder activities. All cash and cash equivalents are available for use by the Group.

	Note	2022 £m	2021 £m
Continuing operations			
Cash flows from operating activities			
Cash generated from/(used in) operating activities[1]	57(a)	**16,093**	(2,554)
Tax paid		**(210)**	(304)
Total net cash from/(used in) operating activities		**15,883**	(2,858)
Cash flows from investing activities			
Acquisitions of, and additions to, subsidiaries, joint ventures and associates, net of cash acquired[2]	57(b)	**(275)**	—
Disposals of subsidiaries, joint ventures and associates, net of cash transferred	57(c)	**—**	23
Purchases of property and equipment		**(16)**	(86)
Proceeds on sale of property and equipment		**35**	159
Purchases of intangible assets		**(83)**	(22)
Total net cash (used in)/from investing activities		**(339)**	74
Cash flows from financing activities			
Proceeds from issue of ordinary shares	31(d)	**17**	6
Return of capital to ordinary shareholders via B share scheme	31(b)	**(3,750)**	—
Shares purchased in buyback	31(a)	**(336)**	(663)
Treasury shares purchased for employee trusts		**(75)**	(69)
New borrowings drawn down, net of expenses	51(e)	**659**	229
Repayment of borrowings[3]	51(e)	**(1,554)**	(2,197)
Net repayment of borrowings		**(895)**	(1,968)
Interest paid on borrowings		**(450)**	(489)
Repayment of leases		**(63)**	(71)
Preference dividends paid	14	**(17)**	(17)
Ordinary dividends paid	14	**(828)**	(1,110)
Coupon payments on tier 1 notes	14	**(17)**	—
Issue of tier 1 notes[4]	35	**496**	—
Dividends paid to non-controlling interests of subsidiaries		**(21)**	(21)
Total net cash used in financing activities		**(5,939)**	(4,402)
Total net increase/(decrease) in cash and cash equivalents from continuing operations		**9,605**	(7,186)
Cash flows used in discontinued operations		**—**	(286)
Cash flow on disposals from discontinued operations	57(c)	**—**	3,364
Net cash flows from discontinued operations	2(c)	**—**	3,078
Cash and cash equivalents at 1 January		**11,878**	16,182
Effect of exchange rate changes on cash and cash equivalents		**93**	(196)
Cash and cash equivalents at 31 December	57(d)	**21,576**	11,878

1. Cash flows from operating activities include interest received of £4,335 million (2021: £3,605 million) and dividends received of £4,347 million (2021: £4,461 million). Cash flows from operating activities include impacts from the investment of proceeds from the disposal of discontinued operations into financial investments during 2021, and subsequent disinvestment from those financial investments in 2022 ahead of the return of capital to ordinary shareholders. This activity is reflected as an increase in cash generated from operating activities in 2022.
2. Acquisitions of, and additions to, subsidiaries, joint ventures and associates net of cash acquired relates to the acquisition of Succession Wealth and Aviva Life Insurance Company India Limited (see note 2a)
3. Repayment of borrowings includes the redemption of £1,002 million (2021: £1,878 million) subordinated debt and senior notes (see note 51(e))
4. On 15 June 2022, the Group issued £500 million of 6.875% fixed rate reset perpetual restricted tier 1 contingent convertible notes (the RT1 notes). The RT1 notes are callable at par between 15 December 2031 and 15 June 2032 (the First Reset Date) inclusive and thereafter every five years after the First Reset Date. If not called, the coupon from 15 June 2032 will be reset to the prevailing five year benchmark gilt yield plus 4.649%. The notes have no fixed maturity date. Optional cancellation of coupon payments is at the discretion of the Group and mandatory cancellation is upon the occurrence of certain conditions. The RT1 notes are therefore treated as equity and the coupon payment is recognised directly in equity. On the occurrence of certain conversion trigger events the notes are convertible into ordinary shares of the Group.

The above consolidated statement of cash flows should be read in conjunction with the accounting policies and accompanying notes to the financial statements.

Notes to the consolidated financial statements

1 – Exchange rates

The Group's principal overseas operations during the year were located within Canada and the eurozone. The results and cash flows of these operations have been translated into sterling at the average rates for the year, and the assets and liabilities have been translated at the year end rates as follows:

	2022	2021
Canada		
Average rate ($CAD1 equals)	**£0.62**	£0.58
Year end rate ($CAD1 equals)	**£0.61**	£0.58
Eurozone		
Average rate (€1 equals)	**£0.85**	£0.86
Year end rate (€1 equals)	**£0.89**	£0.84
Poland		
Average rate (PLN1 equals)	**N/A**	£0.19
Year end rate (PLN1 equals)	**N/A**	£0.18

Profits/(losses) attributable to discontinued operations which have been disposed of, have been translated using the period average rate up until their disposal date. Closing balance sheets of operations disposed of have been translated using the closing rate on the date of disposal for the purpose of calculating the profit/(loss) on disposal.

2 – Strategic transactions

This note provides details of the acquisitions and disposals of subsidiaries, joint ventures and associates, and on discontinued operations.

(a) Acquisitions

Succession Wealth

On 11 August 2022 the Group acquired 100% of the ordinary share capital and preference share capital of Succession Jersey Limited ("Succession Wealth") for an initial cash consideration of £385 million.

Succession Wealth is a leading national independent financial advice firm. The acquisition significantly enhances our position in the fast-growing UK wealth market and accelerates our ability to offer high-quality financial advice to our workplace and individual pension and savings customers.

Of the total consideration of £392 million (including contingent consideration of £7 million), £139 million of the cash transferred to the shareholders of Succession Wealth was used to settle Succession Wealth's existing external debt. The remaining £253 million represents the consideration paid to acquire £71 million of net liabilities of Succession Wealth offset by £324 million of goodwill recognised on acquisition, as follows:

	Fair Value £m
Assets	
Intangible assets	**191**
Other assets	**12**
Cash and cash equivalents	**6**
Total identifiable assets	**209**
Liabilities	
Borrowings	**139**
Deferred tax liabilities	**48**
Other liabilities	**93**
Total identifiable liabilities	**280**
Net identifiable liabilities acquired	**(71)**
Goodwill arising on acquisition	**324**
Consideration paid for net liabilities	**246**
Contingent consideration	**7**
Total consideration paid for net liabilities	**253**
Borrowings settlement	**139**
Total Consideration	**392**

Notes to the consolidated financial statements continued

2 – Strategic transactions continued

An intangible asset of £191 million was recognised upon acquisition representing the value attributable to the existing business from Succession Wealth's existing customer base. This will be amortised over its estimated useful life in accordance with the Group's accounting policies along with the corresponding release of the deferred tax provision. The residual goodwill on acquisition of £324 million, none of which is expected to be deductible for tax purposes, represents future synergies expected to arise from combining the operations of Succession Wealth with those of the Group as well as the value of the workforce in place and other future business value.

In the period from 11 August 2022 to 31 December 2022 the acquired Succession Wealth subsidiaries contributed net income of £35 million and a profit before tax of £3 million to the consolidated results of the Group. If the acquisition had been effective on 1 January 2022, on a pro-forma basis the Group's net income is estimated at £84 million and loss before tax is estimated at £40 million. These pro-forma results are provided for information purposes only and do not necessarily reflect the actual results that would have occurred had the acquisition taken place on 1 January 2022, nor are they necessarily indicative of the future results of the combined Group. Acquisition costs of £7 million related to legal and professional fees incurred to support the transaction have been recognised within other expenses in the income statement.

Aviva Life Insurance Company India Limited ("Aviva India")

On 28 September 2022 the Group acquired an additional 25% of the ordinary share capital of Aviva Life Insurance Company India Limited ("Aviva India") for cash consideration of £37 million, increasing the Group's total shareholding from 49% to 74% and giving Aviva a controlling interest in the entity. On that date, Aviva derecognised its investment in associate and recognised Aviva India as a consolidated subsidiary.

Immediately prior to the acquisition, Aviva's 49% interest in Aviva India was remeasured to its fair value of £73 million, resulting in a reversal of historic impairment of £15 million, recognised within share of profit/(loss) after tax from joint ventures and associates in the income statement. The investment in associate was subsequently derecognised at its revalued amount.

The following table summarises the consideration for the acquisition, the fair value of the assets acquired, liabilities assumed and resulting allocation to goodwill. The opening balance sheet of Aviva India was recorded at the prevailing rate of exchange on the date of acquisition.

	Fair Value £m
Assets	
Acquired value of in-force business and intangible assets	**228**
Financial investments	**1,297**
Other Assets	**47**
Cash and cash equivalents	**2**
Total identifiable assets	**1,574**
Liabilities	
Gross insurance liabilities	**1,240**
Payables and other financial liabilities	**30**
Deferred tax liabilities	**32**
Other liabilities	**19**
Total identifiable liabilities	**1,321**
Net identifiable assets acquired	**253**
Non-controlling interests	**(66)**
Shareholder equity retained by the Group	**187**
Cash consideration	**37**
Fair value of existing investment in Aviva India	**73**
Negative goodwill	**77**

An asset of £228 million in respect of AVIF was recognised upon acquisition representing the margins in Aviva India's statutory reserves of the in-force business. The acquisition resulted in a gain from negative goodwill of £77 million, as the fair value of the net assets acquired exceeded the total value of the cash consideration and the fair value of the previous investment in associate. The gain has been recognised immediately in the income statement as required by IFRS 3 Business combinations.

In the period from 30 September 2022 to 31 December 2022 the acquired Aviva India business contributed net income of £62 million and a profit before tax of £6 million to the consolidated results of the Group. If the acquisition had been effective on 1 January 2022, on a pro-forma basis the Group's net revenue is estimated at £236 million and profit before tax is estimated at £14 million. These pro-forma results are provided for information purposes only and do not necessarily reflect the actual results that would have occurred had the acquisition taken place on 1 January 2022, nor are they necessarily indicative of the future results of the combined Group. Acquisition costs of £nil million related to legal and professional fees incurred to support the transaction have been recognised within other expenses in the income statement.

Notes to the consolidated financial statements continued

2 – Strategic transactions continued

(b) Disposals and remeasurements

There were no significant disposals during the year . The gain on the disposal and remeasurement of subsidiaries, joint ventures and associates for the year ended 2022 was £nil.

The following operations were disposed during 2021:

- The entire shareholding in Aviva France was sold to Aéma Group for cash consideration of €3,200 million (approximately £2,752 million). At 30 June 2021 the Group's holding in France was classified as held for sale resulting in a remeasurement loss of £538 million. The transaction completed on 30 September 2021, resulting in a profit on disposal of £128 million and a net £410 million charge over the year.
- The entire 80% shareholding in the Italian Life Insurer Aviva Vita S.p.A. (Aviva Vita) was sold to its partner UBI Banca. The transaction completed on 1 April 2021 and resulted in a profit on disposal of £65 million.
- The entire shareholdings of the remaining Italian General Insurance and Life businesses (Aviva Italy) were sold on 1 October 2021 and 1 December 2021 respectively, with a total profit on disposal of £233 million.
- The entire shareholding in Aviva's life insurance business in Poland and Lithuania, and its Polish general insurance, asset management and pensions businesses were sold to Allianz for net cash consideration of €2,369 million (approximately £2,034 million). The transaction completed on 30 November 2021 resulting in a profit on disposal of £1,671 million.
- The entire 40% shareholding in Aviva's joint venture in Turkey (AvivaSA Emeklilik ve Hayat AS) was sold on 6 May 2021 resulting in a loss on disposal of £41 million and the entire shareholding in Aviva Vietnam Life Insurance Limited was sold on 29 December 2021 resulting in a profit on disposal of £32 million.

The total gain on the disposal and remeasurement of subsidiaries, joint ventures and associates in 2021 comprised:

	2021 £m
Disposals of discontinued operations	
Aviva France[1]	128
Aviva Vita	65
Aviva Italy[2]	233
Aviva Poland	1,671
Other	(9)
Total gain on disposals	2,088
Held for sale remeasurements of discontinued operations	
Aviva France[1]	(538)
Total gain on disposals and remeasurements of discontinued operations	1,550
Profit on disposal from continuing operations	22
Total gain on disposals and remeasurements	1,572

1. A £538 million loss on remeasurement in respect of Aviva France was recognised at 30 June 2021, with a subsequent £128 million gain upon disposal recognised when the disposal completed on 30 September 2021
2. Aviva Italy excludes Aviva Vita, which is disclosed separately

For further information on these disposals see note 3 of the Group's 2021 Annual Report and Accounts.

(c) Discontinued operations

In accordance with IFRS 5 Non-current assets held for sale and discontinued operations, the results of the operations specified in note 2(b) were included as discontinued operations in the Group's 2021 Annual Report and Accounts. There were no operations classified as discontinued operations at 31 December 2022 and no operations classified as held for sale at either 31 December 2021 or 31 December 2022.

Profit from discontinued operations for the comparative periods has been shown as a single line in the consolidated income statement and net cash flows from discontinued operations for the comparative period has been shown as a single line in the consolidated statement of cash flows. Notes to the consolidated statement of financial position are presented on a total Group basis and, as a result, comparative income statement and cash flow movements included within these notes may not reconcile to the corresponding comparatives presented in the consolidated income statement and the consolidated statement of cash flows.

Further analysis of the results and cash flows for the discontinued operations presented in the consolidated financial statements for the comparative periods is provided below.

Notes to the consolidated financial statements continued

2 – Strategic transactions continued

Income Statement

Discontinued operations	2021 £m
Gross written premiums	10,194
Premiums ceded to reinsurers	(115)
Net written premiums	10,079
Net change in provision for unearned premiums	(41)
Net earned premiums	10,038
Net investment income	1,430
Other income	500
Share of profit after tax of joint ventures and associates	10
Profit on the disposal and remeasurement of subsidiaries, joint ventures and associates	1,550
Total income	13,528
Claims and benefits paid, net of recoveries from reinsurers	(6,426)
Change in insurance liabilities, net of reinsurance	(3,732)
Change in investment contract provisions	(2,207)
Change in unallocated divisible surplus	2,074
Other expenses	(1,464)
Total expenses	(11,755)
Profit before tax from discontinued operations	1,773
Tax attributable to policyholders' returns	—
Profit before tax attributable to shareholders' profits from discontinued operations	1,773
Tax attributable to shareholders' profits	(73)
Profit for the year from discontinued operations	1,700

Reconciliation of Group adjusted operating profit to profit for the year

Discontinued operations	2021 £m
Group adjusted operating profit from discontinued operations	631
Adjusted for the following:	
Reclassification of unallocated interest	(37)
Life business: Investment variances and economic assumption changes	(171)
Non-life business: Short-term fluctuation in return on investments	(28)
General insurance and health business: Economic assumption changes	(5)
Impairment of goodwill, joint ventures, associates and other amounts expensed	—
Amortisation and impairment of intangibles acquired in business combinations	(12)
Amortisation and impairment of acquired value of in-force business	(1)
Profit on the disposal and remeasurement of subsidiaries, joint ventures and associates	1,550
Other[1]	(154)
Adjusting items before tax	1,142
Profit before tax attributable to shareholders' profits from discontinued operations	1,773

1. Other in 2021 comprise net charges of £78 million from onerous contracts and indemnity provisions arising from acquisition and disposal activity and a £76 million charge associated with reinsurance accepted from the former Aviva France general insurance entity

Other Comprehensive Income

Discontinued operations	2021 £m
Other comprehensive income from discontinued operations:	
Items that may be reclassified subsequently to income statement	
Investments classified as available for sale	
Fair value losses	(62)
Fair value losses transferred to profit on disposals	(16)
Share of other comprehensive income of joint venture and associates	—
Foreign exchange rate movements	(182)
Aggregate tax effect - shareholder tax on items that may be reclassified	19
Total other comprehensive loss for the year from discontinued operations	(241)

Cash flows

Discontinued operations	2021 £m
Total net cash used in operating activities	(232)
Cash proceeds from disposal of subsidiaries, joint ventures and associates	6,136
Less: Net cash and cash equivalents divested with subsidiaries	(2,772)
Other investing activities	(14)
Total net cash from investing activities	3,350
Total net cash used in financing activities	(40)
Net cash flows from discontinued operations	3,078

Notes to the consolidated financial statements continued

2 – Strategic transactions continued

(d) Significant restrictions

In certain jurisdictions the ability of subsidiaries to transfer funds to the Group in the form of cash dividends or to repay loans and advances is subject to local corporate or insurance laws and regulations and solvency requirements. There are no protective rights of non-controlling interests which significantly restrict the Group's ability to access or use the assets and settle the liabilities of the Group.

3 – Segmental information

The Group's results can be segmented either by activity or by geography. Our primary reporting format is along market reporting lines, with supplementary information being given by business activity. This note provides segmental information on the consolidated income statement.

Financial performance of our key markets are presented as UK & Ireland Life, General Insurance (which brings together our UK & Ireland GI businesses and Canada) and Aviva Investors. Our international businesses are presented as International investments (consisting of our interest in India, China and Singapore).

In 2021, we completed disposals of all discontinued operations which concluded our divestment programme. Segmental information is presented for continuing operations only, an analysis of results from 2021 discontinued operations is presented in note 2(c).

(a) Operating segments

UK & Ireland Life

The principal activities of our UK & Ireland Life operations are life insurance, long-term health and accident insurance, savings, pensions and annuity business. This segment also now includes Succession Wealth following the acquisition on 11 August 2022 (see note 2(a)).

General Insurance

UK & Ireland

The principal activities of our UK & Ireland General Insurance operations are the provision of insurance cover to individuals and businesses, for risks associated mainly with motor vehicles, property and liability (such as employers' liability and professional indemnity liability) and medical expenses.

Canada

The principal activity of our Canada General Insurance operation is the provision of personal and commercial lines insurance products, for risks associated mainly with motor, property and liability principally distributed through insurance brokers.

Aviva Investors

Aviva Investors operates in a number of international markets, in particular the UK, North America and Asia Pacific. Aviva Investors manages policyholders' and shareholders' invested funds, provides investment management services for institutional pension fund mandates and manages a range of retail investment products. These include investment funds, unit trusts, open-ended investment companies and individual savings accounts.

International investments

International investments comprise our long-term business operations in India, China and Singapore. In China, Aviva plc have a 50% shareholding in Aviva-COFCO Life Insurance Company Limited. In Singapore, Aviva plc has a 26% shareholding in Aviva Singlife. On 1 April 2022, Aviva plc agreed to acquire an additional 25% shareholding in Aviva India. The transaction completed on 28 September 2022 taking Aviva's shareholding to 74%. Aviva India is now a subsidiary of the Aviva Group. The Group results include 49% of Aviva India's results until the date of acquisition and 100% of Aviva India's results from this date (see note 2(a)). These have been aggregated into a single reporting segment in line with IFRS 8 Operating segments.

Other Group activities

Other Group activities includes investment return on centrally held assets, head office (Corporate Centre) expenses such as Group treasury and finance functions, financing costs arising on central borrowings, the elimination entries for certain inter-segment transactions and group consolidation adjustments.

Measurement basis

The accounting policies of the segments are the same as those for the Group as a whole. Any transactions between the business segments are subject to normal commercial terms and market conditions. The Group evaluates performance of operating segments on the basis of:

(i) profit or loss from operations before tax attributable to shareholders and;
(ii) profit or loss from operations before tax attributable to shareholders, adjusted for non-operating items, including investment market performance.

Notes to the consolidated financial statements continued

3 – Segmental information continued

(i) Segmental income statement for the year ended 31 December 2022

Continuing operations	UK & Ireland Life £m	General Insurance: UK & Ireland GI £m	General Insurance: Canada £m	General Insurance: Aviva Investors £m	International investments £m	Other Group activities £m	Total continuing operations £m
Gross written premiums	9,140	5,740	4,009	—	30	—	18,919
Premiums ceded to reinsurers	(2,751)	(578)	(254)	—	(2)	—	(3,585)
Premiums written net of reinsurance	6,389	5,162	3,755	—	28	—	15,334
Net change in provision for unearned premiums	(23)	(185)	(148)	—	—	—	(356)
Net earned premiums	6,366	4,977	3,607	—	28	—	14,978
Fee and commission income	1,116	106	43	160	—	28	1,453
	7,482	5,083	3,650	160	28	28	16,431
Net investment (expense)/income	(36,130)	(605)	(239)	(1)	35	(733)	(37,673)
Inter-segment revenue	—	—	—	240	—	—	240
Share of (loss)/profit after tax of joint ventures and associates	(124)	—	1	—	8	113	(2)
Profit on the disposal and remeasurement of subsidiaries, joint ventures and associates	—	—	—	—	—	—	—
Segmental income[1]	(28,772)	4,478	3,412	399	71	(592)	(21,004)
Claims and benefits paid, net of recoveries from reinsurers	(8,319)	(2,830)	(2,011)	—	(27)	(14)	(13,201)
Change in insurance liabilities, net of reinsurance	22,780	(225)	(191)	—	(22)	—	22,342
Change in investment contract provisions	15,445	—	—	4	—	—	15,449
Change in unallocated divisible surplus	(13)	—	—	—	—	—	(13)
Fee and commission expense	(1,116)	(1,346)	(999)	(24)	—	(4)	(3,489)
Investment income attributable to unitholders	—	—	—	—	—	531	531
Other expenses	(1,050)	(336)	(182)	(354)	70	(359)	(2,211)
Other net foreign exchange (losses)/gains	—	(48)	—	1	—	(26)	(73)
Inter-segment expenses	(222)	(6)	(7)	—	—	(5)	(240)
Finance costs	(176)	(2)	(5)	(1)	—	(286)	(470)
Segmental expenses	27,329	(4,793)	(3,395)	(374)	21	(163)	18,625
(Loss)/profit before tax	(1,443)	(315)	17	25	92	(755)	(2,379)
Tax attributable to policyholders' returns	774	—	—	—	—	—	774
(Loss)/profit before tax attributable to shareholders' profits from continuing operations	(669)	(315)	17	25	92	(755)	(1,605)
Adjusting items:							
Reclassification of unallocated interest	(8)	(17)	34	—	—	(9)	—
Life business: Investment variances and economic assumption changes	2,347	—	—	—	40	—	2,387
Non-life business: Short-term fluctuation in return on investments	—	809	380	—	—	186	1,375
General insurance and health business: Economic assumption changes	—	(139)	(9)	—	—	1	(147)
Impairment of goodwill, joint ventures, associates and other amounts expensed	21	—	—	—	(15)	2	8
Amortisation and impairment of intangibles acquired in business combinations	43	—	11	—	—	—	54
Amortisation and impairment of acquired value of in-force business	170	—	—	—	12	—	182
Profit on the disposal and remeasurement of subsidiaries, joint ventures and associates	—	—	—	—	—	—	—
Other[2]	4	—	—	—	(77)	32	(41)
Group adjusted operating profit/(loss) before tax attributable to shareholders' profits from continuing operations	1,908	338	433	25	52	(543)	2,213

1. Total reported income, excluding inter-segment revenue, includes £23,193 million from the United Kingdom (Aviva plc's country of domicile). Income is attributed on the basis of geographical origin which does not differ materially from revenue by geographical destination, as most risks are located in the countries where the contracts were written.
2. Other in 2022 primarily includes £77 million negative goodwill on the Aviva India acquisition partially offset by £15 million charge associated with reinsurance accepted from former Aviva France general insurance entity and charges in relation to our historic divestments, share buybacks and acquisitions in the period

Notes to the consolidated financial statements continued

3 – Segmental information continued

(ii) Segmental income statement for the year ended 31 December 2021

Continuing operations	UK & Ireland Life £m	General Insurance: UK & Ireland GI £m	General Insurance: Canada £m	Aviva Investors £m	International investments £m	Other Group activities £m	Total continuing operations £m
Gross written premiums	10,591	5,352	3,455	—	—	—	19,398
Premiums ceded to reinsurers	(3,944)	(558)	(199)	—	—	—	(4,701)
Premiums written net of reinsurance	6,647	4,794	3,256	—	—	—	14,697
Net change in provision for unearned premiums	(20)	(178)	(109)	—	—	—	(307)
Net earned premiums	6,627	4,616	3,147	—	—	—	14,390
Fee and commission income	1,150	102	31	186	—	19	1,488
	7,777	4,718	3,178	186	—	19	15,878
Net investment income/(expense)	16,778	9	(23)	138	—	236	17,138
Inter-segment revenue	—	—	—	235	—	—	235
Share of profit/(loss) after tax of joint ventures and associates	94	—	1	—	76	(25)	146
Profit on the disposal and remeasurement of subsidiaries, joint ventures and associates	5	11	6	—	—	—	22
Segmental income[1]	24,654	4,738	3,162	559	76	230	33,419
Claims and benefits paid, net of recoveries from reinsurers	(8,396)	(2,520)	(1,577)	—	—	—	(12,493)
Change in insurance liabilities, net of reinsurance	2,219	(321)	(199)	—	—	—	1,699
Change in investment contract provisions	(15,174)	—	—	(130)	—	—	(15,304)
Change in unallocated divisible surplus	(175)	—	—	—	—	—	(175)
Fee and commission expense	(845)	(1,334)	(968)	(21)	—	(4)	(3,172)
Investment expense attributable to unitholders	—	—	—	—	—	(224)	(224)
Other expenses	(1,063)	(357)	(147)	(367)	—	(478)	(2,412)
Other net foreign exchange gains	—	48	—	—	—	153	201
Inter-segment expenses	(219)	(5)	(7)	—	—	(4)	(235)
Finance costs	(185)	(2)	(5)	—	—	(311)	(503)
Segmental expenses	(23,838)	(4,491)	(2,903)	(518)	—	(868)	(32,618)
Profit/(loss) before tax	816	247	259	41	76	(638)	801
Tax attributable to policyholders' returns	(245)	—	—	—	—	—	(245)
Profit/(loss) before tax attributable to shareholders' profits from continuing operations	571	247	259	41	76	(638)	556
Adjusting items:							
Reclassification of unallocated interest	13	(11)	25	—	—	(64)	(37)
Life business: Investment variances and economic assumption changes	622	—	—	—	12	—	634
Non-life business: Short-term fluctuation in return on investments	—	48	122	—	—	(49)	121
General insurance and health business: Economic assumption changes	—	83	(4)	—	—	1	80
Impairment of goodwill, joint ventures, associates and other amounts expensed	—	—	—	—	—	—	—
Amortisation and impairment of intangibles acquired in business combinations	44	—	10	—	—	—	54
Amortisation and impairment of acquired value of in-force business	189	—	—	—	9	—	198
Profit on the disposal and remeasurement of subsidiaries, joint ventures and associates	(5)	(11)	(6)	—	—	—	(22)
Other[2]	(6)	—	—	—	—	56	50
Group adjusted operating profit/(loss) before tax attributable to shareholders' profits from continuing operations	1,428	356	406	41	97	(694)	1,634

1. Total reported income, excluding inter-segment revenue, includes £28,320 million from the United Kingdom (Aviva plc's country of domicile). Income is attributed on the basis of geographical origin which does not differ materially from revenue by geographical destination, as most risks are located in the countries where the contracts were written.
2. Other in 2021 includes a charge of £51 million in relation to the redemption payment in excess of the market values of debt repaid as part of the Group's deleveraging strategy, a net release of £8 million of certain provisions assumed as part of historic acquisition activities, a charge of £7 million relating to the cost of voluntary amendments to a small proportion of ground rent leases, release of a £6 million provision relating to a tax indemnity associated with a historical disposal, a charge of £3 million relating to stamp duty on share buybacks and a charge of £3 million related to costs associated with disposal activity

Notes to the consolidated financial statements continued

3 – Segmental information continued

(b) Further analysis by products and services

The Group's results can be further analysed by products and services which comprise long-term business, general insurance and health, fund management and other activities.

Long-term business

Our long-term business comprises life insurance, long-term health and accident insurance, savings, pensions and annuity business written by our life insurance subsidiaries, including managed savings and pension fund business. Long-term business also includes our share of the other life and related business written in our associates and joint ventures, as well as lifetime mortgage business written in the UK.

General insurance and health

Our general insurance and health business provides insurance cover to individuals and to small and medium-sized businesses, for risks associated mainly with motor vehicles, property and liability, such as employers' liability and professional indemnity liability, and medical expenses.

Fund management

Our fund management business invests policyholders' and shareholders' funds and provides investment management services for institutional pension fund mandates. It manages a range of retail investment products, including investment funds, unit trusts, open-ended investment companies and individual savings accounts. Clients include Aviva Group businesses and third-party financial institutions, pension funds, public sector organisations, investment professionals and private investors.

Other

Other includes service companies, head office expenses such as Group treasury and finance functions, and certain financing costs and taxes not allocated to business segments and elimination entries for certain inter-segment transactions and group consolidation adjustments.

(i) Segmental income statement – products and services for the year ended 31 December 2022

Continuing operations	Long-term business £m	General insurance and health[1] £m	Fund management £m	Other £m	Total continuing operations £m
Gross written premiums[2]	8,591	10,328	—	—	18,919
Premiums ceded to reinsurers	(2,753)	(832)	—	—	(3,585)
Premiums written net of reinsurance	5,838	9,496	—	—	15,334
Net change in provision for unearned premiums	—	(356)	—	—	(356)
Net earned premiums	5,838	9,140	—	—	14,978
Fee and commission income	1,114	144	160	35	1,453
	6,952	9,284	160	35	16,431
Net investment (expense)/income	(36,117)	(841)	3	(718)	(37,673)
Inter-segment revenue	—	—	240	—	240
Share of (loss)/profit after tax of joint ventures and associates	(107)	(6)	(1)	112	(2)
Profit on the disposal and remeasurement of subsidiaries, joint ventures and associates	—	—	—	—	—
Segmental income	(29,272)	8,437	402	(571)	(21,004)
Claims and benefits paid, net of recoveries from reinsurers	(7,974)	(5,213)	—	(14)	(13,201)
Change in insurance liabilities, net of reinsurance	22,754	(412)	—	—	22,342
Change in investment contract provisions	15,449	—	—	—	15,449
Change in unallocated divisible surplus	(13)	—	—	—	(13)
Fee and commission expense	(1,057)	(2,404)	(24)	(4)	(3,489)
Investment income attributable to unitholders	—	—	—	531	531
Other expenses	(930)	(585)	(354)	(342)	(2,211)
Other net foreign exchange (losses)/gains	—	(48)	1	(26)	(73)
Inter-segment expenses	(222)	(13)	—	(5)	(240)
Finance costs	(169)	(7)	(1)	(293)	(470)
Segmental expenses	27,838	(8,682)	(378)	(153)	18,625
(Loss)/profit before tax	(1,434)	(245)	24	(724)	(2,379)
Tax attributable to policyholders' returns	774	—	—	—	774
(Loss)/profit before tax attributable to shareholders' profits from continuing operations	(660)	(245)	24	(724)	(1,605)
Adjusting items	2,548	1,078	—	192	3,818
Group adjusted operating profit/(loss) before tax attributable to shareholders' profits from continuing operations	**1,888**	**833**	**24**	**(532)**	**2,213**

1. General insurance and health business segment includes gross written premiums of £579 million relating to health business. The remaining business relates to property and liability insurance.
2. Gross written premiums include inward reinsurance premiums assumed from other companies amounting to £349 million, which all relates to property and liability insurance

Notes to the consolidated financial statements continued

3 – Segmental information continued

(ii) Segmental income statement – products and services for the year ended 31 December 2021

Continuing operations	Long-term business £m	General insurance and health[1] £m	Fund management £m	Other £m	Total continuing operations £m
Gross written premiums[2]	10,081	9,317	—	—	19,398
Premiums ceded to reinsurers	(3,944)	(757)	—	—	(4,701)
Premiums written net of reinsurance	6,137	8,560	—	—	14,697
Net change in provision for unearned premiums	—	(307)	—	—	(307)
Net earned premiums	6,137	8,253	—	—	14,390
Fee and commission income	1,152	125	183	28	1,488
	7,289	8,378	183	28	15,878
Net investment income/(expense)	16,864	(9)	4	279	17,138
Inter-segment revenue	—	—	237	—	237
Share of profit/(loss) after tax of joint ventures and associates	165	5	—	(24)	146
Profit on the disposal and remeasurement of subsidiaries, joint ventures and associates	5	17	—	—	22
Segmental income	24,323	8,391	424	283	33,421
Claims and benefits paid, net of recoveries from reinsurers	(8,070)	(4,423)	—	—	(12,493)
Change in insurance liabilities, net of reinsurance	2,230	(531)	—	—	1,699
Change in investment contract provisions	(15,304)	—	—	—	(15,304)
Change in unallocated divisible surplus	(175)	—	—	—	(175)
Fee and commission expense	(799)	(2,348)	(21)	(4)	(3,172)
Investment expense attributable to unitholders	—	—	—	(224)	(224)
Other expenses	(1,007)	(569)	(362)	(474)	(2,412)
Other net foreign exchange gains	—	48	—	153	201
Inter-segment expenses	(221)	(13)	—	(3)	(237)
Finance costs	(160)	(7)	—	(336)	(503)
Segmental expenses	(23,506)	(7,843)	(383)	(888)	(32,620)
Profit/(loss) before tax	817	548	41	(605)	801
Tax attributable to policyholders' returns	(245)	—	—	—	(245)
Profit/(loss) before tax attributable to shareholders' profits from continuing operations	572	548	41	(605)	556
Adjusting items	894	259	—	(75)	1,078
Group adjusted operating profit/(loss) before tax attributable to shareholders' profits from continuing operations	**1,466**	**807**	**41**	**(680)**	**1,634**

1. General insurance and health business segment includes gross written premiums of £510 million relating to health business. The remaining business relates to property and liability insurance.
2. Gross written premiums include inward reinsurance premiums assumed from other companies amounting to £208 million, which all relates to property and liability insurance

Notes to the consolidated financial statements continued

4 – Details of income

This note gives further detail on the items appearing in the income section of the income statement.

	2022 £m	2021 £m
Continuing operations		
Gross written premiums		
Long-term:		
Insurance contracts	**8,581**	9,922
Participating investment contracts	**10**	159
General insurance and health	**10,328**	9,317
	18,919	19,398
Less: premiums ceded to reinsurers	**(3,585)**	(4,701)
Gross change in provision for unearned premiums	**(384)**	(340)
Reinsurers' share of change in provision for unearned premiums	**28**	33
Net change in provision for unearned premiums	**(356)**	(307)
Net earned premiums	**14,978**	14,390
Fee and commission income		
Fee income from investment contract business	**788**	845
Fund management fee income	**163**	185
Other fee income	**330**	297
Reinsurance commissions receivable	**54**	39
Other commission income	**110**	113
Net change in deferred revenue	**8**	9
	1,453	1,488
Total revenue	**16,431**	15,878
Net investment income		
Interest and similar income		
From financial instruments designated as trading and other than trading	**4,751**	3,940
From AFS investments and financial instruments at amortised cost	**44**	29
	4,795	3,969
Dividend income	**4,347**	4,461
Other income from investments designated as trading		
Realised (losses)/gains on disposals	**(739)**	552
Unrealised gains and losses		
Losses arising in the year	**(5,759)**	(1,929)
Gains/(losses) recognised now realised	**739**	(552)
	(5,020)	(2,481)
	(5,759)	(1,929)
Other income from investments designated as other than trading		
Realised gains on disposals	**2,648**	2,733
Unrealised gains and losses		
(Losses)/gains arising in the year	**(41,015)**	9,595
Losses recognised now realised	**(2,648)**	(2,733)
	(43,663)	6,862
	(41,015)	9,595
Net income from investment properties		
Rent	**316**	307
Expenses relating to these properties	**(17)**	(7)
Realised losses on disposal	**(8)**	(32)
Fair value (losses)/gains on investment properties	**(1,150)**	1,069
	(859)	1,337
Realised loss on external debt redemption	**—**	(51)
Foreign exchange gains/(losses) on investments other than trading	**850**	(192)
Other investment expenses	**(32)**	(52)
Net investment (expense)/income	**(37,673)**	17,138
Share of profit after tax of joint ventures	**17**	170
Share of loss after tax of associates	**(19)**	(24)
Share of (loss)/profit after tax of joint ventures and associates	**(2)**	146
Profit on disposal and remeasurement of subsidiaries, joint ventures and associates	**—**	22
(Expense)/income from continuing operations	**(21,244)**	33,184
Income from discontinued operations	**—**	13,528
Total income	**(21,244)**	46,712

In 2022, total income is a net loss primarily due to unrealised losses on financial investments (see note 26), which is largely offset by the corresponding change in insurance liabilities and investment contract provisions (see note 5).

Notes to the consolidated financial statements continued

5 – Details of expenses

This note gives further detail on the items appearing in the expenses section of the income statement.

	2022 £m	2021 £m
Continuing operations		
Claims and benefits paid		
Claims and benefits paid to policyholders on long-term business		
Insurance contracts	**8,965**	8,899
Participating investment contracts	**1,295**	1,334
Non-participating investment contracts	**41**	2
Claims and benefits paid to policyholders on general insurance and health business	**5,443**	4,668
	15,744	14,903
Less: Claim recoveries from reinsurers		
Insurance contracts	**(2,502)**	**(2,410)**
Non-participating Life investment contracts	**(41)**	**—**
Claims and benefits paid, net of recoveries from reinsurers	**13,201**	12,493
Change in insurance liabilities		
Change in insurance liabilities (note 40(b))	**(24,594)**	(868)
Change in reinsurance asset for insurance provisions (note 40(b))	**2,252**	(831)
Change in insurance liabilities, net of reinsurance	**(22,342)**	(1,699)
Change in investment contract provisions		
Investment (income)/expense allocated to investment contracts	**(10,278)**	14,192
Other changes in provisions		
Participating investment contracts	**(3,345)**	(360)
Non-participating investment contracts	**(1,820)**	1,471
Change in reinsurance asset for investment contract provisions	**(6)**	1
Change in investment contract provisions	**(15,449)**	15,304
Change in unallocated divisible surplus	**13**	175
Fee and commission expense		
Acquisition costs		
Commission expenses for insurance and participating investment contracts	**2,191**	2,160
Change in deferred acquisition costs for insurance and participating investment contracts	**86**	(151)
Deferrable costs for non-participating investment contracts	**25**	23
Other acquisition costs	**987**	929
Change in deferred acquisition costs for non-participating investment contracts	**83**	60
Reinsurance commissions and other fee and commission expense	**117**	151
Fee and commission expense	**3,489**	3,172
Investment (income)/expense attributable to unitholders	**(531)**	224
Other expenses		
Staff costs (note 9(b))	**936**	923
Central costs	**310**	360
Depreciation	**57**	74
Amortisation of acquired value of in-force business on insurance/investment contracts	**170**	189
Amortisation of intangible assets	**142**	146
Impairment of intangible assets	**4**	1
Other operating expenses (note 5(a))	**592**	719
Other expenses	**2,211**	2,412
Other net foreign exchange losses/(gains)	**73**	(201)
Finance costs (note 6)	**470**	503
Expenses from continuing operations	**(18,865)**	32,383
Expenses from discontinued operations	**—**	11,755
Total expenses	**(18,865)**	44,138

In 2022, total expenses is a net gain primarily due to the impact of economic assumption changes on insurance liabilities and investment contract provisions (see note 41(b)(iii) and note 43), which is offset by the corresponding change in asset values (see note 4).

(a) Other operating expenses

Other operating expenses were £592 million (2021: £719 million) and mainly included costs relating to property and IT which were partially offset by a gain of £77 million relating to negative goodwill on the acquisition of Aviva India (see note 2a)).

Notes to the consolidated financial statements continued

6 – Finance costs

This note analyses the interest costs on our borrowings (which are described in note 51) and similar charges. Finance costs comprise:

	2022 £m	2021 £m
Continuing operations		
Interest expense on core structural borrowings		
Subordinated debt	**253**	304
Long term senior debt	**10**	11
Commercial paper	**1**	—
	264	315
Interest expense on operational borrowings		
Amounts owed to financial institutions	**5**	11
Securitised mortgage loan notes at fair value	**79**	88
	84	99
Interest on collateral received	**12**	2
Net finance charge on pension schemes (note 50(b)(i))	**20**	13
Interest on lease liabilities	**9**	11
Other similar charges	**81**	63
Finance costs from continuing operations	**470**	503
Finance costs from discontinued operations	**—**	3
Total finance costs	**470**	506

7 – Life business investment variances and economic assumption changes

(a) Definitions

Group adjusted operating profit for life business is based on expected long-term investment returns on financial investments backing shareholder funds over the period, with consistent allowance for the corresponding expected movements in liabilities. Group adjusted operating profit includes the effect of variances in experience for operating items, such as mortality, persistency and expenses, and the effect of changes in operating assumptions. Changes due to economic items, such as market value movements and interest rate changes, which give rise to variances between actual and expected investment returns, and the impact of changes in economic assumptions on liabilities, are disclosed separately outside Group adjusted operating profit, in investment variances and economic assumption changes.

(b) Methodology

The expected investment returns and corresponding expected movements in life business liabilities are calculated separately for each principal life business unit.

The expected return on investments for both policyholders' and shareholders' funds is based on opening economic assumptions applied to the expected funds under management over the reporting period. Expected investment return assumptions are derived actively, based on market yields on risk-free fixed interest assets at the end of each financial year. The same margins are applied on a consistent basis across the Group to gross risk-free yields, to obtain investment return assumptions for equity and property. Expected funds under management are equal to the opening value of funds under management, adjusted for sales and purchases during the period arising from expected operating experience.

The actual investment return is affected by differences between the actual and expected funds under management and changes in asset mix, as well as other market movements. To the extent that these differences arise from the operating experience of the life business, or management decisions to change asset mix, the effect is included in the Group adjusted operating profit. The residual difference between actual and expected investment return is included in investment variances, outside Group adjusted operating profit but included in profit before tax attributable to shareholders' profits.

The movement in liabilities included in Group adjusted operating profit reflects both the change in liabilities due to the expected return on investments, and the impact of experience variances and assumption changes for non-economic items. This would include movements in liabilities due to changes in the discount rate arising from discretionary management decisions that impact on product profitability over the lifetime of products.

The effect of differences between actual and expected economic experience on liabilities, and changes to economic assumptions used to value liabilities, are taken outside Group adjusted operating profit. For many types of life business, including unit-linked and with-profits funds, movements in asset values are offset by corresponding changes in liabilities, limiting the net impact on profit. The profit impact of economic volatility on other life business depends on the degree of matching of assets and liabilities, and exposure to financial options and guarantees.

Notes to the consolidated financial statements continued

7 – Life business investment variances and economic assumption changes continued

(c) Assumptions

The expected rate of investment return is determined using consistent assumptions at the start of the period between operations, having regard to local economic and market forecasts of investment return and asset classification under IFRS.

The principal assumptions underlying the calculation of the expected investment return for equity and property are:

	Equity		Property	
	2022	2021	**2022**	2021
United Kingdom	**4.4%**	3.9%	**2.9%**	2.4%
Ireland	**3.8%**	3.2%	**2.3%**	1.7%

The expected return on equity and property has been calculated by reference to the ten-year mid-price swap rate for an AA rated bank in the relevant currency plus a risk premium. The use of risk premium reflects management's long-term expectations of asset return in excess of the swap yield from investing in different asset classes. The asset risk premia are set out in the table below:

All territories	**2022**	2021
Equity risk premium	**3.5%**	3.5%
Property risk premium	**2.0%**	2.0%

The ten-year mid-price swap rates at the start of the period are set out in the table below:

Territories	**2022**	2021
United Kingdom	**0.9%**	0.4%
Ireland	**0.3%**	(0.3%)

For fixed interest securities classified as fair value through profit or loss, the expected investment returns are based on average prospective yields for the actual assets held less an adjustment for credit risk (assessed on a best estimate basis). This includes an adjustment for credit risk on all eurozone sovereign debt. Where such securities are classified as available for sale, the expected investment return comprises the expected interest or dividend payments and amortisation of the premium or discount at purchase.

(d) Investment variances and economic assumption changes

The investment variances and economic assumption changes excluded from the life adjusted operating profit are as follows:

Life business	**2022 £m**	2021 £m
Investment variances and economic assumptions	**(2,387)**	(805)

The loss of £2,387 million (2021: loss of £805 million) in relation to investment variances and economic assumption changes was primarily driven by the significant increase in UK interest rates, with the rate on 10-year swaps increasing by 280bps during 2022. This resulted in a reduction in the value of fixed income securities and loans (see notes 23 and 26) which was not fully offset by a reduction in the valuation of long-term insurance liabilities from the increase in the valuation interest rate (see note 46). Other components of investment variances and economic assumption changes were smaller and broadly offset. These include positive impacts from hedging negative global equity returns and a reduction in the allowance for risk of default on assets backing annuities due to reduced asset values; and negative impacts from foreign exchange losses and widening of spreads on corporate bonds.

The adverse impact of interest rate rises and the beneficial impact from equity falls reflect the fact that we hedge on a Solvency II basis as that drives the ability of markets to remit cash, rather than an IFRS basis. For example, when equity markets increase we gain from the increase in the value of future annual management charges on unit-linked products on an economic basis which are not recognised under IFRS, however, the loss from hedges in place is recognised on both Solvency II and IFRS bases.

Further information on the sensitivity of the Group's long-term business to economic factors is provided in note 58(h)(iv).

The negative variance for 2021 was primarily driven by an increase in interest rates and positive global equity returns, partially offset by narrowing of credit spreads.

Notes to the consolidated financial statements continued

8 – Non-life business: short-term fluctuations in return on investments

(a) Definitions

Group adjusted operating profit for non-life business is based on an expected long-term investment return over the period. Any variance between the total investment return (including realised and unrealised gains) and the expected return over the period is disclosed separately outside Group adjusted operating profit, in short-term fluctuations.

The short-term fluctuations in investment return and economic assumption changes attributable to the non-life business result and reported outside Group adjusted operating profit were as follows:

Non-life business	2022 £m	2021 £m
Short-term fluctuations in investment return (see (d) below)	**(1,375)**	(149)
Economic assumption changes (see (e) below)	**147**	(85)
	(1,228)	(234)

(b) Methodology

The long-term investment return is calculated separately for each principal non-life market. In respect of equities and investment properties, the return is calculated by multiplying the opening market value of the investments, adjusted for sales and purchases during the year, by the long-term rate of investment return.

The long-term rate of investment return is determined using consistent assumptions between operations, having regard to local economic and market forecasts of investment return. The allocated long-term return for other investments (including debt securities) is the actual income receivable for the year. Actual income and long-term investment return both contain the amortisation of the discounts/premium arising on the acquisition of fixed income securities. For other operations, the long-term return reflects assets backing non-life business held in Group centre investments.

Market value movements which give rise to variances between actual and long-term investment returns are disclosed separately in short-term fluctuations outside Group adjusted operating profit.

The impact of realised and unrealised gains and losses on Group centre investments is included in short-term fluctuations on other operations.

(c) Assumptions

The principal assumptions underlying the calculation of the long-term investment return are:

	Long-term rates of return on equities		Long-term rates of return on property	
	2022	2021	2022	2021
United Kingdom	**4.4%**	3.9%	**2.9%**	2.4%
Ireland	**3.8%**	3.2%	**2.3%**	1.7%
Canada	**5.5%**	4.7%	**4.0%**	3.2%

The long-term rates of return on equities and properties have been calculated by reference to the ten-year mid-price swap rate for an AA rated bank in the relevant currency plus a risk premium. The asset risk premia are set out in the table below:

All territories	2022	2021
Equity risk premium	**3.5%**	3.5%
Property risk premium	**2.0%**	2.0%

The ten-year mid-price swap rates at the start of the period are set out in the table below:

Territories	2022	2021
United Kingdom	**0.9%**	0.4%
Ireland	**0.3%**	(0.3%)
Canada	**2.0%**	1.2%

Notes to the consolidated financial statements continued

8 – Non-life business: short-term fluctuations in return on investments continued

(d) Analysis of investment return

The total investment income on our non-life business, including short-term fluctuations, is as follows:

Non-life business	2022 £m	2021 £m
Analysis of investment (losses)/income:		
Net investment (losses)/income	**(982)**	86
Foreign exchange (losses)/gains and other charges	**(45)**	47
	(1,027)	133
Analysed between:		
Long-term investment return, reported within Group adjusted operating profit	**348**	282
Short-term fluctuation in investment return, reported outside Group adjusted operating profit		
General insurance and health	**(1,198)**	(199)
Other operations[1]	**(177)**	50
	(1,375)	(149)
	(1,027)	133

1. Other operations represents short-term fluctuations on assets backing non-life business in Group centre investments, including the centre hedging programme.

Short-term fluctuation losses of £1,375 million (2021: loss of £149 million), were primarily driven by falls in the value of fixed income securities in the UK and Canada due to the significant increase in interest rates during 2022 (UK: 291bps for seven year term; Canada: 240bps for three year term). The increase in interest rates resulted in a reduction in the value of fixed income securities (see note 26). Additionally there were further losses from equity market falls, foreign exchange losses and credit spreads widening.

The short-term fluctuations during 2021 were primarily due to rising interest rates reducing the value of fixed income securities, partially offset by foreign exchange gains.

Further information on the sensitivity of the general insurance and health business to economic factors is provided in note 58(h)(iv).

(e) Economic assumption changes

In the general insurance and health business, there is a beneficial impact of £147 million (2021: loss of £85 million) which has arisen primarily as a result of a material increase in the interest rates used to discount claims reserves for periodic payment orders (PPOs) and latent claims.

As explained in accounting policy L, provisions for latent claims are discounted, using rates based on the relevant swap curve, in the relevant currency at the reporting date, having regard to the duration of the expected settlement of the claims. The discount rate is set at the start of the accounting period, with any change in rates between the start and end of the accounting period being reflected outside Group adjusted operating profit as an economic assumption change. The range of discount rates used is disclosed in note 42.

9 – Employee information

This note shows where our staff are employed, excluding staff employed by our joint ventures and associates, and analyses the total staff costs.

(a) Employee numbers

The number of persons employed by the Group, including directors under a service contract, was:

	At 31 December		Average for the year[1]	
	2022 Number	2021 Number	2022 Number	2021 Number
Continuing operations				
UK & Ireland Life	**9,163**	8,629	**8,717**	8,687
UK & Ireland General Insurance	**7,858**	7,521	**7,680**	7,781
Canada	**4,471**	4,321	**4,439**	4,219
Aviva Investors	**997**	1,118	**1,069**	1,118
International investments	**1,334**	—	**1,294**	—
Other Group activities	**541**	473	**502**	507
Employees in continuing operations	**24,364**	22,062	**23,701**	22,312
Employees in discontinued operations	**—**	—	**—**	5,151
Total employee numbers	**24,364**	22,062	**23,701**	27,463

1. Average employee numbers have been calculated using a monthly average that takes into account recruitment, leavers, transfers, acquisitions and disposals of businesses during the year. International investments were reported as nil in 2021 as India was recognised as an associate for the full year. On 28 September 2022, Aviva acquired an additional 25% of the ordinary shares of Aviva Life Insurance Company India Limited giving Aviva a controlling interest in the entity (see note 2(a)).

Notes to the consolidated financial statements continued

9 – Employee information continued

(b) Staff costs

	2022 £m	2021 £m
Continuing operations		
Wages and salaries	**1,042**	1,014
Social security costs	**126**	116
Post-retirement obligations		
Defined benefit schemes (note 50(d))	**23**	21
Defined contribution schemes (note 50(d))	**172**	169
Profit sharing and incentive plans	**220**	183
Equity compensation plans	**58**	44
Termination benefits	**17**	33
Staff costs from continuing operations	**1,658**	1,580
Staff costs from discontinued operations	**—**	259
Total staff costs	**1,658**	1,839

Staff costs are charged within:

	2022 £m	2021 £m
Continuing operations		
Acquisition costs	**459**	421
Claims handling expenses	**204**	186
Central costs (note 5)	**59**	50
Staff costs (note 5)	**936**	923
Staff costs from continuing operations	**1,658**	1,580
Staff costs from discontinued operations	**—**	259
Total staff costs	**1,658**	1,839

10 – Directors

Information concerning individual directors' emoluments, interests and transactions is given in the Directors' Remuneration report in the 'Corporate governance' section of this report. For the purposes of the disclosure required by Schedule 5 to the Companies Act 2006, the total aggregate emoluments of the directors in respect of 2022 was £6.5 million (2021: £5.4 million). Employer contributions to pensions for executive directors for qualifying periods were £nil (2021: £nil). The aggregate net value of share awards granted to the directors in the period was £nil (2021: £nil). During the year, no share options were exercised by directors (2021: no share options).

Notes to the consolidated financial statements continued

11 – Auditors' remuneration

This note shows the total remuneration payable by the Group, excluding VAT and any overseas equivalent thereof, to our auditors.

Continuing operations	2022 £m	2021 £m
Fees payable to PwC LLP and its associates for the statutory audit of the Aviva Group and Company financial statements	**3.4**	2.2
Fees payable to PwC LLP and its associates for other audit services		
Audit of Group subsidiaries	**21.8**	10.1
Additional fees related to the prior year audit of Group subsidiaries	**0.7**	0.4
Total audit fees	**25.9**	12.7
Audit related assurance	**4.5**	3.8
Other assurance services	**1.7**	1.3
Total audit and assurance fees	**32.1**	17.8
Tax compliance services	**—**	—
Tax advisory services	**—**	—
Services relating to corporate finance transactions	**—**	—
Other non-audit services not covered above	**—**	—
Fees payable to PwC LLP and its associates for services to Group companies	**32.1**	17.8
Fees payable to PwC LLP and its associates for Group occupational pensions scheme audits	**0.1**	0.1

Discontinued operations	2022 £m	2021 £m
Fees payable to PwC LLP and its associates for Audit of Group subsidiaries	**—**	0.7
Fees payable to PwC LLP and its associates for Audit related services	**—**	0.3
Total fees payable to PwC LLP and its associates for services to Group companies	**—**	1.0

Fees payable for the audit of the Group's subsidiaries include fees for the statutory audit of the subsidiaries, both inside and outside the UK, and for the work performed by the principal auditors in respect of the subsidiaries for the purpose of the consolidated financial statements of the Group. Included in the statutory audit fees for the Group and its subsidiaries for 2022 are fees payable in respect of adopting new accounting standards, most significantly, IFRS 17.

Audit related assurance comprises services in relation to statutory and regulatory filings. These include fees for the audit of the Group's Solvency II regulatory returns, services for the audit of other regulatory returns of the Group's subsidiaries and review of interim financial information under the Listing Rules of the UK Listing Authority. Total audit fees for continuing and discontinued operations (including additional fees related to the prior year audit of Group subsidiaries) and audit-related assurance fees were £30.4 million (2021: £17.5 million).

Other assurance services in 2022 of £1.7 million (2021: £1.3 million) mainly include assurance fees over a selection of Non-Financial Reporting metrics and fees relating to providing an annual Audit and Assurance Faculty (AAF) report for Aviva Investors to give internal and external clients and their auditors comfort over the operating effectiveness of internal controls and review of the information security business protection standard and associated controls.

In addition to these fees, audit fees payable to PwC LLP in respect of investment funds consolidated in the Group financial statements were £3.9 million (2021: £2.6 million). These fees are borne directly by the unitholders of the funds and are not borne by the Group.

Details of the Group's process for safeguarding and supporting the independence and objectivity of the external auditors are given in the Audit Committee report.

Notes to the consolidated financial statements continued

12 – Tax

This note analyses the tax charge for the year and explains the factors that affect it.

(a) Tax (credited)/charged to the income statement

(i) The total tax (credit)/charge comprises:

	2022 £m	2021 £m
Continuing operations		
Current tax		
For the period	**89**	228
Prior period adjustments	**(35)**	33
Total current tax from continuing operations	**54**	261
Deferred tax		
Origination and reversal of temporary differences	**(1,240)**	133
Changes in tax rates or tax laws	**—**	88
Write back of deferred tax assets	**(54)**	(17)
Total deferred tax from continuing operations	**(1,294)**	204
Total tax (credited)/charged to income statement from continuing operations	**(1,240)**	465
Total tax charged to income statement from discontinued operations	**—**	73
Total tax (credited)/charged to income statement	**(1,240)**	538

(ii) The Group, as a proxy for policyholders in the UK and Ireland, is required to record taxes on investment income and gains each year. Accordingly, the tax benefit or expenses attributable to UK and Ireland life insurance policyholder returns is included in the tax charge. The tax credit attributable to policyholder returns included in the credit above is £774 million (2021: charge of £245 million).

(iii) The tax (credit)/charge for continuing operations above, comprising current and deferred tax, can be analysed as follows:

Continuing operations	2022 £m	2021 £m
UK tax	**(1,224)**	366
Overseas tax	**(16)**	99
	(1,240)	465

(iv) Unrecognised tax losses and temporary differences of previous years were used to reduce the current tax expense and deferred tax charge for continuing operations by £nil and £54 million (2021: £11 million and £17 million), respectively.

(v) Deferred tax (credited)/charged to the income statement represents movements on the following items:

	2022 £m	2021 £m
Continuing operations		
Long-term business technical provisions and other insurance items	**(145)**	52
Deferred acquisition costs	**(29)**	(1)
Unrealised (losses)/gains on investments	**(300)**	125
Pensions and other post-retirement obligations	**15**	(21)
Unused losses and tax credits	**(276)**	(3)
Subsidiaries, associates and joint ventures	**(28)**	9
Intangibles and additional value of in-force long-term business	**(46)**	33
Provisions and other temporary differences	**(485)**	10
Total deferred tax (credited)/charged to income statement from continuing operations	**(1,294)**	204
Total deferred tax charged to income statement from discontinued operations	**—**	43
Total deferred tax (credited)/charged to income statement	**(1,294)**	247

(b) Tax (credited)/charged to other comprehensive income

(i) The total tax (credited)/charged comprises:

	2022 £m	2021 £m
Current tax from continuing operations		
In respect of pensions and other post-retirement obligations	**—**	(17)
In respect of foreign exchange movements	**(6)**	7
	(6)	(10)
Deferred tax from continuing operations		
In respect of pensions and other post-retirement obligations	**(412)**	176
Total tax (credited)/charged to other comprehensive income arising from continuing operations	**(418)**	166
Total tax credited to other comprehensive income from discontinued operations	**—**	(19)
Total tax (credited)/charged to other comprehensive income	**(418)**	147

(ii) There is no tax charge/(credit) attributable to policyholders' return included above in either 2022 or 2021.

Notes to the consolidated financial statements continued

12 – Tax continued

(c) Tax credited to equity

No tax was charged or credited directly to equity in either 2022 or 2021.

(d) Tax reconciliation

The tax on the Group's (loss)/profit before tax differs from the theoretical amount that would arise using the tax rate of the home country of the Company as follows:

	Shareholder £m	Policyholder £m	2022 £m	Shareholder £m	Policyholder £m	2021 £m
(Loss)/profit before tax from continuing operations	**(1,605)**	**(774)**	**(2,379)**	556	245	801
(Loss)/profit before tax from discontinued operations	**—**	**—**	**—**	1,773	—	1,773
Total (loss)/profit before tax	**(1,605)**	**(774)**	**(2,379)**	2,329	245	2,574
Tax calculated at standard UK corporation tax rate of 19.00% (2021: 19.00%)	**(305)**	**(147)**	**(452)**	442	47	489
Reconciling items						
Different basis of tax – policyholders	**—**	**(628)**	**(628)**	—	200	200
Adjustment to tax charge in respect of prior periods	**(28)**	**—**	**(28)**	(13)	—	(13)
Non-assessable income and items not taxed at the full statutory rate	**(31)**	**—**	**(31)**	(19)	—	(19)
Non-taxable profit on sale of subsidiaries and associates	**—**	**—**	**—**	(314)	—	(314)
Disallowable expenses	**16**	**—**	**16**	40	—	40
Different local basis of tax on overseas profits	**11**	**1**	**12**	104	(2)	102
Change in future local statutory tax rates	**—**	**—**	**—**	89	—	89
Movement in valuation of deferred tax	**(125)**	**—**	**(125)**	(22)	—	(22)
Tax effect of profit from joint ventures and associates	**(4)**	**—**	**(4)**	(16)	—	(16)
Other	**—**	**—**	**—**	2	—	2
Total tax (credited)/charged to income statement	**(466)**	**(774)**	**(1,240)**	293	245	538

The tax (credit)/charge attributable to policyholder returns is removed from the Group's total profit before tax in arriving at the Group's profit before tax attributable to shareholders' profits. As the net of tax profits attributable to with-profits and unit-linked policyholders is zero, the Group's pre-tax profit attributable to policyholders is an amount equal and opposite to the tax charge/(credit) attributable to policyholders included in the total tax charge.

The UK Government has enacted an increase in the UK corporation tax rate to 25% to take effect from 1 April 2023. This rate has been used in the calculation of the UK's deferred tax assets and liabilities as at 31 December 2021 and 31 December 2022 and increased the Group's deferred tax liabilities by £235 million in the year ended 31 December 2021.

On 20 July 2022 the UK government published draft legislation for consultation on The Organisation for Economic Co-operation and Development proposals to reform the international tax system and introduce a global minimum rate of corporation tax. Final legislation is expected to be enacted in 2023. The proposals are complex and there remains considerable uncertainty about the final form of the rules and the accompanying guidance in all countries. Accordingly, the potential impact cannot yet be reliably estimated. The proposed minimum tax rate of 15% is significantly below the statutory corporation tax rates in the UK and Canada. The Group continues to monitor the progress of proposed legislation.

(e) Tax paid reconciliation

The tax on the Group's loss/profit before tax differs from the tax paid per the consolidated statement of cash flows as follows:

	2022 £m	2021 £m
Total tax (credited)/charged to income statement from continuing operations	**(1,240)**	465
Accounts adjustments		
Deferred tax	**1,294**	(204)
Prior period adjustments	**35**	(33)
Current tax recorded in other comprehensive income	**(6)**	(10)
	1,323	(247)
Payment timing differences		
Current year tax to be repaid in later accounting periods	**131**	31
Current year tax (repaid)/paid relating to prior accounting periods	**(4)**	55
	127	86
Tax paid by continuing operations	**210**	304
Tax paid by discontinued operations	**—**	79
Total tax paid	**210**	383

Deferred tax represents the tax on profits or losses, which are required by legislation to be taxed in a different period to which they impact the Group's financial statements.

Prior period adjustments arise where the final tax liability payable to tax authorities is different from the tax charge for the period reported in the Annual Report and Accounts.

Notes to the consolidated financial statements continued

12 – Tax continued

The timing of tax payments to national tax authorities is determined by the local tax legislation in each jurisdiction. In our core businesses, the Group is required to pay an estimate of its total tax liability in the year in which profits are earned, with any difference to the final tax liability being paid in the following year.

13 – Earnings per share

This note shows how to calculate earnings per share on profit attributable to ordinary shareholders, based both on the present shares in issue (the basic earnings per share) and the potential future shares in issue, including conversion of share options granted to employees (the diluted earnings per share).

We have also shown the same calculations based on our Group adjusted operating profit as we believe this gives an important indication of operating performance. Consideration of both these measures gives a full picture of the performance of the business during the year.

(a) Basic earnings per share

(i) The profit attributable to ordinary shareholders is:

	2022			2021		
	Group adjusted operating profit £m	**Adjusting items £m**	**Total £m**	Group adjusted operating profit £m	Adjusting items £m	Total £m
Continuing operations						
Profit/(loss) before tax attributable to shareholders' profits	**2,213**	**(3,818)**	**(1,605)**	1,634	(1,078)	556
Tax attributable to shareholders' profits	**(289)**	**755**	**466**	(330)	110	(220)
Profit/(loss) from continuing operations	**1,924**	**(3,063)**	**(1,139)**	1,304	(968)	336
Amount attributable to non-controlling interests	**(21)**	**—**	**(21)**	(21)	—	(21)
Cumulative preference dividends for the year	**(17)**	**—**	**(17)**	(17)	—	(17)
Coupon payments in respect of tier 1 notes	**(17)**	**—**	**(17)**	—	—	—
Profit/(loss) attributable to ordinary shareholders from continuing operations	**1,869**	**(3,063)**	**(1,194)**	1,266	(968)	298
Profit attributable to ordinary shareholders from discontinued operations	**—**	**—**	**—**	441	1,209	1,650
Profit/(loss) attributable to ordinary shareholders	**1,869**	**(3,063)**	**(1,194)**	1,707	241	1,948

(ii) Basic earnings per share is calculated as follows:

	2022			2021		
	Before tax £m	**Net of tax, NCI, preference dividends and tier 1 notes £m**	**Per share p**	Before tax £m	Net of tax, NCI and preference dividends £m	Per share p
Continuing operations						
Group adjusted operating profit attributable to ordinary shareholders[1]	**2,213**	**1,869**	**59.8**	1,634	1,266	32.5
Adjusting items:						
Reclassification of unallocated interest	**—**	**—**	**—**	37	37	1.0
Life business: Investment variances and economic assumption changes	**(2,387)**	**(1,924)**	**(61.5)**	(634)	(549)	(14.1)
Non-life business: Short-term fluctuation in return on investments	**(1,375)**	**(1,101)**	**(35.2)**	(121)	(76)	(1.9)
General insurance and health business: Economic assumption changes	**147**	**119**	**3.8**	(80)	(65)	(1.7)
Impairment of goodwill, joint ventures, associates and other amounts expensed	**(8)**	**(8)**	**(0.3)**	—	—	—
Amortisation and impairment of intangibles acquired in business combinations	**(54)**	**(45)**	**(1.4)**	(54)	(47)	(1.2)
Amortisation and impairment of acquired value of in-force business	**(182)**	**(150)**	**(4.8)**	(198)	(234)	(6.0)
Profit/(loss) on disposal and remeasurement of subsidiaries, joint ventures and associates	**—**	**—**	**—**	22	(6)	(0.2)
Other	**41**	**46**	**1.4**	(50)	(28)	(0.7)
(Loss)/profit attributable to ordinary shareholders from continuing operations	**(1,605)**	**(1,194)**	**(38.2)**	556	298	7.7
Discontinued operations						
Group adjusted operating profit attributable to ordinary shareholders[1]	**—**	**—**	**—**	631	441	11.3
Adjusting items	**—**	**—**	**—**	1,142	1,209	31.1
Profit attributable to ordinary shareholders from discontinued operations	**—**	**—**	**—**	1,773	1,650	42.4
(Loss)/profit attributable to ordinary shareholders	**(1,605)**	**(1,194)**	**(38.2)**	2,329	1,948	50.1

1. Group adjusted operating earnings per share from continuing operations and discontinued operations is 59.8p (2021: 43.8p)

(iii) The calculation of basic earnings per share uses a weighted average of 3,126 million (2021: 3,889 million) ordinary shares in issue, after deducting treasury shares. The actual number of shares in issue at 31 December 2022 was 2,808 million (2021: 3,766 million) or 2,788 million (2021: £3,754 million) excluding treasury shares. See note 31 for further information on the movements in share capital during the year.

Notes to the consolidated financial statements continued

13 – Earnings per share continued

(b) Diluted earnings per share

(i) Diluted earnings per share is calculated as follows:

	2022			2021		
	Total £m	**Weighted average number of shares million**	**Per share p**	Total £m	Weighted average number of shares million	Per share p
Continuing operations						
(Loss)/profit attributable to ordinary shareholders	**(1,194)**	**3,126**	**(38.2)**	298	3,889	7.7
Dilutive effect of share awards and options[1]		**—**	**—**		33	(0.1)
Diluted earnings per share from continuing operations	**(1,194)**	**3,126**	**(38.2)**	298	3,922	7.6
Discontinued operations						
Profit attributable to ordinary shareholders	**—**	**—**	**—**	1,650	3,889	42.4
Dilutive effect of share awards and options		**—**	**—**		33	(0.3)
Diluted earnings per share from discontinued operations	**—**	**—**	**—**	1,650	3,922	42.1
Diluted earnings per share	**(1,194)**	**3,126**	**(38.2)**	1,948	3,922	49.7

1. Excluded from the diluted (pence per share) figures are £39 million ordinary shares issued during the year ended 31 December 2022. If exercised, these would have a 0.5 pence per share and are excluded in accordance with IAS 33 Earnings per share. The Group expects these share awards and options to be exercised.

(ii) Diluted earnings per share on Group adjusted operating profit attributable to ordinary shareholders is calculated as follows:

	2022			2021		
	Total £m	**Weighted average number of shares million**	**Per share p**	Total £m	Weighted average number of shares million	Per share p
Continuing operations						
Group adjusted operating profit attributable to ordinary shareholders	**1,869**	**3,126**	**59.8**	1,266	3,889	32.5
Dilutive effect of share awards and options		**—**	**—**		33	(0.2)
Diluted Group adjusted operating profit per share from continuing operations	**1,869**	**3,126**	**59.8**	1,266	3,922	32.3
Discontinued operations						
Group adjusted operating profit attributable to ordinary shareholders	**—**	**—**	**—**	441	3,889	11.3
Dilutive effect of share awards and options		**—**	**—**		33	(0.1)
Diluted Group adjusted operating profit per share from discontinued operations	**—**	**—**	**—**	441	3,922	11.2
Diluted Group adjusted operating profit per share	**1,869**	**3,126**	**59.8**	1,707	3,922	43.5

If the share consolidation (see note 31) had taken place on 1 January 2022, this would have resulted in operating earnings per share of 66.8 pence.

14 – Dividends and appropriations

This note analyses the total dividends and other appropriations paid during the year, as set out in the table below. Details are also provided of the proposed final dividend for 2022, which is not accrued in these financial statements and is therefore excluded from the table.

	2022 £m	2021 £m
Ordinary dividends declared and charged to equity in the year		
Interim 2022 – 10.30 pence per share, paid on 28 September 2022	**287**	—
Final 2021 – 14.70 pence per share, paid on 19 May 2022	**541**	—
Interim 2021 – 7.35 pence per share, paid on 7 October 2021	**—**	286
Final 2020 – 14.00 pence per share, paid on 14 May 2021	**—**	549
Interim 2020 – 7.00 pence per share, paid on 21 January 2021	**—**	275
	828	1,110
Preference dividends declared and charged to equity in the year	**17**	17
Coupon payments on tier 1 notes	**17**	—
	862	1,127

Subsequent to 31 December 2022, the directors proposed a final dividend for 2022 of 20.7 pence per ordinary share, amounting to £581 million in total. The cash value of dividend is calculated using 2,808,826,524 million shares as at 2 March 2023 representing issued shares eligible for dividend payment. Subject to approval by shareholders at the AGM, the dividend will be paid on 18 May 2023 and will be accounted for as an appropriation of retained earnings in the year ending 31 December 2022.

Notes to the consolidated financial statements continued

15 – Goodwill

This note analyses the changes to the carrying amount of goodwill during the year and details the results of our impairment testing on both goodwill and intangible assets with indefinite lives.

(a) Carrying amount

	2022 £m	2021 £m
Gross amount		
At 1 January	**1,836**	1,921
Acquisitions and additions	**324**	—
Disposals[1]	**—**	(75)
Foreign exchange rate movements	**10**	(10)
At 31 December	**2,170**	1,836
Accumulated impairment		
At 1 January	**(95)**	(116)
Impairment charges	**—**	—
Disposals[1]	**—**	18
Foreign exchange rate movements	**(3)**	3
At 31 December	**(98)**	(95)
Carrying amount at 1 January	**1,741**	1,805
Carrying amount at 31 December	**2,072**	1,741

1. Disposals in 2021 related to Aviva Italy, Aviva Poland, Aviva Vietnam and a small disposal in the UK General Insurance segment

Goodwill from acquisitions and additions arose on the acquisition of Succession Wealth (see note 2(a)).

Impairment tests on goodwill were conducted as described in note 15(b) below.

(b) Goodwill allocation and impairment testing

A summary of the goodwill and intangibles with indefinite useful lives allocated to groups of cash generating units (CGUs) is presented below.

	Carrying amount of goodwill		Carrying amount of intangibles with indefinite useful lives (detailed in note 16)		Total	
	2022 £m	2021 £m	2022 £m	2021 £m	2022 £m	2021 £m
United Kingdom – long-term business	**663**	663	**—**	—	**663**	663
United Kingdom – fund management business	**324**	—	**—**	—	**324**	—
United Kingdom – general insurance and health	**924**	924	**1**	1	**925**	925
Ireland – general insurance and health	**98**	93	**—**	—	**98**	93
Canada – general insurance	**63**	61	**—**	—	**63**	61
	2,072	1,741	**1**	1	**2,073**	1,742

Goodwill in all business units is tested for impairment by comparing the carrying value of the cash generating unit to which the goodwill relates, to the recoverable value of that CGU. The recoverable amount is the value in use of the CGU unless otherwise stated.

Long-term business

Value in use has been calculated based on a shareholder value of the business calculated in accordance with Solvency II principles, adjusted where Solvency II does not represent a best estimate of shareholders' interests. The principal adjustments relate to the exclusion of the benefit of transitional measures on technical provisions and the volatility adjustment under Solvency II, modification of the Solvency II risk margin to an economic view and removal of restrictions on contract boundaries or business scope.

The present value of expected profits arising from future new business may be included within the shareholder value and is calculated on an adjusted Solvency II basis, using profit projections based on the most recent three-year business plans approved by management. These plans reflect management's best estimate of future profits based on both historical experience and expected growth rates for the relevant cash generating unit. The underlying assumptions of these projections include market share, customer numbers, mortality, morbidity and persistency.

Future new business profits beyond the initial three years are extrapolated using a steady growth rate. Growth rates and expected future profits are set with regards to management estimates, past experience and relevant available market statistics.

Expected profits from future new business are discounted using a risk adjusted discount rate. The discount rate is a combination of a risk-free rate and a risk margin to make prudent allowance for the risk that experience in future years for new business may differ from that assumed.

Notes to the consolidated financial statements continued

15 – Goodwill continued

Key assumptions

The Solvency II non-economic assumptions in relation to mortality, morbidity, persistency and expenses and other items are based on management's best estimate assumptions. Economic assumptions are based on market data as at the end of each reporting period. The basic risk-free rate curves used to value the technical provisions reflect the curves, credit risk adjustment and fundamental spread for the matching adjustment published by the European Insurance and Occupational Pensions Authority (EIOPA) and the Bank of England on their websites. For the purposes of calculating value in use, the Solvency II risk margin has been modified to an economic view, with a cost of capital rate of 2%.

General insurance, health, fund management and other businesses

Value in use is calculated as the discounted value of expected future profits of each business. The calculation uses cash flow projections based on business plans approved by management covering a three-year period. These plans reflect management's best estimate of future profits based on both historical experience and expected growth rates for the relevant cash generating unit. The underlying assumptions of these projections include market share, customer numbers, premium rate and fee income changes, claims inflation and commission rates.

Cash flows beyond that three-year period are extrapolated using a steady growth rate. Growth rates and expected future profits are set with regards to past experience and relevant available market statistics.

Future profits are discounted using a risk adjusted discount rate which is based on the Capital Asset Pricing Model (CAPM). The inputs include the risk-free rate of interest appropriate to the geographic location of the cash flows related to each CGU being tested, market risk premium, beta and other adjustments to factor local market risks and risks specific to each CGU.

Key assumptions

	Extrapolated future profits growth rate		Future profits discount rate	
	2022 %	2021 %	**2022 (Pre-tax)** %	2021 (Pre-tax) %
United Kingdom general insurance and health	**1.0**	1.0	**12.4**	8.8
Ireland general insurance and health	**Nil**	Nil	**9.6**	8.9
Canada general insurance	**5.0**	5.0	**10.8**	10.6

Results of impairment testing

Management's impairment review of the Group's cash generating units did not identify any necessary impairments to goodwill. There were no impairments in 2021.

Notes to the consolidated financial statements continued

16 – Acquired value of in-force business (AVIF) and intangible assets

This note shows the movements in cost, amortisation and impairment of the acquired value of in-force business and intangible assets during the year.

	AVIF on insurance contracts[1] (a) £m	AVIF on investment contracts[2] (a) £m	Other intangible assets with finite useful lives (b) £m	Intangible assets with indefinite useful lives £m	Total £m
Gross amount					
At 1 January 2021	2,581	1,432	1,607	134	5,754
Additions and transfers	7	—	50	—	57
Disposals[3]	(290)	—	(213)	(128)	(631)
Foreign exchange rate movements	(16)	(2)	(1)	(5)	(24)
At 31 December 2021	**2,282**	**1,430**	**1,443**	**1**	**5,156**
Additions and transfers	**228**	**—**	**245**	**—**	**473**
Disposals	**—**	**—**	**(108)**	**—**	**(108)**
Foreign exchange rate movements	**(20)**	**2**	**18**	**—**	**—**
At 31 December 2022	**2,490**	**1,432**	**1,598**	**1**	**5,521**
Accumulated amortisation					
At 1 January 2021	(1,484)	(744)	(905)	—	(3,133)
Amortisation for the year	(115)	(75)	(166)	—	(356)
Disposals and transfers[3]	279	—	78	—	357
Foreign exchange rate movements	13	1	(2)	—	12
At 31 December 2021	**(1,307)**	**(818)**	**(995)**	**—**	**(3,120)**
Amortisation for the year[4]	**(102)**	**(68)**	**(142)**	**—**	**(312)**
Acquisitions and disposals	**—**	**—**	**102**	**—**	**102**
Foreign exchange rate movements	**(2)**	**—**	**(9)**	**—**	**(11)**
At 31 December 2022	**(1,411)**	**(886)**	**(1,044)**	**—**	**(3,341)**
Accumulated Impairment					
At 1 January 2021	(19)	(24)	(61)	(71)	(175)
Impairment losses charged to expenses	—	—	(3)	—	(3)
Disposals[3]	—	—	21	68	89
Foreign exchange rate movements	—	—	—	3	3
At 31 December 2021	**(19)**	**(24)**	**(43)**	**—**	**(86)**
Impairment charges	**—**	**—**	**(4)**	**—**	**(4)**
Disposals	**—**	**—**	**—**	**—**	**—**
Foreign exchange rate movements	**—**	**(1)**	**—**	**—**	**(1)**
At 31 December 2022	**(19)**	**(25)**	**(47)**	**—**	**(91)**
Carrying amount					
At 1 January 2021	1,078	664	641	63	2,446
At 31 December 2021	956	588	405	1	1,950
At 31 December 2022	**1,060**	**521**	**507**	**1**	**2,089**
Recoverable in more than 1 year	**979**	**464**			

1. On insurance and participating investment contracts
2. On non-participating investment contracts
3. Disposals in 2021 relate to the disposals of Aviva France, Aviva Italy, Aviva Poland and Aviva Vietnam
4. Amortisation of other intangible assets with finite useful lives includes £54 million (2021: £66 million) of amortisation in respect of intangible assets acquired in business combinations

(a) Acquired value of in-force business

AVIF on insurance and investment contracts is generally recoverable in more than one year. Of the total of £1,581 million, £1,443 million (2021: £1,357 million) is expected to be recoverable more than one year after the statement of financial position date.

Non-participating investment contract AVIF is reviewed for evidence of impairment, consistent with reviews conducted for other finite life intangible assets. Insurance and participating investment contract AVIF is reviewed for impairment at each reporting date as part of the liability adequacy requirements in IFRS 4. AVIF is reviewed for evidence of impairment and impairment tested at product portfolio level by reference to the value of future profits in accordance with Solvency II principles, adjusted where Solvency II does not represent a best estimate of shareholders' interests, consistent with the impairment test for goodwill for long-term business (see note 15(b)).

Additions of £228 million relate to AVIF recognised upon acquisition of Aviva India (see note 2(a)). There were no impairments in 2022 (2021: £nil) in relation to the AVIF on insurance contracts or investment contracts.

(b) Other intangible assets with finite useful lives

Other intangible assets with finite useful lives consist mainly of the value of bancassurance and other distribution agreements and capitalised software. Additions of intangible assets with finite lives in 2022 relate to an intangible attributable to the existing business of Succession Wealth acquired on 11 August 2022 (see note 2(a)) and capitalisation of software costs in relation to the Group's digital initiatives. Impairments totalling £4 million (2021: £3 million) have been recognised in 2022 in relation to capitalised software.

Notes to the consolidated financial statements continued

17 – Interests in, and loans to, joint ventures

In several businesses, Group companies and other parties jointly control certain entities. This note analyses these interests and describes the principal joint ventures in which we are involved.

(a) Carrying amount and details of joint ventures

(i) The movements in the carrying amount comprised:

	2022			2021		
	Goodwill and intangibles £m	Equity interests £m	Total £m	Goodwill and intangibles £m	Equity interests £m	Total £m
At 1 January	**200**	**1,655**	**1,855**	221	1,481	1,702
Share of results before tax	**—**	**30**	**30**	—	195	195
Share of tax	**—**	**—**	**—**	—	(8)	(8)
Share of results after tax	**—**	**30**	**30**	—	187	187
Amortisation of intangibles	**(13)**	**—**	**(13)**	(9)	—	(9)
Share of profit after tax	**(13)**	**30**	**17**	(9)	187	178
Reclassification from subsidiary	**—**	**—**	**—**	—	32	32
Additions	**—**	**94**	**94**	—	31	31
Disposals	**—**	**(12)**	**(12)**	(12)	(39)	(51)
Share of (losses)/gains taken to other comprehensive income	**—**	**(38)**	**(38)**	—	5	5
Dividends received from joint ventures	**—**	**(46)**	**(46)**	—	(37)	(37)
Foreign exchange rate movements	**(1)**	**64**	**63**	—	(5)	(5)
At 31 December	**186**	**1,747**	**1,933**	200	1,655	1,855

Additions of £94 million (2021: £31 million) in 2022 relate to the Group's holdings in property undertakings.

Disposals of £12 million in 2022 relate to the Group's holdings in property management undertakings. Disposals of £51 million in 2021 include the disposal of the Group's interest in its joint venture in Turkey (see note 2(b)).

The Group's share of total comprehensive income related to joint venture entities is £(21) million (2021: £183 million).

(ii) The carrying amount at 31 December comprised:

	2022			2021		
	Goodwill and intangibles £m	Equity interests £m	Total £m	Goodwill and intangibles £m	Equity interests £m	Total £m
Property management undertakings	**—**	**982**	**982**	—	916	916
Long-term business undertakings	**186**	**765**	**951**	200	739	939
Total	**186**	**1,747**	**1,933**	**200**	**1,655**	**1,855**

The property management undertakings perform property ownership and management activities, and are incorporated and operate in the UK. All such investments are held by subsidiary entities.

The long-term business undertakings perform life insurance activities. All investments in such undertakings are unlisted. All investments in such undertakings are held by subsidiaries, except for the shares in the Chinese joint venture, Aviva-COFCO Life Insurance Company Limited, which are held by Aviva plc. The Group's share of net assets of that company is £381 million (2021: £437 million) and the carrying value in Aviva plc is at cost of £123 million (2021: £123 million).

(iii) No joint ventures are considered to be material from a Group perspective (2021: none). The Group's principal joint ventures are as follows:

			Proportion of ownership interest	
Name	Nature of activities	Principal place of business	2022	2021
Ascot Real Estate Investments LP	Property management	UK	**50.00%**	50.00%
2-10 Mortimer Street Limited Partnership	Property management	UK	**50.00%**	50.00%
Aviva-COFCO Life Insurance Company Limited	Life insurance	China	**50.00%**	50.00%
Singapore Life Holdings Pte Limited (formerly known as Aviva Singlife Holdings Pte. Ltd)	Insurance holding company	Singapore	**25.95%**	25.95%

The Group has no joint ventures whose non-controlling interest (NCI) is material on the basis of their share of profit/(loss).

(iv) From time to time group joint ventures may receive liability claims or become involved in actual or threatened related litigation. The joint ventures have no contingent liabilities at 31 December 2022 (2021: £65 million) to which the Group has significant exposure. The Group has no commitments to provide funding to property management joint ventures (2021: £20 million).

In certain jurisdictions the ability of joint ventures to transfer funds in the form of cash dividends or to repay loans and advances made by the Group is subject to local corporate or insurance laws and regulations and solvency requirements.

Notes to the consolidated financial statements continued

17 – Interests in, and loans to, joint ventures continued

(b) Impairment testing

Interests in joint ventures are tested for impairment of goodwill and intangibles when there is an indicator of impairment. They are tested for impairment by comparing the carrying value of the cash generating unit to which the goodwill or intangible relates to the recoverable value of that cash generating unit. Recoverable amounts for long-term and general insurance businesses are calculated on a consistent basis with that used for impairment testing of goodwill, as set out in note 15(b). The recoverable amount of property management undertakings is the fair value less costs to sell off the joint venture, measured in accordance with the Group's accounting policy for investment property (see accounting policy Q).

18 – Interests in, and loans to, associates

This note analyses our interests in entities which we do not control but where we have significant influence.

(a) Carrying amount and details of associates

(i) The movements in the carrying amount comprised:

	2022 Equity interests £m	2021 Equity interests £m
At 1 January	**118**	263
Share of results before tax	**(11)**	(22)
Share of tax	**—**	—
Share of results after tax	**(11)**	(22)
Impairment	**(23)**	—
Reversal of impairment	**15**	—
Share of loss after tax	**(19)**	(22)
Reclassification to subsidiary	**(73)**	—
Additions	**7**	—
Disposals	**—**	(77)
Reduction in group interest	**(1)**	(5)
Reclassification to investment	**—**	—
Dividends received from associates	**(1)**	(36)
Foreign exchange rate movements	**10**	(5)
At 31 December	**41**	118

On 28 September 2022 the Group acquired an additional 25% of the ordinary share capital of Aviva India (see note 2(a)), increasing the Group's total shareholding from 49% to 74% giving Aviva a controlling interest in the entity. On that date, Aviva derecognised its investment in associate and recognised Aviva India as a consolidated subsidiary. Immediately prior to the acquisition, the fair value of Aviva's 49% interest in Aviva India was £73 million. The investment was remeasured to fair value in accordance with IFRS 3 Business combinations, resulting in a reversal of historic impairment of £15 million. The investment in associate was subsequently derecognised at its revalued amount.

Disposals of £77 million in 2021 relate to the Group's interest in SCPI Ufifrance Immobilier and SCPI Logipierre 1 which were disposed of as part of the disposal of Aviva France (see note 2(b)).

The Group's share of total comprehensive income related to associates is £(19) million (2021: £(22) million).

(ii) No associates are considered to be material from a Group perspective (2021: none). All investments in principal associates are held by subsidiaries. The Group's principal associates are as follows:

Name	Nature of activities	Principal place of business	Proportion of ownership interest 2022	Proportion of ownership interest 2021
Aviva Life Insurance Company India Limited	Life insurance	India	**—**	49.00%
AI UK Commercial Real Estate Debt Fund	Property Management	UK	**20.86%**	20.90%

(iii) The associates have no contingent liabilities to which the Group has significant exposure. The Group has commitments to provide funding to property management associates of £2 million (2021: £2 million).

In certain jurisdictions the ability of associates to transfer funds in the form of cash dividends or to repay loans and advances made by the Group is subject to local corporate or insurance laws and regulations and solvency requirements.

(b) Impairment testing

The recoverable amount of property management undertakings is the fair value less costs to sell off the associate, measured in accordance with the Group's accounting policy for investment property (see accounting policy Q). An impairment charge of £23 million (2021: £nil) has been recognised in the income statement and primarily relates to the full impairment of an investment held by the UK & Ireland Life business.

Notes to the consolidated financial statements continued

19 – Property and equipment

This note analyses our property and equipment, the total of which primarily consists of properties occupied by Group companies.

	Owner occupied properties					
	Freehold £m	Leasehold £m	Motor vehicles £m	Computer equipment £m	Other assets £m	Total £m
Cost or valuation						
At 1 January 2021	371	1,216	14	101	268	1,970
Additions	2	74	—	9	5	90
Disposals[1]	(334)	(133)	(7)	(42)	(88)	(604)
Fair value losses	(3)	—	—	—	—	(3)
Modification of right-of-use assets	—	—	—	—	—	—
Foreign exchange rate movements	(9)	(8)	—	—	(7)	(24)
At 31 December 2021	27	1,149	7	68	178	1,429
Additions	**—**	**6**	**—**	**14**	**8**	**28**
Disposals	**(17)**	**(2)**	**(1)**	**(19)**	**(11)**	**(50)**
Fair value losses	**—**	**—**	**—**	**—**	**—**	**—**
Modification of right-of-use assets	—	(36)	—	—	**—**	**(36)**
Foreign exchange rate movements	**(1)**	**8**	**—**	**1**	**6**	**14**
At 31 December 2022	**9**	**1,125**	**6**	**64**	**181**	**1,385**
Depreciation and impairment						
At 1 January 2021	(36)	(879)	(7)	(75)	(136)	(1,133)
Charge for the year	—	(52)	(1)	(11)	(17)	(81)
Disposals	25	78	4	37	68	212
Impairment charge	(1)	(6)	—	(2)	—	(9)
Foreign exchange rate movements	—	4	1	1	4	10
At 31 December 2021	(12)	(855)	(3)	(50)	(81)	(1,001)
Depreciation charge for the year	**—**	**(33)**	**—**	**(14)**	**(10)**	**(57)**
Disposals	**11**	**1**	**—**	**18**	**4**	**34**
Impairment charge	**—**	**—**	**—**	**—**	**—**	**—**
Foreign exchange rate movements	**—**	**(8)**	**—**	**(2)**	**(1)**	**(11)**
At 31 December 2022	**(1)**	**(895)**	**(3)**	**(48)**	**(88)**	**(1,035)**
Carrying amount						
At 31 December 2021	15	294	4	18	97	428
At 31 December 2022	**8**	**230**	**3**	**16**	**93**	**350**

1. In 2021, property and equipment of £157 million was disposed of as part of the disposal of operations in France and Poland

Owner-occupied properties, excluding £230 million (2021: £294 million) held under lease arrangements, are stated at their revalued amounts, as assessed by qualified external valuers. The valuation assessment adopts market-based evidence and is in line with guidance from the International Valuation Standards Committee and the requirements of IAS 16 Property, Plant and Equipment.

Owner-occupied properties held under lease arrangements are stated at amortised cost and are amortised on a straight-line basis over the lease term, unless the carrying value of the leased asset exceeds the recoverable amount. Where this is the case, the asset is impaired to its recoverable amount and the impaired carrying value is amortised on a straight-line basis over the remainder of the lease term. For further information on the Group's lease arrangements see note 21.

If owner-occupied properties (freehold and leasehold) were stated on a historical cost basis, the carrying amount would be £134 million (2021: £184 million).

Notes to the consolidated financial statements continued

20 – Investment property

This note gives details of the properties we hold for long-term rental yields or capital appreciation.

	2022			2021		
	Freehold £m	Leasehold £m	Total £m	Freehold £m	Leasehold £m	Total £m
Carrying value						
At 1 January	**5,333**	**1,670**	**7,003**	9,906	1,463	11,369
Additions	**313**	**14**	**327**	1,252	148	1,400
Capitalised expenditure on existing properties	**56**	**51**	**107**	84	21	105
Fair value (losses)/gains	**(923)**	**(227)**	**(1,150)**	1,062	127	1,189
Disposals[1]	**(319)**	**(97)**	**(416)**	(6,620)	(72)	(6,692)
Foreign exchange rate movements	**16**	**12**	**28**	(351)	(17)	(368)
At 31 December	**4,476**	**1,423**	**5,899**	5,333	1,670	7,003

1. In 2021, Investment property of £5,155 million was disposed of as part of the disposal of Aviva France

See note 22 for further information on the fair value measurement and valuation techniques of investment property.

The fair value of investment properties leased to third parties under operating leases at 31 December 2022 was £5,676 million (2021: £6,712 million). Future contractual aggregate minimum lease rentals receivable under the non-cancellable portion of these leases are given in note 21.

21 – Lease assets and liabilities

The Group's leased assets primarily consist of properties occupied by Group companies carried at amortised cost (see note 19), leasehold investment properties carried at fair value (see note 20) which are sublet to third parties and real estate long income finance leases (see note 27). Leasehold investment properties are measured in accordance with IAS 40 Investment Property (see accounting policy Q).

Although the Group is exposed to changes in the residual value at the end of the current leases to third parties on investment property, the Group typically enters into new operating leases and therefore is not expected to immediately realise any reduction in residual value at the end of these leases. Expectations about the future residual values are reflected in the fair value of the properties.

(i) The following amounts in respect of leased assets have been recognised in the Group's consolidated income statement.

	2022 £m	2021 £m
Interest expense on lease liabilities	**9**	11
Total lease expenses recognised in the income statement	**9**	11

Total cash outflows recognised in the period in relation to leases were £63 million (2021: £71 million). Expenses recognised in the Group consolidated income statement in relation to short-term and low-value leases were £nil (2021: £nil). Variable lease payments not included in the measurement of lease liabilities were £nil (2021: £nil).

(ii) The following table analyses the right-of-use assets relating to leased properties occupied by Group companies.

	2022 £m	2021 £m
Balance at 1 January	**294**	338
Additions	**6**	74
Disposals	**(1)**	(56)
Foreign exchange rate movements	**—**	(4)
Impairment of right-of-use assets	**—**	(6)
Depreciation	**(33)**	(52)
Modification of right-of-use assets	**(36)**	—
Balance at 31 December	**230**	294

There were no gains arising from sale and leaseback transactions during the year. Included within the income statement is £3 million (2021: £3 million) of income in respect of sublets of right-of-use assets. There was no impairment of right-of-use assets in 2022. In 2021, £7 million impairment arose from the reduction in the Group's property footprint.

(iii) Lease liabilities included within note 52 total £386 million (2021: £472 million). Future contractual aggregate minimum lease payments are as follows:

	2022 £m	2021 £m
Within 1 year	**70**	67
Later than 1 year and not later than 5 years	**196**	187
Later than 5 years	**165**	182
	431	436

Notes to the consolidated financial statements continued

21 – Lease assets and liabilities continued

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

The lease agreements do not impose any covenants other than the security interest in the leased assets that are held by the lessor.

(iv) Future contractual aggregate minimum lease rentals receivable under non-cancellable operating leases are as follows:

	2022 £m	2021 £m
Within 1 year	**227**	229
Between 1 and 2 years	**198**	206
Between 2 and 3 years	**175**	178
Between 3 and 4 years	**154**	153
Between 4 and 5 years	**128**	130
Later than 5 years	**1,162**	1,136
	2,044	2,032

(v) Future contractual aggregate minimum lease rentals receivable under non-cancellable finance leases are as follows:

	2022 £m	2021 £m
Within 1 year	**4**	4
Between 1 and 2 years	**4**	3
Between 2 and 3 years	**4**	3
Between 3 and 4 years	**4**	3
Between 4 and 5 years	**4**	3
Later than 5 years	**157**	145
	177	161

Finance income on the net investment in finance leases during the period was £nil (2021: £nil).

Unearned finance income in respect of finance leases at 31 December 2022, representing the difference between the gross and net investment in the leases, was £34 million (2021: £32 million). Unguaranteed residual value in respect of finance leases was £nil (2021: £nil).

22 – Fair value methodology

This note explains the methodology for valuing our assets and liabilities measured at fair value and for fair value disclosures. It also provides an analysis of these according to a fair value hierarchy, determined by the market observability of valuation inputs.

(a) Basis for determining fair value hierarchy

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy described as follows, based on the lowest level input that is significant to the fair value measurement as a whole.

Level 1

Inputs to Level 1 fair values are quoted prices (unadjusted) in active markets for identical assets and liabilities that the entity can access at the measurement date. Level 1 inputs already reflect market participant views of climate change impacts and no further adjustments are made to these values.

Level 2

Inputs to Level 2 fair values are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. If the asset or liability has a specified (contractual) term, a Level 2 input must be observable for substantially the full term of the instrument. Level 2 inputs include the following:

- Quoted prices for similar assets and liabilities in active markets;
- Quoted prices for identical or similar assets and liabilities in markets that are not active, the prices are not current, or price quotations vary substantially either over time or among market makers, or in which little information is released publicly;
- Inputs other than quoted prices that are observable for the asset or liability (for example, interest rates and yield curves observable at commonly quoted intervals, implied volatilities and credit spreads); and
- Market corroborated inputs.

Where we use broker quotes and no information as to the observability of inputs is provided by the broker, the investments are classified as follows:

- Where the broker price is validated by using internal models with market observable inputs and the values are similar, we classify the investment as Level 2; and
- In circumstances where internal models are not used to validate broker prices, or the observability of inputs used by brokers is unavailable, the investment is classified as Level 3.

Notes to the consolidated financial statements continued

22 – Fair value methodology continued

Level 3

Inputs to Level 3 fair values are unobservable inputs for the asset or liability. Unobservable inputs may have been used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date. However, the fair value measurement objective remains the same, i.e. an exit price at the measurement date from the perspective of a market participant that holds the asset or owes the liability. Unobservable inputs reflect the assumptions the business unit considers that market participants would use in pricing the asset or liability. Examples are investment properties and commercial and equity release mortgage loans.

The majority of the Group's assets and liabilities measured at fair value are based on quoted market information or observable market data. Of the total assets and liabilities measured at fair value 15.9% (2021: 15.7%) of assets and 0.9% (2021: 0.9%) of liabilities are based on estimates and recorded as Level 3. Where estimates are used, these are based on a combination of independent third-party evidence and internally developed models, calibrated to market observable data where possible. Third-party valuations using significant unobservable inputs validated against Level 2 internally modelled valuations are classified as Level 3, where there is a significant difference between the third-party price and the internally modelled value. Where the difference is insignificant, the instrument would be classified as Level 2.

(b) Changes to valuation techniques

There were no changes in the valuation techniques during the year compared to those described in the Group's 2021 Annual Report and Accounts.

(c) Comparison of the carrying amount and fair values of financial instruments

Set out below is a comparison of the carrying amounts and fair values of financial assets and liabilities, excluding those classified as held for sale. These amounts may differ where the assets or liabilities are carried on a measurement basis other than fair value, e.g. amortised cost.

	2022		2021	
	Fair value £m	**Carrying amount £m**	Fair value £m	Carrying amount £m
Financial assets				
Loans (note 23(a))[1]	**29,646**	**29,647**	38,622	38,624
Financial investments (note 26(a))	**224,086**	**224,086**	264,961	264,961
Fixed maturity securities	**103,776**	**103,776**	133,251	133,251
Equity securities	**85,790**	**85,790**	95,169	95,169
Other investments (including derivatives)	**34,520**	**34,520**	36,541	36,541
Financial liabilities				
Non-participating investment contract (note 43(a))	**140,990**	**140,990**	151,115	151,115
Net asset value attributable to unitholders	**14,080**	**14,080**	16,427	16,427
Borrowings (note 51(a))[1]	**6,499**	**6,755**	8,375	7,344
Derivative liabilities (note 59(b))	**9,541**	**9,541**	5,763	5,763

1. Within the fair value total, the estimated fair value has been provided for the portion of loans and borrowings that are carried at amortised cost

Fair value of the following assets and liabilities is approximate to their carrying amounts

- Receivables
- Cash and cash equivalents
- Loans at amortised cost
- Payables and other financial liabilities

As set out in accounting policy A, the Group has chosen to defer application of IFRS 9 Financial instruments due to its activities being predominantly connected with insurance. To facilitate comparison with entities applying IFRS 9 in full, the table below splits the Group's financial instruments between those which are considered to have contractual terms which are solely payments of principal and interest (SPPI) on the principal amount outstanding and all other instruments (non-SPPI). The SPPI category excludes instruments held for trading or managed and evaluated on a fair value basis.

	2022		2021	
	SPPI – Fair value £m	**Non-SPPI – Fair value[1] £m**	SPPI – Fair value £m	Non-SPPI – Fair value[1] £m
Fixed maturity securities	**—**	**103,776**	—	133,251
Equity securities	**—**	**85,790**	—	95,169
Loans	**3,726**	**25,920**	8,642	29,980
Receivables	**4,750**	**1,293**	4,640	1,448
Cash and cash equivalents	**21,441**	**1,064**	10,100	2,385
Accrued income and interest	**163**	**2,324**	284	1,833
Other investments	**1**	**34,519**	—	36,541
Total	**30,081**	**254,686**	23,666	300,607

1. Instruments within this category include financial assets that meet the definition of held for trading, financial assets that are managed and evaluated on a fair value basis, and instruments with contractual terms that do not give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Notes to the consolidated financial statements continued

22 – Fair value methodology continued

There has been no change (2021: £2 million increase) in the fair value of SPPI instruments and a £47,608 million decrease (2021: £3,838 million decrease) in the fair value of non-SPPI instruments during the reporting period, primarily driven by a significant increase in interest rates reducing the value of the fixed maturity securities.

(d) Fair value hierarchy analysis

An analysis of assets and liabilities measured at amortised cost and fair value categorised by fair value hierarchy is given below.

	Fair value hierarchy					
2022	Level 1 £m	Level 2 £m	Level 3 £m	Sub-total Fair value £m	Amortised cost £m	Total carrying value £m
Recurring fair value measurements						
Investment property (note 20)	—	—	5,899	5,899	—	5,899
Loans (note 23(a))	—	—	25,920	25,920	3,727	29,647
Financial investments measured at fair value (note 26(a))						
Fixed maturity securities	22,140	74,448	7,188	103,776	—	103,776
Equity securities	85,459	—	331	85,790	—	85,790
Other investments (including derivatives)	28,192	5,021	1,307	34,520	—	34,520
Financial assets classified as held for sale	—	—	—	—	—	—
Total	135,791	79,469	40,645	255,905	3,727	259,632
Financial liabilities measured at fair value						
Non-participating investment contracts (note 43(a))[1]	140,990	—	—	140,990	—	140,990
Net asset value attributable to unit holders	14,070	—	10	14,080	—	14,080
Borrowings (note 51(a))	—	—	1,091	1,091	5,664	6,755
Derivative liabilities (note 59(b))	200	8,986	355	9,541	—	9,541
Financial liabilities classified as held for sale	—	—	—	—	—	—
Total	155,260	8,986	1,456	165,702	5,664	171,366

1. In addition to the balances in this table, included within reinsurance assets in the consolidated statement of financial position and note 45 are £5,254 million of non-participating investment contracts, which are legally reinsurance but do not meet the definition of a reinsurance contract under IFRS. These assets are financial instruments measured at fair value through profit and loss and are classified as Level 1 assets.

	Fair value hierarchy			
2022	Level 1 £m	Level 2 £m	Level 3 £m	Total fair value £m
Non-recurring fair value measurement				
Properties occupied by group companies	—	—	8	8
Total	—	—	8	8

IFRS 13 Fair Value Measurement permits assets and liabilities to be measured at fair value on either a recurring or non-recurring basis. Recurring fair value measurements are those that other IFRSs require or permit in the statement of financial position at the end of each reporting period, whereas non-recurring fair value measurements of assets or liabilities are those that other IFRSs require or permit in the statement of financial position in particular circumstances. The value of freehold owner-occupied properties measured on a non-recurring basis at 31 December 2022 was £8 million (2021: £15 million), stated at their revalued amounts in line with the requirements of IAS 16 Property, Plant and Equipment.

	Fair value hierarchy					
2021	Level 1 £m	Level 2 £m	Level 3 £m	Sub-total Fair value £m	Amortised cost £m	Total carrying value £m
Recurring fair value measurements						
Investment property (note 20)	—	—	7,003	7,003	—	7,003
Loans (note 23(a))	—	—	29,980	29,980	8,644	38,624
Financial investments measured at fair value (note 26(a))						
Fixed maturity securities	34,520	90,254	8,477	133,251	—	133,251
Equity securities	94,819	—	350	95,169	—	95,169
Other investments (including derivatives)	29,043	5,968	1,530	36,541	—	36,541
Financial assets classified as held for sale	—	—	—	—	—	—
Total	158,382	96,222	47,340	301,944	8,644	310,588
Financial liabilities measured at fair value						
Non-participating investment contracts (note 43(a))[1]	151,115	—	—	151,115	—	151,115
Net asset value attributable to unit holders	16,417	—	10	16,427	—	16,427
Borrowings (note 51(a))	—	—	1,140	1,140	6,204	7,344
Derivative liabilities (note 59(b))	410	4,908	445	5,763	—	5,763
Financial liabilities classified as held for sale	—	—	—	—	—	—
Total	167,942	4,908	1,595	174,445	6,204	180,649

1. In addition to the balances in this table, included within reinsurance assets in the consolidated statement of financial position and note 45 are £5,132 million of non-participating investment contracts, which are legally reinsurance but do not meet the definition of a reinsurance contract under IFRS. These assets are financial instruments measured at fair value through profit and loss and are classified as Level 1 assets.

Notes to the consolidated financial statements continued

22 – Fair value methodology continued

2021	Fair value hierarchy Level 1 £m	Level 2 £m	Level 3 £m	Total fair value £m
Non-recurring fair value measurement				
Properties occupied by group companies	—	—	15	15
Total	—	—	15	15

(e) Valuation approach for fair value assets and liabilities classified as Level 2

Please see note 22(a) for a description of typical Level 2 inputs.

Fixed maturity securities, in line with market practice, are generally valued using an independent pricing service. These valuations are determined using independent external quotations from multiple sources and are subject to a number of monitoring controls, such as monthly price variances, stale price reviews and variance analysis. Pricing services, where available, are used to obtain the third-party broker quotes. Where pricing services providers are used, a single valuation is obtained and applied. When prices are not available from pricing services, quotes are sourced from brokers.

Over-the-counter derivatives are valued using broker quotes or models such as option pricing models, simulation models or a combination of models. The inputs for these models include a range of factors which are deemed to be observable, including current market and contractual prices for underlying instruments, period to maturity, correlations, yield curves and volatility of the underlying instruments.

Unit Trusts and other investment funds (included under the other investments category) are valued using net asset values which are not subject to a significant adjustment for restrictions on redemption or for limited trading activity.

(f) Transfers between levels of the fair value hierarchy

For financial instruments that are recognised at fair value on a recurring basis, the Group determines whether transfers have occurred between levels of the fair value hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of the reporting period.

Transfers between Level 1 and Level 2

There were no significant transfers between Level 1 and Level 2 (2021: no significant transfers).

Transfers to/from Level 3

£698 million (2021: £189 million) of assets transferred into Level 3 and £509 million (2021: £1,370 million) of assets transferred out of Level 3 relate principally to fixed maturity securities held by our business in the UK. These are transferred between Levels 2 and 3 depending on the availability of observable inputs and whether the counterparty and broker quotes are corroborated using valuation models with observable inputs.

£297 million (2021: £nil) of liabilities transferred into Level 3 relate to derivatives held by our business in the UK. These have been transferred into Level 3 following a change to using an internally-derived valuation model from the previous counterparty supplied valuations to ensure consistency of approach with the associated assets and liabilities held at fair value.

Notes to the consolidated financial statements continued

22 – Fair value methodology continued

(g) Further information on Level 3 assets and liabilities:

The table below shows movement in the Level 3 assets and liabilities measured at fair value.

	Assets							Liabilities		
2022	Investment Property £m	Loans £m	Fixed maturity securities £m	Equity securities £m	Other investments (including derivatives) £m	Financial assets classified as held for sale £m	Net asset value attributable to unitholders £m	Derivative liabilities £m	Borrowings £m	Financial liabilities classified as held for sale £m
Opening balance at 1 January 2022	**7,003**	**29,980**	**8,477**	**350**	**1,530**	**—**	**(10)**	**(445)**	**(1,140)**	**—**
Total net (losses)/gains recognised in the income statement[1]	**(1,159)**	**(6,691)**	**(2,053)**	**11**	**(214)**	**—**	**—**	**280**	**(22)**	**—**
Purchases	**434**	**4,979**	**2,274**	**18**	**190**	**—**	**—**	**(1)**	**—**	**—**
Issuances	**—**	**139**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Disposals	**(407)**	**(2,496)**	**(1,681)**	**(64)**	**(233)**	**—**	**—**	**74**	**71**	**—**
Settlements	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**34**	**—**	**—**
Transfers into Level 3	**—**	**—**	**666**	**5**	**27**	**—**	**—**	**(297)**	**—**	**—**
Transfers out of Level 3	**—**	**—**	**(508)**	**—**	**(1)**	**—**	**—**	**—**	**—**	**—**
Foreign exchange rate movements	**28**	**9**	**13**	**11**	**8**	**—**	**—**	**—**	**—**	**—**
Balance at 31 December 2022	**5,899**	**25,920**	**7,188**	**331**	**1,307**	**—**	**(10)**	**(355)**	**(1,091)**	**—**

1. Total net (losses)/gains recognised in the income statement includes realised (losses)/gains on disposals

	Assets							Liabilities		
2021	Investment Property £m	Loans £m	Fixed maturity securities £m	Equity securities £m	Other investments (including derivatives) £m	Financial assets classified as held for sale £m	Net asset value attributable to unitholders £m	Derivative liabilities £m	Borrowings £m	Financial liabilities classified as held for sale £m
Opening balance at 1 January 2021	11,369	29,839	19,053	407	6,659	1,033	(150)	(571)	(1,166)	(98)
Total net gains/(losses) recognised in the income statement[1]	1,206	(1,252)	(648)	19	(102)	17	—	34	(52)	44
Purchases	1,505	3,639	1,288	18	170	13	—	(9)	—	—
Issuances	—	142	—	—	—	—	—	—	—	—
Disposals	(6,709)	(2,374)	(9,681)	(91)	(5,001)	(1,043)	140	6	78	52
Settlements	—	—	—	—	—	—	—	16	—	—
Transfers into Level 3	—	—	189	—	—	—	—	—	—	—
Transfers out of Level 3	—	—	(1,361)	(3)	(6)	—	—	79	—	—
Foreign exchange rate movements	(368)	(14)	(363)	—	(190)	(20)	—	—	—	2
Balance at 31 December 2021	7,003	29,980	8,477	350	1,530	—	(10)	(445)	(1,140)	—

1. Total net gains/(losses) recognised in the income statement includes realised gains/(losses) on disposals

Total net losses recognised in the income statement in the year ended 31 December 2022 in respect of Level 3 assets measured at fair value amounted to £10,106 million (2021: net losses of £760 million) with net gains in respect of liabilities of £258 million (2021: net gains of £26 million). Net losses of £10,203 million (2021: net losses of £852 million) attributable to assets and net gains of £258 million (2021: net losses of £18 million) attributable to liabilities relate to those still held at the end of the year.

The principal assets classified as Level 3, and the valuation techniques applied to them, are described below.

(i) Investment property

- Investment property is valued in the UK at least annually by external chartered surveyors in accordance with guidance issued by The Royal Institution of Chartered Surveyors and using estimates during the intervening period. Outside the UK, valuations are produced by external qualified professional appraisers in the countries concerned. The Group's methodology requires external valuers in the UK to apply the 'Sustainability and ESG in commercial property valuation and strategic advice' guidance note issued by The Royal Institution of Chartered Surveyors in December 2021. In a valuation context, sustainability encompasses a wide range of physical, social, environmental, and economic factors that can affect value. The range of issues includes key environmental risks, such as flooding, energy efficiency and climate, as well as matters of design, configuration, accessibility, legislation, management and fiscal considerations.
- Investment properties are valued on an income approach that is based on current rental income plus anticipated uplifts at the next rent review, lease expiry, or break option taking into consideration lease incentives and assuming no further growth in the estimated rental value of the property. The uplift and discount rates are derived from rates implied by recent market transactions on similar properties. These inputs are deemed unobservable. The yield used to value investment property can vary significantly depending on a number of factors including location, type of property and sector. The yield used to value the portfolio ranges from 100bps to 2160bps (2021: 113bps to 2094bps) with higher yields predominately relating to properties in the retail and leisure sectors. Over 95% of the portfolio is valued using spreads within the range from 100bps to 810bps (2021: 113bps to 870bps).

Notes to the consolidated financial statements continued

22 – Fair value methodology continued

(ii) Loans

- Commercial mortgage loans and Primary Healthcare loans held by our UK Life business are valued using a Portfolio Credit Risk Model. This model calculates a Credit Risk Adjusted Value for each loan. The risk adjusted cash flows are discounted using a yield curve plus an allowance for illiquidity. Loans valued using the Portfolio Credit Risk Model have been classified as Level 3 as the liquidity premium is deemed to be non-market observable. At 31 December 2022 the liquidity premium used in the discount rate was 110 bps (2021: 150 bps). Future capital expenditure costs of 0.9% per annum (2021: 0.6%) are included in the modelling of the Credit Risk Adjusted Value of the loans to address climate change actions, including potential climate-related legislation changes. The impact is a reduction in the fair value of the properties securing the loans.
- Equity release mortgage loans held by our UK Life business are valued using an internal model, with fair value initially being equal to the transaction price. The value of these loans is dependent on the expected term of the mortgage and the forecast property value at the end of the term and is calculated by adjusting future cash flows for credit risk and discounting using a yield curve plus an allowance for illiquidity. At 31 December 2022 the illiquidity premium used in the discount rate was 155 bps (2021: 180 bps).
- The equity release mortgages have a no negative equity guarantee ('NNEG') such that the cost of any potential shortfall between the value of the loan and the realised value of the property at the end of the term is recognised by a deduction to the value of the loan. Property valuations at the reporting date are obtained by taking the most recent valuation for the property and indexing using an internal house price index based on published Land Registry data. NNEG is calculated using base property growth rates reduced for the cost of potential dilapidations, using a stochastic model. In addition, a cost of capital charge is applied to reflect the variability in these cash flows. The base property growth rate assumption is RPI +0.75% (2021: RPI +0.75%) which includes a reduction to the growth rate of 0.5% per annum for the potential impact of climate change actions. The modelled growth rates include an adjustment for the 5-year period 2023-2027 to reflect the market view of short-term growth being lower than long-term growth. The combination of the adjusted rate over the first five years and the base property growth rate equates to a long-term average growth rate of 3.1% per annum at 31 December 2022 (2021: 3.9%) over a twenty five year projection. After applying the cost of capital charge, dilapidations and the stochastic distribution, the effective net long-term growth rate equates to 0.4% per annum (2021: 0.6%).
- Infrastructure and Private Finance Initiative (PFI) loans held by our UK Life business are valued using a discounted cash flow model. This adds spreads for credit and illiquidity to a risk-free discount rate. Credit spreads used in the discount rate are calculated using an internally developed methodology which depends on the credit rating of each loan, credit spreads on publicly traded bonds and an estimated recovery rate in event of default and are deemed to be unobservable. At 31 December 2022, the illiquidity premium used in the discount rate was 115bps (2021: 95bps) for the PFI loans and ranged from 25bps to 210bps (2021: 25bps to 210bps) for the infrastructure loans.

(iii) Fixed maturity securities

- Structured bond-type, non-standard debt products and privately placed notes held by our life business in the UK do not trade in an active market. These fixed maturity securities are valued using discounted cash flow model, designed to appropriately reflect the credit and illiquidity risk of the instrument. These bonds have been classified as Level 3 because the valuation approach includes significant unobservable inputs and an element of subjectivity in determining appropriate credit and illiquidity spreads.
- Other fixed maturity securities held by our life business in the UK which are not traded in an active market have been valued using third-party or counterparty valuations. These prices are considered to be unobservable due to infrequent market transaction.
- The unobservable credit and illiquidity spreads used in the discount rate range from 25bps to 604bps (2021: 24bps to 822bps) with 99% of the modelled assets valued using spreads within the range from 25bps to 344bps (2021: 24bps to 297bps).

(iv) Equity securities

- Equity securities which primarily comprise private equity holdings held in the UK are valued by a number of third-party specialists. These are valued using a range of techniques including earnings multiples, forecast cash flows and price/earnings ratios which are deemed to be unobservable.

(v) Other investments (including derivatives)

- Other investments are held for index-linked, unit-linked and with-profit funds and are valued based on external valuation reports received from fund managers. The investments consist of:
  - Unit trusts;
  - Other Investment funds including property funds; and
  - Derivatives.
- Where valuations are at a date other than the balance sheet date, as is the case for private equity funds, adjustments are made for items such as subsequent draw-downs and distributions and the fund manager's carried interest.

(vi) Liabilities

- The principal liabilities classified as Level 3 are securitised mortgage loan notes, presented within Borrowings, which are valued using a similar technique to the related Level 3 securitised mortgage assets. These liabilities are included within the relevant liability category within the sensitivity table below.

Notes to the consolidated financial statements continued

22 – Fair value methodology continued

Sensitivities

The valuation of level 3 assets involves a high degree of judgement and estimation uncertainty due to the reliance of valuation models on unobservable inputs. Where possible, the Group tests the sensitivity of the fair values of Level 3 assets and liabilities to changes in unobservable inputs to reasonable alternatives. Level 3 valuations are sourced from independent third parties when available and, where appropriate, validated against internally-modelled valuations, third-party models or broker quotes. Where third-party pricing sources are unwilling to provide a sensitivity analysis for their valuations, the Group undertakes, where feasible, sensitivity analysis on the following basis:

- For third-party valuations validated against internally-modelled valuations using significant unobservable inputs, the sensitivity of the internally-modelled valuation to changes in unobservable inputs to a reasonable alternative is determined.
- For third-party valuations either not validated or validated against a third-party model or broker quote, the third-party valuation in its entirety is considered an unobservable input. Sensitivities are determined by flexing inputs of internal models to a reasonable alternative, including the yield, NAV multiple or other suitable valuation multiples of the financial instrument implied by the third-party valuation. For example, for a fixed income security the implied yield would be the rate of return which discounts the security's contractual cash flows to equal the third-party valuation.

The tables below show the sensitivity of the fair value of Level 3 assets and liabilities to changes in unobservable inputs to a reasonable alternative:

				Sensitivities	
2022	Fair value £bn	Most significant unobservable input	Reasonable alternative	Positive impact £bn	Negative impact £bn
Investment property	**5.9**	Equivalent rental yields	+/-5-10%	**0.3**	**(0.3)**
Loans					
Commercial mortgage loans and Primary Healthcare loans	**9.4**	Illiquidity premium	+/-20 bps	**0.1**	**(0.1)**
		Base property growth rate	+/-100 bps p.a.	**0.1**	**(0.1)**
Equity release mortgage loans	**9.6**	Base property growth rate	+/-40 bps p.a.	**0.2**	**(0.2)**
		Current property market values	+/-10%	**0.2**	**(0.2)**
Infrastructure and Private Finance Initiative (PFI) loans	**5.3**	Illiquidity premium	+/-25 bps[1]	**0.2**	**(0.2)**
Other	**1.6**	Illiquidity premium	+/-25 bps[1]	**—**	**—**
Fixed maturity securities					
Structured bond-type and non-standard debt products	**0.4**	Market spread (credit, liquidity and other)	+/-25 bps	**—**	**—**
Privately placed notes	**2.9**	Credit spreads	+/-25 bps[1]	**0.1**	**(0.1)**
Other fixed maturity securities	**3.9**	Credit and liquidity spreads	+/-20-25 bps	**0.1**	**(0.1)**
Equity securities	**0.3**	Market multiples applied to net asset values	+/-25%	**0.1**	**(0.1)**
Other investments					
Property Funds	**0.2**	Market multiples applied to net asset values	+/-15-20%	**—**	**—**
Other investments (including derivatives)	**1.1**	Market multiples applied to net asset values	+/-10-40%[2]	**0.1**	**(0.1)**
Liabilities					
Borrowings	**(1.1)**	Illiquidity premium	+/-50 bps	**—**	**—**
Other liabilities (including derivatives)	**(0.4)**	Independent valuation vs counterparty	N/A	**—**	**—**
Total Level 3 investments	**39.1**			**1.5**	**(1.5)**

1. On discount rate spreads
2. Dependent on investment category

Notes to the consolidated financial statements continued

22 – Fair value methodology continued

2021	Fair value £bn	Most significant unobservable input	Reasonable alternative	Sensitivities Positive impact £bn	Sensitivities Negative impact £bn
Investment property	7.0	Equivalent rental yields	+/-5-10%	0.4	(0.4)
Loans					
Commercial mortgage loans and Primary Healthcare loans	11.7	Illiquidity premium	+/-20 bps	0.1	(0.1)
		Base property growth rate	+/-100 bps p.a.	0.1	(0.1)
Equity release mortgage loans	11.9	Base property growth rate	+/-40 bps p.a.	0.2	(0.2)
		Current property market values	+/-10%	0.3	(0.3)
Infrastructure and Private Finance Initiative (PFI) loans	6.1	Illiquidity premium	+/-25 bps[1]	0.2	(0.2)
Other	0.3	Illiquidity premium	+/-25 bps[1]	—	—
Fixed maturity securities					
Structured bond-type and non-standard debt products	0.5	Market spread (credit, liquidity and other)	+/-25 bps	—	—
Privately placed notes	3.7	Credit spreads	+/-25 bps[1]	0.1	(0.1)
Other fixed maturity securities	4.3	Credit and liquidity spreads	+/-20-25 bps	0.1	(0.1)
Equity securities	0.3	Market multiples applied to net asset values	+/-25%	0.1	(0.1)
Other investments					
Property Funds	0.2	Market multiples applied to net asset values	+/-15-20%	—	—
Other investments (including derivatives)	1.3	Market multiples applied to net asset values	+/-10-40%[2]	0.2	(0.2)
Liabilities					
Borrowings	(1.1)	Illiquidity premium	+/-50 bps	0.1	(0.1)
Other liabilities (including derivatives)	(0.5)	Independent valuation vs counterparty	N/A	—	—
Total Level 3 investments	45.7			1.9	(1.9)

1. On discount rate spreads
2. Dependent on investment category

The above tables demonstrate the effect of a change in one unobservable input while other assumptions remain unchanged. In reality, there may be a correlation between the unobservable inputs and other factors. It should also be noted that some of these sensitivities are non-linear, and larger or smaller impacts should not be interpolated or extrapolated from these results.

(h) Liabilities not carried at fair value for which fair value is disclosed

The table below shows the fair value and fair value hierarchy for those liabilities not carried at fair value.

2022	Notes	As recognised in the consolidated statement of financial position line item £m	Fair value hierarchy Level 1 £m	Fair value hierarchy Level 2 £m	Fair value hierarchy Level 3 £m	Total fair value £m
Liabilities not carried at fair value						
Borrowings	51(a)	**5,664**	**5,212**	**52**	**144**	**5,408**

2021	Notes	As recognised in the consolidated statement of financial position line item £m	Fair value hierarchy Level 1 £m	Fair value hierarchy Level 2 £m	Fair value hierarchy Level 3 £m	Total fair value £m
Liabilities not carried at fair value						
Borrowings	51(a)	6,204	7,012	204	19	7,235

Notes to the consolidated financial statements continued

23 – Loans

This note analyses the loans our Group companies have made, the majority of which are mortgage loans.

(a) Carrying amounts

The carrying amounts of loans were as follows:

	2022			2021		
	At fair value through profit or loss other than trading £m	At amortised cost £m	Total £m	At fair value through profit or loss other than trading £m	At amortised cost £m	Total £m
Policy loans	1	13	14	1	13	14
Loans to banks	1,568	2,913	4,481	301	7,996	8,297
Healthcare, infrastructure & PFI other loans	6,837	—	6,837	7,994	—	7,994
UK securitised mortgage loans (see note 24)	1,759	—	1,759	2,231	—	2,231
Non-securitised mortgage loans	15,755	—	15,755	19,453	—	19,453
Other loans	—	801	801	—	635	635
Total	25,920	3,727	29,647	29,980	8,644	38,624

Of the above total loans, £24,259 million (2021: £29,783 million) are due to be recovered in more than one year after the statement of financial position date.

Loans at fair value

Fair values have been calculated by using cash flow models appropriate for each portfolio of loans. Further details of the fair value methodology and models utilised are given in note 22 (g).

The cumulative change in fair value of loans attributable to changes in credit risk to 31 December 2022 was a £98 million loss (2021: £475 million loss).

Healthcare, infrastructure and PFI other loans of £6,837 million (2021: £7,994 million) are secured against the income from healthcare and educational premises.

Non-securitised mortgage loans include £7,784 million (2021: £9,699 million) of residential equity release mortgages, £5,971 million (2021: £7,246 million) of commercial mortgages and £2,000 million (2021: £2,508 million) relating to UK primary healthcare and PFI businesses. The healthcare and PFI mortgage loans are secured against General Practitioner premises, other primary health-related premises or other emergency services related premises. For all such loans, government support is provided through either direct funding or reimbursement of rental payments to the tenants to meet income service and provide for the debt to be reduced substantially over the term of the loan. Although the loan principal is not government-guaranteed, the nature of these businesses and premises provides considerable comfort of an ongoing business model and low risk of default.

The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of financial assets mentioned above.

Loans at amortised cost

The carrying amount of these loans at both 31 December 2022 and 31 December 2021 was a reasonable approximation for their fair value.

(b) Analysis of loans carried at amortised cost

	2022			2021		
	Amortised Cost £m	Impairment £m	Carrying Value £m	Amortised Cost £m	Impairment £m	Carrying Value £m
Policy loans	13	—	13	13	—	13
Loans to banks	2,913	—	2,913	7,996	—	7,996
Non-securitised mortgage loans	—	—	—	—	—	—
Other loans	801	—	801	635	—	635
Total	3,727	—	3,727	8,644	—	8,644

The movements in the impairment provisions on these loans were as follows:

	2022 £m	2021 £m
At 1 January	—	(16)
Increase during the year	—	(2)
Foreign exchange rate movements	—	1
Write back following sale or reimbursement	—	17
At 31 December	—	—

Notes to the consolidated financial statements continued

23 – Loans continued

(c) Collateral

Loans to banks include cash collateral received under stock lending arrangements (see note 60 for further information regarding these collateral positions). The obligation to repay this collateral is included in payables and other financial liabilities (see note 52).

The Group holds collateral in respect of loans where it is considered appropriate in order to reduce the risk of non-recovery. This collateral generally takes the form of liens or charges over properties and, in the case of policy loans, the underlying policy for the majority of the loan balances above. In all other situations, the collateral must be in a readily realisable form, such as listed securities, and is held in segregated accounts.

24 – Securitised mortgages and related assets

The Group, in its UK Life business, has loans receivable, secured by mortgages, which have then been securitised through non-recourse borrowings. This note gives details of the relevant transactions.

(a) Description of current arrangements

In a UK long-term business subsidiary, Aviva Equity Release UK Limited (AER), the beneficial interest in certain portfolios of lifetime mortgages has been transferred to five special purpose securitisation companies (the ERF companies), in return for initial consideration and, at later dates, deferred consideration. The deferred consideration represents receipts accrued within the ERF companies after meeting all their obligations to the note holders, loan providers and other third parties in the priority of payments. The purchases of the mortgages were funded by the issue of fixed and floating rate notes by the ERF companies.

All the shares in the ERF companies are held by independent companies, whose shares are held on trust. Although AER does not own, directly or indirectly, any of the share capital of the ERF companies or their parent companies, it has control of the securitisation companies, and they have therefore been treated as subsidiaries in the consolidated financial statements. AER has no right to repurchase the benefit of any of the securitised mortgage loans, other than in certain circumstances where AER is in breach of warranty or loans are substituted in order to effect a further advance.

AER has purchased subordinated notes and granted subordinated loans to some of the ERF companies. In addition, Group companies have invested £208 million (2021: £213 million) in loan notes issued by the ERF companies. These have been eliminated on consolidation through offset against the borrowings of the ERF companies in the statement of financial position.

In all of the above transactions, the Company and its subsidiaries are not obliged to support any losses that may be suffered by the note holders and do not intend to provide such support. Additionally, the notes were issued on the basis that note holders are only entitled to obtain payment, of both principal and interest, to the extent that the available resources of the respective special purpose securitisation companies, including funds due from customers in respect of the securitised loans, are sufficient and that note holders have no recourse whatsoever to other companies in the Aviva Group.

(b) Carrying values

The following table summarises the securitisation arrangements:

	2022		2021	
	Securitised assets £m	**Securitised liabilities £m**	Securitised assets £m	Securitised liabilities £m
Securitised mortgage loans (note 23) and loan notes issued	**1,759**	**(1,299)**	2,231	(1,353)
Other securitisation assets/(liabilities)	**286**	**(746)**	302	(1,180)
	2,045	**(2,045)**	2,533	(2,533)

Loan notes held by third parties are as follows:

	2022 £m	2021 £m
Total loan notes issued, as above	**1,299**	1,353
Less: Loan notes held by Group companies	**(208)**	(213)
Loan notes held by third parties (note 51(c)(i))	**1,091**	1,140

Notes to the consolidated financial statements continued

25 – Interests in structured entities

A structured entity is defined as an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only, or when the relevant activities are directed by means of contractual arrangements. The Group has interests in both consolidated and unconsolidated structured entities as described below.

The Group holds redeemable shares or units in investment vehicles, which consist of:

- Debt securities comprising of securitisation vehicles that Aviva does not originate. These investments are comprised of a variety of debt instruments, including asset-backed securities and other structured securities.
- Investment funds which include: hedge funds, liquidity funds, private equity funds, unit trusts, mutual funds and Private Finance Initiatives (PFIs).
- Specialised investment vehicles include Open Ended Investment Companies (OEICs), Property Limited Partnerships (PLPs), Sociétés d'Investissement a Capital Variable (SICAVs), Tax Transparent Funds (TTFs) and other investment vehicles.

The Group's holdings in investment vehicles are subject to the terms and conditions of the respective investment vehicle's offering documentation and are susceptible to market price risk arising from uncertainties about future values of those investment vehicles. The investment manager makes investment decisions after extensive due diligence of the underlying investment vehicle including consideration of its strategy and the overall quality of the underlying investment vehicle's manager.

All of the investment vehicles in the investment portfolio are managed by portfolio managers who are compensated by the respective investment vehicles for their services. Such compensation generally consists of an asset-based fee and a performance-based incentive fee, and is reflected in the valuation of the investment vehicles.

(a) Interests in consolidated structured entities

The Group has determined that where it has control over investment vehicles, these investments are consolidated structured entities. As at 31 December 2022 the Group has granted loans to consolidated PLPs for a total of £82 million (2021: £77 million). The purpose of these loans is to assist the consolidated PLPs to purchase or construct properties. The Group has also provided support, without having a contractual obligation to do so, to certain consolidated PLPs via letters of support amounting to £73 million (2021: £73 million). The Group has commitments to provide funding to consolidated structured entities of £311 million (2021: £372 million), primarily relating to a commitment to provide funding to the Aviva Investors Climate Transition Real Assets fund.

The Group has also given support to five special purpose securitisation companies (the ERF companies) that are consolidated structured entities. As set out in note 24 , at the inception of the securitisation vehicles, the UK subsidiary, Aviva Equity Release UK Limited (AER), has granted subordinated loan facilities to some of the ERF companies. AER receives various fees in return for the services provided to the entities. AER receives cash management fees based on the outstanding loan balance at the start of each quarter for the administration of the loan note liabilities. AER receives portfolio administration fees as compensation for managing the mortgage assets. See note 24 for details of securitised mortgages and related assets as at 31 December 2022.

As at the reporting date, the Group has no intentions to provide financial or other support in relation to any other investment vehicles.

(b) Interests in unconsolidated structured entities

As part of its investment activities, the Group invests in unconsolidated structured entities. As at 31 December 2022, the Group's total interest in unconsolidated structured entities was £42,153 million (2021: £45,511 million) on the Group's statement of financial position. The Group's total interest in unconsolidated structured entities is classified as 'Interests in and loans to joint ventures and associates' and 'financial investments held at fair value through profit or loss'. The Group does not sponsor any of the unconsolidated structured entities.

As at 31 December 2022, a summary of the Group's interest in unconsolidated structured entities is as follows:

	2022					2021				
	Interest in, and loans to, joint ventures £m	**Interest in, and loans to, associates £m**	**Financial investments £m**	**Loans £m**	**Total assets £m**	Interest in, and loans to, joint ventures £m	Interest in, and loans to, associates £m	Financial investments £m	Loans £m	Total assets £m
Structured debt securities[1]	**—**	**—**	**3,726**	**—**	**3,726**	—	—	4,454	—	4,454
Other investments and equity securities	**980**	**40**	**29,450**	**—**	**30,470**	916	55	30,627	—	31,598
Analysed as:										
Unit trust and other investment vehicles	**—**	**—**	**29,211**	**—**	**29,211**	—	—	30,380	—	30,380
PLPs and property funds	**980**	**40**	**222**	**—**	**1,242**	916	55	246	—	1,217
Other (Including other funds and equity securities)[2]	**—**	**—**	**17**	**—**	**17**	—	—	1	—	1
Loans[2]	**—**	**—**	**—**	**7,957**	**7,957**	—	—	—	9,459	9,459
Total	**980**	**40**	**33,176**	**7,957**	**42,153**	916	55	35,081	9,459	45,511

1. Primarily reported within 'other debt securities' in note 26(a)
2. Loans include Healthcare, Infrastructure & PFI other loans along with certain non-securitised mortgage loans

The Group's maximum exposure to loss related to the interests in unconsolidated structured entities is £42,153 million (2021: £45,511 million).

Notes to the consolidated financial statements continued

25 – Interests in structured entities continued

The majority of debt securities above are investment grade securities held by the UK business. In some cases, the Group may be required to absorb losses from an unconsolidated structured entity before other parties when and if Aviva's interest is more subordinated with respect to other owners of the same security.

For commitments to property management joint ventures and associates, please see notes 17 and 18, respectively. The Group has not provided any other financial or other support in addition to that described above as at the reporting date, and there are no intentions to provide support in relation to any other unconsolidated structured entities in the foreseeable future.

In relation to risk management, disclosures on debt securities and investment vehicles are given in note 58(b) 'Risk management'. In relation to other guarantees and commitments that the Group provides in the course of its business, please see note 54(f) 'Contingent liabilities and other risk factors'.

Aviva's interest in unconsolidated structured entities that it also manages at 31 December 2022 is £1,648 million (2021: £1,502 million) and the total funds under management relating to these investments at 31 December 2022 is £17,381 million (2021: £16,843 million).

(c) Other interests in unconsolidated structured entities

The Group receives management fees and other fees in respect of its asset management businesses. The Group does not sponsor any of the funds or investment vehicles from which it receives fees. Management fees received for investments that the Group manages, but does not have a holding in, also represent an interest in unconsolidated structured entities. As these investments are not held by the Group, the investment risk is borne by the external investors and therefore the Group's maximum exposure to loss relates to future management fees. The table below shows the assets under management of entities that the Group manages but does not have a holding in and the fees earned from those entities.

	2022		2021	
	Assets under management £m	**Investment management fees £m**	Assets under management £m	Investment management fees £m
Specialised investment vehicles:	**5,623**	**22**	6,036	24
Analysed as:				
OEICs	**398**	**1**	253	2
PLPs	**4,165**	**17**	4,257	16
SICAVs	**1,060**	**4**	1,526	6
Total	**5,623**	**22**	6,036	24

Notes to the consolidated financial statements continued

26 – Financial investments

This note analyses our financial investments by type and shows their cost and fair value. These will change from one period to the next as a result of new business written, claims paid and market movements.

(a) Carrying amount

Financial investments comprise:

	2022			2021		
	At fair value through profit or loss			At fair value through profit or loss		
	Trading £m	Other than trading £m	Total £m	Trading £m	Other than trading £m	Total £m
Fixed maturity securities						
Debt securities						
UK government	—	19,570	19,570	—	32,547	32,547
UK local authorities	—	88	88	—	194	194
Non-UK government (note 26(d))	—	24,038	24,038	—	25,144	25,144
Corporate bonds						
Public utilities	—	5,536	5,536	—	7,563	7,563
Other corporate	—	42,245	42,245	—	44,886	44,886
Convertibles and bonds with warrants attached	—	—	—	—	—	—
Other	—	2,240	2,240	—	3,115	3,115
	—	93,717	93,717	—	113,449	113,449
Certificates of deposit	—	10,059	10,059	—	19,802	19,802
	—	103,776	103,776	—	133,251	133,251
Equity securities						
Ordinary shares						
Public utilities	—	5,047	5,047	—	3,240	3,240
Banks, trusts and insurance companies	—	16,215	16,215	—	17,380	17,380
Industrial miscellaneous and all other	—	64,369	64,369	—	74,330	74,330
	—	85,631	85,631	—	94,950	94,950
Non-redeemable preference shares	—	159	159	—	219	219
	—	85,790	85,790	—	95,169	95,169
Other investments						
Unit trusts and other investment vehicles	—	29,211	29,211	—	30,380	30,380
Derivative financial instruments (note 59)	4,916	—	4,916	5,734	—	5,734
Deposits with credit institutions	—	56	56	—	84	84
Minority holdings in property management undertakings	—	222	222	—	246	246
Other investments – long-term	—	114	114	—	96	96
Other investments – short-term	—	1	1	—	1	1
	4,916	29,604	34,520	5,734	30,807	36,541
Total financial investments	4,916	219,170	224,086	5,734	259,227	264,961

Of the above total, £88,793 million (2021: £95,373 million) is due to be recovered in more than one year after the statement of financial position date.

Other debt securities of £2,240 million (2021: £3,115 million) include residential and commercial mortgage-backed securities, as well as other structured credit securities.

Financial investments include £3,970 million (2021: £832 million) in respect of non-cash collateral pledged to third parties where the economic rights are retained by the Group.

Notes to the consolidated financial statements continued

26 – Financial investments continued

(b) Cost, unrealised gains and fair value

The following is a summary of the cost/amortised cost, gross unrealised gains and losses and fair value of financial investments:

	2022				2021			
	Cost/ amortised cost £m	Unrealised gains £m	Unrealised losses and impairments £m	Fair value £m	Cost/amortised cost £m	Unrealised gains £m	Unrealised losses and impairments £m	Fair value £m
Fixed maturity securities	**110,029**	**8,475**	**(14,728)**	**103,776**	122,852	12,920	(2,521)	133,251
Equity securities	**75,981**	**16,610**	**(6,801)**	**85,790**	74,371	26,381	(5,583)	95,169
Other investments								
Unit trusts and other investment vehicles	**33,737**	**3,907**	**(8,433)**	**29,211**	23,152	7,623	(395)	30,380
Derivative financial instruments	**300**	**5,258**	**(642)**	**4,916**	4,966	2,651	(1,883)	5,734
Deposits with credit institutions	**56**	**—**	**—**	**56**	84	—	—	84
Minority holdings in property management undertakings	**228**	**28**	**(34)**	**222**	242	34	(30)	246
Other investments – long-term	**137**	**3**	**(26)**	**114**	101	—	(5)	96
Other investments – short-term	**1**	**—**	**—**	**1**	1	—	—	1
	220,469	**34,281**	**(30,664)**	**224,086**	225,769	49,609	(10,417)	264,961
These are further analysed as follows:								
At fair value through profit or loss	**220,469**	**34,281**	**(30,664)**	**224,086**	225,769	49,609	(10,417)	264,961
Available for sale	**—**	**—**	**—**	**—**	—	—	—	—
	220,469	**34,281**	**(30,664)**	**224,086**	225,769	49,609	(10,417)	264,961

All unrealised gains and losses and impairments on financial investments classified as fair value through profit or loss have been recognised in the income statement.

Unrealised gains and losses on all financial instruments classified as fair value through profit or loss, recognised in the income statement in the year, were a net loss of £48,683 million (2021: £4,381 million net gain). Of this net loss, £43,663 million net loss (2021: £6,862 million net gain) related to investments designated as other than trading and £5,020 million net loss (2021: £2,481 million net loss) related to financial investments designated as trading. The net loss is primarily driven by a significant increase in interest rates reducing the value of the fixed maturity securities.

The movement in the unrealised gain/loss position reported in the statement of financial position during the year, shown in the table above, includes foreign exchange movements on the translation of unrealised gains and losses on financial investments held by foreign subsidiaries, which are recognised in other comprehensive income, as well as transfers due to the realisation of gains and losses on disposal and the recognition of impairment losses.

(c) Financial investment arrangements

(i) Stock lending arrangements

The Group has entered into stock lending arrangements in the UK and overseas in accordance with established market conventions. The majority of the Group's stock lending transactions occur in the UK, where investments are lent to EEA-regulated, locally domiciled counterparties and governed by agreements written under English law.

The Group receives collateral in order to reduce the credit risk of these arrangements, either in the form of securities or cash. See note 60 for further information regarding collateral positions held by the Group.

(ii) Other arrangements

In carrying on its Bulk Purchase Annuity business, the Group's UK Life operation is required to place certain investments in trust on behalf of the policyholders. Amounts become payable from the trust funds to the trustees if the Group were to be in breach of its payment obligations in respect of policyholder benefits. At 31 December 2022, £1,778 million (2021: £2,425 million) of financial investments were restricted in this way.

Certain financial investments are also required to be deposited under local laws in various overseas countries as security for the holders of policies issued in those countries. Other investments are pledged as security collateral for bank letters of credit.

Notes to the consolidated financial statements continued

26 – Financial investments continued

(d) Non-UK government fixed maturity securities (gross of non-controlling interests)

The following is a summary of non-UK government debt by issuer as at 31 December 2022, analysed by policyholder, participating and shareholder funds.

	Policyholder		Participating		Shareholder		Total	
Non-UK government fixed maturity securities	2022 £m	2021 £m	2022 £m	2021 £m	2022 £m	2021 £m	2022 £m	2021 £m
Austria	**54**	29	**102**	61	**120**	128	**276**	218
Belgium	**79**	74	**149**	41	**261**	301	**489**	416
France	**343**	441	**175**	420	**395**	783	**913**	1,644
Germany	**536**	265	**330**	358	**326**	443	**1,192**	1,066
Ireland	**17**	17	**176**	241	**171**	141	**364**	399
Italy	**275**	277	**68**	72	**14**	14	**357**	363
Netherlands	**81**	83	**49**	65	**193**	327	**323**	475
Norway	**4**	—	**3**	4	**298**	392	**305**	396
European supranational debt	**830**	682	**218**	273	**1,467**	2,217	**2,515**	3,172
Other European countries	**534**	636	**513**	564	**312**	385	**1,359**	1,585
Europe	**2,753**	2,504	**1,783**	2,099	**3,557**	5,131	**8,093**	9,734
Canada	**180**	130	**40**	33	**3,666**	3,679	**3,886**	3,842
United States	**2,536**	1,810	**645**	433	**1,084**	1,484	**4,265**	3,727
North America	**2,716**	1,940	**685**	466	**4,750**	5,163	**8,151**	7,569
Chile	**68**	92	**24**	35	**229**	50	**321**	177
China	**343**	257	**140**	115	**7**	1	**490**	373
India	**91**	—	—	—	**688**	—	**779**	—
Indonesia	**230**	199	**82**	73	**5**	1	**317**	273
Japan	**951**	1,524	**404**	1,108	**275**	277	**1,630**	2,909
Mexico	**335**	161	**118**	56	**7**	1	**460**	218
South Africa	**247**	78	**88**	27	**5**	—	**340**	105
South Korea	**179**	50	**211**	373	**159**	99	**549**	522
Other supranational debt	—	—	**211**	310	**53**	151	**264**	461
Other	**1,349**	1,402	**598**	761	**697**	640	**2,644**	2,803
Asia Pacific and other	**3,793**	3,763	**1,876**	2,858	**2,125**	1,220	**7,794**	7,841
Total	**9,262**	8,207	**4,344**	5,423	**10,432**	11,514	**24,038**	25,144

Our direct shareholder asset exposure to government (non-UK) fixed maturity securities amounts to £10,432 million (2021: £11,514 million). The primary exposures, relative to total shareholder (non-UK) government debt exposure, are to Canadian (35%), US (10%), Indian (7%), French (4%) and German (3%) government fixed maturity securities.

27 – Receivables

This note analyses our total receivables.

	2022 £m	2021 £m
Amounts owed by contract holders	**2,217**	2,053
Amounts owed by intermediaries	**1,128**	982
Deposits with ceding undertakings	—	—
Amounts due from reinsurers	**518**	438
Amounts due from brokers for investment sales	**460**	149
Amounts receivable for collateral pledged	**266**	1,083
Amounts due from government, social security and taxes	**545**	430
Finance lease receivables	**143**	129
Other receivables	**766**	824
Total	**6,043**	6,088
Expected to be recovered in less than one year	**5,857**	5,945
Expected to be recovered in more than one year	**186**	143
	6,043	6,088

Exposure to significant concentrations of credit risk is limited due to the regulations applicable in most markets and the Group credit policy and limits framework, which limits investments in individual assets and asset classes.

Finance lease receivables consist of long income finance leases on property.

Notes to the consolidated financial statements continued

28 – Deferred acquisition costs

(a) Deferred acquisition costs – carrying amount

The carrying amount of deferred acquisition costs was as follows:

	2022 £m	2021 £m
Deferred acquisition costs in respect of:		
Insurance contracts – long-term business	**520**	710
Insurance contracts – general insurance and health business	**1,183**	1,078
Participating investment contracts – long-term business	**38**	41
Non-participating investment contracts – long-term business	**851**	892
Total	**2,592**	2,721

Deferred acquisition costs (DAC) on long-term business are generally recoverable in more than one year whereas such costs on general insurance and health business are generally recoverable within one year. Of the above total, £1,239 million (2021: £1,524 million) is expected to be recovered in more than one year after the statement of financial position date. For long-term business where amortisation of the DAC balance depends on projected profits, the amount expected to be recovered is estimated and actual experience will differ.

(b) Deferred acquisition costs – movements in the year

The movements in deferred acquisition costs during the year were:

	Long-term business				
2022	**Insurance contracts £m**	**Participating investment contracts £m**	**Non-participating investment contracts £m**	**General insurance and health business £m**	**Total £m**
Carrying amount at 1 January	**710**	**41**	**892**	**1,078**	**2,721**
Acquisition costs deferred during the year	**78**	**1**	**70**	**2,450**	**2,599**
Amortisation	**(231)**	**(6)**	**(103)**	**(2,369)**	**(2,709)**
Impact of assumption changes	**(43)**	**2**	**(16)**	**—**	**(57)**
Effect of portfolio transfers, acquisitions and disposals	**—**	**—**	**—**	**—**	**—**
Foreign exchange rate movements	**4**	**—**	**8**	**24**	**36**
Other movements	**2**	**—**	**—**	**—**	**2**
Carrying amount at 31 December	**520**	**38**	**851**	**1,183**	**2,592**

	Long-term business				
2021	Insurance contracts £m	Participating investment contracts £m	Non-participating investment contracts £m	General insurance and health business £m	Total £m
Carrying amount at 1 January	1,075	118	950	1,146	3,289
Acquisition costs deferred during the year	244	13	72	2,613	2,942
Amortisation	(224)	(3)	(87)	(2,514)	(2,828)
Impact of assumption changes	41	—	(1)	—	40
Effect of portfolio transfers, acquisitions and disposals[1]	(401)	(84)	(32)	(166)	(683)
Foreign exchange rate movements	(25)	(3)	(10)	(1)	(39)
Carrying amount at 31 December	710	41	892	1,078	2,721

1. The movement during 2021 includes the disposal of operations in France, Italy and Poland including a £341 million remeasurement loss recognised at 30 June 2021 on reclassification of Aviva France to held for sale (see note 2)

DAC for long-term business decreased overall over 2022 as increases from new business sales were more than offset by amortisation. DAC for general insurance and health business increased over 2022.

Where amortisation of the DAC balance depends on projected profits, changes to economic conditions may lead to a movement in the DAC balance and a corresponding impact on profit. It is estimated that the movement in the DAC balance would reduce profit by £41 million (2021: £69 million) if market yields on fixed income investments were to increase by 1% and increase profit by £48 million (2021: £68 million) if yields were to reduce by 1%.

At both 31 December 2022 and 31 December 2021 the DAC balance has been restricted by the value of projected future profits.

Notes to the consolidated financial statements continued

29 – Pension surpluses, other assets, prepayments and accrued income

(a) Pension surpluses and other assets – carrying amount

The carrying amount comprises:

	2022 £m	2021 £m
Surpluses in the staff pension schemes (note 50(a))	**1,192**	2,754
Other assets	**42**	15
Total	**1,234**	2,769

Surpluses in the staff pension schemes and £14 million (2021: £1 million) of other assets are recoverable more than one year after the statement of financial position date.

(b) Prepayments and accrued income

Prepayments and accrued income of £2,822 million (2021: £2,391 million) includes £nil (2021: £17 million) that is expected to be recovered more than one year after the statement of financial position date.

30 – Assets held to cover linked liabilities

The assets which back unit-linked liabilities are included within the relevant balances in the statement of financial position, while the liabilities are included within insurance and investment contract provisions. This note analyses the carrying values of assets backing these liabilities.

	2022 £m	2021 £m
Loans	**643**	1,777
Fixed maturity securities	**36,967**	42,407
Equity securities	**77,560**	85,186
Reinsurance assets	**5,254**	5,132
Cash and cash equivalents	**8,141**	5,474
Units trusts and other investment vehicles	**26,962**	28,521
Other	**5,316**	6,012
Total	**160,843**	174,509

The reinsurance assets balance in the table above includes £5,254 million (2021: £5,132 million) of non-participating investment contracts, which are legally reinsurance but do not meet the definition of a reinsurance contract under IFRS. These assets are financial instruments measured at fair value through profit and loss and are classified as Level 1 assets.

31 – Ordinary share capital

This note gives details of Aviva plc's ordinary share capital and shows the movements during the year.

(a) Share buyback

On 31 March 2022, Aviva completed the share buyback programme originally announced on 12 August 2021, and extended to an aggregate purchase of up to £1 billion on 16 December 2021. In total, 245,225,489 shares were purchased with a nominal value of £61 million and were subsequently cancelled, giving rise to an additional capital redemption reserve of an equivalent amount. The 245,225,489 shares were acquired at an average price of 408 pence per share. 79,587,629 shares were purchased during 2022, had a nominal value of £19 million, for total consideration of £336 million and were acquired at an average price of 423 pence per share. 165,237,860 ordinary shares were purchased and cancelled during 2021, had a nominal value of £42 million, for a total consideration of £663 million and were acquired at an average price of 401 pence per share.

(b) Return of capital to ordinary shareholders via B share scheme

On 2 March 2022, Aviva announced a proposed return of capital, including a £3,750 million B Share Scheme for the holders of ordinary shares. 3,687,322,000 B shares were issued for nil consideration with a nominal value of 101.69 pence per share on 16 May 2022, resulting in a total of £3,750 million being credited to the B share capital account. At the same time, the merger reserve was reduced by £3,750 million. On 17 May 2022, the B shares were redeemed at 101.69 pence per share, which resulted in a £3,750 million reduction in the B share capital account and a corresponding increase in the capital redemption reserve. Retained earnings reduced by £3,750 million on payment of the return of capital to ordinary shareholders.

Notes to the consolidated financial statements continued

31 – Ordinary share capital continued

(c) Details of the Company's ordinary share capital

On 16 May 2022, the Company's share capital was consolidated whereby 76 new ordinary shares of 32 17/19 pence were issued for each holding of 100 ordinary shares of 25 pence each. The number of ordinary shares in issue reduced by 884,957,280 from 3,687,322,000 to 2,802,364,720.

	2022 £m	2021 £m
The allotted, called up and fully paid share capital of the Company at 31 December 2022 was: 2,807,964,676 ordinary shares of 32 17/19 pence each (31 December 2021: 3,766,095,426 ordinary shares of 25 pence each)	**924**	941

At the General Meeting that took place on 9 May 2022, the Company was authorised to allot up to a further maximum nominal amount of:

- £614,553,667 of which £307,276,833 can be in connection with an offer by way of a rights issue
- £150,000,000 of new ordinary shares in relation to any issue of Solvency II compliant capital instruments

(d) Movement in issued share capital

	Number of shares			Share capital £m	Capital redemption reserve £m	Share premium £m
	25p each	32 17/19p each	B shares			
At 1 January	**3,766,095,426**	**—**	**—**	**941**	**86**	**1,248**
Shares issued under the Group's Employee and Executive Share Option Schemes	**1,214,203**	**5,599,956**	**—**	**2**	**—**	**15**
Shares cancelled through buyback	**(79,987,629)**	**—**	**—**	**(19)**	**19**	**—**
Shares issued under the B share scheme	**—**	**—**	**3,687,322,000**	**3,750**	**—**	**—**
Shares cancelled following B share scheme redemption	**—**	**—**	**(3,687,322,000)**	**(3,750)**	**3,750**	**—**
Share consolidation	**(3,687,322,000)**	**2,802,364,720**	**—**	**—**	**—**	**—**
At 31 December	**—**	**2,807,964,676**	**—**	**924**	**3,855**	**1,263**

	Number of shares 25p each	Share capital £m	Capital redemption reserve £m	Share premium £m
At 1 January	3,928,490,420	982	44	1,242
Shares issued under the Group's Employee and Executive Share Option Schemes	2,842,866	1	—	6
Shares cancelled through buyback	(165,237,860)	(42)	42	—
At 31 December	3,766,095,426	941	86	1,248

Ordinary shares in issue in the Company rank pari passu with any new ordinary shares issued in the Company. All the ordinary shares in issue carry the same right to receive all dividends and other distributions declared, made or paid by the Company.

(e) Subsequent events

On 8 March 2023, Aviva plc approved a share buyback of its ordinary shares for up to a maximum aggregate consideration of £300 million which is expected to commence on 10 March 2023.

The buyback will reduce IFRS net asset value and Solvency II own funds by £300 million.

32 – Group's share plans

This note describes various equity compensation plans operated by the Group, and shows how the Group values the options and awards of shares in the Company.

(a) Description of the plans

The Group maintains a number of active share option and award plans and schemes (the Group's share plans). These are as follows:

(i) Savings-related options

These are options granted under the tax-advantaged Save As You Earn (SAYE) share option scheme in the UK and prior to 2021 the Irish revenue-approved SAYE share option scheme in Ireland. From 2021 options in Ireland are granted under the Irish non-revenue approved SAYE share option scheme. The SAYE allows eligible employees to acquire options over the Company's shares at a discount of up to 20% of their market value at the date of grant.

Options are normally exercisable during the six month period following either the third or fifth anniversary of the start of the relevant savings contract. Savings contracts are subject to the statutory savings limits of £500 per month in the UK and €500 per month in Ireland. A limit of £250 per month was applied to contracts in the UK prior to 2016.

(ii) Aviva long-term incentive plan awards

These awards have been made under the Aviva Long-Term Incentive Plan (LTIP) and are described in the Directors' Remuneration Report (DRR).

Notes to the consolidated financial statements continued

32 – Group's share plans continued

(iii) Aviva annual bonus plan awards

These awards have been made under the Aviva Annual Bonus Plan (ABP) and are described in the DRR.

(iv) Aviva recruitment and retention share plan awards

These are conditional awards granted under the Aviva Recruitment and Retention Share Award plan (RRSAP) in relation to the recruitment or retention of senior managers excluding executive directors. The awards vest in tranches on various dates and vesting is conditional upon the participant being employed by the Group on the vesting date and not having served notice of resignation. Some awards can be subject to performance conditions. If a participant's employment is terminated due to resignation or dismissal, any tranche of the award which has vested within the 12 months prior to the termination date may be subject to clawback and any unvested tranches of the award will lapse in full.

(v) Aviva Investors deferred share award plan awards

These awards have been made under the Aviva Investors Deferred Share Award Plan (AI DSAP), where employees could choose to have the deferred element of their bonus deferred into awards over Aviva shares. The awards vest in three equal tranches on the first, second and third anniversaries of grant. No further awards are expected to be made under the AI DSAP.

(vi) Various all employee share plans

The Company maintains a number of active stock option and share award voluntary schemes:

- The global matching share plan
- Aviva Group employee share ownership scheme

No new Aviva plc ordinary shares will be issued to satisfy awards made under plans (iv) and (v).

(b) Outstanding options

The following table summarises information about options outstanding at 31 December and 2022 and 2021:

	2022			2021		
Range of exercise prices	Outstanding options Number	Weighted average remaining contractual life Years	Weighted average exercise price p	Outstanding options Number	Weighted average remaining contractual life Years	Weighted average exercise price p
£2.20 – £3.16	**32,596,283**	**2**	**227.63**	40,415,471	3	233.88
£3.17 – £3.67	**10,898,433**	**3**	**333.46**	5,743,442	4	331.53
£3.68 – £4.19	**470,831**	**1**	**393.31**	1,642,237	1	390.83

(c) Movements in the year

A summary of the status of the option and share plans as at 31 December 2022 and 2021, and changes during the years ended on those dates, is shown below.

	2022			2021		
	Number of options	Weighted average exercise price p	Number of awards	Number of options	Weighted average exercise price p	Number of awards
Outstanding at 1 January	**47,801,150**	**251.00**	**40,303,963**	50,137,784	251.31	45,946,328
Granted during the year	**6,369,795**	**336.00**	**18,158,925**	5,438,302	330.00	18,767,398
Exercised during the year	**(6,238,086)**	**298.73**	**(11,416,602)**	(1,888,154)	357.55	(13,192,824)
Forfeited during the year	**(2,801,326)**	**259.10**	**(7,015,305)**	(3,375,371)	252.12	(11,216,939)
Cancelled during the year	**(713,427)**	**238.30**	**—**	(564,984)	244.48	—
Expired during the year	**(452,559)**	**308.98**	**—**	(1,946,427)	372.26	—
Outstanding at 31 December	**43,965,547**	**255.64**	**40,030,981**	47,801,150	251.00	40,303,963
Exercisable at 31 December	**2,676,882**	**278.95**	**—**	1,383,467	376.17	—

The weighted average share price at the date of exercise for share options exercised during the year ended 31 December 2022 was £4.39 (2021: £4.00).

(d) Expense charged to the income statement

The total expense recognised for the year arising from equity compensation plans was as follows:

	2022 £m	2021 £m
Equity-settled expense	**58**	47
Total	**58**	47

(e) Fair value of options and awards granted after 7 November 2002

The weighted average fair values of options and awards granted during the year, estimated by using the Binomial option pricing model and Monte Carlo Simulation model, were £0.84 and £3.95 (2021: £0.80 and £3.57) respectively.

Notes to the consolidated financial statements continued

32 – Group's share plans continued

(i) Share options

The fair value of the options was estimated on the date of grant, based on the following weighted average assumptions:

Weighted average assumption	2022	2021
Share price	**388p**	404p
Exercise price	**336p**	330p
Expected volatility	**31.76%**	30.52%
Expected life	**4.08 years**	3.70 years
Expected dividend yield	**6.44%**	5.28%
Risk-free interest rate	**4.23%**	0.54%

The expected volatility used was based on the historical volatility of the share price over a period equivalent to the expected life of the option prior to its date of grant. The risk-free interest rate was based on the yields available on UK government bonds as at the date of grant. The bonds chosen were those with a similar remaining term to the expected life of the options. 6,238,086 options granted after 7 November 2002 were exercised during the year (2021: 1,888,154).

(ii) Share awards

The fair value of the awards was estimated on the date of grant based on the following weighted average assumptions:

Weighted average assumption	2022	2021
Share price	**404p**	386p
Expected volatility[1]	**33%**	34%
Expected volatility of comparator companies' share price[1]	**35%**	34%
Correlation between Aviva and comparator competitors' share price[1]	**51%**	63%
Expected life[1]	**3.00 years**	3.00 years
Expected dividend yield	**0.00%**	0.00%
Risk-free interest rate[1]	**1.49%**	0.13%

1. For awards with market-based performance conditions only

The expected volatility used was based on the historical volatility of the share price over a period equivalent to the expected life of the share award prior to its date of grant. The risk-free interest rate was based on the yields available on UK government bonds as at the date of grant. The bonds chosen were those with a similar remaining term to the expected life of the share awards.

33 – Treasury shares

The following table summarises information about treasury shares at 31 December 2022:

	2022		2021	
	Number	£m	Number	£m
Shares held by employee trusts	**19,986,626**	**85**	12,363,684	51
	19,986,626	**85**	12,363,684	51

(a) Shares held by employee trusts

Prior to 2021, we primarily issued new shares, except where it is necessary to use shares held by an employee share trust, to satisfy any awards granted under the Group's share plans. From 2021, we satisfied awards primarily through shares purchased in the market and held by employee share trusts. This note gives details of the shares held in these trusts. Movements in the carrying value of shares held by employee trusts comprise:

	2022		2021	
	Number	£m	Number	£m
Cost debited to shareholders' funds				
At 1 January	**12,363,684**	**51**	1,737,038	6
Acquired in the year	**23,539,378**	**101**	17,164,538	69
Distributed in the year	**(9,850,409)**	**(41)**	(6,537,892)	(24)
Share consolidation	**(6,066,027)**	**(26)**	—	—
Balance at 31 December	**19,986,626**	**85**	12,363,684	51

The shares are owned by employee share trusts with an undertaking to satisfy awards of shares in the Company under the Company's share plans and schemes. Details of the features of the plans can be found in the DRR and in note 32.

These shares were purchased in the market. At 31 December 2022, they had an aggregate nominal value of £6,575,548 (2021: £3,090,921) and a market value of £88,500,780 (2021: £50,740,559). The trustees have waived their rights to dividends on the shares held in the trusts.

Notes to the consolidated financial statements continued

34 – Preference share capital

This note gives details of Aviva plc's preference share capital.

The preference share capital of the Company at 31 December was:

	2022 £m	2021 £m
Issued and paid up		
100,000,000 8.375% cumulative irredeemable preference shares of £1 each	**100**	100
100,000,000 8.75% cumulative irredeemable preference shares of £1 each	**100**	100
	200	200

The issued preference shares are non-voting except where their dividends are in arrears, where their rights are altered or on a winding up or capital reduction of the Company.

On a winding up, they carry a preferential right of return of capital ahead of the ordinary shares. Holders are entitled to receive dividends out of the profits available for distribution and resolved to be distributed in priority to the payment of dividends to holders of ordinary shares. The Company does not have a contractual obligation to deliver cash or other financial assets to the preference shareholders and therefore the directors may make dividend payments at their discretion.

At the end of 2022, the fair value of Aviva plc's preference share capital was £247 million (2021: £304.5 million).

35 – Tier 1 notes

On 15 June 2022, the Group issued £500 million of 6.875% fixed rate reset perpetual Restricted Tier 1 contingent convertible notes (the RT1 notes) (2021: £nil).

The RT1 notes are callable at par between 15 December 2031 and 15 June 2032 (the First Reset Date) inclusive and thereafter every five years after the First Reset Date. If not called, the coupon from 15 June 2032 will be reset to the prevailing five year benchmark gilt yield plus 4.649%. The notes have no fixed maturity date. Optional cancellation of coupon payments is at the discretion of the Group and mandatory cancellation is upon the occurrence of certain conditions. The RT1 notes are therefore treated as equity and the coupon payment is recognised directly in equity. During the year coupon payments of £17 million were made (2021: £nil). On the occurrence of certain conversion trigger events the notes are convertible into ordinary shares of the Group.

36 – Merger reserve

This note analyses the movement in the merger reserve during the year.

	2022 £m	2021 £m
At 1 January	**8,974**	8,974
Issue of B share capital	**(3,750)**	—
At 31 December	**5,224**	8,974

Prior to 1 January 2004, certain significant business combinations were accounted for using the 'pooling of interests method' (or merger accounting), which treats the merged groups as if they had been combined throughout the current and comparative accounting periods.

Merger accounting principles for these combinations gave rise to a merger reserve in the consolidated statement of financial position, being the difference between the nominal value of new shares issued by the Parent Company for the acquisition of the shares of the subsidiary and the subsidiary's own share capital and share premium account.

The merger reserve is also used where more than 90% of the shares in a subsidiary are acquired and the consideration includes the issue of new shares by the Company, thereby attracting merger relief under the Companies Act 1985 and, from 1 October 2009, the Companies Act 2006.

On 16 May 2022 the Company issued 3,687,322,000 B shares reducing the Company's merger reserve by £3,750 million (see note 31(b)).

Notes to the consolidated financial statements continued

37 – Currency translation and other reserves

This note gives details of the currency translation and other reserves forming part of the Group's consolidated equity and shows the movements during the year net of non-controlling interests:

		Other reserves				
	Currency translation reserve (see accounting policy E) £m	Owner occupied properties reserve (see accounting policy P) £m	Investment valuation reserve (see accounting policy T) £m	Hedging instruments reserve (see accounting policy U) £m	Equity compensation reserve (see accounting policy AB) £m	Total £m
Balance at 1 January 2021	862	31	108	(457)	106	(212)
Arising in the year through other comprehensive income:						
Fair value losses	—	—	(62)	—	—	(62)
Fair value gains transferred to profit on disposals	—	—	(16)	—	—	(16)
Share of other comprehensive income of joint ventures and associates	—	—	5	—	—	5
Foreign exchange rate movements	(222)	—	—	39	—	39
Aggregate tax effect – shareholders' tax	1	—	19	(8)	—	11
Total other comprehensive (loss)/income for the year	(221)	—	(54)	31	—	(23)
Fair value gains transferred to retained earnings on disposals	—	(9)	—	—	—	(9)
Transfer to profit on disposal of subsidiaries, joint ventures and associates[1]	(327)	—	(19)	202	—	183
Reserves credit for equity compensation plans	—	—	—	—	24	24
Shares issued under equity compensation plans	—	—	—	—	(29)	(29)
Balance at 31 December 2021	**314**	**22**	**35**	**(224)**	**101**	**(66)**
Arising in the year through other comprehensive income:						
Fair value losses	—	—	—	—	—	—
Fair value gains transferred to profit on disposals	—	—	—	—	—	—
Share of other comprehensive income of joint ventures and associates	—	—	(38)	—	—	(38)
Foreign exchange rate movements	200	—	—	(47)	—	(47)
Aggregate tax effect – shareholders' tax	(3)	—	—	9	—	9
Total other comprehensive income/(loss) for the year	**197**	**—**	**(38)**	**(38)**	**—**	**(76)**
Fair value gains transferred to retained earnings on disposals	—	—	—	—	—	—
Transfer to profit on disposal of subsidiaries, joint ventures and associates	—	—	—	—	—	—
Reserves credit for equity compensation plans	—	—	—	—	58	58
Shares issued under equity compensation plans	—	—	—	—	(46)	(46)
Balance at 31 December 2022	**511**	**22**	**(3)**	**(262)**	**113**	**(130)**

1. In 2021, the transfer to profit on disposal of subsidiaries, joint ventures and associates relates to the recycling of reserves to the income statement on disposal of discontinued operations (see note 2(b))

Foreign exchange rate movements recorded in the consolidated statement of comprehensive income of £145 million for continuing operations (2021: £(34) million) and nil (2021: £(182) million) for discontinued operations (see note 2(c)) relate to foreign exchange rate movements on the currency translation reserve of £200 million (2021: £(222) million), the hedging instrument reserve of £(47) million (2021: £39 million) and non-controlling interests (see note 39) of £(8) million (2021: £(33) million).

Notes to the consolidated financial statements continued

38 – Retained earnings

This note analyses the movements in the consolidated retained earnings during the year.

	2022 £m	2021 £m
Balance at 1 January	**7,556**	7,468
(Loss)/profit for the year attributable to equity shareholders	**(1,160)**	1,966
Remeasurements of pension schemes (note 50)	**(1,542)**	59
Dividends and appropriations (note 14)	**(862)**	(1,127)
Shares purchased in buyback (note 31(a))	**(336)**	(663)
Return of capital to ordinary shareholders via B share scheme (note 31(b))	**(3,750)**	—
Net shares issued under equity compensation plans	**9**	3
Fair value gains realised from other reserves (note 37)	**—**	9
Aggregate tax effect	**412**	(159)
Balance at 31 December	**327**	7,556

Retained earnings of Aviva plc, the Company, are £5,248 million at 31 December 2022 (see note H of the Company financial statements).

The Group's regulated subsidiaries are required to hold sufficient capital to meet acceptable solvency levels based on applicable local regulations. Their ability to transfer retained earnings to the UK parent companies is therefore restricted to the extent these earnings form part of local regulatory capital.

39 – Non-controlling interests

This note gives details of the Group's non-controlling interests and shows the movements during the year.

Non-controlling interests at 31 December comprised:

	2022 £m	2021 £m
Equity shares in subsidiaries	**60**	—
Share of earnings	**—**	2
Share of other reserves	**—**	—
	60	2
Preference shares in General Accident plc	**250**	250
	310	252

Movements in the year comprised:

	2022 £m	2021 £m
Balance at 1 January	**252**	1,006
Profit for the year attributable to non-controlling interests	**21**	70
Foreign exchange rate movements	**(8)**	(33)
Total comprehensive income attributable to non-controlling interests	**13**	37
Non-controlling interests share of dividends declared in the year	**(21)**	(60)
Non-controlling interests in acquired subsidiaries[1]	**66**	—
Disposals of non-controlling interests in subsidiaries[2]	**—**	(722)
Changes in non-controlling interests in subsidiaries	**—**	(9)
Balance at 31 December	**310**	252

1. On 28 September 2022, Aviva acquired an additional 25% or the ordinary shares of Aviva Life Insurance Company India Limited giving Aviva a controlling interest in the entity (see note 2(a))
2. In 2021, the disposals of non-controlling interests included £(717) million related to discontinued operations (see note 2(b))

The Group has no subsidiaries whose non-controlling interest is material on the basis of their share of profit or loss.

40 – Contract liabilities and associated reinsurance

The Group's liabilities for insurance and investment contracts it has sold, and the associated reinsurance, is covered in the following notes:

- Note 41 covers insurance liabilities;
- Note 42 covers the methodology and assumptions used in calculating the insurance liabilities;
- Note 43 covers liabilities for investment contracts;
- Note 44 details the financial guarantees and options on certain contracts;
- Note 45 details the associated reinsurance assets on these liabilities; and
- Note 46 shows the effects of changes in the assumptions on the liabilities.

Notes to the consolidated financial statements continued

40 – Contract liabilities and associated reinsurance continued

(a) Carrying amount

The following is a summary of the contract liabilities and related reinsurance assets as at 31 December.

	2022			2021		
	Gross provisions £m	Reinsurance assets £m	Net £m	Gross provisions £m	Reinsurance assets £m	Net £m
Long-term business						
Insurance liabilities	**(81,898)**	**5,662**	**(76,236)**	(105,783)	7,887	(97,896)
Liabilities for participating investment contracts	**(18,009)**	**—**	**(18,009)**	(21,337)	—	(21,337)
Liabilities for non-participating investment contracts	**(140,990)**	**5,254**	**(135,736)**	(151,115)	5,132	(145,983)
	(240,897)	**10,916**	**(229,981)**	(278,235)	13,019	(265,216)
Outstanding claims provisions	**(1,405)**	**68**	**(1,337)**	(1,288)	61	(1,227)
	(242,302)	**10,984**	**(231,318)**	(279,523)	13,080	(266,443)
General insurance and health						
Outstanding claims provisions	**(8,112)**	**964**	**(7,148)**	(7,304)	637	(6,667)
Provisions for claims incurred but not reported	**(3,077)**	**763**	**(2,314)**	(3,156)	999	(2,157)
	(11,189)	**1,727**	**(9,462)**	(10,460)	1,636	(8,824)
Provision for unearned premiums	**(5,193)**	**345**	**(4,848)**	(4,718)	316	(4,402)
Provision arising from liability adequacy tests	**—**	**—**	**—**	(1)	—	(1)
	(16,382)	**2,072**	**(14,310)**	(15,179)	1,952	(13,227)
Total	**(258,684)**	**13,056**	**(245,628)**	(294,702)	15,032	(279,670)

(b) Change in contract liabilities, net of reinsurance, recognised as an expense

The purpose of the following table is to reconcile the change in insurance liabilities, net of reinsurance, shown on the consolidated income statement, to the change in insurance liabilities recognised as an expense in the relevant movement tables in the following notes. The components of the reconciliation are the change in provision for outstanding claims on long-term business (which is not included in a separate movement table), and the unwind of discounting on general insurance reserves (which is included within finance costs in the income statement). For general insurance and health, the change in the provision for unearned premiums is not included in the reconciliation as, within the income statement, this is included within earned premiums.

2022	Gross £m	Reinsurance £m	Net £m
Long-term business			
Change in insurance liabilities (note 41(b)(iii))	**(25,175)**	**2,316**	**(22,859)**
Change in provision for outstanding claims	**108**	**(3)**	**105**
	(25,067)	**2,313**	**(22,754)**
General insurance and health			
Change in insurance liabilities (note 41(c)(iv) and 45(c)(ii))	**482**	**(66)**	**416**
Change in provision arising from liability adequacy tests	**(2)**	**—**	**(2)**
Less: Unwind of discount	**(7)**	**5**	**(2)**
	473	**(61)**	**412**
Total change in insurance liabilities from continued operations (note 5)	**(24,594)**	**2,252**	**(22,342)**

2021	Gross £m	Reinsurance £m	Net £m
Long-term business			
Change in insurance liabilities (note 41(b)(iii))	2,521	(951)	1,570
Change in provision for outstanding claims	(291)	1	(290)
	2,230	(950)	1,280
General insurance and health			
Change in insurance liabilities (note 41(c)(iv) and 45(c)(ii))	641	114	755
Change in provision arising from liability adequacy tests	(1)	—	(1)
Less: Unwind of discount	(2)	1	(1)
	638	115	753
Total change in insurance liabilities	2,868	(835)	2,033
Less: Change in insurance liabilities from discontinued operations	(3,736)	4	(3,732)
Total change in insurance liabilities from continued operations (note 5)	(868)	(831)	(1,699)

For non-participating investment contracts, deposits collected and amounts withdrawn are not shown on the income statement, but are accounted for directly through the statement of financial position as an adjustment to the gross liabilities for investment contracts. The associated change in investment contract provisions shown on the income statement consists of the attributed investment return. For participating investment contracts, the change in investment contract provisions on the income statement primarily consists of the movement in participating investment contract liabilities (net of reinsurance) over the reporting period.

Notes to the consolidated financial statements continued

41 – Insurance liabilities

This note analyses the Group's gross insurance contract liabilities for the long-term and general insurance and health business, describes how the Group calculates these liabilities and presents the movement in these liabilities during the year.

(a) Carrying amount

Insurance liabilities (gross of reinsurance) at 31 December comprised:

	2022 £m	2021 £m
Long-term business		
Participating insurance liabilities	**16,543**	21,570
Unit-linked non-participating insurance liabilities	**7,813**	8,703
Other non-participating insurance liabilities	**57,542**	75,510
	81,898	105,783
Outstanding claims provisions	**1,405**	1,288
	83,303	107,071
General insurance and health		
Outstanding claims provisions	**8,112**	7,304
Provision for claims incurred but not reported	**3,077**	3,156
	11,189	10,460
Provision for unearned premiums	**5,193**	4,718
Provision arising from liability adequacy tests	**—**	1
	16,382	15,179
Total	**99,685**	122,250

(b) Long-term business liabilities

(i) Business description

The Group underwrites long-term business primarily in the UK and Ireland. This is mainly written in the 'Non-Profit' funds and in a number of 'With-Profits' sub-funds. In the 'Non-Profit' funds shareholders are entitled to 100% of the distributed profits. In the 'With-Profits' sub-funds the with-profits policyholders are entitled to between 40% and 100% of distributed profits, depending on the fund rules. There is also the Reattributed Inherited Estate External Support Account (RIEESA) in the UK, which does not itself underwrite any business, but provides capital support to one of the 'With-Profits' sub-funds and receives any surplus or deficit emerging from it. In the RIEESA, shareholders are entitled to 100% of the distributed profits, but these can only be distributed in line with the criteria set by the Reattribution Scheme.

(ii) Group practice

The long-term business liabilities are calculated separately for each of the Group's life operations. The provisions for overseas subsidiaries have generally been included on the basis of local regulatory requirements, modified where necessary to reflect the requirements of the Companies Act 2006.

Material judgement is required in calculating the liabilities and is exercised particularly through the choice of assumptions where discretion is permitted. In turn, the assumptions used depend on the circumstances prevailing in each of the life operations. Provisions are most sensitive to assumptions regarding discount rates, mortality and morbidity rates. Where discount rate assumptions are based on current market yields on fixed interest securities, allowance is made for default risk implicit in the yields on the underlying assets.

Bonuses paid during the year are reflected in claims paid, whereas those allocated as part of the bonus declaration are included in the movements in the long-term business liabilities.

A description of the main methodology and most material valuation assumptions has been provided (see note 42).

Notes to the consolidated financial statements continued

41 – Insurance liabilities continued

(iii) Movements in long-term business liabilities

The following movements have occurred in the gross long-term business liabilities during the year:

	2022 £m	2021 £m
Carrying amount at 1 January	**105,783**	135,409
Liabilities in respect of new business	**4,797**	10,420
Expected change in existing business	**(5,488)**	(6,884)
Variance between actual and expected experience	**(2,096)**	2,209
Impact of operating assumption changes	**(1,307)**	(898)
Impact of economic assumption changes	**(21,125)**	(2,427)
Other movements recognised as an expense[1]	**44**	101
Change in liability recognised as an expense (note 40(b))	**(25,175)**	2,521
Effect of portfolio transfers, acquisitions and disposals[2]	**1,236**	(30,570)
Foreign exchange rate movements	**31**	(1,565)
Other movements[3]	**23**	(12)
Carrying amount at 31 December	**81,898**	105,783

1. Other movements recognised as an expense in 2022 and 2021 relate primarily to provisions for bonus distribution to with-profits policyholders and legacy unclaimed assets
2. The movement in 2022 relates to the acquisition of an additional 25% of the ordinary shares of Aviva Life Insurance Company India Limited giving Aviva a controlling interest in the entity (see note 2(a)). The movement in 2021 relates to the disposal of the France, Italy, Poland and Vietnam businesses.
3. The movement in 2022 primarily relates to a reallocation between non-par investment contracts and insurance contracts for UK Life

For many types of long-term business, including unit-linked and participating insurance liabilities, movements in asset values are offset by corresponding changes in liabilities, limiting the net impact on profit. The gross long-term business liabilities decreased by £23.9 billion during 2022 (2021: £29.6 billion decrease) due to:

- Expected change on existing business of £(5.5) billion, largely offset by £4.8 billion increase due to new business which is primarily due to bulk purchase annuities sales in the UK;
- Variance between actual and expected experience of £(2.1) billion, which was mainly due to lower than expected equity returns for the UK and material increases in yields in the UK;
- Impact of operating assumption changes of £(1.3) billion, mainly due to longevity assumptions applying to annuity business in the UK; and
- Economic assumption changes of £(21.1) billion, which reflects an increase in valuation interest rates in response to increasing interest rates and widening of credit spreads primarily in respect of annuity contracts.

For participating insurance liabilities, a movement in liabilities is generally offset by a corresponding adjustment to the unallocated divisible surplus and does not impact profit. Where assumption changes impact profit, these are included in the effect of changes in assumptions and estimates during the year (see note 46), together with the impact of movements in related non-financial assets.

(c) General insurance and health liabilities

(i) Business description

The Group underwrites:

- General insurance and health business in the UK and Ireland, providing individual and corporate customers with a wide range of insurance products;
- General insurance business in Canada, providing a range of personal and commercial lines products.

(ii) Group practice

Delays occur in the notification and settlement of claims and a substantial measure of experience and judgement is involved in assessing outstanding liabilities, the ultimate cost of which cannot be known with certainty at the statement of financial position date. The liabilities for general insurance and health business are based on information currently available. However, it is inherent in the nature of the business written that the ultimate liabilities may vary as a result of subsequent developments.

Provisions for outstanding claims are established to cover the outstanding expected ultimate liability for losses and loss adjustment expenses (LAE) in respect of all claims that have already occurred. The provisions established cover reported claims and associated LAE, as well as claims incurred but not yet reported and associated LAE.

The Group only establishes reserves for losses that have already occurred. When calculating reserves, the Group takes into account estimated future recoveries from salvage and subrogation. A separate asset is recorded for expected future recoveries from reinsurers after considering their collectability.

Notes to the consolidated financial statements continued

41 – Insurance liabilities continued

(iii) Provisions for Outstanding Claims

The table below shows the total general insurance and health liabilities split by outstanding claim provisions and provision for claims incurred but not reported (IBNR provisions), gross of reinsurance, by major line of business.

	As at 31 December 2022			As at 31 December 2021		
	Outstanding claim provisions £m	**IBNR provisions £m**	**Total claim provisions £m**	Outstanding claim provisions £m	IBNR provisions £m	Total claim provisions £m
Motor	**4,514**	**544**	**5,058**	4,012	1,232	5,244
Property	**1,458**	**773**	**2,231**	1,336	336	1,672
Liability	**1,889**	**1,571**	**3,460**	1,756	1,434	3,190
Creditor	**2**	**3**	**5**	2	3	5
Other	**249**	**186**	**435**	198	151	349
	8,112	**3,077**	**11,189**	7,304	3,156	10,460

The gross outstanding claims provision before discounting was £11,878 million (2021: £10,711 million). Details of the range of discount rates used along with other material assumptions are available (see note 42(b)).

(iv) Movements in general insurance and health claims liabilities

The following changes have occurred in the general insurance and health claims liabilities during the year:

	2022 £m	2021 £m
Carrying amount at 1 January	**10,460**	12,384
Impact of changes in assumptions	**(353)**	39
Claim losses and expenses incurred in the current year	**6,253**	6,333
Increase/(decrease) in estimated claim losses and expenses incurred in prior periods	**5**	(41)
Incurred claims losses and expenses	**5,905**	6,331
Less:		
Payments made on claims incurred in the current year	**(2,945)**	(3,029)
Payments made on claims incurred in prior periods	**(2,854)**	(2,980)
Recoveries on claim payments	**369**	317
Claims payments made in the period, net of recoveries	**(5,430)**	(5,692)
Unwind of discounting	**7**	2
Changes in claims reserve recognised as an expense (note 40(b))	**482**	641
Effect of portfolio transfers, acquisitions and disposals[1]	**—**	(2,476)
Foreign exchange rate movements	**247**	(89)
Carrying amount at 31 December	**11,189**	10,460

1. The movement in 2021 relates to disposal of the France, Italy and Poland businesses and includes the termination of reinsurance accepted from the former France general insurance entity

(v) Movements in general insurance and health unearned premiums

The following changes have occurred in the liabilities for unearned premiums (UPR) during the year:

	2022 £m	2021 £m
Carrying amount at 1 January	**4,718**	5,210
Premiums written during the year	**10,328**	11,044
Less: Premiums earned during the year	**(9,944)**	(10,661)
Changes in UPR recognised as an expense	**384**	383
Gross portfolio transfers and acquisitions[1]	**—**	(861)
Foreign exchange rate movements	**91**	(14)
Carrying amount at 31 December	**5,193**	4,718

1. The movement in 2021 relates to disposals of the France, Italy and Poland businesses and includes the termination of reinsurance accepted from the former France general insurance entity

Notes to the consolidated financial statements continued

41 – Insurance liabilities continued

(vi) Analysis of general insurance and health claims development

The tables that follow present the development of claims payments and the estimated ultimate cost of claims for the accident years 2013 to 2022. The upper half of the tables shows the cumulative amounts paid during successive years related to each accident year, while the lower section of the tables shows the original estimated ultimate cost of claims and how these original estimates have increased or decreased, as more information becomes known about the individual claims and overall claim frequency and severity.

Key elements of the development of prior accident year general insurance and health net provisions during 2022 were:

- £64 million strengthening from the UK due to adverse experience and additional provisioning in property and higher inflation. These were partially offset by motor releases.
- £32 million release from Ireland due to motor releases and favourable liability experience.
- £85 million release from Canada primarily due to favourable experience in both personal and commercial motor; partially offset by strengthening of commercial liability reserves.

Key elements of the development of prior accident year general insurance and health net provisions during 2021 were:

- £51 million release from the UK and Ireland primarily due to releases across motor due to favourable large claims experience partially offset by adverse experience with commercial liability and personal property;
- £52 million release from Canada primarily due to favourable experience in commercial property and commercial motor, partially offset by commercial liability strengthening from large loss development and adverse latent claims; and
- £54 million strengthening from discontinued markets mainly from adverse claims development in France.

Gross of reinsurance

Before the effect of reinsurance, the loss development table is:

Accident year	All prior years £m	2013 £m	2014 £m	2015 £m	2016 £m	2017 £m	2018 £m	2019 £m	2020 £m	2021 £m	2022 £m	Total £m
Gross cumulative claim payments												
At end of accident year		(3,068)	(3,102)	(2,991)	(3,534)	(3,517)	(3,769)	(3,617)	(3,240)	(3,350)	(2,759)	
One year later		(4,476)	(4,295)	(4,285)	(4,972)	(4,952)	(5,239)	(4,986)	(4,968)	(4,449)		
Two years later		(4,916)	(4,681)	(4,710)	(5,435)	(5,388)	(5,681)	(5,646)	(5,327)			
Three years later		(5,221)	(4,974)	(4,997)	(5,781)	(5,699)	(6,240)	(5,946)				
Four years later		(5,467)	(5,244)	(5,198)	(6,020)	(6,150)	(6,551)					
Five years later		(5,645)	(5,406)	(5,364)	(6,375)	(6,318)						
Six years later		(5,739)	(5,507)	(5,570)	(6,512)							
Seven years later		(5,785)	(5,630)	(5,626)								
Eight years later		(5,881)	(5,653)									
Nine years later		(5,897)										
Estimate of gross ultimate claims												
At end of accident year		6,122	5,896	5,851	6,947	6,894	7,185	6,979	6,896	6,310	6,228	
One year later		6,039	5,833	5,930	6,931	6,796	7,175	6,935	6,925	6,324		
Two years later		6,029	5,865	5,912	6,864	6,756	7,220	6,956	6,897			
Three years later		6,067	5,842	5,814	6,817	6,751	7,250	6,915				
Four years later		6,034	5,772	5,785	6,836	6,741	7,215					
Five years later		5,996	5,756	5,760	6,821	6,707						
Six years later		5,956	5,735	5,759	6,821							
Seven years later		5,950	5,732	5,761								
Eight years later		5,949	5,732									
Nine years later		5,955										
Estimate of gross ultimate claims		5,955	5,732	5,761	6,821	6,707	7,215	6,915	6,897	6,324	6,228	
Cumulative payments		(5,897)	(5,653)	(5,626)	(6,512)	(6,318)	(6,551)	(5,946)	(5,327)	(4,449)	(2,759)	
	2,164	58	79	135	309	389	664	969	1,570	1,875	3,469	**11,681**
Effect of discounting	(687)	(2)	—	—	—	—	—	—	—	—	—	**(689)**
Present value	1,477	56	79	135	309	389	664	969	1,570	1,875	3,469	**10,992**
Cumulative effect of foreign exchange movements	—	3	6	25	3	6	19	24	35	37	—	**158**
Effect of acquisitions	3	4	6	15	11	—	—	—	—	—	—	**39**
Present value recognised in the statement of financial position	**1,480**	**63**	**91**	**175**	**323**	**395**	**683**	**993**	**1,605**	**1,912**	**3,469**	**11,189**

Notes to the consolidated financial statements continued

41 – Insurance liabilities continued

Net of reinsurance

After the effect of reinsurance, the loss development table is:

Accident year	All prior years £m	2013 £m	2014 £m	2015 £m	2016 £m	2017 £m	2018 £m	2019 £m	2020 £m	2021 £m	2022 £m	Total £m
Net cumulative claim payments												
At end of accident year		(2,905)	(2,972)	(2,867)	(3,309)	(3,483)	(3,718)	(3,565)	(3,090)	(3,308)	(2,726)	
One year later		(4,240)	(4,079)	(4,061)	(4,591)	(4,843)	(5,117)	(4,873)	(4,673)	(4,336)		
Two years later		(4,649)	(4,432)	(4,452)	(5,012)	(5,255)	(5,514)	(5,506)	(5,002)			
Three years later		(4,918)	(4,720)	(4,725)	(5,329)	(5,560)	(6,044)	(5,799)				
Four years later		(5,159)	(4,973)	(4,919)	(5,564)	(5,980)	(6,347)					
Five years later		(5,324)	(5,132)	(5,085)	(5,900)	(6,144)						
Six years later		(5,417)	(5,222)	(5,268)	(6,034)							
Seven years later		(5,459)	(5,343)	(5,297)								
Eight years later		(5,553)	(5,368)									
Nine years later		(5,572)										
Estimate of net ultimate claims												
At end of accident year		5,838	5,613	5,548	6,489	6,714	6,997	6,774	6,378	6,119	5,950	
One year later		5,745	5,575	5,635	6,458	6,591	6,944	6,729	6,321	5,991		
Two years later		5,752	5,591	5,608	6,377	6,569	6,983	6,764	6,298			
Three years later		5,733	5,559	5,517	6,334	6,560	7,018	6,722				
Four years later		5,689	5,490	5,495	6,335	6,552	6,995					
Five years later		5,653	5,472	5,469	6,323	6,522						
Six years later		5,612	5,449	5,456	6,322							
Seven years later		5,612	5,440	5,427								
Eight years later		5,611	5,446									
Nine years later		5,616										
Estimate of net ultimate claims		5,616	5,446	5,427	6,322	6,522	6,995	6,722	6,298	5,991	5,950	
Cumulative payments		(5,572)	(5,368)	(5,297)	(6,034)	(6,144)	(6,347)	(5,799)	(5,002)	(4,336)	(2,726)	
	943	44	78	130	288	378	648	923	1,296	1,655	3,224	**9,607**
Effect of discounting	(343)	5	—	—	—	—	—	—	—	—	—	**(338)**
Present value	600	49	78	130	288	378	648	923	1,296	1,655	3,224	**9,269**
Cumulative effect of foreign exchange movements	—	3	7	24	3	7	18	23	32	35	—	**152**
Effect of acquisitions	5	4	6	15	11	—	—	—	—	—	—	**41**
Present value recognised in the statement of financial position	**605**	**56**	**91**	**169**	**302**	**385**	**666**	**946**	**1,328**	**1,690**	**3,224**	**9,462**

In the loss development tables shown above, the cumulative claim payments and estimates of cumulative claims for each accident year are translated into sterling at the exchange rates that applied at the end of that accident year. The impact of using varying exchange rates is shown at the bottom of each table. Disposals are dealt with by treating all outstanding and IBNR claims of the disposed entity as 'paid' at the date of disposal.

The loss development tables above include information on asbestos and environmental pollution claims provisions from business written more than 10 years ago. The undiscounted claim provisions, net of reinsurance, in respect of this business at 31 December 2022 were £86 million (2021: £87 million). The movement in asbestos and environmental pollution liabilities in the year reflects an increase of £2 million due to adverse large claims experience and claims development offset by claims payments net of reinsurance recoveries.

Notes to the consolidated financial statements continued

42 – Insurance liabilities methodology and assumptions

(a) Long-term business

i) UK

The main method used for the actuarial valuation of long-term insurance liabilities is the gross premium method which involves the discounting of projected future cash flows. The cash flows are calculated using the contractual premiums payable together with explicit assumptions for investment returns, discount rates, inflation, mortality, morbidity, persistency and future expenses. These assumptions can vary by contract type and reflect current and expected future experience with an allowance for prudence.

Non-profit business

The valuation of non-profit business is based on grandfathered regulatory requirements under IFRS 4 prior to the adoption of Solvency II, adjusted to remove certain regulatory reserves and margins in assumptions, notably for annuity business. Conventional non-profit contracts, including those written in the with-profits funds, are valued using the gross premium method.

For unit-linked and some unitised with-profits business, the provisions are valued by adding a prospective non-unit reserve to the bid value of units. The prospective non-unit reserve is calculated by projecting the future non-unit cash flows using prudent assumptions and on the assumption that future premiums cease, unless it is more onerous to assume that they continue.

Discount rates

Valuation discount rate assumptions are set with regard to yields on the supporting assets and the general level of long-term interest rates as measured by gilt yields. An explicit allowance for risk is included by making a deduction from the yields on corporate bonds, mortgages and deposits, based on historical default experience of each asset class. For equity release assets, the risk allowances are consistent with those used in the fair value asset methodology (see note 22). A further margin for risk is then deducted for all asset classes.

Valuation discount rates for business in the non-profit funds are as follows:

Valuation discount rates (Gross of investment expenses)	2022	2021
Assurances		
Life conventional non-profit	**3.5%**	1.1%
Pensions conventional non-profit	**3.5%**	1.1%
Annuities		
Conventional immediate and deferred annuities	**3.5% to 5%**	1.1% to 2%
Non-unit reserves on unit-linked business		
Life	**2.8%**	0.9%
Pensions	**3.5%**	1.1%
Income Protection		
Active lives	**3.5%**	1.1%
Claims in payment (level and index linked)	**3.5%**	1.1%

The valuation discount rates are after a reduction for risk, but before allowance for investment expenses. For conventional immediate annuity business, the allowance for risk comprises long-term assumptions on a prudent basis for defaults or, in the case of equity release assets, expected losses arising from the No-Negative-Equity Guarantee. These allowances vary by asset category and for some asset classes by rating.

The risk allowances made for corporate bonds (including overseas government bonds and structured finance assets), mortgages (including healthcare mortgages, commercial mortgages and infrastructure assets), and equity release equated to 34 bps, 28 bps, and 98 bps respectively at 31 December 2022 (2021: 44 bps, 30 bps, and 91 bps respectively).

The total valuation allowance in respect of corporate bonds was £0.7 billion (2021: £1.4 billion) over the remaining term of the portfolio at 31 December 2022. The total valuation allowance in respect of mortgages (including healthcare mortgages but excluding equity release) was £0.3 billion at 31 December 2022 (2021: £0.5 billion). The total valuation allowance in respect of equity release mortgages was £0.8 billion at 31 December 2022 (2021: £1.2 billion). Total liabilities for the annuity business were £48.5 billion at 31 December 2022 (2021: £63.0 billion).

Expenses

Maintenance expense assumptions for non-profit business are generally expressed as a per policy charge set with regards to an allocation of current year expense levels by broad category of business and using the policy counts for in-force business. The assumptions also include an allowance for prudence and increase by future expense inflation over the lifetime of each contract. Expense inflation is assumed to be in line with RPI. An additional liability is held if projected per policy expenses in future years are expected to exceed current assumptions. A further allowance is made for non-discretionary project costs that typically relate to mandatory requirements. Expense-related liabilities are not held where expenses are covered by anticipated future profits in the liability methodology, notably for unit-linked contracts. Investment expense assumptions are generally expressed as a proportion of the assets backing the liabilities.

Notes to the consolidated financial statements continued

42 – Insurance liabilities methodology and assumptions continued

Mortality

Mortality assumptions for non-profit business are set with regard to recent Company experience and general industry trends. The mortality tables used in the valuation are summarised below:

Mortality tables used	2022	2021
Assurances		
Non-profit	**AM00/AF00 or TM16/TF16 adjusted for smoker status and age/sex specific factors with allowance for future mortality improvements**	AM00/AF00 or TM08/TF08 adjusted for smoker status and age/sex specific factors with allowance for future mortality improvements
Pure endowments and deferred annuities before vesting	**AM00/AF00 adjusted with allowance for improvements**	AM00/AF00 adjusted with allowance for improvements
Annuities in payment		
Pensions business and general annuity business	**PMA16_IND/PFA16_IND or PMA16_IND_INT/PFA16_IND_INT plus allowance for future mortality improvements**	PMA16_IND/PFA16_IND or PMA16_IND_INT/PFA16_IND_INT plus allowance for future mortality improvements
Bulk purchase annuities	**CV3 plus allowance for future mortality improvements**	CV3 plus allowance for future mortality improvements

For the largest portfolio of pensions annuity business, the underlying mortality assumptions for males are 102.0% of PMA16_IND with base year 2016 (2021: 102.0% of PMA16_IND with base year 2016); for females the underlying mortality assumptions are 98.3% of PFA16_IND with base year 2016 (2021: 98.3% of PFA16_IND with base year 2016).

Improvements are based on 'CMI_2021 (S=7.25) Advanced with adjustments' (2021: 'CMI_2019 (S=7.25) Advanced with adjustments') with a long-term improvement rate of 1.5% (2021: 1.5%) for males and 1.5% (2021: 1.5%) for females, both with an additional improvement for prudence of 0.5% (2021: 0.5%) to all future annual improvement adjustments. An allowance has been made to allow for greater mortality improvements in the annuitant population relative to the general population on which CMI_2021 is based using 'Parameter A', which is set to 0.15% for males and 0.20% for females, tapering to zero between ages 90 and 110 (for 2021 the same approach was taken with respect to CMI_2019). Long-term improvement rates are set to taper to zero between ages 85 and 110 (2021: between 90 and 115). In addition, on a significant proportion of individual annuity business, year-specific adjustments are made to allow for potential selection effects due to the development of the Enhanced Annuity market and covering possible selection effects from pension freedom reforms (unchanged from 2021).

With-profits business

The Group's UK with-profits funds are evaluated by reference to FRS 27, which was grandfathered under IFRS 4, prior to the adoption of Solvency II. This uses an approach of calculating the realistic liabilities for the contracts. The realistic liabilities include the with-profits benefit reserve (WPBR), and an additional provision for the expected cost of any guarantees and options in excess of the WPBR.

The WPBR for an individual contract is generally calculated on a retrospective basis and represents the accumulation of the premiums paid on the contract, allowing for investment return, taxation, expenses and any other charges levied on the contract.

Provisions for guarantees and options within realistic liabilities are measured using market-consistent stochastic models. A stochastic approach includes measuring the time value of guarantees and options, which represents the additional cost arising from uncertainty surrounding future economic conditions. Non-market-related assumptions (for example, persistency, mortality and expenses) are assessed on a best estimate basis with reference to Company and wider industry experience, adjusted to take into account future trends.

The with-profits business is valued by adjusting Solvency II Best Estimate Liabilities and results in a valuation in accordance with FRS 27.

Future investment return

A risk-free rate equal to the spot yield on UK swaps is used for the valuation of with-profits business. The rates vary according to the outstanding term of the policy, with a typical rate as at 31 December 2022 of 3.71% (2021: 0.95%) for a policy with ten years outstanding.

Volatility of investment return

Volatility assumptions are set with reference to implied volatility data on traded market instruments, where available, or on a best estimate basis where not.

Volatility	2022	2021
Equity returns	**19.3%**	19.4%
Property returns	**15.0%**	15.4%

The equity volatility used depends on term, moneyness and region. The figure shown is for a sample UK equity, at the money, with a ten-year term.

Future regular bonuses

Annual bonus assumptions for 2023 have been set consistently with the year-end 2022 declaration. Future annual bonus rates reflect the principles and practices of each fund. In particular, the level is set with regard to the projected margin for final bonus and the change from one year to the next is limited to a level consistent with past practice.

Notes to the consolidated financial statements continued

42 – Insurance liabilities methodology and assumptions continued

Mortality

Mortality assumptions for with-profits business are set with regard to recent Company experience and general industry trends. The mortality tables used in the valuation are summarised below:

Mortality table used	2022	2021
Assurances, pure endowments and deferred annuities before vesting	**Nil or Axx00 adjusted**	Nil or Axx00 adjusted
Pensions business after vesting and pensions annuities in payment	**PMA16_IND/PFA16_IND or PMA16_IND_INT/PFA16_IND_INT plus allowance for future mortality improvement**	PMA16_IND/PFA16_IND or PMA16_IND_INT/PFA16_IND_INT plus allowance for future mortality improvement

Allowance for future mortality improvement is in line with the rates for non-profit business.

Expenses

Maintenance fee assumptions for with-profits business are generally expressed as a fixed per policy charge in line with a memorandum of understanding between the with-profits funds and the non-profit fund within the company. The memorandum of understanding specifies the charges for a five-year period ending in 2023, and specifies a level of charge inflation during that period of CPI+2% or CPI+3% depending on the product type. After the end of the period covered by the memorandum of understanding we assume that the charges will remain unchanged, and a level of charge inflation of RPI+1% for all products will apply. Any difference of expenses charged by Aviva Life Services UK Limited (UKLS) to Aviva Life & Pensions UK Limited (AVLAP) over the charges specified by the memorandum of understanding accrues to the non-profit fund.

Guarantees and options

The provisions held in respect of guaranteed annuity options for the with-profits and the non-profit business are a prudent assessment of the additional liability incurred under the option on a basis and method consistent with that used to value basic policy liabilities, and includes a prudent assessment of the proportion of policyholders who will choose to exercise the option. For further details see note 44.

ii) Ireland Life

Non linked business is valued using a Gross Premium Valuation method. Mortality assumptions for non-profit business are set with regard to recent Company experience and general industry trends. The mortality tables used in the valuation are summarised below. The valuation discount rates are after a reduction for risk of default and an allowance for investment expenses. These credit default allowances vary by asset category and rating.

	Discount rates used		Mortality tables used
Mortality table used	2022	2021	2021 & 2022
Assurances			
Life	**1.2% to 3.7%**	-0.9% to-0.3%	**TMS08/TMN08/TFS08/TFN08 adjusted**
Pensions	**1.7% to 3.7%**	-0.8% to 0.7%	
Annuities	**3.7 %**	-0.3% to 0.8%	**PMA08/PFA08 (conventional) adjusted plus allowance for future mortality improvement**
Non unit reserves for unit-linked	**3.7 %**	-0.3% to -0.2%	**AMN00/AMS00/AFN00/AFS00 adjusted**
Income protection			
Active lives	**2.2% to 3.7%**	-0.3% to -0.2%	**AM80 / AF80**
Claims in payment	**2.2% to 3.7%**	-0.3% to -0.2%	**A67/70**

(b) General insurance and health

Outstanding claims provisions are estimated based on known facts at the date of estimation. Case estimates are set by skilled claims technicians and established case setting procedures. Claims above certain limits are referred to senior claims handlers for estimate authorisation.

No adjustments are made to the claims technicians' case estimates included in booked claim provisions, except for rare occasions when the estimated ultimate cost of individual large or unusual claims may be adjusted, subject to internal reserve committee approval, to allow for uncertainty regarding, for example, the outcome of a court case. The ultimate cost of outstanding claims is then estimated by using a range of standard actuarial claims projection techniques, such as the Chain Ladder and Bornhuetter-Ferguson methods. Historical claims development is mainly analysed by accident period, although underwriting or notification period is also used where this is considered appropriate.

The assumptions used in most non-life actuarial projection techniques, including future rates of claims inflation or loss ratio assumptions, are implicit in the historical claims development data on which the projections are based. Additional qualitative judgement is used to assess the extent to which past trends may not apply in the future in order to arrive at a point estimate for the ultimate cost of claims that represents the likely outcome, from a range of possible outcomes, taking account of all the uncertainties involved. The range of possible outcomes does not, however, result in the quantification of a reserve range.

Notes to the consolidated financial statements continued

42 – Insurance liabilities methodology and assumptions continued

The following explicit assumptions are made which could materially impact the level of booked net reserves:

Discounting

Outstanding claims provisions are based on undiscounted estimates of future claim payments, except for the following classes of business for which discounted provisions are held. Note assumptions below are for continuing markets only so comparatives have been updated to exclude disposed markets:

	Discount rate		Mean term of liabilities	
Class	**2022**	2021	**2022**	2021
Reinsured London Market business	**3.0% to 5.2%**	0.5% to 1.8%	**8 years**	8 years
Latent claims	**3.1% to 4.6%**	0.7% to 1.9%	**7 to 10 years**	8 to 11 years
Structured settlements	**2.9% to 4.5%**	0.9% to 2.3%	**34 years**	35 years

The period of time which will elapse before the liabilities are settled has been estimated by modelling the settlement patterns of the underlying claims.

The discount rate that has been applied to latent claims reserves, structured settlements and reinsured London Market business is based on the swap curve in the relevant currency at the reporting date, having regard to the duration of the expected settlement dates of the claims. The range of discount rates used depends on the duration of the claims and is given in the table above.

At 31 December 2022, it is estimated that a 1% fall in the discount rates used would increase net claim reserves by approximately £37 million (2021: £80 million), excluding the offsetting effect on asset values as assets are not hypothecated across classes of business.

UK mesothelioma claims

The level of uncertainty associated with latent claims is considerable due to the relatively small number of claims and the long-tail nature of the liabilities. UK mesothelioma claims account for a large proportion of the Group's latent claims. The key assumptions underlying the estimation of these claims include claim numbers, the base average cost per claim, future inflation in the average cost of claims and legal fees. The best estimate of the liabilities considers the latest available market information and studies and how these might impact Aviva's liabilities.

Allowance for risk and uncertainty

The uncertainties involved in estimating loss reserves are allowed for in the reserving process and by the estimation of explicit reserve uncertainty distributions. The reserve estimation basis requires all non-life businesses to calculate booked claim provisions as the best estimate of the cost of future claim payments, plus an explicit allowance for risk and uncertainty. The allowance for risk and uncertainty is calculated by each business unit in accordance with the requirements of the Group non-life reserving policy, taking into account the risks and uncertainties specific to each line of business and type of claim in that territory. The requirements of the Group non-life reserving policy also seek to ensure that the allowance for risk and uncertainty is set consistently across both business units and reporting periods.

Lump sum payments in settlement of bodily injury claims that are decided by the UK courts are calculated in accordance with the Ogden Tables and discount rate. The Ogden discount rate is set by the Lord Chancellor and is applied when calculating the present value of future care costs and loss of earnings for claims settlement purposes. The balance sheet reserves in the UK have been calculated using the current Ogden discount rate of -0.25%, as this is the enacted legislative rate that was announced by the Lord Chancellor in August 2019. The Ogden discount rate is expected to be reviewed by the Lord Chancellor by summer 2024.

43 – Liabilities for investment contracts

This note analyses our gross liabilities for investment contracts by type of product and describes the calculation of these liabilities.

(a) Carrying amount

The liabilities for investment contracts (gross of reinsurance) at 31 December 2022 comprised:

	2022 £m	2021 £m
Long-term business		
Liabilities for participating investment contracts	**18,009**	21,337
Liabilities for non-participating investment contracts	**140,990**	151,115
Total	**158,999**	172,452

(b) Group practice

Investment contracts are those that do not transfer significant insurance risk from the contract holder to the issuer and are therefore treated as financial instruments under IFRS.

Many investment contracts contain a discretionary participation feature in which the contract holder has a contractual right to receive additional benefits as a supplement to guaranteed benefits. These are referred to as participating contracts and are measured according to the methodology for long-term business liabilities (see note 42). They are not measured at fair value as there is currently no agreed definition of fair valuation for discretionary participation features under IFRS. In the absence of such a definition, it is not possible to provide a range of estimates within which a fair value is likely to fall. The IASB deferred consideration of participating contracts to the IFRS 17 insurance standard, which will apply to annual reporting periods beginning on or after 1 January 2023.

Notes to the consolidated financial statements continued

43 – Liabilities for investment contracts continued

For participating business, the discretionary participation feature is recognised separately from the guaranteed element and is classified as a liability, referred to as unallocated divisible surplus, except for the with-profits sub-fund supported by the RIEESA. Guarantees on long-term investment products are discussed in note 44.

Investment contracts that do not contain a discretionary participation feature are referred to as non-participating contracts and the liability is measured at either fair value or amortised cost. We currently have no non-participating investment contracts measured at amortised cost.

Of the non-participating investment contracts measured at fair value, £140,949 million at 31 December 2022 (2021: £151,016 million) are unit-linked in structure and the fair value liability is equal to the current unit fund value, including any unfunded units, plus if required, additional non-unit reserves based on a discounted cash flow analysis. These contracts are generally classified as Level 1 in the fair value hierarchy, as the unit reserve is calculated as the publicly quoted unit price multiplied by the number of units in issue, and any non-unit reserve is insignificant.

For unit-linked business, a deferred acquisition cost asset and deferred income reserve liability are recognised in respect of transaction costs and front-end fees respectively, that relate to the provision of investment management services, and which are amortised on a systematic basis over the contract term. The amount of the related deferred acquisition cost asset is shown in note 28 and the deferred income liability is shown in note 53.

For non-participating investment contracts acquired in a business combination, an acquired value of in-force business asset is recognised in respect of the fair value of the investment management services component of the contracts, which is amortised on a systematic basis over the useful lifetime of the related contracts. The amount of the acquired value of in-force business asset is shown in note 16, which relates primarily to the acquisition of Friends Life in 2015 and Friends First in 2018.

(c) Movements in the year

The following movements have occurred in the gross provisions for investment contracts in the year:

(i) Participating investment contracts

	2022 £m	2021 £m
Carrying amount at 1 January	**21,337**	97,073
Liabilities in respect of new business	**10**	3,621
Expected change in existing business	**(1,479)**	(4,196)
Variance between actual and expected experience	**(1,287)**	2,499
Impact of operating assumption changes	**21**	(31)
Impact of economic assumption changes	**(657)**	(132)
Other movements recognised as an expense[1]	**47**	(49)
Change in liability recognised as an expense[2]	**(3,345)**	1,712
Effect of portfolio transfers, acquisitions and disposals[3]	**—**	(74,179)
Foreign exchange rate movements	**17**	(3,269)
Carrying amount at 31 December	**18,009**	21,337

1. Other movements recognised as an expense in 2022 and 2021 relate to changes in liabilities for special bonus distributions to with-profits policyholders in UK Life
2. Total interest expense for participating investment contracts recognised in the consolidated income statement is £(2,061) million (2021: £2,362 million)
3. The movement in 2021 relates to disposal of the France, Italy and Poland businesses

For many types of long-term business, including unit-linked and participating funds, movements in asset values are offset by corresponding changes in liabilities, limiting the net impact on profit.

The variance between actual and expected experience in 2022 of £(1.3) billion is primarily due to decreases in global equity markets and lower bond and gilt values as a result of increasing interest rates.

The impact of assumption changes in the analysis shows the resulting movement in the carrying value of participating investment contract liabilities. For participating business, a movement in liabilities is generally offset by a corresponding adjustment to the unallocated divisible surplus and does not impact profit. Where assumption changes do impact profit, these are included in the effect of changes in assumptions and estimates during the year shown in note 46, together with the impact of movements in related non-financial assets.

Notes to the consolidated financial statements continued

43 – Liabilities for investment contracts continued

(ii) Non-participating investment contracts

	2022 £m	2021 £m
Carrying amount at 1 January	**151,115**	138,183
Liabilities in respect of new business	**4,122**	5,089
Expected change in existing business	**(3,194)**	(3,436)
Variance between actual and expected experience	**(11,346)**	15,786
Impact of operating assumption changes	**(9)**	(57)
Impact of economic assumption changes	**(111)**	33
Other movements recognised as an expense	**25**	1
Change in liability	**(10,513)**	17,416
Effect of portfolio transfers, acquisitions and disposals[1]	**—**	(3,862)
Foreign exchange rate movements	**422**	(622)
Other movements[2]	**(34)**	—
Carrying amount at 31 December	**140,990**	151,115

1. The movement in 2021 relates to disposal of the France, Italy and Poland businesses
2. The movement in 2022 relates to a reallocation between non-par investment contracts and insurance contracts for UK Life

For unit-linked investment contracts, movements in asset values are offset by corresponding changes in liabilities, limiting the net impact on profit. The variance between actual and expected experience in 2022 of £(11.3) billion is due to decreases in global equity markets and lower bond and gilt values as a result of materially increasing interest rates.

The impact of assumption changes in the above analysis shows the resulting movement in the carrying value of non-participating investment contract liabilities. The impacts of assumption changes on profit are included in the effect of changes in assumptions and estimates during the year shown in note 46, which combines participating and non-participating investment contracts together with the impact of movements in related non-financial assets.

44 – Financial guarantees and options

This note details the financial guarantees and options inherent in some of our insurance and investment contracts.

(a) UK non-profit business

The Group's UK non-profit funds are evaluated by reference to statutory reserving rules, which are based on the UK regulatory requirements (grandfathered under IFRS 4), prior to the adoption of Solvency II, adjusted to remove certain regulatory reserves and margins in assumptions, notably for annuity business.

(i) Guaranteed annuity options

The Group's UK non-profit funds have the liability for certain guaranteed annuity rate options (GAOs), where the policyholder has the option to take the benefits from a policy in the form of an annuity based on guaranteed conversion rates. Provision for these guarantees do not materially differ from a provision based on a market-consistent stochastic model, and amounts to £35 million at 31 December 2022 (2021: £63 million).

(ii) Guaranteed unit price on certain products

Certain pension products linked to long-term life insurance funds provide policyholders with guaranteed benefits at retirement or death. No additional provision is made for this guarantee as the investment management strategy for these funds is designed to ensure that the guarantee can be met from the fund, mitigating the impact of large falls in investment values and interest rates.

(iii) Return of Premium guarantees

Certain German pension products sold in Friends Life between 2006 and 2014 are subject to a return of premium guarantee whereby the product guarantees to return the maximum of the unit fund value or total premiums paid (before deductions). Provisions for this guarantee are calculated using a market-consistent stochastic model and amount to £92 million at 31 December 2022 (2021: £164 million).

(b) UK with-profits business

The Group's UK with-profits liabilities are evaluated by reference to FRS 27, which was grandfathered under IFRS 4, prior to the adoption of Solvency II. Under the PRA's rules, provisions for guarantees and options within realistic liabilities are measured using market-consistent stochastic models. A stochastic approach includes measuring the time value of guarantees and options, which represents the additional cost arising from uncertainty surrounding future economic conditions.

The material guarantees and options relating to this provision are:

(i) Maturity value and death benefit guarantees

Significant conventional and unitised with-profits business have minimum maturity (and in some cases death benefit) values reflecting the sum assured plus declared annual bonus. For some unitised with-profits life contracts the amount paid after the fifth policy anniversary is guaranteed to be at least as high as the premium paid increased in line with the rise in retail price index (RPI) or consumer price index (CPI).

(ii) No market valuation reduction (MVR) guarantees

For unitised business, there are circumstances where a 'no MVR' guarantee is applied, for example on certain policy anniversaries, guaranteeing that no market value reduction will be applied to reflect the difference between the accumulated value of units and the market value of the underlying assets.

Notes to the consolidated financial statements continued

44 – Financial guarantees and options continued

(iii) Guaranteed annuity options

The Group's UK with-profits funds have written individual and group pension contracts which contain GAOs, where the policyholder has the option to take the benefits from a policy in the form of an annuity based on guaranteed conversion rates. The Group also has exposure to GAOs and similar options on deferred annuities.

Realistic liabilities for GAOs in the UK with-profits funds were £556 million at 31 December 2022 (2021: £1,293 million). With the exception of the with-profits sub-fund supported by the RIEESA, movements in the realistic liabilities in the with-profits funds are offset by a corresponding movement in the unallocated divisible surplus, with no net impact on IFRS profit. Realistic liabilities for GAOs in the with-profits sub-fund supported by the RIEESA were £50 million at 31 December 2022 (2021: £109 million).

(iv) Guaranteed minimum pension

The Group's UK with-profits funds also have certain policies that contain a guaranteed minimum level of pension as part of the condition of the original transfer from state benefits to the policy.

(v) Guaranteed minimum maturity payments on mortgage endowments

The with-profits funds made promises to certain policyholders in relation to their with-profits mortgage endowments. Top-up payments will be made on these policies at maturity to meet the mortgage value up to a maximum of the 31 December 1999 illustrated shortfall.

(c) Ireland

Guaranteed annuity options and guaranteed maturity values

As in the UK, the Group's with-profits liabilities in Ireland are measured on a realistic basis, including realistic liabilities for guarantees and options. Guarantees and options in Ireland include GAOs, minimum maturity values on conventional with-profits business, guaranteed minimum bonus rates on unitised with profits business, and a 'no MVR' guarantee that may apply at certain policy anniversaries.

45 – Reinsurance assets

This note details the reinsurance assets on our insurance and investment contract liabilities.

(a) Carrying amount

The reinsurance assets at 31 December comprised:

	2022 £m	2021 £m
Long-term business		
Insurance contracts	**5,662**	7,887
Non-participating investment contracts[1]	**5,254**	5,132
	10,916	13,019
Outstanding claims provisions	**68**	61
	10,984	13,080
General insurance and health		
Outstanding claims provisions	**964**	637
Provisions for claims incurred but not reported	**763**	999
	1,727	1,636
Provisions for unearned premiums	**345**	316
	2,072	1,952
Total	**13,056**	15,032

1. Amounts in respect of all reinsurance treaties are included under reinsurance assets, regardless of whether they transfer significant insurance risk. The reinsurance assets classified as non-participating investment contracts are financial instruments measured at fair value through profit or loss.

Of the above total, £12,044 million (2021: £13,701 million) is expected to be recovered more than one year after this statement of financial position.

(b) Assumptions

The assumptions, including discount rates, used for reinsurance contracts follow those used for insurance liabilities. Reinsurance assets are valued net of an allowance for recoverability.

(c) Movements

The following movements have occurred in the reinsurance assets during the year:

Notes to the consolidated financial statements continued

45 – Reinsurance assets continued

(i) Long-term business

	2022 £m	2021 £m
Carrying amount at 1 January	**13,019**	11,037
Assets in respect of new business	**795**	1,987
Expected change in existing business assets	**(376)**	(411)
Variance between actual and expected experience	**113**	920
Impact of non-economic assumption changes	**(643)**	(517)
Impact of economic assumption changes	**(2,179)**	(367)
Other movements recognised as an expense[1]	**144**	183
Change in assets[2]	**(2,146)**	1,795
Effect of portfolio transfers, acquisitions and disposals[3]	**—**	(158)
Foreign exchange rate movements	**43**	(62)
Other movements[4]	**—**	407
Carrying amount at 31 December	**10,916**	13,019

1. Other movements recognised as an expense during 2022 and 2021 primarily relate to reinsurance ceded for annuity business in Ireland life. The movement in 2022 also includes model changes in Ireland life.
2. Change in assets does not reconcile with values in note 40(b) due to the inclusion of reinsurance assets classified as non-participating investment contracts where, for such contracts, deposit accounting is applied on the consolidated income statement
3. Movement in 2021 relates to the disposal of the France, Italy and Poland businesses
4. Following a review in 2021 £407 million of assets were reclassified from financial investments to reinsurance assets

The impact of assumption changes in the above analysis shows the resulting movement in the carrying value of reinsurance assets, with corresponding movements in gross insurance contract liabilities. For participating businesses, a movement in reinsurance assets is generally offset by a corresponding adjustment to the unallocated divisible surplus and does not impact profit. Where assumption changes impact profit, these are included in the effect of changes in assumptions and estimates during the year (see note 46), together with the impact of movements in related liabilities and other non-financial assets.

(ii) General insurance and health claims liabilities

	2022 £m	2021 £m
Carrying amount at 1 January	**1,636**	1,933
Impact of changes in assumptions	**(206)**	(46)
Reinsurers' share of claim losses and expenses		
Incurred in current year	**281**	191
Incurred in prior years	**202**	6
Reinsurers' share of incurred claim losses and expenses	**483**	197
Less:		
Reinsurance recoveries received on claims		
Incurred in current year	**(34)**	(24)
Incurred in prior years	**(182)**	(242)
Reinsurance recoveries received in the year	**(216)**	(266)
Unwind of discounting	**5**	1
Change in reinsurance asset recognised as income/(expense) (note 40(b))	**66**	(114)
Effect of portfolio transfers, acquisitions and disposals[1]	**—**	(181)
Foreign exchange rate movements	**25**	(2)
Carrying amount at 31 December	**1,727**	1,636

1. The movement in 2021 relates to the disposal of the France, Italy and Poland businesses and the termination of reinsurance treaty accepted from the former Aviva France general insurance entity

(iii) General insurance and health unearned premiums

	2022 £m	2021 £m
Carrying amount at 1 January	**316**	300
Premiums ceded to reinsurers in the year	**832**	725
Less: Reinsurers' share of premiums earned during the year	**(804)**	(691)
Changes in reinsurance asset recognised as income	**28**	34
Reinsurers' share of portfolio transfers and acquisitions[1]	**—**	(18)
Foreign exchange rate movements	**1**	—
Carrying amount at 31 December	**345**	316

1. The movement during 2021 relates to disposal of the France, Italy and Poland businesses

Notes to the consolidated financial statements continued

46 – Effect of changes in assumptions and estimates during the year

This note analyses the impact of changes in estimates and assumptions from 2021 to 2022, on liabilities for insurance and investment contracts, and related assets and liabilities, such as unallocated divisible surplus, reinsurance, deferred acquisition costs and acquired value of in-force business and does not allow for offsetting movements in the value of backing financial assets.

	Effect on profit 2022 £m	Effect on profit 2021 £m
Assumptions		
Long-term insurance business		
Interest rates and inflation	**15,533**	1,264
Expenses	**(4)**	31
Persistency rates	**(4)**	9
Mortality and morbidity for assurance contracts	**25**	45
Mortality for annuity contracts	**537**	269
Tax and other assumptions	**—**	20
Long-term investment business		
Expenses	**—**	2
General insurance and health business		
Change in discount rate assumptions inclusive of inflation	**147**	(85)
Total	**16,234**	1,555

The impact of interest rates on long-term insurance business relates primarily to annuities in the UK (including any change in credit default and reinvestment risk provisions), where an increase in the valuation interest rate, in response to materially increasing interest rates, has decreased liabilities. This line also includes changes to liabilities in respect of annuity contracts linked to inflation.

The impact of change in mortality and morbidity assumptions for assurance contracts relates mainly to the UK following a review of recent experience and moving onto the latest CMI series mortality tables.

The impact of mortality for annuitant contracts on long-term business relates primarily to the UK. In 2022, there has been a reduction in reserves due to longevity assumptions arising from:

- Updates to base mortality to reflect methodology and process refinements on BPA business, totalling £54 million;
- Updates to the rate of mortality improvements for a change to the long-term-rate rate used to taper improvements at the oldest ages from between ages 90 to 115 to between ages 85 to 110, which gave a reduction of £382 million and
- Updates to mortality improvements moving onto the latest CMI_2021 model from CMI_2019, which gave a reduction of £101 million.

In 2021 there was a reduction in reserves due to longevity assumptions arising from:

- Updates to base mortality to reflect experience and updated assumptions for anti-selection on individual annuities totalling £112 million; and
- Updates to the rate of mortality improvements, consisting of a change to the allowance for differences in mortality improvements in the annuitant population compared to the general population on which CMI_2019 is based of £195 million and other adjustments of £(41) million.

In the general insurance and health business, an impact of £147 million (2021: £(85) million) has arisen primarily as a result of a material increase in the interest rates used to discount claim reserves for both periodic payment orders (PPOs) and latent claims.

Notes to the consolidated financial statements continued

47 – Unallocated divisible surplus

An unallocated divisible surplus (UDS) is established where the nature of policy benefits is such that the division between shareholder reserves and policyholder liabilities is uncertain at the reporting date. Therefore, the expected duration for settlement of the UDS is undefined.

This note shows the movements in the UDS during the year.

	2022 £m	2021 £m
Carrying amount at 1 January	**1,960**	10,970
Change in participating fund assets	**(5,718)**	(2,591)
Change in participating fund liabilities	**5,731**	700
Other movements[1]	**—**	(8)
Change in liability recognised as an expense	**13**	(1,899)
Effect of portfolio transfers, acquisition and disposals[2]	**11**	(6,724)
Foreign exchange rate movements	**6**	(387)
Carrying amount at 31 December	**1,990**	1,960

1. Other movements in 2021 relate to the release of additional liabilities arising from the liability adequacy test for France that was established in 2020
2. The movement in 2022 relates to the acquisition of an additional 25% or the ordinary shares of Aviva Life Insurance Company India Limited giving Aviva a controlling interest in the entity (see note 2a). The movement in 2021 relates to disposal of the France, Italy and Poland businesses.

The amount of UDS at 31 December 2022 has remained broadly unchanged at £1,990 million (2021: £1,960 million). Market movements primarily due to a material increase in interest rates (and reduction in global equity) have reduced the participating fund assets but these changes are broadly offset by an equivalent reduction in participating fund liabilities.

Where the aggregate amount of participating assets is less than the participating liabilities within a fund then the shortfall may be held as negative UDS, subject to recoverability testing as part of the liability adequacy requirements of IFRS 4. There are no material negative UDS balances at the participating fund-level within each life entity in the current period (2021: no material negative UDS).

48 – Tax assets and liabilities

This note analyses the tax assets and liabilities that appear in the statement of financial position and explains the movements in these balances in the year.

(a) Current tax

Current tax assets recoverable and liabilities payable in more than one year are £116 million and £10 million (2021: £116 million and £1 million), respectively.

The Group is party to the CFC & Dividend Group Litigation, which challenged the tax treatment of dividends received from non-UK entities before 2009. The Group is attempting to recover claims from HMRC covered by this judgement. A recoverable balance of £106 million is included within current tax assets.

(b) Deferred tax

(i) The balances at 31 December comprise:

	2022 £m	2021 £m
Deferred tax assets	**611**	138
Deferred tax liabilities	**(825)**	(1,983)
Net deferred tax liability	**(214)**	(1,845)

Deferred tax attributable to policyholder returns included above at 31 December 2022 was an asset of £340 million (2021: liability of £433 million).

(ii) The net deferred tax liability arises on the following items:

	2022 £m	2021 £m
Long-term business technical provisions and other insurance items	**(205)**	(351)
Deferred acquisition costs	**(71)**	(100)
Unrealised gains on investments	**(187)**	(486)
Pensions and other post-retirement obligations	**(250)**	(641)
Unused losses and tax credits	**402**	118
Subsidiaries, associates and joint ventures	**—**	(27)
Intangibles and additional value of in-force long-term business	**(465)**	(433)
Provisions and other temporary differences	**562**	75
Net deferred tax liability	**(214)**	(1,845)

Notes to the consolidated financial statements continued

48 – Tax assets and liabilities continued

(iii) The movement in the net deferred tax liability was as follows:

	2022 £m	2021 £m
Net liability at 1 January	**(1,845)**	(1,761)
Acquisition and disposal of subsidiaries	**(79)**	305
Amounts credited/(charged) to income statement (note 12(a))	**1,294**	(247)
Amounts credited/(charged) to other comprehensive income	**412**	(157)
Foreign exchange rate movements	**4**	11
Other movements	**—**	4
Net liability at 31 December	**(214)**	(1,845)

Net deferred tax assets in respect of policyholder investments arose as a result of significant market volatility during the year. These positions are expected to reverse as the market recovers. The deferred tax asset relates to UK tax losses which carry forward indefinitely and is recognised based on probable future taxable investment income and gains within 5 years. Assumed investment returns are consistent with actuarial assumptions used in reserving and alternative assumptions modelled by the Group also show full recovery of the deferred tax asset over this period.

Where shareholder deferred tax assets are not supported by deferred tax liabilities, they are recognised to the extent that it is probable that future taxable profits will be available against which the tax losses can be utilised. In assessing future profitability, the directors have relied on board approved business plans and profit forecasts for up to 5 years and the Group's history of taxable profits in the relevant jurisdictions.

The Group has unrecognised gross tax losses (excluding capital losses) and other temporary differences of £568 million (2021: £819 million) to carry forward against future taxable income of the necessary category in the companies concerned. Of these, trading losses of £26 million (2021: £11 million) will expire within the next 8 years. The remaining losses have no expiry date.

In addition, the Group has unrecognised gross capital losses of £579 million (2021: £575 million). These have no expiry date.

At 31 December 2022, a potential deferred tax liability of £24 million (2021: £26 million) is not recognised on temporary differences relating to reserves of overseas subsidiaries which are not expected to be distributed.

49 – Pension deficits and other provisions

This note details the non-insurance provisions that the Group holds and shows the movements in these during the year.

(a) Carrying amounts

	2022 £m	2021 £m
Total IAS 19 obligations to staff pension schemes (note 50(a))	**360**	485
Restructuring provisions	**70**	119
Other provisions	**331**	397
Total provisions	**761**	1,001

Other provisions includes amounts set aside throughout the Group relating to product governance rectification.

(b) Movements in restructuring and other provisions

	2022			2021		
	Restructuring provisions £m	Other provisions £m	Total £m	Restructuring provisions £m	Other provisions £m	Total £m
At 1 January	**119**	**397**	**516**	48	565	613
Additional provisions	**—**	**132**	**132**	79	235	314
Provisions released during the year	**—**	**(91)**	**(91)**	—	(193)	(193)
Charge to income statement	**—**	**41**	**41**	79	42	121
Utilised during the year	**(49)**	**(163)**	**(212)**	(8)	(147)	(155)
Acquisition/disposal of subsidiaries	**—**	**55**	**55**	—	(60)	(60)
Foreign exchange rate movements	**—**	**1**	**1**	—	(3)	(3)
At 31 December	**70**	**331**	**401**	119	397	516

Of the total restructuring and other provisions, £119 million (2021: £43 million) is expected to be settled more than one year after the statement of financial position date.

Restructuring provisions include amounts for separation costs and onerous contracts arising as a result of disposal transactions completed in 2020 and 2021.

Notes to the consolidated financial statements continued

49 – Pension deficits and other provisions continued

Other provisions include a £1 million provision (2021: £42 million) in respect of past communications to a specific sub-set of pension policyholders, that may not have been adequately informed of switching options into with-profit funds that were available to them. The reduction in the value of the provision during 2022 of £41 million is due to utilisation in the period of £14 million and a release of £27 million.

50 – Pension obligations

(a) Introduction

The Group operates a number of defined benefit and defined contribution pension schemes. The defined benefit schemes are in the UK, Ireland and Canada. The assets and liabilities of these defined benefit schemes as at 31 December 2022 are shown below.

	2022				2021			
	UK £m	Ireland £m	Canada £m	Total £m	UK £m	Ireland £m	Canada £m	Total £m
Total fair value of scheme assets (see b(ii) below)	**10,877**	**689**	**197**	**11,763**	18,195	898	244	19,337
Present value of defined benefit obligation	**(10,002)**	**(670)**	**(259)**	**(10,931)**	(15,764)	(988)	(316)	(17,068)
IAS 19 surpluses/(deficits) in the schemes	**875**	**19**	**(62)**	**832**	2,431	(90)	(72)	2,269
Surpluses included in other assets (note 29)	**1,166**	**26**	**—**	**1,192**	2,754	—	—	2,754
Deficits included in provisions (note 49)	**(291)**	**(7)**	**(62)**	**(360)**	(323)	(90)	(72)	(485)
IAS 19 surpluses/(deficits) in the schemes	**875**	**19**	**(62)**	**832**	2,431	(90)	(72)	2,269

This note relates to the defined benefit pension schemes included in the table above. The charges to the income statement for the main schemes are shown in section (b)(i) below, whilst the total charges for all pension schemes are disclosed in section (d) below.

Under the IAS 19 valuation basis, the Group applies the principles of IFRIC 14 IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction, whereby a surplus is only recognised to the extent that the company is able to access the surplus either through an unconditional right of refund to the surplus or through reduced future contributions relating to ongoing service, which have been substantively enacted or contractually agreed. The Group has determined that it can derive economic benefit from the surplus in the Aviva Staff Pension Scheme (ASPS) via a reduction to future employer contributions for defined contribution (DC) members, which could theoretically be paid from the surplus funds in the ASPS. In the RAC (2003) Pension Scheme and Friends Provident Pension Scheme (FPPS), in the UK and in the Aviva Ireland Staff Pension Fund (AISPF) in Ireland, the Group has determined that the rules set out in the schemes' governing documentation provide for an unconditional right to a refund from any future surplus funds in the schemes.

The assets of the UK, Irish and Canadian schemes are held in separate trustee-administered funds to meet long-term pension liabilities to past and present employees. In all schemes, the appointment of trustees of the funds is determined by their trust documentation and they are required to act in the best interests of the schemes' beneficiaries. The long-term investment objectives of the trustees and the employers are to limit the risk of the assets failing to meet the liabilities of the schemes over the long term, and to maximise returns consistent with an acceptable level of risk so as to control the long-term costs of these schemes.

A funding actuarial valuation of each of the defined benefit schemes is carried out at least every three years for the benefit of scheme trustees and members. Actuarial reports have been submitted for each scheme within this period, using appropriate methods for the respective countries on local funding bases.

The number of scheme members was as follows:

	United Kingdom		Ireland		Canada	
	2022 Number	2021 Number	2022 Number	2021 Number	2022 Number	2021 Number
Deferred members	**39,843**	41,816	**2,200**	2,402	**344**	382
Pensioners	**40,501**	39,907	**982**	861	**1,261**	1,276
Total members	**80,344**	81,723	**3,182**	3,263	**1,605**	1,658

All schemes are closed to future accrual. Closure of the schemes has removed the volatility associated with additional future accrual for active members.

(i) UK schemes

In the UK, the Group operates three main pension schemes, the ASPS, the RAC Scheme which was retained after the sale of RAC Limited in September 2011 and the FPPS, which was acquired as part of the Friends Life acquisition in 2015. As the defined benefit sections of the UK schemes are now closed to both new members and future accrual, existing deferred members in active service and new entrants participate in the defined contribution section of the ASPS. The UK schemes operate within the UK pensions' regulatory framework.

(ii) Other schemes

In Ireland, the Group operates two main pension schemes, the AISPF and the Friends First Group Retirement and Death Benefits Scheme (FFPS) which was acquired as part of the Friends First acquisition in June 2018. Future accruals for the AISPF and FFPS schemes ceased with effect from 30 April 2013 and 1 April 2014 respectively. The Irish schemes are regulated by the Pensions Authority in Ireland.

Notes to the consolidated financial statements continued

50 – Pension obligations continued

The Canadian defined benefit schemes ceased accruals with effect from 31 December 2011. The main Canadian plan is a Registered Pension Plan in Canada and as such is registered with the Canada Revenue Agency and Financial Services Regulatory Authority of Ontario and is required to comply with the Income Tax Act of Canada and the various provincial Pension Acts within Canada.

(b) IAS 19 disclosures

Disclosures under IAS 19 for the material defined benefit schemes in the UK, Ireland and Canada, are given below. Where schemes provide both defined benefit and defined contribution pensions, the assets and liabilities shown exclude those relating to defined contribution pensions.

(i) Movements in the scheme surpluses and deficits

Movements in the pension schemes' surpluses and deficits comprise:

	2022			2021		
	Fair Value of Scheme Assets £m	Present Value of defined benefit obligation £m	IAS 19 Pensions surplus/ (deficits) £m	Fair Value of Scheme Assets £m	Present Value of defined benefit obligation £m	IAS 19 Pensions surplus/ (deficits) £m
IAS 19 surplus in the schemes at 1 January	**19,337**	**(17,068)**	**2,269**	20,125	(18,091)	2,034
Administrative expenses	**—**	**(20)**	**(20)**	—	(19)	(19)
Total pension cost charged to net operating expenses	**—**	**(20)**	**(20)**	—	(19)	(19)
Net interest credited/(charged) to investment income/(finance costs)[1]	**352**	**(310)**	**42**	260	(233)	27
Total recognised in income	**352**	**(330)**	**22**	260	(252)	8
Remeasurements:						
Actual return on these assets	**(7,125)**	**—**	**(7,125)**	(315)	—	(315)
Less: Interest income on scheme assets	**(352)**	**—**	**(352)**	(260)	—	(260)
Return on scheme assets excluding amounts in interest income	**(7,477)**	**—**	**(7,477)**	(575)	—	(575)
Gains from change in financial assumptions	**—**	**5,724**	**5,724**	—	549	549
Gains from change in demographic assumptions	**—**	**540**	**540**	—	235	235
Experience losses	**—**	**(329)**	**(329)**	—	(150)	(150)
Total recognised in other comprehensive income	**(7,477)**	**5,935**	**(1,542)**	(575)	634	59
Employer contributions	**89**	**—**	**89**	161	—	161
Plan participant contributions	**2**	**(2)**	**—**	3	(3)	—
Benefits paid	**(572)**	**572**	**—**	(564)	564	—
Administrative expenses paid from scheme assets	**(20)**	**20**	**—**	(19)	19	—
Foreign exchange rate movements	**52**	**(58)**	**(6)**	(54)	61	7
IAS 19 surplus in the schemes at 31 December	**11,763**	**(10,931)**	**832**	19,337	(17,068)	2,269

1. Net interest income of £62 million (2021: £40 million) has been credited to investment income and net interest expense of £20 million (2021: £13 million) has been charged to finance costs (see note 6)

The present value of unfunded post-retirement benefit obligations included in the table above is £88 million at 31 December 2022 (2021: £110 million).

Remeasurement losses of £1,542 million (2021: gain of £59 million) recorded in the statement of comprehensive income for the period are largely driven by:

- A significant increase in UK interest rates, with the rate on 15-year swaps increasing by c.270bps during 2022. This has resulted in a reduction of the fair value of fixed income securities, not fully offset by the reduction in the valuation of the defined benefit obligation from the increase in the valuation interest rate. Further information on the sensitivity of the IAS 19 surplus to interest rates is provided in note 50(b)(iii).
- During the period the ASPS completed two further bulk annuity buy-in transactions with Aviva Life & Pensions UK Limited, a Group Company. Due to different measurement bases applying for accounting purposes, the premium paid by the scheme exceeded the valuation of the scheme asset recognised. In the table above, this has been recognised as a loss in the actual return on assets (see note 61 Related party transactions for further information). The scheme assets recognised are transferable and so have not been subject to consolidation within the Group's financial statements.
- Experience losses on the pension schemes' liabilities which includes the impact of higher than expected inflation increases.
- The losses were partially offset by actuarial gains relating to updated demographic assumptions (including longevity assumptions).

Notes to the consolidated financial statements continued

50 – Pension obligations continued

(ii) Scheme assets

Scheme assets are stated at their fair values at 31 December 2022

Total scheme assets are comprised by country as follows:

	2022				2021			
	UK £m	Ireland £m	Canada £m	Total £m	UK £m	Ireland £m	Canada £m	Total £m
Bonds	7,969	530	63	8,562	17,503	842	97	18,442
Equities	—	18	—	18	—	25	—	25
Property	74	—	—	74	153	—	—	153
Pooled investment vehicles	1,710	273	132	2,115	4,153	347	145	4,645
Derivatives	(158)	56	—	(102)	46	17	—	63
Insurance policies	3,423	—	—	3,423	4,343	—	—	4,343
Repurchase agreements	(646)	(191)	—	(837)	(4,376)	(331)	—	(4,707)
Cash and other[1]	(1,063)	3	2	(1,058)	(3,002)	(2)	2	(3,002)
Total fair value of scheme assets	11,309	689	197	12,195	18,820	898	244	19,962
Less: consolidation elimination for non-transferable Group insurance policy[2]	(432)	—	—	(432)	(625)	—	—	(625)
Total IAS 19 fair value of scheme assets	10,877	689	197	11,763	18,195	898	244	19,337

1. Cash and other assets comprise cash at bank, receivables, payables, and longevity swaps. At 31 December 2022, cash and other assets primarily consist of short positions of £(2,675) million (2021: £(3,098) million).
2. As at 31 December 2022, the FPPS asset includes an insurance policy of £432 million (2021: £625 million) issued by a Group company that is not transferable under IAS 19 and is consequently eliminated from the Group's IAS 19 scheme assets. Insurance policies issued by other Group companies of £2,991 million as at 31 December 2022 (2021: £3,718 million) included in the ASPS assets are transferable and so are not subject to consolidation.

Total scheme assets are analysed by those that have a quoted market price in an active market and other as follows:

	2022			2021		
	Quoted in an active market £m	Other £m	Total £m	Quoted in an active market £m	Other £m	Total £m
Bonds	7,078	1,484	8,562	14,633	3,809	18,442
Equities	18	—	18	25	—	25
Property	—	74	74	—	153	153
Pooled investment vehicles	31	2,084	2,115	207	4,438	4,645
Derivatives	64	(166)	(102)	15	48	63
Insurance policies	—	3,423	3,423	—	4,343	4,343
Repurchase agreements	—	(837)	(837)	—	(4,707)	(4,707)
Cash and other[1]	(717)	(341)	(1,058)	(2,354)	(648)	(3,002)
Total fair value of scheme assets	6,474	5,721	12,195	12,526	7,436	19,962
Less: consolidation elimination for non-transferable Group insurance policy[2]	—	(432)	(432)	—	(625)	(625)
Total IAS 19 fair value of scheme assets	6,474	5,289	11,763	12,526	6,811	19,337

1. Cash and other assets comprise cash at bank, receivables, payables, and longevity swaps. At 31 December 2022, cash and other assets primarily consist of short positions of £(2,675) million (2021: £(3,098) million).
2. As at 31 December 2022, the FPPS asset includes an insurance policy of £432 million (2021: £625 million) issued by a Group company that is not transferable under IAS 19 and is consequently eliminated from the Group's IAS 19 scheme assets. Insurance policies issued by other Group companies of £2,991 million as at 31 December 2022 (2021: £3,718 million) included in the ASPS asset are transferable and so are not subject to consolidation.

IAS 19 plan assets include investments in Group-managed funds of £1,468 million (2021: £2,351 million) and transferable insurance policies with other Group companies of £2,991 million (2021: £3,718 million) in the ASPS. Where the investments are in segregated funds with specific asset allocations, they are included in the appropriate line in the table above, otherwise they appear in 'Cash and other'. There are no significant judgements involved in the valuation of the scheme assets. Insurance policies are valued on the same basis as the pension scheme liabilities, as required by IAS 19.

(iii) Assumptions on scheme liabilities

The valuations used for accounting under IAS 19 have been based on the most recent funding actuarial valuations, updated to take account of the standard's requirements in order to assess the liabilities of the material schemes at 31 December 2022

The projected unit credit method

The inherent uncertainties affecting the measurement of scheme liabilities require these to be measured on an actuarial basis. This involves discounting the best estimate of future cash flows to be paid out by the scheme using the projected unit credit method. This is an accrued benefits valuation method which calculates the past service liability to members and makes allowance for their projected future earnings. It is based on a number of actuarial assumptions, which vary according to the economic conditions of the countries in which the relevant businesses are situated, and changes in these assumptions can materially affect the measurement of the pension obligations.

Notes to the consolidated financial statements continued

50 – Pension obligations continued

Financial assumptions

The main financial assumptions used to calculate scheme liabilities under IAS 19 are:

	UK		Ireland		Canada	
	2022	2021	**2022**	2021	**2022**	2021
Inflation rate[1]	**3.5 %**	3.5 %	**2.6 %**	2.0 %	**2.75 %**	2.0 %
General salary increases[2]	**5.3 %**	5.3 %	**4.1 %**	3.5 %	**3.25 %**	2.5 %
Pension increases[3]	**3.6 %**	3.5 %	**0.8 %**	0.55 %	**—**	—
Deferred pension increases[3]	**3.6 %**	3.3 %	**2.3 %**	2.0 %	**—**	—
Discount rate[4, 5]	**4.81 %/4.80 %/4.78 % (non-insured members) 4.79 %/4.82 % (insured members)**	1.84 %/1.86 %/1.89 % (non-insured members) 1.87 %/1.80 % (insured members)	**3.65%/3.60%**	1.2 %/1.25 %	**5.05 %**	2.85 %
Basis of discount rate		AA-rated corporate bonds	AA-rated corporate bonds		AA-rated corporate bonds	

1. For the UK schemes relevant RPI/CPI swap curves are used; the rate shown is the equivalent single RPI rate for ASPS. In 2022, CPI is derived as RPI less 100 bps pre 2030 and RPI less 0bps post 2030 (2021: RPI less 80 bps pre 2030 and RPI less 0bps post 2030).
2. In the UK, the only remaining linkage between pension benefits and general salary increases is in respect of a small amount of Guaranteed Minimum Pension benefits, in line with National Average Earnings
3. For the UK schemes relevant RPI/CPI swap curves are used, adjusted to reflect the appropriate caps/floors and the inflation volatility. The rates shown are the single equivalent rates for the biggest groups of pensions in payment and deferment respectively in the ASPS. The rates shown are for future indexation and so include allowance for the impact of known inflation experience that falls within the reference period for pension and deferred pension increases due in 2023.
4. To calculate scheme liabilities in the UK, a discount rate of 4.81 % is used for ASPS, 4.80 % for RAC and 4.78 % for FPPS members not included in annuity policies held by the scheme. A discount rate of 4.79 % is used for ASPS members and 4.82 % for FPPS members included in annuity policies held by the scheme. The different rates reflect the differences in the duration of the liabilities between the schemes.
5. For the Irish schemes, a discount rate of 3.65 % and 3.60 % is used for AISPF and FFPS respectively, reflecting the differences in the duration of the liabilities between the two schemes.

The discount rate and pension increase rate are the two assumptions that have the largest impact on the value of the liabilities, with the difference between them being known as the net discount rate. For each country, the discount rate is based on current average yields of high-quality debt instruments taking account of the maturities of the defined benefit obligations.

Mortality assumptions

Mortality assumptions are material in measuring the Group's obligations under its defined benefit schemes. The assumptions used are summarised in the table below and have been selected to reflect the characteristics and experience of the membership of these schemes.

The mortality tables, average life expectancy and pension duration used at 31 December 2022 for scheme members are as follows:

			Life expectancy/(pension duration) at NRA of a male		Life expectancy/(pension duration) at NRA of a female	
Mortality table		**Normal retirement age (NRA)**	**Currently aged NRA**	**20 years younger than NRA**	**Currently aged NRA**	**20 years younger than NRA**
UK						
– ASPS	SAPS tables as a proxy for Club Vita pooled experience, including an allowance for future improvements	**60**	**87.9**	**89.3**	**89.6**	**91.4**
			27.9	**29.3**	**29.6**	**31.4**
– RAC	SAPS, including allowances for future improvement	**65**	**86.9**	**88.6**	**88.9**	**90.6**
			21.9	**23.6**	**23.9**	**25.6**
– FPPS	SAPS, including allowances for future improvement	**60**	**87.7**	**89.6**	**90.1**	**91.8**
			27.7	**29.6**	**30.1**	**31.8**
Ireland						
– AISPF	98 % / 84 % S3PA_L with allowance for future improvements	**61**	**88.9**	**90.6**	**91.7**	**93.3**
			27.9	**29.6**	**30.7**	**32.3**
– FFPS	98 % / 84 % S3PA_L with allowance for future improvements	**65**	**89.0**	**90.5**	**91.6**	**93.2**
			24.0	**25.5**	**26.6**	**28.2**
Canada	Canadian Pensioners' Mortality 2014 Private Table, including allowance for future improvements	**65**	**87.3**	**88.7**	**89.7**	**91.1**
			22.3	**23.7**	**24.7**	**26.1**

The assumptions above are based on commonly used mortality tables. The tables make allowance for observed variations in such factors as age, gender, pension amount, salary and postcode-based lifestyle group, and have been adjusted to reflect recent research into mortality experience. However, the extent of future improvements in longevity is subject to considerable uncertainty and judgement is required in setting this assumption. For the ASPS, which is the most material scheme to the Group, the allowance for mortality improvement is per the actuarial profession's CMI_2021 (S=7.25) Advanced with adjustments model (2021: CMI_2019 (S=7.25) Advanced with adjustments), with a long-term improvement rate of 1.50 % (2021: 1.50 %) for males and 1.50 % (2021: 1.50 %) for females. The CMI_2021 tables have been adjusted to allow for greater mortality improvements in the annuitant population relative to the general population on which CMI_2021 is based by setting 'Parameter A' to 0.15 % per annum for males and 0.20 % per annum for females (2021: Parameter A was set to 0.15 % per annum for males and 0.20 % per annum for females), and uses the core parameters to taper the long-term improvement rates to zero between ages 85 and 110 (2021: advanced parameters were used to taper the long-term improvement rates to zero between ages 90 and 115).

Notes to the consolidated financial statements continued

50 – Pension obligations continued

Illustrative sensitivity analysis

Significant actuarial assumptions for the determination of the defined benefit obligation are discount rate, inflation rate and mortality. Movements in the defined benefit obligation are mitigated by the impact on the assets from economic movements including interest rates and price inflation, as well as the longevity sensitivity impact due to the insurance policy and longevity swap assets held by the UK pension schemes. The sensitivity analysis below has been determined by changing the respective assumptions while holding all other assumptions constant. The following table illustrates how the IAS 19 surplus would have increased/(decreased) as a result of changes in interest rates, price inflation and mortality:

Illustrative impact on IAS 19 surplus

	Increase in interest rates +1% £m	Decrease in interest rates -1% £m	Increase in inflation rate +1% £m	Decrease in inflation rate -1% £m	1 year younger[1] £m
Impact on present value of defined benefit obligation at 31 December 2022	**1,299**	**(1,613)**	**(1,078)**	**872**	**(308)**
Impact on fair value of scheme assets at 31 December 2022	**(1,573)**	**1,995**	**1,316**	**(1,133)**	**293**
Impact on IAS 19 surplus at 31 December 2022	**(274)**	**382**	**238**	**(261)**	**(15)**
Impact on present value of defined benefit obligation at 31 December 2021	2,650	(3,465)	(2,337)	1,895	(680)
Impact on fair value of scheme assets at 31 December 2021	(3,308)	4,350	2,816	(2,413)	510
Impact on IAS 19 surplus at 31 December 2021	(658)	885	479	(518)	(170)

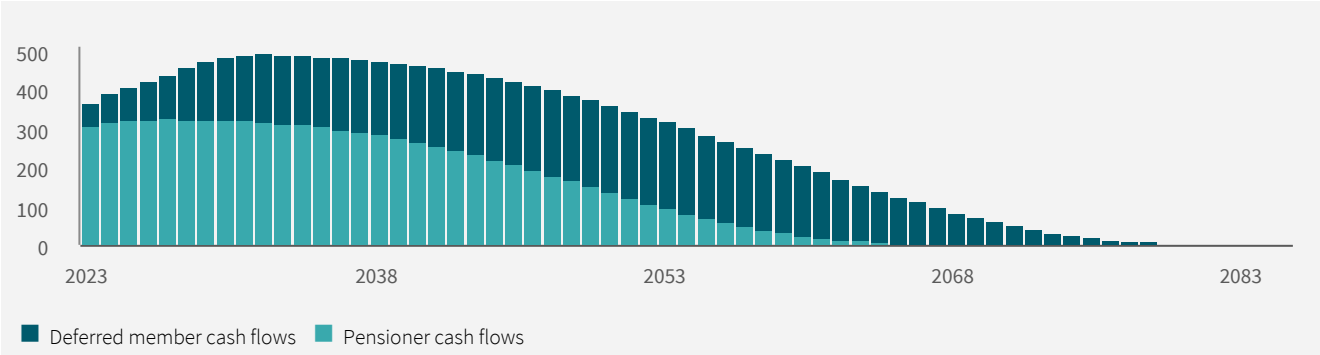
1. The effect of assuming all members in the schemes were one year younger

It is unlikely that the changes in assumptions would occur in isolation of one another as some of the assumptions may be correlated. It should also be noted that these sensitivities are non-linear, and larger or smaller impacts should not be interpolated or extrapolated from these results.

Maturity profile of the defined benefit obligation

Due to the increase of the discount rate over the period, the average duration of the discounted liabilities has reduced in each scheme. The discounted scheme liabilities have an average duration of 13 years (2021: 17 years) in ASPS, 15 years (2021: 19 years) in FPPS, 14 years (2021: 18 years) in the RAC scheme, 15 years (2021: 19 years) in AISPF, 23 years (2021: 26 years) in FFPS and 9 years (2021: 11 years) in the Canadian scheme. The expected undiscounted benefits payable from the main UK defined benefit scheme, ASPS, is shown in the chart below:

Undiscounted benefit payments (£m)



(iv) Risk management and asset allocation strategy

The investment objectives of the trustees and the employers are to limit the risk of the assets failing to meet the liabilities of the schemes over the long-term, and to maximise returns consistent with an acceptable level of risk so as to control the long-term costs of these schemes. To meet these objectives, the schemes' assets are invested in a portfolio, consisting primarily of debt securities as detailed in section (b)(ii). The investment strategy continues to evolve over time and is expected to match the liability profile closely with swap overlays to improve interest rate and inflation matching. The schemes are generally matched to interest rate risk relative to the funding bases.

Main UK scheme

The Company works closely with the trustee, who is required to consult with the Company on the investment strategy.

Interest rate and inflation rate risks are managed using a combination of liability-matching assets and swaps. Exposure to equity risk has been reducing over time and credit risk is managed within risk appetite. Currency risk is relatively small and is largely hedged. The other principal risk is longevity risk. This risk has reduced due to the ASPS entering into a longevity swap in 2014 covering approximately £3.5 billion of pensioner in payment scheme liabilities.

Since October 2019 the ASPS has completed seven bulk annuity buy-in transactions with Aviva Life & Pensions UK Limited, a Group Company. These transactions have covered approximately £2.9 billion of liabilities related to deferred pensioners and current pensioners, removing the investment and longevity risk for these members from the scheme.

Other schemes

The other schemes are considerably less material but their risks are managed in a similar way to those in the main UK scheme. In 2015, the RAC pension scheme entered into a longevity swap covering approximately £0.4 billion of pensioner in payment scheme liabilities.

Notes to the consolidated financial statements continued

50 – Pension obligations continued

(v) Funding

Formal actuarial valuations normally take place every three years and where there is a deficit, the Group and the trustees would agree a deficit recovery plan. The assumptions adopted for triennial actuarial valuations are determined by the trustees and agreed with the Group and are normally more prudent than the assumptions adopted for IAS 19 purposes, which are best estimate.

For the ASPS, the latest formal actuarial valuation was completed with an effective date of 31 March 2021 and showed that the ASPS was fully funded on its technical provisions basis consistent with the requirements of the UK pension regulations.

Other than small amounts to meet some administrative expenses and death benefits, and deficit contributions in Canada, there are no employer contributions expected in 2023.

(c) Defined contribution (money purchase) section of the ASPS

The trustees have responsibility for selecting a range of suitable funds in which the members can choose to invest and for monitoring the performance of the available investment funds. Members are responsible for reviewing the level of contributions they pay and the choice of investment fund to ensure these are appropriate to their risk appetite and their retirement plans. Members of this section contribute at least 2 % of their pensionable salaries, and depending on the percentage chosen, the Group contributes up to a maximum 14 %, together with the cost of the death-in-service benefits. These contribution rates remained unchanged until June 2017. From 1 July 2017, for every 1 % additional employee contribution, the Group will contribute an additional 0.1 % employer contribution. The amount recognised as an expense for defined contribution schemes is shown in section (d) below.

(d) Charge to staff costs in the income statement

The total pension charge to staff costs for all of the Group's defined benefit and defined contribution schemes were:

	2022 £m	2021 £m
Continuing operations		
UK defined benefit schemes	**22**	20
Overseas defined benefit schemes	**1**	1
Total defined benefit schemes from continuing operations (note 9(b))	**23**	21
UK defined contribution schemes	**152**	150
Overseas defined contribution schemes	**20**	19
Total defined contribution schemes from continuing operations (note 9(b))	**172**	169
Charge for pension schemes from discontinued operations	**—**	1
Total charge for pension schemes	**195**	191

There were no significant contributions payable or prepaid in the consolidated statement of financial position as at either 31 December 2022 or 2021

51 – Borrowings

Our borrowings are classified as either core structural borrowings, which are included within the Group's capital employed, or operational borrowings drawn by operating subsidiaries. This note shows the carrying values of each type.

(a) Analysis of total borrowings

Total borrowings comprise:

	2022 £m	2021 £m
Core structural borrowings, at amortised cost	**5,469**	6,133
Operational borrowings, at amortised cost	**195**	71
Operational borrowings, at fair value	**1,091**	1,140
	1,286	1,211
Total	**6,755**	7,344

Notes to the consolidated financial statements continued

51 – Borrowings continued

(b) Core structural borrowings

(i) The carrying amounts of these borrowings are:

	2022 £m	2021 £m
Subordinated debt		
6.125% £700 million subordinated notes 2036	**697**	696
6.125% £800 million undated subordinated notes	**—**	502
6.875% £600 million subordinated notes 2058	**595**	595
8.250% £500 million subordinated notes 2022	**—**	506
6.125% €650 million subordinated notes 2043	**267**	252
3.875% €700 million subordinated notes 2044	**619**	586
5.125% £400 million subordinated notes 2050	**396**	396
3.375% €900 million subordinated notes 2045	**793**	751
4.375% £400 million subordinated notes 2049	**396**	395
4.000% £500 million subordinated notes 2055	**493**	493
4.000% $CAD450 million subordinated notes 2030	**274**	260
	4,530	5,432
Senior notes		
0.625% €500 million senior notes 2023	**278**	264
1.875% €750 million senior notes 2027	**409**	387
	687	651
Commercial paper	**252**	50
Total	**5,469**	6,133

The Group has redeemed £1 billion of subordinated debt during 2022. On 21 April 2022 the Group's 8.250% £500 million Tier 2 subordinated notes reached their final maturity date and were redeemed. On 29 September 2022 the remaining £502 million of the Group's 6.125% £800 million fixed rate reset perpetual Restricted Tier 1 notes reached their optional first all date and were redeemed.

All borrowings are stated at amortised cost.

(ii) The contractual maturity dates of undiscounted cash flows for these borrowings are:

	2022			2021		
	Principal £m	Interest £m	Total £m	Principal £m	Interest £m	Total £m
Within one year	**531**	**229**	**760**	550	269	819
1 to 5 years	**411**	**912**	**1,323**	265	1,020	1,285
5 to 10 years	**275**	**1,077**	**1,352**	652	1,229	1,881
10 to 15 years	**700**	**999**	**1,699**	700	1,178	1,878
Over 15 years	**3,583**	**2,111**	**5,694**	4,000	2,274	6,274
Total contractual undiscounted cash flows	**5,500**	**5,328**	**10,828**	6,167	5,970	12,137

Borrowings are considered current if the contractual maturity dates are within a year. Where subordinated debt is undated or loan notes are perpetual, the interest payments have not been included beyond 15 years. Annual interest payments in future years for these borrowings are £nil (2021: £31 million).

Contractual undiscounted interest payments are calculated based on underlying fixed interest rates or prevailing market floating rates as applicable. Year-end exchange rates have been used for interest projections on loans in foreign currencies.

Notes to the consolidated financial statements continued

51 – Borrowings continued

(c) Operational borrowings

(i) The carrying amounts of these borrowings are:

	2022 £m	2021 £m
Amounts owed to financial institutions		
Loans	**195**	71
Securitised mortgage loan notes		
UK lifetime mortgage business (note 24(b))	**1,091**	1,140
Total	**1,286**	1,211

All the above borrowings are stated at amortised cost, except for the loan notes issued in connection with the UK lifetime mortgage business of £1,091 million (2021: £1,140 million). These loan notes are carried at fair value. Their values are modelled on risk-adjusted cash flows for defaults discounted at a risk-free rate plus a market-determined liquidity premium, and are therefore classified as 'Level 3' in the fair value hierarchy. The risk allowances are consistent with those used in the fair value asset methodology, as described in note 22. These have been designated at fair value through profit and loss in order to present the relevant mortgages, borrowings and derivative financial instruments at fair value, since they are managed as a portfolio on a fair value basis. This presentation provides more relevant information and eliminates any accounting mismatch.

The securitised mortgage loan notes are at various fixed, floating and index-linked rates. Further details about these notes are given in note 24.

(ii) The contractual maturity dates of undiscounted cash flows for these borrowings are:

	2022			2021		
	Principal £m	Interest £m	Total £m	Principal £m	Interest £m	Total £m
Within one year	**260**	**60**	**320**	104	48	152
1 to 5 years	**306**	**194**	**500**	418	144	562
5 to 10 years	**370**	**197**	**567**	374	157	531
10 to 15 years	**145**	**151**	**296**	197	117	314
Over 15 years	**29**	**43**	**72**	69	36	105
Total contractual undiscounted cash flows	**1,110**	**645**	**1,755**	1,162	502	1,664

Contractual undiscounted interest payments are calculated based on underlying fixed interest rates or prevailing market floating rates as applicable. Year-end exchange rates have been used for interest projections on loans in foreign currencies.

(d) Description and features

(i) Subordinated debt

A description of each of the subordinated notes is set out in the table below:

Notional amount	Issue date	Redemption date	Callable at par at option of the Company from	In the event the Company does not call the notes, the coupon will reset at each applicable reset date to
£700 million	14 Nov 2001	14 Nov 2036	16 Nov 2026	5 year Benchmark Gilt + 2.85%
£600 million	20 May 2008	20 May 2058	20 May 2038	Daily Compounded SONIA + 0.1193% + 3.26%
€650 million	5 July 2013	5 July 2043	5 July 2023	5 year EUR mid-swaps + 5.13%
€700 million	3 July 2014	3 July 2044	3 July 2024	5 year EUR mid-swaps + 3.48%
£400 million	4 June 2015	4 June 2050	4 December 2030	Daily Compounded SONIA + 0.1193% + 4.022%
€900 million	4 June 2015	4 December 2045	4 December 2025	3 month Euribor + 3.55%
£400 million	12 September 2016	12 September 2049	12 September 2029	Daily Compounded SONIA + 0.1193% + 4.721%
£500 million	3 June 2020	3 June 2055	3 March 2035	Benchmark Gilt Rate + 4.70%
$CAD450 million	2 October 2020	2 October 2030	N/A	N/A

Subordinated notes issued by the Company rank below its senior obligations and ahead of its preference shares and ordinary share capital. The dated subordinated notes rank ahead of the undated subordinated notes. The fair value of notes at 31 December 2022 was £4,314 million (2021: £6,262 million), calculated with reference to quoted prices.

(ii) Senior notes

All senior notes are at fixed rates and their total fair value at 31 December 2022 was £646 million (2021: £698 million).

(iii) Commercial paper

The commercial paper consists of £252 million issued by the Company (2021: £50 million) and is considered core structural funding. The fair value of the commercial paper is considered to be the same as its carrying value and all issuances are repayable within one year.

Notes to the consolidated financial statements continued

51 – Borrowings continued

(iv) Loans

Loans owed to financial institutions comprise:

	2022 £m	2021 £m
Non-recourse		
Loans to property partnerships	**143**	19
Other non-recourse loans	**52**	52
	195	71

As explained in accounting policy D, the UK long-term business policyholder funds have invested in a number of property funds and structures (the 'Property Funds'), some of which have raised external debt, secured on the relevant Property Fund's property portfolio. The lenders are only entitled to obtain payment of interest and principal to the extent there are sufficient resources in the relevant Property Fund and they have no recourse whatsoever to the policyholder or shareholders' funds of any companies in the Group. Loans of £143 million (2021: £19 million) included in the table above relate to Property Funds.

Other non-recourse loans primarily include external debt raised by special purpose vehicles in the UK long-term business. The lenders have no recourse whatsoever to the shareholders' funds of any companies in the Group. The outstanding balance of these loans at 31 December 2022 was £52 million (2021: £52 million).

(v) Securitised mortgage loan notes

Loan notes have been issued by special purpose securitisation companies in the UK. Details are given in note 24.

(e) Movements during the year

Movements in borrowings during the year were:

	2022			2021		
	Core Structural £m	Operational £m	Total £m	Core Structural £m	Operational £m	Total £m
New borrowings drawn down, excluding commercial paper, net of expenses	—	122	122	—	24	24
Repayment of borrowings, excluding commercial paper	(1,002)	(204)	(1,206)	(1,878)	(60)	(1,938)
Movement in commercial paper[1]	189	—	189	(54)	—	(54)
Net cash (outflow)/inflow	(813)	(82)	(895)	(1,932)	(36)	(1,968)
Borrowings acquired in business combinations[2]	—	139	139	—	—	—
Foreign exchange rate movements	150	2	152	(177)	(2)	(179)
Borrowings reclassified/(loans repaid) for non-cash consideration	—	—	—	—	(259)	(259)
Fair value movements	—	16	16	—	34	34
Amortisation of discounts and other non-cash items	(1)	—	(1)	(11)	—	(11)
Movements in the year	(664)	75	(589)	(2,120)	(263)	(2,383)
Balance at 1 January	6,133	1,211	7,344	8,253	1,474	9,727
Balance at 31 December	**5,469**	**1,286**	**6,755**	6,133	1,211	7,344

1. Gross issuances of commercial paper were £537 million in 2022 (2021: £205 million), offset by repayments of £348 million (2021: £259 million)
2. Borrowings acquired in business combinations relate to the acquisition of Succession Wealth on 11 August 2022 (see note 2(a)). The borrowings were repaid immediately, with the repayment included in the £204 million repayment of operational borrowings shown above.

All movements in fair value in 2021 and 2022 on securitised mortgage loan notes designated as fair value through profit or loss were attributable to changes in market conditions.

(f) Undrawn borrowings

The Group has the following undrawn committed central borrowing facilities available to them, which are used to support the commercial paper programme:

	2022 £m	2021 £m
Expiring within one year	—	—
Expiring beyond one year	**1,700**	1,700
Total	**1,700**	1,700

Notes to the consolidated financial statements continued

52 – Payables and other financial liabilities

This note analyses our payables and other financial liabilities at the end of the year.

	2022 £m	2021 £m
Payables arising out of direct insurance	**1,264**	1,220
Payables arising out of reinsurance operations	**404**	322
Deposits and advances received from reinsurers	**19**	18
Bank customer accounts liability	**2**	—
Bank overdrafts[1]	**929**	607
Derivative liabilities (note 59)	**9,541**	5,763
Amounts due to brokers for investment purchases	**539**	150
Obligations for repayment of cash collateral received	**1,991**	2,963
Lease liabilities (note 21)	**386**	472
Other financial liabilities	**1,367**	1,094
Total	**16,442**	12,609
Expected to be settled within one year	**12,381**	7,974
Expected to be settled in more than one year	**4,061**	4,635
	16,442	12,609

1. Bank overdrafts amount to £250 million (2021: £204 million) in life business operations and £679 million (2021: £403 million) in general insurance business and other operations.

All payables and other financial liabilities are carried at cost, which approximates to fair value, except for derivative liabilities, which are carried at their fair values and lease liabilities which are carried at the present value of the outstanding lease payments.

53 – Other liabilities

This note analyses our other liabilities at the end of the year.

	2022 £m	2021 £m
Deferred income	**68**	76
Reinsurers' share of deferred acquisition costs	**34**	28
Accruals	**1,043**	1,249
Interest payable on borrowings	**877**	949
Other liabilities	**822**	657
Total	**2,844**	2,959
Expected to be settled within one year	**2,591**	2,641
Expected to be settled in more than one year	**253**	318
	2,844	2,959

54 – Contingent liabilities and other risk factors

This note sets out the main areas of uncertainty over the calculation of our liabilities.

(a) Uncertainty over claims provisions

Note 42 gives details of the estimation techniques used by the Group to determine the general insurance business outstanding claims provisions and of the methodology and assumptions used in determining the long-term business provisions. These approaches are designed to allow for the appropriate cost of policy-related liabilities, with a degree of prudence, to give a result within the normal range of outcomes. However, the actual cost of settling these liabilities may differ, for example because experience may be worse than that assumed, or future general insurance business claims inflation may differ from that expected, and hence there is uncertainty in respect of these liabilities.

Business Interruption

The removal of the majority of government restrictions related to COVID-19 across the Group's markets has led to claims frequency increasing to and stabilising at more normal levels, but there continues to be a significant degree of uncertainty in relation to business interruption claims arising from COVID-19.

On 17 October 2022, the High Court handed down its judgment on the preliminary issues trial of Stonegate Pub Co Ltd vs MS Amlin Corp Member Ltd (and others) and related cases. Aviva was not a party to the cases but will be affected by the final rulings. The Court ruled in favour of the parties on different issues, and all parties have appealed the majority of the decisions. The judgment has been carefully considered and the potential impact on claims related to business interruption policies assessed, noting that significant uncertainty remains due to the appeals made to the Court of Appeal.

In Canada, we are party to a number of litigation proceedings challenging coverage under certain policies; however, we believe we have a strong argument that there is no pandemic coverage under these policies. In the opinion of management, adequate provisions have been established for such claims based on information available at the reporting date. The Group purchases reinsurance protection on its property portfolio that includes coverage for business interruption and is collecting or seeking reinsurance recoveries of business interruption losses that are covered by reinsurance.

Notes to the consolidated financial statements continued

54 – Contingent liabilities and other risk factors continued

For further information on our general insurance risk management see note 58(f).

(b) Asbestos, pollution and social environmental hazards

In the course of conducting insurance business, various companies within the Group receive general insurance liability claims, and become involved in actual or threatened related litigation arising therefrom, including claims in respect of pollution and other environmental hazards. Amongst these are claims in respect of asbestos production and handling in the UK, Ireland and Canada. Given the significant delays that are experienced in the notification of these claims, the potential number of incidents they cover and the uncertainties associated with establishing liability, the ultimate cost cannot be determined with certainty. However, on the basis of current information having regard to the level of provisions made for general insurance claims and substantial reinsurance cover now in place, the directors consider that any additional costs arising are not likely to have a material impact on the financial position of the Group.

(c) Guarantees on long-term savings products

As a normal part of their operating activities, various Group companies have given guarantees and options, including interest rate guarantees, in respect of certain long-term insurance and investment products. Note 44 gives details of these guarantees and options. Interest rate guaranteed returns, such as those available on guaranteed annuity options, are sensitive to interest rates falling below the guaranteed level. The directors continue to believe that the existing provisions for such guarantees and options are sufficient.

(d) Regulatory compliance

The Group's insurance and investment business is subject to local regulation in each of the countries in which it operates. A number of the Group's UK subsidiaries are dual regulated (directly authorised by both the PRA (for prudential regulation) and the FCA (for conduct regulation)) while others are solo regulated (regulated solely by the FCA for both prudential and conduct regulation). Between them, the PRA and FCA have broad powers including the authority to grant, vary the terms of, or cancel a regulated firm's authorisation; to investigate marketing and sales practices; and to require the maintenance of adequate financial resources.

The Group's regulated businesses have compliance resources to respond to regulatory enquiries in a constructive way, and take corrective action when warranted. However, all regulated financial services companies face the risk that their regulator could find that they have failed to comply with applicable regulations or have not undertaken corrective action as required.

The impact of any such finding (whether in the UK or overseas) could have a negative impact on the Group's reported results or on its relations with current and potential customers. Regulatory action against a member of the Group could result in adverse publicity for, or negative perceptions regarding, the Group, or could have a material adverse effect on the business of the Group, its results, operations and/or financial condition and divert management's attention from the day-to-day management of the business.

(e) Structured settlements

The Group has purchased annuities from licensed Canadian life insurers to provide for fixed and recurring payments to claimants. As a result of these arrangements, the Group is exposed to credit risk to the extent that any of the life insurers fail to fulfil their obligations. The Group's maximum exposure to credit risk for these types of arrangements is approximately £641 million as at 31 December 2022 (2021: £807 million). Credit risk is managed by acquiring annuities from a diverse portfolio of life insurers with proven financial stability. This risk is reduced to the extent of coverage provided by Assuris, the Canadian life insurance industry compensation plan. As at 31 December 2022, no information has come to the Group's attention that would suggest any weakness or failure in life insurers from which it has purchased annuities and consequently no provision for credit risk is required.

(f) Other

In the course of conducting insurance and investment business, various Group companies receive liability claims, and become involved in actual or threatened related litigation. In the opinion of the directors, adequate provisions have been established for such claims and no material loss will arise in this respect.

In addition, in line with standard business practice, various Group companies have given guarantees, indemnities and warranties in connection with disposals in recent years of subsidiaries and associates to parties outside the Aviva Group. In the opinion of the directors, no material unprovisioned loss will arise in respect of these guarantees, indemnities and warranties.

There are a number of charges registered over the assets of Group companies in favour of other Group companies or third parties. In addition, certain of the Company's assets are charged in favour of certain of its subsidiaries as security for intra-Group loans.

Notes to the consolidated financial statements continued

55 – Commitments

This note gives details of our commitments to capital expenditure. See note 21 for further information on lease commitments.

Contractual commitments for acquisitions or capital expenditures of infrastructure loans, equity funds, investment property and property and equipment, which have not been recognised in the financial statements, are as follows:

	2022 £m	2021 £m
Infrastructure loan advances	**384**	628
Investment property	**361**	507
Property and equipment	**70**	45
Other investment vehicles[1]	**246**	138
	1,061	1,318

1. Represents commitments for further investment in certain private equity vehicles. Such commitments do not expose the Group to the risk of future losses in excess of its investment.

Notes 17 and 18 set out the commitments the Group has to its joint ventures and associates.

56 – Group capital management

(a) Group capital

The Group is required to measure and monitor its capital resources on a regulatory basis and to comply with minimum capital requirements of regulators in each territory it operates in. At a Group level, we have to comply with the requirements established by the PRA.

The Group Solvency II capital requirements are calculated using a Partial Internal Model (PIM) which assesses the risks on an Internal Model basis approved by the PRA. The Solvency II capital regime requires insurers to calculate regulatory capital adequacy at both individual regulated subsidiaries and an aggregate Group level. Non-UK entities have been included in Group solvency in line with Solvency II requirements. Other financial sector entities (including fund management) are included at their proportional share of the capital requirement according to the relevant sectoral values. In addition, non-UK businesses including Canada, are subject to the locally applicable capital requirements in the jurisdictions in which they operate.

Group capital is represented by Solvency II own funds. The Solvency II position disclosed is based on a 'shareholder view'. The shareholder view is considered by management to be more representative of the shareholders' risk exposure and the Group's ability to cover the Solvency Capital Requirement (SCR) with eligible own funds and aligns with management's approach to dynamically manage its capital position.

In arriving at the shareholder position, the following adjustments are typically made to the regulatory Solvency II own funds:

- The contribution to the Group's SCR and own funds of the most material fully ring fenced with-profits funds of £1,369 million at 31 December 2022 (2021: £2,205 million) and staff pension schemes in surplus of £394 million at 31 December 2022 (2021: £1,218 million) are excluded. These exclusions have no impact on Solvency II surplus as these funds are self-supporting on a Solvency II capital basis with any surplus capital above SCR not recognised;
- A notional reset of the transitional measure on technical provisions (TMTP), calculated using the same method as used for formal TMTP resets. This presentation avoids step changes to the Solvency II position that arise only when the formal TMTP reset points are triggered. The 31 December 2022 Solvency II position includes a notional reset (£437 million decrease in own funds) (an application for a formal reset has been submitted to the regulator and will be reflected in our regulatory position once approved) while the 31 December 2021 Solvency II position included a formal, rather than notional, reset of the TMTP in line with the regulatory requirement to reset the TMTP at least every two years and hence no adjustment was required. In addition, due to interest rate rises over the period, a formal reset of TMTP as at 30 June 2022 was approved and is included in the estimated 31 December 2022 regulatory Solvency II position;

	2022 £m	2021 £m
Estimated Solvency II regulatory own funds as at 31 December	**18,668**	25,573
Adjustments for:		
Fully ring-fenced with-profits funds	**(1,369)**	(2,205)
Staff pension schemes in surplus	**(394)**	(1,218)
Notional reset of TMTP	**(437)**	—
Estimated Solvency II shareholder own funds at 31 December	**16,468**	22,150

Solvency II own funds are comprised of a combination of shareholders' funds, preference share capital, subordinated debt, and deferred tax assets measured on a Solvency II basis. During the year, the Group redeemed £1 billion of subordinated debt (see note 51) and issued £0.5 billion of of Restricted Tier 1 subordinated debt .

Solvency II surplus at the Group level represents the excess of eligible Solvency II own funds over the Group's solvency capital requirements calculated in accordance with Solvency II requirements. The Group maintained capital in excess of the SCR at all times during 2022. All regulated subsidiaries complied with their capital requirements throughout the year, with the exception of a temporary breach in a small entity in Canada where solvency coverage was promptly restored.

Further information on the Group's Solvency II position, shareholder view, including a reconciliation between IFRS equity and own funds can be found in the Other information section. This information is estimated and is therefore subject to change. It is also unaudited.

Notes to the consolidated financial statements continued

56 – Group capital management continued

(b) Risks and capital management objectives

The primary objective of capital management is to maintain an efficient capital structure, in a manner consistent with our risk profile and the regulatory and market requirements of our business. Capital is a primary consideration across a wide range of business activities, including product development, pricing, business planning, merger and acquisition transactions and asset and liability management. A Capital Management Standard, applicable Group-wide, sets out minimum standards and guidelines over responsibility for capital management including considerations for capital management decisions and requirements for management information, capital monitoring, reporting, forecasting, planning and overall governance.

The Group manages capital in conjunction with solvency capital requirements and in line with the dividend policy and capital framework.

- We aim to deliver sustainable dividends at a level that is resilient in times of stress and is covered by the capital and cash generated from our businesses;
- At the core of our capital framework is financial strength in accordance with risk appetite and efficient deployment of capital. See note 58 for more information about the Group's risk management approach;
- Key elements of our capital framework are as follows:
  - Solvency II shareholder cover ratio working range of 160%-180%
  - Centre liquid assets of c.£1.5 billion
  - Solvency II debt leverage ratio below 30%
  - To maintain our AA credit rating metrics;
- After the payment of our regular dividend, surplus capital is available for investment in the business to support growth and top quartile efficiency objectives, bolt-on M&A where this delivers attractive risk adjusted returns and the opportunity is in line with our strategy, and any additional returns to shareholders releasing excess capital over time;
- The Group seeks to retain financial flexibility by maintaining strong liquidity, access to a range of capital markets and significant unutilised committed credit lines; and
- Our businesses are capitalised based on their regulatory minimum levels with further prudent volatility buffers specific to each entity. Subsidiary capital appetites and working ranges are reviewed regularly by subsidiary boards.

Intra-group capital arrangements

Consistent with our capital management framework, the Group has in place intra-group arrangements to provide additional capital support to its regulated subsidiaries. In the normal course of business, the Group will provide additional capital support to its regulated subsidiaries in certain circumstances. While the Group considers it unlikely that such support will be required, the arrangements are intended to provide additional comfort to its regulated subsidiaries and its policyholders.

Notes to the consolidated financial statements continued

57 – Statement of cash flows

This note gives further detail behind the figures in the statement of cash flows.

(a) The reconciliation of (loss)/profit before tax to the net cash inflow from operating activities is:

Continuing operations	2022 £m	2021 £m
(Loss)/profit before tax	**(2,379)**	801
Adjustments for:		
Share of loss/(profit) of joint ventures and associates	**2**	(146)
Dividends received from joint ventures and associates	**47**	32
Loss/(profit) on sale of:		
Investment property	**8**	32
Subsidiaries, joint ventures and associates	**—**	(22)
Investments	**(1,909)**	(3,233)
	(1,901)	(3,223)
Fair value losses/(gains) on:		
Investment property	**1,150**	(1,069)
Investments	**48,667**	(4,416)
Borrowings	**16**	34
	49,833	(5,451)
Depreciation of property and equipment	**57**	74
Equity compensation plans, equity settled expense	**58**	24
Impairment and expensing of:		
Goodwill on subsidiaries	**(77)**	—
Acquired value of in-force business and intangibles	**4**	—
Non-financial assets	**—**	7
	(73)	7
Amortisation of:		
Premium/discount on debt securities	**68**	64
Premium/discount on borrowings	**(1)**	(11)
Premium/discount on non-participating investment contracts	**68**	75
Financial instruments	**260**	130
Acquired value of in-force business and intangibles	**244**	259
	639	517
Change in unallocated divisible surplus	**13**	175
Interest expense on borrowings	**450**	490
Net finance income on pension schemes	**(42)**	(27)
Foreign currency exchange gains	**(778)**	(11)
Changes in working capital		
Decrease/(increase) in reinsurance assets	**2,052**	(1,709)
Decrease/(increase) in deferred acquisition costs	**167**	(90)
(Decrease)/increase in insurance liabilities and investment contracts	**(38,062)**	16,333
Increase in other assets[1]	**(5,457)**	(3,701)
	(41,300)	10,833
Net purchases of operating assets		
Net purchases of investment property	**(434)**	(717)
Net proceeds on sale of investment property	**408**	1,047
Net sales/(purchase) of financial investments	**11,493**	(6,979)
	11,467	(6,649)
Total cash generated from/(used in) operating activities from continuing operations	**16,093**	(2,554)

1. In 2022, increase in other assets excludes £60 million (202: £nil) for costs relating to internally generated intangible assets under development which are presented within net cash flows (used in)/from investing activities

The cash flows presented in this statement cover all the Group's activities and include flows from both policyholder and shareholder activities. Operating cash flows reflect the movement in both policyholder and shareholder controlled cash and cash equivalent balances.

During the year the net operating cash inflow reflects a number of factors, including the level of premium income, payments of claims, creditors and surrenders and purchases and sales of operating assets including financial investments. It also includes changes in the size and value of consolidated cash investment funds and changes in the Group participation in these funds.

Notes to the consolidated financial statements continued

57 – Statement of cash flows continued

(b) Cash flows in respect of the acquisition of, and additions to, subsidiaries, joint ventures and associates comprised:

Continuing operations	2022 £m	2021 £m
Cash consideration for subsidiaries, joint ventures and associates acquired and additions[1]	**(275)**	—
Total cash flow on acquisitions and additions from continuing operations	**(275)**	—

1. Cash consideration for subsidiaries, joint ventures and associates acquired and additions relates to the acquisition of Succession Wealth and Aviva Life Insurance Company India Limited (see note 2a)

(c) Cash flows in respect of the disposal of subsidiaries, joint ventures and associates comprised:

	2022 £m	2021 £m
Continuing operations		
Cash proceeds from disposal of subsidiaries, joint ventures and associates	—	24
Less: Net cash and cash equivalents divested with subsidiaries	—	(1)
Cash flow on disposals from continuing operations	—	23
Discontinued operations		
Cash proceeds from disposal of subsidiaries, joint ventures and associates[1]	—	6,136
Less: Net cash and cash equivalents divested with subsidiaries	—	(2,772)
Cash flow on disposals from discontinued operations	—	3,364
Total cash flow on disposals	—	3,387

1. Cash proceeds from disposal of subsidiaries, joint ventures and associates are net of £nil (2021: £19 million) transaction costs paid during the year

The above figures in (b) and (c) form part of cash flows from investing activities.

(d) Cash and cash equivalents in the statement of cash flows at 31 December comprised:

	2022 £m	2021 £m
Cash at bank and in hand	**5,371**	4,833
Cash equivalents	**17,134**	7,652
	22,505	12,485
Bank overdrafts	**(929)**	(607)
	21,576	11,878

Cash and cash equivalents reconciles to the statement of financial position as follows:

	2022 £m	2021 £m
Cash and cash equivalents (excluding bank overdrafts)	**22,505**	12,485
	22,505	12,485

58 – Risk management

Risk management is key to Aviva's success. We accept the risks inherent to our core business lines of life, general insurance and health, and asset management. We diversify these risks through our scale, geographic spread, the variety of the products and services we offer and the channels through which we sell them. We receive premiums which we invest to maximise risk-adjusted returns, so that we can fulfil our promises to customers while providing a return to our shareholders. In doing so we have a preference for retaining those risks we believe we are capable of managing to generate a return.

Our sustainability and financial strength are underpinned by an effective risk management process and risk intelligent culture, which helps us identify major risks to which we may be exposed, establish appropriate controls and take mitigating actions for the benefit of our customers and investors. The Group's risk strategy is to invest its available capital to optimise the balance between return and risk while maintaining an appropriate level of economic (i.e. risk-based) and regulatory capital.

The key elements of our risk management framework comprise: our risk strategy and risk management forward plans; risk governance, including risk policies and business standards, risk oversight committees and roles and responsibilities; and the processes we use to identify, measure, manage, monitor and report risks, including the use of our risk models and stress and scenario testing.

Notes to the consolidated financial statements continued

58 – Risk management continued

Risk Environment

During the year, the global economy has experienced elevated inflation, rising interest rates and stagnating economic growth. Expectations for 2023 are that interest rates will see further rises. The Bank of England expects the UK economy to be at risk to recession throughout 2023 and the first half 2024, with GDP expected to recover gradually thereafter. This will increase the risk of credit defaults and rating downgrades, which we are monitoring closely . Affordability remains a concern to trading because of the economic climate, and will impact all customers, including relatively affluent customers. Customer experience and retention will continue to require close monitoring. Continued heightened geo-political tensions, specifically over the conflict in Ukraine, and the potential for further disruption to energy supplies are an additional source of uncertainty for financial and commodity markets and as a trigger for inflation.

There remains uncertainty over the outcome from continuing COVID-19 business interruption claims litigation and the impact on the Group, as well as the long-term impact of the COVID-19 pandemic on mortality and morbidity, and consequential strains on UK public healthcare and customer demand for private medical insurance.

We expect continued and heightened regulatory change in 2023 and beyond. In 2023 the UK Government and PRA are expected to conclude their review of Solvency II impacting how much prudential capital the Group is required to hold and how the Group invests the funds backing its annuity business. By July 2023, the Group's UK business will be required to have implemented the FCA's Consumer Duty for open products and by July 2024 for closed products. The FCA Consumer Duty, combined with the cost of living crisis, is expected to increase regulatory scrutiny on the fair value of products provided by the insurance industry. August 2023 will see the first wave of large pension providers and schemes connecting to the UK pensions dashboard.

The Group continues to maintain strong solvency and liquidity positions through a range of scenarios and stress testing. Our capital and liquidity positions have been tested by recent market conditions and have been shown to be robust and resilient.

There has been an increased threat of malware and ransomware attacks across the world. In response we have increased the protection level of anti-malware security controls. We continue to monitor threat intelligence data and update our security controls to maintain protection against new and emerging ransomware variants.

Aviva remains committed to supporting a low carbon economy that will improve the resilience of our economy, society and the financial system in line with the 2015 Paris Agreement target on climate change. In March 2021, we set an ambition to become a Net Zero carbon company by 2040 and we are acting now to mitigate and manage the impact of climate change on our business. We calculate a Climate Value at Risk (VaR) against Intergovernmental Panel on Climate Change (IPCC) scenarios to assess the climate-related risks and opportunities under different emission projections and associated temperature pathways. A range of different financial indicators are used to assess the impact on our investments and insurance liabilities. As part of our actions to mitigate climate risks, Aviva originates assets for their climate credentials. Aviva has defined an Investment in Sustainable assets metric, which is implemented with reference to external frameworks and is set out in our climate reporting policies in the Aviva plc Climate-related Financial Disclosure report 2022.

The Group is implementing IFRS 17 insurance contracts retrospectively from 1 January 2023. The adoption of IFRS 17 significantly impacts the measurement and presentation of the contracts in scope of the standard. IFRS 17 introduces the concept of a contractual service margin (CSM) liability that defers future unearned profit on insurance contracts. The recognition of a CSM for our life businesses is expected to result in a material reduction in the IFRS net asset value of the Group on transition to IFRS 17, with a stock of future profits held on the balance sheet as a liability and released over time. The cash flows and underlying capital generation of our businesses are unaffected by IFRS 17, and the standard will have no impact on our Solvency II performance metrics or the Group financial targets we have announced. Furthermore, we do not expect IFRS 17 to impact on the dividend policy and dividend guidance. Further information on IFRS 17, including the expected financial impacts on the Group net asset value at the transition date of 1 January 2022, is provided in note 62.

(a) Risk management framework (RMF)

Aviva's RMF is at the heart of every business decision and is key to a robust control environment and the Group's sustainable success. The key components of our RMF are risk appetite; risk governance, including risk policies and business standards, risk oversight committees and roles and responsibilities; and the processes we use to identify, measure, manage, monitor and report risks, including the use of our risk models and stress and scenario testing. A risk taxonomy is maintained for a consistent approach to risk identification, measurement and reporting, and to determine application of the Group Risk Appetite Framework and the risks for which a Risk Policy is required. The taxonomy is arranged in a hierarchy with more granular risk types grouped into the following principal risk categories: credit and market, liquidity, life insurance, general insurance (including health), operational and strategic risk. Risks falling within these types may affect a number of outcomes including those relating to solvency, liquidity, profit, reputation and conduct.

To promote a consistent and rigorous approach to risk management across all businesses we have a set of risk policies and business standards which set out the risk strategy/forward plan, appetite, framework, key controls, and minimum requirements for the Group's worldwide operations. The business unit's chief executive officers make an annual declaration supported by an opinion from the business unit chief risk officers that the system of governance and internal controls was effective and fit for purpose for their business throughout the year.

The Group's Risk Appetite Framework was refreshed during the year, with revised and new risk appetites, preferences and tolerances considered and approved by the Risk Committee. Climate Risk was integrated and defined within the risk appetite framework to be incorporated into risk-based decision-making.

Notes to the consolidated financial statements continued

58 – Risk management continued

A regular top-down key risk identification and assessment process is carried out by the Risk function. This includes the consideration of emerging risks and is supported by deeper thematic reviews. This process is replicated at the business unit level. The risk assessment processes are used to generate risk reports which are shared with the relevant risk committees.

Risk models are an important tool in our measurement of risks and are used to support the monitoring and reporting of the risk profile and in the consideration of the risk management actions available. We carry out a range of stress (where one risk factor, such as equity returns, is assumed to vary) and scenario (where combinations of risk factors are assumed to vary) tests to evaluate their impact on the business and the management actions available to respond to the conditions envisaged. For those risk types managed through the holding of capital, being our principal risk types except for liquidity risk, we measure and monitor our risk profile based on the Solvency Capital Requirement (SCR).

Roles and responsibilities for risk management in Aviva are based around the 'three lines of defence' risk governance model where ownership for risk is taken at all levels in the Group. Line management in the business is accountable for risk ownership and management, including the implementation and embedding of the RMF. The risk function is accountable for quantitative and qualitative oversight and challenge of the risk identification, measurement, monitoring, management, and reporting processes and for developing the RMF, as well as providing advisory support to the business on risk innovation. Internal audit provides an independent assessment of the risk management framework and internal control processes.

Board oversight of risk and its management across the Group is maintained on a regular basis through its Risk Committee and Customer and Sustainability Committee. The Board has overall responsibility for determining risk appetite, which is an expression of the risk the business is willing to take. Three Group-level management committees (Group Executive Risk Committee, Group Asset Liability Committee and the Disclosure Committee) exist to assist members of the Aviva Executive Committee in the discharge of their delegated authorities and their accountabilities within the Aviva Governance Framework and in relation to their defined regulatory responsibilities.

In September 2022, we acquired an additional 25% stake in our joint venture in India, Aviva Life Insurance Company India Limited, increasing Aviva's shareholding to 74%. As a result of this transaction, we became the majority shareholder and have applied the Aviva RMF to this business.

The RMF of a small number of our joint ventures and strategic equity holdings differs from the Aviva RMF outlined in this note. We work with these entities to understand how their risks are managed and to align them, where possible, with Aviva's RMF so not to unduly increase the overall risk exposure of the Group.

The types of risks to which the Group is exposed have not changed significantly during the year and remain credit, market, liquidity, life insurance, general insurance and health, asset management and operational risks. These risks are described below.

(b) Credit risk

Credit risk is the risk of financial loss as a result of the default or failure of third parties to meet their payment obligations to Aviva, or variations in market values as a result of changes in expectations related to these risks. Credit risk is taken so that Aviva can provide the returns required to satisfy policyholder liabilities and to generate returns for our shareholders. In general we prefer to take credit risk over equity and property risks, because of the better expected risk adjusted return, our credit risk analysis capability and the structural investment advantages conferred to insurers with long-dated, relatively illiquid liabilities.

Our approach to managing credit risk recognises that there is a risk of adverse financial impact resulting from fluctuations in credit quality of third parties including default, rating transition and credit spread movements. Our credit risks arise principally through exposures to debt security investments, structured asset investments, bank deposits, derivative counterparties, mortgage lending and reinsurance counterparties.

The Group manages its credit risk at business unit and Group level. All business units are required to implement credit risk management processes (including limits frameworks), operate specific risk management committees, and report and monitor their exposures against detailed pre-established risk criteria. At Group level, we manage and monitor all exposures across our business units on a consolidated basis, and operate a Group limit framework that must be adhered to by all.

The Group has minimal direct investment exposure to Russia and Ukraine, and no exposure to Belarus.

We did not experience a material increase in credit defaults in 2022. We continue to monitor closely any deterioration in the credit markets. Our capital position includes an allowance for the expected potential impacts from downgrades and defaults.

Notes to the consolidated financial statements continued

58 – Risk management continued

A detailed breakdown of the Group's current credit exposure by credit quality is shown below.

(i) Financial exposures by credit ratings

Financial assets are graded according to current external credit ratings issued. AAA is the highest possible rating. Investment grade financial assets are classified within the range of AAA to BBB ratings. Financial assets which fall outside this range are classified as sub-investment grade. The following table provides information regarding the aggregated credit risk exposure of the Group for financial assets with external credit ratings. 'Not rated' assets capture assets not rated by external ratings agencies.

As at 31 December 2022	AAA	AA	A	BBB	Below BBB	Not rated	Carrying value including held for sale £m	Less: Assets classified as held for sale £m	Carrying value £m
Fixed maturity securities	18.0 %	37.6 %	21.9 %	13.0 %	3.8 %	5.7 %	103,776	—	103,776
Reinsurance assets	— %	66.5 %	30.3 %	3.1 %	— %	0.1 %	13,056	—	13,056
Other investments	— %	— %	0.1 %	— %	— %	99.9 %	34,520	—	34,520
Loans	— %	9.0 %	1.0 %	0.4 %	— %	89.6 %	29,647	—	29,647
Total							180,999	—	180,999

As at 31 December 2021	AAA	AA	A	BBB	Below BBB	Not rated	Carrying value including held for sale £m	Less: Assets classified as held for sale £m	Carrying value £m
Fixed maturity securities	13.3 %	43.2 %	22.2 %	12.1 %	3.7 %	5.5 %	133,251	—	133,251
Reinsurance assets	— %	76.7 %	18.9 %	3.8 %	— %	0.6 %	15,032	—	15,032
Other investments	— %	0.1 %	— %	— %	— %	99.9 %	36,541	—	36,541
Loans	16.4 %	4.3 %	— %	0.5 %	— %	78.8 %	38,624	—	38,624
Total							223,448	—	223,448

The majority of non-rated fixed maturity securities within shareholder assets are held by our businesses in the UK. Of these securities most are allocated an internal rating using a methodology largely consistent with that adopted by an external rating agency, and are considered to be of investment grade credit quality; these include £3.6 billion (2021: £4.3 billion) of debt securities held in our UK Life business, predominantly made up of private placements and other corporate bonds, which have been internally rated as investment grade.

The following table provides information on the Group's exposure by credit ratings to financial assets that meet the definition of 'solely payment of principal and interest' (SPPI).

As at 31 December 2022	AAA £m	AA £m	A £m	BBB £m	Not rated £m
Loans	—	2,663	250	—	814
Receivables	—	62	419	94	4,175
Accrued income & interest	—	—	—	—	163
Other investments	—	—	—	—	1
Total	—	2,725	669	94	5,153

As at 31 December 2021	AAA £m	AA £m	A £m	BBB £m	Not rated £m
Loans	6,318	1,678	—	—	648
Receivables	—	165	670	89	3,715
Accrued income & interest	—	—	—	—	284
Other investments	—	—	—	—	—
Total	6,318	1,843	670	89	4,647

At the period end, the Group held cash and cash equivalents of £21,441 million (2021: £10,100 million) that met the SPPI criteria, of which all is placed with financial institutions with issuer ratings within the range of AAA to BBB. Further information on the extent to which unrated receivables, including those that meet the SPPI criteria, are past due may be found in section (ix) of this note.

The Group continues to hold a series of macro credit hedges to reduce the overall credit risk exposure. The Group's maximum exposure to credit risk of financial assets, without taking collateral or these hedges into account, is represented by the carrying value of the financial instruments in the statement of financial position. These comprise debt securities, reinsurance assets, derivative assets, loans and receivables. The carrying values of these assets are disclosed in the relevant notes: financial investments (note 26), reinsurance assets (note 45), loans (note 23) and receivables (note 27). The collateral in place for these credit exposures is disclosed in note 60 Financial assets and liabilities subject to offsetting, enforceable master netting agreements and similar agreements.

(ii) Other investments

Other investments include unit trusts and other investment vehicles; derivative financial instruments, representing positions to mitigate the impact of adverse market movements; and other assets, including deposits with credit institutions and minority holdings in property management undertakings.

The credit quality of the underlying debt securities within investment vehicles is managed by the safeguards built into the investment mandates for these funds which determine the funds' risk profiles. At the Group level, we also monitor the asset quality of unit trusts and other investment vehicles against Group set limits.

Notes to the consolidated financial statements continued

58 – Risk management continued

A proportion of the assets underlying these investments are represented by equities and so credit ratings are not generally applicable. Equity exposures are managed against agreed benchmarks that are set with reference to overall appetite for market risk.

(iii) Loans

The Group loan portfolio principally comprises:

- Policy loans which are generally collateralised by a lien or charge over the underlying policy;
- Loans and advances to banks which primarily relate to loans of cash collateral received in stock lending transactions. These loans are fully collateralised by other securities;
- Healthcare, infrastructure and PFI loans secured against healthcare, education, social housing and emergency services related premises; and
- Mortgage loans collateralised by property assets.

We use loan to value, interest and debt service cover, and diversity and quality of the tenant base metrics to internally monitor our exposures to mortgage loans. We use credit quality, based on dynamic market measures, and collateralisation rules to manage our stock lending activities. Policy loans are loans and advances made to policyholders, and are collateralised by the underlying policies.

(iv) Credit concentration risk

The long-term and general insurance businesses are generally not individually exposed to significant concentrations of credit risk due to the regulations applicable in most markets and the Group credit policy and limits framework, which limit investments in individual assets and asset classes. Credit concentrations are monitored as part of the regular credit monitoring process and are reported to the Group Asset Liability Committee (ALCO). With the exception of government bonds the largest aggregated counterparty exposure within shareholder assets is to the Legal and General Group plc (including subsidiaries), representing approximately 1.7% of the total shareholder assets.

(v) Reinsurance credit exposures

The Group is exposed to concentrations of risk with individual reinsurers due to the nature of the reinsurance market and the restricted range of reinsurers that have acceptable credit ratings. The Group operates a policy to manage its reinsurance counterparty exposures, by limiting the reinsurers that may be used and applying strict limits to each reinsurer. Reinsurance exposures are aggregated with other exposures to ensure that the overall risk is within appetite. The Group Capital and Group Risk teams have an active monitoring role with escalation to the Chief Financial Officer (CFO), Chief Risk Officer (CRO), Group ALCO and the Board Risk Committee as appropriate.

(vi) Securities finance

The Group has significant securities financing operations within the UK and smaller operations in some other businesses. The risks within this activity are mitigated by collateralisation and minimum counterparty credit quality requirements.

(vii) Derivative credit exposures

The Group is exposed to counterparty credit risk through derivative trades. This risk is generally mitigated through holding collateral for most trades. Residual exposures are captured within the Group's credit management framework.

(viii) Unit-linked business

In unit-linked business the policyholder bears the direct market risk and credit risk on investment assets in the unit funds and the shareholders' exposure to credit risk is limited to the extent of the income arising from asset management charges based on the value of assets in the fund.

(ix) Impairment of financial assets

In assessing whether financial assets carried at amortised cost or classified as available for sale are impaired, due consideration is given to the factors outlined in accounting policies (T) and (V). The following table provides information regarding the carrying value of financial assets subject to impairment testing that have been impaired and the ageing of those assets that are past due but not impaired. The table excludes assets carried at fair value through profit or loss and held for sale.

	Financial assets that are past due but not impaired						
As at 31 December 2022	Neither past due nor impaired £m	0–3 months £m	3–6 months £m	6 months–1 year £m	Greater than 1 year £m	Financial assets that have been impaired £m	Carrying value £m
Fixed maturity securities	—	—	—	—	—	—	—
Reinsurance assets	7,832	—	—	—	—	—	7,832
Other investments	—	—	—	—	—	—	—
Loans	3,727	—	—	—	—	—	3,727
Receivables and other financial assets	5,778	133	71	26	35	—	6,043

Notes to the consolidated financial statements continued

58 – Risk management continued

As at 31 December 2021	Neither past due nor impaired £m	Financial assets that are past due but not impaired 0–3 months £m	3–6 months £m	6 months–1 year £m	Greater than 1 year £m	Financial assets that have been impaired £m	Carrying value £m
Fixed maturity securities	—	—	—	—	—	—	—
Reinsurance assets	9,924	—	—	—	—	—	9,924
Other investments	—	—	—	—	—	—	—
Loans	8,644	—	—	—	—	—	8,644
Receivables and other financial assets	6,073	15	—	—	—	—	6,088

Excluded from the tables above are financial and reinsurance assets carried at fair value through profit or loss that are not subject to impairment testing, as follows: £97.3 billion of fixed maturity securities (2021: £113.4 billion), £34.5 billion of other investments (2021: £30.8 billion), £25.9 billion of loans (2021: £30.0 billion) and £5.2 billion of reinsurance assets (2021: £5.1 billion).

Where assets have been classed as 'past due and impaired', an analysis is made of the risk of default and a decision is made whether to seek to mitigate the risk. There were no material financial assets that would have been past due or impaired had the terms not been renegotiated.

(c) Market risk

Market risk is the risk of adverse financial impact resulting, directly or indirectly from fluctuations in interest rates, inflation, foreign currency exchange rates, equity and property prices. Market risk arises in business units because of fluctuations in both the value of liabilities and the value of investments held. At Group level, it also arises in relation to the overall portfolio of international businesses and in the value of investment assets owned directly by the shareholders. We actively seek some market risks as part of our investment and product strategy.

The management of market risk is undertaken at business unit and at Group level. Businesses manage market risks locally using the Group market risk framework and within local regulatory constraints. Group Capital is responsible for monitoring and managing market risk at Group level and has established criteria for matching assets and liabilities to limit the impact of mismatches because of market movements.

In addition, where the Group's long-term savings businesses have written insurance and investment products where most investment risks are borne by its policyholders, these risks are managed in line with local regulations and marketing literature, so to satisfy the policyholders' risk and reward objectives. The Group writes unit-linked business, primarily in the UK. The shareholders' exposure to market risk on this business is limited to the extent that income arising from asset management charges is based on the value of assets in the fund.

Aviva launched a formal Group-wide programme of change activity in 2019 to manage the transition to alternative risk-free rates from LIBOR settings. Three sub programmes were established covering the UK insurance business, Aviva Investors and other Group activities, reporting into a Group Steering Committee. The majority of Aviva's exposure to IBOR rates existed within the UK insurance business and Aviva Investors, where Aviva has reviewed all financial instruments, engaged with counterparties to either transition to alternative risk-free rates or have exited positions where required. Significant progress has been made, with a substantive majority of Aviva's original IBOR exposure already resolved. Aviva's only remaining exposure to GBP LIBOR relates to a small number of currently fixed-rate public bonds that would revert to LIBOR-referencing floating rates in the event of a non-call by the issuer at the next call date. We continue to assess the likelihood of this event. Aviva has adhered to the ISDA Fallback Protocol for all its in-scope USD LIBOR exposures and we continue to work with borrowers on the transition of our remaining direct USD LIBOR loan exposures in advance of the discontinuation of these benchmarks after 30 June 2023. Aviva's exposure to CDOR relates to a small number of interest rate swaps whose transition will be planned prior to CDOR's termination after 28th June 2024. Aviva has worked closely with UK regulators, impacted clients, industry experts and industry associations to ensure a smooth and transparent transition of the exposures. The programme continues to address all risks posed by the transition, including the risk of non-transition of outstanding exposures. No change to the Company's risk management strategy has been required in response to the transition. At 30 December 2022, £506 million of non-derivative financial assets, £29 million of derivative financial assets and £30 million of derivative financial liabilities had yet to transition to an alternative risk-free rate.

Notes to the consolidated financial statements continued

58 – Risk management continued

The most material types of market risk that the Group is exposed to are described below.

(i) Equity price risk

The Group is subject to direct equity price risk arising from changes in the market values of its equity securities portfolio. Our most material indirect equity price risk exposures are to policyholder unit-linked funds, which are exposed to a fall in the value of the fund thereby reducing the fees we earn on those funds, and participating contracts, which are exposed to a fall in the value of the funds thereby increasing our costs for policyholder guarantees. We also have some equity exposure in shareholder funds through equities held to match inflation-linked liabilities.

We continue to limit our direct equity exposure in line with our risk preferences. At a business unit level, investment limits and local investment regulations require that business units hold diversified portfolios of assets thereby reducing exposure to individual equities. The Group does not have material holdings of unquoted equity securities.

Equity risk is also managed using a variety of derivative instruments, including futures and options. Businesses actively model the performance of equities through the use of risk models, in particular to understand the impact of equity performance on guarantees, options and bonus rates. An equity hedging strategy remains in place to help control the Group's overall direct and indirect exposure to equities.

Sensitivity to changes in equity prices is given in section (h) Risk and capital management, below.

(ii) Property price risk

The Group is subject to property price risk directly because of holdings of investment properties in a variety of locations worldwide and indirectly through investments in mortgages and mortgage backed securities. Investment in property is managed at business unit level, and is subject to local regulations on investments, liquidity requirements and the expectations of policyholders.

As at 31 December 2022, no material derivative contracts had been entered into to mitigate the effects of changes in property prices. We maintain a conservative loan-to-value on our commercial mortgage portfolio. Exposure to property risk on equity release mortgages from sustained underperformance in the UK House Price Index (HPI) is mitigated by capping loan to value on origination at low levels and regularly monitoring the performance of the mortgage portfolio.

Sensitivity to changes in property prices is given in section (h) Risk and capital management, below.

(iii) Interest rate risk

Interest rate risk arises primarily from the Group's investments in long-term debt and fixed income securities and their movement relative to the value placed on the insurance liabilities. A number of policyholder product features have an influence on the Group's interest rate risk. The major features include guaranteed surrender values, guaranteed annuity options, and minimum surrender and maturity values. Details of material guarantees and options are given in note 44.

We have limited appetite for interest rate risk as we do not believe it is adequately rewarded. We manage and hedge our interest rate exposure through setting risk tolerance levels on a Solvency II cover ratio basis. Exposure to interest rate risk is monitored through several measures that include duration, capital modelling, sensitivity testing and stress and scenario testing.

Increasing interest rates as a result of the monetary policy response to inflationary pressures will positively impact the Group's regulatory capital cover ratio. This could be offset by the negative impact of credit downgrades, counterparty defaults, claims and maintenance expenses and lapse rates if high inflation persists and the economy stagnates or falls. Conversely, rising credit spreads will adversely impact IFRS shareholders' equity, see section (h) sensitivity test analysis.

The Group typically manages interest rate risk by investing in fixed interest securities which closely match the interest rate sensitivity of the liabilities where such investments are available. In particular, a key objective is to at least match the duration of our annuity liabilities with assets of the same duration, and in some cases where appropriate cash flow matching has been used. These assets include corporate bonds, residential mortgages and commercial mortgages. Should they default before maturity, it is assumed that the Group can reinvest in assets of a similar risk and return profile, which is subject to market conditions. Interest rate risk is also managed in some business units using a variety of derivative instruments, including futures, options, swaps, caps and floors.

Other product lines of the Group, such as protection, are not significantly sensitive to interest rate or market movements. For unit-linked business, the shareholder margins emerging are typically a mixture of annual management fees and risk/expense charges. Risk and expense margins are largely unaffected by low interest rates. Annual management fees could increase if there was a move towards low interest rates which increases the value of unit funds. For the UK annuities business interest rate exposure is mitigated by closely matching the duration of liabilities with assets of the same duration.

Some of the Group's products in UK and Ireland, principally participating contracts, expose us to the risk that changes in interest rates will impact on profits through a change in the interest spread (the difference between the amounts that we are required to pay under the contracts and the investment income we are able to earn on the investments supporting our obligations under those contracts). The UK participating business includes contracts with features such as guaranteed surrender values, guaranteed annuity options, and minimum surrender and maturity values. These liabilities are managed through duration matching of assets and liabilities and the use of derivatives, including swaptions. As a result, the Group's exposure to sustained low interest rates on this portfolio is not material. Details of material guarantees and options are given in note 44.

Notes to the consolidated financial statements continued

58 – Risk management continued

Profit before tax on General Insurance and Health Insurance business is generally a mixture of insurance, expense and investment returns. The asset portfolio is invested primarily in fixed income securities. The portfolio investment yield and average total invested assets in our general insurance and health business are set out in the table below.

	Portfolio investment yield[1]	Average assets £m
2020	1.88 %	15,024
2021	1.88 %	14,390
2022	**2.33 %**	**13,082**

1. Before realised and unrealised gains and losses and investment expenses

The nature of the business means that prices in certain circumstances can be increased to maintain overall profitability. This is subject to the competitive environment in each market. If there are future falls in interest rates the investment yield would be expected to decrease in future periods.

Sensitivity to changes in interest rates is given in section (h) Risk and capital management, below.

(iv) Inflation risk

Inflation risk arises primarily from the Group's exposure to general insurance claims inflation, to inflation linked benefits within the defined benefit staff pension schemes and within the UK annuity portfolio and to expense inflation. Increases in long-term inflation expectations are closely linked to long-term interest rates and so are frequently considered with interest rate risk. Exposure to inflation risk is monitored through capital modelling, sensitivity testing and stress and scenario testing. The Group typically manages inflation risk through its investment strategy and, in particular, by investing in inflation linked securities and through a variety of derivative instruments, including inflation linked swaps. Inflation risk is a rising concern and we are monitoring the potential impact on the profits and margins of the Group and our counterparties which could impact their credit quality.

(v) Currency risk

The Group has minimal exposure to currency risk from financial instruments held by business units in currencies other than their functional currencies, as nearly all such holdings are backing either unit-linked or with-profits contract liabilities or are hedged. As a result the foreign exchange gains and losses on investments are largely offset by changes in unit-linked and with-profits liabilities and fair value changes in derivatives attributable to changes in foreign exchange rates recognised in the income statement.

The Group operates internationally and as a result is exposed to foreign currency exchange risk arising from fluctuations in exchange rates of various currencies. Approximately 25% of the Group's gross written premium income from continuing operations arises in currencies other than sterling. The Group's net assets are denominated in a variety of currencies, of which the largest are sterling, euro and Canadian dollars (CAD$). The Group does not hedge foreign currency revenues as these are substantially retained locally to support the growth of the Group's business and meet local regulatory and market requirements. However, the Group does use foreign currency forward contracts to hedge planned dividends from its subsidiaries.

Businesses aim to maintain sufficient assets in local currency to meet local currency liabilities, however movements may impact the value of the Group's consolidated shareholders' equity which is expressed in sterling. This aspect of foreign exchange risk is monitored and managed centrally, against pre-determined limits. These exposures are managed by aligning the deployment of regulatory capital by currency with the Group's regulatory capital requirements by currency. Currency borrowings and derivatives are used to manage exposures within the limits that have been set. Except where the Group has applied net investment hedge accounting (see note 59(a)), foreign exchange gains and losses on foreign currency borrowings are recognised in the income statement, whereas foreign exchange gains and losses arising on consolidation from the translation of assets and liabilities of foreign subsidiaries are recognised in other comprehensive income. At 31 December 2022 and 2021, the Group's net assets by currency including assets held for sale was:

	Sterling £m	Euro £m	CAD$ £m	Other £m	Total £m
Net Assets at 31 December 2022	**12,806**	**(507)**	**12**	**584**	**12,895**
Net Assets at 31 December 2021	19,300	(769)	222	701	19,454

A 10% change in sterling to euro/CAD$ period-end foreign exchange rates would have had the following impact on net assets:

	10% increase in sterling/euro rate £m	10% decrease in sterling/euro rate £m	10% increase in sterling/CAD$ rate £m	10% decrease in sterling/ CAD$ rate £m
Net assets at 31 December 2022	**51**	**(51)**	**(1)**	**1**
Net assets at 31 December 2021	77	(77)	(22)	22

A 10% change in sterling to euro/$ average foreign exchange rates applied to translate foreign currency profits would have had the following impact on profit before tax, including resulting gains and losses on foreign exchange hedges.

Notes to the consolidated financial statements continued

58 – Risk management continued

	10% increase in sterling/euro rate £m	10% decrease in sterling/euro rate £m	10% increase in sterling/CAD$ rate £m	10% decrease in sterling/ CAD$ rate £m
Impact on profit before tax 31 December 2022	**5**	**(6)**	**(1)**	**1**
Impact on profit before tax 31 December 2021	206	(252)	(23)	28

The balance sheet changes arise from retranslation of business unit statements of financial position from their functional currencies into sterling, with above movements being taken through the currency translation reserve. These balance sheet movements in exchange rates therefore have no impact on profit. Net asset and profit before tax figures are stated after taking account of the effect of currency hedging activities.

(vi) Derivatives risk

Derivatives are used by a number of the businesses. Derivatives are primarily used for efficient investment management, risk hedging purposes, or to structure specific retail savings products. Activity is overseen by the Group Capital and Group Risk teams, which monitor exposure levels and approve large or complex transactions.

The Group applies strict requirements to the administration and valuation processes it uses, and has a control framework that is consistent with market and industry practice for the activity that is undertaken.

(vii) Correlation risk

The Group recognises that lapse behaviour and potential increases in consumer expectations are sensitive to and interdependent with market movements and interest rates. These interdependencies are taken into consideration in the internal capital model and in scenario analysis.

(d) Liquidity risk

Liquidity risk is the risk of not being able to make payments as they become due because there are insufficient assets in cash form. The relatively illiquid nature of insurance liabilities is a potential source of additional investment return by allowing us to invest in higher yielding, and less liquid assets such as commercial mortgages and infrastructure loans. The Group seeks to maintain sufficient financial resources to meet its obligations as they fall due through the application of a Group liquidity risk policy and business standard and through the development of its liquidity risk management plan. At Group and business unit level, there is a liquidity risk appetite which requires that sufficient liquid resources be maintained to cover net outflows in a stress scenario. In addition to the existing liquid resources and expected inflows, the Group maintains significant undrawn committed borrowing facilities (£1,700 million) from a range of leading international banks to further mitigate this risk.

In the Group we use derivative contracts to manage interest rate, inflation and foreign-exchange risks. Following the sharp and rapid rise in interest rates at the end of Q3 2022 the value of these instruments moved significantly. This required sizeable collateral flows which we were able to meet due to the sufficient liquidity buffers and intergroup funding.

Maturity analysis

The following tables show the maturities of our insurance and investment contract liabilities, and of the financial and reinsurance assets held to meet them. A maturity analysis of the contractual amounts payable for borrowings and non-hedge derivatives is given in notes 51 and 59, respectively. Contractual obligations under leases and capital commitments are given in note 21 and note 55.

(i) Analysis of maturity of insurance and investment contract liabilities

For non-linked insurance business, the following table shows the gross liability at 31 December 2022 and 2021 analysed by remaining duration. The total liability is split by remaining duration in proportion to the cash-flows expected to arise during that period, as permitted under IFRS 4, Insurance Contracts.

Almost all linked business and non-linked investment contracts may be surrendered or transferred on demand. For such contracts, the earliest contractual maturity date is therefore the current statement of financial position date, for a surrender amount approximately equal to the current statement of financial position liability. However, we expect surrenders, transfers and maturities to occur over many years, and accordingly tables below reflect the expected cash flows for these contracts, rather than their contractual maturity date.

As at 31 December 2022	Total £m	On demand or within 1 year £m	1-5 years £m	5-15 years £m	Over 15 years £m
Long-term business					
Insurance contracts – non-linked	**74,790**	**6,158**	**19,972**	**30,507**	**18,153**
Investment contracts – non-linked	**15,138**	**2,526**	**4,517**	**6,492**	**1,603**
Linked business	**152,374**	**5,027**	**17,719**	**48,042**	**81,586**
General insurance and health	**16,382**	**6,785**	**7,330**	**2,017**	**250**
Total contract liabilities	**258,684**	**20,496**	**49,538**	**87,058**	**101,592**

Notes to the consolidated financial statements continued

58 – Risk management continued

As at 31 December 2021	Total £m	On demand or within 1 year £m	1-5 years £m	5-15 years £m	Over 15 years £m
Long-term business					
Insurance contracts – non-linked	98,412	7,382	22,148	37,916	30,966
Investment contracts – non-linked	16,893	1,645	5,367	7,654	2,227
Linked business	164,218	5,359	19,197	51,443	88,219
General insurance and health	15,179	6,010	6,716	1,908	545
Total contract liabilities	294,702	20,396	53,428	98,921	121,957

The following table provides an analysis, by maturity date of the principal, of the carrying value of financial assets which are available to fund the repayment of liabilities as they crystallise. This table excludes assets held for sale.

As at 31 December 2022	Total £m	On demand or within 1 year £m	1-5 years £m	Over 5 years £m	No fixed term £m
Fixed maturity securities	**103,776**	**18,961**	**33,075**	**51,740**	**—**
Equity securities	**85,790**	**—**	**—**	**—**	**85,790**
Other investments	**34,520**	**30,894**	**582**	**2,863**	**181**
Loans	**29,647**	**5,388**	**4,634**	**19,625**	**—**
Cash and cash equivalents	**22,505**	**22,505**	**—**	**—**	**—**
Total	**276,238**	**77,748**	**38,291**	**74,228**	**85,971**

As at 31 December 2021	Total £m	On demand or within 1 year £m	1-5 years £m	Over 5 years £m	No fixed term £m
Fixed maturity securities	133,251	43,432	27,187	62,632	—
Equity securities	95,169	—	—	—	95,169
Other investments	36,541	30,949	489	4,748	355
Loans	38,624	8,840	4,636	25,148	—
Cash and cash equivalents	12,485	12,485	—	—	—
Total	316,070	95,706	32,312	92,528	95,524

The assets above are analysed in accordance with the earliest possible redemption date of the instrument at the initiation of the Group. Where an instrument is transferable back to the issuer on demand, such as most unit trusts or similar types of investment vehicle, it is included in the 'On demand or within 1 year' column. Debt securities with no fixed contractual maturity date are generally callable at the option of the issuer at the date the coupon rate is reset under the contractual terms of the instrument. The terms for resetting the coupon are such that we expect the securities to be redeemed at this date, as it would be uneconomic for the issuer not to do so, and for liquidity management purposes we manage these securities on this basis. The first repricing and call date is normally ten years or more after the date of issuance. Most of the Group's investments in equity securities and fixed maturity securities are market traded and therefore, if required, can be liquidated for cash at short notice.

(e) Life insurance risk

Life insurance risk in the Group arises through its exposure to mortality risk and exposure to worse than anticipated operating experience on factors such as persistency levels, exercising of policyholder options and management and administration expenses.

The Group chooses to take measured amounts of life insurance risk provided that the relevant business has the appropriate core skills to assess and price the risk and adequate returns are available. The Group's underwriting strategy and appetite is communicated via specific policy statements, related business standards and guidelines. Life insurance risk is managed primarily at business unit level with oversight at the Group level.

The overall impact of COVID-19 on the assumptions of our life insurance risks, primarily longevity, persistency, mortality, morbidity and expense risk has been limited. The Group also tracks the potential longer-term impacts from the pandemic (e.g. morbidity impacts). Underwriting procedures on Individual Life Protection products limit our exposure to cohorts of the population at the highest risk of COVID-19.

We have reinsurance in place across all our businesses to reduce our net exposure to potential losses. In the UK we have extensive quota share reinsurance in place on Individual Protection business and for UK Group Life Protection we use surplus reinsurance for very large individual claims.

The Group's life insurance risk continues to be dominated by exposure from our UK business. COVID-19 has continued to present additional uncertainty, but we expect limited future impact to our business. We have seen heavier mortality throughout the summer months of 2022, which is in contrast to the historical trend of lighter experience over this period, with causes attributed to reduced NHS capacity and long-term health impairments prior to the pandemic.

Current persistency experience is not showing any significant deterioration in the short term, despite cost of living pressures, but there remains some uncertainty about the potential for future deterioration, which is being monitored closely. External factors that may impact future persistency experience include the continued increasing levels of inflation, increased stock-market volatility, changes in legislation and the growing threat of a prolonged recession in the markets in which we operate.

Notes to the consolidated financial statements continued

58 – Risk management continued

We are exposed to longevity risk through the Aviva Staff Pension Scheme, to which our economic exposure has been reduced since 2014 by entering into a longevity swap covering the majority of pensioner in-payment scheme liabilities in force at the time. We purchase reinsurance for some of the longevity risk relating to our annuity business, which includes a series of bulk annuity buy-in transactions with the Aviva Staff Pension scheme, where a further tranche was executed in 2022 (see note 50). The Group has continued to write considerable volumes of life protection business, and to utilise reinsurance to reduce exposure to potential losses. More generally, life insurance risks are believed to provide a significant diversification against other risks in the portfolio. Life insurance risks are modelled within the internal capital model and are subject to sensitivity and stress and scenario testing.

The assumption setting and management of life insurance risks is governed by the Group-wide business standards covering underwriting, pricing, product design and management, in-force management, claims handling, and reinsurance. The individual life insurance risks are managed as follows:

- Mortality and morbidity risks are managed through comprehensive medical underwriting, input and advice from medical experts, as well as frequent monitoring and analysis of company experience. Reinsurance treaties are in place to provide further mitigation.
- Longevity risk is managed through monitoring and analysis of the Group's experience, as well as considering the latest external industry data and emerging trends. While individual businesses are responsible for reserving and pricing for annuity business, the Group monitors the exposure to this risk and any associated capital implications. The Group has used reinsurance solutions to reduce the risks from longevity and continually monitors and evaluates emerging market solutions to mitigate this risk further.
- Persistency risk is managed at a business unit level through frequent monitoring of company experience, and benchmarking against local market information. Generally, persistency risk arises from customers lapsing their policies earlier than has been assumed. Lapses and their associated financial impact are reduced through appropriate design of products to meet current and, where possible, future customer needs. Businesses also implement specific initiatives to improve the retention of policies which may otherwise lapse.
- Expense risk is primarily managed by the business units through robust cost controls and efficiency targets, together with frequent monitoring of expense levels.

Embedded derivatives

The Group is exposed to the risk of changes in policyholder behaviour due to the exercise of options, guarantees and other product features embedded in its long-term savings products. These product features offer policyholders varying degrees of guaranteed benefits at maturity or on early surrender, along with options to convert their benefits into different products on pre-agreed terms. The extent of the impact of these embedded derivatives differs considerably between business units and exposes Aviva to changes in policyholder behaviour in the exercise of options as well as market risk.

Examples of each type of embedded derivative affecting the Group are:

- Options: call, put, surrender and maturity options, guaranteed annuity options, options to cease premium payment, options for withdrawals free of market value adjustment, annuity options, and guaranteed insurability options.
- Guarantees: embedded floor (guaranteed return), maturity guarantee, guaranteed death benefit, guaranteed minimum rate of annuity payment and the 'no negative equity' associated with the Equity Release business; and
- Other: indexed interest or principal payments, maturity value, loyalty bonus.

The impact of these is reflected in the capital model and managed as part of the asset liability framework. Further disclosure on financial guarantees and options embedded in contracts and their inclusion in insurance and investment contract liabilities is provided in note 43.

(f) General insurance risk and health risk

The Group writes a balanced portfolio of general insurance risk (including personal motor; household; commercial motor; property and liability), as well as global exposure to corporate specialty risks. This risk is taken on, in line with our underwriting and pricing expertise, to provide an appropriate level of return for an acceptable level of risk. Underwriting discipline and a robust governance process is at the core of the Group's underwriting strategy.

The Group's health insurance business (including private health insurance, critical illness cover, income protection and personal accident insurance, as well as a range of corporate healthcare products) exposes the Group to morbidity risk (the proportion of our customers falling sick) and medical expense inflation.

Provisions made for insurance liabilities are inherently uncertain. Due to this uncertainty, general and health insurance reserves are regularly reviewed by qualified and experienced actuaries at the business unit and Group level in accordance with the Group's reserving framework. These and other key risks, including the occurrence of unexpected claims from a single source or cause and inadequate reinsurance protection/risk transfer, are subject to an overarching risk management framework and various mechanisms to govern and control our risks and exposures.

We recognise that the severity and frequency of weather-related events has the potential to adversely impact provisions for insurance liabilities and our earnings, with the result that there is some seasonality in our results from period to period. Large catastrophic (CAT) losses arising as a result of these events are explicitly considered in our economic capital modelling to ensure we are resilient to such CAT scenarios. The impact of actual weather-related losses compared to the expected losses based on the long-term average was 12% worse (2021: 5% worse) for UK and Ireland general insurance and 35% lower (2021: 16% lower) for Canada general insurance.

The removal of the majority of government restrictions related to COVID-19 across the Group's markets has led to claims frequency increasing to and stabilising at more normal levels, but there continues to be a significant degree of uncertainty in relation to business interruption claims arising from COVID-19.

Notes to the consolidated financial statements continued

58 – Risk management continued

On 17 October 2022, the High Court in the UK handed down its judgment on the preliminary issues trial of Stonegate Pub Co Ltd vs MS Amlin Corp Member Ltd (and others) and related cases. Aviva was not a party to the cases but will be affected by the final rulings. The Court ruled in favour of the parties on different issues, and all parties have appealed the majority of the decisions. The judgment has been carefully considered and the potential impact on claims related to business interruption policies assessed, noting that significant uncertainty remains due to the appeals made to the Court of Appeal.

In Canada, we are party to a number of litigation proceedings, including class actions that challenge coverage under our commercial property policies; however, we believe we have a strong argument that there is no pandemic coverage under these policies. The Group purchases reinsurance protection on its property portfolio that includes coverage for business interruption and is collecting or seeking reinsurance recoveries of business interruption losses that are covered by reinsurance.

The Group's general insurance business does not have material underwriting exposure to Russia and the Ukraine, and does not conduct operations in the affected region. All commercial underwriting lines with exposures above £1 million have been reviewed and all have clear war exclusions.

The conflict in Ukraine and ongoing disruption to global supply chains has resulted in heightened claims inflation during 2022 which is expected to persist into 2023 and has increased the uncertainty associated with the cost of settling general insurance claims. While the impacts of heightened claims inflation are being mitigated via new business pricing actions, our ability to price for inflation is dependent on market, competitor and customer behaviour. The time lag between premium earning and claims emergence means that some adverse impact on profitability is expected.

Reinsurance strategy

Significant reinsurance purchases are reviewed annually at both business unit and Group level to verify that the levels of protection being bought reflect any developments in exposure and the risk appetite of the Group. The basis of these purchases is underpinned by analysis of capital, earnings and capital volatility, cash flow and liquidity and the Group's franchise value.

Detailed actuarial analysis is used to calculate the Group's extreme risk profile and then design cost and capital efficient reinsurance programmes to mitigate these risks to within agreed appetites. For businesses writing general insurance we analyse the natural catastrophe exposure using our own internal probabilistic catastrophe model which is benchmarked against external catastrophe models widely used by the rest of the (re)insurance industry.

The Group cedes much of its worldwide catastrophe risk to third-party reinsurers through excess of loss and aggregate excess of loss structures. The Group purchases a Group-wide catastrophe reinsurance programme to protect against catastrophe losses up to a 1 in 250 year return period (1 in 500 year return period in Canada). The total Group potential retained loss from its most concentrated catastrophe exposure peril (Northern Europe Windstorm) is approximately £200 million on a per occurrence basis and £350 million on an annual aggregate basis. The Group purchases a number of general insurance business line specific reinsurance programmes with various retention levels to protect both capital and earnings, and has reinsured 100% of its latent exposures to its historic UK employers' liability and public liability business written prior to 31 December 2000.

(g) Operational risk (including conduct risk)

Operational risk is the risk of direct or indirect loss, arising from inadequate or failed internal processes, people and systems, or external events including changes in the regulatory environment. We have limited appetite for operational risk and aim to reduce these risks as far as is commercially sensible.

The Group continues to operate, validate and enhance its key operational controls and purchase insurance to minimise losses arising from inadequate or ineffective internal processes, people and systems or from external events. The Group maintains constructive relationships with its regulators around the world and responds appropriately to developments in relation to key regulatory changes. The Operational Risk Appetite framework enables management and the Board to assess the overall quality of the operational risk environment relative to risk appetite and, where a Business Unit (or the Group) are outside of appetite, require clear and robust plans to be put in place in order to return to appetite. As part of our continual improvements of or risk management approach to keep pace with the business, increasing regulatory expectations, and the macroeconomic and geo-political environment, we have recently implemented risk improvements. Those improvements have strengthened and enhanced our risk management capabilities throughout the organisation and enabled us to operate a stronger control environment, improve understanding and accountabilities of risks, reduce the complexity of how the business thinks about and manages risks and create greater collaboration across the first and second lines of defence to provide higher quality advice and challenge.

We have implemented measures to improve the Group's operational resilience in response to new PRA and FCA operational resilience regulations (including outsourcing and third-party risk management) which took effect on 31 March 2022. This includes a programme of resilience and crisis response testing to ensure the continued financial safety and soundness of Aviva's business and our ability to support approved operating tolerances for the most important business services that our customers rely upon. Operational resilience disciplines and assessments have been used in response to global events, including: changes to the geo-political environment; financial market instability; and the continuity of Winter power supplies.

We rely on several outsourcing providers for critical business processes, customer servicing, investment operations and IT support. To manage the risk of failure of a critical outsourcing provider, businesses are required to identify business critical outsourced functions (internal and external) and for each to have exit and termination plans, and business continuity and disaster recovery plans in place in the event of supplier failure, which are reviewed annually. We also carry out supplier financial stability reviews at least annually.

Notes to the consolidated financial statements continued

58 – Risk management continued

The Russia-Ukraine conflict and increasing geo-political tensions more generally have heightened the risk of cyber security attacks on the Group or its suppliers, with the potential to cause business service interruption and/or data or intellectual property theft. In response Aviva continues to actively monitor the threat environment and enhance its IT infrastructure and cyber controls to identify, detect and prevent attacks. Aviva's cyber defences are regularly tested using our own 'ethical hacking' team and we have engaged our suppliers to put in place all reasonable measures so that services to Aviva and our customers are protected.

The Group actively monitors social and other media in order to manage misinformation about our business, products, colleagues and customers should we be targeted by a hostile actor in the context of the situation in Ukraine or elsewhere, taking corrective media action if necessary.

We are exposed to the risk that litigation, employee misconduct, operational failures, the outcome of regulatory investigations, media speculation and negative publicity, disclosure of confidential client information, inadequate services, whether or not founded, could impact our brands or reputation. Any of our brands or our reputation could also be affected if products or services recommended by us (or any of our intermediaries) do not perform as expected (whether or not the expectations are founded) or customers' expectations of the product change.

We have designed our products and business processes so that we treat our customers fairly and we make use of various metrics to assess our own performance, including customer advocacy, retention and complaints. Failure to treat our customers fairly is counter to our purpose, values and culture and could result in regulatory action and penalties, as well as impact our brands and/or reputation. The FCA stated that by the end of October 2022, firms' boards (or equivalent management body) should agree Consumer Duty implementation plans. All implementation plans for Aviva in scope regulated entities have gone through the agreed governance process and have been signed off by the appropriate boards. Our Consumer Duty Framework, includes guidance on what represents a good customer outcome in the context of our products and services.

Aviva is directly exposed to the risks associated with operating an asset management business through its ownership of Aviva Investors. The underlying risk profile of our asset management risk is derived from investment performance, specialist investment professionals and leadership, product development capabilities, fund liquidity, margin, client retention, regulatory developments, fiduciary and contractual responsibilities. Funds invested in illiquid assets such as commercial property are particularly exposed to liquidity risk. The risk profile is regularly monitored.

A client relationship team is in place to manage client retention risk, while all new asset management products undergo a review and approval process at each stage of the product development process, including approvals from legal, compliance and risk functions. Investment performance against client objectives relative to agreed benchmarks is monitored as part of our investment performance and risk management process, and subject to further independent oversight and challenge by a specialist risk team, reporting directly to the Aviva Investors' Chief Risk Officer.

(h) Risk and capital management

(i) Sensitivity test analysis

The Group uses a number of sensitivity tests to understand the volatility of earnings, the volatility of its capital requirements, and to manage its capital more efficiently. Sensitivities to economic and operating experience are regularly produced on the Group's key financial performance metrics to inform the Group's decision making and planning processes, and as part of the framework for identifying and quantifying the risks to which each of its business units, and the Group as a whole, are exposed.

(ii) Life insurance and investment contracts

The nature of long-term business is such that a number of assumptions are made in compiling these financial statements. Assumptions are made about investment returns, expenses, mortality rates and persistency in connection with the in-force policies for each business unit. Assumptions are best estimates based on historic and expected experience of the business. A number of the key assumptions for the Group's central scenario are disclosed elsewhere in these statements.

(iii) General insurance and health business

General insurance and health claim liabilities are estimated by using standard actuarial claims projection techniques. These methods extrapolate the claims development for each accident year based on the observed development of earlier years. In most cases, no explicit assumptions are made as projections are based on assumptions implicit in the historic claims.

(iv) Sensitivity test results

Illustrative results of sensitivity testing for long-term business, general insurance and health business and the fund management and non-insurance business are set out below. For each sensitivity test the impact of a reasonably possible change in a single factor is shown, with other assumptions left unchanged. Each test allows for any consequential impact on the asset and liability valuations. See below for further details on the limitations of the sensitivity analysis. The sensitivity of the net IAS 19 surplus to interest rates is provided in note 50(b)(iii).

Notes to the consolidated financial statements continued

58 – Risk management continued

Sensitivity factor	Description of sensitivity factor applied
Interest rate and investment return	The impact of a change in market interest rates by a 1% increase or decrease. The test allows consistently for similar changes to investment returns and movements in the market value of backing fixed interest securities.
Credit spreads	The impact of a 0.5% increase in credit spreads over risk-free interest rates on corporate bonds and other non-sovereign credit assets. The test allows for any consequential impact on liability valuations.
Equity/property market values	The impact of a change in equity/property market values by ± 10%.
Expenses	The impact of an increase in maintenance expenses by 10%.
Assurance mortality/morbidity (life insurance only)	The impact of an increase in mortality/morbidity rates for assurance contracts by 5%.
Annuitant mortality (long-term insurance only)	The impact of a reduction in mortality rates for annuity contracts by 5%.
Gross loss ratios (non-long-term insurance only)	The impact of an increase in gross loss ratios for general insurance and health business by 5%.

Long-term business sensitivities as at 31 December 2022

31 December 2022 Impact on profit/loss before tax £m	Interest rates +1%	Interest rates -1%	Credit spreads +0.5%	Equity/ property +10%	Equity/ property -10%	Expenses +10%	Assurance mortality +5%	Annuitant mortality -5%
Insurance participating	(70)	100	(15)	(80)	55	(25)	—	—
Insurance non-participating	(705)	885	(570)	(85)	60	(175)	(120)	(540)
Investment participating	(40)	20	—	(30)	30	(35)	—	—
Investment non-participating	—	—	—	5	(5)	(5)	—	—
Assets backing life shareholders' funds	(40)	40	(30)	5	(5)	—	—	—
Total	**(855)**	**1,045**	**(615)**	**(185)**	**135**	**(240)**	**(120)**	**(540)**

31 December 2022 Impact on shareholders' equity before tax £m	Interest rates +1%	Interest rates -1%	Credit spreads +0.5%	Equity/ property +10%	Equity/ property -10%	Expenses +10%	Assurance mortality +5%	Annuitant mortality -5%
Insurance participating	(70)	100	(15)	(80)	55	(25)	—	—
Insurance non-participating	(705)	885	(570)	(85)	60	(175)	(120)	(540)
Investment participating	(40)	20	—	(30)	30	(35)	—	—
Investment non-participating	—	—	—	5	(5)	(5)	—	—
Assets backing life shareholders' funds	(40)	40	(30)	5	(5)	—	—	—
Total	**(855)**	**1,045**	**(615)**	**(185)**	**135**	**(240)**	**(120)**	**(540)**

Sensitivities as at 31 December 2021

31 December 2021 Impact on profit/loss before tax £m	Interest rates +1%	Interest rates -1%	Credit spreads +0.5%	Equity/ property +10%	Equity/ property -10%	Expenses +10%	Assurance mortality +5%	Annuitant mortality -5%
Insurance participating	(115)	135	(10)	(65)	40	(35)	10	(5)
Insurance non-participating	(1,175)	1,410	(640)	(155)	135	(220)	(145)	(900)
Investment participating	(50)	65	—	(25)	25	(40)	—	—
Investment non-participating	—	—	—	5	(10)	—	—	—
Assets backing life shareholders' funds	(50)	55	(45)	—	—	—	—	—
Total	(1,390)	1,665	(695)	(240)	190	(295)	(135)	(905)

31 December 2021 Impact on shareholders' equity before tax £m	Interest rates +1%	Interest rates -1%	Credit spreads +0.5%	Equity/ property +10%	Equity/ property -10%	Expenses +10%	Assurance mortality +5%	Annuitant mortality -5%
Insurance participating	(115)	135	(10)	(65)	40	(35)	10	(5)
Insurance non-participating	(1,175)	1,410	(640)	(155)	135	(220)	(145)	(900)
Investment participating	(50)	65	—	(25)	25	(40)	—	—
Investment non-participating	—	—	—	5	(10)	—	—	—
Assets backing life shareholders' funds	(40)	40	(30)	5	(5)	—	—	—
Total	(1,380)	1,650	(680)	(235)	185	(295)	(135)	(905)

Changes in sensitivities between 2022 and 2021 reflect underlying movements in the value of assets and liabilities, including the relative duration of assets and liabilities and asset liability management actions. The sensitivities to economic and demographic movements relate mainly to business in the UK.

General insurance and health business sensitivities as at 31 December 2022

31 December 2022 Impact on profit/loss before tax £m	Interest rates +1%	Interest rates -1%	Credit spreads +0.5%	Equity/ property +10%	Equity/ property -10%	Expenses +10%	Gross loss ratios +5%
Gross of reinsurance	**(195)**	**220**	**(80)**	**105**	**(105)**	**(125)**	**(295)**
Net of reinsurance	**(225)**	**240**	**(80)**	**105**	**(105)**	**(125)**	**(270)**

Notes to the consolidated financial statements continued

58 – Risk management continued

31 December 2022 Impact on shareholders' equity before tax £m	Interest rates +1%	Interest rates -1%	Credit spreads +0.5%	Equity/ property +10%	Equity/ property -10%	Expenses +10%	Gross loss ratios +5%
Gross of reinsurance	**(195)**	**220**	**(80)**	**105**	**(105)**	**(20)**	**(295)**
Net of reinsurance	**(225)**	**240**	**(80)**	**105**	**(105)**	**(20)**	**(270)**

Sensitivities as at 31 December 2021

31 December 2021 Impact on profit/loss before tax £m	Interest rates +1%	Interest rates -1%	Credit spreads +0.5%	Equity/ property +10%	Equity/property -10%	Expenses +10%	Gross loss ratios +5%
Gross of reinsurance	(400)	480	(80)	105	(105)	(120)	(230)
Net of reinsurance	(415)	470	(80)	105	(105)	(120)	(225)

31 December 2021 Impact on shareholders' equity before tax £m	Interest rates +1%	Interest rates -1%	Credit spreads +0.5%	Equity/ property +10%	Equity/ property -10%	Expenses +10%	Gross loss ratios +5%
Gross of reinsurance	(400)	480	(80)	105	(105)	(20)	(230)
Net of reinsurance	(415)	470	(80)	105	(105)	(20)	(225)

For general insurance and health, the increase in interest rates over the period and asset liability management actions have reduced the impact of interest rate sensitivities. The impact of the expense sensitivity on profit/loss also includes the increase in ongoing administration expenses, in addition to the increase in the claims handling expense provision.

Fund management and non-insurance business sensitivities as at 31 December 2022

31 December 2022 Impact on profit/loss before tax £m	Interest rates +1%	Interest rates -1%	Credit spreads +0.5%	Equity/ property +10%	Equity/ property -10%
Total	**—**	**—**	**—**	**—**	**—**

31 December 2022 Impact on shareholders' equity before tax £m	Interest rates +1%	Interest rates -1%	Credit spreads +0.5%	Equity/ property +10%	Equity/ property -10%
Total	**—**	**—**	**—**	**—**	**—**

Sensitivities as at 31 December 2021

31 December 2021 Impact on profit/loss before tax £m	Interest rates +1%	Interest rates -1%	Credit spreads +0.5%	Equity/ property +10%	Equity/ property -10%
Total	—	—	35	—	—

31 December 2021 Impact on shareholders' equity before tax £m	Interest rates +1%	Interest rates -1%	Credit spreads +0.5%	Equity/ property +10%	Equity/ property -10%
Total	—	—	35	—	—

Limitations of sensitivity analysis

The tables above demonstrate the effect of an instantaneous change in a key assumption while other assumptions remain unchanged. In reality, changes may occur over a period of time and there is a correlation between the assumptions and other factors. It should also be noted that these sensitivities are non-linear, and larger or smaller impacts should not be interpolated or extrapolated from these results.

The sensitivity analysis does not take into consideration that the Group's assets and liabilities are actively managed. Additionally, the financial position of the Group may vary at the time that any actual market movement occurs. For example, the Group's financial risk management strategy aims to manage the exposure to market fluctuations.

As investment markets move past various trigger levels, management actions could include selling investments, changing investment portfolio allocations and taking other protective action.

Other limitations in the above sensitivity analysis include the use of hypothetical market movements to demonstrate potential risks that only represent the Group's view of possible near-term market changes that cannot be predicted with any certainty and the assumption that all parameters move in an identical fashion. Specific examples:

a. The sensitivity analysis assumes a parallel shift in interest rates at all terms. These results should not be used to calculate the impact of non-parallel yield movements.

b. The sensitivity analysis assumes equivalent assumption changes across all markets i.e. UK and non-UK yield curves move by the same amounts, equity markets across the world rise or fall identically

Additionally, the movements observed by assets held by Aviva will not be identical to market indices so caution is required when applying the sensitivities to observed index movements.

Notes to the consolidated financial statements continued

59 – Derivative financial instruments and hedging

This note gives details of the various financial instruments the Group uses to mitigate risk.

The Group uses a variety of derivative financial instruments, including both exchange traded and over-the-counter instruments, in line with the Group's overall risk management strategy. The objectives include managing exposure to market, foreign currency and/or interest rate risk on existing assets or liabilities, as well as planned or anticipated investment purchases.

In the narrative and tables below, figures are given for both the notional amounts and fair values of these instruments. The notional amounts reflect the aggregate of individual derivative positions on a gross basis and so give an indication of the overall scale of the derivative transaction. The fair values represent the gross carrying values at the year end for each class of derivative contract held (or issued) by the Group.

The fair values do not provide an indication of credit risk, as many over-the-counter transactions are contracted and documented under ISDA (International Swaps and Derivatives Association, Inc.) master agreements or their equivalent. Such agreements are designed to provide a legally enforceable set-off in the event of default, which reduces credit exposure. In addition, the Group has collateral agreements in place between the individual Group entities and relevant counterparties. See note 60 for further information on collateral and net credit risk of derivative instruments.

(a) Instruments designated for hedge accounting

The Group has formally assessed and documented the hedge effectiveness for financial instruments designated as hedging instruments in accordance with IAS 39.

Net investment hedges

To reduce its exposure to foreign currency risk, the Group has designated a portion of its euro and Canadian dollar denominated debt as hedging instruments to hedge the net investment in its Irish and Canadian subsidiaries. The carrying value of the debt designated in net investment hedges at 31 December 2022 was £964 million (2021: £917 million). The fair value of the debt at that date was £891 million (2021: £984 million).

Foreign exchange loss of £38 million (2021: gains of £31 million) on translation of the debt to sterling at the statement of financial position date in respect of the effective portion have been recognised in the hedging instruments reserve in shareholders' equity.

Hedge accounting applied to the Group's net investment in Aviva France and Aviva Italy was terminated at 31 December 2020. The amounts previously recognised in the hedging instruments reserve were recycled to the income statement on completion of the disposals during 2021 (see note 37).

Cash flow hedges

The Group did not apply cash flow hedging during the year. In 2021, the Group terminated the cash flow hedges used for hedging the currency forward contracts on completion of the disposal of Aviva France and Aviva Poland.

Notes to the consolidated financial statements continued

59 – Derivative financial instruments and hedging continued

(b) Derivatives

The Group did not apply hedge accounting to derivatives at 31 December 2022 and 31 December 2021.

(i) The Group's derivatives at 31 December 2022 and 2021 were as follows:

	2022			2021		
	Contract/ notional amount £m	Fair value asset £m	Fair value liability £m	Contract/ notional amount £m	Fair value asset £m	Fair value liability £m
Foreign exchange contracts						
OTC						
Forwards	**44,705**	**1,027**	**(561)**	41,999	334	(266)
Interest rate and currency swaps	**11,316**	**200**	**(1,223)**	9,503	494	(357)
Total	**56,021**	**1,227**	**(1,784)**	51,502	828	(623)
Interest rate contracts						
OTC						
Forwards	**—**	**—**	**—**	—	—	—
Swaps	**53,758**	**2,483**	**(6,053)**	63,457	3,811	(2,346)
Options	**150**	**1**	**—**	162	1	—
Swaptions	**842**	**41**	**(8)**	147	66	(1)
Exchange traded						
Futures	**8,829**	**89**	**(141)**	7,934	19	(57)
Total	**63,579**	**2,614**	**(6,202)**	71,700	3,897	(2,404)
Equity/Index contracts						
OTC						
Options	**6,707**	**162**	**(90)**	12,884	87	(48)
Exchange traded						
Futures	**11,527**	**180**	**(55)**	11,424	102	(97)
Options	**1,469**	**158**	**(6)**	1,627	207	(11)
Total	**19,703**	**500**	**(151)**	25,935	396	(156)
Credit contracts	**5,418**	**30**	**(74)**	8,919	11	(307)
Other	**14,770**	**545**	**(1,330)**	11,548	602	(2,273)
Total at 31 December	**159,491**	**4,916**	**(9,541)**	169,604	5,734	(5,763)

Fair value assets of £4,916 million (2021: £5,734 million) are recognised as 'Derivative financial instruments' in note 26(a), while fair value liabilities of £9,541 million (2021: £5,763 million) are recognised as 'Derivative liabilities' in note 52.

The Group's derivative risk management policies are outlined in note 58.

(ii) The contractual undiscounted cash flows in relation to derivative liabilities have the following maturities:

	2022 £m	2021 £m
Within 1 year	**1,973**	1,136
Between 1 and 2 years	**965**	496
Between 2 and 3 years	**747**	406
Between 3 and 4 years	**693**	373
Between 4 and 5 years	**658**	333
After 5 years	**8,009**	3,326
	13,045	6,070

(c) Collateral

Certain derivative contracts, primarily interest rate and currency swaps, involve the receipt or pledging of cash and non-cash collateral. The amounts of cash collateral receivable or repayable are included in notes 27 and 52 respectively. Collateral received and pledged by the Group is detailed in note 60.

Notes to the consolidated financial statements continued

60 – Financial assets and liabilities subject to offsetting, enforceable master netting agreements and similar arrangements

(a) Offsetting arrangements

Financial assets and liabilities are offset in the statement of financial position when the Group has a legally enforceable right to offset and has the intention to settle the asset and liability on a net basis, or to realise the asset and settle the liability simultaneously.

Aviva mitigates credit risk in derivative contracts by entering into collateral agreements, where practical, and into ISDA master netting agreements for each of the legal entities to facilitate its right to offset credit risk exposure. The credit support agreement will normally dictate the threshold over which collateral needs to be pledged by Aviva or its counterparty.

Derivative transactions requiring Aviva or its counterparty to post collateral are typically the result of over-the-counter derivative trades, comprised mostly of interest rate swaps, currency swaps and credit default swaps. These transactions are conducted under terms that are usual and customary to standard long-term borrowing, derivative, securities lending and securities borrowing activities. The derivative assets and liabilities in the table below are made up of the contracts described in detail in note 59.

Aviva participates in a number of stock lending and repurchase arrangements. In some of these arrangements cash is exchanged by Aviva for securities and a related receivable is recognised within 'Loans to banks' in note 23. These arrangements are reflected in the tables below. In instances where the collateral is recognised in the statement of financial position, the obligation for its return is included within 'Payables and other financial liabilities' in note 52.

In other arrangements, securities are exchanged for other securities. The collateral received must be in a readily realisable form, such as listed securities, and is held in segregated accounts. Transfer of title always occurs for the collateral received. In many instances, however, no market risk or economic benefit is exchanged and these transactions are not recognised in the statement of financial position in accordance with our accounting policies, and accordingly not included in the tables below.

				Amounts subject to enforceable netting arrangements			
		Offset under IAS 32		Amounts under a master netting agreement but not offset under IAS 32			
2022	**Gross amounts £m**	**Amounts offset £m**	**Net amounts reported in the statement of financial position £m**	**Financial instruments £m**	**Cash collateral £m**	**Securities collateral received/ pledged £m**	**Net amount £m**
Financial assets							
Derivative financial assets	**3,404**	**—**	**3,404**	**(1,797)**	**(272)**	**(55)**	**1,280**
Loans to banks and repurchase arrangements	**4,481**	**—**	**4,481**	**—**	**(300)**	**(4,181)**	**—**
Total financial assets	**7,885**	**—**	**7,885**	**(1,797)**	**(572)**	**(4,236)**	**1,280**
Financial liabilities							
Derivative financial liabilities	**(6,404)**	**—**	**(6,404)**	**2,281**	**72**	**3,358**	**(693)**
Total financial liabilities	**(6,404)**	**—**	**(6,404)**	**2,281**	**72**	**3,358**	**(693)**

				Amounts subject to enforceable netting arrangements			
		Offset under IAS 32		Amounts under a master netting agreement but not offset under IAS 32			
2021	Gross amounts £m	Amounts offset £m	Net amounts reported in the statement of financial position £m	Financial instruments £m	Cash collateral £m	Securities collateral received/ pledged £m	Net amount £m
Financial assets							
Derivative financial assets	4,593	—	4,593	(2,839)	(1,053)	(177)	524
Loans to banks and repurchase arrangements	8,297	—	8,297	—	(300)	(5,285)	2,712
Total financial assets	12,890	—	12,890	(2,839)	(1,353)	(5,462)	3,236
Financial liabilities							
Derivative financial liabilities	(4,521)	—	(4,521)	3,060	117	821	(523)
Total financial liabilities	(4,521)	—	(4,521)	3,060	117	821	(523)

Derivative assets are recognised as 'Derivative financial instruments' in note 26(a), while fair value liabilities are recognised as 'Derivative liabilities' in note 52. £1,512 million (2021: £1,141 million) of derivative assets and £3,137 million (2021: £1,242 million) of derivative liabilities are not subject to master netting agreements and are therefore excluded from the table above.

Amounts receivable related to securities lending and reverse-repurchase arrangements totalling £4,481 million (2021: £8,297 million) are recognised within 'Loans to banks' in note 23.

Other financial liabilities presented above represent liabilities related to repurchase arrangements recognised within 'Obligations for repayment of cash collateral received' in note 52.

Notes to the consolidated financial statements continued

60 – Financial assets and liabilities subject to offsetting, enforceable master netting agreements and similar arrangements continued

(b) Collateral

In the tables above, the amounts of assets or liabilities presented in the consolidated statement of financial position are offset first by financial instruments that have the right of offset under master netting or similar arrangements with any remaining amount reduced by the amount of cash and securities collateral. The actual amount of collateral may be greater than amounts presented in the tables above in the case of over-collateralisation.

The total amount of collateral received which the Group is permitted to sell or repledge in the absence of default, excluding collateral related to balances recognised within 'Loans to banks' disclosed in note 23, was £4,877 million (2021: £13,385 million), all of which other than £322 million (2021: £1,190 million) is related to securities lending arrangements. Collateral of £1,568 million (2021: £1,318 million) has been received related to balances recognised within 'Loans to banks' in note 23. The value of collateral that was actually sold or repledged in the absence of default was £nil (2021: £nil).

The level of collateral held is monitored regularly, with further collateral obtained where this is considered necessary to manage the Group's risk exposure. The fair values of collateral received approximate to their carrying amounts.

61 – Related party transactions

This note gives details of the transactions between Group companies and related parties which comprise our joint ventures, associates and staff pension schemes.

The Group undertakes transactions with related parties in the normal course of business. Loans to related parties are made on normal arm's-length commercial terms.

Services provided to, and by related parties

	2022				2021			
	Income earned in the year £m	**Expenses incurred in the year £m**	**Payable at year end £m**	**Receivable at year end £m**	Income earned in the year £m	Expenses incurred in the year £m	Payable at year end £m	Receivable at year end £m
Associates	**39**	**—**	**—**	**9**	36	—	—	9
Joint ventures[1]	**34**	**—**	**—**	**135**	50	—	—	1
Employee pension schemes	**10**	**—**	**—**	**5**	12	—	—	6
	83	**—**	**—**	**149**	98	—	—	16

1. Following a review of 2021, comparative amounts have been amended from those previously reported to include transactions between Aviva Investors Singapore and Aviva Singlife Holdings Pte. Limited. The effect of this change is £13 million in Income earned in the year.

Transactions with joint ventures in UK relate to the property management undertakings, the most material of which are listed in note 17(a)(iii). The Group has equity interests in these joint ventures, together with the provision of administration services and financial management to many of them. Our fund management companies also charge fees to these joint ventures for administration services and for arranging external finance.

Key management personnel of the Company may from time to time purchase insurance, savings, asset management or annuity products marketed by group companies on equivalent terms to those available to all employees of the Group. In 2022, other transactions with key management personnel were not deemed to be significant either by size or in the context of their individual financial positions.

Our UK fund management companies manage most of the assets held by the Group's main UK staff pension scheme, for which they charge fees based on the level of funds under management. The main UK scheme holds investments in Group-managed funds and insurance policies with other group companies, as explained in note 50(b)(ii). As at 31 December 2022, the Friends Provident Pension Scheme ('FPPS'), acquired in 2015 as part of the acquisition of the Friends Life business, held an insurance policy of £432 million (2021: £625 million) issued by a group company, which eliminates on consolidation. During the year, Aviva Group Holdings Limited provided a short term loan of £88 million to FPPS. As at 31 December 2022 £26 million remained outstanding, which is included within the Group's loan assets and as a deduction from FPPS plan assets, and does not eliminate on consolidation.

The related parties' receivables are not secured and no guarantees were received in respect thereof. The receivables will be settled in accordance with normal credit terms.

Notes to the consolidated financial statements continued

61 – Related party transactions continued

During the year, the Aviva Staff Pension Scheme (ASPS) completed two (2021: three) bulk annuity buy-in transactions with Aviva Life & Pensions UK Limited (AVLAP). Total premiums of £1,324 million (2021: £2,456 million) were paid by the scheme to AVLAP, with AVLAP recognising total gross liabilities of £1,001 million (2021: £2,184 million). The difference between the premiums and the gross liabilities implies profit[2] of £323 million (2021: £272 million), which does not include costs incurred by the Group associated with the transactions, and is driven primarily by differences between the measurement bases used to calculate the premium and the accounting value of the associated gross liabilities. The ASPS recognised the total plan assets of £891 million (2021: £1,760 million), with the difference between the plan assets recognised and the premiums paid being recognised as an actuarial loss through Other Comprehensive Income. As at 31 December 2022, AVLAP recognised cumulative technical provisions of £3,342 million (2021: £4,264 million) in relation to buy-in transactions with the ASPS which have been included within the Group's gross liabilities, and the ASPS held a transferable plan asset of £2,875 million (2021: £3,543 million) which does not eliminate on consolidation.

Key management compensation

The total compensation to those employees classified as key management, being those having authority and responsibility for planning, directing and controlling the activities of the Group, including the executive and non-executive directors is as follows:

	2022 £m	2021 £m
Salary and other short-term benefits	**8.3**	9.0
Post-employment benefits	**0.9**	1.1
Equity compensation plans	**18.9**	14.9
Termination benefits	**—**	1.5
Total	**28.1**	26.5

In 2022, roles within the management structure were reviewed and certain positions were determined to no longer be persons with decision making responsibility. As a result, the number of individuals classified as key management personnel has reduced as at 31 December 2022. Information concerning individual directors' emoluments, interests and transactions is given in the Directors' Remuneration Report.

62 – IFRS 17 Transition

IFRS 17 Insurance Contracts, is a new accounting standard that provides a comprehensive and consistent approach to accounting for insurance contracts. IFRS 17 is effective for the Group for the annual reporting period beginning 1 January 2023 and replaces IFRS 4, which was issued in 2005 and was largely based on grandfathering of previous local accounting policies. The Group is implementing IFRS 17 retrospectively as of 1 January 2023. The opening balance sheet date for comparative information is 1 January 2022, which is also known as the transition date.

IFRS 17 establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts, reinsurance contracts and investment contracts with discretionary participation features (participating investment contracts). It introduces a model that measures groups of contracts based on the present value of future cash flows with an explicit risk adjustment for non-financial risk (the fulfilment cash flows); and a contractual service margin (CSM), representing the unearned profit to be recognised in profit or loss over the service period (coverage period). Losses on contracts that are onerous at inception are recognised immediately. The core of IFRS 17 is the general measurement model (GMM), supplemented by a specific adaptation for contracts with direct participation features (the variable fee approach (VFA)), and a simplified approach (the premium allocation approach (PAA)) for short-duration contracts.

The application of IFRS 17 significantly impacts the measurement and presentation of insurance contracts, reinsurance contracts and participating investment contracts. The financial impact of measurement changes will be more significant for life insurance than non-life insurance contracts, however there will be significant changes to presentation and disclosures for all insurance contracts. Investment contracts with no significant insurance risk or discretionary participating features, equity release mortgage loans, and investment management business are out of scope and therefore not impacted by the new standard.

Under IFRS 17 the presentation of insurance revenue and insurance service expenses in the statement of comprehensive income is based on the concept of insurance services provided during the period; and extensive disclosures provide information on the recognised amounts from insurance contracts and the nature and extent of risks arising from these contracts. We expect to align disclosure to three major groupings: Life Risk, Life Participating and Non-life (general insurance and health) which broadly align with the IFRS 17 measurement models GMM, VFA and PAA respectively.

Notes to the consolidated financial statements continued

62 – IFRS 17 Transition continued

(a) IFRS 17 Measurement Models

The three measurement models apply to Aviva's business as follows:

Model	Model Applicable business
GMM	• Bulk purchase annuities • Individual immediate and deferred annuities • Individual and Group protection • With-profits contracts with guaranteed annuity terms • Reinsurance contracts held, including non-life reinsurance contracts that are not eligible for PAA
VFA	• Participating investment contracts • Unit linked or with-profits contracts with significant insurance risk
PAA	• Short duration non-life insurance contracts • Longer duration non-life insurance contracts which meet PAA eligibility requirements • Reinsurance contracts held which meet PAA eligibility requirements

The Group applies judgement when determining eligibility criteria for the VFA and PAA measurement models (see section (b)(i) below).

Under each measurement model insurance contract liabilities are measured as the sum of the liability for remaining coverage (LRC) and the liability for incurred claims (LIC). The LRC represents the obligation under the insurance contract for insured events that have not yet occurred i.e., the obligation that relates to the unexpired portion of the coverage period, including the CSM. The LIC reflects the obligation to investigate and pay valid claims for insured events that have already occurred, including events that have already occurred but for which claims have not been reported. The key features of each measurement model are set out below. As the LIC is most relevant for non-life insurance contracts, the descriptions of the GMM and VFA measurement models focus on the LRC.

i. GMM

The GMM is the default IFRS 17 measurement model. The fulfilment cash flows comprise the present value of future cash flows within the boundary of the contract, discounted at current rates, and an explicit risk adjustment for non-financial risk.

At inception, a CSM is recognised for each new group of contracts which represents the unearned profit to be recognised over the coverage period of the contract. Except for reinsurance contracts held, losses on groups of contracts that are onerous at inception are recognised immediately.

The CSM is subsequently remeasured for changes in the fulfilment cash flows relating to non-financial risk, applying locked in financial assumptions. Interest is accreted on the CSM using the locked-in discount rate and the CSM is amortised over the coverage period of the contract. The coverage period is determined based on the service provided to customers including both insurance and investment services. Losses on groups of contracts that are profitable at inception but subsequently become onerous, are recognised immediately.

In contrast to insurance contracts, the CSM for groups of reinsurance contracts held can be an asset or liability. If reinsurance is in place when underlying groups of insurance contracts become onerous the reinsurance CSM recognised is adjusted to offset the gross losses arising. Where the net cost of purchasing reinsurance contracts held relates to events that occurred prior to purchase (for example adverse development cover) no CSM is recognised, and the net cost is recognised immediately in the income statement.

ii. VFA

The VFA is a modified approach to the GMM that is applied to groups of insurance and investment contracts with direct participating features which meet eligibility requirements that demonstrate they provide substantial investment related services to policyholders.

Fulfilment cash flows for VFA contracts comprise the obligation to pay policyholders an amount equal to the fair value of underlying items, less the variable fee for future service. The variable fee includes the present value of the shareholders' share of the fair value of underlying items adjusted for cash flows that do not vary with those underlying items. The risk adjustment reflects the compensation for non-financial risk in relation to the variable fee only.

The CSM is subsequently remeasured for changes in the variable fee due to both financial and non-financial risks using current market discount rates. Consistent with the GMM, the CSM is recognised in profit or loss over the coverage period in line with the insurance and investment services provided to customers.

iii. PAA

The PAA is a simplified measurement model which can be applied to all short duration contracts and to longer duration contracts that meet PAA eligibility criteria. It is applied to all of the Group's non-life insurance and reinsurance contracts except for contracts that reinsure adverse development of incurred claims.

The LRC is measured as the amount of premium received net of acquisition cash flows, less the amount of premiums and acquisition cash flows that have been recognised in profit or loss over the expired portion of the coverage period. Premium receipts and acquisition cashflows are recognised in profit or loss over the life of the contract, based on the expected timing of incurred claims. This approach is similar to the Group's previous approach for measuring non-life insurance contracts under IFRS 4.

If facts and circumstances indicate that a group of contracts may be onerous, the LRC is measured using GMM principles and losses for onerous contracts are recognised immediately in the income statement.

For most contracts applying PAA, the measurement of the LIC aligns to the GMM, with an explicit risk adjustment for non-financial risk, and discounting applied to expected cash-flows. For Health contracts a PAA exemption is applied to measure the LIC on an undiscounted basis.

Notes to the consolidated financial statements continued

62 – IFRS 17 Transition continued

(b) Significant accounting policies, judgements and estimates

The implementation of IFRS 17 will require the Group to apply new accounting policies, replacing those previously applied under IFRS 4, and make estimates and assumptions that will affect items reported in the consolidated income statement and statement of financial position. The significant accounting policies, judgements and estimates that will be applied by the Group on transition to IFRS 17 are summarised below.

i. Choice of measurement model

VFA eligibility

Life business is considered eligible for the VFA measurement model where:

· Contractual terms evidence that policyholders participate in a pool of clearly identified underlying items, for example unit-linked or with-profits funds;
· The policyholders expect to receive a substantial share of the returns on underlying items (defined by the Group as greater than 50%); and
· A substantial proportion of changes in amounts payable to policyholders varies with returns on the underlying items (defined by the Group as a correlation coefficient of greater than 50%).

Reinsurance contracts held are not eligible to apply the VFA.

PAA eligibility

The vast majority of the Group's direct non-life business has a duration of one year or less and is automatically eligible for the PAA model. For the remainder, financial modelling is performed to compare the value of the LRC measured under GMM and PAA. Where the LRC does not materially differ between the two measurement models (over the duration of the contract and in a range of reasonably foreseeable scenarios) the contract group is PAA eligible.

The Group has multiple non-life reinsurance contracts which are greater than one year in duration. These are assessed for PAA eligibility by applying the same financial modelling approach and are all PAA eligible except for treaties reinsuring the adverse development of incurred claims.

ii. Level of aggregation

IFRS 17 specifies the unit of account is a group of contracts and provides guidance on the level at which insurance contracts can be aggregated into groups for measurement purposes. Discrete CSM's are determined for each group of insurance contracts applying GMM or VFA. Groups of insurance contracts have been determined by identifying portfolios of insurance contracts, comprising contracts subject to similar risks that are managed together, and dividing each portfolio into annual cohorts by year of issue. Each annual cohort is then further subdivided into three groups based on the profitability of contracts determined at initial recognition and comprising:

- contracts that are onerous;
- contracts that have no significant possibility of becoming onerous; (based on the probability that changes in assumptions would result in contracts becoming onerous); and
- all remaining contracts.

Reinsurance contracts held are also subdivided into three profitability groups, determined by reference to net gains/losses on initial recognition, and comprising:

- contracts that have a net gain at initial recognition;
- contracts that have no significant possibility of a net gain arising subsequently; and
- all remaining contracts.

The approach to profitability grouping makes use of sets. Where it can be demonstrated that all contracts within a set are sufficiently homogeneous, they are allocated to the same profitability group without performing an individual contract assessment. For Life product lines, sets of contracts usually correspond to policyholder pricing groups. The likelihood of changes in insurance, financial and other exposures resulting in contracts becoming onerous is monitored at the level of these pricing groups.

For contracts measured under the PAA, IFRS 17 permits a simplification whereby contract groups are assumed not to be onerous unless facts and circumstances indicate otherwise. The Group has used internal management information to identify facts and circumstances that may indicate that a group is onerous.

iii. Estimate of future cash flows

The estimate of future cash flows is assessed at the level of profitability groups and represents the best estimate of the Group's cost to fulfil a contract incorporating current estimates of non-financial assumptions. The estimate allows for all the cash inflows and outflows expected to occur within the contract boundary. Cash flows are modelled separately for gross and reinsurance contracts.

Principal non-financial assumptions

Principal non-financial assumptions used in the calculation of life insurance and participating investment contract fulfilment cash flows include those in respect of annuitant and assurance mortality and future expenses. Expenses must be directly attributable to fulfilling insurance contracts, including an allocation of overheads to the extent that they can be allocated to groups of contracts in a systematic and rational way.

Principal non-financial assumptions used in the calculation of the non-life LIC use past claims experience to project future claims (estimated using a range of standard actuarial claims projection techniques).

Notes to the consolidated financial statements continued

62 – IFRS 17 Transition continued

iv. Financial assumptions

Discount rates

Discounting is applied to the estimate of future cash flows. The Group uses a bottom-up discount rate for all life and non-life insurance contracts except for annuities. A top-down discount rate is applied to annuities to reflect more appropriately the characteristics of the annuity liabilities. For other contracts where liabilities are subject to lapse risk or where cashflows depend on underlying asset performance (such as unit-linked and with-profits), the characteristics of the liability can be reflected using the bottom-up method which requires the application of less judgement.

Top-down Discount rates

The discount rate is determined from the yield implicit in the fair value of an appropriate reference portfolio of assets that reflects the characteristics of the liability. Adjustments are made for differences between the reference portfolio and liability cash flows, including an allowance for defaults which reflects the compensation a market participant would require for credit risk.

The CSM for annuity contracts is measured using a locked-in discount rate based on assets expected to be originated for new business at initial recognition of the contracts. On subsequent measurement of the fulfilment cash flows the reference portfolio is based on the assets held to match the portfolio of liabilities. For recently written contracts, an adjustment is made to liabilities where appropriate assets are yet to be sourced.

Bottom-up Discount rates

The discount rate is determined as the risk-free yield, adjusted for differences in liquidity characteristics between the financial assets used to derive the risk-free yield and the relevant liability cash flows (known as an 'illiquidity premium').

The illiquidity premium is determined as a percentage of the current spread over the risk-free yield on an index of covered bonds. The percentage applied reflects the liquidity characteristics of the liabilities including the propensity and ability of policyholders to lapse or surrender their contracts; for example, 100% for structured settlements where surrenders are not possible, and 0% for unit-linked contracts where policyholders can normally immediately surrender their contract for the unit value. An intermediate percentage is applied for other types of business.

Inflation assumptions

Future inflation assumptions are treated as a financial assumption when applied to policyholder benefits or outsourced maintenance expenses that are contractually linked to an inflation index.

Presentation of financial assumption changes

The impact of changes in financial assumptions can be presented in the income statement or in the statement of comprehensive income as a matter of accounting policy choice. The Group has elected to recognise these impacts in the income statement, consistent with the approach to the presentation of fair value movements on assets in accordance with IFRS 9, thus eliminating accounting mismatches.

v. Risk Adjustment

The risk adjustment reflects the compensation required by the Group to accept the uncertainty about the amount and timing of future cash flows that arises from non-financial risk. The calculation of the risk adjustment is calibrated to the Group's pricing and capital allocation framework, leveraging the Solvency II view of non-financial risk, considering a lifetime view, and including diversification between risks.

vi. CSM

The CSM represents a liability for unearned profit measured at inception and recognised in the income statement over the life of the contract as insurance and investment related services are provided to the customer. The amount of CSM amortisation recognised in profit or loss each year is determined by considering, for each group of contracts, coverage units that reflect the quantity of the benefits provided in each period and the expected coverage period.

The coverage units used by major product lines are:

Product line	Coverage units
Immediate annuities	Annuity outgo
Deferred annuities	Annuity outgo for insurance service post retirement and weighted expected investment return for the investment return service provided prior to retirement
Individual and Group Protection	Sum assured
Individual and Group Income Protection	Benefit amount payable
Unit linked insurance	Sum assured including unit value
With-profits	Cost of guarantees plus asset share

For deferred annuities the weighting between insurance and investment return services targets equivalence at retirement with the CSM for an immediate annuity that only provides post-retirement insurance services, after allowing for expected retirement date, transfers and commutations.

Coverage units for reinsurance contracts held are typically consistent with the underlying gross contracts, adjusted for differences in the services provided.

Notes to the consolidated financial statements continued

62 – IFRS 17 Transition continued

vii. Insurance acquisition cashflows

Insurance acquisition cashflows are initially deferred on the balance sheet as an insurance acquisition cashflow asset and then allocated against groups of insurance contracts to which they are directly attributable. This includes instances where insurance acquisition cashflows are directly attributable to the future renewal of existing contract groups for some products in the Group's non-life business. For contract groups applying PAA, the Group has chosen not to apply an exemption to recognise insurance acquisition cashflows as an expense at the point they are incurred.

Where insurance acquisition cashflows are allocated to contract groups applying GMM or VFA, they are included within the measurement of the CSM and recognised in the income statement over the period which services are provided to the customer. Insurance acquisition cashflows allocated to contract groups applying PAA are recognised in the income statement over the life of the contract based on the expected timing of incurred claims.

Insurance acquisition cashflow assets are assessed for impairment where facts and circumstances indicate that they may be impaired. The Group uses data on customer retention rates and the profitability of products to identify such facts and circumstances.

(c) IFRS 17 transition approach

Changes in accounting policies resulting from the implementation of IFRS 17 must be applied using the Fully Retrospective Approach (FRA) where practicable, calculating the CSM at the date of transition as if the standard had always applied. Where FRA is not practicable for a particular group of insurance contracts there is a choice to apply the Modified Retrospective Approach (MRA) to the extent that reasonable and supportable information exists, or the Fair Value Approach (FVA). The choice between MRA and FVA can have a significant impact on the valuation of the CSM on transition and has been made separately for each group of insurance contracts for which it is impracticable to apply FRA.

For non-life business in scope of the PAA the FRA has been used.

For Life business and non-life adverse development reinsurance, the Group has applied judgement when determining whether the FRA is practicable and whether reasonable and supportable information exists to apply the MRA. For this business the following approaches have been applied on transition to IFRS 17:

- The FRA has been used for the majority of business written or acquired since 2016, as prior to this date the risk adjustment is considered indeterminable without the benefit of hindsight due to the multiple views of risk that were reported at that time;
- The MRA has been used for certain portfolios of UK individual protection business written in the period 2012-2015 and for certain portfolios of acquired UK VFA business; and
- The FVA has been used for all other business written prior to 2016, including annuities.

On transition, approximately 35% of the CSM is calculated under the FRA, 10% under the MRA and 55% under the FVA.

Application of the MRA

Where information is not available to undertake the FRA the MRA allows certain modifications to be applied provided reasonable and supportable information is available to apply the modification. The aim is to achieve the closest possible outcome to the FRA.

For contracts transitioned under the FRA or MRA, the opening CSM balance at 1 January 2022 includes the effect of amortisation of the CSM for the period of retrospective restatement.

Application of the FVA

Under the FVA the CSM recognised at the transition date is determined as the fair value of the portfolio of contracts at the transition date less the fulfilment cash flows at the transition date. Unlike the FRA and MRA no pre-transition information is required to calculate the FVA CSM.

Where FVA has been applied, the fair value has been derived in accordance with IFRS 13 Fair Value Measurement and represents the price a market participant would require to assume the liabilities in an orderly transaction. As quoted market prices are not available for portfolios of insurance contracts, valuation models have been used to calculate the fair value of each portfolio. The choice of model and inputs to the model involves judgement and this gives rise to a range of plausible fair values.

Valuation inputs reference market information where available with unobservable inputs otherwise used. Inputs have been calibrated to those Aviva would expect market participants would use when pricing the liabilities. The most significant judgements for each portfolio are as follows:

- Identification of the principal market
- The return on assets backing the portfolio
- The level of regulatory capital required to support the portfolio
- The required rate of return on capital deployed

For business transitioning under the FVA, the Group has taken advantage of the simplification permitting contracts in different annual cohorts to be placed into a single group of contracts.

Notes to the consolidated financial statements continued

62 – IFRS 17 Transition continued

(d) Financial impacts on transition to IFRS 17

On adoption of IFRS 17, Group consolidated equity attributable to shareholders of Aviva plc at the transition date of 1 January 2022 is expected to be within the range of £16.3 billion - £17.0 billion including an estimated CSM (net of tax) within the range of £4.2 billion - £4.9 billion. Group consolidated equity attributable to shareholders of Aviva plc reported on an IFRS 4 basis at 31 December 2021 was £19.2 billion. The drivers of differences between IFRS 4 and IFRS 17 total equity excluding non-controlling interests include the following:

Drivers	Description
IFRS 4 margins	Margins included in the IFRS 4 measurement of insurance contract liabilities are excluded from the IFRS 17 fulfilment cash flows, as the liabilities are measured on a best estimate basis with a separate explicit adjustment for risk.
Differences in the valuation of future cash flows	The primary differences in measurement of the future cash flows are: • Inclusion of future shareholder profits from unit-linked and with-profits business, that are not fully recognised under IFRS 4. • Change in discount rate for life insurance business, most materially for annuities • Introduction of discounting for all non-life insurance business (under IFRS 4 only longer duration claims are discounted).
Deferred acquisition costs and acquired value in-force business	Deferred acquisition costs and acquired value of in-force business are de-recognised for contracts in scope of IFRS 17 and are instead included implicitly in the measurement of the LRC. The deferred acquisition costs and acquired value of in-force business for non-IFRS 17 business are unaffected.
Contractual Service Margin	This IFRS 17 liability represents the unearned profit of the insurance contracts which will be recognised in profit or loss over the coverage period in line with the service provided to customers.
Risk Adjustment	The risk adjustment is an explicit allowance for risk recognised under IFRS 17, replacing some of the IFRS 4 margins.
Change in deferred tax due to increase in liabilities	Taxable profits are generally based on an accounting profit and the adoption of IFRS 17 will impact current tax liabilities.The principles of deferred tax mean that the total tax (current and deferred) remains aligned to the reported profits. The transition CSM includes profits that were previously reported in accordance with IFRS 4 and subject to tax.The reduction in net assets on adoption of IFRS 17, including the CSM recognition, gives rise to a deferred tax asset as tax on profits is only paid once. The deferred tax asset will reverse as the CSM unwinds and profits are recognised in future.

The impact on transition to IFRS 17 is most significant for the Group's annuity and protection business where the deferral of profit in the CSM is the most material. A significant proportion of the CSM on transition arises from the Group's existing immediate annuity portfolio, the unwind of which will become a material driver of the contribution to future profits by the UK & Ireland Life operating segment. Offsetting this, the majority of profits on new annuity and protection business will now be deferred. In addition, under IFRS 17, the impact of changes in non-financial assumptions on future cashflows will be adjusted through the CSM and spread forward rather than being recognised immediately in profit as under IFRS 4.

There are more limited impacts from the Group's other lines of insurance business with no impact for business out of scope of IFRS 17 including Investment contracts with no significant insurance risk or discretionary participating features, equity release mortgage loans, and investment management business.

At this stage the impacts of IFRS 17 on the Group's consolidated income statement and statement of financial position at 31 December 2022 cannot be reliably estimated pending full implementation and testing of systems, including the operational effectiveness of internal control processes. The Group's IFRS 17 transition programme will conclude in the first half of 2023.

IFRS 17 will have no impact on our Solvency II performance measures or the Group financial targets. Furthermore, we do not expect IFRS 17 to impact on dividend policy and dividend guidance.

Notes to the consolidated financial statements continued

63 – Organisational structure

The following chart shows, in simplified form, the organisational structure of the Group as at 31 December 2022. Aviva plc is the holding company of the Group.

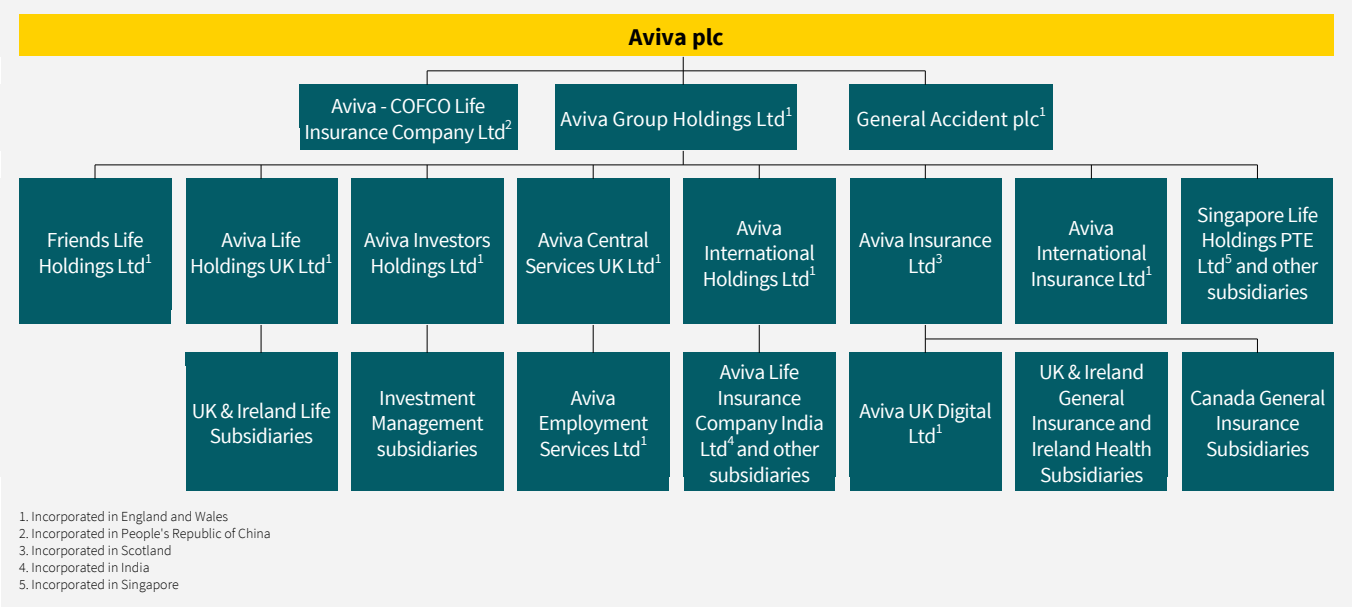
Parent company

Aviva plc

Subsidiaries

The principal subsidiaries of the Company at 31 December 2022 are listed below by country of incorporation.

A complete list of the Group's related undertakings comprising of subsidiaries, joint ventures, associates and other significant holdings is contained within note 64.



United Kingdom

Aviva Administration Limited
Aviva Central Services UK Limited
Aviva Employment Services Limited
Aviva Equity Release UK Limited
Aviva Health UK Limited
Aviva Insurance Limited
Aviva International Insurance Limited
Aviva Investors Global Services Limited
Aviva Investors Pensions Limited
Aviva Investors UK Fund Services Limited
Aviva Life & Pensions UK Limited
Aviva Life Services UK Limited
Aviva Management Services UK Limited
Aviva Pension Trustees UK Limited
Aviva UK Digital Limited
Aviva Wrap UK Limited
Gresham Insurance Company Limited
Sesame Bankhall Group Limited
Succession Holdings Limited
The Ocean Marine Insurance Company Limited
Wealthify Group Limited

Canada

Aviva Canada Inc. and its principal subsidiaries:
Aviva Insurance Company of Canada
Aviva General Insurance Company
Elite Insurance Company
Pilot Insurance Company
Scottish & York Insurance Co. Limited
S&Y Insurance Company
Traders General Insurance Company

Ireland

Aviva Life and Pensions Ireland Designated Activity Company
Aviva Insurance Ireland Designated Activity Company

India

Aviva Life Insurance Company India Limited

Notes to the consolidated financial statements continued

63 – Organisational structure continued

Associates and joint ventures

The Group has ongoing interests in the following operations that are classified as joint ventures or associates, as a complete list of the Group's related undertakings comprising of subsidiaries, joint ventures, associates and other significant holdings is contained within note 64. Further details of those operations that were most significant in 2022 are set out in notes 17 and 18 to the financial statements.

China
Aviva-COFCO Life Insurance Company Limited (50%)

Singapore
Singapore Life Holdings Pte Limited (26%)

United Kingdom
The Group has interests in several property limited partnerships. Further details are provided in notes 17, 18, 25 and 63 to the financial statements.

64 – Related undertakings

The Companies Act 2006 requires disclosure of certain information about the Group's related undertakings which is set out in this note. Related undertakings comprise subsidiaries, joint ventures, associates and other significant holdings. Significant holdings are where the Group either has a shareholding greater than or equal to 20% of the nominal value of any share class, or a book value greater than 20% of the Group's assets.

The definition of a subsidiary undertaking in accordance with the Companies Act 2006 is different from the definition under IFRS. As a result, the related undertakings included within the list below may not be the same as the undertakings consolidated in the Group IFRS financial statements. See accounting policies (D) Consolidation principles for further detail on principles of consolidation and definition of joint ventures.

The Group's related undertakings along with the country of incorporation, the registered address, the classes of shares held and the effective percentage of equity owned at 31 December 2022 are disclosed below.

The direct related undertakings of the Company as at 31 December 2022 are listed below:

Name of undertaking	Country of incorporation	Registered address	Share class	% held
Aviva-COFCO Life Insurance Company Limited	China	12/F,Block A,Landgent Centre, 20 East Third Ring Middle Road, Beijing, 100022	Ordinary shares	50
General Accident plc	United Kingdom	Pitheavlis, Perth, Perthshire, PH2 0NH	Ordinary shares	100
Aviva Group Holdings Limited	United Kingdom	St Helen's, 1 Undershaft, London, EC3P 3DQ	Ordinary shares	100

The indirect related undertakings of the Company as at 31 December 2022 are listed below:

Company name	Share Class[1]	% held
Australia		
c/o TMF Corporate Services (Aust) Pty Limited, Suite 1 Level 11, 66 Goulburn Street, Sydney NSW 2000, Australia		
Aviva Investors Pacific Pty Limited	Ordinary	100
Barbados		
c/o USA Risk Group (Barbados) Limited, 6th Floor, CGI Tower, Warrens, St. Michael, BB22026, Barbados		
Victoria Reinsurance Company Limited.	Common	100
Canada		
10 Aviva Way, Suite 100, Markham ON L6G0G1, Canada		
2161605 Ontario Inc	Common	100
9543864 Canada Inc.	Common	100
Aviva Canada Inc.	Common	100
Aviva General Insurance Company	Common	100
Aviva Insurance Company of Canada	Common	100
Aviva Warranty Services Inc.	Common	100
Bay-Mill Specialty Insurance Adjusters Inc.	Common	100
Elite Insurance Company	Common	100
Insurance Agent Service Inc.	Common	100
Nautimax Limited	Common	100
OIS Ontario Insurance Service Limited	Common	100
Pilot Insurance Company	Common	100
S&Y Insurance Company	Common	100
Scottish & York Insurance Co. Limited	Common	100
Traders General Insurance Company	Common	100
100 King Street West, Floor 49, Toronto ON M5X 2A2, Canada		
Aviva Investors Canada Inc.	Common	100
150 King Street West, Suite #2401, P.O. Box 16, Toronto ON M5H 1J9, Canada		
Prolink Insurance Inc.	Common	34
555 Chabanel Ouest, Bureau 900, Montreal, QC H2N 2H8, Canada		
Aviva Agency Services Inc.	Common Shares	100
Suite 1600, 925 W Georgia St, Vancouver BC V6C 3L2, Canada		
Westmount West Services Inc	Ordinary Share	20
China		
12F, 15F Block A, 27F Block B Landgent Centre, 20 East Third Ring Middle Road, Beijing, 100022, China		
Aviva-Cofco Life Insurance Co. Limited	Ordinary	50
Units 1805-1807, 18th Floor, Block H Office Building, Phoenix Land Plaza, No. A5 Yard, Shuguangxili, Chaoyang District, Beijing, China		
Aviva-Cofco Yi Li Asset Management Co Limited	Ordinary	21
Czech Republic		
5/482, Ve Svahu, Prague 4, 147 00, Czech Republic		
AIEREF Renewable Energy s.r.o.	Ordinary	100
Denmark		

Notes to the consolidated financial statements continued

Company name	Share Class[1]	% held
c/o TMF Denmark, H.C. Andersens Boulevard 38, 3. th, 1553, Copenhagen V, Denmark		
AICT EUR Real Estate (DS) GP ApS	Ordinary	100
AICT EUR Real Estate (DS) LP K/S	Ordinary	100
France		
20 PL Vendôme, Paris 75001, France		
AXA LBO Fund IV Feeder	Private Equity Fund	38
47 Rue du Faubourg Saint-Honoré ,75008, France		
CGU Equilibre	FCP	99
Germany		
c/o TMF Deutschland AG, Wiesenhüttenstrasse 11, 60329, Frankfurt am Main, Germany		
Reschop Carré Hattingen GmbH	Ordinary	95
Reschop Carré Marketing GmbH	Ordinary	100
Ferdinandstraße 75 · 20095 Hamburg, Germany		
Warburg - Multi- Smart-Beta Aktien Europa	OEIC	40
Warburg Global Fixed Income Fund	OEIC	24
Guernsey		
PO Box 155 Mill Court, La Charroterie, St Peter Port, GY1 4ET, Guernsey		
Paragon Insurance Company Guernsey Limited	Ordinary	49
PO Box 255, Trafalgar Court, Les Banques, St Peter Port, GY1 3QL, Guernsey		
BMO Commercial Property Trust Limited	Ordinary	20
India		
2nd floor, Prakash Deep Building, 7 Tolstoy Marg, New Delhi, 110001, India		
Aviva Life Insurance Company India Limited	Ordinary	74
A-47 (L.G.F), Hauz Khas, New Delhi, Delhi, India		
Sesame Group India Private Limited	Ordinary	100
Pune Office, Addresses 103/P3, Pentagon, Magarpatta City, Hadapsar, Pune – 411013, India		
A.G.S. Customer Services (India) Private Limited	Ordinary	100
Ireland		
5 Georges Dock, IFSC, Dublin 1, Dublin, Ireland		
CT Multi-Strategy Global Equity Fund	OEIC	100
33/34 Sir John Rogerson's Quay, Dublin 2, Ireland		
Legal & General ICAV - L&G Europe ex UK Equity Index Fund	OEIC	45
Legal & General ICAV - L&G World Equity Index Fund	OEIC	52
78 Sir John Rogerson's Quay Dublin 2, Ireland		
Russell Investment Company plc - Acadian Multi-Asset Absolute Return UCITS	OEIC	41
SSgA GRU Euro Index Equity Fund	Unit Trust	24
State Street IUT Balanced Fund S30	Unit Trust	24
Building 12, Cherrywood Business Park, Loughlinstown, Co Dublin, Ireland		
Aviva DB Trustee Company Ireland Designated Activity Company	Ordinary	100
Aviva DC Trustee Company Ireland Designated Activity Company	Ordinary	100
Aviva Direct Ireland Limited	Ordinary	100
Aviva Driving School Ireland Limited	Ordinary	100
Aviva Group Services Ireland Limited	Ordinary	100
Aviva Insurance Ireland Designated Activity Company	Ordinary	100
Aviva Life & Pensions Ireland Designated Activity Company	Ordinary	100
Aviva Master Trust Ireland Designated Activity Company	Ordinary	100
Aviva Retail Master Trust Ireland Designated Activity Company	Ordinary	100
Peak Re Designated Activity Company	Ordinary	100
Charlotte House, Charlemont Street, Dublin 2, Ireland		
Mercer Diversified Retirement Fund	OEIC	25
Mercer Multi Asset Defensive Fund	OEIC	21
Mercer Multi Asset Growth Fund	OEIC	29
MGI UK Equity	OEIC	26
Friends First House, Cherrywood Science & Technology Park, Loughlinstown, Dublin, Co. Dublin, Ireland		
Ashtown Management Company Limited	Ordinary	50
Georges Court, 54-62 Townsend Street, Dublin, DO2 R156, Ireland		
FPPE Fund Public Limited Company	Ordinary	100
FPPE Private Equity	Private Equity Fund	100
IFSC House, International Financial Services Centre, Dublin, Ireland		
Aviva Investors Euro Liquidity Fund	Liquidity Fund	76
Aviva Investors Sterling Government Liquidity Fund	Liquidity Fund	99
Aviva Investors Sterling Liquidity Fund	Liquidity Fund	71
Aviva Investors Sterling Liquidity Plus Fund	Liquidity Fund	71
Aviva Investors US Dollar Liquidity Fund	Liquidity Fund	97
International House, 3 Harbourmaster Place, Dublin 1, Ireland		
Merrion Managed Fund	Unit Trust	54
Merrion Multi-Asset 30 Fund	Unit Trust	100
Merrion Multi-Asset 50 Fund	Unit Trust	100
Italy		
Via Scarsellini 14, 20161, Milan, Italy		
Aviva Italia Holding S.p.A	Ordinary	100
Jersey		
11–15 Seaton Place, St Helier, JE4 0QH, Jersey		
1 Liverpool Street Unit Trust	Unit Trust	100
101 Moorgate Unit Trust	Unit Trust	100
22 Grenville Street, St. Helier, JE4 8PX, Jersey		
Axa Sun Life Private Equity	Unit Trust	100
Slas Axa Private Equity	Private Equity Fund	100
26 New Street, St Helier, JE2 3TE, Jersey		
Succession Finance Jersey Limited	Ordinary	100
Succession Jersey Limited	Ordinary	100
Succession Newco1 Jersey Limited	Ordinary	100

Notes to the consolidated financial statements continued

Company name	Share Class[1]	% held
Succession Newco2 Jersey Limited	Ordinary	100
3rd Floor, One The Esplanade, St Helier, JE2 3QA, Jersey		
Crieff Road Limited	Ordinary	100
FF UK Select Limited	Ordinary	100
IFC 5, St Helier, JF1 1S, Jersey		
Cannock Designer Outlet Unit Trust	Unit Trust	37
Aviva Investors REaLM Social Housing Unit Trust	Unit Trust	86
Gaspé House, 66-72 Esplanade, St Helier, JE1 3PB, Jersey		
1 Fitzroy Place Unit Trust	Unit Trust	50
2 Fitzroy Place Unit Trust	Unit Trust	50
10 Station Road Unit Trust	Unit Trust	50
11-12 Hanover Square Unit Trust	Unit Trust	100
20 Gracechurch Unit Trust	Unit Trust	25
20 Station Road Unit Trust	Unit Trust	50
30 Station Road Unit Trust	Unit Trust	50
30-31 Golden Square Unit Trust	Unit Trust	50
50-60 Station Road Unit Trust	Unit Trust	50
130 Fenchurch Street Unit Trust	Unit Trust	100
Aviva Investors Jersey Unit Trusts Management Limited	Ordinary	100
Barratt House Unit Trust	Unit Trust	50
Bermondsey Yards Unit Trust	Unit Trust	100
CCPF No.4 Unit Trust	Unit Trust	100
Gracechurch Investment Unit Trust	Unit Trust	25
Hams Hall Unit Trust	Unit Trust	100
Irongate House Unit Trust	Unit Trust	50
Lime Mayfair Unit Trust	Unit Trust	100
Lime Property Fund Unit Trust	Unit Trust	100
Longcross Jersey Unit Trust	Unit Trust	100
New Broad Street House Unit Trust	Unit Trust	50
Pegasus House and Nuffield House Unit Trust	Unit Trust	50
Southgate Property Unit Trust	Unit Trust	50
The Designer Retail Outlet Centres (Mansfield) Unit Trust	Unit Trust	100
The Designer Retail Outlet Centres (York) Unit Trust	Unit Trust	100
The Designer Retail Outlet Centres Unit Trust	Unit Trust	100

Luxembourg

Company name	Share Class[1]	% held
1c Rue Gabriel Lippmann l-5365, Munsbach Luxembourg		
Patriarch Classic B&W Global Freestyle	FCP	45
2 Rue du Fort Bourbon, L1249, Luxembourg		
AICT EUR Real Estate (DS) SARL	Ordinary	100
AICT EUR Real Estate (Foz) SARL	Ordinary	100
Aviva Investors Alternative Income Solutions Investments S.A.	Ordinary	100
Aviva Investors Alternative Income Solutions SCSP	Fund	100
Aviva Investors Asian Equity Income Fund	SICAV	97
Aviva Investors Climate Transition EUR Infra SARL	Ordinary	100
Aviva Investors Climate Transition EUR Infrastructure Fund	Fund	100
Aviva Investors Climate Transition EUR Real Estate Fund	Fund	100
Aviva Investors Climate Transition EUR Real Estate SARL	Ordinary	100
Aviva Investors Climate Transition European Equity Fund	SICAV	67
Aviva Investors Climate Transition GBP Infrastructure Fund	Fund	100
Aviva Investors Climate Transition GBP Real Estate Fund	Fund	100
Aviva Investors Climate Transition Global Equity Fund	SICAV	96
Aviva Investors Emerging Markets Bond Fund	SICAV	68
Aviva Investors Emerging Markets Corporate Bond Fund	SICAV	62
Aviva Investors Emerging Local Currency Bond Fund	SICAV	96
Aviva Investors European Corporate Bond Fund	SICAV	31
Aviva Investors Global Convertibles Absolute Return Fund	SICAV	78
Aviva Investors Global Emerging Markets Core Fund	SICAV	100
Aviva Investors Global Emerging Markets Equity Unconstrained Fund	SICAV	85
Aviva Investors Global Emerging Markets Index Fund	SICAV	86
Aviva Investors Global Equity Endurance Fund	SICAV	50
Aviva Investors Global EUR ReturnPlus Fund	SICAV	83
Aviva Investors Global GBP ReturnPlus Fund	SICAV	97
Aviva Investors Global High Yield Bond Fund	SICAV	70
Aviva Investors Global Investment Grade Corporate Bond Fund	SICAV	85
Aviva Investors Global Sovereign Bond Fund	SICAV	90
Aviva Investors Luxembourg	Ordinary	100
Aviva Investors Multi-Strategy Target Return	SICAV	90
Aviva Investors Natural Capital Transition Global Equity Fund	SICAV	78
Aviva Investors Perpetual Acht NL SARL	Ordinary	100
Aviva Investors Renewable Energy S.A	SICAV	100
Aviva Investors Social Transition Global Equity Fund	SICAV	71
Aviva Investors UK Equity Unconstrained Fund	SICAV	93
Galleri K (GP)	SICAV	100
2, Boulevard Konrad Adenauer, L1115 Luxembourg		
Xtrackers II Eurozone Government Bond 15-30 UCITS ETF	SICAV	24

Notes to the consolidated financial statements continued

Company name	Share Class[1]	% held
3 rue des Labours, L-1912 Luxembourg		
HASPA TRENDKONZEPT-V (HASTRDV)	Ordinary	53
16 Avenue de la Gare, L1610, Luxembourg		
AIEREF Holding 1	Ordinary	100
AIEREF Holding 2	Ordinary	100
Aviva Investors Alternative Income Solutions General Partner S.à r.l.	Ordinary	100
Aviva Investors EBC S.à r.l.	Ordinary	100
Aviva Investors E-RELI (GP) SARL	Ordinary	100
Aviva Investors European Renewable Energy S.A.	Ordinary	100
Aviva Investors Luxembourg Services S.à r.l.	Ordinary	100
Aviva Investors Perpetual Capital (GP) SARL	Ordinary	100
Victor Hugo 1 S.à r.l.	Ordinary	100
24-26, Avenue de la Liberte, L1930 Luxembourg		
Greenman Open Fund	SICAV	67
28 Boulevard D'Avranches, L1160, Luxembourg		
Goodman European Business Park Fund (Lux) S.àr.l.	Ordinary	50
33 Rue de Gasperich, L-5826, Hesperange, Luxembourg		
Allspring (Lux) Worldwide Fund - Global Small Cap Equity Fund	SICAV	67
37A Avenue JF Kennedy, L-1855, Luxembourg		
Invesco Funds - Invesco Sustainable Global Structured Equity Fund	SICAV	52
46a Avenue John F Kennedy, L1855, Luxembourg		
Aviva Investors Polish Retail S.à r.l.	Ordinary	100
47 Avenue J.F Kennedy, L-1855, Luxembourg		
CT (Lux) Diversified Growth Fund	SICAV	96
CT (Lux) European Growth & Income Fund	SICAV	100
CT (Lux) Global Total Return Bond Fund	SICAV	66
Amundi Luxembourg S.A., 5 allée Scheffer L-2520 Luxembourg		
Lyxor Net Zero 2050 S&P World Climate PAB (DR) UCITS ETF - Acc	SICAV	71
RBC IS, 14 Porte de France, L-4360 Esch sur Alzette, Luxembourg		
Aviva Inv Cd CoreFxdInc Pl Fd	Fund	25
Norway		
c/o TMF Norway AS, Hagalokkveien 26, 1383, Asker, Norway		
Kongsgard Alle 20 AS	Ordinary	100
Poland		
Al Jana Pawla II 25, 00-854, Warsaw, Poland		
Wroclaw BC sp. z.o.o	Ordinary	100
Inflancka 4b, 00-189, Warsaw, Poland		
Aviva Services Spółka z ograniczoną odpowiedzialnością	Ordinary	100
Plac Piłsudskiego 1 Warszawa, MAZOWIECKIE, 00-078 Poland		
Focus Mall Zielona Gora Sp zoo	Unit Trust	100
Focus Park Piotrkow Trybunalski Sp zoo	Unit Trust	100
PBC Lodz SP zoo	Unit Trust	100
PBC Wroclaw Sp zoo	Unit Trust	100

Company name	Share Class[1]	% held
Singapore		
1 Raffles Quay, #27-13, South Tower, 048583, Singapore		
Aviva Investors Asia Pte. Limited	Ordinary	100
4 Shenton Way, 01 SGX Centre 2, 068807, Singapore		
Singapore Life Holdings Pte Limited	Ordinary	26
Singapore Life Ltd.	Ordinary	26
6 Temasek Boulevard, #29-00 Suntec Tower Four, 038986, Singapore		
Aviva Asia Management Pte. Limited	Ordinary	100
Aviva Global Services (Management Services) Private Limited	Ordinary	100
Spain		
1D, 13 Edificio América Av. de Bruselas, 28108, Alcobendas, Madrid, Spain		
Eólica Almatret S.L.	Ordinary	50
Switzerland		
Leutschenbachstrasse 45, 8050 Zurich, Switzerland		
Aviva Investors Schweiz GmbH	Ordinary	100
United Kingdom		
1 Filament Walk, Suite 203, London, SW18 4GQ, United Kingdom		
Freetricity South East Limited	Ordinary	100
1 London Wall Place, London EC2Y 5AU, United Kingdom		
Schroder QEP US Core Fund	Unit Trust	41
Schroder Dynamic Multi Asset Z Acc.	Unit Trust	24
1st Floor, Finlay House, 10-14 West Nile Street, Glasgow, G1 2PP, Scotland, United Kingdom		
MacKenzie Investment Strategies Ltd.	Ordinary	100
2nd Floor, 36 Broadway, London, SW1H 0BH, United Kingdom		
Fred. Olsen CBH Limited	Ordinary	49
3a Dublin Meuse, Edinburgh, EH3 6NW, United Kingdom		
PAR Forestry IV L.P.	Partnership	100
4th Floor, New London House, 6 London Street, London, EC3R 7LP, United Kingdom		
Polaris U.K. Limited	Ordinary	39
4th floor, Pountney Hill House, 6 Laurence Pountney Hill, London, EC4R 0BL, United Kingdom		
ES Alliance Bernstein Low Volatility Global Equity Fund	OEIC	71
5 Lister Hill, Horsforth, Leeds, LS18 5AZ, United Kingdom		
Aspire Financial Management Limited	Ordinary	49
Tenet & You Limited	Ordinary	49
Tenet Business Solutions Limited	Ordinary	49
Tenet Client Services Limited	Ordinary	49
Tenet Compliance Services Limited	Ordinary	49
Tenet Financial Services Limited	Ordinary/ Redeemable	49
Tenet Group Limited	Ordinary	49
Tenet Limited	Ordinary	49
Tenet Mortgage Solutions	Ordinary	49
TenetConnect Limited	Ordinary	49
TenetConnect Services Limited	Ordinary	49
TenetLime Limited	Ordinary	49

Notes to the consolidated financial statements continued

Company name	Share Class[1]	% held
7 Lochside View, Edinburgh, EH12 9DH, United Kingdom		
Criterion Tec Holdings Limited	Ordinary	24
Criterion Tec Limited	Ordinary	24
8 Surrey Street, Norwich, Norfolk, NR1 3NG, United Kingdom		
Aviva Central Services UK Limited	Ordinary	100
Aviva Health UK Limited	Ordinary	100
Aviva Insurance UK Limited	Ordinary	100
Aviva UKGI Investments Limited	Ordinary	100
Gresham Insurance Company Limited	Ordinary	100
Healthcare Purchasing Alliance Limited	Ordinary	50
London and Edinburgh Insurance Company Limited	Ordinary	100
RAC Pension Trustees Limited	Ordinary	100
Solus (London) Limited	Ordinary	100
Synergy Sunrise (Broadlands) Limited	Ordinary	100
12 Throgmorton Avenue, London EC2N 2DL, United Kingdom		
Blackrock ACS World ESG Insights Equity Fund	OEIC	96
BlackRock Market Advantage Fund	Unit Trust	50
BlackRock Sterling Short Duration Credit Fund	Unit Trust	100
15th Floor, 140 London Wall, EC2Y 5DN, United Kingdom		
Houghton Regis Management Company Limited	Ordinary	100
22 Bishopsgate, London, EC3A 6HX, United Kingdom		
AXA Ethical Distribution Fund	OEIC	35
30 Finsbury Square, London, EC2A 1AG, United Kingdom		
Aviva Investors GR SPV2 Limited	Ordinary	100
50 Stratton Street, London W1J, United Kingdom		
Lazard Multicap UK Income Fund	OEIC	49
57-59 St James's Street, London SW1A 1LD, United Kingdom		
Artemis UK Special Situations Fund	Unit Trust	28
180 Great Portland Street, London, W1W 5QZ, United Kingdom		
Quantum Property Partnership (General Partner) Limited	Ordinary	50
Quantum Property Partnership (Nominee) Limited	Ordinary	50
BMO Fund Management Limited, PO Box 9040, Chelmsford, Essex, CM99 2XH, United Kingdom		
CT Global Total Return Bond (GBP Hdg) Fund	OEIC	32
CT North American Equity Fund	OEIC	24
Calton Square, 1 Greenside Row, Edinburgh, EH1 3AN, United Kingdom		
Baillie Gifford Investment Funds II ICVC-Baillie Gifford UK Equity Core Fund	OEIC	26
Baillie Gifford UK & Balanced Funds ICVC-Baillie Gifford International Fund	OEIC	26
c/o Harper MacLeod LLP, The Cadoro, 45 Gordon Street, Glasgow, G1 3PE, United Kingdom		
Brockloch Rig Windfarm Limited	Ordinary	49
Crystal Rig III Limited	Ordinary	49
c/o James Fletcher, Mainstay, Whittington Hall, Whittington Road, Worcester, England, WR5 2ZX, United Kingdom		
Aviva Investors GR SPV 1 Limited	Ordinary	100
Aviva Investors GR SPV 3 Limited	Ordinary	100
Aviva Investors GR SPV 4 Limited	Ordinary	100
Aviva Investors GR SPV 5 Limited	Ordinary	100
Aviva Investors GR SPV 6 Limited	Ordinary	100
Aviva Investors GR SPV 7 Limited	Ordinary	100
Aviva Investors GR SPV 8 Limited	Ordinary	100
Aviva Investors GR SPV 9 Limited	Ordinary	100
Aviva Investors GR SPV 10 Limited	Ordinary	100
Aviva Investors GR SPV 11 Limited	Ordinary	100
Aviva Investors GR SPV 12 Limited	Ordinary	100
Aviva Investors GR SPV 13 Limited	Ordinary	100
Aviva Investors GR SPV 14 Limited	Ordinary	100
Aviva Investors GR SPV 15 Limited	Ordinary	100
Aviva Investors GR SPV 16 Limited	Ordinary	100
Aviva Investors GR SPV 17 Limited	Ordinary	100
Drake Building, 15 Davy Road, Plymouth Science Park, Plymouth, Devon, PL6 8BY, United Kingdom		
Pannells Financial Planning Ltd	Ordinary	100
Pannells Holdings Limited	Ordinary	100
Legal & General (Unit Trust Managers) Limited PO Box 6080 Wolverhampton WV1 9RB, United Kingdom		
L&G Multi-Index Eur III-NEA	OEIC	100
L&G Multi-Index Eur IV-NEA	OEIC	100
L&G Multi-Index Eur V-NEA	OEIC	100
Liontrust Fund Partners LLP, 2 Savoy Court, London WC2R 0EZ, United Kingdom		
Liontrust Sustainable Future Corporate Bond Fund	OEIC	27
Liontrust Sustainable Future European Growth Fund	OEIC	36
Liontrust Sustainable Future Global Growth Fund	OEIC	22
Liontrust Sustainable Future Managed Fund	OEIC	39
Liontrust Sustainable Future Managed Growth Fund	OEIC	25
Liontrust Sustainable Future UK Growth Fund	OEIC	24
Liontrust UK Ethical Fund	OEIC	50
Nations House, 3rd Floor, 103 Wigmore Street, London W1U 1QS, United Kingdom		
Cannock Consortium LLP	Partnership	43
Cannock Designer Outlet (GP Holdings) Limited	Ordinary	37
Cannock Designer Outlet (GP) Limited	Ordinary	37
Cannock Designer Outlet (Nominee 1) Limited	Ordinary	37
Cannock Designer Outlet (Nominee 2) Limited	Ordinary	37
Cannock Designer Outlet LP	Partnership	37
Old Bourchiers Hall New Road, Aldham, Colchester, Essex, C06 3QU United Kingdom		
County Broadband Holdings Limited	Ordinary	29

Notes to the consolidated financial statements continued

Company name	Share Class[1]	% held
Perpetual Park, Perpetual Park Drive, Henley-on-Thames, Oxfordshire, RG9 1HH, United Kingdom		
Invesco Summit Responsible 2 Fund (UK)	OEIC	30
Invesco Summit Responsible 5 Fund (UK)	OEIC	72
Pitheavlis, Perth, Perthshire, PH2 0NH, United Kingdom		
AICT GBP Real Estate (Curtain House) General Partner Limited	Ordinary	100
AICT GBP Real Estate (Curtain House) Limited Partnership	Partnership	100
Aviva (Peak No.1) UK Limited	Ordinary	100
Aviva Insurance Limited	Ordinary	100
Aviva Investors (FP) Limited	Ordinary	100
Aviva Investors (GP) Scotland Limited	Ordinary	100
Aviva Investors Climate Transition GBP Real Estate General Partner Limited	Ordinary	100
Aviva Investors Climate Transition GBP Real Estate Limited Partnership	Partnership	100
General Accident plc	Ordinary/ Preference	100
Medium Scale Wind No.2 Limited	Ordinary	100
Shakespeare House, 42 Newmarket Road, Cambridge, CB5 8EP, United Kingdom		
Hillswood Management Limited	Ordinary	24
St Albans House, 57-59 Haymarket, London, SW1Y 4QX, United Kingdom		
Acre Platforms Limited	Ordinary	40
St Helen's, 1 Undershaft, London, EC3P 3DQ, United Kingdom		
1 Fitzroy Place Limited Partnership	Partnership	50
1 Liverpool Street GP Limited	Ordinary	100
1 Liverpool Street Limited Partnership	Partnership	30
1 Liverpool Street Nominee 1 Limited	Ordinary	100
1 Liverpool Street Nominee 2 Limited	Ordinary	100
2 Fitzroy Place Limited Partnership	Partnership	50
2-10 Mortimer Street (GP No 1) Limited	Ordinary	50
2-10 Mortimer Street GP Limited	Ordinary	50
2-10 Mortimer Street Limited Partnership	Partnership	50
10 Station Road LP	Partnership	50
10 Station Road Nominee 1 Limited	Ordinary	100
10 Station Road Nominee 2 Limited	Ordinary	100
10-11 GNS Limited	Ordinary	100
11-12 Hanover Square LP	Partnership	50
11-12 Hanover Square Nominee 1 Limited	Ordinary	50
11-12 Hanover Square Nominee 2 Limited	Ordinary	50
20 Gracechurch (General Partner) Limited	Ordinary	50
20 Gracechurch Limited Partnership	Partnership	25
20 Station Road LP	Partnership	50
20 Station Road Nominee 1 Limited	Ordinary	100
20 Station Road Nominee 2 Limited	Ordinary	100
30 Station Road LP	Partnership	50
30 Station Road Nominee 1 Limited	Ordinary	100
30 Station Road Nominee 2 Limited	Ordinary	100
30-31 Golden Square Limited Partnership	Partnership	50
30-31 Golden Square Nominee 1 Limited	Ordinary	50
30-31 Golden Square Nominee 2 Limited	Ordinary	50
41-42 Lowndes Square Management Company Limited	Ordinary	78
50-60 Station Road LP	Partnership	50
50-60 Station Road Nominee 1 Limited	Ordinary	100
50-60 Station Road Nominee 2 Limited	Ordinary	100
101 Moorgate GP Limited	Ordinary	100
101 Moorgate Limited Partnership	Partnership	30
101 Moorgate Nominee 1 Limited	Ordinary	100
101 Moorgate Nominee 2 Limited	Ordinary	100
130 Fenchurch Street General Partner Limited	Ordinary	100
130 Fenchurch Street LP	Partnership	100
130 Fenchurch Street Nominee 1 Limited	Ordinary	100
130 Fenchurch Street Nominee 2 Limited	Ordinary	100
2015 Sunbeam Limited	Ordinary	100
Aviva Investors Pacific Equity Ex Japan Core Fund	TTF	61
ALPF Single Family Homes General Partner Ltd	Ordinary	100
ALPF Single Family Homes LP	Partnership	100
Ascot Real Estate Investments GP LLP	Partnership	50
Ascot Real Estate Investments LP	Partnership	50
Atlas Park Management Company Limited	Company limited by guarantee	100
Aviva Brands Limited	Ordinary	100
Aviva Capital Partners Limited	Ordinary	100
Aviva Commercial Finance Limited	Ordinary	100
Aviva Company Secretarial Services Limited	Ordinary	100
Aviva Credit Services UK Limited	Ordinary	100
Aviva Employment Services Limited	Ordinary	100
Aviva Europe UK Societas	Ordinary	100
Aviva Group Holdings Limited	Ordinary	100
Aviva Insurance Services UK Limited	Ordinary	100
Aviva International Holdings Limited	Ordinary	100
Aviva International Insurance Limited	Ordinary	100
Aviva Investors 30 70 Global Eq Ccy Hedged Ind Fund	TTF	100
Aviva Investors 40 60 Global Equity Index Fund	TTF	100
Aviva Investors 40 Spring Gardens (General Partner) Limited	Ordinary	100
Aviva Investors 50 50 Global Equity Index Fund	TTF	100
Aviva Investors 60 40 Global Equity Index Fund	TTF	100
Aviva Investors Asia Pacific Ex Japan Fund	TTF	100
Aviva Investors Balanced Life Fund	TTF	100
Aviva Investors Balanced Pension Fund	TTF	100
Aviva Investors Cautious Pension Fund	TTF	100

Notes to the consolidated financial statements continued

Company name	Share Class[1]	% held
Aviva Investors Climate Transition Global Equity Fund	OEIC	76
Aviva Investors Climate Transition Real Assets Fund	TTF	100
Aviva Investors Commercial Assets GP Limited	Ordinary	100
Aviva Investors Commercial Assets Nominee Limited	Ordinary	100
Aviva Investors Continental Euro Equity Index Fund	TTF	100
Aviva Investors Corporate Bond Fund	OEIC	100
Aviva Investors CTF Holdco1 Limited	Ordinary	100
Aviva Investors CTF Infrastructure Midco 1 Limited	Ordinary	100
Aviva Investors Dev Asia Pacific Ex Japan Equity Index Fund	TTF	100
Aviva Investors Dev Euro UK Equity Index Fund	TTF	100
Aviva Investors Dev World Ex UK Equity Index Fund	TTF	100
Aviva Investors Developed Overseas Gov BD UK Ind Fd	TTF	100
Aviva Investors Distribution life Fund	TTF	100
Aviva Investors EBC GP Limited	Ordinary	100
Aviva Investors Energy Centres No.1 GP Limited	Ordinary	100
Aviva Investors Energy Centres No.1 Limited Partnership	Partnership	100
Aviva Investors Europe Equity Ex UK Core Fund	TTF	48
Aviva Investors Europe Equity Ex UK Fund	TTF	100
Aviva Investors European Property Fund	OEIC	100
Aviva Investors Global Equity Alpha Fund	TTF	100
Aviva Investors Global Equity Endurance Fund	OEIC	98
Aviva Investors Global Equity Fund	TTF	100
Aviva Investors Global Equity Income Fund	OEIC	61
Aviva Investors Global Services Limited	Ordinary	100
Aviva Investors Ground Rent GP Limited	Ordinary	100
Aviva Investors Ground Rent Holdco Limited	Ordinary	100
Aviva Investors Holdings Limited	Ordinary	100
Aviva Investors Idx-Lkd Gilts ovr 5 Yrs Idx Fd	TTF	100
Aviva Investors Index Linked Gilt Fund	TTF	100
Aviva Investors Infrastructure GP Limited	Ordinary	100
Aviva Investors Infrastructure Income B Limited	Ordinary	100
Aviva Investors Infrastructure Income C Limited	Ordinary	100
Aviva Investors Infrastructure Income C No.4E Limited	Ordinary	100
Aviva Investors Infrastructure Income C No.4F Limited	Ordinary	100
Aviva Investors Infrastructure Income Limited Partnership	Partnership	100

Company name	Share Class[1]	% held
Aviva Investors Infrastructure Income M Limited	Ordinary	100
Aviva Investors Infrastructure Income M No.4C Limited	Ordinary	100
Aviva Investors Infrastructure Income M No.4D Limited	Ordinary	100
Aviva Investors Infrastructure Income No.1 Limited	Ordinary	100
Aviva Investors Infrastructure Income No.2 Limited	Ordinary	100
Aviva Investors Infrastructure Income No.2B Limited	Ordinary	100
Aviva Investors Infrastructure Income No.3 Limited	Ordinary	100
Aviva Investors Infrastructure Income No.3B Limited	Ordinary	100
Aviva Investors Infrastructure Income No.4A Limited	Ordinary	100
Aviva Investors Infrastructure Income No.4B Limited	Ordinary	100
Aviva Investors Infrastructure Income No.5 Limited	Ordinary	100
Aviva Investors Infrastructure Income No.6 Limited	Ordinary	100
Aviva Investors Infrastructure Income No.6a1 Limited	Ordinary	100
Aviva Investors Infrastructure Income No.6B Limited	Ordinary	44
Aviva Investors Infrastructure Income No.6B1 Limited	Ordinary	100
Aviva Investors Infrastructure Income No.6c Limited	Ordinary	100
Aviva Investors Infrastructure Income No.6c1 Limited	Ordinary	100
Aviva Investors Infrastructure Income No.7 Limited	Ordinary	100
Aviva Investors Infrastructure Income No.8 Limited	Ordinary	100
Aviva Investors International Index Tracking Fund	OEIC	79
Aviva Investors Japan Equity Core Fund	TTF	46
Aviva Investors Japan Equity Fund	TTF	99
Aviva Investors Japan Equity Growth Fund	OEIC	100
Aviva Investors Japanese Equity Index Fund	TTF	100
Aviva Investors Managed High Income Fund	OEIC	70
Aviva Investors Japan Equity Growth Fund	OEIC	100
Aviva Investors Money Market VNAV Fund	TTF	99
Aviva Investors Multi-asset 40 85 Shares Index Fund	TTF	100
Aviva Investors Multi-Asset Core Fund II	OEIC	92
Aviva Investors Multi-Asset Core Fund III	OEIC	84
Aviva Investors Multi-Asset Core Fund IV	OEIC	87
Aviva Investors Multi-asset Plus II Fund	OEIC	30
Aviva Investors Multi-asset Plus III Fund	OEIC	49
Aviva Investors Multi-asset Plus IV Fund	OEIC	32

Notes to the consolidated financial statements continued

Company name	Share Class[1]	% held
Aviva Investors Multi-asset Plus V Fund	OEIC	34
Aviva Investors Multi-Manager 20-60% Shares Fund	OEIC	80
Aviva Investors Multi-Manager 40-85% Shares Fund	OEIC	79
Aviva Investors Multi-Manager Flexible Fund	OEIC	81
Aviva Investors Multi-Strategy Target Return Fund	OEIC	87
Aviva Investors Non-Gilt Bond All Stocks Index Fund	TTF	100
Aviva Investors Non-Gilt Bond over 15 Yrs Index Fund	TTF	100
Aviva Investors Non-Gilt Bond up to 5 Years Index Fund	TTF	100
Aviva Investors North American Equity Core Fund	TTF	44
Aviva Investors North American Equity Fund	TTF	100
Aviva Investors North American Equity Index Fund	TTF	100
Aviva Investors Pacific Ex Japan Equity Index Fund	TTF	100
Aviva Investors Pensions Limited	Ordinary	100
Aviva Investors PIP Solar PV (General Partner) Limited	Ordinary	100
Aviva Investors PIP Solar PV Limited Partnership	Partnership	100
Aviva Investors PIP Solar PV N0.1 Limited	Ordinary	100
Aviva Investors Polish EBC LP	Partnership	100
Aviva Investors Polish Retail GP Limited	Ordinary	100
Aviva Investors Polish Retail LP	Partnership	100
Aviva Investors Pre Annuity Interest Fund	TTF	100
Aviva Investors Property Fund Management Limited	Ordinary	100
Aviva Investors Real Estate Limited	Ordinary	100
Aviva Investors REALM Social Housing Limited Partnership	Partnership	86
Aviva Investors Secure Income REIT Limited	Ordinary	100
Aviva Investors Social Housing GP Limited	Ordinary	100
Aviva Investors Social Housing Limited	Ordinary	100
Aviva Investors Sterling Corporate Bond Fund	TTF	100
Aviva Investors Sterling Gilt Fund	TTF	100
Aviva Investors Stewardship Fixed Interest Fund	TTF	99
Aviva Investors Stewardship Fixed Interest Feeder Fund	OEIC	95
Aviva Investors Stewardship International Equity Fund	TTF	100
Aviva Investors Stewardship International Equity Feeder Fund	OEIC	99
Aviva Investors Stewardship UK Equity Feeder Fund	OEIC	99
Aviva Investors Stewardship UK Equity Inc Feeder Fund	OEIC	100

Company name	Share Class[1]	% held
Aviva Investors Stewardship UK Equity Fund	TTF	100
Aviva Investors Stewardship UK Equity Income Fund	TTF	96
Aviva Investors Strategic Bond Fund	OEIC	60
Aviva Investors Strategic Global Equity Fund	TTF	100
Aviva Investors UK Commercial Real Estate Senior Debt LP	Partnership	21
Aviva Investors UK CRESD GP Limited	Ordinary	100
Aviva Investors UK EQ EX Aviva Inv Trusts Index Fund	TTF	100
Aviva Investors UK Equity Alpha Fund	TTF	95
Aviva Investors UK Equity Core Fund	TTF	62
Aviva Investors UK Equity Dividend Fund	TTF	100
Aviva Investors UK Equity Fund	OEIC	100
Aviva Investors UK Equity Index Fund	TTF	100
Aviva Investors UK Fund Services Limited	Ordinary	100
Aviva Investors UK Gilts All Stock Index Fund	TTF	100
Aviva Investors UK Gilts Over 15 Years Index Fund	TTF	100
Aviva Investors UK Gilts Up To 5 Years Index Fund	TTF	100
Aviva Investors UK Index Tracking Fund	OEIC	81
Aviva Investors UK Listed Equity Ex Tobacco Fund	TTF	100
Aviva Investors UK Listed Equity Fund	TTF	100
Aviva Investors UK Listed Equity Fund	OEIC	100
Aviva Investors UK Listed Equity Income Fund	OEIC	51
Aviva Investors UK Listed Equity Income Fund	TTF	100
Aviva Investors US Equity Index Fund	TTF	100
Aviva Investors US Large Cap Equity Fund	TTF	100
Aviva Overseas Holdings Limited	Ordinary	100
Aviva Public Private Finance Limited	Ordinary	100
Aviva Special PFI GP Limited	Ordinary	100
Aviva Special PFI Limited Partnership	Partnership	100
Aviva Staff Pension Trustee Limited	Ordinary	100
Aviva UK Digital Limited	Ordinary	100
Aviva UKLAP De-risking Limited	Ordinary	100
Axcess 10 Management Company Limited	Company Limited by Guarantee	100
Barratt House LP	Partnership	50
Barratt House Nominee 1 Limited	Ordinary	50
Barratt House Nominee 2 Limited	Ordinary	50
Barwell Business Park Nominee Limited	Ordinary	100
Bermondsey Yards General Partner Limited	Ordinary	100
Bermondsey Yards Limited Partnership	Partnership	100
Bermondsey Yards Nominee 1 Limited	Ordinary	100
Bermondsey Yards Nominee 2 Limited	Ordinary	100

Notes to the consolidated financial statements continued

Company name	Share Class[1]	% held
Bersey Warehouse Nominee 1 Limited	Ordinary	100
Bersey Warehouse Nominee 2 Limited	Ordinary	100
Biomass UK No.1 LLP	Partnership	75
Biomass UK No.2 Limited	Ordinary Deferred	100
Biomass UK No. 3 Limited	Ordinary Deferred	100
Biomass UK No.4 Limited	Ordinary	100
Boston Biomass Limited	Ordinary	100
Boston Wood Recovery Limited	Ordinary	100
Building a Future (Newham Schools) Limited	Ordinary	100
Cara Renewables Limited	Ordinary	100
CCPF No.4 LP	Partnership	100
CGU International Holdings BV	Ordinary	100
Chesterford Park (General Partner) Limited	Ordinary	100
Chesterford Park (Nominee) Limited	Ordinary	100
Chesterford Park Limited Partnership	Partnership	50
Commercial Union Corporate Member Limited	Ordinary	100
Commercial Union Life Assurance Company Limited	Ordinary	100
Den Brook Energy Limited	Ordinary	100
Digital Garage Nominee 1 Limited	Ordinary	100
Digital Garage Nominee 2 Limited	Ordinary	100
EES Operations 1 Limited	Ordinary	100
Electric Avenue Limited	Ordinary	100
Fitzroy Place GP 2 Limited	Ordinary	50
Fitzroy Place Management Co Limited	Ordinary	50
Fitzroy Place Residential Limited	Ordinary	50
Free Solar (Stage 2) Limited	Ordinary	100
GES Solar2 Limited	Ordinary	100
GES Solar3 Limited	Ordinary	100
Gobafoss General Partner Limited	Ordinary	100
Gobafoss Partnership Nominee No 1 Limited	Ordinary	100
Heath Farm Energy Limited	Ordinary	100
Hooton Bio Power Limited	Ordinary	56
Houlton Commercial Management Company Limited	Company Limited by Guarantee	50
Houlton Community Management Company Limited	Company Limited by Guarantee	100
Igloo Regeneration (General Partner) Limited	Ordinary	50
Igloo Regeneration (Nominee) Limited	Ordinary	50
Igloo Regeneration Developments (General Partner) Limited	Ordinary	50
Igloo Regeneration Developments Limited Partnership	Partnership	20
Igloo Regeneration Limited Partnership	Partnership	50
Igloo Regeneration Property Unit Trust	Unit Trust	50
Irongate House LP	Partnership	50
Irongate House Nominee 1 Limited	Ordinary	50
Irongate House Nominee 2 Limited	Ordinary	50
Jacks Lane Energy Limited	Ordinary	100
Lime Property Fund (General Partner) Limited	Ordinary	100
Lime Property Fund (Nominee) Limited	Ordinary	100
Lime Property Fund Limited Partnership	Partnership	100
Lombard (London) 1 Limited	Ordinary	100
Lombard (London) 2 Limited	Ordinary	100
Longcross General Partner Limited	Ordinary	100
Longcross Limited Partnership	Partnership	100
Longcross Nominee 1 Limited	Ordinary	100
Longcross Nominee 2 Limited	Ordinary	100
Mamhilad Solar Limited	Ordinary	100
Medium Scale Wind No.1 Limited	Ordinary	100
Minnygap Energy Limited	Ordinary	100
Mortimer Street Associated Co 1 Limited	Ordinary	50
Mortimer Street Associated Co 2 Limited	Ordinary	50
Mortimer Street Nominee 1 Limited	Ordinary	50
Mortimer Street Nominee 2 Limited	Ordinary	50
Mortimer Street Nominee 3 Limited	Ordinary	50
NCH Solar1 Limited	Ordinary	100
New Broad Street House LP	Partnership	50
New Broad Street House Nominee 1 Limited	Ordinary	50
New Broad Street House Nominee 2 Limited	Ordinary	50
Norwich Union Public Private Partnership Fund	Partnership	100
Norwich Union (Shareholder GP) Limited	Ordinary	100
NU 3PS Limited	Ordinary	100
NU Developments (Brighton) Limited	Ordinary	100
NU Library For Brighton Limited	Ordinary	100
NU Local Care Centres (Bradford) Limited	Ordinary	100
NU Local Care Centres (Chichester No.1) Limited	Ordinary	100
NU Local Care Centres (Chichester No.2) Limited	Ordinary	100
NU Local Care Centres (Chichester No.3) Limited	Ordinary	100
NU Local Care Centres (Chichester No.4) Limited	Ordinary	100
NU Local Care Centres (Chichester No.5) Limited	Ordinary	100
NU Local Care Centres (Chichester No.6) Limited	Ordinary	100
NU Local Care Centres (Farnham) Limited	Ordinary	100
NU Offices for Redcar Limited	Ordinary	100
NU Schools for Redbridge Limited	Ordinary	100
NU Technology and Learning Centres (Hackney) Limited	Ordinary	100
NUPPP (Care Technology and Learning Centres) Limited	Ordinary	100

Notes to the consolidated financial statements continued

Company name	Share Class[1]	% held
NUPPP (GP) Limited	Ordinary	100
NUPPP Nominees Limited	Ordinary	100
Opus Park Management Limited	Company Limited by Guarantee	100
Pegasus House and Nuffield House LP	Partnership	50
Pegasus House and Nuffield House Nominee 1 Limited	Ordinary	50
Pegasus House and Nuffield House Nominee 2 Limited	Ordinary	50
Porth Teigr Management Company Limited	Ordinary	50
Quarryvale One Limited	Ordinary	100
RDF Energy No.1 Limited	Ordinary	57
Renewable Clean Energy 3 Limited	Ordinary	100
Renewable Clean Energy Limited	Ordinary	100
Ridge Road Energy Limited	Ordinary	100
Riley Factory Nominee 1 Limited	Ordinary	100
Riley Factory Nominee 2 Limited	Ordinary	100
Rugby Radio Station (General Partner) Limited	Ordinary	50
Rugby Radio Station (Nominee) Limited	Ordinary	50
Rugby Radio Station Limited Partnership	Partnership	50
SHR Bordon Limited	Ordinary	100
SHR Coventry Limited	Ordinary	100
SHR Ipswich Limited	Ordinary	100
SHR Linmere Limited	Ordinary	100
SHR Rudloe Limited	Ordinary	100
SHR Swindon Limited	Ordinary	100
SHR Telford Limited	Ordinary	100
Solar Clean Energy Limited	Ordinary	100
Southgate General Partner Limited	Ordinary	50
Southgate LP (Nominee 1) Limited	Ordinary	50
Southgate LP (Nominee 2) Limited	Ordinary	50
Spire Energy Limited	Ordinary	100
Station Road Cambridge LP	Partnership	50
Station Road General Partner LLP	Partnership	100
Stonebridge Cross Management Limited	Company Limited by Guarantee	100
SUE Developments Limited Partnership	Partnership	50
SUE GP LLP	Partnership	50
SUE GP Nominee Limited	Ordinary	50
Sustainable Housing Holdco Limited	Ordinary	100
Sustainable Housing Topco Limited	Ordinary	100
Sustainable Storage HoldCo Limited	Ordinary	100
Sustainable Storage Portfolio SPV Limited	Ordinary	100
Sustainable Storage Topco Limited	Ordinary	100
Swan Valley Management Limited	Ordinary	100
The Designer Retail Outlet Centres (Mansfield) General Partner Limited	Ordinary	100
The Designer Retail Outlet Centres (Mansfield) Limited Partnership	Partnership	97
The Designer Retail Outlet Centres (York) General Partner Limited	Ordinary	100
The Designer Retail Outlet Centres (York) Limited Partnership	Partnership	97
The Gobafoss Partnership	Partnership	100
The Ocean Marine Insurance Company Limited	Ordinary	100
The Rutherford Nominee 1 Limited	Ordinary	100
The Rutherford Nominee 2 Limited	Ordinary	100
The Southgate Property Limited Partnership	Partnership	50
The Square Brighton Limited	Ordinary	100
Turncole Wind Farm Limited	Ordinary	100
Tyne Assets (No 2) Limited	Ordinary	100
Tyne Assets Limited	Ordinary	100
Undershaft Limited	Ordinary	100
Welsh Insurance Corporation Limited/The	Ordinary	100
Westcountry Solar Solutions Limited	Ordinary	100
Woolley Hill Electrical Energy Limited	Ordinary	100
WR 11 Solar Limited	Ordinary	100
Yorkshire Insurance Company Limited / The	Ordinary	100
Swan Court Waterman's Business Park, Kingsbury Crescent, Staines, Surrey, TW18 3BA, United Kingdom		
Healthcode Limited	Ordinary	20
Tec Marina Terra Nova Way, Penarth, Cardiff, Wales, CF64 1SA, United Kingdom		
Wealthify Group Limited	Ordinary	100
Wealthify Limited	Ordinary	100
The Apex, Brest Road, Derriford Business Park, Derriford, Plymouth, PL6 5FL, United Kindgom		
Bankhouse Financial Management Limited	Ordinary	100
Investors Planning Associates Limited	Ordinary	100
JCF Financial Services Limited	Ordinary	100
KF Consulting	Ordinary	100
Succession Advisory Services Limited	Ordinary	100
Succession Employee Benefit Solutions Limited	Ordinary	100
Succession Financial Management Limited	Ordinary	100
Succession Group Ltd	Ordinary	100
Succession Holdings Ltd	Ordinary	100
Succession Wealth Management Limited	Ordinary	100
The Oxford Advisory Partnership Limited	Ordinary	100
The Green, Easter Park, Benyon Road, Reading, RG7 2P, United Kingdom		
ANESCO Mid Devon Limited	Ordinary	100
ANESCO South West Limited	Ordinary	100
Free Solar (Stage 1) Limited	Ordinary	100
Homesun 2 Limited	Ordinary	100
Homesun 3 Limited	Ordinary	100
Homesun 4 Limited	Ordinary	100

Notes to the consolidated financial statements continued

Company name	Share Class[1]	% held
Homesun 5 Limited	Ordinary	100
Homesun Limited	Ordinary	100
New Energy Residential Solar Limited	Ordinary	100
Norton Energy SLS Limited	Ordinary	100
TGHC Limited	Ordinary	100
Triune Court, Monks Cross Drive, Huntington, York, England, YO32 9GZ, United Kingdom		
Oaklea Wealth Management Ltd	Ordinary	100
Unit 2, Arabesque House, Monks Cross Drive, Huntington, York, YO32 9GW, United Kingdom		
A P Associates Financial Services Limited	Ordinary	100
G&E Private Wealth Limited	Ordinary	100
G&E Wealth Management (Holdings) Ltd	Ordinary	100
G&E Wealth Management Limited	Ordinary	100
HKA (F S) Limited	Ordinary	100
HKA Holdings Limited	Ordinary	100
Wellington Row, York, YO90 1WR, United Kingdom		
Aviva (Peak No.2) UK Limited	Ordinary	100
Aviva Administration Limited	Ordinary	100
Aviva Client Nominees UK Limited	Ordinary	100
Aviva Equity Release UK Limited	Ordinary	100
Aviva ERFA 15 UK Limited	Ordinary	100
Aviva Investment Solutions UK Limited	Ordinary	100
Aviva Life & Pensions UK Limited	Ordinary	100
Aviva Life Holdings UK Limited	Ordinary	100
Aviva Life Investments International (General Partner) Limited	Ordinary	100
Aviva Life Investments International (Recovery) Limited	Ordinary	100
Aviva Life Services UK Limited	Ordinary	100
Aviva Management Services UK Limited	Ordinary	100
Aviva Pension Trustees UK Limited	Ordinary	100
Aviva Savings Limited	Ordinary	100
Aviva Trustees UK Limited	Ordinary	100
Aviva Wrap UK Limited	Ordinary	100
Bankhall Support Services Limited	Ordinary	100
CGNU Life Assurance Limited	Ordinary	100
Friends AEL Trustees Limited	Ordinary	100
Friends AELLAS Limited	Ordinary	100
Friends AELRIS Limited	Ordinary	100
Friends Life and Pensions Limited	Ordinary	100
Friends Life Assurance Society Limited	Ordinary	100
Friends Life Company Limited	Ordinary	100
Friends Life FPG Limited	Ordinary	100
Friends Life FPL Limited	Ordinary	100
Friends Life FPLMA Limited	Ordinary	100
Friends Life Holdings Limited	Ordinary	100
Friends Life Limited	Ordinary	100
Friends Life WL Limited	Ordinary	100
Friends Provident Investment Holdings Limited	Ordinary	100
Friends Provident Life Assurance Limited	Ordinary	100
Friends' Provident Managed Pension Funds Limited	Ordinary	100
Friends Provident Pension Scheme Trustees Limited	Ordinary	100
Friends SLUA Limited	Ordinary	100
Gateway Specialist Advice Services Limited	Ordinary	100
Lancashire and Yorkshire Reversionary Interest Company Limited /The	Ordinary	100
London and Manchester Group Limited	Ordinary	100
Premier Mortgage Service Limited	Ordinary	100
Sesame Bankhall Group Limited	Ordinary	100
Sesame Bankhall Valuation Services Limited	Ordinary	75
Sesame General Insurance Services Limited	Ordinary	100
Sesame Limited	Ordinary	100
Sesame Regulatory Services Limited	Ordinary	100
Sesame Services Limited	Ordinary	100
Suntrust Limited	Ordinary	100
Undershaft (NULLA) Limited	Ordinary	100
Undershaft FAL Limited	Ordinary	100
Undershaft FPLLA Limited	Ordinary	100
Undershaft SLPM Limited	Ordinary	100
Voyager Park South Management Company Limited	Ordinary	52
Wealth Limited	Ordinary	100
United States		
251 Little Falls Drive, Wilmington DE 19808, United States		
AI-RECAP Carry I, LP	Partnership	82
AI-RECAP GP I, LLC	Sole Member	100
1209 Orange Street, Wilmington, DE, 19801, United States		
Aviva Investors Americas LLC	Sole Member	100
2222 Grand Avenue, Des Moines, IA, 50312, United States		
Aviva Investors North America Holdings, Inc	Common	100
2711 Centreville Road, Suite 400, Wilmington, New Castle, Delaware, 19808, United States		
UKP Holdings Inc.	Common	100
Cogency Global Inc., 850 New Burton Road, Suite 201, Dover, Delaware, Kent County, 19904, United States		
Exeter Properties Inc.	Common	95
Winslade Investments Inc.	Common	100

1. Definitions
- Fond Common de Placement ('FCP')
- Société d 'Investment à Capital Variable ('SICAV')
- Tax Transparent Fund ('TTF')
- Open Ended Investment Companies ('OEIC')

Notes to the consolidated financial statements continued

65 – Subsequent events

For details of events relating to share buybacks see note 31(e).

Financial statements of the company

Income statement

For the year ended 31 December 2022

	Note	2022 £m	2021 £m
Income			
Net investment income	A	**2,133**	7,875
		2,133	7,875
Expenses			
Operating expenses	B	**(325)**	(379)
Finance costs	C	**(351)**	(492)
		(676)	(871)
Profit for the year before tax		**1,457**	7,004
Tax credit	D	**132**	136
Profit for the year after tax		**1,589**	7,140

Statement of comprehensive income

For the year ended 31 December 2022

	2022 £m	2021 £m
Profit for the year	**1,589**	7,140
Remeasurements of pension schemes	**8**	3
Other comprehensive income, net of tax	**8**	3
Total comprehensive income for the year	**1,597**	7,143

Where applicable, the accounting policies of the Company are the same as those of the Group. The Company notes identified alphabetically are an integral part of these separate financial statements. Where the same items appear in the Group financial statements, reference is made to the Group notes identified numerically.

Financial statements of the company continued

Statement of changes in equity

For the year ended 31 December 2022

	Note	Ordinary share capital £m	Preference share capital £m	Share premium £m	Capital redemption reserve £m	Merger reserve £m	Equity compensation reserve £m	Retained earnings £m	Tier 1 notes £m	Total equity £m
Balance at 1 January		**941**	**200**	**1,248**	**86**	**6,438**	**101**	**8,591**	**—**	**17,605**
Profit for the year		**—**	**—**	**—**	**—**	**—**	**—**	**1,589**	**—**	**1,589**
Other comprehensive income		**—**	**—**	**—**	**—**	**—**	**—**	**8**	**—**	**8**
Total comprehensive income for the year		**—**	**—**	**—**	**—**	**—**	**—**	**1,597**	**—**	**1,597**
Dividends and appropriations	14	**—**	**—**	**—**	**—**	**—**	**—**	**(862)**	**—**	**(862)**
Reserves credit for equity compensation plans	32	**—**	**—**	**—**	**—**	**—**	**58**	**—**	**—**	**58**
Shares issued under equity compensation plans	32	**2**	**—**	**15**	**—**	**—**	**(46)**	**8**	**—**	**(21)**
Shares purchased in buyback[1]	31	**(19)**	**—**	**—**	**19**	**—**	**—**	**(336)**	**—**	**(336)**
Return of capital to shareholders via B share scheme[2]	31	**—**	**—**	**—**	**3,750**	**(3,750)**	**—**	**(3,750)**	**—**	**(3,750)**
Redemption of fixed rate tier 1 notes	35	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Forfeited dividend income	H	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Issue of tier 1 notes[3]	L	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**496**	**496**
Balance at 31 December		**924**	**200**	**1,263**	**3,855**	**2,688**	**113**	**5,248**	**496**	**14,787**

1. In the year ended 31 December 2022, £337 million of shares were purchased and shares with a nominal value of £19 million have been cancelled as part of the share buyback programme
2. On 2 March 2022, Aviva announced a proposed return of capital, via a £3,750 million B Share Scheme for the holders of ordinary shares. 3,687,322,000 B shares were issued for nil consideration with a nominal value of 101.69 pence per share on 16 May 2022, resulting in a total of £3,750 million being credited to the B share capital account. At the same time, the merger reserve was reduced by £3,750 million. On 17 May 2022, the B shares were redeemed at 101.69 pence per share, which resulted in a £3,750 million reduction in the B share capital account and a corresponding increase in the capital redemption reserve. Retained earnings reduced by £3,750 million on payment of the return of capital to ordinary shareholders.
3. On 15 June 2022, the Group issued £500 million of 6.875% fixed rate reset perpetual Restricted Tier 1 contingent convertible notes (the RT1 notes). These RT1 notes are treated as equity and any coupon payments are recognised directly in equity as they arise (see note 35).

For the year ended 31 December 2021

	Note	Ordinary share capital £m	Preference share capital £m	Share premium £m	Capital redemption reserve £m	Merger reserve £m	Equity compensation reserve £m	Retained earnings £m	Tier 1 notes £m	Total equity £m
Balance at 1 January		982	200	1,242	44	6,438	106	3,235	—	12,247
Profit for the year		—	—	—	—	—	—	7,140	—	7,140
Other comprehensive expense		—	—	—	—	—	—	3	—	3
Total comprehensive expense for the year		—	—	—	—	—	—	7,143	—	7,143
Dividends and appropriations	14	—	—	—	—	—	—	(1,127)	—	(1,127)
Reserves credit for equity compensation plans	32	—	—	—	—	—	24	—	—	24
Shares issued under equity compensation plans	32	1	—	6	—	—	(29)	3	—	(19)
Shares purchased in buyback	31	(42)	—	—	42	—	—	(663)	—	(663)
Balance at 31 December		941	200	1,248	86	6,438	101	8,591	—	17,605

Where applicable, the accounting policies of the Company are the same as those of the Group. The Company notes identified alphabetically are an integral part of these separate financial statements. Where the same items appear in the Group financial statements, reference is made to the Group notes identified numerically.

Financial statements of the company continued

Statement of financial position

As at 31 December 2022

	Note	2022 £m	2021 £m
Assets			
Non-current assets			
Investments in subsidiaries	E	**31,793**	31,788
Investment in joint venture	E	**123**	123
Receivables and other financial assets	F	**2,118**	4,461
Deferred tax assets	G	**142**	12
Current tax assets	G	**—**	137
		34,176	36,521
Current assets			
Financial investments		**1**	—
Receivables and other financial assets	F	**799**	245
Prepayments and accrued income		**112**	54
Cash and cash equivalents		**320**	702
Total assets		**35,408**	37,522
Equity			
Ordinary share capital	31	**924**	941
Preference share capital	34	**200**	200
Called up capital		**1,124**	1,141
Share premium	31(d)	**1,263**	1,248
Capital redemption reserve	31(d)	**3,855**	86
Merger reserve	H	**2,688**	6,438
Equity compensation reserve	H	**113**	101
Retained earnings	H	**5,248**	8,591
Tier 1 notes	L	**496**	—
Total equity		**14,787**	17,605
Liabilities			
Non-current liabilities			
Borrowings	J	**4,939**	5,577
Payables and other financial liabilities	K	**10,470**	9,632
Pension deficits and other provisions	I	**34**	46
		15,443	15,255
Current liabilities			
Borrowings	J	**530**	50
Payables and other financial liabilities	K	**4,560**	4,532
Other liabilities		**88**	80
Total liabilities		**20,621**	19,917
Total equity and liabilities		**35,408**	37,522

Approved by the Board on 8 March 2023

Charlotte Jones
Chief Financial Officer

Company number: 2468686

Where applicable, the accounting policies of the Company are the same as those of the Group. The Company notes identified alphabetically are an integral part of these separate financial statements. Where the same items appear in the Group financial statements, reference is made to the Group notes identified numerically.

Financial statements of the company continued

Statement of cash flows

For the year ended 31 December 2022

All the Company's operating cash requirements are met by subsidiary companies and settled through intercompany loan accounts. As the direct method of presentation has been adopted for these activities, no further disclosure is required. In respect of financing and investing activities, the following items pass through the Company's own bank accounts.

	2022 £m	2021 £m
Cash flows from investing activities		
Dividends received from joint venture	**18**	17
Net disposal of financial investments	**—**	2
Net cash from investing activities	**18**	19
Cash flows from financing activities		
Proceeds from issue of ordinary shares	**17**	6
Return of capital to ordinary shareholders via B share scheme	**(3,750)**	—
Shares purchased in buyback	**(336)**	(663)
Treasury shares purchased for employee trusts	**(75)**	(69)
New borrowings drawn down, net of expenses	**536**	206
Repayment of borrowings	**(849)**	(1,975)
Net repayment of borrowings	**(313)**	(1,769)
Interest paid on borrowings	**(264)**	(401)
Preference dividends paid	**(17)**	(17)
Ordinary dividends paid	**(828)**	(1,110)
Coupon payments on tier 1 notes	**(17)**	—
Issue of tier 1 notes[1]	**496**	—
Funding provided from subsidiaries	**4,691**	4,540
Other[2]	**(4)**	(25)
Net cash (used in)/generated from financing activities	**(400)**	492
Net (decrease)/increase in cash and cash equivalents	**(382)**	511
Cash and cash equivalents at 1 January	**702**	191
Cash and cash equivalents at 31 December	**320**	702

1. On 15 June 2022, the Group issued £500 million of 6.875% fixed rate reset perpetual restricted tier 1 contingent convertible notes (the RT1 notes). The RT1 notes are callable at par between 15 December 2031 and 15 June 2032 (the First Reset Date) inclusive and thereafter every five years after the First Reset Date. If not called, the coupon from 15 June 2032 will be reset to the prevailing five year benchmark gilt yield plus 4.649%. The notes have no fixed maturity date. Optional cancellation of coupon payments is at the discretion of the Group and mandatory cancellation is upon the occurrence of certain conditions. The RT1 notes are therefore treated as equity and the coupon payment is recognised directly in equity. On the occurrence of certain conversion trigger events the notes are convertible into ordinary shares of the Group.
2. 2022 includes £21 million (2021: £23 million) in respect of payments relating to equity compensation plans and £10 million (2021: £nil) receipt of forfeited shareholder distributions to be donated to a charitable foundation

Where applicable, the accounting policies of the Company are the same as those of the Group. The Company notes identified alphabetically are an integral part of these separate financial statements. Where the same items appear in the Group financial statements, reference is made to the Group notes identified numerically.

Notes to the company financial statements

A – Net investment income

	2022 £m	2021 £m
Dividends received from subsidiaries[1]	**2,045**	7,795
Dividends received from joint venture	**19**	11
Interest receivable from group company loans held at amortised cost	**67**	66
Other income	**1**	—
Unrealised gains on foreign exchange contracts	**1**	3
Total	**2,133**	7,875

1. 2022 includes £2,000 million (2021: £7,750 million) dividend income from Aviva Group Holdings Limited

B – Operating expenses

(i) Operating expenses

Operating expenses comprise:

	2022 £m	2021 £m
Equity compensation plans (see (ii) below)	**18**	18
Other operating costs	**301**	342
Net foreign exchange losses	**6**	19
Total	**325**	379

(ii) Equity compensation plans

All transactions in the Group's equity compensation plans, which involve options and awards for ordinary shares of the Company, are included in other operating costs. Full disclosure of these plans is given in the Group consolidated financial statements, note 32. The cost of such options and awards is borne by all participating businesses and, where relevant, the Company bears an appropriate charge. As the majority of the charge to the Company relates to directors' options and awards, for which full disclosure is made in the directors' remuneration report, no further disclosure is given here.

C – Finance costs

	Note	2022 £m	2021 £m
Interest payable on borrowings		**261**	295
Interest payable on group loans held at amortised cost	O(ii)	**80**	92
Fees and charges on share buyback and return of capital		**10**	3
Realised loss on external debt redemption		**—**	51
Premium payments on external borrowings		**—**	51
Total		**351**	492

D – Tax

(i) Tax credited to the income statement

The total tax credit comprises:

	2022 £m	2021 £m
Current tax		
For this year	**(1)**	136
Total current tax	**(1)**	136
Deferred tax		
Origination and reversal of temporary differences	**133**	—
Total deferred tax	**133**	—
Total tax credited to income statement	**132**	136

(ii) Tax charged/credited to other comprehensive income

Tax charged to other comprehensive income in the year amounted to £3 million (2021: £3 million credited) in respect of obligations under pension and post-retirement benefit schemes.

Notes to the company financial statements continued

D – Tax continued

(iii) Tax reconciliation

The tax on the Company's profit before tax differs from the theoretical amount that would arise using the tax rate of the home country of the Company as follows:

	2022 £m	2021 £m
Profit before tax	**1,457**	7,004
Tax calculated at standard UK corporation tax rate of 19.00% (2021: 19.00%)	**(277)**	(1,331)
Reconciling items		
Non-assessable dividend income	**392**	1,483
Disallowable expenses	**(3)**	(1)
Movement in valuation of deferred tax	**32**	—
Different local basis of tax on overseas profits	**(1)**	(1)
Losses surrendered intra-group for nil value	**(14)**	(14)
Tax on interest amounts charged directly to equity	**3**	—
Total tax credited to income statement	**132**	136

The UK Government has enacted an increase in the UK corporation tax rate to 25% to take effect from 1 April 2023. This rate has been used in the calculation of the Company's deferred tax assets as at 31 December 2021 and 31 December 2022 and increased the Company's deferred tax assets by £3 million in the year ended 31 December 2021. The £3 million was credited to other comprehensive income.

E – Investments in subsidiaries and joint venture

(i) Subsidiaries

At 31 December 2022 the Company has two wholly owned subsidiaries, both incorporated in the UK. These are General Accident plc and Aviva Group Holdings Limited. Aviva Group Holdings Limited is an intermediate holding company, while General Accident plc has preference shares listed on the London Stock Exchange. At 31 December 2022 the Company's investments in subsidiaries have a cost of £31,793 million (2021: £31,788 million). The principal subsidiaries of the Aviva Group at 31 December 2022 are set out in note 63 to the Group consolidated financial statements.

(ii) Joint venture

At 31 December 2022 the Company's investment in the joint venture, Aviva-COFCO Life Insurance Co. Limited has a cost of £123 million (2021: £123 million).

F – Receivables and other financial assets

	Note	2022 £m	2021 £m
Loans due from subsidiaries held at amortised cost	O(i)	**2,664**	4,461
Amounts due from subsidiaries held at amortised cost	O(iii)	**253**	245
Total		**2,917**	4,706
Expected to be recovered in less than one year		**799**	245
Expected to be recovered in more than one year		**2,118**	4,461
		2,917	4,706

Fair value of these assets approximate to their carrying amounts.

G – Tax assets and liabilities

(i) Current tax

Current tax assets recoverable in more than one year are £nil million (2021: £137 million).

Assets for prior years' tax settled by group relief of £137 million (2021: £108 million) are included within Receivables and other financial assets (note F), of which £137 million are recoverable in less than one year.

(ii) Deferred tax

(a) The net deferred tax asset arises on the following items:

	2022 £m	2021 £m
Pensions and other post retirement obligations	**9**	12
Unused losses and tax credits	**133**	—
Net deferred tax assets	**142**	12

Notes to the company financial statements continued

G – Tax assets and liabilities continued

(ii) Deferred tax continued

(b) The movement in the net deferred tax asset was as follows:

	2022 £m	2021 £m
Net asset at 1 January	**12**	9
Amounts credited to income statement	**133**	—
Amounts (charged)/credited to other comprehensive income	**(3)**	3
Net deferred tax assets at 31 December	**142**	12

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. In assessing future profitability, the directors have relied on board approved business plans and profit forecasts for up to 5 years and the Group's history of taxable profits in the UK.

H – Reserves

	Merger reserve £m	Equity compensation reserve[1] £m	Retained earnings £m
Balance at 1 January 2021	6,438	106	3,235
Arising in the year:			
Profit for the year	—	—	7,140
Remeasurement of pension schemes	—	—	3
Dividends and appropriations	—	—	(1,127)
Shares purchased in buyback	—	—	(663)
Reserves credit for equity compensation plans	—	24	—
Issue of share capital under equity compensation scheme	—	(29)	3
Balance at 31 December 2021	**6,438**	**101**	**8,591**
Arising in the year:			
Profit for the year	**—**	**—**	**1,589**
Remeasurement of pension schemes	**—**	**—**	**8**
Forfeited dividend income[2]	**—**	**—**	**—**
Dividends and appropriations	**—**	**—**	**(862)**
Shares purchased in buyback	**—**	**—**	**(336)**
Return of capital to ordinary shareholders via B share schemes	**(3,750)**	**—**	**(3,750)**
Reserves credit for equity compensation plans	**—**	**58**	**—**
Issue of share capital under equity compensation scheme	**—**	**(46)**	**8**
Balance at 31 December 2022	**2,688**	**113**	**5,248**

1. See notes 32(d) and 38 for further details of balances included in the equity compensation reserve
2. The Company has commenced a shareholder forfeiture programme, where the shares of shareholders who Aviva has lost contact with over the last 12 years will be forfeited and sold on. Any associated unclaimed dividends will be reclaimed by the Company. After covering administration costs, the majority of the money will be put into a charitable foundation.

The vast majority of the retained earnings of the Company are distributable.

I – Pension deficits and other provisions

	2022 £m	2021 £m
Total IAS 19 obligations to staff pension schemes	**34**	46
Total provisions	**34**	46

J – Borrowings

The Company's borrowings comprise:

	2022 £m	2021 £m
Subordinated debt	**4,530**	4,926
Senior notes	**687**	651
Commercial paper	**252**	50
Total	**5,469**	5,627

All the above borrowings are stated at amortised cost.

Notes to the company financial statements continued

J – Borrowings continued

Maturity analysis of contractual undiscounted cash flows:

	2022			2021		
	Principal £m	Interest £m	Total £m	Principal £m	Interest £m	Total £m
Within 1 year	**531**	**229**	**760**	50	256	306
1 – 5 years	**411**	**912**	**1,323**	265	1,020	1,285
5 – 10 years	**275**	**1,077**	**1,352**	652	1,229	1,881
10 – 15 years	**700**	**999**	**1,699**	700	1,178	1,878
Over 15 years	**3,583**	**2,111**	**5,694**	4,000	2,274	6,274
Total contractual undiscounted cash flows	**5,500**	**5,328**	**10,828**	5,667	5,957	11,624

Where subordinated debt is undated, the interest payments have not been included beyond 15 years. Annual interest payments in future years for these borrowings are £nil (2021: £31 million).

The fair value of the subordinated debt at 31 December 2022 was £4,314 million (2021: £5,752 million), calculated with reference to quoted prices. The fair value of the senior debt at 31 December 2022 was £646 million (2021: £698 million), calculated with reference to quoted prices. The fair value of the commercial paper is considered to be the same as its carrying value.

Further details of these borrowings and undrawn committed facilities can be found in the Group consolidated financial statements, note 51, with details of the fair value hierarchy in relation to these borrowings in note 22.

K – Payables and other financial liabilities

	Note	2022 £m	2021 £m
Loans due to subsidiaries	O(ii)	**10,470**	9,632
Amount due to subsidiaries	O(iii)	**4,560**	4,532
Total		**15,030**	14,164
Expected to be recovered in less than one year		**4,560**	4,532
Expected to be recovered in more than one year		**10,470**	9,632
		15,030	14,164

L – Tier 1 notes

On 15 June 2022, the Company issued £500 million of 6.875% fixed rate reset perpetual Restricted Tier 1 contingent convertible notes (the RT1 Notes), see details in note 35. During the year coupon payments of £17 million were made (2021: £nil).

M – Contingent liabilities

Details of the Company's contingent liabilities are given in the Group consolidated financial statements, note 54.

N – Risk and capital management

Risk and capital management in the context of the Group is considered in the Group consolidated financial statements, notes 56 and 58.

The business of the Company is managing its investments in subsidiaries and joint venture operations. Its risks are considered to be the same as those in the operations themselves, and full details of the major risks and the Group's approach to managing these are given in the Group consolidated financial statements, note 58. Such investments are held by the Company at cost in accordance with accounting policy D.

Financial assets, other than investments in subsidiaries and joint ventures, largely consist of amounts due from subsidiaries. As at the balance sheet date, these receivable amounts were neither past due nor impaired. The credit quality of receivables and other financial assets is monitored by the Company and provisions are made for expected credit losses. There are no material expected credit losses over the lifetime of the financial assets.

Financial liabilities owed by the Company as at the balance sheet date are largely in respect of borrowings (details of which are provided in note J and the Group consolidated financial statements, note 51) and loans owed to subsidiaries. Loans owed to subsidiaries were within agreed credit terms as at the balance sheet date.

Interest rate risk

Loans to and from subsidiaries are at either fixed or floating rates of interest, with the latter being exposed to fluctuations in these rates. The choice of rates is designed to match the characteristics of financial investments (which are also exposed to interest rate fluctuations) held in both the Company and the relevant subsidiary, to mitigate as far as possible each company's net exposure.

All of the Company's long-term external borrowings are at fixed rates of interest and are therefore not exposed to changes in these rates. However, for short-term commercial paper, the Company is affected by changes in these rates to the extent the redemption of these borrowings is funded by the issuance of new commercial paper or other borrowings. Further details of the Company's borrowings are provided in note J and the Group consolidated financial statements, note 51.

Notes to the company financial statements continued

N – Risk and capital management continued

Interest rate risk

The effect of a 100 basis point increase/decrease in interest rates on floating rate loans due to and from subsidiaries and on refinancing short-term commercial paper as it matures would be a decrease/increase in profit before tax of £92 million (2021: decrease/increase of £22 million). We manage and hedge our interest rate exposure through setting risk tolerance levels on a Solvency II cover ratio basis. Exposure to interest rate risk is monitored through several measures that include duration, capital modelling, sensitivity testing and stress and scenario testing.

Currency risk

The Company's direct subsidiaries are exposed to foreign currency risk arising from fluctuations in exchange rates during the course of providing insurance and asset management services around the world. The exposure of the subsidiaries to currency risk is considered from a Group perspective in the Group consolidated financial statements, note 58(c)(v).

The Company faces exposure to foreign currency risk through some of its borrowings which are denominated in Euros and Canadian dollars.

Liquidity risk

Liquidity risk is the risk of not being able to make payments as they become due because there are insufficient assets in cash form. The Company's main sources of liquidity are liquid assets held within the Company and its subsidiary Aviva Group Holdings Limited, and dividends received from the Group's insurance and asset management businesses. Sources of liquidity in normal markets also include a variety of short and long-term instruments including commercial papers and medium and long-term debt. In addition to the existing liquid resources and expected inflows, the Company maintains significant undrawn committed borrowing facilities from a range of leading international banks to further mitigate this risk.

Maturity analysis of external borrowings and amounts due to and by subsidiaries are provided in notes J and F respectively.

Intra-group capital arrangement

Consistent with our capital management framework, the Group has in place intra-group arrangements to provide additional capital support to its regulated subsidiaries. In the normal course of business, the Group will provide additional capital support to its regulated subsidiaries in certain circumstances. While the Group considers it unlikely that such support will be required, the arrangements are intended to provide additional comfort to its regulated subsidiaries and its policyholders. See note 56b for more detail on Risks and Capital Management Objectives.

O – Related party transactions

The Company had the following related party transactions.

Loans to and from subsidiaries are made on normal arm's-length commercial terms. The maturity analysis of the related party loans is as follows:

(i) Loans owed by subsidiaries

Maturity analysis	2022 £m	2021 £m
Within 1 year	**546**	—
1 – 5 years	**1,624**	3,992
Over 5 years	**494**	469
Total	**2,664**	4,461

The interest received on these loans is £67 million (2021: £66 million). See note A.

On 1 January 2013, Aviva International Holdings Limited, an indirect subsidiary, transferred an unsecured loan with the Company of €250 million to Aviva Group Holdings Limited, its direct subsidiary. The loan, originally entered into on 7 May 2003, accrues interest at a fixed rate of 5.5% with settlement to be paid at maturity in May 2033. As at the statement of financial position date, the total amount drawn down on the loan was £221 million (2021: £210 million).

On 23 December 2014, the Company provided an unsecured revolving credit facility of £2,000 million to Aviva Group Holdings Limited, its subsidiary, with an initial maturity date of 3 September 2018, which was subsequently extended to 31 December 2023. The company intends to renew this facility to further extend the maturity date to 31 December 2028. The loan accrues interest at a fixed rate of 0.895%. As at the statement of financial position date, the total amount drawn down on the facility was £nil (2021: £1,935 million).

On 27 June 2016, the Company provided an unsecured loan of $CAD446 million to Aviva Group Holdings Limited, its subsidiary, with a maturity date of 27 June 2046. The loan accrues interest at 348 basis points above 6 month CORRA with a basis compensation adjustment of 49 basis points. As at the statement of financial position date, the total amount drawn on the loan was £273 million (2021: £259 million).

Notes to the company financial statements continued

O – Related party transactions continued

(i) Loans owed by subsidiaries continued

On 30 September 2016, the Company provided the following loans to Aviva Group Holdings Limited, its subsidiary:

- An unsecured loan of €850 million with a maturity date of 30 September 2021 which was subsequently extended to 30 September 2026. The loan accrues interest at 115 basis points above 12 month EURIBOR with settlement to be paid at maturity. As at the statement of financial position date, the total amount drawn on the loan was £207 million (2021: £196 million).
- An unsecured loan of €650 million with a maturity date of 5 July 2023. The loan accrues interest at a fixed rate of 1.54% with settlement to be paid at maturity. As at the statement of financial position date, the total amount drawn down on the loan was £267 million (2021: £253 million).
- An unsecured loan of €700 million with a maturity date of 3 July 2024. The loan accrues interest at a fixed rate of 1.64% with settlement to be paid at maturity. As at the statement of financial position date, the total amount drawn down on the loan was £620 million (2021: £588 million).
- An unsecured loan of €900 million with a maturity date of 4 December 2025. The loan accrues interest at a fixed rate of 1.74% with settlement to be paid at maturity. As at the statement of financial position date, the total amount drawn down on the loan was £797 million (2021: £756 million).

On 21 November 2016, the Company provided an unsecured loan of €500 million to Aviva Group Holdings Limited, its subsidiary, with a maturity date of 27 October 2023. The loan accrues interest at a fixed rate of 1.75% with settlement to be paid at maturity. As at the statement of financial position date, the total amount drawn on the loan was £279 million (2021: £264 million).

(ii) Loans owed to subsidiaries

	2022			2021		
Maturity analysis of contractual undiscounted cash flows:	**Principal £m**	**Interest £m**	**Total £m**	Principal £m	Interest £m	Total £m
Within 1 year	**—**	**453**	**453**	—	67	67
1 – 5 years	**9,439**	**1,811**	**11,250**	147	330	477
Over 5 years	**1,031**	**9**	**1,040**	9,485	66	9,551
Total	**10,470**	**2,273**	**12,743**	9,632	463	10,095

The interest paid on these loans is £80 million (2021: £92 million). See note C.

On 3 September 2013 Aviva Group Holdings Limited, its subsidiary, provided an unsecured rolling credit facility of £1,000 million to the Company, with an initial maturity date of 3 September 2018, which was subsequently extended to 31 December 2023. On 6 October 2016, the facility increased to £5,000 million. The loan accrues interest at a fixed rate of 0.895%. The total amount drawn down on the facility at 31 December 2022 was £1,031 million (2021: £147 million). This loan has a maturity date of 31 December 2022, however it is the intention of both parties that this will be renewed in full upon maturity and has been presented within over 5 years maturity in the table above.

On 14 December 2017, the Company renewed its facility with General Accident plc, its subsidiary, of £9,990 million and the Board approved the extension of the maturity of the loan by five years from 31 December 2017 to 31 December 2022. The loan accrues interest at a fixed rate of 0.695%. A subsequent loan amendment in December 2022 extended the loan maturity to 31 December 2027 and changed the interest rate to a floating rate based on the SONIA swap rate effective from 1 January 2023. As at 31 December 2022, the loan balance outstanding was £9,439 million (2021: £9,484 million). This loan is secured against the ordinary share capital of Aviva Group Holdings Limited.

(iii) Other transactions

Services provided to related parties

	2022		2021	
	Income earned in year £m	**Receivable at year end £m**	Income earned in year £m	Receivable at year end £m
Subsidiaries and joint ventures	**2,064**	**253**	7,806	245

Income earned relates to dividends. The Company incurred expenses in the year of £0.8 million (2021: £0.7 million) representing audit fees paid by the Company on behalf of subsidiaries. The Company did not recharge subsidiaries for these expenses.

The related parties' receivables are not secured and no guarantees were received in respect thereof. The receivables will be settled in accordance with normal credit terms.

Notes to the company financial statements continued

O – Related party transactions continued

(iii) Other transactions continued

Services provided by related parties

	2022		2021	
	Expense incurred in year £m	**Payable at year end £m**	Expense incurred in year £m	Payable at year end £m
Subsidiaries	**301**	**4,560**	342	4,532

Expenses incurred relates to operating expenses. All the Company's operating cash requirements are met by subsidiary companies and settled through intercompany loans.

The Company has a prepayment of £85 million (2021: £50 million) relating to shares owned by an employee share trust to satisfy the Company's share awards.

The related parties' payables and receivables are not secured and no guarantees were given or received in respect thereof. The payables will be settled in accordance with normal credit terms. Details of guarantees, indemnities and warranties given by the Company on behalf of related parties are given in note 54(f).

Key management

The directors and key management of the Company are considered to be the same as for the Group. Information on both the Company and Group key management compensation can be found in note 61.

P – Subsequent events

For details of subsequent events please see note 65.

Other information

In this section

4.02 Alternative performance measures
4.16 Shareholder services
4.17 Cautionary Statement

Alternative performance measures

In order to fully explain the performance of our business, we discuss and analyse our results in terms of financial measures which include a number of Alternative Performance Measures (APMs). APMs are non-GAAP measures which are used to supplement the disclosures prepared in accordance with other regulations, such as International Financial Reporting Standards (IFRS) and Solvency II. We believe these measures provide useful information to enhance the understanding of our financial performance. However, APMs should be viewed as complementary to, rather than as a substitute for, the amounts determined according to other regulations.

The APMs utilised by Aviva may not be the same as those used by other insurers and may change over time. The calculation of APMs is consistent with previous periods unless otherwise stated.

Further details on APMs derived from IFRS measures and APMs derived from Solvency II measures are provided in the following sections. A further section describes Other APMs.

APMs derived from IFRS measures

A number of APMs relating to IFRS are utilised to measure and monitor the Group's performance

- Group adjusted operating profit
- Combined operating ratio
- Claims, commission, and expense ratios
- Operating earnings per share
- Controllable costs
- IFRS return on equity
- IFRS net asset value per share
- Assets Under Management and Assets Under Administration
- Net flows
- Aviva Investors revenue
- Cost income ratio

Definitions and additional information, including reconciliation to the relevant amounts in the IFRS Financial Statements and, where appropriate, commentary on the material reconciling items are included within this section.

Group adjusted operating profit

Group operating profit is an APM that supports decision making and internal performance management of the Group's operating segments, that incorporates an expected return on investments supporting the life and non-life insurance businesses. The Group considers this measure meaningful to stakeholders as it enhances the understanding of the Group's operating performance over time by separately identifying non-operating items. The various items excluded from Group adjusted operating profit, but included in IFRS profit before tax, are:

Investment variances, economic assumption changes and short-term fluctuation in return on investments

Group adjusted operating profit for the life insurance business is based on expected investment returns on financial investments backing shareholder and policyholder funds over the reporting period, with allowance for the corresponding expected movements in liabilities. The expected rate of return is determined using consistent assumptions between operations, having regard to local economic and market forecasts of investment return and asset classification.

For fixed interest securities classified as fair value through profit or loss, the expected investment returns are based on average prospective yields for the actual assets held less an adjustment for credit risk. Where such securities are classified as available for sale the expected return comprises interest or dividend payments and amortisation of the premium or discount at purchase. The expected return on equities and properties is calculated by reference to the opening 10-year swap rate in the relevant currency plus an appropriate risk margin.

Group adjusted operating profit includes the effect of variances in experience for non-economic items, such as mortality, persistency and expenses, and the effect of changes in non-economic assumptions. Changes due to economic items, such as market value movement and interest rate changes, which give rise to variances between actual and expected investment returns, and the impact of changes in economic assumptions on liabilities, are disclosed separately outside Group adjusted operating profit.

Group adjusted operating profit for the non-life insurance business is based on expected investment returns on financial investments backing shareholder funds over the period. Expected investment returns are calculated for equities and properties by multiplying the opening market value of the investments, adjusted for sales and purchases during the year, by the long-term rate of return. This rate of return is the same as that applied for the long-term business expected returns. The long-term return for other investments (including debt securities) is the actual income receivable for the period. Actual income and long-term investment return both contain the amortisation of the discounts/premium arising on the acquisition of fixed income securities.

Changes due to market value movements and interest rate changes, which give rise to variances between actual and expected investment returns, are disclosed separately outside Group adjusted operating profit. The impact of changes in the discount rate applied to claims provisions is also disclosed outside Group adjusted operating profit.

The exclusion of short-term investment variances from this APM reflects the long-term nature of much of our business. The Group adjusted operating profit, which is used in managing the performance of our operating segments, excludes the impact of economic variances, to provide a comparable measure year-on-year.

Alternative performance measures continued

Impairment, amortisation and profit or loss on disposal

Group adjusted operating profit also excludes impairment of goodwill, associates and joint ventures; amortisation and impairment of other intangible assets acquired in business combinations; amortisation and impairment of acquired value of in-force business; and the profit or loss on disposal and remeasurement of subsidiaries, joint ventures and associates. These items principally relate to merger and acquisition activity which we view as strategic in nature, hence they are excluded from the Group adjusted operating profit APM as this is principally used to manage the performance of our operating segments when reporting to the Group chief operating decision maker.

Other items

These items are, in the directors' view, required to be separately disclosed by virtue of their nature or incidence to enable a full understanding of the Group's financial performance. Other items at 2022 comprise:

- The following items which are disclosed outside of Group adjusted operating profit as they relate to acquisition and disposal activity that we consider to be strategic in nature:
  - A gain of £77 million relating to negative goodwill on the acquisition of Aviva India, which is excluded from Group adjusted operating profit for consistency with the treatment of impairment of goodwill;
  - A charge of £15 million arising from third party reinsurance, accepted by Aviva from the former Aviva France general insurance entity, which was terminated on 31 December 2021;
  - A net release of provisions relating to acquisition and disposal activity of £1 million;
  - A charge of £7 million relating to costs directly associated with the acquisition of Succession Wealth;
- A charge of £10 million relating to fees and charges associated with the share buyback and return of capital to ordinary shareholders; and
- A charge of £5 million relating to the cost of the employee free share award, which recognises the contribution our employees have made to the return of capital to ordinary shareholders.

Other items at 2021 comprised:

- The following items which were disclosed outside of Group adjusted operating profit as they relate to acquisition and disposal activity that we consider to be strategic in nature:
  - A charge of £76 million arising from third party reinsurance, accepted by Aviva from the former Aviva France general insurance entity, which was terminated on 31 December 2021;
  - A charge of £45 million relating to costs associated with the disposals of France, Italy, Aviva Vita, Poland, Singapore, Turkey and Vietnam, comprising IT contracts that have become onerous, severance costs associated with senior management and relocation costs;
  - Net charges of £22 million relating to provisions for indemnities entered into through acquisition and disposal activity.
- A charge of £51 million relating to the redemption payment in excess of the market value of debt repaid as part of the Group's deleveraging strategy. This is disclosed outside of Group adjusted operating profit as the costs arise from a strategic decision relating to the financing of the Group as a whole and not to the operating performance of the Group or its operating segments;
- A charge of £7 million relating to the cost of voluntary amendments to a small proportion of ground rent leases held by the Aviva Investors REaLM Ground Rent Fund; and
- A charge of £3 million relating to stamp duty costs on share buybacks

The Group adjusted operating profit APM should be viewed as complementary to IFRS measures. It is important to consider Group adjusted operating profit and profit for the year together to understand the performance of the business in the period.

Alternative performance measures continued

The table below presents a reconciliation between our consolidated operating profit and (loss)/profit before tax attributable to shareholders' profits.

	2022 £m	2021 £m
UK & Ireland Life	**1,908**	1,428
UK & Ireland General Insurance	**338**	356
Canada	**433**	406
Aviva Investors	**25**	41
UK, Ireland, Canada and Aviva Investors	**2,704**	2,231
International investments	**52**	97
	2,756	2,328
Corporate centre costs and Other operations	**(297)**	(379)
Group debt costs and other interest	**(246)**	(315)
Group adjusted operating profit before tax attributable to shareholders' profits from continuing operations	**2,213**	1,634
Group adjusted operating profit before tax attributable to shareholders' profits from discontinued operations	**—**	631
Group adjusted operating profit before tax attributable to shareholders' profits	**2,213**	2,265
Adjusted for the following:		
Life business: Investment variances and economic assumption changes	**(2,387)**	(805)
Non-life business: Short-term fluctuation in return on investments	**(1,375)**	(149)
General insurance and health business: Economic assumption changes	**147**	(85)
Impairment of goodwill, associates and joint ventures and other amounts expensed	**(8)**	—
Amortisation and impairment of intangibles acquired in business combinations	**(54)**	(66)
Amortisation and impairment of acquired value of in-force business	**(182)**	(199)
Profit on the disposal and remeasurement of subsidiaries, joint ventures and associates	**—**	1,572
Other	**41**	(204)
Adjusting items before tax	**(3,818)**	64
IFRS (loss)/profit before tax attributable to shareholders' profits	**(1,605)**	2,329
Tax on Group adjusted operating profit	**(289)**	(470)
Tax on other activities	**755**	177
	466	(293)
IFRS (loss)/profit for the year	**(1,139)**	2,036

Alternative performance measures continued

Combined operating ratio (COR)

COR is a useful financial measure of general insurance underwriting profitability calculated as total underwriting costs in our insurance entities expressed as a percentage of net earned premiums. It is used to monitor the profitability of lines of business. A COR below 100% indicates profitable underwriting. The Group COR is shown below.

	2022 £m	2021 £m
Continuing operations		
Incurred claims – GI & Health[1]	**(5,625)**	(4,954)
Adjusted for the following:		
Incurred claims – Health	**368**	338
Change in discount rate assumptions	**(147)**	77
Total incurred claims (included in COR)	**(5,404)**	(4,539)
Commission and expenses – GI & Health[2]	**(3,037)**	(2,869)
Adjusted for the following:		
Amortisation and impairment of intangibles acquired in business combinations	**11**	10
Foreign exchange (losses)/gains	**48**	(48)
Commission income	**19**	16
Other	**36**	22
Commission and expenses – Health & Other Non GI	**208**	199
Total commission and expenses (included in COR)[3]	**(2,715)**	(2,670)
Total underwriting costs from continuing operations	**(8,119)**	(7,209)
Total underwriting costs from discontinued operations	**—**	(1,448)
Total underwriting costs	**(8,119)**	(8,657)
Net earned premiums – GI & Health	**9,140**	8,253
Adjusted for:		
Net earned premiums – Health	**(556)**	(490)
Net earned premiums (included in COR) from continuing operations	**8,584**	7,763
Net earned premiums (included in COR) from discontinued operations	**—**	1,430
Net earned premiums (included in COR)	**8,584**	9,193
Combined operating ratio - continuing operations	**94.6%**	92.9%
Combined operating ratio	**94.6%**	94.1%

1. Incurred claims - GI & Health corresponds to the sum of claims and benefits paid, net of recoveries from reinsurers and the change in insurance liabilities, net of reinsurance per note 3b(i)
2. Commission and expenses - GI & Health corresponds to the sum of fee and commission expense, other expenses and other net foreign exchange (losses)/gains per note 3b(i)
3. Commission and expenses (included in COR) is comprised of £1,686 million earned commission (2021: £1,706 million) and £1,029 million earned expenses (2021: £964 million)

Claims, commission, and expense ratios

Financial measures of the performance of our general insurance business which are calculated as incurred claims, earned commissions or earned expenses expressed as a percentage of net earned premiums, which can be derived from the COR table above. The ratios are meaningful to stakeholders because they enhance understanding of the profitability of the business sold.

Operating earnings per share (Operating EPS)

Operating EPS is calculated based on the Group adjusted operating profit attributable to ordinary shareholders net of tax, deducting non-controlling interests, preference dividends and direct capital instrument coupons divided by the weighted average number of ordinary shares in issue, after deducting treasury shares. Operating EPS is considered meaningful to stakeholders because it enhances the understanding of the Group's operating performance over time by adjusting for the effects of non-operating items. A reconciliation between operating EPS and basic EPS can be found in note 13.

Controllable costs

Controllable costs is a useful measure of the controllable operational overheads associated with maintaining our businesses. These predominantly consist of staff costs, central costs, property and IT related costs and other expenses. Controllable costs also include indirect acquisition costs, such as underwriting overheads, and claims handling costs. These are considered to be controllable by the operating segments.

Controllable costs excludes:

- Impairment of goodwill, associates and joint ventures; amortisation and impairment of other intangible assets acquired in business combinations; and amortisation and impairment of acquired value of in-force business. These items relate to merger, acquisition and disposal activity which we view as strategic in nature, hence they are excluded from controllable costs which is principally used to manage the performance of our operating segments.
- Costs in relation to product governance and mis-selling. These costs represent compensation and redress payments made to policyholders and are excluded from controllable costs because they have characteristics of claims payments.
- Premium based taxes, fees and levies that vary directly with premiums. These costs are by their nature a direct cost incurred as a result of generating premium income, and therefore not a controllable operational overhead.
- Other amounts that, in management's view, are not representative of underlying day-to-day expenses involved in running the business, and that would distort the year-on-year controllable costs trend such as GI instalment income and charges reported as 'Other' outside of Group adjusted operating profit.

Alternative performance measures continued

A reconciliation of other expenses in the IFRS condensed consolidated income statement to controllable costs is set out below:

	2022 £m	2021 £m
Continuing operations		
Other expenses (IFRS income statement)[1]	**2,211**	2,412
Add: other acquisition costs	**965**	895
Add: claims handling costs[1]	**330**	272
Less: amortisation and impairment of intangibles acquired in business combinations	**(54)**	(54)
Less: amortisation and impairment of acquired value of in-force business	**(170)**	(189)
Add/(less): product governance and mis-selling costs	**12**	(12)
Less: premium based income taxes, fees and levies	**(216)**	(195)
Add/(less): other costs	**74**	(33)
Controllable costs from continuing operations	**3,152**	3,096
Controllable costs from discontinued operations	**—**	590
Controllable costs	**3,152**	3,686

1. Following a review of other expenses, £52 million of costs associated with claims and benefits paid to policyholders on long-term business have been reclassified to claims handling costs in 2022. There is no impact on total or baseline controllable costs.

Baseline controllable costs are controllable costs included in the scope of the 2018 cost saving target baseline. Baseline controllable costs excludes:

- Cost reduction implementation and IFRS 17 costs. These costs are expected to cease by the end of 2023 and are excluded from baseline controllable costs in line with the defined cost reduction target.
- Strategic investment on significant programmes supporting growth, customer experience, efficiency or agility to transform Group performance. These costs are expected to cease by the end of 2025.
- Other costs relating to recently acquired entities, non-insurance operations relating to Europe and Asia and the impact of foreign exchange movements which were not included in the 2018 cost savings target baseline.

	2022 £m	2021 £m
Controllable costs from continuing operations	**3,152**	3,096
Less: Cost reduction implementation, IFRS 17 costs and other	**(287)**	(242)
Less: Strategic Investment	**(94)**	—
Baseline controllable costs from continuing operations	**2,771**	2,854

IFRS Return on Equity (RoE)

The IFRS RoE calculation is based on Group adjusted operating profit after tax attributable to ordinary shareholders expressed as a percentage of weighted average ordinary shareholders' equity (excluding non-controlling interests and preference share capital). IFRS RoE is a useful measure of growth and performance of the business on an IFRS basis.

IFRS net asset value (NAV) per share

IFRS NAV per share is calculated as the equity attributable to shareholders of Aviva plc, less preference share capital (both within the consolidated statement of financial position), divided by the actual number of shares in issue at the balance sheet date. IFRS NAV per share is meaningful as a measure of the value generated by the Group in terms of the equity shareholders' face value per share investment.

	2022	2021
Equity attributable to shareholders of Aviva plc at 31 December[1] (£m)	**11,889**	19,002
Number of shares in issue at 31 December (in millions)	**2,808**	3,766
IFRS NAV per share	**423p**	505p

1. Excluding preference shares of £200 million (2021: £200 million)

Alternative performance measures continued

Assets Under Management (AUM) and Assets Under Administration (AUA)

AUM represent all assets managed or administered by or on behalf of the Group's subsidiaries, including those assets managed by Aviva Investors and by third parties. AUM include managed assets that are reported within the Group's statement of financial position and those assets belonging to external clients outside the Aviva Group which are therefore not included in the Group's statement of financial position.

Consistent with previous years, Aviva Investors AUA comprises AUM plus £37,501 million (2021: £43,582 million) of assets managed by third parties on platforms administered by Aviva Investors. Both AUM and AUA are monitored as they reflect the potential earnings arising from investment returns and fee and commission income and measure the size and scale of the Group's fund management business.

A reconciliation of amounts appearing in the Group's statement of financial position to AUM is shown below:

	2022 £m	2021 £m
Assets managed on behalf of the Group's subsidiaries		
Assets included in statement of financial position		
Financial investments	**224,086**	264,961
Investment property	**5,899**	7,003
Loans	**29,647**	38,624
Cash and cash equivalents	**22,505**	12,485
Other	**6,408**	6,192
	288,545	329,265
Less: third-party funds and UK Platform included above	**(19,511)**	(22,836)
	269,034	306,429
Assets managed on behalf of third parties[1]		
Aviva Investors	**37,834**	51,332
UK Platform[2]	**44,603**	43,101
Other	**677**	544
	83,114	94,977
Total AUM[3]	**352,148**	401,406

1. AUM managed on behalf of third parties cannot be directly reconciled to the financial statements
2. UK Platform relates to the assets under management in the UK Wealth business, including Succession Wealth
3. Includes AUM of £222,671 million (2021: £267,780 million) managed by Aviva Investors

Net flows

Net flows is used by management as a key measure of growth in AUM, from which income is generated through asset management charges (AMCs). This measure is predominantly used in Aviva Investors and the Wealth business within UK & Ireland Life.

It is the net position of inflows and outflows. Inflows include IFRS net written premiums, deposits made under investment contracts, and other funds received from customers into AUM which are not included in the Group's statement of financial position. Outflows include IFRS net claims paid, redemptions and surrenders under investment contracts, and other funds withdrawn by customers from AUM which are not included in the Group's statement of financial position.

Aviva Investors net flows includes flows on internal assets which are managed on behalf of Group companies, and external flows on assets belonging to clients outside the Group which are not included in the Group's statement of financial position.

Net flows excludes market and other movements. Net flows when positive in the period can be referred to as net inflows and when negative as net outflows.

Aviva Investors revenue

Aviva Investors revenue includes AMCs received, plus transaction fees and other related income, and is stated net of fees and commissions paid. It is a useful measure of revenue earned from fund management activities. Aviva Investors recognises fee income in the segmental income statement within both fee and commission income and inter-segment revenue. Fees and commissions paid are classified in fee and commission expense.

Cost income ratio (CIR)

Cost income ratio is used to monitor profitable growth in Aviva Investors and is useful as it gives a simple view of how efficiently the business is being run, allowing management to clearly see how costs are moving in relation to income.

Cost income ratio is calculated as Aviva Investors' baseline controllable costs divided by Aviva Investors revenue.

	Aviva Investors 2022 £m	Aviva Investors 2021 £m
Aviva Investors revenue	**379**	403
Baseline controllable costs	**331**	345
Cost income ratio	**87%**	86%

Alternative performance measures continued

APMs derived from Solvency II measures

The Group is a regulated entity under the Solvency II regulatory framework and therefore uses a number of APMs that are derived from Solvency II measures in addition to those that are derived from IFRS based measures.

A number of key performance measures relating to Solvency II are utilised to measure and monitor the Group's performance and financial strength

- Solvency II shareholder cover ratio
- Value of new business on an adjusted Solvency II basis (VNB)
- Solvency II operating own funds generation (Solvency II OFG)
- Solvency II operating capital generation (Solvency II OCG)
- Solvency II future surplus emergence
- Solvency II return on capital (Solvency II RoC)
- Solvency II return on equity (Solvency II RoE)
- Solvency II net asset value per share (Solvency II NAV per share)
- Solvency II debt leverage ratio

The Solvency II regulatory framework requires insurers to hold own funds in excess of the Solvency Capital Requirement (SCR). Own funds are available capital resources determined under Solvency II. This includes the excess of assets over liabilities in the Solvency II balance sheet, calculated on best estimate, market consistent assumptions and includes transitional measures on technical provisions (TMTP), subordinated liabilities that qualify as capital under Solvency II, and off-balance sheet own funds.

The SCR is calculated at Group level using a risk-based capital model which is calibrated to reflect the cost of mitigating the risk of insolvency to a 99.5% confidence level over a one-year time horizon – equivalent to a 1 in 200 year event – against financial and non-financial shocks. As a number of subsidiaries utilise the standard formula rather than a risk-based capital model to assess capital requirements, the overall Group SCR is calculated using a partial internal model, and it is shown after the impact of diversification benefit.

The 'shareholder view' of Solvency II is considered by management to be more representative of the shareholders' risk-exposure and the Group's ability to cover the SCR with eligible own funds and aligns with management's approach to dynamically manage its capital position. In arriving at the shareholder view, the following adjustments are typically made to the regulatory Solvency II position:

- The contribution to the Group's SCR and own funds of the most material fully ring-fenced with-profits funds and staff pension schemes in surplus are excluded. These exclusions have no impact on Solvency II surplus as these funds are self-supporting on a Solvency II capital basis with any surplus capital above SCR not recognised;
- A notional reset of the TMTP, calculated using the same method as used for formal TMTP resets. This presentation avoids step changes to the Solvency II position that arise only when the formal TMTP reset points are triggered. The 31 December 2022 Solvency II position includes a notional reset (an application for a formal reset has been submitted to the regulator and will be reflected in our regulatory position once approved) while the 31 December 2021 position included a formal, rather than notional, reset of the TMTP in line with the regulatory requirement to reset the TMTP at least every two years and hence no adjustment was required. In addition, due to yield rises over the period, a formal reset of TMTP as at 30 June 2022 was approved and is included in the estimated 31 December 2022 regulatory Solvency II position;
- Adjustments are made if the Solvency II shareholder cover ratio does not fully reflect the effect of future regulatory changes that are known as at each reporting date. These adjustments are made in order to show a more representative view of the Group's solvency position. No adjustments for future regulatory changes were made at 31 December 2022 or 31 December 2021.

The reconciliation presented below shows the key differences between Group equity on an IFRS basis and Solvency II own funds on a shareholder view. Additional items bridging from Solvency II shareholder own funds to Solvency II regulatory own funds are presented subsequently.

Alternative performance measures continued

	2022 £m	2021 £m
Total Group equity on an IFRS basis	**12,895**	19,454
Elimination of goodwill and other intangible assets		
Goodwill	**(2,072)**	(1,741)
Acquired value of in-force business	**(1,581)**	(1,544)
Deferred acquisition costs (net of deferred income)	**(2,489)**	(2,617)
Other intangibles	**(508)**	(406)
Liability valuation differences	**8,028**	7,351
Inclusion of risk margin	**(2,922)**	(4,719)
TMTP (on a notional reset basis)	**2,319**	4,309
Revaluation of subordinated liabilities	**265**	(449)
Other accounting differences	**10**	(583)
Net deferred tax	**(1,041)**	(616)
Exclude staff pension schemes in surplus (net of tax)[1]	**(996)**	(2,292)
Reallocate preference share capital and Tier 1 notes to restricted tier 1	**(946)**	(450)
Estimated Solvency II shareholder unrestricted tier 1 own funds	**10,962**	15,697
Restricted tier 1	**946**	967
Tier 2	**4,264**	5,363
Tier 3[2]	**296**	123
Estimated Solvency II shareholder own funds	**16,468**	22,150
Adjustments for:		
Fully ring-fenced with-profit funds	**1,369**	2,205
Staff pension schemes in surplus[1]	**394**	1,218
Regulatory vs. notional TMTP valuation differences	**437**	—
Estimated Solvency II regulatory own funds	**18,668**	25,573

1. Group Equity on an IFRS basis includes £996 million (2021: £2,292 million) in respect of pension schemes in surplus, net of tax. Pension schemes in surplus are excluded from the Solvency II shareholder own funds. Within the Solvency II regulatory own funds, staff pension schemes in surplus are restricted to the level of its SCR.
2. Tier 3 own funds at 31 December 2022 consists of £296 million net deferred tax assets (2021: £123 million net deferred tax assets)

Estimated Solvency II regulatory own funds of £18,668 million (2021: £25,573 million) is £1,838 million (2021: £3,294 million) greater than estimated Solvency II regulatory net assets of £16,830 million (2021: £22,279 million), primarily due to recognition of eligible subordinated debt capital less adjustments for ring-fenced funds restrictions.

Solvency II shareholder cover ratio

The estimated Solvency II shareholder cover ratio, which is derived from own funds divided by the SCR using the 'shareholder view', is one of the indicators of the Group's balance sheet strength.

A reconciliation of the Solvency II regulatory surplus to the Solvency II shareholder surplus is provided below:

	31 December 2022			31 December 2021		
	Own funds £m	SCR £m	Surplus £m	Own funds £m	SCR £m	Surplus £m
Estimated Solvency II regulatory surplus	**18,668**	**(9,441)**	**9,227**	25,573	(12,499)	13,074
Adjustments for:						
Fully ring-fenced with-profit funds	**(1,369)**	**1,369**	**—**	(2,205)	2,205	—
Staff pension schemes in surplus	**(394)**	**394**	**—**	(1,218)	1,218	—
Notional reset of TMTP	**(437)**	**(96)**	**(533)**	—	—	—
Estimated Solvency II shareholder surplus	**16,468**	**(7,774)**	**8,694**	22,150	(9,076)	13,074

A summary of the shareholder view of the Group's Solvency II position is shown in the table below:

	2022 £m	2021 £m
Own Funds	**16,468**	22,150
Solvency Capital Requirement	**(7,774)**	(9,076)
Estimated Solvency II Surplus	**8,694**	13,074
Estimated Shareholder Cover Ratio	**212%**	**244%**

Value of new business on an adjusted Solvency II basis (VNB)

VNB measures the additional value to shareholders created through the writing of new life business in the period. It reflects Solvency II assumptions and allowance for risk, and is defined as the increase in Solvency II own funds resulting from life business written in the period, including the impact of interactions between in-force and new business, adjusted to:

- Remove the impact of the contract boundary restrictions under Solvency II;
- Include businesses which are not within the scope of Solvency II own funds (e.g. UK non-life Retail business and UK Equity Release); and
- Reflect a gross of tax and non-controlling interests basis, and other differences as set out in the footnote to the table below.

A reconciliation between VNB and the Solvency II own funds impact of new business is provided below:

Alternative performance measures continued

	2022				2021			
	UK & Ireland Life £m	International investments £m	Discontinued operations £m	Group £m	UK & Ireland Life £m	International investments £m	Discontinued operations[3] £m	Group £m
VNB (gross of tax and non-controlling interests)	**767**	**84**	**—**	**851**	668	78	328	1,074
Solvency II contract boundary restrictions – new business	**(94)**	**—**	**—**	**(94)**	(91)	—	(151)	(242)
Solvency II contract boundary restrictions – increments / renewals on in-force business	**128**	**—**	**—**	**128**	101	—	58	159
Businesses which are not in the scope of Solvency II own funds	**(252)**	**—**	**—**	**(252)**	(204)	—	(1)	(205)
Tax and Other[1]	**(159)**	**(17)**	**—**	**(176)**	(114)	(15)	(144)	(273)
Solvency II own funds impact of new business (net of tax and non-controlling interests)	**390**	**67**	**—**	**457**	360	63	90	513

1. Other includes the impact of 'look-through profits' in service companies (where not included in Solvency II) of £(20) million (2021: £(66) million), the reduction in value when moving to a net of non-controlling interests basis of £nil (2021: £(42) million), the surplus from members options including transfers, early/late retirement and take up of tax-free lump sum payments at retirement (not included in Solvency II Own Funds) on BPAs of £(37) million (2021: £(3) million) and the difference between locally applicable capital requirements for Vietnam and the value of new business on an adjusted Solvency II basis of £nil (2021: £(22) million). Aviva Vietnam was sold during December 2021, so the Vietnam adjustment is only applied until then.

VNB is calculated using economic assumptions as at the point of sale, taken as those appropriate to the start of each quarter. For contracts that are repriced more frequently, weekly or monthly economic assumptions have been used. The economic assumptions follow Solvency II rules for risk-free rates, volatility adjustment and matching adjustment.

The operating assumptions are consistent with the Solvency II balance sheet. When these assumptions are updated, the year-to-date VNB will capture the impact of the assumption change on all business sold that year.

Matching Adjustment (MA)

The MA is an addition to the rate used to discount Solvency II best-estimate liabilities, to reflect the return on the matching assets used. An MA is applied to certain obligations based on the allocation of assets backing new business at each year-end date. This allocation may be different to the MA applied at the portfolio level. Aviva applies an MA to certain obligations in UK Life, using methodology which is set out in the Solvency and Financial Condition Report (SFCR). The MA used for 2022 UK new business (where applicable) was 125 bps (2021: 85 bps).

Alternative performance measures continued

New business margin

New business margin is calculated as value of new business on an adjusted Solvency II basis (VNB) divided by the present value of new business premiums (PVNBP) and expressed as a percentage.

Present value of new business premiums (PVNBP)

PVNBP measures sales in the Group's life insurance business. PVNBP is derived from the present value of new regular premiums expected to be received over the term of the new contracts plus 100% of single premiums from new business written in the financial period and is expressed at the point of sale. The discounted value of regular premiums is calculated using the same methodology as for VNB. PVNBP also includes any changes to existing contracts which were not anticipated at the outset of the contract that generate additional shareholder risk and associated premium income of the nature of a new policy.

The table below presents a reconciliation of sales to IFRS net written premiums:

	2022 £m	2021 £m
Present value of new business premiums[1]	**34,451**	46,202
General insurance and health net written premiums	**9,496**	10,207
Long-term health and collectives business	**(2,713)**	(3,274)
Effect of capitalisation factor on regular premium long-term business[2]	**(14,965)**	(15,555)
Joint ventures and associates[3]	**(653)**	(625)
Annualisation impact of regular premium long-term business[4]	**(229)**	(361)
Deposits[5]	**(10,111)**	(11,561)
IFRS gross written premiums from existing long-term business[6]	**2,811**	3,722
Long-term insurance and savings business premiums ceded to reinsurers	**(2,753)**	(3,979)
Total IFRS net written premiums	**15,334**	24,776
Analysed as:		
IFRS net written premiums from continuing business	**15,334**	14,697
IFRS net written premiums from discontinued operations	**—**	10,079
	15,334	24,776
Analysed as:		
Long-term insurance and savings net written premiums	**5,838**	14,569
General insurance and health net written premiums	**9,496**	10,207
	15,334	24,776

1. £33,279 million (2021: £35,625 million) relates to UK & Ireland Life, £1,172 million (2021: £1,122 million) relates to International investments and £nil (2021: £9,455 million) relates to discontinued operations
2. Discounted value of regular premiums expected to be received over the term of the new contract, adjusted for expected levels of persistency
3. Total long-term new business sales include our share of sales from joint ventures and associates. Under IFRS, premiums from these sales are excluded.
4. The impact of annualisation is removed in order to reconcile the non-GAAP new business sales to IFRS premiums
5. Under IFRS, only the margin earned from non-participating investment contracts is recognised in the IFRS income statement
6. The non-GAAP measure of sales focuses on new business written in the period under review while the IFRS income statement includes premiums received from all business, both new and existing

Annual Premium Equivalent (APE)

APE is a measure of sales in our life insurance business. APE is calculated as the sum of new regular premiums plus 10% of new single premiums written in the period. This provides useful information on sales and new business when considered alongside VNB.

Solvency II operating own funds generation (Solvency II OFG)

Solvency II operating own funds generation measures the amount of Solvency II own funds generated from operating activities and incorporates an expected return on investments supporting the life and non-life insurance businesses. Solvency II operating own funds generation is used to assess sustainable growth. The Group considers this measure meaningful to stakeholders as it enhances the understanding of the Group's operating performance over time by separately identifying non-operating items.

The expected investment returns assumed within Solvency II OFG are consistent with the returns used for Group adjusted operating profit. Solvency II OFG includes the effect of variances in experience for non-economic items, such as mortality, persistency and expenses, the effect of changes in non-economic assumptions (for example, longevity) and model changes that are non-economic in nature.

Consistent with the Group adjusted operating profit APM, Solvency II OFG and Solvency II OCG exclude economic variances and economic assumption changes.

Solvency II operating own funds generation is the own funds component of Solvency II OCG (see below).

Solvency II operating capital generation (Solvency II OCG)

Solvency II operating capital generation (Solvency II OCG) measures the amount of Solvency II capital the Group generates from operating activities. Capital generated enhances Solvency II surplus which can be used to support sustainable cash remittances from our businesses, which in turn, supports the Group's dividend as well as funding further investment to provide sustainable growth.

Solvency II OCG reflects Solvency II OFG and operating movements in the SCR including the impact of capital actions, for example, strategic changes in asset mix including changes in hedging exposure.

Alternative performance measures continued

An analysis of the components of Solvency II OCG is presented below:

	2022 £m	2021 £m
Solvency II own funds impact of new business (net of tax and non-controlling interests)	**457**	513
Operating own funds generation from life existing business	**475**	694
Operating own funds generation from non-life	**589**	737
Management actions and other operating own funds generation[1]	**597**	296
Group centre & others	**(281)**	(340)
Group debt costs	**(214)**	(255)
Solvency II operating own funds generation	**1,623**	1,645
Solvency II operating SCR impact	**(189)**	(84)
Solvency II OCG	**1,434**	1,561

1. Management actions and other includes the impact of capital actions, non-economic assumption changes and other non-recurring items

Solvency II OCG is a key component of the movement in Solvency II shareholder surplus. The tables below provide an analysis of the change in Solvency II shareholder surplus.

	2022			2021		
Shareholder view movement	Own funds £m	SCR £m	Surplus £m	Own funds £m	SCR £m	Surplus £m
Group Solvency II shareholder surplus at 1 January	**22,150**	**(9,076)**	**13,074**	25,770	(12,770)	13,000
Operating capital generation	**1,623**	**(189)**	**1,434**	1,645	(84)	1,561
Non-operating capital generation	**(1,827)**	**1,502**	**(325)**	(1,310)	1,156	(154)
Dividends[1]	**(866)**	**—**	**(866)**	(874)	—	(874)
(Repayment)/issue of debt	**(502)**	**—**	**(502)**	(1,506)	—	(1,506)
Capital return/share buyback	**(3,750)**	**—**	**(3,750)**	(1,000)	—	(1,000)
Acquisitions/Disposals	**(360)**	**(11)**	**(371)**	(575)	2,622	2,047
Estimated Solvency II shareholder surplus at 31 December	**16,468**	**(7,774)**	**8,694**	22,150	(9,076)	13,074

1. Dividends includes £17 million (2021: £17 million) of Aviva plc preference dividends and £21 million (2021: £21 million) of General Accident plc preference dividends

Solvency II future surplus emergence

Solvency II future surplus emergence is a projection of the capital generation from existing long-term in-force life business and provides an indication of our expected Solvency II OCG from this business in future periods.

The projection is a static analysis as at a point in time and hence it does not include the potential impact of future new business or the potential impact of active management of the business (for example, active management of market, demographic and expense risk through investment, hedging, risk transfer, operational risk and expense management). It is also based on a linear run-off of the TMTP. These items may affect the actual amount of Solvency II OCG earned from existing business in future periods.

For business subject to short contract boundaries under Solvency II, allowance has been made for the impact of renewal premiums as and when they are expected to occur.

The projected surplus, which is primarily expected to arise from the release of risk margin (including transitional measures) and solvency capital requirement as the business runs off over time, is expected to emerge through Solvency II OCG in future years.

The cash flows are real-world cash flows, i.e. they are based on best estimate non-economic assumptions used in the Solvency II valuation and real-world investment returns rather than risk-free. The expected investment returns are consistent with the methodology used in the Group adjusted operating profit.

Solvency II return on equity (Solvency II RoE)

Solvency II RoE is used as an economic value measure by the Group to assess growth and performance.

Solvency II RoE is calculated as:

- Operating own funds generation less preference dividends, equity RT1 notes coupons and excluding the return on excess capital above target capital, adjusted to replace the run-off of TMTP with the economic cost of holding TMTP (calculated as Group Weighted Average Cost of Capital plus 1-yr swap rate, multiplied by the opening TMTP on a shareholder basis), divided by:
- Opening Unrestricted tier 1 shareholder Solvency II own funds adjusted to exclude excess capital. Excess capital is derived as Solvency II shareholder own funds in excess of those needed to meet our target shareholder cover ratio (currently 180%).

The denominator better reflects the long-term target Solvency II shareholder cover ratio which removes distortions in the evaluation of growth and performance that would otherwise arise where the Group is temporarily holding excess capital.

Solvency II RoE is calculated on an annualised basis.

Alternative performance measures continued

The Solvency II return on equity is shown below:

	2022 £m	2021 £m
Solvency II operating own funds generation	**1,623**	1,645
Adjustment to replace TMTP run-off with economic cost of TMTP	**64**	43
Adjustment to remove return on excess capital	**(11)**	(2)
Adjusted Solvency II operating own funds generation	**1,676**	1,686
Less preference share dividends	**(38)**	(38)
Less RT1 notes coupons	**(17)**	—
	1,621	1,648
Opening Unrestricted tier 1 shareholder Solvency II own funds	**15,697**	17,358
Adjustment to remove excess capital above target Solvency II shareholder cover ratio[1]	**(5,813)**	(2,784)
Adjusted opening unrestricted tier 1 shareholder Solvency II own funds	**9,884**	14,574
Solvency II return on equity	**16.4%**	11.3%

1. Our excess capital as at 1 January 2022 was £5,813 million and this included capital set aside for the £3.75 billion capital return, £1 billion further debt reduction over time, pension scheme payment, Succession Wealth acquisition and final 2021 dividend. The excess capital at 31 December 2022 is estimated at £2,474 million and this includes capital set aside for further debt reduction, pension scheme payment, final 2022 dividend and share buyback.

Group Solvency II RoE on a continuing basis was disclosed as at 31 December 2021 to provide a comparative on an equivalent basis following disposals in 2021.

Group Solvency II RoE on a continuing basis excludes the contribution from our discontinued operations and is therefore more representative of the Group's performance going forward. It has been calculated on a consistent basis to Group Solvency II RoE except that an adjustment is made to remove the contribution of discontinued operations from the numerator and the denominator.

The table below provides a reconciliation between Group Solvency II RoE and Group Solvency II RoE on a continuing basis:

			2021
	Solvency II OFG (post TMTP adjustment) £m	Opening own funds £m	Solvency II return on equity %
Group Solvency II return on equity at 31 December	1,648	14,574	11.3%
Adjustment to remove impacts of discontinued operations[1]	(433)	(3,254)	N/A
Group Solvency II return on equity on a continuing basis	1,215	11,320	10.7%

1. When calculating opening unrestricted tier 1 shareholder Solvency II own funds attributable to discontinued operations, adjusted to exclude excess capital, restricted tier 1, tier 2 and tier 3 capital repaid during 2021 is assumed to be attributable to discontinued operations

Alternative performance measures continued

Solvency II return on capital (Solvency II RoC)

Solvency II return on capital is an unlevered economic value measure as it is used to assess growth and performance in our businesses before taking debt into account. It is calculated on an annualised basis.

Solvency II RoC is calculated as:

- Operating own funds generation adjusted to replace the run-off of TMTP with the economic cost of holding TMTP (calculated as Group Weighted Average Cost of Capital plus 1-yr swap rate) multiplied by the opening TMTP on a shareholder basis), divided by:
- Opening shareholder Solvency II own funds.

For UK general insurance only, capital held for internal risk appetite purposes is used instead of opening shareholder Solvency II own funds. This removes any distortions arising from our general insurance legal entity structure and therefore ensures consistency in measuring performance across markets. This is only applicable to UK general insurance Solvency II return on capital and not to the aggregated Group Solvency II return on equity measure.

A reconciliation of Solvency II return on capital by market to Group return on equity is provided below.

2022	Solvency II OFG (post TMTP adjustment) £m	Opening shareholder own funds £m	Solvency II return on capital/equity %
Business Solvency II return on capital			
UK & Ireland Life	**1,432**	**13,830**	**10.4%**
UK & Ireland General Insurance[1]	**293**	**2,339**	**12.5%**
Canada	**325**	**1,746**	**18.6%**
Aviva Investors	**24**	**400**	**6.0%**
UK, Ireland, Canada and Aviva Investors	**2,074**	**18,315**	**11.3%**
International investments	**106**	**982**	**10.8%**
Discontinued operations	**—**	**—**	**— %**
Reconciliation to Group Solvency II return on equity			
Corporate centre costs and Other[1]	**(279)**	**2,853**	**N/A**
Less: Senior and subordinated debt	**(214)**	**(5,880)**	**— %**
Less: Adjustment to remove excess capital above target Solvency II shareholder cover ratio	**(11)**	**(5,813)**	**— %**
Less: RT1 coupon and Preference shares[2]	**(55)**	**(450)**	**— %**
Less: Net deferred tax assets	**—**	**(123)**	**— %**
Solvency II return on equity at 31 December	**1,621**	**9,884**	**16.4%**

1. For UK general insurance only, capital held for internal risk appetite purposes is used instead of opening shareholder Solvency II own funds to ensure consistency in measuring performance across businesses. This is only applicable to UK general insurance Solvency II return on capital and not to the aggregated Group Solvency II return on equity measure, with the reversal of the impact included in Corporate centre costs and Other opening own funds.
2. Preference shares includes £21 million of dividends and £250 million of capital in respect of General Accident plc

2021	Solvency II operating own funds generation £m	Opening shareholder own funds £m	Solvency II return on capital/equity %
Business Solvency II return on capital			
UK & Ireland Life	996	15,073	6.6%
UK & Ireland General Insurance[1]	339	2,401	14.1%
Canada	332	1,534	21.6%
Aviva Investors	36	385	9.3%
UK, Ireland, Canada and Aviva Investors	1,703	19,393	8.8%
International investments	124	909	13.6%
Discontinued operations	458	6,362	7.2%
Reconciliation to Group Solvency II return on equity			
Corporate centre costs and Other[1]	(342)	(894)	N/A
Less: Senior and subordinated debt	(255)	(7,866)	— %
Less: Adjustment to remove excess capital above target Solvency II shareholder cover ratio	(2)	(2,784)	— %
Less: Direct capital instrument and Preference shares[2]	(38)	(450)	— %
Net deferred tax assets	—	(96)	— %
Solvency II return on equity at 31 December	**1,648**	**14,574**	**11.3%**

1. For UK general insurance only, capital held for internal risk appetite purposes is used instead of opening shareholder Solvency II own funds to ensure consistency in measuring performance across businesses. This is only applicable to UK general insurance Solvency II return on capital and not to the aggregated Group Solvency II return on equity measure, with the reversal of the impact included in Corporate centre costs and Other opening own funds.
2. Preference shares includes £21 million of dividends and £250 million of capital in respect of General Accident plc

Alternative performance measures continued

Solvency II net asset value per share (Solvency II NAV per share)

Solvency II NAV per share is used to monitor the value generated by the Group in terms of the equity shareholders' face value per share investment. This is calculated as the closing unrestricted tier 1 Solvency II shareholder own funds, divided by the actual number of shares in issue as at the balance sheet date. Consistent with Solvency II RoE, it is an economic value measure used by the Group to assess growth.

The Solvency II NAV per share is shown below:

	2022	2021
Unrestricted tier 1 shareholder Solvency II own funds (£m)	**10,962**	15,697
Number of shares in issue (in millions)	**2,808**	3,766
Solvency II NAV per share	**390p**	417p

Solvency II debt leverage ratio

Solvency II debt leverage ratio is calculated as total debt expressed as a percentage of Solvency II regulatory own funds plus senior debt and commercial paper. Solvency II regulatory debt includes subordinated debt and preference share capital. The Solvency II debt leverage ratio provides a measure of the Group's financial strength.

	2022 £m	2021 £m
Solvency II regulatory debt	**5,210**	6,330
Senior notes	**687**	651
Commercial paper	**252**	50
Total debt	**6,149**	7,031
Estimated Solvency II regulatory own funds, senior debt and commercial paper	**19,607**	26,274
Solvency II debt leverage ratio	**31%**	27%

A reconciliation from IFRS subordinated debt to Solvency II regulatory debt is provided below:

	2022 £m	2021 £m
IFRS borrowings	**6,755**	7,344
Less: Borrowings not classified as Solvency II regulatory debt		
Senior notes	**(687)**	(651)
Commercial paper	**(252)**	(50)
Operational borrowings	**(1,286)**	(1,211)
IFRS subordinated debt	**4,530**	5,432
Revaluation of subordinated liabilities	**(265)**	449
Other movements	**(1)**	(1)
Solvency II subordinated debt	**4,264**	5,880
Preference share capital and tier 1 notes	**946**	450
Solvency II regulatory debt	**5,210**	6,330

Other APMs

Cash remittances

Cash paid by our operating businesses to the Group, for the period between March 2022 and the end of the month preceding the results announcement comprised of dividends and interest on internal loans. Dividend payments by operating businesses may be subject to insurance regulations that restrict the amount that can be paid. The business monitors total cash remittances at a Group level and in each of its businesses. Cash remittances are considered a useful measure as they support the payments of external dividends. Cash remittances eliminate on consolidation and hence are not directly reconcilable to the Group's IFRS consolidated statement of cash flows.

In 2022 a review was undertaken of the basis of allocation of remittances from Aviva's internal reinsurance vehicle. From April 2022, remittances are allocated to business units using an aggregate capital basis, previously remittances were allocated on a first in, first out basis.

Excess centre cash flow

This represents the cash remitted by business units to the Group centre less central operating expenses and debt financing costs. Excess centre cash flow is a measure of the cash available to pay dividends, reduce debt or invest back into our business. Excess centre cash flow does not include cash movements such as disposal proceeds or capital injections. Excess centre cash flow when positive in the period can be referred to as excess centre cash inflows and when negative as excess centre cash outflows.

Centre liquidity

Centre liquidity comprises cash and liquid assets and represents amounts as at the end of the month preceding results announcements. It provides meaningful information because it shows the liquidity at the Group centre available to meet debt interest and central costs and to pay dividends to shareholders.

Shareholder services

2023 Financial Calendar

Ordinary dividend timetable:	Final	Interim**
Ordinary ex-dividend date	30 March 2023	24 August 2023
Dividend record date	31 March 2023	25 August 2023
Last day for Dividend Reinvestment Plan and currency election	25 April 2023	14 September 2023
Dividend payment date*	18 May 2023	5 October 2023
Other key dates:		
Annual General Meeting		10.30am on 4 May 2023
Quarter one market update**		24 May 2023
2023 interim results announcement**		16 August 2023
Quarter three market update**		15 November 2023

* Please note that the ADR local payment date will be approximately four business days after the proposed dividend date for ordinary shares
** These dates are provisional and subject to change

Dividend payment options

Shareholders can receive their dividends in the following ways:

- Directly into a nominated UK bank account
- Directly into a nominated Eurozone bank account
- Shareholders living outside of the UK and the Single Euro Payments Area can elect to receive their dividends or interest payments in a choice of over 125 international currencies via our Registrar, Computershare; or
- The Dividend Reinvestment Plan enables eligible shareholders to reinvest their cash dividend in additional Aviva ordinary shares

You can find further details regarding these payment options at **www.aviva.com/dividends** and register your choice by contacting Computershare using the contact details opposite, online at **www.computershare.com/AvivaInvestorCentre** or by returning a dividend mandate form. You must register for one of these payment options to receive any dividend payments from Aviva.

Manage your shareholding online

www.aviva.com/shareholders:
General information for shareholders.

www.computershare.com/AvivaInvestorCentre:

- Change your address
- Change payment options
- Switch to electronic communications
- View your shareholding
- View any outstanding payments

Annual General Meeting (AGM)

The 2023 AGM will be held at Norwich City Football Club, Carrow Road, Norwich, NR1 1JE, on Thursday, 4 May 2023, at 10.30am with facilities to attend electronically.

Details of each resolution to be considered at the meeting and voting instructions are provided in the Notice of AGM, which will be made available on the Company's website at **www.aviva.com/agm** in March 2023.

The voting results of the 2023 AGM will be accessible on the Company's website at **www.aviva.com/agm** shortly after the meeting.

Shareholder contacts:

Ordinary and preference shares:

For any queries regarding your shareholding, please contact Computershare:

- **By telephone:** 0371 495 0105
  We're open Monday to Friday, 8.30am to 5.30pm UK time, excluding public holidays. Please call +44 117 378 8361 if calling from outside of the UK
- **By email:** AvivaSHARES@computershare.co.uk
- **In writing:** Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol, BS99 6ZZ

American Depositary Receipts (ADRs):

For any queries regarding Aviva ADRs, please contact Citibank Shareholder Services (Citibank):

- **By telephone:** 1 877 248 4237 (1 877-CITI-ADR)
  We are open Monday to Friday, 8.30am to 6pm US Eastern Standard Time, excluding public holidays. Please call +1 781 575 4555 if calling from outside of the US
- **By email:** Citibank@shareholders-online.com
- **In writing:** Citibank Shareholder Services, PO Box 43077, Providence, Rhode Island, 02940-3077 USA

Group Company Secretary

Shareholders may contact the Group Company Secretary:

- **By email:** Aviva.shareholders@aviva.com
- **In writing:** Kirstine Cooper, Group Company Secretary, St Helen's, 1 Undershaft, London, EC3P 3DQ
- **By telephone:** +44 (0)20 7283 2000

Cautionary Statement

This document should be read in conjunction with the documents distributed by Aviva plc (the 'Company' or 'Aviva') through The Regulatory News Service (RNS). This announcement contains, and we may make other verbal or written 'forward-looking statements' with respect to certain of Aviva's plans and current goals and expectations relating to future financial condition, performance, results, strategic initiatives and objectives (including, without limitation, climate-related plans and goals). Statements containing the words 'believes', 'intends', 'expects', 'projects', 'plans', 'will', 'seeks', 'aims', 'may', 'could', 'outlook', 'likely', 'target', 'goal', 'guidance', 'trends', 'future', 'estimates', 'potential', 'objective', 'predicts', 'ambition' and 'anticipates', and words of similar meaning, are forward-looking. By their nature, all forward-looking statements involve risk and uncertainty. Accordingly, there are or will be important factors that could cause actual results to differ materially from those indicated in these statements. Aviva believes factors that could cause actual results to differ materially from those indicated in forward-looking statements in the announcement include, but are not limited to: the impact of ongoing uncertain conditions in the global financial markets and the national and international political and economic situation generally (including those arising from the Russia-Ukraine conflict); market developments and government actions (including those arising from the evolving relationship between the UK and the EU); the effect of credit spread volatility on the net unrealised value of the investment portfolio; the effect of losses due to defaults by counterparties, including potential sovereign debt defaults or restructurings, on the value of our investments; reduce the value or yield of our investment portfolio and impact our asset and liability matching; the impact of changes in short or long-term inflation; the impact of changes in equity or property prices on our investment portfolio; fluctuations in currency exchange rates; the effect of market fluctuations on the value of options and guarantees embedded in some of our life insurance products and the value of the assets backing their reserves; the amount of allowances and impairments taken on our investments; the effect of adverse capital and credit market conditions on our ability to meet liquidity needs and our access to capital; changes in, or restrictions on, our ability to initiate capital management initiatives; changes in or inaccuracy of assumptions in pricing and reserving for insurance business (particularly with regard to mortality and morbidity trends, lapse rates and policy renewal rates), longevity and endowments; a cyclical downturn of the insurance industry; the impact of natural and man-made catastrophic events (including the longer-term impact of COVID-19) on our business activities and results of operations; the transitional, litigation and physical risks associated with climate change; failure to understand and respond effectively to the risks associated with environmental, social or governance ('ESG') factors; our reliance on information and technology and third-party service providers for our operations and systems; the impact of the Group's risk mitigation strategies proving less effective than anticipated, including the inability of reinsurers to meet obligations or unavailability of reinsurance coverage; poor investment performance of the Group's asset management business; the withdrawal by customers at short notice of assets under the Group's management; failure to manage risks in operating securities lending of Group and third-party client assets; increased competition in the UK and in other countries where we have significant operations; regulatory approval of changes to the Group's internal model for calculation of regulatory capital under the UK's version of Solvency II rules; the impact of actual experience differing from estimates used in valuing and amortising deferred acquisition costs (DAC) and acquired value of in-force business (AVIF); the impact of recognising an impairment of our goodwill or intangibles with indefinite lives; changes in valuation methodologies, estimates and assumptions used in the valuation of investment securities; the effect of legal proceedings and regulatory investigations; the impact of operational risks, including inadequate or failed internal and external processes, systems and human error or from external events and malicious acts (including cyber attack and theft, loss or misuse of customer data); risks associated with arrangements with third parties, including joint ventures; our reliance on third-party distribution channels to deliver our products; funding risks associated with our participation in defined benefit staff pension schemes; the failure to attract or retain the necessary key personnel; the effect of systems errors or regulatory changes on the calculation of unit prices or deduction of charges for our unit-linked products that may require retrospective compensation to our customers; the effect of simplifying our operating structure and activities; the effect of a decline in any of our ratings by rating agencies on our standing among customers, broker-dealers, agents, wholesalers and other distributors of our products and services; changes to our brand and reputation; changes in tax laws and interpretation of existing tax laws in jurisdictions where we conduct business; changes to International Financial Reporting Standards relevant to insurance companies and their interpretation (for example, IFRS 17); the inability to protect our intellectual property; the effect of undisclosed liabilities, separation issues and other risks associated with our business disposals; and other uncertainties, such as diversion of management attention and other resources, relating to future acquisitions, combinations or disposals within relevant industries; the policies, decisions and actions of government or regulatory authorities in the UK, the EU, the US, Canada or elsewhere, including changes to and the implementation of key legislation and regulation (for example, FCA Consumer Duty and Solvency II). Please see Aviva's most recent Annual Report and Accounts for further details of risks, uncertainties and other factors relevant to the business and its securities.

Aviva undertakes no obligation to update the forward looking statements in this announcement or any other forward-looking statements we may make. Forward-looking statements in this report are current only as of the date on which such statements are made. The climate metrics used in this document should be treated with special caution, as they are more uncertain than, for example, historical financial information and given the wider uncertainty around the evolution and impact of climate change. Climate metrics include estimates of historical emissions and historical climate change and forward-looking climate metrics (such as ambitions, targets, climate scenarios and climate projections and forecasts). Our understanding of climate change and its impact continue to evolve. Accordingly, both historical and forward-looking climate metrics are inherently uncertain and, therefore, less decision-useful than metrics based on historical financial statements.

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Registered office

St Helen's

1 Undershaft

London

EC3P 3DQ

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Aviva plc
St Helen's, 1 Undershaft
London EC3P 3DQ
+44 (0)20 7283 2000

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