Aviva plc
Annual Report and Accounts 2020

With you today, for a better tomorrow

AVIVA

We are a leading Savings, Retirement and Insurance business, helping our 31.6 million customers make the most out of life, plan for the future, and have confidence that if things go wrong we will be with them to put it right.

We operate through businesses in our Core markets of the UK, Ireland and Canada and our other International businesses, which are managed for long-term shareholder value.

Contents

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 and 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 2020. The Strategic report was approved by the Board on 3 March 2021 and signed on its behalf by Amanda Blanc, Chief Executive Officer.

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

Non-Financial Information Statement

Under sections 414CA and 414CB of the Companies Act 2006, Aviva is required to include, in its Strategic report, a non-financial information statement. The information required by these regulations is included in Our business model, Key performance indicators, Risk and risk management, Our people and Corporate responsibility.

As a reminder

Reporting currency:
We use £ sterling.

Unless otherwise stated, all figures referenced in this report relate to Group.

A glossary explaining key terms used in this report is available on:
www.aviva.com/glossary

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

The Company's telephone number:
+44 (0)20 7283 2000

Highlights

Our purpose

‘With you today, for a better tomorrow’

We have been looking after customers for more than 320 years. We are deeply invested in our people, our communities and the planet. We’re here to be with our customers today as well as working for a better tomorrow.

Our values

Care, Commitment, Community and Confidence. These values guide the decisions we make and define what it means to be part of Aviva.

Our strategic priorities

Our strategy is centred on putting the customer first, having a strong social purpose, focusing on where we can win, execution discipline, and ultimately creating value for our shareholders. We have three strategic priorities for the Group:

Focus the portfolio:

Our focus is on our Core markets in the UK, Ireland and Canada. These are our strongest businesses where we have market leading positions. In the UK we are number one in General Insurance and Workplace Pensions and in the top three for Annuities and Equity Release and in Protection and Health. In Ireland we are number two in General Insurance and in Canada we are number three for the Property and Casualty market. These markets also have extensive customer franchises and can generate attractive financial returns. Our international businesses in continental Europe and Asia are being managed for long-term shareholder value.

Transform performance:

In our Core markets we will transform performance to deliver greater customer trust, engagement and retention, and profitable growth for our shareholders. We will do this by making it easier for our customers to engage with us, capitalising on the Aviva brand, driving targeted growth and simplifying, digitising and automating the business.

Financial strength:

Financial strength, resilience and sustainability underpin our strategy. Our focus is on maintaining strong solvency and liquidity and reducing debt leverage. This will increase our financial flexibility and provide options for excess capital deployment.

Read more in the ‘Our strategy’ and ‘Our business model’ sections.

Our Performance

Core markets financial highlights

Adjusted operating profit[1,R]

£2,492 million

2019: £2,558 million

Cash remittances[2,R]

£1,359 million

2019: £1,409 million excluding UK Life special remittance

Group financial highlights

Group adjusted operating profit[1,R]

£3,161 million

2019: £3,184 million

Cash remittances[2,R]

£1,500 million

2019: £2,597 million

IFRS profit for the year

£2,910 million

2019: £2,663 million

Solvency II operating capital generation[2,R]

£1,932 million

2019: £2,259 million

Total dividend

21.0 pence

2019: 15.5 pence

Solvency II debt leverage ratio[2]

31%

2019: 31%

Basic earnings per share

70.2 pence

2019: 63.8 pence

Solvency II shareholder cover ratio[2,R]

202%

2019: 206%

Non-financial highlights

Carbon emissions reduction

76%

2019: 66%

Customer Net Promoter Score® (NPS®)[R]

Number of markets in 2020 at or above average:

7

2019: 7

Read more about our performance and financial targets in the ‘Key performance indicators’ and the ‘Chief Financial Officer’s report’ sections.

R Symbol denotes key performance indicators used as a base to determine or modify remuneration.
1 Group adjusted operating profit is an APM which is used by the Group to supplement the required disclosures under IFRS. Please refer to note B in the ‘Accounting Policies’ section and to the ‘Other Information’ section within the Annual Report and Accounts for further information.
2 This is an Alternative Performance Measure (APM) which provides useful information to enhance the understanding of our financial performance. Further information on APMs, including a reconciliation to the financial statements (where possible), can be found in the ‘Other Information’ section within the Annual Report and Accounts.

Chair's statement

"If the pandemic has taught us anything, it is that we are ever more closely connected in this world. No-one can sensibly argue that a company can create value without looking beyond narrow shareholder interest to recognise the benefits or harms that it contributes to society more widely."

So how was 2020 for you?

We've heard "unprecedented" so many times in recent months, the word has almost lost all meaning. The year was dramatic, certainly. It was also chaotic and traumatic for all of us. COVID-19 and the UK's exit from the EU have shaken what we once took for granted and we are still far from the new normal, whatever that might look like.

Amid the turmoil, it was also a dramatic year for Aviva. The company has a new Chair (me), a new Chief Executive (Amanda), and a new clarity in where we are heading as a business (our new strategy).

Over my 30-year career in financial services I've often come up against Aviva in its various guises. In that time, I saw again and again a company that was a formidable competitor. The paradox is that for too long we have not had the respect and recognition from the market that we have from our peers or our customers.

Where we have at times in the past underachieved and underwhelmed, we have now reset the course. Amanda Blanc, our new CEO, has articulated an ambitious vision built around our three Core markets of the UK, Canada and Ireland. As part of this we aim to become the UK's leading insurer, and the go-to customer brand. And we have a clear strategy to realise that vision. By focusing the portfolio, transforming our performance, and ensuring our financial strength, we will unlock Aviva's undoubted potential.

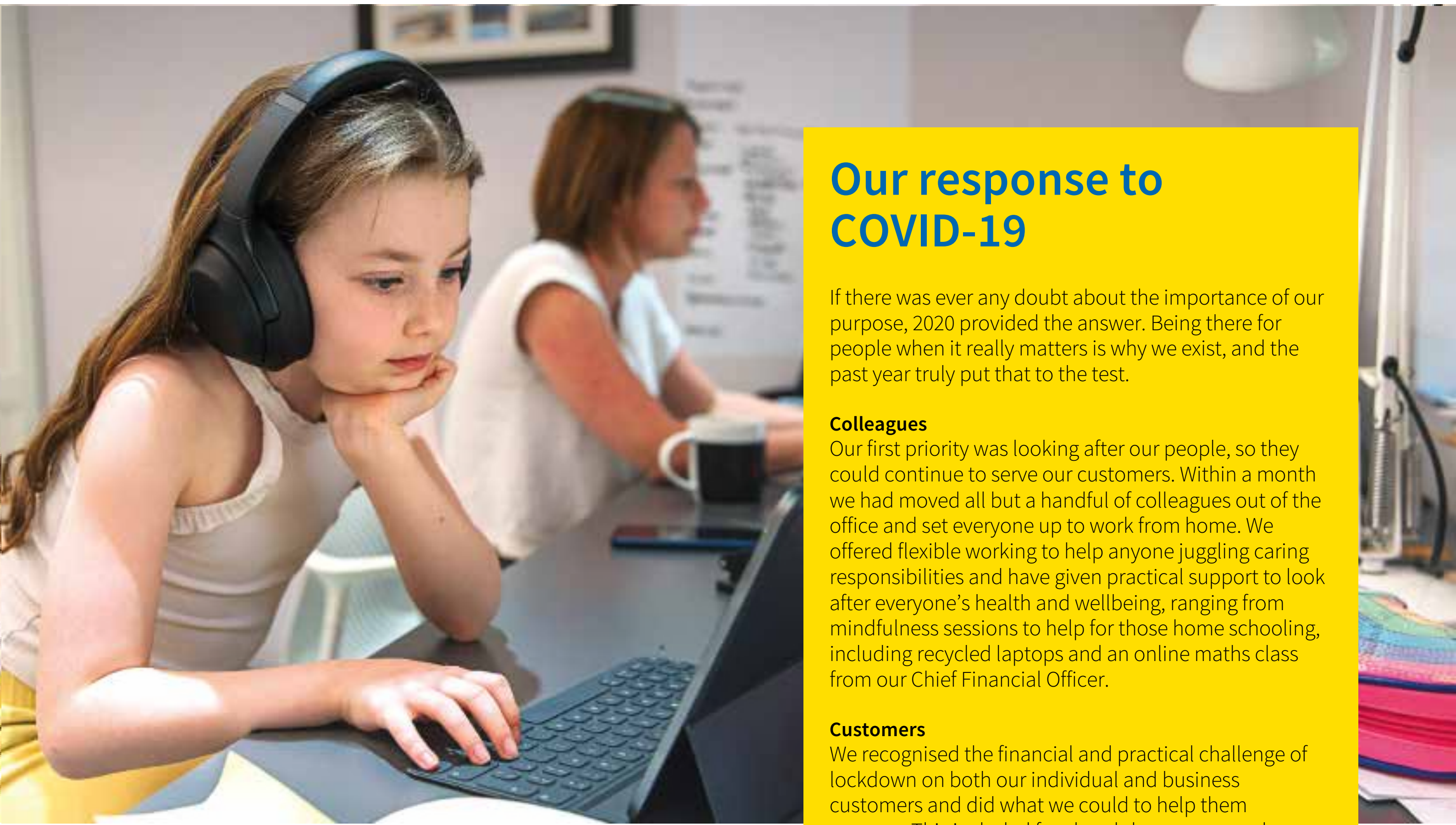
Realising that potential will, of course, depend on delivery. A sensible strategy is only the starting point and Amanda is determined to move at pace to do what we say we will. There is a long way yet to go, but we have made a good start and there are clear signs that we are heading in the right direction. You can read more about this progress in the following pages.

The reality is that making the best of Aviva for our people and our shareholders depends on embracing and being proud of what makes Aviva best for our customers. Where others are narrowing their focus, Aviva's key strength and competitive advantage is its unique position to be there for people at whatever stage they are at in life. We can join up the dots to understand and serve our customers better, freeing them up to get on with the stuff that really counts. Whether it is protecting what matters most to people or helping them shape a future they dream of, we have the breadth and the expertise for whatever they need, wherever, however.

And it is by focusing on what our customers need and solving problems rather than just selling products that we will live up to our purpose – to be "with you today, for a better tomorrow". It is important that we can do so, not only for our customers and you, our shareholders, but also to fulfil our wider responsibilities to the communities where we live and work, as well as the wider economy.

If the pandemic has taught us anything, it is that we are ever more closely connected in this world. No-one can sensibly argue that a company can create value without looking beyond narrow shareholder interest to recognise the benefits or harms that it contributes to society more widely.

With the challenges facing us all looking ever more daunting, not least the climate crisis threatening the viability of our planet, acting in line with a clearly defined purpose will be fundamental to long term success. So, too, will be extending our track record as a front runner on environmental, social and governance (ESG) issues. And success will also depend on a strong set of values to guide our actions, so we have re-articulated what is important to our people to help shape our transformation in the months and years to come.



We value Care, looking out for each other and for our customers, just as our people have so admirably demonstrated through the pandemic. We value Commitment, keeping our promises and taking responsibility for our impact on the world. We value Community, understanding that our strength comes from our connection to each other and to those around us. Last but by no means least, we value Confidence. Because we believe that the best is still to come, for our customers, for our communities, and also for Aviva ourselves.

I want to finish by paying tribute to all my colleagues in Aviva who have been working so hard to support people in such challenging circumstances. In an exceptional year they have been nothing short of exceptional. I thank everyone for their remarkable and continuing efforts and I am frankly both in awe and humbled at what they have achieved. Thank you all so very much.

So how was 2020 for you?

Well for Aviva, it has been dramatic, but amid everything we have lived up to our purpose, helped our customers, and reset the right strategy for the business. And now is the time to deliver on that strategy, so that the market can finally recognise what our customers already know: that to be there for the things that matter most, to build a better future for people and communities, to set the highest standards and lead the sector, it takes Aviva.

George Culmer
Chair
3 March 2021

Our response to COVID-19

If there was ever any doubt about the importance of our purpose, 2020 provided the answer. Being there for people when it really matters is why we exist, and the past year truly put that to the test.

Colleagues
Our first priority was looking after our people, so they could continue to serve our customers. Within a month we had moved all but a handful of colleagues out of the office and set everyone up to work from home. We offered flexible working to help anyone juggling caring responsibilities and have given practical support to look after everyone's health and wellbeing, ranging from mindfulness sessions to help for those home schooling, including recycled laptops and an online maths class from our Chief Financial Officer.

Customers
We recognised the financial and practical challenge of lockdown on both our individual and business customers and did what we could to help them manage. This included free breakdown cover and enhanced home insurance for NHS staff coping at the front line and deferred monthly payments for people experiencing financial difficulties. For businesses, we created advice on managing new risks and offered flexible insurance, so they were still covered even as they adapted to new ways of working.

Communities
Aviva has contributed £43 million to support businesses, health services and community partners in our markets round the world. In the UK we pledged £18.5 million for the Association of British Insurers (ABI) COVID-19 support fund and £5 million to NHS Charities Together, to help fund welfare and well-being for NHS employees, volunteers and patients, and long-term mental health support for NHS workers. Aviva and the Aviva Foundation* also jointly donated £10 million, as part of Aviva's award-winning international partnership with the British Red Cross.

Shareholders
Despite turmoil in the global economy, Aviva has continued to demonstrate resilience both in terms of financial strength and performance. Nonetheless, the highly uncertain impact on the economy and clear guidance from regulators led us to announce the withdrawal of the 2019 final dividend. We recognise the importance of this dividend, particularly for individual shareholders and did not take the decision lightly. On 6 August 2020 we declared a second interim dividend for 2019 and on 26 November 2020 the board declared an interim dividend of 7.0p per share and an expected final dividend of 14.0p per share. This final dividend was confirmed on 3 March 2021.

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

Chief Executive Officer's report

"I am pleased to report the strong progress we have made towards our strategic priorities in the short period of time since I became CEO, but it is not lost on me that there is much to do. Aviva has significant untapped potential, and I am determined to realise it for our shareholders, our customers and our people."

Overview

Being there for customers when it really matters is exactly why Aviva exists, and I am incredibly proud of how we have responded in this most dramatic of years. Our colleagues have been truly fantastic, responding quickly and ensuring that we provided excellent customer service despite the challenges.

I am pleased to report the strong progress we have made towards our strategic priorities in the short period of time since I became CEO, but it is not lost on me that there is much more to do. Aviva has significant untapped potential, and I am determined to realise it for our shareholders, our customers and our people.

The 2020 financial performance has been resilient across our Core markets of the UK, Ireland and Canada with cash remittances[1] to Group of £1.4 billion. We have delivered record results for both Savings & Retirement and bulk purchase annuities, with strong growth in Commercial General Insurance. We are also making good progress in reducing our expenses though more needs to be done to reach the top quartile efficiency that we strive for.

All of which resulted in an adjusted operating profit[1] of £2,492 million *(2019: £2,558 million)*, down just 3%, despite the direct and indirect impact of COVID-19, and strong trading across key business growth areas.

In line with previously issued guidance the Board has proposed a final dividend of 14 pence per share making a total dividend for the year of 21 pence per share.

We are proceeding with £1.7 billion of debt reduction including a £800 million liability management exercise. This tender offer together with upcoming maturities of debt instruments will contribute to a material reduction in debt in the first half of 2021, consistent with our target of delivering a sub-30% Solvency II debt leverage ratio[1] once we have completed our major divestments. This is an important first step in executing against our capital framework.

We are also announcing new financial targets that demonstrate our confidence in delivering profitable growth across our Core markets. We are targeting to deliver over £5 billion of cash remittances[1] over the next three years and to grow cash remittances[1] to £1.8 billion in 2023. Combined with reduced centre debt interest and other costs we will deliver strong growth in excess cashflows to fund growing returns to shareholders and sustainable investment in our business.

Customers

Aviva has 18 million customers across our Core markets and we are placing them at the heart of everything that we do – our customers are why we exist, and it is essential that we serve their needs seamlessly and efficiently, whether they be an individual, a business or an intermediary. I recognise that the insurance industry has all too often made the customer experience more difficult and complicated than it needs to be. Well, what do our customers want from their insurer? They want fair prices, a trusted brand that delivers on its promises, excellent service and all from a company that will act in a sustainable and responsible way. Aviva understands these needs and importantly, is responding to them. And by meeting our customers' expectations, we will live up to our purpose to be *"With you today, for a better tomorrow"*.

Strategy

In 2020 we announced three clear strategic priorities for Aviva: focus the portfolio, transform performance and financial strength.

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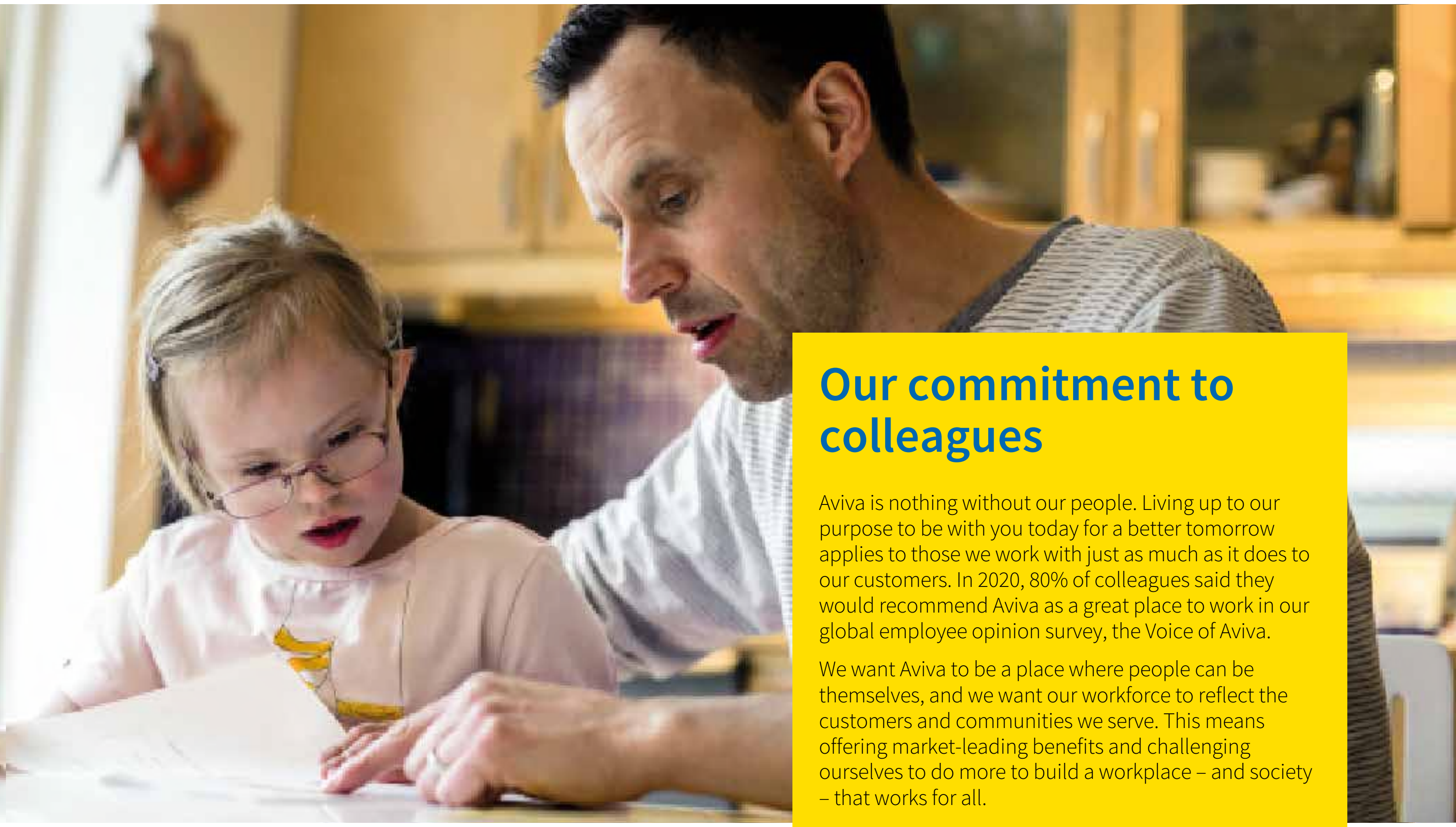

Our commitment to colleagues

Aviva is nothing without our people. Living up to our purpose to be with you today for a better tomorrow applies to those we work with just as much as it does to our customers. In 2020, 80% of colleagues said they would recommend Aviva as a great place to work in our global employee opinion survey, the Voice of Aviva.

We want Aviva to be a place where people can be themselves, and we want our workforce to reflect the customers and communities we serve. This means offering market-leading benefits and challenging ourselves to do more to build a workplace – and society – that works for all.

In 2020 we built on our existing commitment as a Living Wage employer by becoming one of the first accredited Living Hours employers in the UK, offering predictable shifts and guaranteed minimum hours to give people greater certainty and financial security.

For those with caring responsibilities we give the option of 35 hours paid leave each year and over 600 people used the scheme in 2020. For new parents, regardless of gender, we offer up to 12 months leave in the UK, including 26 weeks at full pay. 97% of new dads at Aviva have taken more than two weeks leave, with the average being five months with their new arrivals.

We introduced a mid-life MOT for employees to help those in the middle of their careers consider and plan for their wealth, work and well-being needs. We also launched new support and training around domestic abuse helping employees to identify the signs and offer best practice responses and guidance to customers and colleagues.

In 2020 the death of George Floyd and the #BlackLivesMatter campaign also received prominent attention at Aviva. In September, we published our BlackLivesMatter action plan and committed to change by supporting colleagues, educating our people and doing more to act for change in the wider community.

1. Focus the portfolio

We are focusing on our strongest and most strategically advantaged businesses in the UK, Ireland and Canada including Aviva Investors. These are our Core markets, where we have market leading positions, can generate attractive returns, have a strong brand, deliver incredible customer service and where we have a clear path to win. Across these markets we are investing for growth.

Our businesses in continental Europe and Asia are being managed for long term shareholder value. During 2020, we completed the disposals of Friends Provident International Limited, our majority shareholding in Aviva Singapore, and our share in joint ventures in Indonesia and Hong Kong.

We have also announced the sales of our French business, our Italian operations (including Aviva Vita announced in November), our minority shareholding in Turkey, and our entire business in Vietnam, which we expect to complete later in 2021. We are also exploring our strategic options in Poland and our other international joint ventures.

Tackling the climate crisis

To create a better tomorrow, we need to look after the planet we call home. This is a key strategic issue for us as a company. Left unchecked, climate change will undermine our actuarial assumptions, diminish investment returns for our customers and shareholders and shrink our insurable market.

We have committed to an ambition to be a Net Zero company by 2040, the most ambitious goal set by any major bank or insurance company in the world today. As part of this, we have set the target to be net-zero in our own operations, and to have cut the carbon intensity of our investment by 60%, both by 2030.

We were the first global insurer to be operationally carbon neutral and we've already reduced the carbon emissions from our operations by 76% since 2010. This year we continued our work to create more renewable energy capacity, opening one of the UK's largest combined solar carport and energy storage at our offices in Perth.

In the UK we set a new 2050 net-zero emissions target for our auto-enrolment default pension funds, giving more of our customers the opportunity to invest their pensions towards building a world they would like to retire into. We also called on the UK government to legislate for other default pension funds to follow suit.

Aviva Investors continued to build on their strong heritage of responsible investing, targeting £10 billion of investments into UK infrastructure and real estate projects and engaging with the companies we invest in to promote a transition to a low-carbon future.

If we are going to prevent the most catastrophic impacts of climate change, it's going to take bold actions and real leadership. Aviva has been leading the insurance industry for over 300 years, and we are determined to continue doing so today and tomorrow.

2. Transform performance

Aviva has market leading positions and exceptional relationships with customers and intermediaries but to date has not translated these into superior financial performance.

We have a clear focus on correcting this by transforming the performance of our Core markets. This will be achieved through targeted growth, where we have leading market positions, accelerating our simplification, digitisation and automation and delivering higher levels of customer engagement through digital platforms.

We have reinvigorated our executive leadership team with seven appointments including new CEOs for UK & Ireland Life and Aviva Investors. We have made good progress in embedding a strong performance culture by overhauling individual performance management, setting clear expectations for our leaders and emphasising the importance of close collaboration.

In March 2021, we have launched a new sustainability ambition, leveraging our existing strengths in Environmental, Social and Governance ("ESG"). We want Aviva to be recognised as a business that leads by example through products and services that are good for society as a whole and by influencing others to act.

We have set ourselves clear goals to fight climate change including becoming the first major insurance company in the world to target achieving Net Zero carbon emission status by 2040. Our ambitions also reflect our commitment to our home market as we aim to invest more in our local communities as well as £10 billion in infrastructure and real estate over the next three years to build a stronger Britain.

3. Financial strength

Financial strength is a critical underpin to our strategy. Our Solvency II shareholder cover ratio[1] of 202% *(2019: 206%)* has remained resilient throughout a turbulent year bolstered by Solvency II operating capital generation[1] from our Core markets and benefits from disposals of our Manage-for-value markets.

These were partly offset by foreign exchange, market movements and modelling changes. Our centre liquidity[1] of £4.1 billion, as at the end of February 2021 *(2019: End of February 2020 £2.4 billion)*, is similarly strong having benefitted from cash remittances[1] and disposal proceeds.

As we have outlined in our capital framework we intend to reduce our Solvency II debt leverage ratio[1] below 30% and once we have completed the reshaping of our portfolio, we expect to deploy excess capital through investing for growth across our Core markets and returns to shareholders.

We intend to grow our dividend per share by low to mid-single digits over time as we grow across our Core markets, improve efficiency, reduce debt levels and associated interest costs.

Outlook

Aviva has responded incredibly well to the challenges in 2020 presented by COVID-19 and Brexit. Our Core markets have proven to be resilient and our customer service has remained high.

While the broader economic outlook remains uncertain, it is positive to see progress being made with the global vaccination effort and the economy adapting to social distancing measures.

Our new financial targets demonstrate our confidence in our Core markets being well positioned to grow. We will continue to deliver against our capital framework and will provide updates on our plans for future deployments of excess capital as we make progress in completing our announced disposals.

Amanda Blanc
Chief Executive Officer
3 March 2021

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The external environment

The world is changing fast. We continue to anticipate and adapt to the forces around us so that we can keep on serving our customers well, protecting them today and helping them build a better tomorrow.

The most pressing issue facing us all continues to be the global pandemic. Despite the grounds for hope offered by vaccination programmes, governments are still engaged in a careful balancing act between containing the spread of the virus and limiting damage to the economy and society from those containment measures. As well as the human cost, the situation has led to widespread economic harm across many sectors and a significant impact on health services. It has also substantially accelerated a number of existing megatrends.

We have developed our strategy in the context of political, economic and regulatory forces as well as the broader megatrends affecting us all. We acknowledge the risks and challenges these trends present and aim to turn them into opportunities for growth.

We see the following issues as the key factors affecting our external environment:

Political and macroeconomic impact

Political and macroeconomic factors impact the operating environment of our businesses in the UK and abroad. These include the COVID-19 driven economic downturn and high debt levels, low interest rates, and geopolitical tensions, e.g. between the US and China. The UK also faces economic headwinds resulting from the end of the 'Brexit transition period' and a new trading relationship with the European Union (EU).

In 2020, global GDP contracted severely

-3.5%

(estimation)

Source: IMF World Economic Outlook Update, January 2021

Active governments and regulators

Governments are increasingly promoting private provision and reforming services once funded by the state (e.g. pensions and healthcare). While regulators remain focused on customer outcomes, enforcing conduct and prudential supervision (e.g. Financial Conduct Authority pricing review) as well as standardising insurance accounting (e.g. IFRS 17), there is significant work underway to reform the UK regulatory framework following the UK's exit from the EU.

Percentage of UK employees who were members of a workplace pension scheme in 2019 (up from 47% in 2012 when auto-enrolment began)

77%

Source: ONS, March 2020

Read more about our risk management in the
'Risk and risk management' section of this Strategic report.

Ageing

Across the world, populations are ageing due to better standards of living, improvements in medical science, and declining fertility rates. This is putting traditional retirement models under pressure and creating challenges and opportunities around funding and care in later life.

Global population aged 65 or over in 2019 (projected to double by 2050)

703 million

Source: UN World Population Ageing, 2019

Health & Wellbeing

Traditional healthcare models are under strain from rising prevalence of chronic conditions, ageing populations, high costs of new treatments and the challenges posed to health systems by COVID-19 (from the disease itself, including long term effects experienced by some people, as well as mental health impacts of containment measures and delays in diagnosis and treatment of other conditions). Driven by technological advances and accelerated by COVID-19 and increased health awareness, new models are developing with a focus on prevention, early intervention and digital technology.

Estimated number of people with diabetes in the UK (diagnosed and non-diagnosed)

4.8 million

Source: Diabetes UK, February 2020

Climate Change

Climate change has increased the frequency of extreme weather events, leading to increased political focus and regulation, as well as growing consumer awareness of the economic and social consequences of climate change, and the impact of their saving and investment decisions.

Assets in sustainable funds at 31 December 2020 (a record high)

$1.65 trillion

Source: Morningstar, January 2021

Mobility

Transport is shifting from private ownership towards more efficient, safer and cleaner modes: car-sharing, electric fleets, efficient public transport and self-driving vehicles. COVID-19 has also triggered significant shifts in behaviour which are likely to have a lasting impact on mobility (e.g. home working, reduced business and leisure travel).

Growth in UK public electric vehicle charging points 2015 – 2020

466%

Source: UK Department for Transport, February 2021

Big Data and AI

Artificial Intelligence (AI) is unlocking the value of Big Data and bringing new levels of efficiency and productivity. It also presents new challenges around the ethical use of data, for example in the use of algorithms for decision making, or COVID-19 track and trace systems that use location data.

Respondents reporting that their companies have adopted AI in at least one business function

50%

Source: McKinsey Global AI Survey, November 2020

Convenience

Powered by new technologies, a new level of convenience is emerging where consumers' personal needs are fulfilled instantly, and even anticipated. COVID-19 has significantly accelerated the existing shift to online in all sectors.

Annual growth in online retail sales (UK, 2019-2020)

46%

Source: ONS, January 2021

New risks

New risks are emerging as a result of technological advances and behavioural changes such as the use of personal data and sharing of information, the need for uninterrupted access to services, and the demise of traditional jobs, as well as development of new skills and capabilities. This creates a need for new saving, retirement and insurance solutions.

Percentage increase in the number of data breaches globally in 2019 vs. 2018

c.33%

Source: Munich Re, April 2020

Our strategy

Our purpose

With you today, for a better tomorrow

Since 1696, we have been there for our customers when it really matters. We are here to help them make the most of life and know that if things go wrong, we will be with them to put it right. Our purpose inspires us to do the right thing. It reflects that we are deeply invested in our customers, our communities, our people, our shareholders and our planet.

Our strategic priorities

Our strategy is centred on putting the customer first, having a strong social purpose, focusing on where we can win, execution discipline, and ultimately creating value for our shareholders.

We have three strategic priorities for the Group:

- Focus the portfolio;
- Transform performance; and
- Financial strength.

Focus the portfolio

Our focus is on our Core markets in the UK, Ireland and Canada. These are our strongest businesses where we have market leading positions, extensive customer franchises and can generate attractive financial returns.

During 2020, we completed the disposals of a majority shareholding in Aviva Singapore, a majority shareholding in Friends Provident International Limited (FPI), and our joint ventures in Indonesia and Hong Kong. We also announced the disposals of our Italian joint venture, Aviva Vita, and our entire business in Vietnam. In 2021, we announced the disposals of our entire business in France, our joint venture in Turkey and the remaining Life and General Insurance business in Italy.

Our remaining international businesses will be managed for long term shareholder value. We will build on the good work our teams are doing to grow and optimise these businesses, but where we cannot meet our strategic objectives, we will be decisive and withdraw capital. Ultimately there may be better owners for these businesses than Aviva.

Transform performance

We will transform performance across our Core markets to strengthen our competitive position and ensure we can take advantage of emerging growth opportunities. With top 3 market positions across the majority of our businesses, we are building on strong foundations. The growth opportunities we will target are driven by trends such as an ageing population, a heightened focus on health and wellbeing, and the emergence of new risks for our customers, amongst others.

We will transform performance by making it easier for our customers to engage with us, capitalising on the Aviva brand, simplifying, digitising and automating the business and driving targeted growth. We believe that doing this will deliver greater customer trust, engagement and retention, in addition to improved cost efficiency and business agility. Ultimately this should then result in profitable growth and sustainable value creation for our shareholders.

Building a consistent, digitally led customer experience is critical to how we can enhance customer engagement and retention. We will do this by further developing our digital platforms to make it easier for our customers to access the full suite of Aviva products. We will also connect the rich data we collect from across our businesses to ensure we can offer our customers the right products and services at the right time.

Aligned to our strong social purpose, we have increased our sustainability ambition on tackling climate change and building a stronger Britain. As part of this ambition, we have announced our plan to be carbon Net Zero by 2040 and to invest £10 billion into UK infrastructure and real estate over the next three years. We will also ensure we maintain high standards on running our business sustainably and embed this in our governance, decision making, reporting, and stakeholder engagement.

Read more about how we are transforming performance across our Core markets in the 'Our market review' section of the Strategic report. Read more about our approach to sustainability in the 'Corporate responsibility' section of the Strategic report.

Financial strength

Financial strength, resilience and sustainability underpin our strategy. Our focus here is on maintaining strong solvency and liquidity and reducing debt. This will increase our financial flexibility and provide options for excess capital deployment, our priorities for which are:

- Debt reduction to achieve a Solvency II debt leverage ratio[1] below 30%;
- Returns to shareholders when our Solvency II shareholder cover ratio[1] is above 180%, the upper end of our working range; and
- Investment in our Core markets where we see attractive opportunities to do so.

As we focus the portfolio, we expect our Solvency II shareholder cover ratio[1] to remain above our target working range.

Our dividend policy will deliver a sustainable and resilient ordinary dividend, covered by the capital generation, cash remittances and growth from our Core markets in the UK, Ireland and Canada. We expect to grow our ordinary dividends per share in the low-to-mid single digits. Future growth in the dividend will be driven by the transformed performance and growth of our businesses, by lower levels of debt and from the benefits of focusing the portfolio.

Our values

We have redefined our values to help us to deliver our ambitions. Developed with our employees, they will guide the decisions we take. Aligned to our purpose and strategy, they define what it means to be part of Aviva. Our new values are Care, Commitment, Community and Confidence, see the 'Our values' section for more detail.

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Our values

In February 2021 we redefined our values to help us to deliver on our ambitions. Developed with employees from across the Group, they will guide the decisions we take as individuals and as an organisation. Aligned to our Purpose and Strategy, they define what it means to be part of Aviva:

Care

Because we understand the positive difference we make in our customers' lives every day. We truly listen to see beyond the policyholder to a person with plans and dreams. We solve problems for our customers, and for each other. We build relationships that no-one else can. Empathy is our strongest force.

Commitment

Because we stand up for what we believe in. We act with courage, keep our promises and take ownership of our work. We understand the impact we have on the world and take seriously the responsibility that brings with it. We will play our part in tackling the climate crisis. We commit to a better tomorrow.

Community

Because we recognise the strength that comes from working as one team, collaborating and winning together for Aviva, for each other and for our customers. Aviva is built on a foundation of trust and respect. Our strength comes from our connection – to each other, to our customers and partners and to the communities around us.

Confidence

Because we believe that the best is still to come – for our customers, our people, and society. We're not just here for now; we're here to imagine and to innovate for the future, creating value for customers and shareholders. We are brave and passionate, setting new standards for ourselves and the competition. With a humility that is as important as the ambition that drives us.

Our business model

Aviva helps our 31.6 million customers make the most out of life, plan for the future, and have confidence that if things go wrong we will be with them to put it right.

Our business model defines us, differentiates us and is how we meet our customers' needs…

Our businesses

Our group portfolio is comprised of the following businesses:

Core markets:
- UK & Ireland Life;
- General Insurance: UK & Ireland and Canada; and
- Aviva Investors.

Manage-for-value markets:
- Our businesses in continental Europe and Asia.

Our channels

Our customers can engage with us through multiple distribution and service channels (both digital and non-digital):
- Direct to customer;
- Intermediaries, including tied agents and brokers; and
- Strategic partnerships and bancassurance arrangements.

Our strengths

We have unique strengths as a business that give us a significant competitive advantage:
- Strong technical skills;
- Diversified distribution;
- Robust capital position;
- Extensive customer franchise; and
- Well recognised brand.

Our skills

We have a wide range and blend of technical skills:
- Customer service;
- Underwriting;
- Risk management;
- Claims management;
- Digital innovation;
- Data Science; and
- Asset and liability management.

…through our products and solutions…

Insurance and Protection
- Personal lines
- Commercial lines
- Protection
- Health

Savings and Investments
- Individual savings
- Workplace savings
- Advice and guidance
- Investments and asset management

Retirement
- Annuities
- Equity release mortgages
- Drawdown

…from which premiums and fees are received…

1

Customers pay insurance premiums which we use to pay claims, protecting what matters to them.
Our scale enables us to pool the risks and maintain capital strength, so we are there for our customers when they need us.

2

Customers invest their savings with us.
For a fee, we manage and administer their investments so they can grow their savings or secure an income in the future.

3

Customers pay us premiums which we reinvest 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.

…and create sustainable value for…

Shareholders
We invest carefully so we can deliver sustainable, growing returns for our shareholders.

21.0 pence

Total 2020 dividend aligned to our Core markets

Customers
Our customers benefit from a range of solutions to meet their needs, with easy access when and how they want it.

£30.6 billion

Paid out in benefits and claims to our customers in 2020

Communities
We play a significant role in our communities, including as a major employer and a long-term responsible investor.

5.1 million

People helped through £54.5 million of community investment in 2020

Colleagues
Our aim is for our people to achieve their potential within a diverse, collaborative and customer-focused organisation.

76%

Our employee engagement score in 2020

Read more about our business at
www.aviva.com/about-us/who-we-are-and-what-we-do

Key performance indicators

We aim to assess how we serve our customers, engagement with our employees and how we generate value for our shareholders. We do so with a set of financial and non-financial metrics which enables us to assess our performance against our strategic priorities and our purpose.

We use a number of financial and non-financial metrics to help the Board and senior management assess performance against our strategic priorities (focus the portfolio, transform performance, financial strength) and our purpose (with you today, for a better tomorrow).

These metrics include Alternative Performance Measures (APMs) which are non-GAAP measures that are not bound by the requirements of IFRS. Further guidance in respect of the APMs used by the Group to measure our performance and financial strength is included within the 'Other Information' section 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. The financial commentary included in this Strategic report should be read in conjunction with this guidance.

We have updated our financial targets to reflect the focus of the Group:

- Cumulative cash remittances[1] from our Core markets – > £5 billion in 2021-23 inclusive
- Cost reduction – targeting £300 million reduction in controllable costs[1] in our Core markets by 2022
- Solvency II debt leverage ratio[1] – < 30%

The KPIs to assess performance against these targets and our strategic priorities have been included in the analysis below and in the Chief Financial Officer's report.

1 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 within the Annual Report and Accounts.

Non-financial KPIs

Customer Net Promoter Score® (NPS®)[R]

NPS® is our measure of customer advocacy and we use it in seven[1] of our markets to measure the likelihood of a customer recommending Aviva relative to our competitors.

Our relationship NPS® survey shows four years of sustained high levels of customer advocacy in a challenging marketplace. We are working hard to earn customers' trust by making things simple for customers thereby improving customer outcomes.

Number of markets in 2020:

at or above market average:

7

2019: 7
2018: 7

below market average:

0

2019: 0
2018: 0

Employee engagement

We give our people the freedom to act in line with our values to create an environment in which they can thrive through collaboration and recognition. We measure this through our annual global 'Voice of Aviva' survey.

Engagement is up three percentage points to 76% *(2019: 73%)* reflecting another solid uplift in engagement, with 80% of colleagues recommending Aviva as a great place to work. The rise was driven by stronger belief in the strategy and greater trust in senior leaders.

2020:

76%

2019: 73%
2018: 76%

Carbon emissions reduction

We are an operationally carbon-neutral company, offsetting the remaining emissions through projects that have benefitted the lives of over one million people since 2012. We measure our carbon emissions against our 2010 baseline.

Since 2010 we have reduced carbon emissions (CO_2e)[2] from our day-to-day operations by 76% *(2019: 66%)* beating our 2020 target of a 50% reduction and exceeding our 70% reduction by 2030 target.

2020:

76%

Reduction since 2010
2019: 66%
2018: 60%

1 Comparatives have been rebased as we have reduced the number of markets covered in the survey from 9 to 7 markets as we no longer report on China and Singapore.
2 CO_2e data includes emissions from our buildings, business travel, water and waste to landfill.

Financial KPIs

Group adjusted operating profit[1] R

Group adjusted operating profit[1] supports decision making and internal performance management. It is considered a useful measure of performance as it enhances the understanding of the Group's operating performance over time.

Group adjusted operating profit[1] was £3,161 million *(2019: £3,184 million)* mainly reflecting lower operating profit across all Core markets, except Canada. Our Core markets were impacted by unfavourable trading conditions as a result of the COVID-19 pandemic, partially offset by positive underlying performance.

2020:

£3,161 million

2019: £3,184 million
2018: £3,004 million

IFRS profit for the year

IFRS profit for the year measures the actual profit after tax attributable to shareholders, generated by the Group.

IFRS profit for the year increased to £2,910 million *(2019: £2,663 million)* mainly due to the profit on disposal of a number of businesses during the year, offset by lower positive investment variances and economic assumption changes compared to 2019.

2020:

£2,910 million

2019: £2,663 million
2018: £1,687 million

Operating earnings per share[2,3] R

Operating earnings per share (EPS)[2,3] illustrates the profitability associated with each share owned by our shareholders. Operating earnings per share[2,3] is considered meaningful because it enhances the understanding of the Group's operating performance.

Operating earnings per share[2,3] increased to 60.8p *(2019: 60.5p)*, mainly due to the reduction in Group adjusted operating profit1, more than offset by lower tax and direct capital instrument (DCI) interest.

2020:

60.8p

2019: 60.5p
2018: 56.2p

Basic earnings per share

Basic earnings per share (EPS) illustrates the profitability after tax associated with each share owned by our shareholders.

Basic EPS increased to 70.2p *(2019: 63.8p)*, in line with the increase in IFRS profit for the year.

2020:

70.2p

2019: 63.8p
2018: 38.2p

Solvency II return on equity[2] R

Group Solvency II return on equity[2] shows how efficiently we are using our financial resources to generate a return for shareholders.

Group Solvency II return on equity[2] has decreased to 9.8% *(2019: 14.3%)* due to changes made to the French Life model which corrected a mis-applied rule and a lower longevity assumption release than in 2019, partially offset by strong underlying performance by Core markets.

2020:

9.8%

2019: 14.3%
2018: 12.5%

Solvency II operating capital generation[2] R

Group Solvency II operating capital generation (OCG)[2] measures the amount of capital the Group generates from operating activities.

Group Solvency II OCG[2] decreased to £1.9 billion *(2019: £2.3 billion)* while OCG excluding the impact of capital actions, non-economic assumption changes and other non-recurring items, was stable at £1.4 billion *(2019: £1.4 billion)*. Total Solvency II OCG[2] was lower primarily as a result of changes made to our French Life model, which corrected a mis-applied rule.

2020:

£1,932 million

2019: £2,259 million
2018: £3,198 million

R Symbol denotes key performance indicators used as a base to determine or modify remuneration.
1 Group adjusted operating profit is an APM which is used by the Group to supplement the required disclosures under IFRS. Please refer to note B in the 'Accounting Policies' section and to the 'Other Information' section within the Annual Report and Accounts for further information.
2 This is an Alternative Performance Measure (APM) which provides useful information to enhance the understanding of our financial performance. Further information on APMs, including a reconciliation to the financial statements (where possible), can be found in the 'Other Information' section within the Annual Report and Accounts.
3 This measure is derived from the Group adjusted operating profit APM. Further details of this measure are included in the 'Other information' section of the Annual Report and Accounts.

Cash remittances[1] R

Cash remittances[1] measure the cash transferred from markets to Group and demonstrate sufficient remittances to cover the dividend.

Cash remittances[1] from our markets decreased to £1,500 million *(2019: £2,597 million)* driven by our decision to retain capital locally and regulatory constraints resulting from financial market volatility due to COVID-19.

2020:

£1,500 million

2019: £2,597 million
2018: £3,137 million

Controllable costs[1,2]

Controllable costs[1,2] are representative of the underlying day-to-day expenses and operational overheads involved in running the business.

Controllable costs[1,2] decreased by 2% to £3,935 million *(2019 restated[2]: £4,022 million)*. The decrease in controllable costs[1,2] mainly reflects our continued focus on efficiency and lowering spend, partially offset by charitable donations made by Aviva and accelerated onerous contract costs reflecting the reduction in our UK property footprint.

2020:

£3,935 million

2019 restated: £4,022 million[2]
2018 restated: £4,052 million[2]

Solvency II debt leverage ratio[1]

Solvency II debt leverage ratio[1] is one of the indicators used by management to assess the Group's financial strength.

Solvency II debt leverage ratio[1] remains stable at 31% *(2019: 31%)*. This was due to an increase in debt and Solvency II total regulatory own funds over 2020.

2020:

31%

2019: 31%
2018: 33%

Estimated Solvency II shareholder cover ratio[1] R

The estimated Solvency II shareholder cover ratio[1] is one of the indicators of the Group's balance sheet strength.

During the year, the estimated Solvency II shareholder cover ratio[1] has fallen by 4pp to 202% *(2019: 206%)* primarily as a result of the impact of the economic downturn, partially offset by the beneficial impact from operating capital generation and disposals.

2020:

202%

2019: 206%
2018: 204%

Value of new business on an adjusted Solvency II basis[1]

Value of new business on an adjusted Solvency II basis (VNB)[1] measures growth and is the source of future cash flows in our life businesses.

VNB[1] increased by 3% to £1,260 million *(2019: £1,224 million)*, mainly driven by strong growth in Bulk Purchase Annuity VNB[1] in the UK.

2020:

£1,260 million

2019: £1,224 million
2018: £1,202 million

Combined operating ratio[1]

The combined operating ratio (COR)[1] is a measure of general insurance profitability. A COR[1] below 100% indicates profitable underwriting.

Reported COR[1] has improved from 2019, with a better COR[1] in Canada and UK Personal lines, offset by adverse movements in UK Commercial lines and Ireland.

2020:

96.2%

2019: 97.5%
2018: 97.2%

Read about our performance at www.aviva.com/about-us

R Symbol denotes key performance indicators used as a base to determine or modify remuneration.
1 This is an Alternative Performance Measure (APM) which provides useful information to enhance the understanding of our financial performance. Further information on APMs, including a reconciliation to the financial statements (where possible), can be found in the 'Other Information' section within the Annual Report and Accounts.
2 Following a review of the presentation of claims handling costs, to achieve consistency in our reporting, comparative amounts for the year ended 31 December 2019 have been restated by £83 million *(2018: £84 million)* to include previously excluded claims handling costs attributable to the Life & Health businesses from the UK, Ireland and Poland in controllable costs.

Chief Financial Officer's report

"COVID-19 affected customer activity and the broader economic environment. Despite this our Core markets proved their underlying strength. Our people continued to serve our customers very well, demonstrating the importance of our long-term relationships with our customers and distributors."

£m unless otherwise stated	2020	2019	Sterling Change	Sterling % change
Group Cash remittances[1], *of which*	**1,500**	2,597	(1,097)	(42)%
Core cash remittances[1,2]	**1,359**	1,409	(50)	(4)%
Estimated Solvency II shareholder cover ratio[1]	**202%**	206%	(4)pp	—
Solvency II debt leverage ratio[1]	**31%**	31%	—	—
Group adjusted operating profit[3], *of which*	**3,161**	3,184	(23)	(1)%
Core markets adjusted operating profit[3]	**2,492**	2,558	(66)	(3)%
IFRS profit for the year	**2,910**	2,663	247	9%
Operating earnings per share[1,4]	**60.8p**	60.5p	0.3p	—
Basic earnings per share	**70.2p**	63.8p	6.4p	10%
Controllable costs[1,5]	**3,935**	4,022	(87)	(2)%
Solvency II return on equity[1]	**9.8%**	14.3%	(4.5)pp	—
Solvency II operating capital generation[1]	**1,932**	2,259	(327)	(14)%
Value of new business on an adjusted Solvency II basis[1]	**1,260**	1,224	36	3%
Combined operating ratio[1]	**96.2%**	97.5%	(1.3)pp	—

The events of 2020 have demonstrated two things very clearly for Aviva. First, our financial strength positions us well to deal with the unexpected. Second, our people and businesses are capable of delivering resilient performance in the most challenging circumstances.

COVID-19 affected customer activity and the broader economic environment. Despite this our Core markets proved their underlying strength. Our people continued to serve our customers very well, demonstrating the importance of our long-term relationships with our customers and distributors. At the same time, we were able to launch new products and manage risks through our prudent and disciplined approach to trading across underwriting and investing. The pandemic also clearly accelerated the pre-existing trend toward digital services, reinforcing our belief that we must be a leading digital insurer and that this will be a key competitive advantage in future.

Our continued financial strength and growing centre liquidity[1] means we remain well positioned to handle any further turbulence, while also delivering on our commitment to reduce debt, invest in our business and provide additional returns to shareholders.

1 This is an Alternative Performance Measure (APM) which provides useful information to enhance the understanding of our financial performance. Further information on APMs, including a reconciliation to the financial statements (where possible), can be found in the 'Other Information' section within the Annual Report and Accounts.
2 2019 excludes a special dividend from UK life of £500 million.
3 Group adjusted operating profit is an APM which is used by the Group to supplement the required disclosures under IFRS. Please refer to note B in the 'Accounting Policies' section and to the 'Other Information' section within the Annual Report and Accounts for further information.
4 This measure is derived from the Group adjusted operating profit APM. Further details of this measure are included in the 'Other information' section of the Annual Report and Accounts.
5 Following a review of the presentation of claims handling costs, to achieve consistency in our reporting, comparative amounts for the year ended 31 December 2019 have been restated by £83 million to include previously excluded claims handling costs attributable to the Life & Health businesses from the UK, Ireland and Poland in controllable costs.

Group financial headlines

Operating results

Cash remittances[1]

Cash remittances[1] during 2020 were £1.5 billion *(2019: £2.6 billion including £500 million special dividend from UK Life and £172 million special remittance from Italy)*. The vast majority of these, £1,359 million *(2019: £1,909 million including £500 million special dividend from UK Life)* came from our Core markets. Remittances from Manage-for-value businesses were £127 million *(2019: £613 million)* due to regulatory restrictions and our cautious approach given the continuing economic and market uncertainty.

Profits

Group adjusted operating profit[2] of £3,161 million *(2019: £3,184 million)* and operating earnings per share[1,3] of 60.8 pence *(2019: 60.5 pence)* were stable. IFRS profit for the year was £2,910 million *(2019: 2,663 million)* while basic earnings per share increased to 70.2p *(2019: 63.8p)*. Adjusted operating profit[2] from Core markets was resilient at £2,492 million *(2019: £2,558 million)*.

Group adjusted operating profit[2] remained resilient despite the negative impacts of COVID-19 as we delivered strong results in general insurance, bulk annuities, as well as our savings and retirement propositions, with lower profits from our Heritage business reflecting its gradual run-off. Our Manage-for-value operations also performed well on an IFRS basis. The main impact of COVID-19 was felt in general insurance where the total estimated impact amounted to a loss of £17 million. Within our Core general insurance markets, the impact was greater at £84 million, as business interruption claims net of reinsurance were only partly offset by favourable impacts of reduced economic activity in other product lines tempered by higher profit-contingent commission payments to distributors.

Cost reductions

Our approach to efficiency initiatives was also brought into focus as a result of COVID-19. Although some costs were reduced, for example travel, we incurred incremental expenditure including the IT spend required to allow all of our employees to work remotely. We also contributed £43 million to community support initiatives. Despite these headwinds we have delivered £180 million of cumulative savings since 2018. We remain on track to reduce controllable costs[1] by £300 million by 2022 and will deliver this solely from Core markets.

Solvency II operating capital generation (OCG)[1]

Solvency II OCG[1] decreased to £1,932 million *(2019: £2,259 million)* while Solvency II OCG[1] excluding the impact of capital actions, non-economic assumption changes and other non-recurring items, was stable at £1,414 million *(2019: £1,433 million)*. Total Solvency II OCG[1] was impacted by changes made to our French life model which corrected a mis-applied rule, partly mitigated by an increase in offsetting Group diversification benefits, as well as a positive contribution from management actions of £518 million *(2019: £826 million)*. This included positive impact of assumption changes (including longevity releases) albeit lower than in 2019.

Solvency II OCG[1] from Core markets increased 5% to £1,948 million *(2019: £1,850 million)* driven by a strong performance in general insurance.

Solvency II return on equity (RoE)[1]

Solvency II RoE[1] was 9.8% *(2019: 14.3%)*, lower primarily owing to changes to modelling in our French life business which corrected a mis-applied rule, and significantly lower benefit from longevity assumption changes in UK Life. Underlying performance, excluding the impact of capital actions, non-economic assumption changes and other non-recurring items, Solvency II RoE[1] increased to 9.8% *(2019: 8.1%)* driven by underlying improvements in UK Life, due to bulk purchase annuities (BPA) new business, and in our UK and Canada General Insurance businesses.

Capital and cash

Centre liquidity[1]

At end February 2021, centre liquidity[1] was £4.1 billion *(February 2020: £2.4 billion)* with the increase primarily driven by the receipt of disposal proceeds for our Singapore, Hong Kong, Indonesia and FPI businesses, partially offset by payment of dividends.

Solvency II debt leverage

Solvency II debt leverage ratio[1] remained at 31% in 2020 *(2019: 31%)*, with an increase in total debt offset by an increase in own funds. During the first half of 2020, Aviva issued £500 million of tier 2 subordinated debt in advance of redeeming £500 million of restricted tier 1 securities in July. In October 2020, we issued C$450 million of tier 2 subordinated debt pre-financing a C$450 million instrument maturing in May 2021. With high levels of centre liquidity[1] held at Group centre we reduced our commercial paper in issue by £130 million over 2020.

The Board approved, on 3 March 2021, an £800 million liability management exercise. This tender offer, alongside upcoming debt maturities and optional first calls in the first half of 2021, allows us to reduce our Solvency II debt leverage ratio[1] by c.4 percentage points by half year 2021.

Solvency II capital

At 31 December 2020, Aviva's Solvency II shareholder surplus was £13.0 billion and Solvency II shareholder cover ratio[1] was 202% *(2019: £12.6 billion and 206% respectively)*. Solvency II net asset value per share[1] was 442 pence *(2019: 423 pence)*. Solvency II OCG[1] of £1,932 million (*2019: £2,259 million)* and the benefits of disposals were offset by capital market movements driven mainly by the impact of the reduction in interest rates over the course of the year and the payment of dividends in the period.

Corporate credit rating migration and commercial mortgage portfolio

During 2020, we experienced no defaults, only c.£60 million of the bonds were downgraded in our shareholder portfolio below investment grade and less than c.13% of the portfolio had been downgraded to a lower letter.

Our commercial mortgage portfolio continues to perform as expected. The average loan to value (LTV) ratio across the portfolio remains low at 61% *(2019: 56%)*, loans in arrears were £34 million *(2019: nil)*, equivalent to 0.5% of the portfolio, and the loan interest cover ratio was 2.74x *(2019: 2.90x)*.

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2 Group adjusted operating profit is an Alternative Performance Measure (APM) which is used by the Group to supplement the required disclosures under IFRS. Please refer to note B in the 'Accounting Policies' section and to the 'Other Information' section within the Annual Report and Accounts for further information.
3 This measure is derived from the Group adjusted operating profit APM. Further details of this measure are included in the 'Other information' section of the Annual Report and Accounts.

Dividends and capital framework

On 26 November 2020, Aviva announced a new dividend policy and capital framework that align with the Group's strategic priorities. We aim to deliver a sustainable pay-out ratio and grow dividend per share by low to mid-single digits. Under our capital framework, we expect to return to shareholders excess capital above 180% Solvency II shareholder cover ratio[1] after allowing for investment in the business and once our Solvency II debt leverage ratio[1] has been reduced below 30% and we have completed our major divestments.

In light of our 2020 performance and strong capital and liquidity, the Board has proposed a final dividend of 14 pence per share *(2019: nil),* bringing the total dividend in respect of 2020 financial year to 21 pence per share *(2019: 15.5 pence per share)*. A second interim dividend in respect of 2019 financial year of 6 pence per share was paid in the third quarter of 2020.

Business highlights and growth opportunities

UK and Ireland

We have a vision to grow our business in the UK. Our strategy focusses on achieving top quartile competitiveness in our home market in savings and retirement, general as well as life insurance, protection and health. To do this, we will transform operational efficiency through simplification and automation, improving customer experience, accelerating data, analytics and underwriting capabilities, and building stronger investments capabilities. We will also build cross-UK customer capabilities, make better use of digital tools, and innovate more effectively to make it easier for customers and intermediaries to deal with us.

In 2020, UK and Ireland Life adjusted operating profit[2] decreased 3% to £1,907 million *(2019: £1,974 million)* with strong performances in bulk purchase annuities and Savings & Retirement and a positive but lower benefit of assumption changes offset by COVID-19 impact on new business sales[3] of equity release and individual protection.

In UK Life and Ireland, Solvency II return on capital[1] fell to 7.4% *(2019: 9.1%)* as result of positive but lower longevity assumption benefits compared with 2019, partially offset by increased levels of BPAs and improved longevity experience. Solvency II OCG[1] increased to £1,259 million (*2019: £1,248 million)* benefitting from management actions taken to optimise capital and a stable new business strain despite a significant increase in BPA sales[3].

Savings & Retirement

Net flows[1] increased by 14% to £8.5 billion *(2019: £7.5 billion)* with higher net flows[1] across Workplace and our Platform business. Adjusted operating profit[2] increased to £119 million *(2019: £88 million)* driven by higher revenues driven from an increased asset base, with assets under management (AUM)[1] up 13% over 2020 to £128 billion *(2019: £113 billion).*

Workplace savings – Aviva is the number one[4] provider of bundled Workplace pensions in the UK serving 3.8 million customers with assets of £81 billion (representing an average annual growth of 12% over the last four years) and net flows[1] of £5.3 billion in 2020. The savings and retirement market represents an enormous opportunity for Aviva in the UK. The shift to defined contribution (DC) pension saving as individuals are increasingly having to take responsibility for their financial futures as well as regulatory changes such as the introduction of auto enrolment mean that the DC workplace pension market is expected to grow from £390 billion in 2020 to more than £950 billion in 2028[5].

Adviser platform – In a short space of time we have built up assets of £32 billion and were ranked top two[6] by net flows[1] in 2020 with a market share of 14% of net flows[1]. The complexity and flexibility of the UK pension and savings system as well as the ageing population, which includes wealthy baby boomers reaching retirement, has accelerated the need for financial advice and for platform solutions that help financial advisers to look after their clients' assets more effectively and efficiently. This has driven growth in the adviser platform market from £400 billion in 2015 to over £750 billion in 2020 with forecast market growth to £1.3 trillion by 2025[7].

Annuities & Equity Release

Sales[3] rose 21% to £7.5 billion *(2019: £6.2 billion)* while value of new business (VNB)[1] increased 25% to £356 million *(2019: £284 million),* reflecting strong growth in our BPA business partly offset by lower sales of individual annuities and equity release. Adjusted operating profit[2] was 6% lower at £815 million *(2019: £866 million)* as growth in BPA business but lower profits in individual annuities and equity release.

Bulk Purchase Annuities – In 2020, we were ranked in the top four[8] bulk purchase annuity providers with sales[3] growing by 48% to £6.0 billion *(2019: £4.0 billion)* with the overall Annuity & Equity release book increasing AUM[1] by 11% to £75 billion *(2019: £67 billion)*. The demand from businesses and defined benefit pension fund trustees for annuities has continued to increase with the market growing from £13 billion in 2015 to greater than £30 billion in 2020[9]. This demand has been driven by the desire of corporates to de-risk their exposure to defined benefit pension obligations through the bulk purchase of annuities from insurance companies. At £2 trillion, the total value of defined benefit pension scheme liabilities in the UK is very high and is expected to result in a high level of demand for bulk annuities estimated to be £30 billion to £50 billion per annum[9] across the entire market over the next five years. Aviva's financial strength as well as expertise to both price annuity business effectively and through Aviva Investors to invest profitably for the long-term means we are well placed to further succeed in this growing market.

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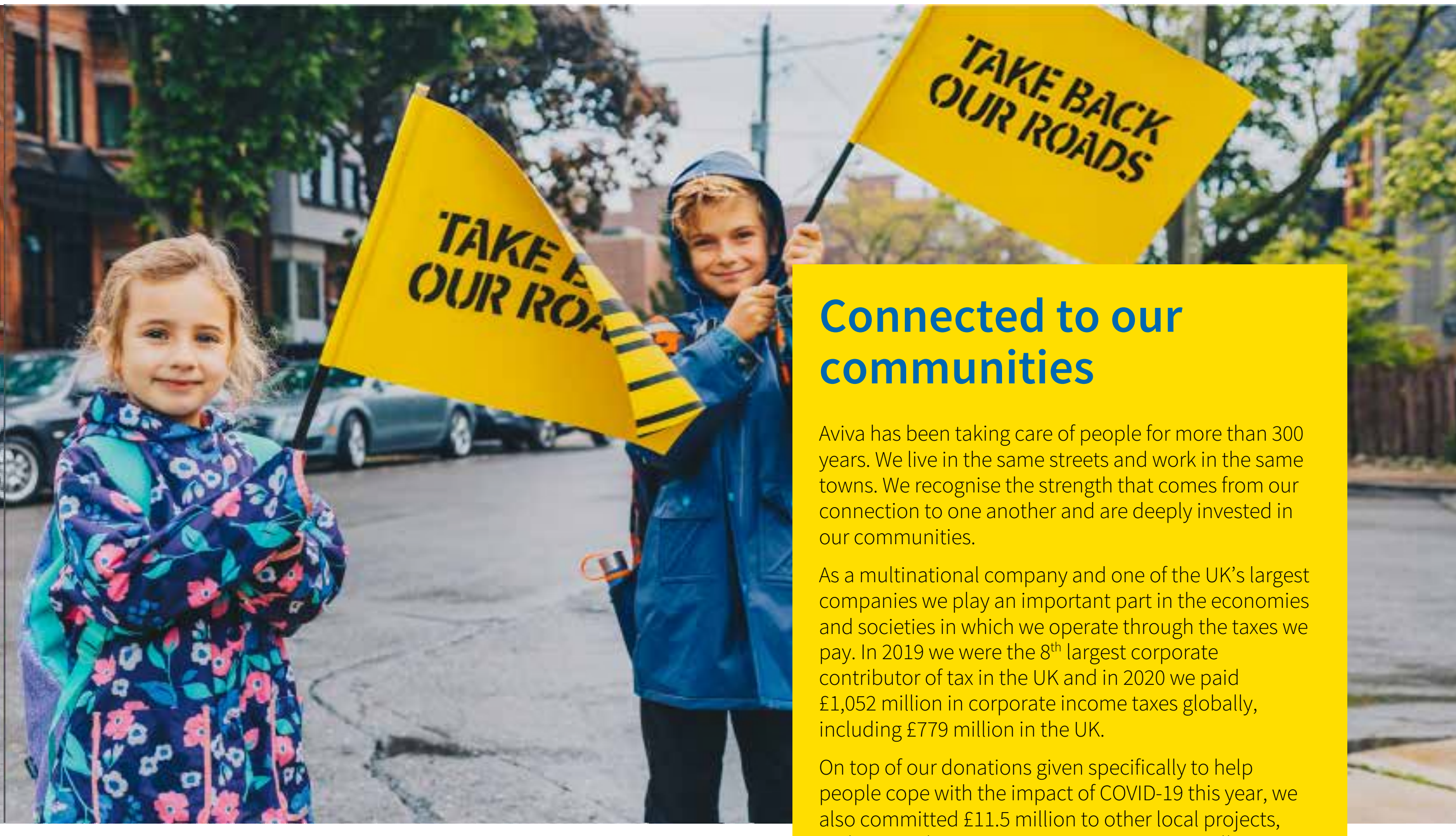
2 Group adjusted operating profit is an Alternative Performance Measure (APM) which is used by the Group to supplement the required disclosures under IFRS. Please refer to note B in the 'Accounting Policies' section and to the 'Other Information' section within the Annual Report and Accounts for further information.
3 Reference to sales represents present value of new business premiums (PVNBP) which is an APM, further details can be found in the 'Other Information' section within the Annual Report and Accounts.
4 Broadridge, UK Defined Contribution and Retirement Income 2019.
5 Broadridge, DCMI 2019.
6 Fundscape, advised-only channel, 9M20
7 Fundscape, Q3 2020 report
8 Lane, Clark & Peacock (LCP) pensions de-risking update, October 2020
9 Lane, Clark & Peacock (LCP) BPA Seminar, January 2021



Connected to our communities

Aviva has been taking care of people for more than 300 years. We live in the same streets and work in the same towns. We recognise the strength that comes from our connection to one another and are deeply invested in our communities.

As a multinational company and one of the UK's largest companies we play an important part in the economies and societies in which we operate through the taxes we pay. In 2019 we were the 8th largest corporate contributor of tax in the UK and in 2020 we paid £1,052 million in corporate income taxes globally, including £779 million in the UK.

On top of our donations given specifically to help people cope with the impact of COVID-19 this year, we also committed £11.5 million to other local projects, making total community investment £54.5 million in 2020. Overall, this has helped 5.1 million people, from keeping them active and looking after the environment, to tackling loneliness and teaching new skills.

The Aviva Community Fund continued in France, Italy and Ireland and we officially launched the new look Aviva Community Fund in the UK. In partnership with Crowdfunder UK, this gives our people the chance to choose projects they wish to support. In Canada, Aviva's Take Back Our Roads campaign continued to focus on improving road safety across the country.

As well as looking after our customers, our people continue to play a vital role in community activity, fully demonstrating one of Aviva's values: Care. Everyone is entitled to paid volunteer leave and despite the restrictions put in place as a result of COVID-19, in total our people globally have given more than 29,200 volunteering hours to help others this year.

In the UK, the Aviva Foundation* continued to invest unclaimed assets of shareholders through grants to charities and social enterprises. In 2020 the Foundation committed over £4 million to 10 non-profit organisations and social enterprises that can help our communities and vulnerable customers. This included funding the Financially Resilient Communities Programme, a consortium of local and national charities, working with communities to improve financial advice available for deprived communities.

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

Individual Annuities – We have retained our number 1[1] position in the market with individual annuity sales[2] of £1.0 billion *(2019: £1.4 billion)* as we focused on more profitable business as even lower interest rates caused by COVID-19 reduced customer demand. Following the introduction of pension freedoms in 2015 (which gave individuals greater choice in how they access their savings in retirement) the demand for individual annuities in the UK has fallen significantly, nevertheless, we expect individual annuities to remain an important option for customers when securing income in retirement.

Equity Release – In 2020 we maintained our number three[3] position in equity release mortgages with sales[2] of £562 million *(2019: £780 million)*. Volumes were impacted by our ability to conduct in-person property valuations owing to lockdowns, nevertheless with £3 trillion of housing equity owned by over 55s, we expect demand for equity release mortgages to continue to grow into the future. With strong growth in property values over the last two decades, unlocking the significant value locked up in their homes is a way for many to achieve financial security in later life.

Protection & Health

Sales[2] were in line with prior year at £2.4 billion *(2019: £2.4 billion)* as record sales[2] of group protection, up 38% to £0.7 billion, were offset by a reduction in individual protection sales[2]. VNB[4] from Protection & Health was stable at £167 million *(2019: £168 million)*. Adjusted operating profit[5] was 6% lower at £189 million *(2019: £201 million)* as competition impacted both margin and volumes in individual protection, partly offset by an improvement in group protection which benefited from improved claims experience.

1 ABI – 12 months to end Q320.
2 Reference to sales represents present value of new business premiums (PVNBP) which is an APM, further details can be found in the 'Other Information' section within the Annual Report and Accounts.
3 Aviva analysis of public company disclosures.
4 This is an Alternative Performance Measure (APM) which provides useful information to enhance the understanding of our financial performance. Further information on APMs, including a reconciliation to the financial statements (where possible), can be found in the 'Other Information' section within the Annual Report and Accounts.
5 Adjusted operating profit is an Alternative Performance Measure (APM) which is used by the Group to supplement the required disclosures under IFRS. Please refer to note B in the 'Accounting Policies' section and to the 'Other Information' section within the Annual Report and Accounts for further information.

Protection – We are a leading provider of both group and individual protection ranking second[1] in each category. In 2020, our group protection business had a record year with sales[2] of £716 million *(2019: £518 million)*, however our individual protection business saw lower sales[2] of £1,210 million *(2019: 1,357 million)* owing to the impact of lockdown measures on the housing market and key distributors including advisors, banks and estate agents. The protection market tends to grow in line with or slightly above inflation which provides a steady and high-quality source of earnings for Aviva. Our key sources of competitive advantage include our brand, digital propositions, underwriting discipline, and our relationships with intermediaries. We have invested in these businesses to drive future growth, while also maintaining our focus on efficiency.

Health – While we are the number 3 player[3] in health insurance, we are the only provider of scale that can offer individual and group protection products, making our health offering not only a standalone but also complementary proposition. 2020 has illustrated the importance of health and wellbeing to individuals, but also to companies and their employees. Our digital offering, where 99% of interactions with health brokers are carried out digitally, positions us well in this increasingly important market. In 2020 we increased sales[1] by 1% to £513 million *(2019: £507 million)*.

General Insurance

UK, Ireland and Canada net written premiums (NWP) was stable year on year at £7.7 billion *(2019: £7.7 billion)* with strong commercial lines growth offsetting lower personal lines premiums. Adjusted operating profit[4] increased by 3%[9] to £500 million *(2019: £488 million)* as strong improvements in underlying performance were partially offset by the negative impacts of £84 million of the COVID-19 pandemic as well as lower long term investment return (LTIR). LTIR declined to £274 million (*2019: £314 million)* representing an average return of 2.3% *(2019: 2.8%)* due to lower interest rates and de-risking activity in light of the market volatility in 2020.

Core markets general insurance combined operating ratio (COR)[5] improved by 0.9 percentage points to 96.8% *(2019: 97.7%)*. Strong underlying performance across our Core markets was partially offset by the net negative impacts of COVID-19, which had 1.1 percentage points adverse impact on COR[5], and lower benefits from weather and prior year development, which had 3.2 percentage points adverse impact on COR[5] compared to 2019.

UK Personal Lines – Our personal lines business has market leading digital propositions which are driving high customer advocacy. NWP was 7% lower in 2020 at £2,232 million *(2019: 2,399 million)* reflecting the impact of lockdowns and disruption caused by COVID-19 on the branch networks of our distribution partners as well as rationalisation of unprofitable business lines.

We currently have around 10% market share[6] benefiting from the strength of the Aviva brand, strong distribution relationships, including with some of the UK's largest high street banks, as well as market leading reputation with brokers. Until recently only our Quote-me-happy and General Accident brands were available through price comparison websites (PCWs) however in late 2020 we launched our Aviva brand's motor offering on the major PCWs, with good early signs of success, and our home offering has followed.

UK Commercial Lines – We are the largest commercial insurer[7] in the UK with 11% market share. Our digitally transacted channels continue to perform exceptionally, while a favourable underwriting environment and strong retention rates have helped us to grow NWP in 2020 by 10% to £2,008 million *(2019: £1,819 million).* We focus on the small or medium-sized enterprises (SME) and the fast-growing Global Corporate and Specialty (GCS) markets. We expect growth to continue as we address under-insurance amongst SMEs and innovate and invest in our GCS offering to meet client demand for protection against emerging risks. Our success has been driven by a focus on exceptional service and a reputation as a trusted partner. This was evidenced by an increase in broker trust to 95% in contrast to the wider market – a really important measure given the disruption caused by the global pandemic and the pivotal role brokers play in distributing commercial lines products in the UK.

Canada Personal Lines – We are a top 3[8] insurer in Canada with NWP in 2020 of £2,075 million *(2019: £2,100 million)* reflecting the impact of the pandemic on our distribution partners as well as customer relief measures. The Canadian market is largely intermediated therefore we serve our customers mostly through brokers and through our partner, Royal Bank of Canada (RBC), the most recognised financial services brand in Canada. We are continuing to invest in automation and are looking to improve our digital offering, leveraging the wider Group's expertise, as demand for digital products slowly increases in this more traditional insurance market.

Canada Commercial Lines – We are a leading commercial insurer in Canada with NWP in 2020 up 7%[9] to £1,021 million *(2019: £961 million)* as we benefit from a rate hardening environment reflecting reduced capacity and sustained historical under-pricing across the market. In common with the UK, our Canadian commercial lines business is distributed largely through intermediaries and focuses on the SME and GCS markets. We strive to offer best-in-class service and customer value underpinned by pricing sophistication to help drive even better retention and profitability in the future.

Aviva Investors

Our asset management business, Aviva Investors has £366 billion of assets under management[5] and has an ambition to become the global leader in active sustainable investment outcomes. This includes £292 billion of assets managed for Aviva companies, making Aviva Investors pivotal to the Group's wider success. Its long track-record in private debt, infrastructure, and other real assets, has supported our growth in areas such as bulk purchase annuities.

Aviva Investors adjusted operating profit[4] was 11% lower at £85 million *(2019: £96 million)* mainly driven by lower revenue partly offset by a reduction in controllable costs[5]. Aviva Investors revenues[5] were impacted by lower contribution from securities lending and a reduction in origination fees reflecting lower demand for alternative strategies as risk appetites reduced in response to COVID-19.

Aviva Investors maintained the positive client momentum with positive external clients' net flows[5] of £1.7 billion (excluding liquidity funds), with significant new business wins in real assets and in credit. Total net flows[5] of £8.5 billion *(2019: £(2.8) billion)* included £8.3 billion of net flows[5] into liquidity funds and cash.

1 ABI – 12 months to end Q320.
2 Reference to sales represents present value of new business premiums (PVNBP) which is an APM, further details can be found in the 'Other Information' section within the Annual Report and Accounts.
3 LaingBuisson, Health Cover UK Market Report, 16th edition.
4 Adjusted operating profit is an Alternative Performance Measure (APM) which is used by the Group to supplement the required disclosures under IFRS. Please refer to note B in the 'Accounting Policies' section and to the 'Other Information' section within the Annual Report and Accounts for further information.
5 This is an Alternative Performance Measure (APM) which provides useful information to enhance the understanding of our financial performance. Further information on APMs, including a reconciliation to the financial statements (where possible), can be found in the 'Other Information' section within the Annual Report and Accounts.
6 Aviva's estimates based on the 2019 ABI General Insurance Premium Distribution
7 Aviva's estimates based on the 2019 ABI General Insurance Premium Distribution
8 2019 MSA Research Results. Includes: Lloyds, excludes: ICBC, SAF, SGI and Genworth.
9 Percentages are quoted on a constant currency basis.

Sustainable or ESG investing is becoming hugely important, providing active asset managers with an opportunity to meet this growing client demand and to contribute to society as a whole. Aviva Investors has a decades-long track-record of being at the forefront of sustainable investing having launched the Stewardship range of funds, the UK's first ethical fund range, back in 1984.

This heritage continues as evidenced by Aviva Investors being ranked 2[1] globally for our environmental voting track record and 5[2] for responsible investment by Share Action. We continue to lead in this field having launched our climate transition engagement programme with a promise to divest from companies that are non-responsive to our expectation that all companies should adopt a goal of achieving Net Zero greenhouse gas emissions by 2050.

Manage-for-value markets

Our businesses in continental Europe and Asia delivered adjusted operating profit[3] of £1,311 million *(2019: £1,150 million)*, up 14%[4]. Solvency II OCG[5] decreased to £172 million *(2019: £867 million)* while Solvency II return on capital[5] fell to 6.2% *(2019: 11.4%)* impacted by a correction of a mis-applied rule in French Life model and the low interest rate environment.

During 2020, and in line with our strategy, we completed the disposals of Friends Provident International Limited, a majority shareholding in Aviva Singapore, and our share in joint ventures in Indonesia and Hong Kong. We also announced the disposals of Aviva Vita in Italy and our business in Vietnam. In early 2021 we announced the sales of our French business and our remaining Italian operations which represent major progress in executing our strategy to focus on our strongest businesses in UK, Ireland and Canada.

Jason Windsor
Chief Financial Officer

3 March 2021

1 https://shareaction.org/proxy-voting-records-challenge-asset-managers-responsible-investment-claims/
2 https://shareaction.org/proxy-voting-records-challenge-asset-managers-responsible-investment-claims/
3 Group adjusted operating profit is an Alternative Performance Measure (APM) which is used by the Group to supplement the required disclosures under IFRS. Please refer to note B in the 'Accounting Policies' section and to the 'Other Information' section within the Annual Report and Accounts for further information.
4 Percentages are quoted on a constant currency basis.
5 This is an Alternative Performance Measure (APM) which provides useful information to enhance the understanding of our financial performance. Further information on APMs, including a reconciliation to the financial statements (where possible), can be found in the 'Other Information' section within the Annual Report and Accounts.

Our market review

We operate through businesses in our Core markets in the UK, Ireland, Canada and our other international businesses which are managed for long-term shareholder value:

Core markets
- UK & Ireland Life
- General Insurance: UK & Ireland and Canada
- Aviva Investors

Manage-for-value markets
- Our businesses in continental Europe and Asia

UK & Ireland Life

Financial performance

	2020 £m	2019 £m
Cash remittances[1]	**1,007**	1,394
Adjusted operating profit[2,3]	**1,907**	1,974
Profit before tax	**1,958**	2,825
Controllable costs[1,4]	**1,181**	1,214
Solvency II operating capital generation (OCG)[1,2]	**1,259**	1,248
Solvency II return on capital[1]	**7.4%**	9.1%
Solvency II operating own funds generation[1]	**1,057**	1,247
New business		
Present value of new business premiums (PVNBP)[1]	**29,258**	29,159
Value of new business on an adjusted Solvency II basis (VNB)[1]	**675**	600

Overview

Business strategy overview

Aviva is the UK's largest insurer with a 23% share[5] of the UK life and savings market. We are in a unique position to solve customer problems through each step of their lives as we are a trusted provider of a broad range of products to both individual and corporate customers covering their savings, retirement, insurance and health needs. Our strategy is to invest for growth, through which we will become the UK's leading insurer and establish Aviva as the 'go-to' customer brand for all insurance, protection, savings and retirement needs for all of our customers.

Through our savings, retirement and protection businesses, we help individuals save and achieve financial peace of mind through their workplace, advisers or engaging directly with us as well as manage their savings and income up to and through retirement. We also help our corporate customers with de-risking solutions for their pension schemes and promote wellbeing and health with their workforce. Strong brand awareness and a proven track record in customer experience have allowed us to develop strong relationships with distribution partners such as independent financial advisers, employee benefit consultants, banks and estate agents as well as offering digital direct solutions to customers.

In times of uncertainty and economic volatility, our financial strength provides our customers and investors with certainty. We are well capitalised and have demonstrated resilience to stress through a period of considerable market uncertainty. We receive a significant capital efficiency advantage from the composite nature of the UK Life business and the wider Aviva Group.

In Ireland our strategy is to transform and grow the business. Having successfully integrated Friends First Life Assurance Company DAC, we're focused on delivering a single product range to the market and we are committed to making it easier for intermediaries to do business with Aviva. Ireland Life is currently fourth in the market, holding a 13% share[6], and the business has set an ambitious target to become the market leading intermediary provider.

Market overview

The global pandemic brought about immense change for customers and institutions such as Aviva. Customer behaviours and attitudes towards insurers have evolved. We have seen an acceleration in digital adoption, rapid shifts in mobility and customer engagement, and a new focus on work/life habits. On top of these developments, trends from before the pandemic also remain relevant; in the UK, 24% of the population will be over 65 in 20 years[7], 85% of investible assets is owned by over 45s[7] and £3.0 trillion of housing equity is owned by over 55s[7].

With our diverse product range we are well placed to meet the changing needs of customers through their lives, from the accumulation stage to retirement. Our strong financial position enables us to provide security to customers while investing in our proposition, improving connectivity for our intermediary partners, and bringing to the market innovative health and wellbeing solutions.

1 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 of the Annual Report and Accounts.
2 Following a review of the presentation of intercompany loan interest, to achieve consistency in our reporting, comparative amounts have been restated to reclassify net interest expense of £65 million from UK & Ireland Life to Group debt costs and other interest for the year ended 31 December 2019 as a non-operating item. The change has no impact on the Group's operating profit. In addition, comparative amounts for Solvency II operating capital generation of £69 million for the year ended 31 December 2019 have been restated. The change has no impact on the Group's Solvency II operating capital generation.
3 Adjusted operating profit is an Alternative Performance Measure (APM) which is used by the Group to supplement the required disclosures under IFRS. Please refer to note B in the 'Accounting Policies' section and to the 'Other Information' section within the Annual Report and Accounts for further information.
4 Following a review of the presentation of claims handling costs, to achieve consistency in our reporting, comparative amounts have been restated by £78 million for the year ended 31 December 2019 to include previously excluded claims handling costs attributable to UK & Ireland Life in controllable costs.
5 Association of British Insurers (ABI) – 12 months to end Q320.
6 Aviva calculation based on Milliman 2019 Report estimating market size based on responses received from some companies within the Irish life market.
7 Office for National Statistics.

Operational highlights

Products

Savings & Retirement

Our Savings & Retirement business is a leader in both the workplace and retail markets, we are the UK's largest bundled Workplace provider[1] giving us scale and our Retail business continues to grow strongly. Aviva Save, a solution for existing customers' cash savings, launched internally in December 2020 and reached the external market in January 2021. Our products are supported by guidance and advice and offer access to open architecture asset solutions including Aviva Investors who provide expertise in ESG investing. We have been working closely with Aviva Investors to develop tailored underlying investment solutions such as our approach to ESG investing and Smooth Managed Fund. We also continue investing in our platforms for workplace, advisers and direct customers to enhance the experience, service and propositions on offer. Our new business is capital efficient and transparent, with profits being derived from assets under management (AUM)[2] fees less costs.

During 2020, new business was impacted by uncertainty caused by COVID-19. Average investment values were lower caused by market falls, movement restrictions prevented advisers from working and new scheme wins were deferred into 2021 due to clients seeking less volatility, with PVNBP[2] decreasing by 7% to £17.6 billion *(2019: £18.9 billion)*. Net flows[2] increased 14% to £8.5 billion *(2019: £7.5 billion)* due to higher auto-enrolment volumes and a larger asset base compared to 2019 which offset the impact of lower new business.

Annuities & Equity Release

Our Annuities & Equity Release business consists of bulk purchase annuities (BPA), individual annuities and equity release. Our products offer customers safe and secure income in their retirement and support employers in their desire to de-risk their pension schemes. We are the UK's largest provider of individual annuities[3], we manage the UK's largest book of equity release mortgages[4], and in the first half of 2020 we were the third largest provider of BPAs[5]. Our Annuities & Equity Release products create synergies, with equity release assets being held long-term to back longer-term annuity liabilities, alongside assets sourced by Aviva Investors. Profits are primarily driven by yields, and our focus on capital efficiency secures significant cash flows, which has allowed us to invest in, and grow, our BPA business.

The UK BPA market remains attractive to us and we will seek further opportunities as more businesses look to de-risk their pension schemes. We have improved the capital efficiency of our BPA new business by partnering with new reinsurance counterparties and leveraged our illiquid asset origination capabilities to meet our asset origination targets despite unprecedented market conditions. We utilise reinsurance to manage exposure to longevity risk emerging from higher BPA volumes. In 2020, our BPA sales grew strongly by 48% to £6.0 billion *(2019: £4.0 billion)*, more than an eightfold increase over the last five years, reflecting our continued focus on capturing market opportunities with attractive pricing.

Through our individual annuities we provide an income to approximately one million customers. We have a long and proud record in providing equity release (lifetime mortgages) to customers who need it, lending over £500 million to customers in 2020.

Equity release was impacted by COVID-19 movement restrictions during the year which reduced many intermediaries' ability to write new business as well as our ability to value properties. We addressed this by introducing remote valuations to our equity release lending process, giving customers access to funds released through their properties. Despite lower volumes, our market share remains strong and we are the third largest provider of equity release mortgages in the UK[3].

Protection & Health

Aviva is the only provider of scale in the UK covering health, group protection and individual protection. We have number two[3] positions in protection markets and are third[6] in the health market. We have developed strong relationships with our intermediary partners, including financial advisers, estate agents and other third parties. We have invested for growth in these markets, focusing on our digital proposition and bringing new health & wellbeing to market. Pricing and underwriting discipline as well as cost efficiency are key drivers for profitability in this sector.

Our individual protection products protect our customers when they fall upon difficult times such as bereavement or serious illness. The individual protection market is highly competitive, with pressure on both volumes and margins. COVID-19 significantly disrupted individual protection sales during 2020 as the stalled housing market caused applications to fall. We saw a shift to direct channel business following implementation of movement restrictions in the first half of 2020 but this was not enough to offset the reduction in sales through channels which rely on face to face contact, such as with our estate agent partners.

Group protection new business grew compared to 2019, with PVNBP[2] of £716 million *(2019: £518 million)* despite pausing new business sales during the first national lockdown. Volume growth was driven by group income protection.

We aim to differentiate our individual and group protection offering by going beyond simply offering financial support to our customers and providing health and wellbeing support focusing on prevention and best in class customer service. Our data analytics and underwriting capabilities give us a strong advantage in a competitive market.

Our Health proposition helps customers to live more healthily and support them and their families when they fall ill. We understand that customers needed us more than ever in 2020. As well as offering payment deferrals to customers who needed it the most, we recognised the restricted availability of private treatments in 2020 by pledging to refund Health policyholders if claims costs in 2020 and 2021 are lower than expected as a result of COVID-19. Health PVNBP[2] grew to £513 million *(2019: £507 million)* year-on-year due to higher large corporate business sales.

Ireland Life

Our core lines of business in Ireland are pre and post-retirement unit-linked contracts, unit-linked savings & investment contracts, in addition to protection and annuity contracts.

In 2020, the business delivered the fourth and fifth key deliverables in its Integrated Product Launch Programme, offering the best of both Aviva and Friends First Life Assurance Company to customers and intermediaries.

1 Broadridge, UK Defined Contribution and Retirement Income 2019.
2 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 of the Annual Report and Accounts.
3 ABI – 12 months to end Q320.
4 UK Finance data on UK mortgage lenders.
5 Lane, Clark & Peacock (LCP) pensions de-risking update, October 2020.
6 LaingBuisson, Health Cover UK Market Report, 16th edition.

- Our Pre-Retirement Pension Savings Products proposition was delivered in Q3 2020.
- Our Post-Retirement Pension Income Product (ARF/ARMF) proposition went live in Q4 2020.

The final phase of our Integrated Product Launch Programme will focus on our Annuity, Savings & Investments and Personal Retirement Savings Account propositions.

While COVID-19 and the low interest rate environment impacted our protection and annuity contract volumes during 2020, unit-linked sales remained strong. Overall PVNBP[1] decreased by 3% to £1,534 million *(2019: £1,589 million)*.

Customers

Across the UK Life business we delivered year-on-year improvements across multiple customer service measures.

Our transactional net promotor scores (TNPS), a measure of the number of customers who would recommend us following a purchase, service or claim, has increased by 2 points to +45 *(2019: +43)*.

Our focus on 'Brilliant Basics' continues to drive lower transactional backlogs, fewer customer complaints and improved speed to service customer queries. We have used our data analytics capability to identify and assess key customer issues across a wide range of customer data.

These improvements were achieved despite the enormous resourcing and systems challenges, brought about from the continued impact of COVID-19. At the height of the crisis, we moved all staff to working from home while maintaining service levels.

We are proud not only of the scale of the financial and wider support that our protection products provide, but the care and speed with which claims are managed. In 2019 we paid out 98.6% of life insurance claims equating to £582 million.

We are very proud to have won a number of industry awards for the service we provide to our customers. This includes Best Customer Service Provider at the 2020 Health Insurance & Protection awards, Best Claims Management/Claims Team at the 2020 Cover Excellence Awards and Best Equity Release Customer Service at the 2020 What Mortgage Awards. Our Workplace proposition won the Best Use of Technology for Benefits category at the Workplace Savings and Benefits Awards in October 2020 and the Retail Adviser Platform won Best Use of Platform Technology at the Schroders Platform Awards in December 2020. We were also ranked first place by Kagool in their FTSE 100 Digital Census for communications support offered to customers during the height of the COVID-19 crisis from March to May.

In Ireland we have been committed to supporting our customers and intermediaries in response to the challenges posed by COVID-19, with the introduction of premium deferrals and premium holidays for impacted customers. In addition we are committed to making it easier for intermediaries to do business with Aviva. To further support our intermediaries, the business held a series of 21 webinars, with c.22,000 attendees in total, delivering a 98.5% TNPS score.

Distribution channels

With over 11 million customers we have one of the largest customer bases in the UK life and savings market. 3.5 million of our customers have registered on our MyAviva app, allowing policyholders easy access to the most important information about their policy on mobile devices. 1.8 million customers have registered on our MyPension app generating over 13,000 daily logins, and we have seen digital engagement increase by 53% during 2020.

Our Workplace business is largely intermediated with over 26,000 clients and 3.8 million members. We are the only provider to be awarded the maximum '6 gold star' rating from the Finance & Technology Research Centre for our 2020 workplace pension solutions and auto enrolment.

Our Retail business offers access to our market leading platform to both intermediated and direct customers. Working closely with our platform technology partners, we delivered a substantial upgrade to our platform software, bringing new features to benefit both advisers and customers who choose to manage their investments directly with us. We have built relationships with c.5,000 advisory firms. During the COVID-19 crisis, our distribution team have built on our already strong relationships with independent financial adviser (IFA) firms by staying in close contact with them and understanding how they've been dealing with the crisis, how their models and needs may change, and how we can support that.

Our Protection business is built upon strong relationships with our partners. Our distribution network includes intermediaries, banks, single-tie agreements with three of the largest estate agencies and a digital direct offering.

During 2020, we successfully launched a number of initiatives to assist our customers across distribution channels. Our new IFA portal Aviva Connect provides single sign in for intermediaries across our products. We launched Digicare+, a new digital app offering a range of services to support individual and group protection customers in their day-to-day health and wellbeing, bringing differentiation and meaningful engagement.

Our ongoing focus on building our digital capability has transformed how we engage with customers and brokers. We now offer 94% digital coverage for protection demands and 99% of interactions with Health brokers are now carried out digitally.

We have been working closely with the Financial Conduct Authority (FCA) to explore the rules around guidance, and options to be able to better support our customers. Our Aviva Guidance Experts have been supporting our customers, both new and existing, to help them understand their personal retirement options. We've collaborated across the business to deliver social media, online signposts and targeted email campaigns in order to reach customers who might need our support.

In Ireland we continue to focus on intermediaries as our core distribution channel. In 2019, the intermediary channel accounted for 74% of total market sales on an annual premium equivalent (APE)[1] basis.

The Irish Life business holds a strong position in the intermediated retail market and has plans in place to continue to challenge for leadership in protection lines while focusing on the simplification of our business, making it easier for intermediaries to interact with Aviva.

Key business strategic priorities for 2021

- Maintain strong growth in UK Savings through our leading Workplace and Platform propositions
- Continue to seek capital efficient BPA opportunities to increase long term cash flow
- Capitalise on our data analytics capability to bring innovative propositions to the marketplace
- In Ireland we will focus on improving efficiency, optimising product profitability and the final phase of our Integrated Product Launch Programme.

1 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 of the Annual Report and Accounts.

General Insurance UK & Ireland

Financial performance

	2020 £m	2019 £m
Cash remittances[1]	**171**	273
Adjusted operating profit[2]	**213**	297
Profit before tax	**57**	338
Controllable costs[1]	**793**	800
Solvency II operating capital generation (OCG)[1]	**357**	251
Solvency II return on capital[1]	**13.1%**	14.3%
Solvency II operating own funds generation[1]	**329**	333
Net written premiums (NWP)	**4,630**	4,638
Combined operating ratio (COR)[1]	**98.2%**	97.5%

Overview

Business strategy overview

Aviva is a leading insurer in both the UK and Ireland general insurance (GI) markets. We have consistently maintained our market share in both the UK & Ireland with market shares of 10% and 13%, respectively[3].

Our strategy is to invest for growth to deliver on our ambition of being the leading insurer in the UK and Ireland as measured by premium, reputation, trust, breadth of distribution and strength of digital platform.

Our strength of distribution, brand recognition, digital innovation, and high level of service are what set us apart for our customers and intermediaries. TNPS (Transactional Net Promotor Score) and broker trust scores continue to be market leading across all areas, with our UK claims service being ranked world class. The quality of our service has enabled us to hold long-term relationships with four of the UK's six largest banks to provide their insurance solutions.

We are recognised as being market leading in our digital capability. Our "Ask-It-Never" technology deployment into banking partners, market leading Commercial digital trading platform, and machine learning based pricing are some of the reasons why intermediaries partner with us. 2020 saw the launch of the Aviva brand on price comparison websites, complementing our General Accident (GA) and Quote Me Happy (QMH) brands. Our UK business has been through a reorganisation and we have begun a restructuring program in Ireland which we will complete during 2021. The platforms are now in place for growth in a competitive market.

Aviva's continued strength in the Intermediary sector has been reflected in several awards won during 2020. Aviva were the first insurer to secure a clean sweep of Personal lines, Commercial lines and General Insurer of the Year awards, in a single year, at the 2020 British Insurance Awards while we also secured a record seventh consecutive General Insurer of the Year award at the Insurance Times awards.

Personal lines

In Personal lines, our growth ambitions are centered firstly on our retail sales channels, including sales of the Aviva brand on all price comparison websites and secondly on targeted activity with specific broker and partner relationships. We are rationalising our product portfolio and investing in digital innovations to deliver solutions that are both more efficient and easier for our customers.

Commercial lines

In Commercial lines, our strategy is to leverage our strong distribution and superior products and risk management to grow market share in targeted customer segments. A favourable underwriting environment, and strong retention rates driven by service and broker sentiment, allows us to deploy digital and automated solutions where speed and simplicity is valued, while offering technical and bespoke service for more complicated risks with our large, corporate clients.

Market overview

During 2020, we have had to deal with COVID-19, proposed and confirmed changes in regulation, and a number of weather events in the UK. These conditions have materially impacted 2020 and we can also expect a significant impact continuing into 2021.

In the large corporate & specialty markets, there has been a prolonged period of under-pricing on global property, increased frequency in natural catastrophes and prior year reserving issues on non-UK casualty and Directors' & Officers' Insurance. The market is now experiencing hardening for the first time in almost two decades and rates are trending upwards. This provides us with an opportunity to continue our strong growth trajectory, at attractive technical rates, and tackle historically poor performing business. In Ireland, our Commercial lines appetite will now expand into larger risks.

In the Small Medium Enterprises (SME) sector, the impact of COVID-19 has significantly affected SME performance and businesses have had to close or adapt their models and change their risk profiles as a response to the pandemic. The sector is continuing to suffer from significant levels of underinsurance, and we are proactively utilising our Commercial Intelligence Tool to identify gaps in coverage to support our brokers and customers.

We continue to work with our existing customers to resolve complex issues and key challenges facing the industry, including care home and cladding risks.

In the year, the FCA sought guidance through a legal Test Case to determine whether specific, disputed policy wordings called for the payment of business interruption claims arising from the COVID-19 pandemic. Aviva was not a party to the Test Case, but fully supported the process. The test case did not require any change to our customer approach, nor require further provisions. Throughout this period, where cover was confirmed, we have adjusted claims and made payments and will continue to do so.

During 2020, the FCA published their General Insurance Pricing Practices Report. We support the FCA's intent to bring greater clarity and consistency to consumers across general insurance pricing. This will be a significant area of focus for us over the next 12 months.

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3 Aviva's estimates based on the 2019 ABI General Insurance Premium Distribution.

The market continues to experience a trend towards digitisation, further accelerated by pandemic-induced lockdowns.

The Consumer Insurance Contracts Act was enacted in Ireland, with the requirements to be implemented by September 2021. This represents a significant change for Irish insurers but will improve customer trust and transparency levels.

We recognise shifts in mobility, with personal transport shifting from private ownership to more efficient, safer and cleaner models like sharing, electric fleets and, in time, self-driving vehicles. Commercial transport, where these changes are likely to be seen first, will see similar trends. COVID-19 may have put some of these changes on relative pause but, longer term, permanent reductions in commuting will further contribute to shifts in models. At Aviva we are well placed as these changes develop, given our strengths both in personal car and commercial fleet insurance.

Operational highlights

Products

We have been simplifying our business structure to provide simple digitised customer journeys and establish an efficient operational base.

Personal lines

In the UK, we offer Personal lines insurance, with a core focus on home, motor and travel insurance. Our personal motor digital solution allows customers greater control over their claims with online reporting and a self-serve booking tool for car repairs.

We have delivered a profit turnaround by simplifying products and IT infrastructure, increasing our investment in digital customer journeys while cutting overall costs and improving the sophistication of our pricing models. We have made several changes to our travel product for existing customers to ensure we continue to provide strong protection for COVID-19 related claims.

To cut complexity from our business, we have removed 111 products from UK Personal lines this year and to simplify our home product, we halved the number of pages in our policy document during Q420. The process of simplifying our product and IT architecture allows us to focus on customers' greatest needs. In 2021, we will continue progress towards our target of 65% reduction in products by the end of 2022, vs 2020 baseline.

In Ireland, we focus on home and motor insurance in Personal lines. We're constantly updating our private motor rating models to ensure that we continue to have market-leading risk selection.

Commercial lines

In the UK, we offer Commercial lines insurance to a wide range of businesses, from micro through small and mid-market to large, multinational corporates. In Ireland, we provide commercial cover to all sized businesses.

In a year dominated by COVID-19, we have grown our Commercial lines business 10% by maintaining positive broker and client sentiment throughout the year. We have grown SME business by 4% and Global Corporate Specialty (GCS) by 16%. This growth has been supported by new client acquisitions, a strong rate environment in corporate and specialty and an acceleration of our digital capabilities within SME.

We have enhanced our propositions, provided innovative solutions for our customers, extended our product range and invested in our Digital Cyber product ahead of the launch in the first half of 2021. We have introduced new products such as a single vehicle mini-fleet product for our SME customers, a full suite of financial lines coverage for our regional clients and an enhancement of our Regional Cyber product to provide comprehensive solutions for businesses. To enhance our proposition for our multinational clients, we have harmonised our client relationship management model and we have also expanded our claims service management model to additionally support our mid-market customers.

In line with Aviva's ESG strategy, we have continued to grow our Renewables book and support our commercial customers with transitioning to more sustainable ways of working.

Customers

Many customer highlights this year were delivered in direct response to the COVID-19 pandemic:

- Seamlessly transitioned to remote working and maintained operational service throughout the pandemic.
- Provided financial hardship support for customers experiencing financial difficulty.
- Enabling policy changes for cover that is no longer required. This included mileage changes, removing add-ons, and offering pro-rata refunds to travel insurance customers who are no longer able to travel.
- Supported businesses who had to change or adapt their business models and extended our coverage for empty premises.
- Provided risk management and prevention guidance to business customers, virtually and on-site.
- Maximising new business and renewal outcomes by effectively delivering a whole account underwriting approach.
- Tailored, bespoke offerings for our mid-market, corporate and multinational clients.
- Launched our back to business campaign to provide information and guidance for our intermediaries and clients on a range of topics ranging from market support, to underinsurance and the impact of a hardening market.

More than 50% of Personal lines direct customers hold more than one GI product with us. Our Commercial lines customers hold more than three products with us on average, and our retention rates remain over 80%. This demonstrates our customers' satisfaction with our products and services, which is reinforced by our upper quartile RNPS (Relationship Net Promotor Score), which is 17 points ahead of the competitor benchmark. In Ireland, our Customer Trust score increased by 1% and is 4pp ahead of competitor benchmark.

Investment in digital and claims management has enabled UK motor customers to start and complete their claims online with no underwriter touch points. Customers are demonstrating a preference towards digital interactions, with 80% taking the opportunity to book in their car repairs online.

Distribution channels

Our retail businesses across UK and Ireland now service over 3.3 million customers. We have a multi-channel distribution for Personal lines that includes selling direct to customers through MyAviva and price comparison sites, as well as relationships with several of the UK's leading banks, affinity partners and brokers. In Commercial lines, which is distributed via intermediaries, we enjoy strong relationships with brokers of all sizes that allows us to cater for both Global & Corporate and SME clients.

In the UK, our extensive communication campaign in support of our brokers and their customers was recognised and our market leading broker trust score of 92% increased to 95% during the pandemic. Over 9,000 brokers have joined one of our #backtobusiness webinars.

In the second half of the year, our UK business launched the Aviva brand on price comparison websites for motor and home insurance. This allows customers a greater choice of distribution channels to use when buying an Aviva insurance product and has improved our growth in the final quarter of the year.

In support of our banking partners and our digital agenda, we have deployed our “Ask-It-Never” underwriting approach with two of our four major banking partners this year. Ask-It-Never delivers data-driven frictionless experiences for customers, reducing application time for new business by half.

Growth in UK SME digitally traded business grew by 16% in 2020 as a result of our accelerated technology, proposition and product offering in Digital. Our award-winning Fast Trade platform is a resilient business model that has maintained service performance throughout the COVID-19 pandemic for our customers. In 2020, we have invested in our E-trade platform and launched Aviva Connect, our innovative broker platform, to operationally support the execution of our digital agenda and add value to our customers through speed and simplicity. In Ireland, we are investing in our small Commercial E-Trade offering to avail of the opportunity in this space.

Key priorities for 2021:
- Deliver simple, end-to-end digital experience for our retail customers, and continue to automate and accelerate our digital capabilities to support our commercial clients.
- Deliver on growth targets. Continue to deliver strong growth in our Commercial book, which is key to our UK strategy to increase our market share. Return to growth in our Personal lines business. Expand our Commercial product offering in Ireland.
- Ongoing focus on becoming more cost efficient, as we cut complexity from the business.
- Continue to support the wellbeing of our people and develop capabilities in line with our business growth strategy.

General Insurance Canada

Financial performance

	2020 £m	2019 £m
Cash remittances[1]	**131**	156
Adjusted operating profit[2]	**287**	191
Profit before tax	**349**	211
Controllable costs[1]	**401**	402
Solvency II operating capital generation (OCG)[1]	**262**	261
Solvency II return on capital[1]	**19.9%**	15.3%
Solvency II operating own funds generation[1]	**287**	203
Net written premiums (NWP)	**3,096**	3,061
Combined operating ratio (COR)[1]	**94.7%**	97.8%

Overview

Business strategy overview

Canada represents the eighth[3] largest Property & Casualty market globally with estimated gross written premium of $CAD60 billion[4]. Aviva Canada holds the number three position[4] with an 8% market share, offering a range of GI products to nearly 2.4 million customers. We are a well-diversified business across our Personal and Commercial portfolios, with a national footprint and multi-channel distribution capabilities.

We are investing for growth and our ambition is to be the leading insurer in Canada by becoming the undisputed choice for our customers, distributors and our people. Our strategy, aligned to the Group strategic pillars is to (1) sustain leading performance through execution excellence, (2) transform the service experience through digital, and (3) lead the market with customer centric innovation.

Our people (who scored 15% higher on engagement than the top quartile for Canadian financial services companies) continue to be a significant advantage for our business.

Personal lines

Our retail business is predominantly sold through brokers and under RBC Insurance, under the most recognised financial services brand in Canada. Here, our focus is to improve pricing sophistication and operational efficiency. Our specialty products, such as pleasure-craft, recreational vehicles (RV), classic cars and snowmobiles, continue to be a profitable growth driver and our product range, service, broker relationships and best-in-class claims service set us apart in the market. Our investment in Digital Direct will ensure that our Direct book grows rapidly and sustainably, allowing us to respond to shifting consumer preferences.

Commercial lines

We will leverage our market leading customer reach to support our smallest customers by providing easy transactional solutions for our broker partners, while positioning to grow through improved service via operational efficiency and attractive pricing. In our larger and more complex business segments, our focus is on competing through underwriting expertise. Additionally, we will accelerate our growth in our Corporate Risks segment leveraging Customer Risk Management, and an improved proposition (cross border/multinational). Our surety business has an extensive client network and will look to navigate any economic recovery with underwriting discipline.

Market overview

Given the COVID-19 impact on the economy, customers and our people, there is much uncertainty in the insurance market.

Canada continues to be in a low-interest rate environment, similar to the 2009 recessionary period, and the Bank of Canada is not expected to pursue additional rate increases until the economy demonstrates a return to above-potential pace. Recessionary conditions have affected consumer spending, with higher debt levels and unemployment in 2020.

The shift in consumer behaviours to digital has accelerated the growing need for digital capabilities and increased the pace of technological change among carriers and brokers. Additionally, the physical distancing initiatives and increase in remote working over the past year has led to a reduction in auto claims frequency, which will continue to drive increased government and regulatory pressure and impact pricing. The Canadian personal motor market is highly regulated and commoditised.

In Commercial insurance, reduced capacity and sustained market-wide under-pricing over the years has led to a significantly hardening market during 2020. A number of small businesses have closed as a result of the pandemic and many companies are operating below capacity, which is likely to suppress new business policy count.

Industry consolidation of both insurers and distributors continues. In addition to insurers growing market share through acquisition, there is also a continued drive to control distribution through the vertical integration of brokers.

Weather-related catastrophe events continue to rise in frequency and severity, impacting our models and risk exposure concentration.

Operational highlights

Products

Our Personal insurance portfolio ($CAD3.6 billion, 65% of overall business mix) is largely made up of mass market propositions, particularly in regulated lines/geographies.

This year, we continued to make good progress against our data science, pricing sophistication and claims agendas, while our future focus is on digitising the proposition and service experience in order to deliver value and compete on price.

In 2020 our gross written premium increased year-on-year and despite the pandemic, we have seen strong new business performance and policy retention.

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3 Canadian Property & Casualty market position source: Swiss Re, *sigma* No. 4/2020 from the Insurance Information Institute (www.iii.org).
4 Canadian market share source: 2019 MSA Research Results. Includes: Lloyds, excludes: ICBC, SAF, SGI and Genworth.

Personal lines

Our personal insurance business is made up of Retail and Group Home and Auto, High Net Worth proposition as well as Lifestyle products. In 2021, our personal insurance growth is projected to be in line with the market (i.e. low single digit) with opportunistic growth anticipated in our Direct channel (due to changing consumer buying trends) as well as in our less commoditised specialty lines, where we have market leading expertise. However, we remain cautious as COVID-19 relief measures are expected to offset any organic customer growth.

Commercial lines

Our Commercial insurance business is made up of SME (20% of overall business) and GCS (15% of overall business), where we offer Commercial auto, property and casualty products across various customer and industry segments. Our focus for these businesses continues to be around pricing and underwriting fundamentals with strong distribution and client management capabilities.

Despite COVID-19, we ended the year with above average market growth in SME (c.8%) and in GCS (c.10%) due to hard market conditions. As capacity in the market continues to be strained, we plan to deliver strong premium and customer growth in target segments through 2021 (particularly SME Middle Market, Surety and Corporate Risk). The impact of COVID-19 on net claims for 2020 was $CAD269 million. This incorporates reported and expected future claims primarily in relation to business interruption losses related to COVID-19. Notwithstanding this, numerous class action lawsuits have been brought against Aviva Canada and the wider insurance sector relating to business interruption coverage. We expect to be engaged in defending these actions of a number of years.

Customers

Our claims TNPS performance (Auto +61, Property +54) remains strong due to internal efforts and our claims transformation programme. We have seen continuous improvement in our claims process, where cycle time has reduced significantly compared to 2019 and we are focused on quick settlements, automation and digitising key customer touchpoints.

Overall complaint volumes for 2020 are down 17% compared to 2019. In 2021, we will continue to investigate the top complaints drivers and work to address root causes of these issues. A focus on ease of doing business through understanding what customers and partners need from us, and delivering against those needs in a single interaction, has maintained a First Contact Resolution ratio of 88%.

Distribution channels

In Canada, we have nearly 2.4 million customers; one of the largest customer bases in the Property & Casualty market. We have a strong, long-standing relationship with our network of over 800 independent brokers and a partnership with Royal Bank of Canada (RBC), the largest bank[1] (market share 20%) and most valuable number in Canada[1], with a significant portion of high net worth customers. However, shifting consumer behaviours and an evolving Canadian distribution landscape highlight the importance of accelerating our direct-to-consumer proposition.

Historically we have primarily sold our personal and commercial insurance propositions through intermediaries. The acquisition of RBC General Insurance in 2016 included a 15-year strategic distribution agreement between RBC and Aviva. The RBC Insurance Agency, a distributor for RBC home and auto insurance solutions underwritten by Aviva, now makes up approximately 23% of our overall personal insurance business.

We are continuing to invest in our broker channel through the modernisation of our policy system which will deliver an improved broker experience via a new broker portal, additional connectivity, and new self-serve capabilities.

Additionally, we have plans to build our Direct channel into a meaningful business for customers who wish to transact with Aviva digitally and in order to truly diversify our channel mix.

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 2021:

- Continue to strengthen our insurance fundamentals including pricing, underwriting, claims management, data science and risk and control capabilities.
- Modernising our systems and infrastructure to deliver change at pace.
- Enhance our service experience to make it easy for customers and distributors to engage with, buy and sell Aviva and RBC.
- Deliver focused growth by optimising, scaling and diversifying our portfolio and channels.

1 RBC market position/share based on market capitalisation and brand rank source: 2020 ADV ratings .

Aviva Investors

Financial performance

	2020 £m	2019 £m
Cash remittances[1]	**50**	86
Adjusted operating profit[2]	**85**	96
Profit before tax	**84**	91
Controllable costs[1]	**430**	446
Solvency II operating capital generation (OCG)[1]	**70**	90
Solvency II return on capital[1]	**13.7%**	13.7%
Assets under management (AUM)[1]	**£366bn**	£346bn
Aviva Investors revenue[1]	**515**	542

Overview

Business strategy overview

Aviva Investors manages £366 billion of assets across a number of international markets, with £292 billion managed on behalf of Aviva.

By combining our insurance heritage and DNA 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.

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

Our strategy is to support Aviva becoming the UK's leading insurer and the go-to customer brand.

The key drivers of our strategy are

- Customer: deliver our customers' investment needs, placing ESG and a rigorous risk and control culture at the core of our future strategies
- Simplification: streamline our business to become more efficient and deliver better customer outcomes
- Growth: continue to grow in both our Aviva client and external businesses
- People: develop a high-performance culture, focusing on our diversity and inclusion strategy, talent and career development

Market overview

For active managers, advantaged access to distribution, scale and operating efficiency have become increasingly important to compete profitably. Managers are also increasingly focusing on ESG opportunities.

We differentiate ourselves in the market through our engaged approach and demonstrable leadership in sustainability, both through ESG propositions and how we invest. On climate change, where we are unable to influence companies to demonstrate a substantial commitment to tackle global warming as an investor, we are willing to use the 'ultimate sanction' of divesting.

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

- Aviva Investors scores are above average in all modules of the United Nations' Principles for Responsible Investment (PRI) ratings which covers over $100 trillion in AUM[1];
- Multiple international awards including the International Corporate Governance Network (ICGN) Global Stewardship Award 2019, and the Global Investment Group (GIG) Investment Excellence Award 2019 ESG Manager of the Year; and
- A recognised leadership position in promoting sustainability disclosures with involvement in initiatives such as the Task Force on Climate-Related Financial Disclosures (TCFD) and Continuous Data Protection (CDP).

Operational highlights

Products

Concerns over the economic disruption caused by COVID-19 led to significant volatility in financial markets and elevated levels of investor activity throughout 2020.

Client appetite for lower-risk investment strategies was the primary driver of lower revenue for the year.

Notwithstanding the challenging market conditions, we had positive momentum in our Aviva client and external client businesses throughout 2020.

For our Aviva clients, significant inflows of £5.1 billion from the Core business, primarily on the Adviser channel, Workplace and annuities in the UK, were offset by £6.5 billion outflows from the run-off in assets for the existing back book.

External net inflows of £1.7 billion in the period were driven by positive gross flows of £8.3 billion, with significant new business wins in Real Assets (£1.8 billion) and Credit (£3.2 billion).

We continued to experience strong momentum in our Liquidity business, with £5.5 billion of net liquidity fund inflows and 80 new client accounts.

Customers

Our investment performance was not immune from the market turbulence, and at the end of December 2020 55% of our funds were ahead of benchmark over one year.

Consistent delivery of strong investment performance is key to meeting our customers' investment needs and remains a key priority.

Our ongoing focus on ESG creates easy ways for our customers to do good, leading by example and influencing others to act, thereby playing an active role in the fight against climate change, creating a stronger economy and society as well as generating enhanced shareholder value over the long-term.

Distribution channels

Our Aviva client distribution channels mainly comprise:

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

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Our external client distribution channels mainly comprise:
- Large asset owners, including insurance companies, consultants, pension funds, and sovereign wealth funds;
- Global financial institutions such as large private banks; and
- In the UK, wholesale intermediaries to the retail customer including IFAs and wealth managers.

With 58 distribution agreements, our diversified client base is made up of over 300 institutional clients, over 90,000 retail investors and over 3,500 professional investors such as IFAs, discretionary fund managers, charities and institutions.

Key business strategic priorities for 2021

- Continued improvement in investment performance to deliver enhanced investment returns for our clients
- Ongoing focus on simplifying our business to deliver efficiency benefits
- Continuing to focus on our leadership position in sustainability through both ESG and how we invest

Manage-for-value

Our international businesses in continental Europe and Asia will be managed for long-term shareholder value. We will build on the good work our teams are doing to grow and optimise their businesses, but where we cannot meet our strategic objectives, we will be decisive and withdraw capital. Ultimately, there may be better owners for these businesses than Aviva.

During 2020, we completed the disposals of a majority shareholding in Friends Provident International Limited, a majority shareholding in Aviva Singapore and our joint ventures in Indonesia and Hong Kong. We have also announced the disposals of our Italian joint venture, Aviva Vita, and our entire business in Vietnam.

In 2021, we announced the disposals of our entire business in France, our joint venture in Turkey and our remaining Life and General Insurance businesses in Italy. Please see note 4(f) for further information. We confirm that we are exploring strategic options for our businesses in Poland and our other international joint ventures.

Financial Highlights

	2020 £m	2019 £m
Cash remittances[1]	**127**	613
Adjusted operating profit[2]	**1,311**	1,150
Profit before tax	**1,719**	991
Controllable costs[1]	**845**	884
Solvency II operating capital generation (OCG)[1]	**172**	867
Solvency II return on capital[1]	**6.2%**	11.4%
Life new business		
Present value of new business premiums (PVNBP)[1]	**12,834**	15,240
Value of new business on an adjusted Solvency II basis (VNB)[1]	**576**	612
General insurance new business		
Net written premiums (NWP)	**1,687**	1,610
Combined operating ratio (COR)[1]	**93.5%**	96.6%

France

Overview

In France, the life market is dominated by mutuals and banks. Aviva France is ranked 3rd amongst the traditional insurers.

Our business offers a full range of savings, investment, protection and health insurance products with strength in distribution with Epargne Actuelle our 100% owned life broker, Union Financiere de France (UFF) the number 2 financial adviser network, tied agents and independent brokers, and partnering with Association Française d'Épargne et de Retraite (AFER), through France's number one savers' association.

For the life business, our focus in the market is on balancing the demand amongst French savers for low volatility guaranteed products alongside the pressure this places on return on capital in the current negative interest rate market environment.

The French general insurance market grew by +2.5% to €50.5 billion to the end of September 2020[3], with premiums split between 3 main categories; mutual without intermediaries (c.23%), bancassurers (c.15%) and other traditional insurers (c.62%). In the personal lines (mainly motor), competition is intense, with well-established mutuals and traditional players facing increasing competition from bancassurers and from small to midsize players aiming to maintain their market shares. While the pure Direct only captures c.2% of distribution so far, full multichannel distribution (direct and physical) is becoming increasingly relevant in individual.

Motor and Home premiums increased by respectively 2.3% and 3.2% in the French market at the end of November 2020, a slower growth rate compared to 2019.

In the context of the COVID-19 crisis, General Insurance new business and claims saw a decrease of 20% in Motor claims frequency at the end of November 2020. A return to a second nationwide lockdown (although less severe than the first lockdown) and the strong economic downturn this caused (GDP expected at c.(8)% in 2020 compared to 2019), translates into an uncertain mid-term outlook in the general insurance market, with an intensification of price competition on personal lines and an increased underwriting pressure on the commercial lines, in a context where the interest rate environment weighs on financial performance.

The COVID-19 pandemic highlights the need to consider re-adjusting operating losses coverage. In this context, in cooperation with the French Ministry of the Economy and Finance, the French Insurance Federation set up a working group to develop a framework for providing insurance for a systemic crisis, such as a global pandemic, via a public–private partnership.

Operational highlights

Products

In late 2018 the French government proposed new laws that seek to shift savings and investment towards the real economy, bringing about further opportunities for our savings and retirement business.

A key pillar of our strategy is to grow our pension business and to continue to transform our savings business mix to position us for longer-term low/negative interest rates while continuing to serve our customers' needs through the provision of attractive unit-linked and capital-light products.

In 2020, new business declined 22% overall, due to the COVID-19 crisis, in line with the French market. Unit-linked sales remained high at €2.6 billion (PVNBP[1] basis), above market trend, demonstrating our focus on shifting new business toward capital-light savings and Pension business, which was helped by the success of our product offers (structured/ISR/Real Estate unit-linked products) and targeted marketing campaigns.

In General Insurance, Aviva showed stronger than market commercial performance, recording a 4.5% increase in premiums (excluding Health) collected at the end of 2020. In 2020, retention rates increased to 89.5% (+1.2pp). We have limited exposure to business interruption losses in France, this was limited to c£5 million at 31 December 2020.

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3 Source: Fédération Française de l'Assurance

Customers
The implementation of our General Insurance strategic proposition continues with a key milestone achieved in the launch of 'Client Unique' – a multi-channel project: one client, one product, one price, any channel; an innovative proposition allowing retail customers to choose the combination of channels that works for them. In 2020, Aviva France successfully launched the home product on a client unique basis.

Distribution channels
France operates through a diversified distribution network: the 4th largest agent network in France (approximately 1,000 tied agents), over 1,000 active brokers, and strong capabilities in wealth management through UFF (over 1,200 financial advisors) and Epargne Actuelle (1st Life broker in France). Our direct business is the second largest for General Insurance in France.

From a General Insurance broker perspective, we continue our dynamic of profitable growth and strengthening our partnerships with brokers highlighted by a 22% increase in premiums at the end of 2020.

Key priorities for 2021
In the context of the COVID-19 pandemic and associated economic downturn, Aviva France executes a commercial strategy focused on profitable growth based on:
- Completing the disposal of Aviva France in the second half of 2021[1];
- Pension business, where we are already in top three for the new individual pension product;
- Continued effort on Life savings business transformation;
- Customer retention; and
- 2021 pricing strategy.

Italy
Overview
In Italy we are the 10th largest Life business, 3rd in long-term care (LTC), market leader in CQP and CQS[2] (credit protection of salary and pension backed loans) and 16th General Insurance provider[3].

Our life product catalogue is comprised of hybrid, savings and protection, LTC and pension products distributed mainly through bancassurance agreements and financial advisor networks. We continuously innovate our product catalogue launching new products able to meet clients' and distributors' expectations while optimising the capital charge generated by the market volatility.

Our general insurance motor business represents the primary line of business in the Italian market, and we have improved its profitability thanks to a fixing programme (established in the second half of 2017) that reviewed our agency network to improve overall profitability across the motor business. In 2020, the motor business has been positively impacted by the restrictions to mobility caused by COVID-19 lockdown. We continue to improve the non-motor business, a more profitable general insurance segment which is still under-penetrated in Italy compared to other European countries. In particular, non-motor business has seen positive volume growth of 4% year-on-year.

Operational highlights
Products
In Italy, our hybrid product, a pivot of our distribution strategy in the savings business, offers customers a combination of attractive yields, stable performance with a partial capital guarantee together with protection and health riders. During the year we have consolidated on the success of the product introducing features to make the with profits component capital light. Since its launch in 2017 we have seen a compound annual growth rate of 44% to €3.1 billion (£2.7 billion) demonstrating its increasing attractiveness in the market.

In general insurance, we launched a new Guidewire based underwriting platform offering a simple and flexible range of products and we have been commended by the industry for our innovative implementation. In parallel, we commenced a review and renewal of our entire product catalogue, which will be finalised next year, and intend to extend the use of the new platform across more of our distribution channels so that all our customers and distribution partners can benefit from its simplicity. Our General Insurance business continues with the implementation of Aviva Plus, a new digital platform, powered by Guidewire, for both the distributors and to enhance the direct sale. Moreover, Aviva Plus will permit more efficiency and costs saving, thanks to the decommissioning of old platforms, and better analytics.

Customers
Our customer base has gone up by 2% year on year, thanks to the new distributors we have started working with.

We have received strong customer feedback during the year and we are above the market average on both customer satisfaction score and retail net promoter score. The TNPS on motor and home claims demonstrate that our General Insurance claims teams are able to provide a full positive customer experience even during the COVID-19 pandemic.

We have achieved important improvements to our customer segmentation analysis capabilities, which has enhanced our ability to design products that better meet customers' and distributors' demand.

Moreover, we're finalising the insourcing of the contact centre with around 75% expected to be completed by the second half of 2021 and we have improved the MyAviva self-service capability.

Distribution channels
In 2020 we have continued with our strategy to diversify the distribution network. We have:
- Signed a new 10-year distribution agreement with Banca Patrimoni Sella, member of Banca Sella Group;
- Extended the partnership with UBI, due to expire at the end of 2020, until June 2021;
- Renewed the distribution agreement which expired in September 2019, with the other bancassurance partner, Unicredit, until July 2021; and
- In General Insurance, we have further diversified our distributor mix, concentrated on non-tied agents, especially through new relations with brokers. The Partnership with B&S has allowed us to become market leader in the CQP/CQS business.

In 2020 we have supported all our distributors to withstand the COVID-19 crisis and have accelerated our digitisation roadmap. To guarantee the business continuity and support our partners, we have put in place a series of actions to digitise and simplify the sales process for bancassurance partners and agents.

1 The sale of Aviva France was announced on 23 February 2021 and is subject to consultation and customary conditions, including regulatory approvals, and is expected to complete by the end of 2021. Please see note 4(f) for further information.
2 CQP: Cessione del Quinto della Pensione; CQS: Cessione del Quinto dello Stipendo
3 Ranking ANIA (Italian National Association of Insurance Companies)

Key priorities for 2021

- Focus on optimising shareholder value under manage-for-value strategy
- General Insurance growth gaining scale, by increasing volumes with digital and improving business mix
- In our Life business we look to continue structuring capital light products attracting new distributors to recover size after the Aviva Vita sale.

Poland

Overview

In Poland we are the number two[1] life insurer in the market with one of the largest life tied agent salesforces and two key bancassurance partnerships with Santander and ING. Our Polish business is efficient, has very strong brand recognition, and through innovation in product development and digitisation we are in a strong position to outperform the market.

We are number ten[1] in the General Insurance market with well diversified distribution channels, including direct tied agents, brokers and bancassurance partnerships with Santander and ING. We also operate in the pension and asset management markets. We are the second largest pension fund in terms of AUM[1] and fifth largest asset manager of open-ended investment funds.

Operational highlights

Products

Aviva Poland offers a wide range of insurance and investment solutions such as life cover for individuals and groups, general insurance for retail and commercial clients, and pension schemes as well as investments through unit trusts.

Our personal life portfolio consists of unit-linked insurance with a significant protection element. The focus of new business sales has switched to pure protection distributed through tied agents and bancassurance partnerships.

In the pension market, auto-enrolment recommenced, and we have written more than 5,100 contracts with companies employing almost half a million employees (of which nearly 150,000 have joined the pension scheme already).

Our General Insurance business has experienced a stable year with strong NWP growth of 12% in commercial property.

Customers

In 2020 we have implemented a series of operational improvements and immediately responded to customer expectations regarding the COVID-19 pandemic which have resulted in improved customer experience metrics (TNPS) from +23 at the end of 2019 to +32 at the end of 2020.

High and stable TNPS results on the key customer touchpoints in 2020 were maintained: +69pp after policy purchase and +51pp after claim.

We have also improved the user experience on digital touchpoints, resulting in rising TNPS result for MyAviva by 2pp and Aviva website by 36pp.

Distribution channels

Aviva Poland has one of the largest agency networks in Poland which is the main distribution channel for the life business.

Our General Insurance distribution mainly comprises direct for personal offer and brokers as the dominant channel for commercial lines.

We also continue to build on the strength of our distribution relationship with our bancassurance partners and further digitise the sales and claims processes including self-claims in personal accident and the reporting of motor third party liability claims online.

The MyAviva platform is very well embedded in Poland and 2020 has seen us reach over 500,000 active customers, introduce a series of new functionalities, and hit over 100,000 transactions.

Key priorities for 2021

We have three priorities that will ensure successful strategy execution in 2021:

- Distribution development – investment in tied agent network modernisation through technology, new structure and recruitment, and deepened relationships with Santander and ING, as well as new partnerships;
- Development of Aviva brand supported by customer excellence and digitisation to optimise front and back end solutions and customer experience across all channels; and
- Growth across corporate business to double the size of corporate business in life and General Insurance commercial lines.

Turkey

In Turkey we have a life insurance business through our joint venture with Sabanci. We are number one in the market for pensions and the number two private auto-enrolment provider. We offer protection products through both bancassurance and retail channels including a direct sales force.

Although, the COVID-19 pandemic has impacted new sales volumes we have consolidated our market leading position in the pensions market by focusing on improving customer persistency and developing better remote sales capabilities. Our new credit linked product not only enabled us to maintain our protection market share but has also increased our profitability with increased penetration and adjusted prices. In 2020, we have also implemented customer solutions such as a mobile application and customer journeys and segment based services to provide a better digitally enabled customer experience.

In February 2021, we announced the disposal of Aviva Turkey, see note 4(f) for further information.

China

In China, we continue to have an excellent relationship with our partner COFCO. In 2020 our joint venture continued to focus on its core agency channel, maintaining a team of more than 12,000 agents nationwide as of December 2020 despite severe COVID-19 disruption early in the year. Throughout the year we have performed resiliently despite the challenges of COVID-19. This is as a result of our well-developed digital capability which allowed the business to rapidly adapt to lockdown and digitally accept and underwrite 99.5% of new policies. We also increased the number of online users of our health platform by 320,000 in the year.

Our joint venture won a number of awards this year, including two in the China Finance Summit 2020 which recognised our success in brand and innovation, as well as three other awards including the Annual Impactful Joint Venture Insurance Company, Ark Award of Value Growth Insurance Company and Excellent Life Insurance Company of the Year.

India

In India, we have a life insurance business through our joint venture with Dabur Invest. Corp. The business is a provider of savings, protection and retirement products through bancassurance, retail agency channels and a direct sales force.

1 Source: by GWP, Polish Financial Supervision Authority (KNF)

Risk and risk management

Risk management is key to Aviva's success. We accept the risks inherent to our core 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 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.

Looking forward, these risks may be magnified or dampened by current and emerging external trends (including those set out in "the external environment" section) which may impact our current and longer-term profitability and viability, in particular our ability to write profitable new business.

This includes the risk of failing to adapt our business model to take advantage of these trends. The 'Principal risk trends and causal factors' table in this section describes these trends, their impact, future outlook and how we manage these risks.

How we manage risk

Rigorous and consistent risk management is embedded across the Group through our Risk Management Framework, comprising our systems of governance, risk management processes and risk appetite framework.

Our governance

This includes risk policies and business standards, risk oversight committees and roles and responsibilities. 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'. The roles and responsibilities of the Customer, Conduct and Reputation Committee, Audit and Risk Committees and management's Disclosure, Asset Liability and Operational Risk Committees in relation to the oversight of risk management and internal control is set out in the 'Directors' and Corporate Governance report' in the Annual Report and Accounts.

Our process

The processes we use to identify, measure, manage, monitor and report risks, including the use of our risk models, and stress and scenario testing, are designed to enable dynamic risk-based decision-making and effective day-to-day risk management. Having identified and measured the risks of our business, depending on our risk appetite, we either accept these risks or take action to reduce, transfer or mitigate them.

Our risk appetite framework

This refers to the risks that we select in pursuit of return on capital deployed, the risks we accept but seek to minimise and the risks we seek to avoid or transfer to third parties, including quantitative expressions of the level of risk we can support (e.g. the amount of capital we are prepared to put at risk). In 2020, we integrated climate into our risk appetite framework – see 'Our climate-related financial disclosure' for more information.

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).
- General insurance risk arises from loss events (fire, flooding, windstorms, accidents etc). Health insurance exposes the Group to morbidity risk (the proportion of our customers falling sick) and medical expense inflation.

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.
- Liquidity risk is the risk of not being able to make payments when they become due because there are insufficient assets in cash form.
- Market risks result from fluctuations in asset values, including equity prices, property prices, foreign exchange, inflation and interest rates.

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, people and systems, or external events including changes in the regulatory environment.
- Asset management risk is the risk of customers redeeming funds, not investing with us, or switching funds, resulting in reduced fee income.

Principal risk types

The types of risk to which the Group is exposed have not changed significantly over the year and are described in the table below. All of the risks below, and in particular operational risks, may have an adverse impact on our brand and reputation. The impact of COVID-19 on these risk types has been considered further as a spotlight in this section.

Risk type	Risk preference	Mitigation
Credit risk • Credit spread[1] • Credit default	We take a balanced approach to credit and believe we have the expertise to manage it and the structural investment advantages conferred to insurers with long-dated, relatively illiquid liabilities that enables us to earn superior investment returns.	• Risk appetites set to limit overall level of credit risk • Credit limit framework imposes limits on credit concentration by issuer, sector and type of instrument • Investment restrictions on certain sovereign and corporate exposures • Credit risk hedging programme • Specific asset de-risking
Market risk • Equity price[1] • Property • Interest rate • Foreign exchange • Inflation	We actively seek some market risks as part of our investment and product strategy. We have a limited appetite for interest rate and property risks as we do not believe that these are adequately rewarded.	• Risk appetites set to limit exposures to key market risks • Active asset management and hedging in business units • Scalable Group-level equity and foreign exchange hedging programme • Pension fund active risk management • Asset and liability duration matching limits impact of interest rate changes and actions taken to manage guarantee risk, through product design
Life and health insurance risk • Longevity[1] • Persistency • Mortality and morbidity • Expenses	We take measured amounts of life insurance risk provided we have the appropriate core skills in underwriting and pricing.	• Risk selection and underwriting on acceptance of new business • Longevity swaps covering pensioner-in-payment scheme liabilities • Product development and management framework that ensures products and propositions meet customer needs • Use of reinsurance on longevity risk for our annuity business, including the bulk annuity buy-in transaction with the staff pension scheme
General insurance risk • Catastrophe • Reserving (latent and non-latent) • Underwriting • Expenses	We take general insurance risk in measured amounts for explicit reward, in line with our core skills in underwriting and pricing. We have a preference for those risks that we understand well, that are intrinsically well managed and where there is a spread of risks in the same category. General insurance risk diversifies well with our Life Insurance and other risks.	• Use of reinsurance to reduce the financial impact of a catastrophe and manage earnings volatility • Application of robust and consistent reserving framework to derive best estimate with results subject to internal and external review, including independent reviews and audit reviews • Extensive use of data, financial models and analysis to improve pricing and risk selection • Underwriting appetite framework linked to delegations of authority that govern underwriting decisions and underwriting limits • Product development and management framework that ensures products and propositions meet customer needs
Liquidity risk[2]	The relatively illiquid nature of insurance liabilities is a potential source of additional investment return by allowing us to invest in higher yielding, but less liquid, assets such as commercial mortgages.	• Maintaining committed borrowing facilities from banks • Asset liability matching methodology develops optimal asset portfolio maturity structures in our businesses to ensure cash flows are sufficient to meet liabilities • Commercial paper issuance • Use of our limit framework covering minimum liquidity cover ratio and minimum Group Centre liquidity • Contingency funding plan in place to address liquidity funding requirements in a significant stress scenario
Asset management risk • Fund liquidity • Performance and margin • Product • Retention risks	Risks specific to asset management should generally be reduced to as low a level as is commercially sensible, on the basis that taking on these risks will rarely provide us with an upside.	• Product development and review process • Investment performance and risk management oversight and review process • Propositions based on customer needs • Client relationship teams managing client retention risk

1 Top three risks ranked by diversified Solvency II Solvency Capital Requirement
2 Not quantifiable in terms of economic capital

Risk type	Risk preference	Mitigation
Operational risk • Conduct • Legal & regulatory • People • Process • Data security • Technology • Brand and Reputation	Operational risk should generally be reduced to as low a level as is commercially sensible. Operational risk will rarely provide us with an upside.	• Application of enhanced business standards covering key processes • Our Operational Risk & Control Management Framework which includes the tools, processes and standardised reporting necessary to identify, measure, manage, monitor and report on the operational risks and the controls in place to mitigate those risks within centrally set tolerances • Enhanced scenario-based approach to determine appropriate level of capital to be held in respect of operational risks • On-going investment in simplifying our technology estate to improve the resilience and reliability of our systems and in IT security to protect ours and our customers' data

Spotlight: COVID-19 – Risk management in action

The COVID-19 pandemic has impacted all the geographic markets in which we operate and all the major risk types inherent to our business. Prior to and during the COVID-19 pandemic we have taken active risk management actions to protect our capital position, ensure continuous service to our customers and manage our risk exposures, as set out below:

Risk Type	Risk mitigation
Life insurance risks Impacted because of increased mortality and morbidity as a result of COVID-19	**Individual Life Protection –** Mostly reinsured and we have strict underwriting criteria that limits our exposure to cohorts of the population at highest risk of COVID-19. **Group Life Protection –** Potential greater net exposure, however we have taken pricing actions to limit our exposure from new business. The impact of COVID-19 on our annuity products has been limited over 2020. However, we will continue to closely monitor the impact on the future longevity experience of our portfolio.
General insurance risks Primarily impacted as a result of business interruption and travel disruption consequential to government action to contain the COVID-19 virus spread	**Business interruption –** Standard commercial policy wording does not provide cover for COVID-19. However, we have some exposure through broker determined wordings where we are the lead or follow insurer and many of the issues were subject to the FCA test case. The Supreme Court appeal took place on 15 January 2021, following the verdict the legal uncertainty in the UK around gross losses has been significantly reduced. **Travel –** COVID-19 wording has been clarified to eliminate ambiguity, pricing adjusted to ensure risk is appropriately priced and further reinsurance cover has been purchased.
Credit & Market risks Impacted as financial markets have reacted to the potential economic impact of government actions to manage the pandemic and central bank monetary policy to mitigate the impact.	As a result of the significant financial market impact of COVID-19, particularly to credit and equity markets and interest rates, we took a number of actions to reduce our exposure to credit, equity and interest rate risk across all our markets. Actions include purchasing tactical derivative hedges, asset disposals and reallocations and reducing new business sales in certain markets and products.
Operational risk Impacted by government lockdown measures to reduce the COVID-19 virus spread	**Customer service –** Continued service, despite increased absenteeism and childcare commitments, maintained through IT-enabled home-working and increased customer digital interaction. **Financial crime –** Programme of employee and customer communication and guidance undertaken in response to use of COVID-19 as a pretext for phishing activity, leading to pension and investment fraud, as well as exaggerated and fraudulent claims. **New risks relating to extensive home-working –** We have adapted our processes and controls to address heightened risks including cyber, data loss and occupational health to ensure these remain at an acceptable level.
Asset management risk Impacted by financial market response to COVID-19 pandemic and in particular the commercial property sector	Trading and liquidity management actions were taken within our funds, to ensure continued and uninterrupted service to our customers. However, due to the adverse impact of COVID-19 on the UK commercial property sectors, and in particular the difficulty in being able to assign values to our commercial property portfolios, we temporarily suspended our unit-linked property funds to redemptions for six months in March 2020.

Principal emerging trends and causal factors

This table describes 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	Risk management	Outlook
Economic & credit cycle – uncertainty over prospects for future macroeconomic growth, credit and current low interest rates, and the response of Central Banks, could adversely impact the valuation of our investments or credit default experience as well as the level of the returns we can offer to customers going forwards and our ability to profitably meet our promises of the past. Trend: Increasing Risks impacted: Credit risk, Market 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 formal and ad hoc processes to evaluate changing market conditions. Other actions taken in the past include reducing sales of products with guarantees and shifting our sales towards protection and unit-linked products.	The Group remains exposed to the uncertain economic impact of COVID-19 and the decision for the UK to leave the European Union. Areas of uncertainty include: credit downgrades and defaults, interest rate reductions and falls in property prices. We continue to manage our key interest rate exposures, specifically in Italy and France. We have action plans in place to manage exposures should they move outside our risk appetites.
UK-EU relations – the nature of the UK's relationship with the EU and the EU's treatment of 3rd countries in respect of financial services has implications for our business model, in particular for our asset management and insurance businesses in the EU and how our UK and EU businesses interact. Trend: Stable Risks impacted: Operational risk	Following the end of the decision for the UK to leave the European Union transition period, in 2021 we will continue to actively monitor developments in EU policy towards 3rd countries such as the UK, which could impact our business model and identify contingent management actions to address these. Specifically in respect of: relevant financial services equivalence decisions and the implications where not granted; additional restrictions to asset management delegation rights as a non-EU manager; limitations on reinsurance back to the UK by our EU subsidiaries; limitations on outsourcing back to UK-based experts by EU subsidiaries; restrictions on use by EU insurers (including Aviva's Irish subsidiary) of UK branches for passporting; and restrictions on brokers ability to place business in the UK and restrictions over the transfer of personal data from the EU to the UK and other 3rd countries, including intra-group transfers for data processing.	EU pronouncements over recent years have expressed concerns over the systemic risk posed by dependence of the EU on critical financial infrastructure and services provided by 3rd countries, in particular the UK. Later in 2021 the EU will begin further consultations on changes to regulation of EU domiciled investment funds (AIFMD, UCITS) which may propose restrictions on delegation of asset management activities to the UK. In light of the ECJ's judgement in the Schrems II case, the EU in 2021 will also be revisiting the safeguarding of EU personal data transferred to 3rd countries such as the UK and the legal obligations on the data transferor to ensure data is protected notwithstanding the existence of standard contract clauses (SCCs).

Key trends and movement	Risk management	Outlook
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 there are (or could be in the future) restrictions and controls on premium rates, rating factors and charges. Trend: Volatile Risks impacted: 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 ensure better outcomes for our customers and the Company. The Group's multi-channel distribution and product strategy and geographic diversification 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.	In the UK pressure on public finances may result in further erosion of tax relief for pension savings, and increase in Insurance Premium Tax. Also in the UK, the FCA following the conclusion of its consultation are expected to issue regulations preventing existing customers being charged higher premiums on renewal than new customers. The regulator in Ireland has expressed similar concerns over renewal pricing. In Canada, where motor premium increases are approved by provincial regulators, pressure to minimise these will persist. In Poland pension reform which could radically impact the pensions industry has been delayed until 2021, while regulatory pressure on charges on unit-linked products is likely to increase. EU intends to conclude its review of Solvency II in 2021, while at the same time we expect greater clarity on how the UK might seek to diverge from Solvency II to better suit the needs of UK insurers and policyholders. Both reviews could impact the amount of prudential capital our businesses are required to hold in the UK and EU.
New technologies & data – failure to understand and react to the impact of new technology and its effect on customer behaviour 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. Trend: Increasing Risks impacted: 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, now implemented across the Group, sets out our public commitment to use data responsibly and securely. Our new Group Data Strategy will provide a renewed focus to ensuring that Aviva derives increased value from the data we hold for our customers in a secure and ethical way across the Group.	Data mastery and the effective use of 'Big Data' through artificial intelligence 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 enter 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, reputational impact from not being seen as a responsible steward/investor, as well as adversely impacting economic growth and investment markets. Trend: Increasing Risks impacted: General insurance risk, Credit risk, Market risk	'Our climate-related financial disclosure' sets out how Aviva incorporates climate-related risks and opportunities into governance, strategy, risk management, metrics (e.g. Climate Value-at-Risk) and targets. We commit to aligning our business to the 1.5°C Paris Agreement target and plan to be a Net Zero company by 2040.	Aviva considers climate change to be one of the most material long-term risks to our business model. Global average temperatures over the last five years have been the hottest on record. Despite the UNFCCC Paris agreement, the current trend of increasing CO_2e 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, windstorms) increasing in frequency and severity. Disclosure of potential impacts against various climate scenarios and time horizons will continue to become increasingly common for all companies.

Key trends and movement	Risk management	Outlook
Cyber crime – criminals may attempt to access our IT systems to steal or utilise company and customer data, or plant malware viruses, in order to access customer or company funds, and/or damage our reputation and brand. Trend: Increasing Risks impacted: Operational risk	Aviva has invested significantly in cyber security introducing additional automated controls to protect our data and critical IT services. This investment has enhanced our ability to identify, detect and prevent cyber-attacks and we regularly test ourselves through our own 'red team' hackers to test our cyber defences and crisis management protocols. Aviva encourages a cyber aware culture by regularly undertaking activities such as employee phishing exercises, computer-based training and more regular communications about specific cyber threats.	In 2020 there continued to be high profile cyber security incidents for corporates in the UK and elsewhere. Cyber threat is expected to persist in 2021 with increasing levels of sophistication and industrialisation anticipated. Aviva continuously monitors the external threat environment to ensure that our cyber investment remains appropriate to mitigate the continued and changing nature of the cyber threat.
Medical advances and healthier lifestyles – these contribute to an increase in life expectancy of our annuity customers and thus future payments over their lifetime may be higher than we currently expect. Trend: Stable Risks impacted: 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). Also, despite continued medical advances emerging, dietary changes, increasing obesity and strains on public health services have begun to slow the historical trend, leading in the UK to some significant industry-wide longevity reserve releases in recent years. In the longer term this may even result in a reversal in the trend of increasing life expectancy.
Changes in customer behaviour – will impact how customers wish to interact with us and the product offering they expect, including the exercise of options embedded in contracts already sold by us. Trend: Increasing Risks impacted: Operational risk	We listen to our customers to ensure we meet their savings, retirement and insurance needs. We also seek to improve the way we serve our customers by simplifying our interactions with them, resolving queries at their first point of contact where appropriate and enhancing our digital capabilities.	The financial impact of a recession will be felt across our customer demographic. This could include rising unemployment as government support packages end or retiree drawdown due to low interest rates and falling markets. These pressures will inevitably cause changes in customer behaviours and we maintain an agile approach with our strategy, plans, and in particular product development. We also expect regulatory scrutiny to increase to ensure we continue to serve and treat our existing customers fairly particularly those who are vulnerable.
Outsourcing – we rely on a number of outsourcing providers for business processes, customer servicing, investment operations and IT support. The failure of a critical outsourcing provider could disrupt our operations. Trend: Stable Risks impacted: Operational risk	Our 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. Specific focus areas have been on contingency and exit planning.	We expect regulatory scrutiny (including PRA's CP19/30 – Outsourcing and Third Party Risk Management) of outsourcing arrangements to remain high following financial difficulties faced by some providers.

Key trends and movement	Risk management	Outlook
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. Trend: Increasing Risk impacted: 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 current 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 extreme pandemic scenarios (e.g. a repeat of the 1918 global influenza pandemic or COVID-19). In the Group and commercial insurance business we limit our potential exposure through our policy wordings. As an investment manager and investor, we engage with companies to ensure the responsible use of antibiotics to reduce the risk that antimicrobial resistance negates the efficacy of medical treatment.	We expect the current COVID-19 pandemic to continue until an effective vaccine is fully rolled-out in 2021 or failing that the virus becomes endemic with the long-term impact on mortality and morbidity dependent on the extent natural immunity develops in the general population and the efficacy of new healthcare treatments. Going forward, 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 are likely to be temporary making the containment of future pandemics more challenging. We expect the experience and learnings from the current COVID-19 will improve the effectiveness of the public healthcare response to any future pandemics.

Capital management

Overview

Group capital is represented by Solvency II own funds. The Group manages capital in conjunction with its solvency capital requirements (SCR) and in line with a new dividend policy and capital framework announced in November 2020.

Our new capital framework and priorities

In November 2020, we announced a dividend policy and capital framework that aligns with our strategy to focus on the Core markets of the UK, Ireland and Canada. At the core of our capital framework is financial strength and efficient deployment of capital.

- We aim to operate a sustainable dividend policy with a level of dividend that is resilient in times of stress and is covered by capital and cash generated from the Core markets. We aim to grow our dividend per share by low to mid-single digits over time as we benefit from growth in key segments, improved efficiency as well as lower levels of debt and associated interest. As we make further progress on focusing the portfolio, this will provide further flexibility to both invest in our business and to provide additional returns to shareholders.
- Our first priority for capital deployment is to reduce to and then maintain our Solvency II debt leverage ratio[1] below 30%.
- Once we have achieved this, to the extent that we have both excess capital above the top of our working capital range for the Solvency II shareholder cover ratio[1] of 160%-180% and excess centre cash, we will consider additional returns to shareholders.

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[1]. Our Solvency II shareholder cover ratio[1] working range is 160%-180%.

Our businesses are capitalised based on their regulatory minimum levels with further prudent volatility buffers specific to each entity. Market local capital appetites and working ranges are reviewed regularly by local boards. During 2020 we took a relatively cautious approach to cash remittances[1] in the wake of the challenges the COVID-19 pandemic presents for businesses, households and customers, the uncertain impact on the global economy, and regulatory restrictions in certain markets.

We actively manage our centre liquidity[1] including stress testing our forecast cash remittances[1] and centre liquid assets in order to support our dividend and deleveraging ambitions.

Capital deployment and allocation framework

The Group's economic value-added (EVA) framework ensures that we deploy our capital based on a robust assessment of value creation. EVA is calculated as the own funds generated less the Group's cost of capital and this EVA approach is closely related to our Solvency II return on equity[1] metric.

We use EVA to support strategic decision making, such as transformation projects or merger and acquisitions, business capital allocation, pricing, hedging, reinsurance and asset allocation.

When making capital allocation decisions in addition to EVA we consider other key metrics including cash remittances[1], Solvency II operating capital generation (OCG)[1] and Group adjusted operating profit[2].

Capital and cash

Group Solvency position

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 and 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.

1 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 of the Annual Report and Accounts.
2 Group adjusted operating profit is an APM which is used by the Group to supplement the required disclosures under IFRS. Please refer to note B in the 'Accounting Policies' section and to the 'Other Information' section within the Annual Report and Accounts for further information.

The Group Solvency II capital position is summarised in the table below:

	Own funds 2020 £m	SCR 2020 £m	Surplus 2020 £m	Own funds 2019 £m	SCR 2019 £m	Surplus 2019 £m
Estimated Solvency II regulatory surplus as at 31 December[1]	**29,262**	**(16,441)**	**12,821**	28,347	(15,517)	12,830
Adjustments for:						
Fully ring-fenced with-profit funds	**(2,492)**	**2,492**	**—**	(2,501)	2,501	—
Staff pension schemes in surplus	**(1,179)**	**1,179**	**—**	(1,181)	1,181	—
PPE[1]	**(385)**	**—**	**(385)**	—	—	—
Notional reset of the transitional measure on technical provisions (TMTP)	**564**	**—**	**564**	—	—	—
Pro forma adjustments[2]	**—**	**—**	**—**	(117)	(75)	(192)
Estimated Solvency II shareholder surplus at 31 December	**25,770**	**(12,770)**	**13,000**	24,548	(11,910)	12,638

Financial strength is key to the Group's strategy and the Group's estimated Solvency II shareholder cover ratio[3] has remained resilient throughout a turbulent year and is 202% at 31 December 2020 *(2019: 206%)*. The movement in the Solvency II shareholder surplus over the period is shown in the table below:

Shareholder view	Own funds 2020 £m	SCR 2020 £m	Surplus 2020 £m
Group Solvency II surplus at 1 January	**24,548**	**(11,910)**	**12,638**
Opening restatements[4]	**78**	**(202)**	**(124)**
Operating capital generation	**1,691**	**241**	**1,932**
Non-operating capital generation	**(741)**	**(963)**	**(1,704)**
Dividends[5]	**(549)**	**—**	**(549)**
Hybrid debt repayments	**257**	**—**	**257**
Acquisitions and disposals	**486**	**64**	**550**
Estimated Solvency II surplus at 31 December	**25,770**	**(12,770)**	**13,000**

The increase in surplus since 31 December 2019 is mainly due to the beneficial impacts from Solvency II OCG[3], impact from disposals of subsidiaries (primarily Singapore) partially offset by the impact of the economic downturn and interim dividends in respect of the 2019 and 2020 financial years.

Our capital management ensured a stable solvency position in a tough economic environment:

- We have maintained a stable new business strain despite higher volumes of bulk-purchase annuity volumes in the UK reflecting disciplined pricing and efficient use of reinsurance to conserve capital. In Europe, we have lowered with-profits volumes protecting solvency in the low interest rate environment.
- We maintained an active and disciplined approach to investment risk in 2020 which included reducing equity, interest rate and credit risk by changes in investment mix and additional hedging in response to the impact of the economic downturn from COVID-19.

Solvency II operating capital generation[3]

Solvency II OCG[3] 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[3] from our business, which in turn supports the Group's dividend as well as funding further investment to provide sustainable growth. Solvency II OCG[3] by division is summarised in the table below:

Solvency II OCG[3]	2020 £m	Restated[6] 2019 £m
UK & Ireland Life[7]	**1,259**	1,248
UK & Ireland General Insurance	**357**	251
Canada	**262**	261
Aviva Investors	**70**	90
Manage-for-value	**172**	867
Group centre, debt costs and Other[7]	**(188)**	(458)
Total Group Solvency II OCG[3]	**1,932**	2,259

Solvency II OCG[3] decreased to £1,932 million *(2019: £2,259 million)*. Total Solvency II OCG[3] was impacted by changes made to our French life model which corrected a misapplied rule, and also benefited from a lower contribution from management actions of £518 million *(2019: £826 million)* which included positive assumption changes as well as diversification benefits in Group centre and other.

1 Regulation was introduced in France that allows French insurers to place the Provision pour Participation aux Excédents (PPE) into Solvency II own funds. At 31 December 2019 PPE was included in the France local regulatory own funds but was excluded from the estimated Group regulatory own funds, subject to confirmation of the appropriate treatment at Group level. The treatment has since been confirmed and PPE is included in the estimated Group regulatory own funds at 31 December 2020.
2 The 31 December 2019 Solvency II position includes three pro forma adjustments that relate to the disposal of FPI (£nil impact on surplus), the disposal of Hong Kong (£nil impact on surplus) and the potential impact of an expected change to Solvency II regulations on the treatment of equity release mortgages (£0.2 billion). The 31 December 2020 Solvency II position does not include proforma adjustments. Note that from 31 December 2020 no pro forma adjustments will be made for planned disposals.
3 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 of the Annual Report and Accounts.
4 Opening restatements allows for adjustments to the estimated position presented in the preliminary announcement and the final position in the SFCR.
5 Dividends includes £17 million of Aviva plc preference dividends and £21 million of General Accident plc preference dividends, and £511 million for the interim dividends in respect of the 2019 and 2020 financial years.
6 The 2019 comparative results have been restated from those previously published due to a change in presentation of segmental information.
7 Following a review of the presentation of intercompany loan interest, comparative amounts for the 12 months ended 31 December 2019 have been amended to reclassify net interest expense from UK & Ireland to Group centre, debt costs and Other of £69 million as a non-operating item. The change has no impact on the Group's Solvency II OCG.

Solvency II operating own funds generation[1] and Solvency II return on capital/equity[1]

Solvency II operating own funds generation[1] and Solvency II return on capital/equity[1] was first introduced in November 2019 and is now embedded in our management of capital. Solvency II return on equity (RoE)[1] is calculated as:

- Operating own funds generation less preference dividends, DCI and tier 1 note coupons divided by;
- Opening value of unrestricted tier 1 shareholder own funds. Unrestricted tier 1 shareholder own funds represents the highest quality tier of capital and includes instruments with principal loss absorbing features such as permanence, subordination, undated, absence of redemption incentives, mandatory costs and encumbrances.

Solvency II RoE[1] is used by the Group to assess performance and growth, as we look to deliver long-term value for our shareholders. It is a more relevant measure of performance than IFRS return on equity[1] as it is an economic value measure, the basis on which we manage Group capital. Solvency II operating own funds generation[1] and return on capital/equity[1] by division is summarised in the table below:

	2020		2019	
	Operating own funds generation[1] £m	**Return on capital[1] / equity[1] %**	Operating own funds generation[1] £m	Return on capital[1] / equity[1] %
UK & Ireland Life	**1,057**	**7.4%**	1,247	9.1%
UK & Ireland General Insurance[2]	**329**	**13.1%**	333	14.3%
Canada	**287**	**19.9%**	203	15.3%
Aviva Investors	**67**	**13.7%**	70	13.7%
Manage-for-value	**497**	**6.2%**	850	11.4%
Group centre, debt costs and Other[2]	**(250)**	**n/a**	(162)	n/a
Total Solvency II return on capital[1]	**1,987**	**8.1%**	2,541	10.8%
Senior and subordinated debt	**(296)**		(284)	
Total Solvency II operating own funds generation[1]	**1,691**		2,257	
Direct Capital Instruments, Tier 1 notes and preference shares	**(65)**		(72)	
Total Solvency II return on equity[1]	**1,626**	**9.8%**	2,185	14.3%

Solvency II RoE[1] was 9.8% *(2019: 14.3%)* and Solvency II operating own funds generation[1] was £1,691 million *(2019: £2,257 million)*, lower primarily owing to changes to modelling in our French life business which corrected a mis-applied rule, and significantly lower benefit from longevity assumption changes in UK Life. Excluding the impact of capital actions, non-economic assumption changes and other non-recurring items, Solvency II RoE[1] increased to 9.8% *(2019: 8.1%)* and Solvency II operating own funds generation increased to £1,685 million *(2019: £1,313 million)* driven by underlying improvements in UK Life, due to BPA new business, and in our UK and Canada General Insurance businesses.

Cash remittances[1]

The table below reflects actual remittances[1] received by the Group from our businesses, comprising dividends and interest on internal loans. Cash remittances[1] are eliminated on consolidation and hence are not directly reconcilable to the Group's IFRS statement of cash flows.

	2020 £m	2019 £m
UK & Ireland Life[3,4]	**1,007**	1,394
UK & Ireland General Insurance[3,5]	**171**	273
Canada[3,6]	**131**	156
Aviva Investors	**50**	86
Core markets	**1,359**	1,909
Manage-for-value markets[3]	**127**	613
Other	**14**	75
Total	**1,500**	2,597

Cash remittances[1] from our Core markets in 2020 are lower than 2019 as 2019 included a special remittance of £500 million from UK & Ireland Life which was not repeated in 2020. In addition we have chosen to retain cash in the subsidiaries to maintain balance sheet strength given the unprecedented economic and market uncertainty related to COVID-19. Cash remittances[1] from our Manage-for-value markets are lower mainly driven by regulatory restrictions related to COVID-19 and a 2019 special remittance from Italy of £172 million which is not repeated in 2020. Other includes excess cash remitted to Group on the winding down of Aviva Re.

1 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 of the Annual Report and Accounts.
2 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 capital and Solvency II return on equity measures, with the reversal of the impact included in Group centre costs and Other opening own funds.
3 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.
4 UK & Ireland Life cash remittances include £250 million *(2019: £nil)* received in February 2021 in respect of 2020 activity.
5 UK & Ireland General Insurance cash remittances include £74 million *(2019: £83 million)* received in February 2021 in respect of 2020 activity.
6 Canada General Insurance cash remittances include £115 million *(2019: £141 million)* received in February 2021 in respect of 2020 activity.

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 below shows the absolute change in Solvency II shareholder cover ratio[1] under each sensitivity, e.g. a 2pp positive impact would result in a Solvency II shareholder cover ratio[1] of 204%.

Sensitivities	Impact on Solvency II shareholder cover ratio[1] 31 December 2020 pp
50 bps increase in interest rate	**9pp**
100 bps increase in interest rate	**15pp**
50 bps decrease in interest rate	**(11)pp**
100 bps increase in corporate bond spread[2,3]	**3pp**
50 bps decrease in corporate bond spread[2,3]	**(3)pp**
Credit downgrade on annuity portfolio[4]	**(6)pp**
25% increase in market value of equity	**3pp**
25% decrease in market value of equity	**(5)pp**
20% decrease in value of commercial property[5]	**(11)pp**
20% decrease in value of residential property[5]	**(7)pp**
10% increase in lapse rates	**(2)pp**
5% increase in mortality/morbidity rates – life assurance	**(2)pp**
5% decrease in mortality rates – annuity business	**(16)pp**

Note that 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, adjusting bonuses credited to policyholders and taking other protective action.

Solvency II regulatory own funds and Solvency II debt leverage ratio[1]

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 below provides a summary of the Group's regulatory Solvency II own funds by Tier and Solvency II debt leverage ratio[1]:

Regulatory view	2020 £m	2019 £m
Solvency II regulatory debt	**8,316**	7,892
Senior notes	**1,112**	1,052
Commercial paper	**108**	238
Total debt	**9,536**	9,182
Unrestricted Tier 1	**20,850**	20,377
Restricted Tier 1	**1,317**	1,839
Tier 2	**6,740**	5,794
Tier 3[6]	**355**	337
Total regulatory own funds[7]	**29,262**	28,347
Solvency II debt leverage ratio[1]	**31%**	31%

Solvency II debt leverage ratio[1] remains at 31% *(2019: 31%)*. An increase in total debt was offset by an increase in Unrestricted Tier 1 own funds over 2020. The net increase in debt was driven by the issuance of 4.000% £500 million Tier 2 notes in June 2020 and 4.000% C$450 million Tier 2 notes in October 2020. These issuances were partially offset by redemption of the Group's 5.9021% £500 million direct capital instrument in July 2020 and a reduction in commercial paper over 2020. For details of subsequent events relating to borrowings see note 52(g).

Note that:

- Unrestricted Tier 1 capital 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.
- Restricted Tier 1 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.
- Tier 2 capital 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.
- 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.

1 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 of the Annual Report and Accounts.
2 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. This methodology differs to the prior period. The 31 December 2019 corporate bond spread sensitivities have not been restated for the change in approach.
3 A modelling refinement was implemented to the corporate bond credit sensitivities in the UK following a review of the 31 December 2019 methodology.
4 An immediate full letter downgrade on 20% of the annuity portfolio credit assets (e.g. from AAA to AA, from AA to A). The 31 December 2020 downgrade sensitivity now includes infrastructure (except Private Finance Initiatives).
5 The property sensitivities are in addition to reduced property growth assumed over the next 5 years in the base solvency position.
6 Tier 3 regulatory own funds at 31 December 2020 consists of £259 million subordinated debt (*2019: £259 million*) plus £96 million net deferred tax assets (*2019: £78 million*).
7 Regulation was introduced in France that allows French insurers to place the Provision pour Participation aux Excédents (PPE) into Solvency II own funds. At 31 December 2019 PPE was included in the France local regulatory own funds but was excluded from the estimated Group regulatory own funds, subject to confirmation of the appropriate treatment at Group level. The treatment has since been confirmed and PPE is included in the estimated Group regulatory own funds at 31 December 2020.

Responsibility

Acting responsibly and sustainably means we can look after our customers and our people, help build thriving, resilient communities, and protect the planet.

This section of our report explains how we take our responsibilities seriously:

Our customers	• Our purpose, 'with you today, for a better tomorrow,' captures the reason we exist as a business. Understanding what's important to our 31.6 million customers, serving them well and treating them fairly is key to our long-term success. See **Section 172 (1) statement and our stakeholders**
Our people	• Our aim is for our people to achieve their potential within a diverse, collaborative and customer-focused organisation. See **Our people**
Build resilient communities	• We will help people handle the life-changing effects of a hotter planet. We will help more people get access to financial education and services. We will work towards healthier, more diverse, more inclusive communities that are better placed to bounce back from a crisis. See **Corporate responsibility**
Protect the planet	• Aviva is a trusted climate change leader and we remain committed to tackling this vital issue. See **Climate-related financial disclosure**

Section 172 (1) statement and our stakeholders

Overview

We report here on how our directors have performed their duty under Section 172 (1) (s.172) of the Companies Act 2006. S.172 sets out a series of matters to which the directors must have regard to in performing their duty to promote the success of the Company for the benefit of its shareholders, which includes 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 setting, 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 and Management drives the embedding of the desired culture throughout the organisation. 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 'Corporate responsibility' and 'Our climate-related financial disclosure' section of the Strategic report.

Our culture

Our culture is shaped by our clearly defined purpose – 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 our stakeholders based on openness and transparency. We value diversity and inclusivity in our workforce and beyond, and the 'Our people' section of this report sets out how that underpins everything we do.

Key strategic decisions in 2020

For each matter that comes before the Board, 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.

- 2020 has been dominated by COVID-19 and its impact on our customers, our people and the communities in which we operate. For our customers we moved quickly to expand our remote working capability to maintain strong levels of service for individual and commercial customers. We have provided extensive support for our people throughout the period of restrictions, focusing on wellbeing and mental health support, as well as practical assistance for working at home. Aviva has played a significant role in helping our communities, contributing more than £40 million to support community partners. While COVID-19 has been a tragedy for public health and the global economy, Aviva has continued to demonstrate resilience both in terms of financial strength and performance. Nonetheless, in the wake of the unprecedented challenges of COVID-19 we announced on 8 April 2020 the withdrawal of the recommended 2019 final dividend. This reflected the highly uncertain impact on the economy of COVID-19 and the urging of regulatory authorities publicly to exercise restraint in paying dividends. On 6 August 2020 at the Interim Results Announcement we declared a second interim dividend for 2019. On 26 November 2020 we provided an update on our dividend policy and declared an interim dividend for 2020. On 4 March 2021 we declared a final dividend for 2020.

At the Interim Results Announcement we also announced that going forward we would focus on our strongest businesses in the UK, Ireland and Canada where we have the necessary size, capability and customer service capabilities to generate superior returns for shareholders. The Aviva international businesses in continental Europe and Asia would be managed for long-term shareholder value, and where we could not meet our strategic objectives, we would withdraw capital. In addition, we announced that we must translate our strength in customer and distribution into superior financial performance for shareholders, and further strengthen our financial position in order to give the optionality to invest in our businesses and provide returns to shareholders.

Consistent with our strategic priorities, on 11 September 2020 we announced the sale of a majority shareholding in Aviva Singapore. The sale of Aviva Singapore was a first step in focusing our portfolio and demonstrated execution against our strategic priorities. On 30 November 2020 we announced completion of the transaction. During the fourth quarter we announced the sale of a major part of our Italian life business, Aviva Vita, with completion expected in the first half of 2021. We also announced completion of the disposals of our Indonesian joint venture and our Hong Kong joint venture. Finally, on 23 February 2021, we announced the sale of our French business, and on 24 February 2021 we announced the exit from our Turkish joint venture.

1 The s.172 statements of our qualifying subsidiaries will be made available on the Aviva plc website.

Stakeholder engagement

The table below sets out our approach to stakeholder engagement during 2020:

Stakeholders	Why are they important to Aviva?	What is our approach to engaging with them?
Customers	Understanding what's important to our 31.6 million customers is key to our long-term success.	• The Customer, Conduct and Reputation Committee (CCRC) receives regular reporting on customer outcomes and customer-related strategic initiatives. • The CCRC closely monitors customer metrics and engages with the leadership team if our performance does not meet our customers' expectations. • The Board continues to monitor and review developments concerning changes to our IT platforms which will allow us to simplify and support service delivery to our customers. • As part of our COVID-19 response the Board discussed and supported the activities to support customers, including premium deferrals and the prioritisation of existing customers, particularly vulnerable customers, over new business. • For further information on how we engage with our customers, please see the reports from each of our business divisions in the 'Our market review' section of this Strategic report.
Our people	Our people's well-being and commitment to serving our customers is 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 outputs of our annual global engagement survey. • The Chair also is chair- of the Evolution Council (a diverse group of high calibre leaders from across the business), involving them in discussions related to the Group's strategy and incorporating their insight into the Board's decision-making. Council meetings are attended by several Non-Executive directors and the Non-Executive directors may also attend meetings of Your Forum, our fully elected employee forum representing UK employees. • We believe these methods of engagement with Aviva employees are effective in building and maintaining trust and communication and they allow for openness, honesty and transparency within the business. They also act as a platform for Aviva employees to influence change in relation to matters that affect them. • Our people share in the business' success as shareholders through membership of our global share plans. • We are committed to recruiting, training and retaining the best talent we can find and we are proud to be a pioneer in some areas of employee benefits, including providing six months paid parental leave for all UK employees. • During 2020 the Board ensured that our people's safety was at the heart of decision-making. Our people received regular communications through our leaders and colleagues were consistently provided with guidance and support. This included making sure that the capabilities were in place to allow our people to work from home. Internal surveys for employees were issued to ensure that the Board received feedback from employees as to whether they felt supported and well informed. • The Board recognises the benefits of a diverse workforce and an inclusive culture and as a result there has been significant activity and investment on Diversity and Inclusion, with a priority on gender and ethnic minorities particularly following the Black Lives Matter movement. • The Group Chief Executive Officer is a member of the 30% Club, a business-led organisation committed to accelerating progress towards better gender balance at all levels of the organisation. Further information on our approach can be found in the 'Our people' section of this Strategic report.

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.	• Our directors maintain oversight of the management of our most important suppliers and our operating subsidiary boards review and report on their performance. • All supplier-related activity is managed in line with the Group Procurement and Outsourcing business standard. This ensures that supply risk is managed appropriately in relation to customer outcomes, data security, corporate responsibility, and financial, operational, contractual issues. • An important part of our culture is the promotion of high legal, ethical, environmental and employee related standards within our business and among our suppliers. Before working with any new suppliers, we provide them with our Third-Party Code of Behaviour, and our interaction with them is guided by our Business Ethics Code 2020. • Our Board reviews the actions we have taken to prevent modern slavery and associated practices in any part of our supply chain and approves our Modern Slavery Statement each year. • 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 Board received an update on supplier risks and performance in December 2020, including how we treat suppliers fairly and equitably.
Communities	We recognise the importance of contributing to our communities through volunteering, community investment, and long-term partnerships. As a major insurance company we are fully engaged in building resilience against the global impact of climate change.	• The Board receives regular updates on our Corporate Responsibility activity, including our strategic partnership with the British Red Cross, the Aviva Foundation[1] and our wider community investment approach. • Aviva and the British Red Cross have been working in strategic partnership since 2016 to build safer and stronger communities in the UK and beyond. Many of our people have volunteered in support of this work including as Community Reserve Volunteers and through a Global Mapathon, to help map some of the world's most vulnerable communities, who otherwise could not easily be reached by aid organisations in times of crisis. • During 2020 Aviva significantly increased community investment in light of COVID-19 to support vulnerable customers and the communities in which the Company operates. This included Aviva and the Aviva Foundation donating £10 million to the British Red Cross and other National Societies to support communities across our markets, including the creation of a hardship fund in the UK to provide financial support to those most in need. • Since the end of 2018, through the Aviva Foundation, over £7 million has been granted to organisations delivering public benefit projects aligned to Aviva's purpose, values, and expertise. The Aviva Foundation will continue these investments through 2021. For further information, see the 'Corporate responsibility' section of this Strategic report. • Aviva was the first international insurer to become operationally carbon neutral in 2006 and we continue to offset 100% of any remaining operational carbon emissions. Being carbon neutral means taking part in a carbon offset programme which allows us to invest in environmental projects around the world that reduce the same amount of carbon that we produce through our buildings and other operations. We are now taking our ambition a step further and have set out our goal to becoming a Net Zero company across our operations, supply chain and investments, as part of our commitment to the UN Net Zero Asset Owners Alliance. • More on how the Board incorporates climate-related risks and opportunities into our governance, strategy and risk management operations is included in 'Our climate-related financial disclosure in this Strategic report.

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

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. • The CCRC provides focus over this area through its oversight of the regulatory relationship and landscape. • On 26 October 2020 the FCA published the outcome of its investigation into Aviva's announcement on preference shares in March 2018. Aviva released its response the same day accepting the FCA finding. Aviva had earlier recognised the uncertainty created for preference shareholders by the March 2018 announcement, and on 31 July 2018, set up a discretionary goodwill scheme for impacted preference shareholders. • The Board worked closely with the regulators and other supervisory bodies in the wake of the unprecedented challenges presented by COVID-19.
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. Due to the restrictions associated with the COVID-19 pandemic, it was not possible to hold our usual AGM arrangements, but we filmed an event with the Chair and Group Chief Executive Officer answering questions submitted by shareholders to ensure our engagement with shareholders continued as far as possible in the circumstances. • The Chair and Executive Directors have a programme of meetings with institutional investors during the year. The Board also receives regular briefings from our corporate brokers on investors' views. • 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.

Our people

Aviva's diverse workforce includes over 28,000 colleagues, with more than 15,000 colleagues in our home market in the UK.

Our people are committed to doing their best for our customers every day and that didn't change in 2020 despite the challenges of an exceptional year. Our focus has been on keeping them safe and supporting them so they can continue to look after our customers.

Our approach

The focus of our global People teams is to transform the performance of Aviva through our people. The People strategy has been refreshed in line with our evolving business strategy and has the following aims:

- Drive a step change in accountability and a more balanced performance culture with the customer at the heart of what we do.
- Upskilling and reskilling our people around the capabilities required now and in the long-term.
- Risk management embedded in every employee's role and responsibilities.
- Clearly defined behaviours for all our people aligned to our values that run through all our people interventions.

Impact of COVID-19

In March, we began closing offices across the globe. We took measures to protect our people and the operational resilience of the business so we could continue to provide great service to our customers. This included expanding home working by increasing remote working capacity, building additional laptops, and launching new collaboration tools like Microsoft Teams. By April, around 97% of colleagues globally were working from home.

With colleagues safely at home, and customer needs continuing to be met, our focus shifted to supporting colleagues and taking the opportunity to work smarter. This included:

- Regular updates clarifying any changes or Government announcements for our employees and confirming our response.
- Increasing the frequency of leadership communications.
- Continuing to pay colleagues who had to reduce their hours when schools or childcare were unavailable.
- Providing physical equipment at home to anyone who needed it.
- Introducing a smart working policy to articulate ways of working remotely that supports employees, customers and Aviva.
- Supporting mental wellbeing through a range of apps, virtual classes and support forums.
- Online content and training courses supporting leaders in remote leadership approaches.

Once we could begin to open our offices again, we made sure they were COVID-19 secure and initially prioritised access for those employees who needed to come in for their job or for health or wellbeing reasons. Although it was not office-life as colleagues knew it, with temperature checks on arrival, one-way systems, and social distancing, feedback from those who returned was positive.

Engaging our people

In 2020 our global employee opinion survey, the Voice of Aviva, showed another solid uplift in engagement, with 80% of colleagues saying they would recommend Aviva as a great place to work. The rise was driven by stronger belief in the Aviva strategy (up 12 points) and greater trust in senior leaders (up 7 points). Our colleagues are much clearer about our plans and how they can contribute to the business' success.

Feedback on Aviva's culture shows strong improvements in speed of decision-making and on customer and risk-focused behaviours. Three in four colleagues are having performance conversations quarterly or more often. This is an important lead indicator of wider leadership behaviour – listening to, coaching, recognising and supporting teams and also driving a step change in performance.

The organisation will focus on two key areas as a result of the 2020 survey. Firstly, providing greater clarity on the implications of the organisational strategy on market and function's priorities to give colleagues clear direction and accelerate their performance. And secondly, clarifying expectations around supporting and managing performance so colleagues understand what and how they are expected to deliver and their progress against that.

Another influence on engagement is colleagues feeling listened to and involved in decisions. We continue to take our responsibility to consult very seriously. We have positive and constructive relationships with trade unions in all our markets, as well as all-employee representative bodies (for example, Your Forum in the UK). Bodies like Your Forum and the Evolution Council, hosted by the Chair, remain a key way of recognising that we all have a part to play in contributing to the debate on issues and opportunities impacting our people and our organisation.

Our representative bodies meet regularly with members of the Group Executive Committee as well as members of their respective senior leadership teams. We believe that by doing so we encourage a culture of trust and open and honest communication that will help us ensure that our organisation is a better place to be. In 2020, Amanda Blanc, Group CEO, also attended and presented to the European Consultative Forum.

Diversity and Inclusion

We want Aviva to be a place where people can be themselves, and we want our workforce to reflect the customers and communities we serve. It's a fundamental part of living up to our purpose, key to continuing as a sustainable and successful business, and it helps contribute to fairer, more equal communities.

We are determined to keep challenging ourselves to do more to build a workplace – and society – that works for all.

It's important to us that all our colleagues at Aviva are involved, including those with visible and invisible disabilities. We make reasonable adjustments for our people and for candidates who are interested in working for us. As a Disability Confident Employer, we will interview every disabled applicant who meets the minimum criteria for the job and offer Workplace Adjustment Passports to colleagues.

In the Voice of Aviva, employees were asked 'if they can be themselves at work'; 84% responded positively, up 2 points from 2019. Diversity and Inclusion is woven into everything at Aviva, from inclusive policies to customer propositions, supported by our engaged leadership helping to drive the changes that are needed.

We've made considerable efforts in Diversity and Inclusion (D&I), which is promoted through our six Global Employee Resource Groups, known as the Aviva Communities, each sponsored by members of the Aviva Group Executive Committee. These cover race, religion and social mobility; gender; sexuality and gender identity; caring responsibilities; age and mental and physical health. The Communities work collectively so that we have an intersectional approach to D&I. This was recognised through a number of awards in 2020 including placing #45 (the only insurer in the UK) in the Stonewall Workplace Equality Index, and appearing on the Sunday Times Top 50 Employers for Women.

The death of George Floyd and the #BlackLivesMatter campaign received prominent attention at Aviva. The organisation heard directly from colleagues through safe listening sessions, two-way leadership communications and widespread use of our internal social media platforms. In September, Aviva published its BlackLivesMatter action plan on www.aviva.com and is committed to change by supporting colleagues, educating its people and acting in the wider community. Aviva are founder signatories of the CBI Race Ratio and the Canadian Black North Initiative.

We are particularly focused on two of our D&I priorities, gender and ethnicity:

Gender

- At the end of 2020, Aviva had 33% female senior leadership (32% 2019). We will continue improving senior female representation through initiatives such as Equal Parental Leave, targeted female development programmes and diverse short lists.

Ethnicity

- In 2019, a data campaign #ThisIsMe was launched to collect the diversity data of UK colleagues. The completion rate has progressed from 10% in 2019 to 53% in 2020. The data will be used to drive evidence-based actions and help set targets for ethnicity.
- In early 2020, an ethnic minority leadership programme was piloted with 18 employees and has proved very successful. It will run as one of Aviva's leadership programmes in 2021 alongside the female leadership programme.
- Aviva is committed to educating all in the organisation. Notable initiatives include development of Anti-Racism Training and the introduction of Reverse Mentoring with black employees and the senior executive.
- Aviva met the requirements of the Parker Report with the appointment of an ethnically diverse member of the board.
- In 2020, Aviva was a founder member of the CBI, Change the Race Ratio campaign.
- Aviva has published it's #BlackLivesMatter action plan on its website.

Health and wellbeing

The challenges of 2020 have shown the strength of the Wellbeing programme at Aviva. Our colleagues' health and wellbeing continue to be at the forefront of decision making as we support our customers, our people and our business.

During the COVID-19 pandemic, we provided support to our people leaders and colleagues through two evolving guides – 'Leading Virtually' and 'Working Virtually' – sharing hints, tips, advice and resources to support individuals whether they were trying to balance work and home schooling or faced lockdown living alone. Leaders were encouraged to regularly check on the wellbeing of their team to make sure that working remotely, or 'out of sight', didn't result in a loss of connection, and were provided with advice on topics such as motivation and isolation. So, while we may have been physically distanced, we encouraged our colleagues to remain socially connected.

We have also been sharing advice to help colleagues avoid the 'always on' culture that can surface when working from home, and with colleagues working flexible hours.

We quickly adapted the face to face elements of our wellbeing programme. For example, in the UK, colleagues now have access to a virtual class timetable, with over 30 free classes a week covering everything from mindfulness, deep relaxation, stretch and tone to high impact aerobics. Similarly, our seminars and talks on wellbeing topics became virtual events, with all talks recorded so colleagues can watch at a time to suit them. We created virtual challenges to help colleagues feel part of something bigger and give them a reason to focus on their wellbeing. Colleagues in Singapore even had care packages sent to their homes to replace wellbeing benefits in the office.

Feedback from our people globally suggests we're getting this right. During lockdown we regularly asked our colleagues the question 'I feel Aviva is sufficiently supporting my health and wellbeing in the current environment'. The positive response to the question ranged from 84% to 87% and was broadly echoed in the subsequent Voice of Aviva survey, with 79% of our colleagues saying they felt Aviva was supporting their health and wellbeing.

The pandemic hasn't been our only focus, our wellbeing programmes have continued to evolve. In the UK for example, we have added the following support:

- Domestic abuse policy and support – we've created training and guidance for our leaders and colleagues as well as a policy to highlight our support for any colleagues who are suffering domestic abuse.
- Menopause support – we've made a support app available to all colleagues, providing specialist consultation and ongoing live chat support. We also have online training which highlights the impact menopause symptoms can have in the workplace and what adjustments can be made to support menopausal colleagues. These services are combined with our intranet hub of information and virtual menopause support group.
- DigiCare+ Workplace – this new app provides colleagues with access to a yearly health check (via pin prick blood test), second opinion service, digital GP, mental health and nutritionist support.

Our plans for 2021

We are committed to transforming the performance of Aviva. That starts with supporting the performance of each and every colleague. In 2021, we will continue to build on the best of our culture, learn from the COVID-19 pandemic, enable agile and productive ways of working, and equip colleagues to support our customers now and in the future.

At 31 December 2020, we had the following gender split:

Board membership

Male
6

Female
4

Senior management

Male
831 (67%)

Female
407 (33%)

Aviva Group employees

Male
14,387 (50.3%)

Female
14,209 (49.7%)

The average number of employees during 2020, in our continuing businesses, was 29,079 *(2019: 30,189)*.

Read more about our approach to responsible and sustainable business in the 'Corporate Responsibility' section of this report and our people strategy at www.aviva.com/about-us/our-people.

Corporate responsibility

Aviva exists to be with people today for a better tomorrow. Acting responsibly and sustainably means we can look after our customers, protect the planet, and help build resilient communities that can thrive.

Building a better tomorrow

Aviva has been taking care of people for more than 300 years. We aim to use our empathy and expertise to tackle the challenges facing our world. We have reviewed our responsible and sustainable business approach and over the coming years will focus our efforts on taking action on climate change, offering products that meet our customers' evolving needs, and building stronger communities better placed to bounce back from a crisis.

All this is built on the basics of being a responsible business: understanding our customers' needs, serving them well and treating them fairly, protecting people's data, acting ethically, reporting openly and ensuring we and the companies we do business with respect human rights.

More about our responsible and sustainable business approach, and the indicators we use to track our progress, can be found on www.aviva.com/sustainability.

Acting now on climate change

To create a better tomorrow, we need to look after the planet we call home. Our approach to tackling climate change is backed by our long history as a leader in sustainable practices.

More details of our approach can be found in the 'Climate-related financial disclosure' section of this document and at www.aviva.com/climate-related-financial-disclosure.

As part of this approach we continue to manage the impact of our business on the environment. Our Corporate Responsibility, Environment and Climate Change business standard focuses on the most material operational and core business environmental and climate impacts.

Our operational global greenhouse gas emissions data boundaries show the scope of the data we monitor and the emissions we offset. We report on Greenhouse Gas (GHG) emission sources on a carbon dioxide emissions equivalents basis (CO_2e) in respect of Aviva's Group-wide operations, as required under the Companies Act 2006 (Strategic report and Directors' reports) 2013 Regulations. We also refer to the GHG Protocol Corporate Accounting and Reporting Standard, and emission factors from the UK Government's GHG Conversion Factors for Company Reporting 2019.

The table below fulfils the requirements of the UK Streamlined Energy and Carbon Reporting (SECR) framework, including our operational energy and carbon emissions. Aviva UK uses the Department for Environment, Food and Rural Affairs (DEFRA) methodology for carbon reporting and non-UK markets use emission factors from the International Energy Agency (IEA).

To date globally we have achieved a 76% reduction in CO_2e against our 2010 baseline *(2019: 66%)*. This has been aided in 2020 by the reduction in travel and operational emissions as a result of COVID-19. This means we have exceeded our 2030 carbon reduction target (of 70% against a 2010 baseline). We will now be focusing on making our operations and supply chain Net Zero.

We have also offset any remaining emissions to ensure our business impacts have been 'carbon neutral' since 2006. We have helped make over 1.2 million people's lives better since 2012 through our carbon offsetting projects. This includes our new long-term development project to provide clean cooking stoves in India.

In 2020, Aviva, with support from the Scottish Government, launched one of the UK's largest combined solar carports and energy storage facilities at its Perth office.

In addition, in 2020 Aviva has invested £11.7 billion in green assets. This includes £7.2 billion in low-carbon infrastructure, such as wind farms and solar panels, £3.2 billion in green and sustainable bonds and £1.3 billion in specific climate funds.

From a wider environmental perspective, we remain committed to reducing water use and waste levels across our offices. Having achieved zero-use of single-use plastics in all but one of our markets last year, given the need for hygienic practices with the onset of COVID-19, a small volume of single-use plastic has been reintroduced. This will be removed as soon as it is safe to do so.

More details of our environmental KPI data and our independent assurance process can be found at:
www.aviva.com/CRkpisandassurance2020.

Emissions[1,2]	**2020 Total**	**2020 UK**	2019 Total	2019 UK	2018 Total	2018 UK
Scope 1 (tCO_2e)	**11,749**	**8,386**	14,207	9,354	16,198	10,780
Scope 2 location-based (tCO_2e)	**17,834**	**8,269**	21,340	11,969	25,012	13,864
Total scope 1 & 2 location-based (tCO2e)	**29,583**	**16,655**	**35,547**	**21,323**	**41,210**	**24,644**
Scope 3 (tCO_2e)	**5,081**	**1,910**	14,628	6,516	17,739	8,761
Total location-based emissions (tCO2e)	**34,664**	**18,565**	**50,175**	**27,839**	**58,949**	**33,405**
Carbon offsets[3] (tCO_2e)	**(34,664)**	**(18,565)**	(50,175)	(27,839)	(58,949)	(33,405)
Total net emissions	—	—	—	—	—	—
Energy consumption (MWh)[4]	**118,472**	**73,811**	146,562	90,417	150,421	96,000
Scope 2 market-based (tCO_2e)	**7,738**	—	9,370	192	11,166	93
Intensity ratios:						
Scope 1 & 2 location-based emissions (tCO_2e) / £ million GWP	**0.97**	**1.14**	1.14	1.61	1.44	2.09
Total location-based emissions (tCO_2e) / £ million GWP	**1.14**	**1.27**	1.61	2.11	2.06	2.83
Total location-based emissions (tCO_2e) / employee	**0.98**	**1.18**	1.43	1.67	1.57	1.93

1 Assurance on emissions figures is provided by PricewaterhouseCoopers LLP and available at www.aviva.com/CRkpisandassurance2020
2 Emissions are included where Aviva has operational control, including JVs
3 Carbon offsetting through the acquisition and surrender of emissions units on the voluntary and compliance markets
4 Includes scope 1 and 2 energy kWh and fuel from company car use

Notes:
Scope 1: natural gas, fugitive emissions (leakage of gases from air conditioning and refrigeration systems), oil, and company owned cars.
Scope 2: electricity
Scope 3: business travel and grey fleet (private cars used for business), waste 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

Purposeful products: Putting the customer at the centre

We are committed to developing insurance and investment products and services that meet our customers' needs and support their values.

In 2020, we offered more than 100 green or accessible products and services across the world to enable our customers to be more environmentally responsible or give them easier access to the protection they need for themselves and their families. More details can be found in our Corporate Responsibility Reporting Criteria 2020 on www.aviva.com/social-purpose.

In 2020 the impacts of COVID-19 were felt by our customers across the world. Aviva's markets responded with a raft of adjustments to products and services to meet these unexpected needs. This included support for Aviva UK direct, Quotemehappy and General Accident home, motor and personal van customers who were experiencing severe financial difficulties as a result of COVID-19, by deferring their monthly payments and spreading payments over the remaining term of their policies.

We contacted customers who were within two years of their retirement date offering support and guidance through market volatility and extended our existing working from home cover to our home insurance customers free of charge. We also supported businesses' shifting to home working, providing them with the same level of protection whilst they carried out their activities from employees' homes.

We also put measures in place to support key workers, including extending cover for UK customers who are NHS workers to include additional breakdown, courtesy cars, priority repairs and enhanced home insurance cover at no additional cost. We insured personal vehicles for use in the course of healthcare work and delivery of food and essentials to elderly or vulnerable people in Ireland and free breakdown cover for healthcare workers in Canada. Aviva France's package of support ranged from premium and rent deferrals, to the creation of a solidarity fund for people who could not defer.

Demonstrating the alignment of our climate action priority with our desire to develop products that do good, in October 2020 Aviva UK set a Net Zero carbon emissions target for its own auto-enrolment default pension funds. This is aligned to the Paris Agreement and the UK Government's own Net Zero target. Aviva is committed to making progress towards the Net Zero target as quickly as possible and has announced it is exploring the feasibility of an earlier target. In March 2021, Aviva announced its plan to become a Net Zero carbon emissions company by 2040, which will help shape the review of these funds.

More generally, in order to deliver great customer outcomes, we are committed to helping our 31.6 million customers protect what's important to them and save for a bright future.

We know the importance of providing excellent customer service, as demonstrated through our businesses' Net Promoter Scores® (NPS®), which are our measures of customer advocacy. Seven out of seven of our businesses are at or above the market average NPS®, which quantifies the likelihood of a customer recommending Aviva.

But we know that we do not always get it right and we take any complaints and feedback we receive seriously and investigate them thoroughly. Our customer service commitment is reflected in the Customer Experience Business Standard all our markets abide by (see the policies section of www.aviva.com/social-purpose).

Building resilient communities

The COVID-19 pandemic has put an unprecedented strain on communities across the world. Aviva was proud to act fast by working with trusted partners to support those who needed help.

Globally as a business in 2020 we committed £43 million to charitable partners to support customers and communities to face the impact of the COVID-19 pandemic.

For example, in the UK, we pledged £18.5 million for the Association of British Insurers (ABI) COVID-19 support fund, as well as £5 million to NHS Charities Together, to help fund welfare and wellbeing for NHS employees, volunteers and patients; assistance for patients leaving hospital, and long-term mental health support for NHS workers. Other markets also supported local initiatives, including Italy's donation of $200,000 to support the Mutual Aid Fund instituted by the Mayor of Milan, Aviva Poland's support to Warsaw University who sought materials for printing PPE, and Aviva Singapore's pledge to support Sayang Sayang Fund to extend help to healthcare professionals and specific communities that may be particularly impacted.

Aviva and the Aviva Foundation[1] jointly donated £10 million as part of Aviva's award-winning partnership with the British Red Cross, enabling all our Aviva markets to connect with Red Cross National Societies and support their COVID-19 response projects locally. Our flagship action saw us invest to create a Hardship Fund in the UK to provide financial aid to 13,000 families and individuals most in need through strategic partnerships across the UK, including those specifically supporting Black, Asian and minority ethnic (BAME) communities. Research has found BAME communities have been disproportionately affected by COVID-19 and you can learn more about the Hardship Fund at: *https://www.redcross.org.uk/stories/disasters-and-emergencies/uk/coronavirus-cash-grants-support-people-with-dignity.*

In addition to the donations given to specifically support COVID-19 this year, we committed £11.5 million to other local projects, making total community investment £54.5 million in 2020. Overall, this has helped 5.1 million people *(2019: 1.2 million)*.

These additional community initiatives included a continuation of the Aviva Community Fund in France, Italy, the UK and Ireland. For example, following a successful pilot in 2019, a new look Aviva Community Fund officially launched in the UK in January 2020, in partnership with Crowdfunder UK, and ran on a quarterly cycle.

Aviva Canada's Take Back Our Roads campaign, focused on improving road safety across the country, continued in 2020 with highlights including collaborating with the City of Toronto to carry out an analysis of heavy trucks involved in serious injuries and fatalities over the past five years, identifying trends and helping to shape interventions to address safety in and around construction sites. A number of school-zone improvement projects are underway.

Our people continue to play a vital role in our community activity, and despite the restrictions put in place as a result of COVID-19, in total, our people globally have contributed more than 29,200 volunteering hours to support their local communities throughout 2020. They also gave or fundraised £1.8 million.

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

In 2020 the Aviva Foundation in the UK continued to invest unclaimed assets of shareholders through grants to charities and social enterprises. In 2020 the Foundation committed to giving £4 million to 10 non-profit organisations and social enterprises that, working with our business, can support our communities and vulnerable customers. This included funding the Financially Resilient Communities Programme, a consortium of local and national charities, working with communities to improve financial advice available for deprived communities.

Good governance, risk management and business ethics

We are committed to the highest standards of ethical behaviour as outlined by the Aviva Business Ethics Code 2020. This underscores our commitment to operate responsibly and transparently. We require all our people, at every level, to read and sign-up to our Code every year (99% of our employees did so in 2020).

We have a zero-tolerance approach to acts of bribery and corruption. To manage this risk, we have a risk management framework which sets policies and standards across all markets. These policies and standards 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. We use risk-based training to ensure employees and others acting on Aviva's behalf know what is expected of them and how they should manage bribery and corruption risks.

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

Our malpractice helpline, Speak Up, makes it easy to report any concerns in confidence, with all reports referred to an independent investigation team. In 2020, 41 cases were reported through Speak Up *(2019: 89)*, with none related to bribery and corruption concerns. 25 cases reached conclusion, and 16 remain under investigation.

We conduct due diligence when recruiting and engaging external partners. At the end of 2020, 99% of our UK, Canada and Ireland 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.

As part of our work with the Living Wage Foundation, we have also announced our support for the Living Hours campaign to ensure that workers have sufficient, predictable hours and encourage other companies to do the same.

The CCRC oversees our responsible and sustainable business strategy and the policies that underpin it. Aviva plc is subject to the UK Corporate Governance Code (the Code), which we aim to comply with fully. Kirstine Cooper, Group General Counsel and Company Secretary, is the Aviva Group Executive Committee member responsible for corporate responsibility and sustainability, and the topic has been covered by the CCRC four times during the course of 2020, as well as twice at the Aviva plc Board.

Details of the Company's compliance with the Code, as well as the activities of the CCRC, can be found in the Directors' and Corporate Governance report in the Annual Report and Accounts and online at www.aviva.com/investors/corporate-governance.

We have assessed the environmental risks that we face as a business. The most significant of these is the potential impact of climate change on our customers' lives and our company's assets. More detail can be found in the 'Risk and risk management' section and in 'Our climate-related financial disclosure' sections of this Strategic report.

We also manage the risks associated with our community investment activities through the controls outlined in our overarching Corporate Responsibility Business Standard. This includes a governance framework for our charitable donations and partnerships and details of how we manage the risks associated with employee volunteering (for example, through safeguarding). This standard is reviewed each year and communicated to all Aviva businesses.

Our support for human rights

We are committed to respecting human rights and doing our best to make a positive impact on society whenever we can. As part of this commitment, we continue to pursue our anti-modern slavery agenda both within the organisation through our operations and supply chain and outside of it through partnerships and collaboration. We continually look for ways to strengthen our approach to addressing human rights. As part of this effort we have refreshed our group-wide human rights policy during 2020 to reflect the most salient human rights issues for our business and stakeholders. We have reflected this commitment in our updated Aviva Business Ethics Code 2020 and our Third Party Business Code of Behaviour, in which we set expectations for third parties and suppliers.

Within our own operations, in 2020 we have continued work on the country-wide human rights impact assessments conducted in 2019, which looked at assessing our markets' risk approach in areas including governance, employees, customers and investments. We have analysed the results of these assessments and created action plans and feedback sessions with all markets. To date, all markets in which Aviva operates have been involved in this work. The assessments showed key areas to focus on to enhance Aviva's work on human rights, which included the need to create further Group-wide training on Business and Human Rights and Modern Slavery, to be delivered up to executive level. This training was subsequently developed with our partner the Slave Free Alliance to educate our staff about our commitment to human rights as well as understand the part we all play to tackle modern slavery.

We have also continued to engage key suppliers on the topic of human rights and conducted modern slavery threat assessments on a range of key suppliers which were selected based on their potential modern slavery risks. In 2020 we have completed 17 assessments, including checks conducted remotely or via self-administered questionnaires due to the travel limitations imposed by COVID-19.

No cases of modern slavery were discovered at Aviva both in our operations and supply chain, however corrective action plans were issued to all the suppliers to support and improve their capability.

We also continue to work with trusted partners to enhance our approach. To mark United Nations Human Rights day on the 10th of December, we organised a Human rights and Modern Slavery workshop with the Slave Free Alliance, where through role play and solving business dilemmas, we worked with our people, including key people leaders, executives, Corporate Responsibility practitioners, risk business partners, procurement and supply chain colleagues, to understand the complexities of modern slavery and human trafficking, be able to spot the signs of it and know how to respond in the event that a case is identified. We remain committed to working with the UN Global Compact and key like-minded organisations as part of the UK Working Group on modern slavery.

Finally, we use our influence and connections to bring others together and enhance the industry's wider understanding of, and impact on human rights. Moreover, we continue to work with the World Benchmarking Alliance (WBA) on the Corporate Human Rights Benchmark (CHRB).

To understand more about our wider Human Rights and Modern Slavery approach please consult our modern slavery statement[1], as well as our Human Rights Policy and the Aviva Business Ethics Code 2020, which can all be found on aviva.com.

Towards a more sustainable future

Aviva is not just an insurer but an investor in the economy, investing in buildings, infrastructure projects and companies around the world to help our customers save for their future.

We do this, in part, through Aviva Investors (AI), our global asset management company with a heritage in responsible investing dating back to the early 1970s. We invest responsibly with Environmental, Social and Governance (ESG) considerations a central pillar of our investment process because we believe it can minimise risk and allows us to spot opportunities for our customers. This process includes areas like climate change, biodiversity, human rights, plastics and gender diversity. Demonstrating the depth of our ESG work, AI received the highest grade in the United Nations Principles of Responsible Investment's (UN PRI's) 2020 annual assessment of A+ for our ESG strategy, governance and active ownership (i.e. engagement and voting).

During 2020 AI continued to enhance their responsible investment processes. This work has included:

- Targeting £10 billion of investments into UK infrastructure and real estate projects over the next three years, as pension funds and insurers continue to increase their appetite for such investments.
- Embedding our responsible investment philosophy, which sets out our responsible investment commitments as a business;
- Continuing to implement specific ESG integration policies for each of our investment functions: Credit, Equities, Multi-Asset and Macro, Real Assets and Solutions;
- Continuing the development of new products and solutions that meet the specific needs and values of our clients, including building a Sustainable Outcomes Funds Range linked to the United Nations Sustainable Development Goals (SDGs); and
- Working with Aviva France and Aviva UK Life to design funds and solutions for customers looking to integrate ESG considerations further into their investment proposition, including the AVSD 2.0 (Aviva Vie Solutions Durables) project in France.

We also continue to play our role as a responsible asset owner engaging with the companies, projects and assets we own on issues such as climate change, human rights and diversity. For example, as part of Climate Action 100+, Aviva Investors co-filed a resolution at BP to provide clarity on how the company's strategy is consistent with the goals enshrined in the Paris Agreement. As a result, BP committed to being Net Zero for oil and gas extracted, significantly reduce carbon intensity for traded energy, and outlined a roadmap including a 40% reduction in oil and gas over the next decade while increasing new energy capex by ten times to £5 billion.

We recognise the need to encourage change not just with the companies we invest in, but in our industry and economy as a whole. Aviva is a founder member of the United Nations Global Investors for Sustainable Development (GISD) Alliance, which advises global policymakers on how to generate greater investment in sustainable development.

In October 2020, Amanda Blanc, Aviva Group CEO, attended the annual GISD meeting and talked about the coalition Aviva is leading to create an International Platform for Climate Finance (the IPCF) to bridge the gap between public financing needs and large scale private sector investment on climate change, as well as about the World Benchmarking Alliance (WBA). We co-founded the WBA alongside the United Nations Foundation and others to establish public, transparent and authoritative league tables, ranking companies on their contribution to the SDGs. In 2020, the WBA published a suite of rankings addressing food and agriculture, digital inclusion and gender equality and empowerment.

Corporate Responsibility (CR) key performance indicators and the accompanying limited assurance statement by PwC can be found in Aviva's Environmental, Social and Governance Summary on www.aviva.com/sustainability. More details of our internal diversity, inclusion and wellbeing approach can be found in the 'Our people' section of this Strategic report.

1 Our modern slavery statement can be found at www.aviva.com/content/dam/aviva-corporate/documents/socialpurpose/pdfs/aviva-modern-slavery-act-transparency-statement-2019.pdf

Our climate-related financial disclosure

As a leading savings, retirement and insurance business, our sustainability and financial strength is underpinned by an effective risk management framework. Our business is directly impacted by the effects of the climate crisis. We believe unmitigated climate-related risks present a systemic threat to societal and financial stability and to our business, over the coming decades.

This disclosure reflects Aviva's 2020 response to the recommendations of the Taskforce on Climate-related Financial Disclosures (TCFD). It sets out how Aviva incorporates climate-related risks and opportunities into governance, strategy, risk management, metrics and targets and how we are responding to customer expectations and regulatory requirements. These pages, along with the expanded report, are available at www.aviva.com/TCFD.

Governance

Aviva has a strong system of governance, with effective and robust controls. In 2020, we continued to ensure appropriate governance is in place in line with the PRA's Supervisory Statement 3/19[1]. The UK and material regulated entities' Chief Risk Officers (CROs) are responsible for ensuring climate-related risks and opportunities are identified, measured, monitored and managed through our risk management framework and in line with our risk appetite.

The Group CRO is responsible for overseeing, at Group level, the embedding of this framework. A Group-wide climate-related risks and opportunities project supports the CROs in meeting regulatory expectations. The Group CRO is the executive sponsor of the project.

The Risk Committee and the Customer, Conduct and Reputation Committee (CCRC) oversee our management of climate-related risks and opportunities. In 2020, the Risk Committee met eleven times to review, manage and monitor all aspects of risk management, including climate-related risks and opportunities. The CCRC met five times to oversee how Aviva meets its corporate and societal obligations. Papers considering the impact of climate change on our business were presented to Board committees across Aviva (e.g. a paper was presented to the Risk Committee to highlight the ways in which climate change may affect our business and to invite the committee's views on the actions taken and planned).

In addition, Aviva's climate risk preference was reviewed and approved by the relevant Group and local governance to allow the consideration of climate-related risks and opportunities through our risk management framework.

In 2020, the Plc Board reviewed and approved the 2021-2023 business plan, which incorporates our climate metrics, operating risk limits and tolerances. This allows climate-related risks and opportunities to be further embedded in our day-to-day decision making in line with our wider risk appetite. In 2021, the Plc Board also reviewed and approved our new climate change plan as well as our Net Zero Asset Owner Alliance target.

We also continued developing the skills of our Boards and our people in this area. As part of our regular Board and senior management training programme, Aviva's climate-related risks and opportunities, new climate change plan and Board responsibilities were presented to the Group and local Boards as relevant. This training equips our Boards to give appropriate direction to the company and ensures challenge, guidance and support are given to the executives so that actions are taken to identify, measure, monitor, manage and report these risks and opportunities. A detailed training plan is being put in place which envisages at least annual training to all relevant employees across the organisation, with more in-depth training to those who hold direct responsibilities to identify, measure, monitor, manage and report climate-related risks and opportunities.

In 2021, Environmental, Social and Governance (ESG) metrics including climate will be added to other risk metrics considered in determining senior management remuneration.

Strategy

Our new climate change plan resets the scope and level of our climate ambition to create a broader, joined-up approach covering all material areas of our business including investments, insurance, operations, accountability and leadership.

Aviva is a trusted climate leader. We commit to aligning our business to the 1.5°C Paris target[2] and plan to be a Net Zero company[3] by 2040. Our businesses will seek to develop and offer further climate conscious products. We are targeting Net Zero by 2030 for our operations and supply chain, as well as using our influence to help tackle climate change. This climate change plan is aligned to our Company Purpose 'With you today, for a better tomorrow' and our Group Business Strategy.

Investments – There are three ways in which Aviva is involved in investments i.e. as an asset owner, a long-term savings and pensions provider and as an asset manager. We seek to align our investments with a pathway towards Net Zero carbon emissions and ensure consistency with the 1.5°C Paris target. We are setting targets for how we will transition our portfolios and will publish updates on our progress. We signed up to key global commitments such as the United Nations-convened Net Zero Asset Owner Alliance. We target a reduction in the carbon footprint of our investments by 25% by 2025 and by 60% by 2030, and we aim to transition all assets[4] to Net Zero by 2040. We are also planning further investments in green assets[5] by 2025.

We use our influence as a shareholder and an investor to engage with and encourage companies to transition to a low carbon economy. We limit our exposure to carbon intensive sectors and companies and divest from highly carbon-intensive fossil fuel companies where we consider they are not making sufficient progress towards the engagement goals set.

We believe the highest emission fuels are not part of a low carbon future. We will therefore not be investing in or insuring coal (generation or mining). By the end of 2022, we will have divested all companies making more than 5% of their revenue from thermal coal unless they have signed up to Science Based Targets[6] or the funding is for ring-fenced green project finance. This applies to all shareholder funds and policyholder funds where possible. We will divest the equities, put the bonds into run-off and put the companies on our Stoplist.

1 The PRA Supervisory Statement – 'Enhancing bank's and insurers' approaches to managing the financial risks from climate change'.
2 The 1.5°C target was set by the global Paris climate change deal in 2015 to limit the damage wreaked by acute events such as extreme weather and chronic events such as sea level rise.
3 'Net Zero company' target covers all material 'Scopes 1, 2 and 3' carbon emissions (including investment, operations, supply chain); we are also developing a methodology for Net Zero underwriting.
4 Scope of our target will be core markets, all main asset classes (credit, equities, direct real estate, and sovereigns when methodology developed this year; including both active and passive funds), and shareholder assets and those policyholder assets where we have decision making control and we have carbon emissions data.
5 Low carbon infrastructure debt & equity; such as Solar photovoltaics (PV), offshore & onshore wind, new energy centres reducing users' demand for energy, waste to energy, green hydrogen generation, battery storage, low carbon public transport & electric vehicle charging infrastructure and energy efficient buildings. Green bonds that meet Climate Bonds Initiative's requirements, Social bonds and Sustainability bonds, Green loans and specific climate-related funds (such as the Climate Transition fund range). To determine the scope of our green assets, we have used "our and our customers assets" this includes all shareholder, with-profits and unit linked assets but excludes external mandates not on Aviva's balance sheet.
6 Science Based Targets Initiative is a collaboration between United Nations Global Compact, CDP (a global disclosure system), World Resources Institute and Worldwide Fund for Nature. It supports companies to set emission reduction targets in line with the decarbonisation required to limit global temperature increases to 1.5°C.

Further, in line with the Powering Past Coal Alliance (PPCA) Finance Principles we commit to avoiding exposure to equity and debt instruments of companies that plan to generate electricity from unabated coal beyond the PPCA timeframe[1].

In April 2020, we added a further 42 thermal coal mining and power companies to our investment Stoplist and removed one which met our engagement criteria. This took the total number of companies with revenue from coal on the Stoplist to 59. We have divested any equity holdings we had in the Stoplist and expect to run-off existing fixed income where there may be detrimental financial impact of doing so immediately.

AI aims to support the drive to make the changes needed to keep global temperature rise to 1.5°C through its management of our investments and active ownership as set out in the AI Corporate Governance and Voting Policy[2]. This will seek to reflect emerging best practice pathways at a country and industry level. AI also integrates sustainability risk and wider considerations of ESG factors into the investment process and launched a new Engage & Divest approach in February 2021. We believe this will deliver long-term sustainable and superior investment outcomes for customers while adhering to their mandate.

AI is building out a Climate Transition Fund range that helps investors support the transition to a low carbon economy across all core asset classes. In 2020, AI launched the second Equity Climate Transition Fund. Both the European and Global funds will take a long-term, high conviction investment approach, targeting global companies that derive material revenues from goods and services addressing climate change mitigation and adaptation as well as investing in those companies aligning their business models to a low carbon economy. AI Corporate Governance and Corporate Responsibility Voting Policy expects companies to report climate-related risks, strategy, policies and performance against the TCFD recommendations.

We integrate consideration of long-term sustainability issues into the products and services we offer. We continue to develop our customer ESG strategy and offer climate conscious and ethical funds such as the stewardship fund range. For example, in the UK we have added these funds as a default strategy option for our corporate pension customers. In France we offer Socially Responsible Investment (SRI) options. Both our French and UK businesses have added AI Climate Transition European Equity and Global Equity Funds to savings and investment platforms.

The Aviva Master Trust Trustees have made 'My Future Focus' – combining actively managed funds where ESG is integrated into the investment process and passive funds with an ESG tilt – their standard default solution. In Italy we have several sustainable investments and a series of SRI unit linked products available. Further, in October 2020 we announced a Net Zero target for our UK auto-enrolment default pension funds.

Insurance – We seek to grasp opportunities to support the transition to a low carbon economy and promote activities that will secure a better future for our customers and wider society.

We continue to develop climate conscious products and services, which reward customers for environmentally responsible actions, provide some element of adaptation/resilience or additional cover where possible for those customers at risk of extreme weather impacts. For example, Aviva France has bespoke electric vehicle (EV) policies and reduced premiums for customers who use public transport. In the UK, solar panels on residential roofs attract no additional premium. In Canada, our partnership with Lyft makes it easier for customers to choose car share journeys and we offer endorsements to cover domestic solar panels and wind turbines.

When paying out claims, we also have the opportunity to reduce our environmental impact through repair and restoration where possible. In the UK, our improved drying process after flood claims reduces the associated carbon emissions.

As the frequency and intensity of extreme weather increases, we have where possible been working to reduce the impact on our customers' lives, livelihoods and build resilience to climate change. We put specific information in the media to help customers minimise the impact of particular storms or floods.

In the UK we seek to proactively communicate with as many customers as possible before extreme weather events. In the UK and Canada, where appropriate we work with customers to help them become more resilient (e.g. offering coverage to install risk mitigation devices after a claim and to 'build back better'). In Canada, we were also the first insurer to announce comprehensive water coverage on property policies.

We sponsored a new code of practice for flood resilience released in January 2020[3]. The code covers all aspects of prevention and resilience to make properties more resilient to flood. We have also been working with Business in the Community supporting an online tool for small business resilience – 'Would you be ready?'.

We limit our exposure to the most carbon intensive elements of the economy through our Group Underwriting Boundaries. These include restrictions on toxic waste companies that present a significant hazard to the environment, and carbon intensive industries such as mining, offshore oil and gas extraction. At the start of 2019, we exited the standalone operational fossil fuel[4] power market as part of our commitment to help tackle climate change. These restrictions have been adopted by our general insurance businesses in the UK, Ireland, Canada, France and Poland.

At the end of 2019 we took another important step in our commitment by launching a specialist renewable energy proposition providing insurance solutions for the full lifecycle of renewable energy risks worldwide. Through this product we currently insure the largest windfarms in the USA and Africa.

More broadly, we aim to use our underwriting insight to support our investment decisions, to ensure a consistent view of climate-related risks is taken. For example, the issuers on Aviva's investment Stoplist are mirrored as exclusions in the Group Underwriting Boundaries.

Operations – As a business it is important that we lead by example focusing on reducing our environmental impact through energy efficiency, clever use of technology and communications, using renewable energy sources and minimising the carbon intensity of our car fleet. Our operations have been carbon neutral since 2006, through reducing our emissions year-on-year and offsetting any remaining emissions. Our ambition over time is that our business operations should have a positive climate impact. We have already reduced our emissions by 76%[5].

1 Noting that coal power phase-out is needed by no later than 2030 in the OECD and EU and no later than 2050 in the rest of the world.
2 https://www.avivainvestors.com/content/dam/aviva-investors/main/assets/about/responsible-investment/our-approach-to-responsible-investment/downloads/2021-voting-policy.pdf
3 https://www.youtube.com/watch?v=bDvDPLu7ZMw
4 In line with PPCA Finance Principles.
5 Assurance on emissions figures is provided by PricewaterhouseCoopers LLP and available at www.aviva.com/CRkpisandassurance2020

Since 2010, we have had a long-term reduction target of 70% by 2030, which we have now met ten years earlier than promised. We are committed to using 100% renewable electricity Group-wide by 2025[1]. In 2019, we commissioned a 'first of its kind in the UK' solar carport installation for our Norwich office.

Following this success, in 2020 we installed a solar carport array at our Perth office. It's the biggest combination of solar, energy storage and EV charging points in the UK. The Perth 'low-carbon hub' features a 1.1MW solar carport, integrated with 1.8MWh of Tesla battery energy storage and 50 EV charging points, forming the cornerstone of Aviva's ambitious drive to take the office off grid by providing 26% of the site's annual energy.

The Corporate Responsibility section includes an expanded table featuring our energy use and carbon emissions data to reflect the new requirements of the UK Streamlined Energy and Carbon Reporting (SECR) framework.

Accountability and Leadership – We are strong advocates of the need for listed companies to publish consistent information to help make better decisions and promote the transition to Net Zero carbon emissions by 2050. More accurate information will help financial institutions to manage climate-related risks and grasp opportunities to support the transition. It will also help our customers and investors understand how their money is invested and so make more informed decisions.

We welcome the increased regulatory focus on this area and are eager to see much wider reporting in line with the TCFD recommendations. At the 2021 Annual General Meeting, we are providing the opportunity for our own shareholders to vote on this disclosure.

We continue to provide strong and vocal support for capital market reform, to mobilise the trillions of pounds required to transition to a low carbon economy and correct existing market failures with respect to climate change. We continue to work with policymakers and regulators encouraging them to change the financial system, so that markets reward sustainable investments and sustainable businesses, advocating for an economic recovery driven by emission reduction and climate adaptation while also integrating biodiversity impacts and associated mitigation strategies. In line with Aviva's Marshall Plan for the Planet we are proposing that a new institutional mechanism – the International Platform for Climate Finance – be created at Glasgow COP26[2].

As an employer, an active member of our local communities and with a significant customer base, we can amplify individual efforts to create a joint legacy that we can all be proud of (e.g. EV charging points for employees, car sharing support and the use of low carbon public transport for commuting), partnering with others to provide climate resilient community projects.

Risk management, metrics and targets

Rigorous and consistent risk management is embedded across Aviva through our risk management framework. This framework sets out how we identify, measure, monitor, manage and report on the risks to which our business is, or could be, exposed (including climate-related risks). In 2019, we updated our risk policies (including our risk management framework policy). In 2020, we updated our business standards (a key component of our risk management framework) to further integrate climate-related risks and opportunities across all risk and control management activities.

We integrated climate into our risk appetite framework, defined our climate risk preference and incorporated climate risks into our 2021-2023 business plan, to facilitate risk-based decision-making. Aviva considers climate change to be one of the most material long-term risks to our business model and its impacts are already being felt. Given its materiality and proximity, we are acting now 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 (litigation) risks including the risk of assets becoming stranded.

We have developed models and tools to assess and monitor[3] the potential impact on our business of different Intergovernmental Panel on Climate Change (IPCC) scenarios. Each IPCC scenario describes a potential trajectory for future levels of greenhouse gases and other air pollutants. These can be mapped to likely temperature rises: 1.5°C (aggressive mitigation), 2°C (strong mitigation), 3°C (some mitigation) and 4°C (business as usual). The IPCC Global Warming of 1.5°C report, published in October 2018, highlights the need to take dramatic action now to keep warming below 1.5°C and the potential severe consequences if this is not achieved.

We calculate a Climate Value-at-Risk (Climate VaR) for each scenario 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. These impacts are aggregated to determine the overall impact across all scenarios by assigning relative likelihoods to each scenario.

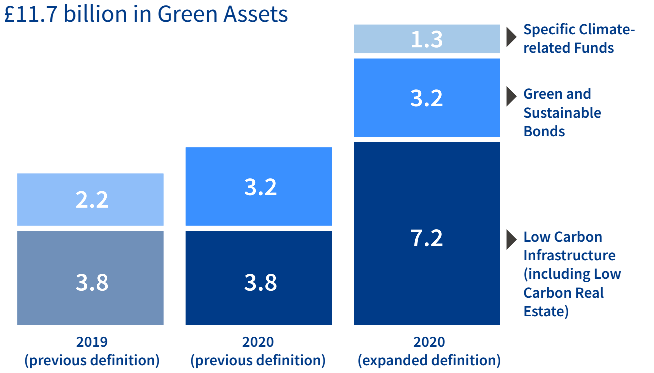
Climate VaR includes the financial impact of transition risks and opportunities. This covers the projected costs of policy action related to limiting greenhouse gas emissions and projected profits from green revenues arising from developing new technologies and patents. In addition, it captures the financial impact of physical risks from extreme weather (e.g. flood, windstorm and tropical cyclones) and chronic effects (e.g. rising sea levels and temperature), although we recognise that the most extreme physical effects will only be felt in the second half of the century. We also recognise that there is a growing trend in climate-related litigation and have assessed its potential exposure accordingly.

We also use a variety of other metrics to identify, measure, monitor, manage and report alignment with global or national targets on climate change mitigation and the potential financial impact on our business. While recognising the limitations of the Climate VaR and other metrics used (e.g. scope of coverage, data availability and extended time horizons as well as the uncertainty associated with some of the underlying assumptions), we believe they are still valuable in supporting our governance, strategy and risk management.

Green Assets – We track our green, low carbon and transition assets. The previous definition of our green assets[4] has been expanded this year to include low carbon real estate and specific climate-related funds as well as explicitly excluding external mandates.

1 Via our RE100 commitment. RE100's purpose is to accelerate change towards zero carbon grids, at global scale. Aviva has signed up to the commitment pledging to purchase or generate 100% of our global electricity from renewable sources by 2025.
2 International Platform for Climate Finance to be created at Glasgow COP26 by the UN Climate Change Framework Convention Conference Presidency to help UN member states ensure that their public and private finance flows become consistent with the pathway towards low greenhouse gas emissions and climate-resilient development set out within the Paris Agreement target.
3 We developed a dynamic tool that allows us to monitor our climate metrics and supports our risk management, governance and reporting processes.
4 Low carbon infrastructure debt and equity; such as Solar photovoltaics (PV), offshore & onshore wind, new energy centers reducing users' demand for energy, waste to energy, green hydrogen generation, battery storage, low carbon public transport & electric vehicle charging infrastructure and energy efficient buildings. Green bonds that meet Climate Bonds Initiative's requirements, Social bonds and Sustainability bonds, Green loans and specific climate-related funds (such as the Climate Transition fund range). To determine the scope of our green assets, we have used "our and our customers assets" this includes all shareholder, with-profits and unit linked assets but excludes Aviva Investors' third-party client mandates.

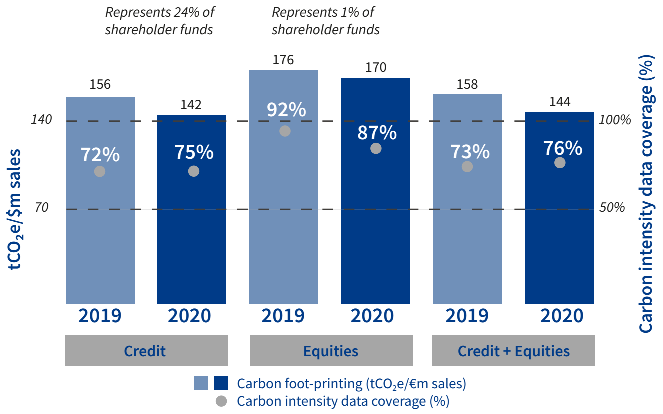
Green Assets[1]. Source: Aviva.



Of the £11.7 billion in green assets, £7.2 billion are in low carbon infrastructure (including £3.4 billion low carbon real estate), £3.2 billion in green and sustainable bonds and £1.3 billion in specific climate-related funds.

Carbon foot-printing – We use weighted average carbon intensity data to assess our investment portfolio's sensitivity to an increase in carbon prices and our progress to the Paris Agreement target.

Weighted average carbon footprint (tCO_2e/\$m sales) of Aviva's shareholder funds' credit and equity investments as at 31 December 2020 compared to 2019. Source: Aviva/MSCI[2].



Our carbon foot printing intensity has reduced compared to last year in line with our 25% NZAOA reduction target by 2025[3]. The utilities sector is the largest single contributor to the carbon intensity. Our objective over time is to reduce the carbon intensity to align our investment portfolio to the Paris Agreement target. To achieve this, our first goal is to drive change in the companies we invest in through direct engagement. We also reserve the right to reduce our exposure to the intensive companies who are not making the transition to a low carbon economy and move capital towards those who are.

Portfolio Warming Potential – We use a portfolio warming potential metric to assess our shareholder funds' credit, equity, real estate, green assets and sovereign bond investments alignment with the Paris Agreement target. This warming potential methodology captures Scope 1, 2, 3 emissions[4] and a cooling potential element, to capture avoided emissions, based on low carbon patents and revenues as well as company reported decarbonisation targets to provide a forward-looking perspective.

Notre Dame University's Global Adaptation Index (ND-GAIN) – We use ND-GAIN to measure and monitor our sovereign holdings' exposure to climate change. ND-GAIN measures a country's vulnerability to climate change and its readiness to adapt to, and mitigate, its effects by considering economic, governance and social readiness. Aviva is predominantly exposed to sovereigns from developed markets. We have no significant exposure to countries highly vulnerable to the physical effects of climate change and our exposure to moderately exposed countries is captured as part of our risk management and monitoring of sovereign risk. We also have no material exposure to sovereigns whose credit quality is reliant on oil and gas production.

Weather-related losses – We build the possibility of extreme weather events into our pricing to ensure it is adequate and monitor actual weather-related losses versus expected weather losses by business (net of reinsurance). Catastrophic event model results are supplemented by in-house disaster scenarios. Our general insurance business exposure is limited by being predominantly in Northern Europe and Canada. We require our general insurance businesses to protect against all large, single catastrophe events in line with local regulatory requirements, or where none exist, to at least a 1-in-250-year event.

We fully expect existing frameworks, tools and metrics will evolve over time and improve in the light of new research, data and emerging best practice. To this end, we are working collaboratively with the UN Environment Programme Finance Initiative, peers, academics, professional bodies, regulators, governments and international agencies to build robust, comprehensive and effective tools and approaches. These will enable the potential business impacts of climate-related risks and opportunities to be assessed and promote more informed understanding of climate-related risks and opportunities by investors, lenders, insurance underwriters, investment managers and others.

1 Low carbon infrastructure debt as at 30 September 2020, low carbon infrastructure equity as at 31 December 2020, green bonds as at 30 September 2020, UK direct low carbon real estate as at 3 December 2020, French direct low carbon real estate as at 4 December 2020, climate specific funds as at 31 December 2020, AAO as at 31 December 2020.
2 Data has been taken from Aviva's internal risk system used to monitor credit risk limits and as a source for Solvency II disclosures. Certain information ©2021 MSCI ESG Research LLC. Reproduced by permission. Although Aviva Central Services UK Limited information providers, including without limitation, MSCI ESG Research LLC and its affiliates (the "ESG Parties"), obtain information (the "Information") from sources they consider reliable, none of the ESG Parties warrants or guarantees the originality, accuracy and/or completeness, of any data herein and expressly disclaim all express or implied warranties, including those of merchantability and fitness for a particular purpose. The Information may only be used for your internal use, may not be reproduced or redisseminated in any form and may not be used as a basis for, or a component of, any financial instruments or products or indices. Further, none of the Information can in and of itself be used to determine which securities to buy or sell or when to buy or sell them. None of the ESG Parties shall have any liability for any errors or omissions in connection with any data herein, or any liability for any direct, indirect, special, punitive, consequential or any other damages (including lost profits) even if notified of the possibility of such damages.
3 The target is set using carbon intensity by revenue metric (scope 1 and 2) covering credit, equities and direct real estate holdings.
4 In 2019, the methodology was based on scope 1 emissions.

Governance

In this section

Chair's Governance Letter

Governance at Aviva

Our Corporate Governance Report describes how the Board and its Committees operated during 2020. The COVID-19 pandemic changed how many of us worked during 2020, and the Aviva Board was no different. We had to find new ways of working to continue governing the Group for the benefit of our customers, our shareholders and our people.

For the Aviva Board this has resulted in tangible changes. We met remotely and more frequently to understand and consider how the pandemic was affecting our business operations, our risk and control environment and the markets in which we operate. Our people moved to homeworking, as did many of our customers, and our businesses had to adapt. We monitored the financial markets' response to the pandemic, and the impact of those market movements on Aviva. Despite this our operational and financial strength has meant that we have continued to be there for our customers.

While 2020 has been a challenging year operationally, the Board continued to focus on our strategy and how we deliver sustainable, long-term growth for our shareholders. Following the appointment of Amanda Blanc as Group CEO, we have reset our strategy to focus on our three core markets – the UK, Ireland and Canada – and we are focused on transforming our performance and ensuring our financial strength. The Board played a key role in providing challenge and input into the new strategy to ensure that the strategy promotes the long-term sustainable success of the Company, generates value for shareholders and contributes to wider society. The pandemic will not last forever, and the Board has continued to set aside time to look to the future and not just focus on the challenges of today, and our strategy will support Aviva in the challenges we face in the years ahead.

Board Changes

The Board has seen several changes during the year. Sir Adrian Montague retired as Non-Executive Chair on 27 May 2020 and retired from the Board on 31 May 2020 after eight years on the Board (six as Chairman). I was appointed Non-Executive Chair on 27 May 2020. Following my appointment as Chair, Patrick Flynn was appointed as Senior Independent Director, on 7 September 2020.

On 6 July 2020 the Board appointed Amanda Blanc as Group CEO following Maurice Tulloch's decision to step down from the Board. Maurice first joined Aviva in 1992, and was appointed to the Board in 2017, before becoming Group CEO in March 2019. I would like to thank both Sir Adrian and Maurice for their contribution to Aviva over the years.

With the appointment of Amanda and me to the Group CEO and Chair roles respectively, we needed to replenish the Board membership. On 1 December 2020, Mohit Joshi and Jim McConville were appointed as Independent Non-Executive Directors, with Jim also becoming Chair of the Customer, Conduct and Reputation Committee. Subsequently on 1 January 2021, Pippa Lambert also joined the Board as an Independent Non-Executive Director. Jim, Mohit and Pippa are great additions to the Board, and I look forward to working with them. Details of the search and selection process for all these appointments are set out in the Directors' and Corporate Governance report.

Diversity and Inclusion

The Board is committed to having a diverse and inclusive membership which provides a range of perspectives and insights and the challenge needed to support 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 make up 40% of the current Board. More information on diversity is set out in the Directors' and Corporate Governance report and the Nomination and Governance Committee report.

Culture

The Board assesses and monitors the Group culture. To support the Board, a culture diagnostic has been developed, to provide the Board with broader data on our culture. The culture diagnostic combines employee sentiment with other employee and customer data to focus on four cultural characteristics: customer focus; accountability; safe to speak up and diversity of thought. This culture diagnostic is in addition to our 'Voice of Aviva' employee survey and provides insight on progress on culture measures and comparison to our peers. Action plans have been developed from the culture data and the Board tracks progress against these actions.

Dividend

The Aviva dividend is of course important to our shareholders, but on 8 April 2020, we announced the decision to withdraw the recommendation to pay the 2019 final dividend to ordinary shareholders. This decision was taken in the wake of the unprecedented challenges presented by COVID-19 and our regulators and other supervisory bodies urging restraint on dividend payments. The Board continued to keep the dividend under review as the year progressed, both in terms of the COVID-19 pandemic and our strategy to focus on our businesses in the UK, Ireland and Canada, and was pleased to declare a 2019 second interim dividend of 6.0p on 6 August 2020. On 26 November 2020 we announced a new dividend policy and capital framework supported by the capital and cash generated in the core markets and a 2020 interim dividend of 7.0p. Then in March 2021, we announced a final 2020 dividend of 14p. The Board believes that the dividend policy and capital framework announced is sustainable and will be resilient in times of stress.

Preference Shares

On 26 October 2020 the FCA published the outcome of its investigation into Aviva's announcement on preference shares made in March 2018. The FCA found that Aviva contravened certain provisions of the Listing Rules and the Disclosure Guidance and Transparency Rules by failing to take reasonable care to ensure that information in the announcement was not misleading and did not omit anything likely to affect the import of the information in the announcement. We have accepted the FCA decision and lessons have been learned. We are sorry for the uncertainty created by the March 2018 announcement and in July 2018 set up a discretionary goodwill scheme for impacted Preference Shareholders.

Following the outcome, a committee of the Board instructed Allen & Overy LLP to conduct a review of the remuneration decisions that had previously been taken in light of the preference shares matter. The review concluded that the adjustments the Remuneration Committee decided to apply to the relevant executive directors' variable remuneration, which we announced in 2019, were reasonable in the circumstances and that these adjustments were applied after careful and thorough consideration by the Committee. The review also confirmed that, taking into account the FCA's decision, there was no basis for further adjustments to be made to either the executive or non-executive directors. Further detail is provided in the Directors' Remuneration report.

Code Compliance

We have complied with the 2018 UK Corporate Governance Code (the Code) throughout the year, other than for a short period with provision 12 of the Code, when there was a period between the appointment of a new Senior Independent Director and when I became Chair. A full explanation is provided in the Directors' and Corporate Governance report. We set out how we have applied the principles of the Code in the Directors' and Corporate Governance report and describe how we have performed our duties under s.172 of the Companies Act 2006 within the Strategic report.

George Culmer
Chair
3 March 2021

Our Board of Directors

George Culmer ▲
Position: Chair
Nationality: British
Committee Membership: Nomination and Governance Committee (Chair)
Tenure: 1 year 6 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 Chief Financial Officer, 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 previously 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. George has a keen insight into the challenges that affect the insurance industry, Aviva's businesses, and the implications for shareholders, which makes him well placed to lead the Board in driving the strategy, culture and values of the Group.
External Appointments: Non-Executive Director of Rolls Royce plc.

Amanda Blanc ■
Position: Group Chief Executive Officer (CEO)
Nationality: British
Committee Membership: N/A
Tenure: 1 year 2 months. Appointed to the Board as a Non-Executive Director in January 2020 and as CEO on 6 July 2020
Skills and Experience: Amanda started her career as a graduate at one of Aviva's ancestor companies, Commercial Union. Since then she has held senior executive roles across the insurance industry. Amanda was previously CEO at AXA UK & Ireland, and CEO, EMEA & Global Banking Partnerships at Zurich Insurance Group. Amanda has also held executive leadership positions at Towergate Insurance Brokers, Groupama Insurance Company and Commercial Union. Amanda was previously a management consultant at Ernst & Young, working on transformational assignments. Amanda has served as Chair of the Association of British Insurers; Chair of the Insurance Fraud Bureau and President of the Chartered Insurance Institute. Amanda's broad executive experience in the insurance industry makes her well qualified to continue to build Aviva as a high-performing, innovative and customer-centric business.
External Appointments: Chair of the Welsh Professional Rugby Board and a member of the UK Government's Financial Services Trade Advisory Group.

Jason Windsor ■
Position: Chief Financial Officer
Nationality: British
Committee Membership: N/A
Tenure: 1 year 6 months. Appointed to the Board and as Chief Financial Officer in September 2019
Skills and Experience: Jason became Interim Chief Financial Officer on 1 July 2019 and was previously Chief Financial Officer of Aviva UK Insurance. Jason joined Aviva in 2010 and has extensive experience of the Group, including as Chief Capital and Investments Officer, and as a member of the Executive Committee. Jason has a proven track record as CFO of the UK Insurance business and an in-depth understanding of Aviva and its markets and brings a strong analytical and commercial perspective to his role as Group CFO.
External Appointments: N/A.

Patricia Cross ▲
Position: Independent Non-Executive Director
Nationality: Australian
Committee Membership: Remuneration Committee (Chair), Audit Committee, Nomination and Governance Committee
Tenure: 7 years 3 months. Appointed to the Board in December 2013
Skills and Experience: Patricia is an experienced company director with over 20 years' experience of serving on multiple ASX-30 boards including Macquarie Group Ltd and Macquarie Bank Ltd, National Australia Bank, Wesfarmers Ltd, AMP Ltd, and Qantas Airways Ltd. She is the founding Chair of the 30% Club in Australia. Patricia has held several Australian government positions, including with the Financial Sector Advisory Council, Companies and Securities Advisory Committee, Panel of Experts to the Australian Financial Centre Forum and Sydney APEC Business Advisory Council. Patricia has served on a wide range of not-for-profit boards, including the Murdoch Children's Research Institute, and she was a founding Director of The Grattan Institute. In 2001, Patricia received the Australian Centenary Medal for service to Australian society through the finance industry and was awarded Life Fellowship of the Australian Institute of Company Directors in 2018. Having started her career in the US Government working in foreign affairs, Patricia had a long career in senior executive roles in large international banking and investment management organisations.
External Appointments: Chair of the Commonwealth Superannuation Corporation, and Ambassador for the Australian Indigenous Education Foundation.

Patrick Flynn ▲
Position: Senior Independent Director
Nationality: Irish
Committee Membership: Audit Committee (Chair), Nomination and Governance Committee, Remuneration Committee, Risk Committee
Tenure: 1 year 8 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 of retail financial and insurance services. Patrick was previously Chief Financial Officer of ING, the Netherlands' largest financial services group, and was recognised for playing a key role in the transformation of the group to a well-capitalised and focused financial services provider with a significant retail offering. Prior to that, Patrick was Chief Financial Officer of HSBC Insurance and served as a Non-Executive Director of the boards of two listed former ING insurance companies, and this experience thoroughly equips Patrick to chair the Audit Committee and to support the Chair as Senior Independent Director.
External Appointments: Non-Executive Director of NatWest Group plc.

Key: ■ Executive ▲ Non-Executive ◆ Group General Counsel and Company Secretary

Belén Romana García ▲

Position: Independent Non-Executive Director
Nationality: Spanish
Committee Membership: Risk Committee (Chair), Audit Committee, Customer, Conduct and Reputation Committee, Nomination and Governance Committee
Tenure: 5 years 9 months. Appointed to the Board in June 2015
Skills and Experience: Belén has extensive governmental and regulatory experience and brings a detailed knowledge of the financial services industry and regulations to the Board. Belén has held senior positions at the Spanish Treasury and represented the Spanish government at the Organisation for Economic Co-operation and Development. Belén's experience as both an executive and a non-executive in the financial services sector, and in international policy making and regulation provide a valuable perspective to the Board and in her role as Chair of the Risk Committee.
External Appointments: Independent Non-Executive Director of Banco Santander and Bolsas y Mercados Españoles and a member of the advisory board of the Foundation Rafael del Pino (non-profit organisation) and TribalData and Co-Chair of the Global Board of Trustees of the Digital Future Society.

Michael Mire ▲

Position: Independent Non-Executive Director
Nationality: British
Committee Membership: Customer, Conduct and Reputation Committee, Nomination and Governance Committee, Remuneration Committee, Risk Committee
Tenure: 7 years 6 months. Appointed to the Board in September 2013
Skills and Experience: 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. Michael was a senior partner at McKinsey & Company where he worked for more than 30 years, and alongside his governmental experience, he brings a unique perspective and insight to the Board.
External Appointments: Chairman of HM Land Registry, Non-Executive Director of the Department of Health and Social Care, and Senior Adviser to Lazard.

Mohit Joshi ▲

Position: Independent Non-Executive Director
Nationality: British
Committee Membership: Nomination and Governance Committee, Risk Committee
Tenure: 3 months. Appointed to the Board in December 2020
Skills and Experience: Mohit is a President of Infosys, 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 of the Infosys Financial Services, Insurance, Healthcare and Life Sciences business and Chairperson for EdgeVerve, its software subsidiary.

Jim McConville ▲

Position: Independent Non-Executive Director
Nationality: British
Committee Membership: Customer, Conduct and Reputation Committee (Chair), Audit Committee, Risk Committee, Nomination and Governance Committee
Tenure: 3 months. Appointed to the Board in December 2020
Skills and Experience: Jim was previously Group Finance Director of Phoenix Group, where he was responsible for all aspects of the Group's financial strategy and management, during which he 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 prior to that he worked for Lloyds TSB Group (now Lloyds Banking Group plc) in a number of senior finance and strategy related roles. With Jim's extensive experience he is well placed to chair and strengthen the Customer, Conduct and Reputation Committee. Jim's expertise significantly adds to the knowledge and expertise of the Audit Committee, Risk Committee and Nomination and Governance Committee.
External Appointments: N/A.

Pippa Lambert ▲

Position: Independent Non-Executive Director
Nationality: British
Committee Membership: Remuneration Committee, Customer, Conduct and Reputation Committee, Nomination and Governance Committee
Tenure: 2 months. Appointed to the Board in 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 program, 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 from 2011 to 2013 where she worked closely with the RBS Board on the redevelopment and restructure of the bank's compensation and benefit program. Pippa's skill set will contribute significantly to the Board in areas relating to people and reward matters.
External Appointments: Trustee at Breast Cancer Haven and a member of the Senior Salaries Review Board.

Kirstine Cooper ◆

Position: Group General Counsel and Company Secretary
Nationality: British
Committee Membership: N/A
Tenure: 10 years 3 months. Appointed as Company Secretary in December 2010 and a member of the Executive Committee in May 2012
Skills and Experience: Kirstine has over 25 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. During March 2016 to March 2017, Kirstine was the Commissioner on the Cabinet Office's Dormant Assets Commission which was tasked with identifying new pools of dormant assets and working with industry to encourage the contribution of these assets to good causes.
External Appointments: Trustee of the Royal Opera House and Non-Executive Director of HM Land Registry. Kirstine is also Insurance and pension champion for an expanded Dormant Assets scheme.

The full biographies for all our Board and Executive Committee members are available online at www.aviva.com/about-us

Key: ■ Executive ▲ Non-Executive ◆ Group General Counsel and Company Secretary

Directors' and Corporate Governance report

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 of and complied with the provisions of the Code during 2020 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, other than for a short period between the appointment of a new Senior Independent Director and when George Culmer, the previous Senior Independent Director, became Chair.

The Strategic report discloses information on our engagement with our employees, suppliers, customers and other stakeholders. In line with the Companies Act 2006 Regulations, further information on how the directors have performed their duties under section 172 of the Companies Act 2006 is also contained in the Strategic report.

Changes to the Board

There were several changes to the Board during 2020. Following a thorough external and internal selection process, George Culmer was appointed as Non-Executive Chair of the Company on 27 May 2020. George succeeded Sir Adrian Montague, who retired from the Board on 31 May 2020. Sir Adrian had been appointed to the Board in January 2013 and became Senior Independent Director in May 2013, and Chairman in April 2015. George was appointed as a Non-Executive Director of the Company on 25 September 2019 and was appointed as the Senior Independent Director with effect from 1 January 2020. George brings extensive experience in insurance and broader financial services to the role.

On 6 July 2020, Maurice Tulloch stepped down as Group Chief Executive Officer (CEO) and retired from his position on the Board. Maurice joined Aviva in 1992 and held a number of senior positions in the business during his time with the Company. He joined the Board in 2017 and was appointed as Group CEO in March 2019. After a rigorous search process, involving the assessment of highly talented internal and external candidates, the Board unanimously agreed to appoint Amanda Blanc as Group CEO. Amanda Blanc had joined the Board as a Non-Executive Director on 2 January 2020. She was formerly CEO at AXA UK & Ireland, and CEO, EMEA & Global Banking Partnerships at Zurich Insurance Group.

We were delighted to appoint two Non-Executive Directors to the Board on 1 December 2020. Jim McConville has assumed the role of Chair of the Customer, Conduct and Reputation Committee and is a member of the Audit, Risk and Nomination and Governance Committees. Mohit Joshi has become a member of the Risk and Nomination and Governance Committees. Jim was previously Group Finance Director of Phoenix Group, where he was responsible for all aspects of the Group's financial strategy and management and during which he 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 prior to that, he worked for Lloyds TSB Group (now Lloyds Banking Group plc) in a number of senior finance and strategy related roles. Mohit is the President of Infosys, 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.

We were also delighted to appoint a further Non-Executive Director to the Board on 1 January 2021 with significant experience in global financial services, people strategies and transformation programmes. Pippa Lambert has become a member of the Remuneration, Nomination and Governance and Customer, Conduct and Reputation Committees. 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 from 2011 to 2013 where she worked closely with the RBS Board on the redevelopment and restructure of the Bank's compensation and benefits programme.

Patrick Flynn was appointed as Senior Independent Director on 7 September 2020. In the period between George Culmer becoming Chair, and the formal appointment of Patrick as Senior Independent Director, Patrick was available to act as an intermediary between the Board members or shareholders, and Chair as required. Patrick has extensive insurance experience, most recently as the Chief Financial Officer of ING, the Netherland's largest financial services group. He is also a Non-Executive Director of NatWest Group plc. Patrick is Chair of the Audit Committee and is a member of the Risk, Remuneration and Nomination and Governance Committees.

The Board

As at the date of this report the Board is comprised of the Non-Executive Chair, two Executive Directors and seven independent Non-Executive Directors (NEDs). Details of the role of the Board and its committees are described in this report. The duties of the Board and of each of its committees are set out in the respective Terms of Reference. Our committees' Terms of Reference 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 Terms of Reference 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, Conduct and Reputation; Nomination and Governance; and Risk Committees are contained in this report. A report from the Remuneration Committee is included in the Directors' Remuneration report.

Board diversity and inclusion

Diversity at Aviva includes, but is not limited to, gender and ethnicity, and is inclusive of all strands of diversity including skills and experience, geographic and social background, disability and sexual orientation. Supporting and embracing diversity and inclusion, and valuing difference, are integral parts of our culture. The ways in which we seek to put into practice these values are set out in our Board Diversity and Inclusion Statement, which supports our Nomination and Governance Committee's approach to succession planning. This is closely linked to our Group-wide Global Inclusion and Diversity Strategy (Diversity Strategy), which sets out how we implement our policies to increase diversity and inclusion throughout the Group. Board diversity is monitored by the Nomination and Governance Committee which reviews the balance of skills, knowledge, experience and diversity of the Board and leads on succession planning for appointments to the Board and the senior executive team. Our Board skills matrix supports this approach enabling us to map the range of diversity of skills, knowledge and experience of the Board and link these to our strategy.

We are 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 by 2021, making up 10% of the Board, in addition to continuing to maintain our target of ensuring that women make up at least 33% of the Board with women currently representing 40% of the Board. Inclusion at Aviva is imperative not only because it's the right thing to do, but also because it will help us deliver the outcomes that our shareholders and other stakeholders expect us to achieve. Further detail can be found in the Nomination and Governance Committee report.

The charts below illustrate the diversity of the Board and senior management as at the date of this report.

	Board of Directors		
	Non-Executive including Chair	Executive	Executive Committee
Composition			
Total	8	2	14
Gender			
Male	5	1	9
Female	3	1	5
Experience and Skills[1]			
Insurance	7	2	10
Asset Management	7	1	6
Finance	7	2	10
People	5	2	3
Risk	4	2	7
Legal & Regulatory	6	2	7
Customer	4	2	5
Technology, Digital & Operations	5	1	2
Strategy	7	2	7
International Experience[1]			
Europe	8	2	13
Asia Pacific	3	1	6
The Americas	3	1	3
Middle East & Africa	0	1	4
Tenure			
5-10 years	3	—	3
4 years	—	—	—
3 years	—	—	—
2 years	—	—	2
1 year	2	2	5
<1 year	3	—	4
Age			
30-39	—	—	0
40-49	1	1	8
50-59	3	1	5
60+	4	—	1

1 Individual directors may fall into one or more categories

Board activities during 2020

Strategy and business plans

- Approved the revised strategic priorities for the Aviva Group, which were announced in conjunction with our Interim Results on 6 August 2020. The three strategic priorities for the Group are: focus the portfolio, transform performance and financial strength
- Implemented a new dividend policy and capital framework, aligned with Aviva's strategic priorities; to deliver further value to shareholders by returning excess capital above 180% Solvency II shareholder cover ratio[1], once our target Solvency II debt leverage target ratio[1] has been reached
- Held an annual dedicated strategy session in June 2020, supplemented by further specific strategy sessions, to oversee the development and implementation of the Group's strategy

Oversight of risk and risk management

- Received and discussed reports from the Chief Risk Officer (CRO), and assessed the Group's significant risks and regulatory issues
- Approved the Group's risk appetite and risk policies which provide the risk framework for managing risk across the Group
- Reviewed the effectiveness, challenges and management action plans in relation to the Group's Operational Risk and Control Management Framework
- Reviewed the Group's strategy on climate related financial risk in line with regulatory requirements

COVID-19

- Assessed the impact of the COVID-19 pandemic on our customers, our people and the communities in which we operate
- Approved a rapid expansion of our remote working capability to maintain strong levels of service for individual and commercial customers
- Oversaw the provision of extensive support for our people through the period of restrictions, focusing on wellbeing and mental health support, as well as practical assistance for working at home
- Approved contributions to Aviva's communities totalling £43 million to support community partners

Governance

- Discussed reports from Board committees and management on legislation and proposed consultations that affect or will affect the Group's legal and regulatory obligations, including the Code
- Discussed and approved changes to the Board committee structure, and the designation of the Customer, Conduct and Reputation Committee as a sub-committee of the Risk Committee

Significant transactions and expenditure

- Approved financial matters in line with the Group Funding Plan, including capital injections where required into regulated subsidiaries, the sale of a majority shareholding in Aviva Singapore, the entire shareholdings in Aviva Indonesia, Aviva Vietnam and Aviva Vita and the issuance of C$450 4.000% million Dated Tier 2 Fixed Rate Notes due October 2030

Financial reporting and controls, capital structure and dividend policy

- Discussed reports provided by the Group Chief Financial Officer and by the Group's committees on key matters of financial reporting, providing the opportunity for the Board to input and challenge where necessary
- Monitored the Group's financial performance and financial results, withdrew and subsequently reintroduced dividend payments to ordinary shareholders due to significant uncertainties presented by COVID-19
- Assessed the Group's capital and liquidity requirements, arising from the Group's strategy and Group Plan, in addition to the challenges presented to the Group's markets by COVID-19
- Reviewed and quantified the impact of COVID-19 on claims expenses in our life and general insurance businesses
- Approved the full year results and Annual Report and Accounts, and the Half-Year Report

People, culture, succession planning and Board effectiveness

- Oversaw the search process, reviewed candidates and approved the appointment of George Culmer as Non-Executive Chair and Amanda Blanc as Group CEO following recommendations from the Nomination and Governance Committee
- Following recommendations from the Nomination and Governance Committee, approved the appointment of the two Non-Executive Directors to the Board during 2020 and one Non-Executive Director to the Board at the beginning of 2021
- Discussed the current Group culture, its alignment with strategy, and how it has been further strengthened during the year
- Undertook an evaluation of the Board's effectiveness, the effectiveness of each committee and individual directors

1 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 within the Annual Report and Accounts.

Stakeholder engagement

We report on our stakeholder engagement and other relevant matters in the 'Section 172 (1) statement and our stakeholders' section of the Strategic report. This outlines how the Board has engaged with our principal stakeholder groups. The Board considers stakeholder engagement, including engagement with our workforce to be a matter of strategic importance.

Board appointments

Our Non-Executive Directors played a principal role in the process to appoint George Culmer as Non-Executive Chair and Amanda Blanc as Group CEO, and in the appointment of three Non-Executive Directors through their membership of the Nomination and Governance Committee. MWM Consulting (MWM) undertook the search and selection processes for the Board Chair, Non-Executive Directors and Group CEO but had no other connections with the Company or any individual director. In line with our succession planning processes, and led by the Nomination and Governance Committee, we undertake a formal, rigorous and transparent search process for each 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 continuation of each Board appointment is also subject to the annual board effectiveness review to confirm that each director's performance continues to be satisfactory. In accordance with the Code and our 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 Annual General Meeting (AGM). All directors in office at the time of the 2020 AGM were elected or re-elected in 2020.

Board and committee structure

The Board is collectively responsible for promoting the long-term, sustainable success of the Company through delivering excellent outcomes for our customers, seeking to generate value for shareholders while fulfilling our responsibilities to 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 in the Group, and our policies, processes and behaviours in relation to these issues are closely monitored by the Board. The Board is also responsible for setting the Group's risk appetite and monitoring the operation of our control's frameworks. It also seeks to maintain an appropriate dialogue with shareholders on strategy and remuneration.

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 all 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 (ExCo), comprised of our most senior managers from across the business.

The Board has established certain principal committees to assist in fulfilling its oversight responsibilities, providing dedicated focus on the areas set out below. Each committee chair reports to the Board on the committee's activities after each meeting. Full details of the responsibilities of the Board committees are set out later in this report and in the Directors' Remuneration report.

During 2020 certain amendments were made to the structure and defined responsibilities of our suite of Board committees. To further align with our strategic priority to transform customer experiences and provide excellent value for money, the Customer, Conduct and Reputation Committee was designated as a sub-committee of the Risk Committee. This is also aligned to our purpose to ensure our actions in every part of the business are fully focused on consistently earning customers' trust as the best place to save, retire and insure.

The new remits of the Committees are outlined below.

Committees' purpose

Name of Committee	Committee Purpose
Nomination and Governance Committee	Assists the Board in its oversight of Board composition; Board and senior executive succession; talent development; diversity and inclusion initiatives; operation of the Group governance framework; and Aviva's subsidiary governance principles.
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 monitoring cyber strategy and compliance with prudential regulatory requirements. Oversight of conduct risk topics through the alignment with the Customer, Conduct and Reputation Committee reporting into the Risk Committee.
Audit Committee	Assists the Board in its oversight of financial reporting by assessing the integrity of the Company's financial statements and related announcements; monitoring the adequacy of controls over financial reporting; monitoring the Group's whistleblowing provisions; and monitoring the independence and performance of the Internal Audit function and the External Auditors.
Customer, Conduct and Reputation Committee	Assists the Board in its oversight of customer, conduct and reputation issues including operational risks related to customer and business conduct; the Group's customer strategy and customer conduct obligations; oversight of the Group's brand, reputational risk profile, data governance and data privacy; and corporate responsibility.
Remuneration Committee	Assists the Board in its oversight of remuneration by reviewing the Group Remuneration Policy; the Directors' Remuneration Policy; recommending remuneration packages for the Non-Executive Chair and ExCo; and remuneration approaches for the remuneration of regulated employees. Works with the Board Risk Committee to ensure that risk management is considered in setting the Remuneration Policy and promoting a risk awareness culture through the alignment of incentive and rewards with risk management.

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 were taken into account as part of the selection process for the three Non-Executive Directors who joined Aviva during 2020 and 2021.

During 2020, 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. In line with the Code, over half of our Board members, excluding the Chair, are independent Non-Executive Directors.

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 2020 the Nomination and Governance Committee assessed the Non-Executive Directors' time commitment considering both the time required for Aviva Board and committee appointments and the number and nature of the directors' external commitments. All Non-Executive Directors have demonstrated they have sufficient time to devote to their present role within Aviva, including during any potential periods of corporate stress. George Culmer became a Non-Executive Director of Rolls Royce plc on 2 January 2020 and Belén Romana García became a Non-Executive Director of Bolsas y Mercados Españoles on 30 July 2020. The time commitment and potential conflicts involved were assessed by the Nomination and Governance Committee which determined that George and Belén had sufficient time to commit to the Aviva Board and committee appointments.

The Senior Independent Director (SID) reviewed the time commitment of the Chair.

According to the Board's policy, Executive Directors may hold one external directorship, subject to obtaining the prior consent of the Board. Amanda Blanc is Chair of the Welsh Professional Rugby Board. No other appointments are held.

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 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 Company's success 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 conflicts and are required annually to review and confirm their external interests, which helps to determine whether they can continue to be considered independent.

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 'Other Statutory Information' section in this report.

Role profiles

Consistent with the Code and the Senior Managers and Certification Regime (SMCR), role profiles for the Non-Executive Chair, SID, Group CEO and Non-Executive Directors are all available at www.aviva.com/about-us/roles.

The Non-Executive Chair is tasked with leadership of the Board, setting its agenda and 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 overall 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 meetings with the Non-Executive Directors without management present. Additionally, Patrick Flynn as SID met with other Non-Executive Directors without the Chair present to discuss any matters which they wished to raise.

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 2020, the directors participated in internal training sessions on subjects including our risk appetite, climate change and directors' duties. Further training sessions have been incorporated into the Board and Committee plans for 2021. 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 three new Non-Executive Directors appointed. This covered, amongst other matters, the current strategic and operational plan; meeting packs and minutes from recent board 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. Any knowledge or skill enhancements identified during the directors' regulatory application process would also be addressed through their induction programme.

Board calendar

During 2020, 28 Board meetings were held, of which thirteen were scheduled meetings and fifteen were additional meetings called at short notice. The additional meetings were primarily called to address the impact of the COVID-19 pandemic. In addition, the Board delegated responsibility for certain items to specially created Board committees, which met nine times to discuss these particular 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 usually visits different markets each year, however, due to the COVID-19 pandemic, no international visits were held during 2020. In June 2020, the Board held its annual strategy meeting via teleconference to review progress against our strategic priorities plan and to consider how it should be further developed to ensure we deliver on our commitments to our shareholders and our stakeholders. Following the meeting, revised strategic priorities for the Aviva Group were announced on 6 August 2020.

Board and Committee meetings attendance during 2020

Number of meetings held	Board 28	Audit Committee 7	Customer, Conduct and Reputation 5	Nomination and Governance 13	Remuneration Committee 12	Risk Committee 11
Chair						
George Culmer[1]	27/28	5/5	1/1	4/13	4/4	4/5
Sir Adrian Montague[2]	15/15			2/11		
Executive Directors						
Amanda Blanc[3]	28/28		3/3	11/11		6/6
Maurice Tulloch[4]	17/17					
Jason Windsor[5]	26/28					
Non-Executive Directors						
Patricia Cross[6]	27/28	7/7		12/13	12/12	
Patrick Flynn	28/28	7/7		13/13	8/8	11/11
Belén Romana García	28/28	7/7	5/5	13/13		11/11
Mohit Joshi[7]	1/1					1/1
Jim McConville[8]	1/1					1/1
Michael Mire[9]	28/28		4/5	13/13	12/12	11/11

1 George Culmer acted as a Non-Executive Director in the period 1 January 2020 until 27 May 2020 when he was appointed Chair. During this period George was recused from the Nomination and Governance Committee meetings regarding his appointment. George was unable to attend one Board meeting due to illness and one Risk Committee due to a prior commitment.
2 Sir Adrian Montague acted as Chair until 31 May 2020 when he retired from the Board and the Nomination and Governance Committee. During this period Sir Adrian was recused from the the Nomination and Governance Committee meetings regarding his succession
3 Amanda Blanc acted as Non-Executive Director from 2 January 2020 until 6 July 2020 when she was appointed as CEO.
4 Maurice Tulloch acted as Group CEO until 6 July 2020 when he retired from the Board.
5 Jason Windsor did not attend two Board meetings which concerned the CEO search process.
6 Patricia Cross was unable to attend one Board meeting and a Nomination and Governance Committee meeting due to a prior commitment.
7 Mohit Joshi was appointed to the Board as a Non-Executive Director on 1 December 2020.
8 Jim McConville was appointed to the Board as a Non-Executive Director on 1 December 2020.
9 Michael Mire was unable to attend one Customer, Conduct and Reputation Committee meeting due to a prior commitment.

Board priorities during 2020

The impact of the COVID-19 pandemic was the key focus for the Board during 2020. As a consequence, the Board met remotely and more frequently, initially weekly, to understand and consider how the pandemic was affecting our business operations, our risk and control environment and the markets in which we operate. The Board monitored the move of our people to homeworking, the operational challenges that presented, the financial markets' response to the pandemic and the impact of those market moves on Aviva.

While 2020 was a challenging year operationally, the Board continued to focus on our strategy and how we deliver sustainable, long-term growth for our shareholders. Following the appointment of Amanda Blanc as Group CEO, we have reset our strategy to focus on our three core markets – the UK, Ireland and Canada – and we are focused on transforming our performance and ensuring our financial strength. The Board played a key role in providing challenge and input into the new strategy to ensure that the strategy promotes the long-term sustainable success of the Company, generates value for shareholders and contributes to wider society. The pandemic will not last forever, and the Board has continued to set aside time to look to the future and not just focus on the challenges of today, and our strategy will support Aviva in the challenges we face in the years ahead.

A new dividend policy and capital framework was put in place on 26 November 2020 aligned with Aviva's strategic priorities. As we focus the portfolio, we expect to build excess capital over time. We will deliver further value to shareholders by returning excess capital above 180% Solvency II shareholder cover ratio[1], once our Solvency II debt leverage target ratio[1] has been reached. The Board expects to exceed the original target of £1.5 billion debt deleveraging by the end of 2022.

We understand that our financial plans can only be achieved through being with people when it really matters, throughout their lives – to help them make the most of life. Looking after our customers, people and wider community has been a priority for Aviva during the ongoing pandemic. The Board met 28 times during the year, focusing on Aviva's customers and assessing the impact of COVID-19 on them, in addition to revising the strategic priorities for the Aviva Group.

During 2021, the Board's agenda will focus on driving delivery of the Group's strategic priorities.

We will seek to ensure that we successfully simplify Aviva's portfolio, transform our performance and improve our efficiency. The Board will closely monitor and drive enhancements in our risk and control environment and will continue to assess and respond to changes in the uncertain external economic and social environment; including those related to the ongoing impact of COVID-19. The Board will seek to ensure that as a business, we maintain our focus on managing operational resilience and potential risks around our IT estate. We will closely review our progress towards meeting the financial targets outlined in our strategic update in November 2020 which will support our new dividend policy and capital framework and our goal of delivering further value to shareholders. Our Board strategy session in June 2021 will be used to review our three-year strategic plan and to set out strategic priorities for the year ahead.

Culture will also remain a key area, and we will continue to engage with our stakeholders and integrate their interests and concerns into our decision-making processes. Succession planning and the continued development of the talent pipeline will also remain an area of focus for both the Board and the Nomination and Governance Committee.

Board 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. The Board decided that the 2020 evaluation be undertaken through an internal questionnaire prepared in conjunction with Lintstock, with the outcomes reported in January 2021. Lintstock also provides evaluations to other operating subsidiaries in the Aviva Group.

Lintstock is an independent provider of Board evaluations and has no other connection with Aviva or any individual director. The questionnaires covered a variety of areas including board composition, strategic and operational oversight, risk management and internal controls, and culture. The Board considered the final report and the recommendations which were shared with each committee, and an action plan for areas of focus was agreed. The 2019 Board evaluations and 2020 actions are outlined in the table below.

Outcomes from the 2019 Board evaluation and steps taken in 2020

Focus area	Theme	Feedback/actions
Strategy oversight	Enhanced information to support the Board's strategy implementation activities	The Board's reporting schedule was revised to increase the frequency of Strategy and Transformation agenda items. These changes supported the Board with its discussion of strategic matters and early input into associated proposals during the strategic review. The Board created a Group Chief Operating Officer (COO) role with responsibility for supporting strategy implementation and providing associated updates to the Board.
Performance reporting	Developing and enhancing the information the Board receives on key performance Indicators	We made certain changes to the performance reporting received by the Board, including the introduction of more granular market reporting and external perspectives and benchmarks. These changes further support the Board's insight into potential issues facing our operating subsidiaries in their markets.
Subsidiary operations oversight	Review the breadth of the Board's oversight of subsidiary operations	A framework has been implemented that reinforces the engagement of the Board's Non-Executive Directors with the chairs of subsidiary boards. The chairs of key subsidiary entities have become standing attendees at Board meetings further enhancing the flow of information between the Board and subsidiaries. The Group's Subsidiary Governance Principles were also enhanced to include greater focus on items for escalation from the subsidiary boards to the Aviva plc Board.

Committee effectiveness

As part of the Board effectiveness review process, each committee considers the feedback from the Board evaluation exercise and develops an action plan as appropriate.

Frameworks for risk management and internal control

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 ensuring that an appropriate system of risk governance is in place throughout the Group. To discharge this responsibility, the Board has established frameworks for risk management and internal control using a 'three lines of defence' model and reserves for itself the setting of the Group's risk appetite. Further details are contained on the following pages.

In-depth monitoring of the establishment and operation of prudent and effective controls in order to assess and manage risks associated with the Group's operations is delegated to the Risk, Customer, Conduct and Reputation and Audit Committees which report regularly to the Board. However, the Board retains ultimate responsibility for the Group's systems of internal control and risk management and has reviewed their effectiveness for the year. The frameworks 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 and loss. The frameworks are regularly reviewed and were in place for the financial year under review and up to the date of this report.

They help ensure the Group complies with the Financial Reporting Council's (FRC) guidance on Risk Management, Internal Controls and Related Financial and Business Reporting.

A robust assessment was conducted by the Board of the emerging and principal risks facing the Company, including those that could impact the Group's business model, future performance, solvency and liquidity.

The Company's approach to risk and risk management together with the principal risks that face the Group are explained within the Risk and risk management section of this report.

Risk management framework

The 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 and business standards which set out the risk strategy, appetite, framework and minimum requirements and controls for the Group's worldwide operations. Further detail is set out in note 59.

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 IFRS 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 both IFRS and Solvency II reporting activity.

The FRCF process follows a risk-based approach, with management identification, assessment (documentation and testing), remediation (as required), reporting and certification over key financial reporting related controls.

During 2020 the Aviva Group has continued its focus on operational resilience by completing its annual programme of disaster recovery testing, including those applications hosted in the Cloud, the strengthening of its cyber security controls and regular programme of Red Team testing. Aviva's successful response to the COVID-19 pandemic has also been used to inform the Group's preparation for the forthcoming Operational Resilience regulation for which enhancements to Aviva's Operational Risk Management Framework have been made (going live in 2021), alongside the categorisation and resilience prioritisation of its important business services. Further analysis and testing of Aviva's most important business services will take place during 2021. Further information can be found in the Audit and Risk Committee reports.

First line – management monitoring

The Group Executive Committee and each market Chief Executive Officer are responsible for the application of the RMF, for implementing and monitoring the operation of the system of internal control and for providing assurance to the Audit, Customer Conduct and Reputation and Risk Committees and the Board.

Second line – risk management, compliance and actuarial functions

The Risk Management function is accountable for the quantitative and qualitative oversight and challenge of the identification, measurement, monitoring and reporting of principal risks and for developing the RMF.

The Actuarial function is accountable for the Group-wide actuarial methodology, reporting to the relevant governing body on the adequacy of reserves and the appropriateness of the Solvency II internal model, as well as underwriting and reinsurance arrangements. The Compliance function supports and advises the business on the identification, measurement and management of its regulatory, financial crime and conduct risks. It is accountable for maintaining the compliance standards and framework within which the Group operates and monitoring and reporting on its compliance risk profile.

Third line – internal audit

The third line of defence is Internal Audit. This function provides independent and objective assessment on the robustness of the RMF and the appropriateness and effectiveness of internal control to the Audit, Customer, Conduct and Reputation and Risk Committees, market audit committees and the Board. Further information can be found in the Audit Committee report.

The principal committees that oversee risk management are as follows

The Risk Committee	The Customer, Conduct and Reputation 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. Oversight of conduct risk through reporting from the Customer, Conduct and Reputation Committee (CCRC).	Works closely with the Risk Committee and is responsible for assisting the Board in its oversight of operational risk across the Group, particularly the risk of not delivering good customer outcomes and compliance with our corporate governance principles. During 2020 the CCRC was designated as a sub-committee of the Risk Committee.	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.

Board oversight of risk management

The Board's delegated responsibilities regarding oversight of risk management and the approach to internal controls are set out on the previous pages. 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.

Assessment of effectiveness of risk management

With the exception of business units where Aviva disposed of the majority of its shares, each business unit Chief Executive Officer and Chief Risk 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 through the year.

Any material risks not previously identified, 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 also draws on the regular cycle of assurance activity conducted during the year, as well as the results of the annual assessment process. During 2020, 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 Committee and the Board on a regular basis and are summarised annually to enable them to carry out an effectiveness assessment.

The Risk Committee, on behalf of the Board, have reviewed the effectiveness of the systems of internal control and risk management. This review occurs annually. In addition, Internal Audit plays a significant role in contributing to the routine ongoing assessment of the Group's Risk & Control Management framework. There has been regular reporting to the committees throughout the year to ensure that outstanding areas of improvement are both identified and remediated. While there has been substantial progress during the year there remains a number of areas where significant work is still required.

The reports to the Audit and Risk Committees refer to the need to sustain the embedding of controls in a number of areas where significant remediation progress has been made in 2020, such as cyber security, risk management through major change and financial crime prevention; and the need to continue to make further improvement in a number of other areas, such as data management, controls testing (including cyber), risk culture and model risk management. Specific areas for improvement were also identified in Canada and France. The Risk Committee, working in conjunction with the Audit Committee, on behalf of the Board, will continue to monitor progress throughout 2021.

The risk management framework of a small number of our joint ventures and strategic equity holdings 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 to ensure appropriate management of risks and to align them, where possible, with our framework.

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 met several of the Group's major shareholders during 2020. At these meetings a range of issues were discussed within the constraints of information already made public, to understand shareholders' perspectives. On 26 November 2020 we streamed a presentation to update investors and analysts on our strategy and financial objectives in conjunction with our third quarter announcement. Shareholders' views are regularly communicated to the Board through the Group CEO's, and Group Chief Financial Officer's reports and weekly briefings from the 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.

2021 AGM

The 2021 AGM will be held on Thursday 6 May 2021 and the Notice of AGM and related papers will, unless otherwise noted, be sent to shareholders at least 20 working days before the meeting. 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.

Due to the restrictions associated with the COVID-19 pandemic, it was not possible to hold our usual AGM arrangements for the 2020 AGM, but we filmed an event with the Chair and Group CEO answering questions submitted by shareholders to ensure our engagement with shareholders continued as far as possible in the circumstances.

Nomination and Governance Committee report

Committee focus during 2020

I am pleased to present the Nomination and Governance Committee (the Committee) report for the year ended 31 December 2020.

During the year, the Committee led the selection process for my appointment as Non-Executive Chair with effect from 27 May 2020, the appointment of Amanda Blanc as the Group Chief Executive Officer (Group CEO) with effect from 6 July 2020 and the appointment of Patrick Flynn as Senior Independent Director (SID) with effect from 7 September 2020. The Committee also led the process for the appointment of Mohit Joshi, Jim McConville and Pippa Lambert as Independent Non-Executive Directors. Mohit Joshi and Jim McConville joined the Board on 1 December 2020 and Pippa Lambert joined on 1 January 2021. The Committee also considered a range of governance matters, including the implementation and embedding of the Group Governance Framework for the oversight of the Group's subsidiaries.

Committee membership

Sir Adrian Montague retired from the Committee on 27 May 2020 and Amanda Blanc retired from the Committee on 6 July 2020 following her appointment as Group CEO. I would like to thank them both for their contribution. The members of the Committee as at 31 December 2020 are shown in the table below. I was appointed as Chair of the Committee on 27 May 2020. Mohit Joshi and Jim McConville joined the Committee on 1 December 2020 and Pippa Lambert joined the Committee on 1 January 2021. Details of members' experience and qualifications are shown in the 'Our Board of Directors' section, and their attendance at Committee meetings during the year is shown within the Directors' and Corporate Governance report.

Name	Member since	Years on the Committee
George Culmer (Chair)	25/09/2019	1
Patricia Cross	01/12/2013	7
Patrick Flynn	16/07/2019	1
Belén Romana García	26/06/2015	5
Mohit Joshi	01/12/2020	<1
Jim McConville	01/12/2020	<1
Michael Mire	12/09/2013	7

Committee Purpose

The main purpose of the Committee is the oversight of the balance of skills, knowledge, experience and diversity on the Board to enable it to identify and respond appropriately to current and future opportunities and challenges. To assist in identifying and nominating candidates for the Board, the Committee monitors the succession plans for the Executive and Non-Executive Directors. The Committee also oversees talent development for the wider Group and diversity and inclusion initiatives. During the year, the Board and Committee's remit and responsibilities were reviewed. With effect from 1 January 2020 the Committee changed its name to the Nomination and Governance Committee and expanded its responsibilities to include oversight of governance and organisational change.

More information on the Board and Committee's structure can be found in the Directors' and Corporate Governance report.

Board and executive succession planning

The 2018 UK Corporate Governance Code (the Code) places an emphasis on succession planning and the Committee has built on its existing processes to strengthen its focus in this area.

The Committee, on behalf of the Board, regularly assesses the balance of Executive and Non-Executive Directors, and the composition of the Board in terms of skills, experience, diversity and capacity.

Non-Executive Directors

Following five years as Non-Executive Chairman and seven years in total on the Board, Sir Adrian Montague retired as Non-Executive Chairman and as Chair of the Nomination and Governance Committee on 27 May 2020, and from the Board on 31 May 2020. The Committee initiated a process to identify a successor as Chair after Sir Adrian had indicated in January 2020 that he intended to retire. I expressed an interest in becoming Chair, and accordingly recused myself from the selection and recruitment process. The Committee agreed that Amanda Blanc, at that time another Independent Non-Executive Director, lead the recruitment. The Committee approved the search criteria for the role and engaged MWM to identify suitable potential candidates. The role criteria focused on individuals who had undertaken a successful executive career; had significant insurance or financial services experience; FTSE 100 Board Chair or Senior Independent Director experience; experience of transformation and demonstrable leadership ability. The Committee considered a longlist of candidates and assessed these against the candidate profile. A shortlist of two candidates was produced following this process. The Committee interviewed both candidates, and recommended my appointment as Chair, with effect from 27 May 2020. The appointment was approved by the Financial Conduct Authority (FCA) and the Prudential Regulatory Authority (PRA).

Patrick Flynn was appointed as SID on 7 September 2020. Patrick has been a member of the Board and the Committee since July 2019 and brings significant experience of both retail financial and insurance services. I had previously served as SID from 1 January 2020 until my appointment as Chair.

During the year, the Committee reviewed the Board skills matrix and capability gaps identified and agreed on the areas of experience which would be beneficial to the composition of the Board. With the appointment of Amanda Blanc as Group CEO, and my appointment as Chair, the Board required replenishment. MWM was engaged to undertake an extensive external search based on the role specifications agreed by the Committee. The Committee considered the role profiles of the shortlisted candidates, met the candidates with the most alignment to the specification and recommended the appointment of Mohit Joshi, Jim McConville and Pippa Lambert to the Board. Jim and Mohit were appointed to the Board on 1 December 2020 and Jim has assumed the role of Chair of the Customer, Conduct and Reputation Committee. Jim and Mohit bring significant experience in retail financial services and operational and IT transformation to the Board. Pippa was appointed to the Board on 1 January 2021 and has significant experience in global financial services, people strategies and transformation programmes.

Executive Directors

The Committee conducted the process for the recruitment of a new Group CEO, leading to the appointment of Amanda Blanc on 6 July 2020. The Committee approved the search brief and engaged MWM to identify suitable candidates. The brief included finding candidates with deep insurance experience, a track record of running large global organisations, outstanding leadership qualities, a customer focused approach and alignment to the Company's culture and values. Amanda Blanc expressed an interest in being considered for the role and recused herself from the Committee discussions on the CEO appointment process. A diverse longlist of candidates was reviewed by the Committee and the Chair met the internal and external candidates on the resulting shortlist. The successful candidate met with the FCA and the PRA. The Remuneration Committee led on the development of an appropriate remuneration package for the role and approved the final package to be offered to the successful candidate. Both the Remuneration and Nomination and Governance Committees were mindful of shareholder views when considering the remuneration package for the role. Having considered her skills, experience and personal attributes the Committee unanimously agreed to recommend Amanda Blanc as Group CEO. Amanda was formerly an Independent Non-Executive Director of the Company and was first appointed to the Board on 2 January 2020.

MWM undertook the search and selection processes for the Board Chair, Non-Executive Directors and Group CEO but had no other connections with the Company or any individual directors.

Talent management

The Committee monitors the development of the Group Executive Committee (ExCo) to ensure that there is a diverse supply of senior executives and potential future Executive Board members with the appropriate skills and experience. The appointment of the new Group CEO in July 2020 brought renewed focus to ensuring that the Company has the best leaders and an optimal organisational structure. During 2020, the Committee received updates from the Chief People Officer on the development plans and talent profiles of the ExCo in line with the Group's succession plans. The Chief People Officer also provided strategic workforce planning updates in response to the challenges presented by COVID-19.

The Committee considers the development plans designed to prepare successors for ExCo roles and internal talent development and developing a pipeline of potential future leaders has continued to receive Committee focus during the year, despite the unexpected challenges of COVID-19, with programmes being adapted and redesigned for virtual delivery.

The Committee also considers the 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 ongoing Accelerating Leadership from the Inside Out (ALIO) and ALIO Ethnic Minorities programmes to support the development of future female and ethnic minority leaders.

Diversity

Diversity and inclusion continue 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 and ethnicity, and is inclusive of all strands of diversity including skills and experience, geographic and social background, disability and sexual orientation. 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 by 2021. The Company also ranks as number 45 on the Stonewall UK Workplace Equality Index.

As a global business Aviva recognises the importance of reflecting the diversity of the customers we serve in the composition of our Board and the senior management of the markets we operate in.

As at the date of the report the representation of women on the Board has increased from 33% in March 2020 to 40%. We actively support women advancing into senior roles, with the Group CEO being a member of the 30% Club. We are a charter signatory of HM Treasury's Women in Finance Charter, which commits financial services companies to a range of measures to improve gender diversity amongst senior management. As at the date of this report females represent 35% of the ExCo and further details on gender diversity in the workforce and wider senior leadership population can be found in the Strategic report.

In August 2020, the Board adopted a Diversity and Inclusion statement which supports the Committee in its approach to succession planning. The Board's Diversity and Inclusion statement, which is in line with the overall Group Diversity and Inclusion strategy, is available on the Company's website at www.aviva.com/corporate-governance.

Conflicts of interest and independence

During 2020, the Committee reviewed the balance of skills, experience and independence of the Board. The Committee conducted a review of individual director conflict authorisations as recorded in the Conflicts of Interest register. The register is maintained by the Group Company Secretary and sets out any actual or potential conflict of interest situations which a director has disclosed to the Board in line with their statutory duties. 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 in 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 satisfied itself that the Non-Executives met the criteria for independence and that the Chair of the Board met the criteria on appointment to that role.

Governance

The Committee monitors the Group's compliance with the 2018 UK Corporate Governance Code and other areas of regulation and guidance. The Group Company Secretary provides updates to the Committee on governance matters, legal and litigation risks which have the potential to impact the reputation of the Group.

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 across the Group and monitors the action plans developed by subsidiary boards to reflect those outcomes.

During 2020, the Committee focused on the implementation and embedding of the Group Governance Framework for the oversight of the Group's subsidiaries and updates continued to be received and approved by the Committee relating to the Subsidiary Governance Principles, the effectiveness of the Company's subsidiary boards and the Group Conflicts of Interest policy.

Committee effectiveness review

The Committee undertakes a review of its effectiveness annually. More information can be found in the Directors' and Corporate Governance report.

2021 priorities

In 2021 the Committee will continue to focus on succession planning at the Board and senior management level to develop a strong and diverse talent pipeline. The Committee will also continue to further strengthen its oversight and engagement with the governance arrangements of our subsidiary entities.

George Culmer
Chair of the Nomination and Governance Committee
3 March 2021

Committee activities during 2020

Evaluation and annual assessment

- Assessed the Non-Executive Directors' independence
- Considered and recommended to the Board the election/re-election of each continuing director ahead of their election/re-election by shareholders at the Company's 2020 AGM
- Reviewed and made recommendations to the Board in respect of each director's actual, potential or perceived conflicts of interests
- Reviewed the external appointments and time commitments of the Non-Executive Directors

Board composition and diversity

- Reviewed the composition of the Board and its committees and whether the Board required additional skills and experience which would complement those of the existing members and the Company's risk profile and strategy
- Led the search process for the appointment of the new Non-Executive Chair, Group CEO, SID and three Non-Executive Directors
- Considered specific steps to be taken in relation to diversity in Board and executive succession planning, including meeting the Parker Review Committee's target for all FTSE 100 boards to have at least one director from an ethnic minority background by 2021

Succession planning

- Continued to focus on succession planning arrangements at both Board and Executive Director level, against a specification for the role and the capabilities required. Considered the succession plans for each Executive Committee member, including talent development below the ExCo level

Talent pipeline

- Reviewed the career and development plans for the Executive Committee members to ensure that there is an adequate talent pool of potential Executive Directors
- Reviewed talent development throughout the Group to ensure there is a sufficient and diverse pipeline of talent available to execute the Company's current and future strategy

Governance

- Monitored the Group's compliance with the 2018 UK Corporate Governance Code and other areas of regulation and guidance
- Assessed the embedding of an enhanced Group Governance Framework for the oversight of the Group's subsidiaries
- Reviewed and made recommendations to the Board for revisions to the Subsidiary Governance Principles to enhance the effectiveness of the Company's subsidiary boards
- Reviewed and made recommendations to the Board for revisions to the Group Conflicts of Interest policy to further articulate requirements for the management of conflicts for both board Directors and employees
- Reviewed and where appropriate approved changes to the composition of the material subsidiary boards
- Discussed the outcomes of the 2020 subsidiary board effectiveness reviews
- Considered succession planning for material subsidiary boards around the Group

Risk Committee report

Committee focus during 2020

I am pleased to present the Risk Committee (the Committee) report for the year ended 31 December 2020.

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

During the year the Committee held additional meetings to focus on the COVID-19 global pandemic and received regular updates on the developing risks including the broader view of risk coverage by business units response, the prioritisation decisions around risk management, the Company's scenario planning and the impact on the Group's capital and liquidity. The Committee also spent significant time on the ongoing volatility of interest rate risk exposure and financial stability risk arising from the clearing and settlement considerations connected to the UK's exit from the European Union (EU).

The Committee held joint sessions with the Customer, Conduct and Reputation Committee (CCRC) in order to further support the oversight of conduct risk management. In November 2020, the Committee further assessed its role again, and concluded that the oversight of conduct risk topics would be enhanced if the CCRC became a sub-committee of the Risk Committee. This further aligned the oversight of conduct risks with other operational risks.

The Committee continued to review and oversee the strengthening of the Group's operational risk profile and control environment, supported by the development of the operational risk dashboard.

Committee membership

George Culmer and Amanda Blanc stepped down from the Committee on 27 May 2020 and 6 July 2020 when they became Chair and Chief Executive respectively. The members of the Committee as at 31 December 2020 are shown in the table below. Jim McConville and Mohit Joshi joined the Committee on 1 December 2020 and bring significant experience in retail financial services and operational and IT transformation. Details of members' experience, qualifications and attendance at Committee meetings during the year are shown within the Directors' and Corporate Governance report.

Name	Member since	Years on the Committee
Belén Romana García (Chair)	26/06/2015	5
Patrick Flynn	16/07/2019	1
Mohit Joshi	01/12/2020	<1
Jim McConville	01/12/2020	<1
Michael Mire	12/09/2013	7

Committee purpose

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 capital, liquidity and franchise value and reviewing the effectiveness of the Group's RMF. The Committee reviews the methodology used in determining the Group's capital requirements and associated stress testing and ensures that due diligence appraisals are 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.

The Committee works with the Remuneration Committee to ensure that risk management and risk culture is properly considered in setting the Remuneration Policy.

During 2020, a review of the Terms of Reference was carried out to provide greater clarity to the role and responsibilities between the Committee and CCRC to support appropriate oversight of conduct risk issues. As a result, the Committee held joint meetings with the CCRC to further assist co-ordination between the two Committees when assessing Conduct Risk matters, particularly when monitoring the impact of COVID-19 on customers and markets. This co-ordinated approach to oversight was formalised through the CCRC becoming a sub-committee of the Risk Committee to bring together committee oversight of all operational risk matters into one area. The Committee Terms of Reference were also clarified in respect of oversight of operational controls, with the Audit Committee overseeing controls over financial reporting, and the Risk Committee overseeing all other operational risk controls. The Committee also works closely with the Remuneration and Audit Committees. The cross membership between these Committees promotes a good understanding of issues and efficient communication.

COVID-19

During the year the Committee spent a substantial amount of time on the impact of COVID-19 and the operational, economic and insurance exposure. The Committee met on a more regular basis and held additional meetings to receive updates on the solvency position of the Group; the balance sheet and capital related management actions that were being taken; the operational readiness of the Group; the insurance risk exposure; and engagement with the regulators.

During 2020 there was significant market volatility and changing government stimulus and the overall recovery analysis continued to adapt to these changes.

The operational resilience pilot exercise supported the Group's approach to COVID-19 resilience activities, for example exceptions on provision of devices and alternate mobile working. This ensured that a strong internal communications cascade was in operation with full colleague support being provided. As part of operational readiness, the Group made the decision that new business was de-prioritised in order for staff to deal with existing and vulnerable customers and in particular claims. The Committee focused on the safety of employees, particularly those with underlying health conditions and ensured that management had plans in place to protect employees, and accommodate working from home, while ensuring that all critical services were maintained.

The Committee considered the overall impact of COVID-19 on the Group strategy and the consequences and trade offs made over the period, structural change and customer behaviour. The Committee's working scenario for COVID-19 was considered more prudent than the scenario devised by the Monetary Policy Committee of the Bank of England. The Committee welcomed that customer actions taken by the Group in response to COVID-19 had been positive and were generally ahead of the regulatory agenda.

Control environment

During the year the Committee received updates on disaster recovery, cyber resilience and IT outsourcing, and monitored and challenged the progress made by management.

In regard to cyber resilience, the Committee requested regular updates on the people, education, training and cultural aspects of the cyber programme to support the overall cyber risk and control environment. The Committee recognised that progress had been made, including an improvement in cyber resilience maturity.

The Committee also received deep dive sessions into the Company's cloud model and associated opportunities including cloud governance, controls and assurance, the developing regulatory position and the Group's Cyber position in order to provide a holistic view of the risks and opportunities to the Group.

During 2020, the Committee encouraged the development of the enterprise risk dashboard, specifically to include categorisation of risks across our different markets, risk appetites and focus on regular updates on key developments. This aligned to the financial risk appetite chart requested by the Committee, with the inclusion of updates on the operational risk and control environment and route to Green plans. During the most critical first wave of the COVID-19 period the dashboard was refreshed every two weeks to consider current and emerging risks on a regular basis.

The Committee requested horizontal deep dives, which included change management and the governance of the global change portfolio and material change programmes for 2020. The Committee welcomed the enhanced reporting and requested that further change updates were provided throughout the year with enhanced risk reporting against each completed and in-flight programme, a clearer risk landscape in respect of change and a risk assessment of first line programme success measures and objectives.

The Committee also received a deep dive session on France and its capital position and sensitivity to interest rate risk volatility. As part of this the Committee discussed the risk appetite based on the current strategy, the actions and plans taken during 2020 and currently underway, contractual commitments both to customers and our commercial partner and other strategic options. As part of the review of France the Committee focused on the misapplication of regulatory rules which had taken place and requested an overview of the additional validation work that was conducted in response.

The Committee requested updates on the Canadian risk environment, insurance risk and learnings on GI policy wordings and control processes. The Committee challenged the processes to ensure they were leading to the right customer outcomes.

Global Climate Change

During the year the Committee received an emerging risk deep dive on global climate change, including the current context, interconnected risks, alternative scenarios and the work being undertaken in Aviva to address the issue of climate change as part of Aviva's new climate strategy. The Committee also considered the regulatory expectations and data assurance processes that would be part of the climate related financial disclosure.

Committee effectiveness review

The Committee undertakes a review of its effectiveness annually. More information can be found in the Directors' and Corporate Governance report.

2021 priorities

The Committee will continue to monitor the impacts and associated risks as a result of COVID-19, the regulatory landscape and the UK's exit from the European Union. There will continue to be a focus on strengthening the risk and control environment, including mobilisation of a Risk Improvement Delivery Programme over the next two years.

In addition, I will continue to ensure a strong dialogue between the Group Risk Committee and our equivalent subsidiary level committees and the new reporting structure of the CCRC into the Committee.

Belén Romana García
Chair of the Risk Committee
3 March 2021

Committee activities during 2020

Risk appetite, risk management and risk reporting

- Reviewed reports from the Group Chief Risk Officer (Group CRO), which included updates on significant risks facing the Group, the Group's capital and liquidity position, the control environment, emerging risks and the Company's risk profile, and operational, regulatory and conduct risks
- Received regular updates on the global COVID-19 pandemic and associated developing risks
- Reviewed and recommended for Board approval the Group's risk policies
- Reviewed and recommended for Board approval the Group's Solvency II (SII) capital and liquidity risk appetites
- Approved the Group's SII capital risk tolerances by risk type
- Approved recommendations made by the Group CRO in his 90 day observations
- Approved mobilisation of the Risk Improvement Delivery Programme in 2021

Group capital and liquidity, financial plan and stress testing

- Approved the 2020 Group Capital and Liquidity Plan and subsequent updates
- Reviewed capital and liquidity projections including the Group's SII shareholder cover ratio[1] and liquidity cover ratio
- Reviewed updates on credit risk and the Company's credit exposure and reviewed mitigating actions
- Reviewed the development of the Company's strategy from a risk perspective
- Approved the Systemic Risk Plan, the Recovery Plan and the Liquidity Risk Management Plan
- Approved the scenarios for Group-wide stress testing to support the Group Recovery Plan
- Reviewed the risks to the 2021-2023 Group Plan

Solvency II internal model

- Undertook a review of the internal model components, reviewed internal model validation reports and governance updates, and approved changes to the internal model
- Reviewed the findings from France actuarial model review undertaken by Ernst & Young

1 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 within the Annual Report and Accounts.

External factors

- Reviewed regular updates on the performance of the Group's investment portfolios and on the external economic environment, and assessed the implications on the Group's asset portfolio
- Monitored the risk for cyber security, the progress against cyber risks and reviewed the results of simulated security attacks against the Group
- Monitored the impact of the UK's exit from the EU
- Reviewed the most significant emerging risk scenarios affecting the delivery of the Company's strategy

Regulatory, governance and internal audit

- Received risk and control updates from certain business units as part of an updated programme of risk deep-dive reviews
- Reviewed the Group Own Risk and Solvency Assessment (OSRA) Supervisory Report and approved its submission to the regulator
- Received updates on the disaster recovery, IT security, IT outsourcing and cyber risk Major Control Improvement Topics, and monitored and challenged progress by management
- Received quarterly reports from the Group Chief Audit Officer on internal audit which included progress on improving the control environment
- Approved the refresh of SII related Group Business Standards
  Reviewed and approved the annual objectives and performance of the Group CRO
  Reviewed the effectiveness of the systems of internal control and risk management
- Reviewed the Company's reporting on Climate Related Financial Disclosures requirements
- Recommended the 2020 Risk and Control Goal for approval by the Remuneration Committee
- Reviewed the adequacy and quality of the risk function
- Assessed the performance of all Group business units against the 2020 Group Risk and Control Goal

Audit Committee report

I am pleased to present the Audit Committee (the Committee) report for the year ended 31 December 2020.

The primary purpose of the Committee is to provide oversight of the process to ensure our half and full year financial statements and quarterly operating updates are suitable for publication. The Committee provides the Board with assurance as to the integrity of the Group's financial reporting and, together with the Risk Committee, monitors the effectiveness of our internal control environment. The Committee monitors the adequacy and effectiveness of our system of control over financial reporting and the effectiveness, performance, objectivity and independence of our internal and external auditors. The Committee also monitors our whistleblowing arrangements. The Audit Committee responsibilities are set out in full in its Terms of Reference.

Committee focus during 2020

During the year the Committee closely monitored the impact of COVID-19 on the Finance and Internal Audit functions, the financial control environment and on the Group financial results.

The Committee also discussed the merits of more regular reporting to update the market on Group performance, and following the agreements of the Board, supported the process to move to quarterly operating updates. The Committee dedicated a substantial amount of time to reviewing the Group's half and full year financial statements, supported by detailed reviews of the judgements applied in preparation of the financial statements, including Life and General Insurance technical provisions given the COVID-19 pandemic. This included the review of technical provision models, particularly in France following the misapplication of regulatory rules.

The Committee also focused on the Group's financial reporting, our system of internal controls over financial reporting and Financial Reporting Control Framework (FRCF), and the performance of the internal and external auditors.

The Committee had commenced a competitive tender process for the external auditor, however as a result of COVID-19 the Committee, following approval by the Financial Reporting Council (FRC), agreed to defer the external audit tender, by two years, until 2022, as the requirement to have an open, transparent process could not be met.

The Committee assessed the potential impact of new International Financial Reporting Standards (IFRS), particularly the new insurance accounting standard (IFRS 17) on the Group's financial operations.

Committee membership

George Culmer retired from the Committee when he became Chair with effect from 27 May 2020. Jim McConville was appointed to the Committee on 1 December 2020 and brings significant experience of financial services. The members of the Committee as at 31 December 2020 are shown in the following table. Details of their 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' section and the Directors' and Corporate Governance report.

Name	Member since	Years on the Committee
Patrick Flynn (Chair)	16/07/2019	1
Patricia Cross	01/12/2013	7
Belén Romana García	05/07/2019	1
Jim McConville	01/12/2020	<1

Committee member requirements

The Committee annually reviews how its members meet the experience and expertise criteria set out in the 2018 UK Corporate Governance Code (the Code) and the FCA Disclosure Guidance and Transparency Rules (DTRs). I as Committee Chair, Belén Romana García and Jim McConville, fulfilled both the 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.

Committee purpose

In January 2020 the Committee's Terms of Reference were reviewed and updated to further clarify the delineation of oversight of internal controls with the Risk Committee and the Committee operated under the revised terms of reference throughout 2020. The Committee is responsible for overseeing internal controls over financial reporting while the Risk Committee is responsible for the oversight of other areas of internal control. The Committee acts independently of management and works closely with the Remuneration and the Risk Committees. The cross-membership between these Committees supports a good understanding of areas of concern and facilitates efficient communication.

Effectiveness reviews

The Committee undertakes a review of its effectiveness annually. More information can be found in the Directors' and Corporate Governance report.

Evaluations of the External Auditor and Internal Audit function are also conducted on behalf of the Committee each year.

The 2020 External Audit Effectiveness review was undertaken 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 committees. 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 concluded that the Auditor continued to perform effectively and is recommended to shareholders for reappointment at the 2021 AGM. 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 2020.

The Committee also conducts an annual review of the Internal Audit function to assess its 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 Auditor. The Committee concluded that for 2020 the function performed well and remained effective.

Whistleblowing

The Committee Chair is the whistleblowers' champion for the Group and has responsibility to oversee 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 look for opportunities to further enhance the Speak Up service.

2021 priorities

In 2021, in addition to carrying out its principal function, the Committee will continue to monitor the impact of COVID-19 on key internal functions and any impact on reported financial results. The Committee will also monitor changes in the external audit environment following the Brydon, Kingman and Competition and Market Authority reviews of audit in the UK. The Committee will continue to support the development of the ORCM framework in relation to internal controls over financial reporting and monitor the implementation of the new IFRS 17 standard, ahead of its scheduled introduction from 1 January 2023.

Patrick Flynn
Chair of the Audit Committee
3 March 2021

Activities performed during 2020

Financial statements and accounting policies

- Recommended to the Board for approval the Quarter 1 update, 2020 half year, Quarter 3 update and full year financial statements
- Approved the IFRS and SII technical provisions with the 2020 half and full year financial statements
- Recommended to the Board for approval the SII Solvency and Financial Condition Report
- Reviewed and challenged the technical provisions relating to the Group Life and General Insurance operations particularly in the context of the COVID-19 pandemic
- Reviewed and challenged the correction of mis-applied rules in the French actuarial model and the resulting impact on solvency
- Reviewed the findings from France actuarial model review undertaken by Ernst & Young and group-wide actuarial model assurance performed by PwC
- Reviewed and challenged the treatment and recoverability of goodwill and other intangible assets particularly in the context of the COVID-19 pandemic
- Reviewed the Group Chief Financial Officer's reports which included: IFRS and SII key assumptions and judgements; accounting developments including the new IFRS; and overview of internal control and risk management over financial reporting
- Reviewed and challenged the going concern assumptions for 2020 and the principles underpinning the Longer-Term Viability Statement
- Reviewed the Group Chief Actuary's report on significant issues related to the technical provisions of SII and IFRS
- Assessed that the Annual report was considered fair, balanced and understandable particularly in the context of the transparency of disclosures during the COVID-19 pandemic and the importance to shareholders of understanding the Group's position

External audit, auditor engagement and policy

- Reviewed the effectiveness of the Auditor and was satisfied that the services it provided remained effective, objective and fit for purpose
- Reviewed the Auditor's compliance with the independence criteria set out in the Code
- Monitored compliance with our External Auditor Business Standard on a quarterly basis
- Refreshed the External Auditor Business Standard
- Held private meetings with the Auditor without management present to provide an appropriate forum for issues to be raised
- Reviewed reports from the Auditor regarding: the 2020 Audit Plan and progress against plan and reports on the review and audit of the 2020 half and full year results, respectively, including key assumptions used and outcomes of the work performed and 'Agreed upon Procedures' in respect of the Quarter 1 and Quarter 3 operating performance updates.
- Agreed to defer the external audit tender by two years.

Internal audit

- Reviewed reports from the Chief Audit Officer (CAO)
- Reviewed and approved changes to the Internal Audit Charter and Business Standard
- Reviewed and approved the Internal Audit Plan
- Assessed the independence of the CAO
- Assessed the effectiveness of the Internal Audit function
- Held private meetings with the CAO without management present
- Reviewed the objectives of the CAO

Internal controls, including financial reporting control framework and financial reporting developments

- Received quarterly updates on the effectiveness of the FRCF and rectification of controls
- Reviewed management's assessment of the effectiveness of the risk management and control environment
- Reviewed the Internal Audit function report to ensure adequacy of the systems of internal control and risk management

Key matters considered during 2020

The significant matters that the Committee considered during the year are set out in the table below.

Matter considered	Context
IFRS and Solvency II Life technical provisions	The Committee reviews IFRS and Solvency II (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 2020 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.

Committee's response

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, expense and credit default assumptions used for the quarterly operating updates, and 2020 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 continue to have a material impact on Aviva's SII and IFRS results. During 2020, the Committee worked closely with the Audit Committee of the Group's UK Life subsidiary, Aviva Life Holdings 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. In particular, the Committee reviewed the rate of annuitant mortality change reflecting recent experience in the UK market. Following assessment of the proposed assumption changes the Committee considered and noted proposed changes and their expected impact on the financial statements.

Technical Provision Models. The Committee reviewed management's assessment of the Group's Technical Provision models, including details of additional controls that were being implemented to increase the level of confidence in the output of these models. This included a review of the key French life business unit actuarial models and the impact of low or negative interest on the model following an extended period of historical low interest rates. This review included the correction of mis-applied regulatory rules which resulted in a reduction in solvency, together with benefits from better modelling in a negative interest rate environment, and the resulting impacts on solvency.

COVID-19 assumptions. The Committee also reviewed the assumptions proposed for the setting of Technical Provisions in respect of the COVID-19 pandemic. This included the impact of the pandemic on future mortality, credit spreads and property growth as well as the impact on general insurance claims.

Review of controls associated with the SII and IFRS Life reserving process. The Committee reviewed the sign-off procedures and control framework for movements in IFRS reporting and SII results.

Matter considered	Context
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.

Committee's response

Estimates and judgements for IFRS and SII reporting bases. The Committee challenged and recommended approval of IFRS judgements including those in respect of goodwill and intangible asset impairment reviews, assets classified as held for sale and the valuation assumptions for certain mark to model assets and liabilities.

Impact of exit from the European Union. The Committee reviewed the size and continuation of the allowance in our assumptions for future property prices and rental income in relation to our commercial and equity release mortgages, for the possible adverse impact including but not limited to the ultimate arrangements regarding the UK's exit from the European Union (EU). The Committee reviewed the allowance introduced following the EU referendum in 2016, and subsequent release of the allowance in the context of broader long-term assumption setting.

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.

Product Governance provisions. The Committee also assessed two provisions in respect of product governance issues for heritage book customers in the UK Life business. The first was in respect of advice to customers transferring from defined benefit pension to personal pension arrangements. The second related to past communications to a specific sub-set of policyholders that may not have adequately informed them of switch-in options into with-profits funds that were available to them.

Impact of COVID-19. The Committee reviewed the impact of COVID-19 on the Group financial results, and in particular disclosures around the impact of the pandemic on Business Interruption insurance and motor collision frequency in the General Insurance business, and the impact on General Insurance reserves including the operation of reinsurance arrangements. The Committee also reviewed the impact on investment assets valuations. The Committee reviewed the maintenance of allowances for potential future downgrades to corporate bonds introduced in 2020 and the subsequent release of these allowances at 31 December 2020.

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 and performance, business model and strategy. This assessment was particularly significant in the context of the transparency of disclosures during the COVID-19 pandemic and the importance to shareholders of understanding the Group's position during this time.

Matter considered	Context
Internal Controls	The Committee provides oversight of the system of internal control over financial reporting.

Committee's response

Review of the effectiveness of the Operational Risk and Control Management (ORCM) system. The Committee 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 drive the ongoing implementation and how this supports a risk aware culture and strong internal control framework.

Review of internal controls. The Committee reviewed reports on the effectiveness of the internal controls over financial reporting to gain assurance that these remained in tolerance with no control weaknesses which could have a material impact on the financial results. The Committee met with individual business unit leaders to reinforce the importance of further improving performance of the internal control environment within the business units and provide challenge where progress was considered to be insufficient.

Impact of COVID-19 on the control environment and finance function. The Committee reviewed the impact of COVID-19 on the internal control environment and finance operations. This included reporting on ORCM to ensure operational risks within the Finance function remained within tolerance, and where necessary, agree the reduction or deferral of work in other areas of activity to ensure core financial operations continued.

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.

Matter considered	Context
Internal Audit	The Committee has responsibility for overseeing the work, effectiveness and independence of the Internal Audit Function.

Committee's response

Annual Plan and Budget. The Committee reviewed and approved the 2020 Internal Audit plan and budget and monitored progress against this plan. In May 2020 the Internal Audit Plan was revised to take account of the impact of COVID-19 on the work of the Internal Audit Function and on the operations and business subject to review. Progress against the Internal Audit plan was closely monitored to ensure completion of the plan by year end.

Quarterly Reports. The Committee also received quarterly control reports from the Internal Audit function 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. During 2020 the Committee has met with market CEOs where the status of the control environment and metrics was considered to require focus.

Matter considered	Context
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.

Committee's response

External Audit Plan and Budget. The Committee reviewed and approved the 2020 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.

In 2020 the Group paid PwC £21.2 million *(2019: £21.2 million)* for audit and audit-related assurance services. PwC were paid £3.4 million *(2019: £0.8 million)* for other services, giving a total fee to PwC of £24.6 million *(2019: £22.0* million). This included a fee of £2.4 million to undertake a 'reasonable assurance' review of the Solvency II Partial Internal Model following the correction of the misapplication of regulatory rules in our French actuarial models. In addition to these fees, audit fees payable to PwC in respect of investment funds consolidated in the Group financial statements were £2.7 million (*2019: £2.4 million*). These fees are borne directly by the unitholders of the funds and are not borne by the Group. Further details are provided in note 13 of the financial statements.

Request for Additional Actuarial Models Assurance. The Committee requested that PwC undertake additional assurance activity in relation to the French life asset and liability management actuarial model following the correction of the misapplication of regulatory rules which resulted in a reduction in solvency. The Committee reviewed and agreed the scope of additional assurance work. The scope of this assurance work included performing an independent baselining review to check the validity of certain models and validate the operating effectiveness of the associated controls.

Tender of External Audit. Under Competition and Markets Authority regulations, Aviva is required to tender for the provision of the external audit every 10 years. PwC was appointed for the first time for the 31 December 2012 financial year end and therefore a mandatory re-tender was required for the year ending 31 December 2022. The Committee initiated the external audit tender process during 2020, which had anticipated a series of meetings and direct engagement with potential external audit candidates, however COVID-19 restrictions had inhibited this tender process. The Committee agreed to request a two-year extension to PwC's appointment to 2022. The FRC approved the request for the two-year extension.

Audit Partner. The Committee reviewed the process to select Alex Bertolotti to replace Andrew Kail as lead PwC audit partner, including interviewing potential candidates and validated that he was an appropriate replacement.

Matter considered	Context
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.

Committee's response

The Committee reviewed the principles underpinning the Statement for 2020 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 statement to the Board. More information on these statements can be found in the Other Statutory Information section of the Directors' and Corporate Governance report. The Committee continues to consider it appropriate that the Statement covers a three-year period. The Committee also considered the additional guidance issued by the FRC in June 2020 on going concern considering the COVID-19 pandemic including the Group's specific circumstances, current and potential cash resource and access to existing and new financial facilities. At half year 2020 the Committee reviewed the outcome of a series of stress testing exercises undertaken though 2020 taking account of the impact of COVID-19 on markets, Group solvency, business unit remittances and central liquidity.

Matter considered	Context
Implementation of IFRS 17	IFRS 17 is a new insurance accounting standard issued by the International Accounting Standards Board (IASB) due to take effect on 1 January 2023. IFRS 17 is expected to have a significant impact on reporting of the Group's financial performance.

Committee's response

The Committee continued to monitor preparedness of the implementation of new IFRS standards, but most significantly in respect of IFRS 17. It is expected that IFRS 17 will have a significant impact on the measurement and disclosure of insurance contracts. The Committee continues 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 including development of a series of 'dry runs' ahead of the effective date of 1 January 2023.

Matter considered	Context
COVID-19 impact	The Committee assessed the potential increase in uncertainty as a result of COVID-19.

Committee's response

The Committee received updates on the impact of the COVID-19 pandemic on Aviva's businesses and the implications on Aviva's reserves and capital requirements. In addition, the Committee reviewed disclosures made for the impact of COVID-19 pandemic on Aviva's financial performance in its publication of quarterly operating updates and half-year and full year financial statements.

The Committee monitored the impact of COVID-19 on the control environment and for the performance of control assurance activity. The Committee continued to engage with the regulator to seek clarification on the balance sheet disclosures, including treating COVID-19 as a "major development" as per SII Directive.

Customer, Conduct and Reputation Committee report

Committee focus during 2020

I am pleased to present the Customer, Conduct and Reputation Committee (the Committee) report for the year ended 31 December 2020.

With effect 1 January 2020, the Committee revised its remit to focus on the oversight of customer, conduct and reputation issues. Consequently, the Committee changed its name to the Customer, Conduct and Reputation Committee (previously the Governance Committee) and in November 2020 the Committee became a sub-committee of the Risk Committee.

During the year, the Committee considered and monitored a range of matters including the treatment of our customers during COVID-19 (including vulnerable customers) and, the progress of our corporate responsibility strategy.

Committee membership

I joined the Board on 1 December 2020 and assumed the role of Chair of the Committee. George Culmer was the interim Committee Chair from 6 July 2020, following Amanda Blanc's appointment as CEO. The members of the Committee as at 31 December 2020 are shown in the table below. Details of their experience, qualifications and attendance at Committee meetings during the year are shown within the Directors' and Corporate Governance report. On 1 January 2021, Pippa Lambert also joined the Committee.

Name	Member Since	Years on the Committee
Jim McConville (Chair)	01/12/2020	<1
Michael Mire	12/09/2013	7
Belén Romana García	26/06/2015	5

Committee purpose

The main purpose of the Committee is to assist the Board in overseeing our customer and conduct obligations, the development of our reputation, our regulatory engagement on conduct matters, shaping the culture and ethical values of the Group and our approach to corporate responsibility.

During 2020, a review of the terms of reference was carried out, in order to provide greater clarity to the Committee's role and to allow the Committee to focus on the material conduct, customer and reputation matters across the Group. It was agreed that the Committee should act as the custodian of the Aviva purpose on behalf of the Board and oversee the development of metrics to give insight on how Aviva was performing against the purpose.

The review also clarified the role and responsibilities between the Committee and the Risk Committee to support appropriate oversight of conduct risk issues.

COVID-19 response

During 2020, the Committee focused on supporting customers and the wider community through the global COVID-19 pandemic. The Committee provided oversight of Aviva's response to customer demand during the pandemic across the Group. Service levels remained stable across all markets largely due to employees working from home with the stability of customer service remaining a key priority. The Committee received and assisted in the development of structured management information (MI) data to support its oversight of the impact on our customers.

The Committee reviewed reports on the conduct risks generated by COVID-19 across Aviva markets, the response of local regulators, and the support provided to the communities in which we operate. Aviva supported customers and communities through charitable donations and additional support for essential workers and those who were vulnerable. This included payment deferrals for customers in the UK, donations to the NHS and British Red Cross, a €149 million pledge to support the economy in France, free life insurance cover for key workers in Poland and a range of actions to support customers in our businesses in Italy, Ireland and Canada.

The Committee also monitored how the Group co-ordinated a response across international markets and engaged the workforce. Internally, there was regular communication with leaders and colleagues to provide guidance and support, and internal surveys for employees to provide feedback to ensure that employees felt supported and well informed.

Customers

During 2020, the Committee had oversight of the customer strategy and operations. This included the creation of an enhanced customer dashboard to provide the Committee with a greater overview of key customer metrics, data and insights. The customer team worked across the business to create a monitoring framework that balanced commercial and customer outcomes and further enhanced putting the customer at the heart of the business. As part of the roll out of the new framework, governance, reporting and escalation mechanisms would continue to be reviewed and further improvements made where necessary. A set of Customer Principles was developed and designed to enhance great customer outcomes, with a focus on the most frequent customer journeys so that related simplification and improvement activities benefitted the greatest number of customers.

The Committee recognised the importance of the identification and fair treatment of vulnerable customers, and throughout the year the first line continued to receive training in identifying and providing additional support to vulnerable customers.

The Committee continued to emphasise the importance of further developing a proactive approach to conduct topics in order to support action to prevent instances of customer detriment occurring.

Data

During 2020 the Committee continued to review the development and delivery of data governance particularly in respect of customer data and records management within the Group. The Group Data Operations team worked with each business unit to review and enhance oversight and reporting arrangements.

Reputation

The Committee monitored developments in the Group's reputation and reputational risk position. Key areas of focus included the response to the COVID-19 pandemic and the treatment of our customers, particularly those in vulnerable categories. The Committee also monitored the response to our announcements on strategy and in changes to the composition of the Board.

Conduct and compliance
The Committee continued to pay close attention to Aviva's conduct risk agenda, conduct risk profile, compliance obligations and the wider regulatory landscape. The Committee reviewed the Group's regulatory risk profile and conduct risk data analytics capability.

The Committee oversaw the establishment of a Conduct Governance and Reporting shared service team, which would strengthen best practice amongst the Group. The Committee considered and approved the refresh of the Conduct Risk Policy, which had been substantially updated to provide a framework which monitored both customer, regulatory and market exposures, as well as the key drivers of conduct risk. The Committee is overseeing the implementation and embedding of the framework across the Group.

Through the implementation of the Conduct Risk Policy, conduct risk reporting across the business units is also being further developed and aligned to the new conduct framework. This is being used as the reporting framework for the Committee's conduct reports ensuring appropriate oversight and escalation across the Group's conduct risk exposures.

The Committee received updates from UK Life and UK General Insurance Conduct Committee Chairs, to provide an update on progress on conduct governance in the UK and the future direction of travel. The UK Life and UK General Insurance CEOs also attended Committee meetings in order to contribute to the discussion on conduct matters in their respective businesses. The UK Life and UK General Insurance Committee Chairs are now standing attendees at Committee meetings.

Corporate responsibility and Sustainability
The Committee continued to monitor our approach to corporate responsibility and sustainability.

The Committee reviewed and contributed to the corporate responsibility strategy for 2020-25, the 'Better Tomorrow Plan' which had been developed through feedback from Aviva's stakeholders and across the business. Climate change consistently emerged as one of the most important issues in the feedback and the greatest threat to our customers, the planet and our business. Aviva has a long history of action in this area through disclosure; policy influence; environmental, social and governance (ESG) engagement and reducing our operational impact, and the Better Tomorrow Plan builds on these achievements.

The Committee also continued to monitor and support our community investment and the activities of the Aviva Foundation, which was established to distribute the proceeds of our share forfeiture programme to good causes.

Aviva is committed to behaving as a responsible corporate citizen and the Committee sets the guidance, direction and policies for the Group's corporate responsibility agenda to identify the most important sustainability issues for customers, the business and our wider stakeholders. Further information on our integrated responsibility and sustainable business approach can be found on the Company's website at: www.aviva.com/social-purpose.

Committee effectiveness review
The Committee undertakes a review of its effectiveness annually. More information can be found in the Directors' and Corporate Governance report.

2021 priorities
In 2021, the Committee will continue to focus on the impact of COVID-19 on our customers and the wider customer and conduct agenda. The Committee will also oversee the further development of our purpose and monitor reputational risks to the Group.

Jim McConville
Chair of the Customer, Conduct and Reputation Committee
3 March 2021

Committee activities during 2020
Customer and conduct risk
- Focused on the customer agenda and received regular updates and monitored progress on customer metrics relating to customer complaints and the conduct agenda, sales, retention and claims experience

Corporate responsibility and Sustainability
- Continued to drive the corporate responsibility agenda and monitored compliance with the Group's corporate responsibility strategy
- Reviewed the 'Better Tomorrow' corporate responsibility strategy for 2020-2025
- Reviewed the Group's Modern Slavery statement, annual corporate responsibility reporting and the Group's Financial Crime, Regulatory Business and Corporate Responsibility, Environment and Climate Change Business Standards

Regulatory and financial crime
- Regularly reviewed updates from the Group Compliance and Operational Risk Director
- Reviewed potential financial crime risks and any actions required in response
- Reviewed the implementation of the data governance and data privacy framework
- Reviewed the Group's relationship and interaction with regulatory bodies and actions taken in respect of regulatory developments

Other statutory information

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 2020.

The Directors' report required under the Companies Act 2006 comprises this Directors' and Corporate Governance report, the Directors' Remuneration report and the following disclosures in the Strategic report:

- Corporate responsibility – Disclosure of our energy consumption and greenhouse gas emissions in line with the Streamlined Energy and 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
- Important events since the financial year end
- Future developments

Details of significant post balance sheet events that have occurred after 31 December 2020 are disclosed in note 65.

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 4 and certain other disclosures referred to in this Directors' and Corporate Governance report. This Directors' and Corporate Governance report, together with 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 60.

Related party transactions

Related party transactions are disclosed in note 62 which is incorporated into this report by reference.

Dividends

Dividends for ordinary shareholders of Aviva plc are as follows:

- Paid second interim dividend for 2019 of 6 pence per ordinary share *(2019: nil pence)*
- Paid interim dividend for 2020 of 7 pence per ordinary share *(2019: 9.25 pence)*
- Proposed final dividend of 14 pence per ordinary share *(2019: nil pence)*
- Total ordinary dividend of 21 pence per ordinary share *(2019: 15.5 pence)*
- Total cost of ordinary dividends paid in 2020 was £236 million *(2019: £1,184 million)*

Subject to shareholder approval at the 2021 AGM, the final dividend for 2020 will become due and payable on 14 May 2021 to all holders of ordinary shares on the Register of Members at the close of business on 9 April 2021 (payment date approximately four business days later for holders of the Company's American Depositary Shares (ADS)).

In compliance with the rules issued by the Prudential Regulation Authority in relation to the implementation of the Solvency II regime, the dividend 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. Details of any dividend waivers are disclosed in note 35.

Dividend policy

In light of our 2020 performance and resilient capital and liquidity, the Board has declared a final dividend of 14 pence per share *(2019: nil)*, bringing the full year dividend in respect of 2020 financial year to 21 pence per share *(2019: 15.5 pence per share)*. On 26 November 2020, Aviva announced a new dividend policy and capital framework that align with the Group's strategic priorities. We aim to deliver a sustainable pay-out ratio and grow dividend per share by low to mid-single digits. This level of dividend is sustainable and resilient to stress, and is covered by the capital and cash generated from the core markets of UK, Ireland and Canada.

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. 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 year following the year to which it relates). 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, 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. The following table shows certain information regarding the dividends that we paid on ordinary shares.

Year	Interim dividend per share (pence)	Interim Dividend per share (cents)[1]	Final dividend per share (pence)	Final dividend per share (cents)[1]
2015	6.75	N/A	14.05	N/A
2016	7.42	N/A	15.88	18.71
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	–

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 presents for businesses, households and customers and the adverse and highly uncertain impact on the global economy

Distributable reserves
Under UK company law, dividends can only be paid if a company has distributable reserves sufficient to cover the dividend. At 31 December 2020, Aviva plc itself had sufficient distributable reserves to support the paid and proposed dividends during the period. In UK Life, 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. We do not believe that the legal and regulatory restrictions constitute a material limitation on the ability of our businesses to meet their obligations or to pay dividends to the parent company, Aviva plc.

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 2020 and shares issued during the year are given in notes 33 to 36. The calculation of earnings per share is included in note 15.

Share capital
During the year, 7,361,275 ordinary shares were allotted to satisfy amounts under the Group's employee share and incentive plans. At 31 December 2020 the:
- issued ordinary share capital totalled 3,928,490,420 shares of 25 pence each (83% of total share capital)
- issued preference share capital totalled 200,000,000 shares of £1 each (17% of total share capital)

Further details on the ordinary share capital of the Company are shown in note 33.

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 2021 AGM, shareholders will be asked to renew the directors' authority to allot new securities. Details are contained in the Notice of 2021 Annual General Meeting (Notice of AGM).

Restrictions on transfer of securities
With the exception of restrictions under the Company's employee share incentive plans, while 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
At the Company's 2020 AGM, shareholders renewed the Company's authorities to make market purchases of up to 392 million ordinary shares, up to 100 million 8¾% preference shares and up to 100 million 8⅜% preference shares. The authority was not used and no shares were purchased during 2020. At the 2021 AGM, shareholders will be asked to renew the authorities to buy Aviva shares for another year and the resolution 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.

Disclosure guidance and transparency rule 5 – major shareholders
The table below 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 2020 and 3 March 2021. Information provided to the Company under the DTRs is publicly available via the regulatory information services and on the Company's website.

Shareholding interest

	At 31 December 2020		At 3 March 2021	
Shareholder	Notified holdings	Nature of holding	Notified holdings	Nature of holding
BlackRock, Inc[1]	**Above 5%**	**Indirect**	Above 5%	Indirect

1 Holding includes holdings of subsidiaries.

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 report.

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 'Risk and risk management' section and in note 59 on risk management.

Political donations
Aviva did not make any political donations during 2020.

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, PricewaterhouseCoopers (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.

Annual general meeting
The 2021 AGM of the Company will be held on Thursday 6 May 2021 at St Helen's, 1 Undershaft, London EC3P 3DQ at 2pm. 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 2pm on Tuesday 4 May 2021. 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 10 May 2018.

Going concern and longer-term viability
A detailed going concern and longer-term viability review has been undertaken as part of the 2020 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 52); its contingent liabilities and other risk factors (note 55); its capital management (note 57); management of its risks including market, credit and liquidity risk (note 59); and derivative financial instruments (note 60).

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 through management's 2021-2023 business plan and evaluates the results of stress and scenario testing. The Group's stress and scenario testing considers the Group's capacity to respond to a series of relevant financial, insurance or operational shocks should future circumstances or events differ from the current assumptions in the business plan, focussing on the impacts on Group solvency, cash remittances and liquidity. The range of scenarios allow for the potential impacts of COVID-19 both directly on the claims and operations of the Group, and also on the wider macroeconomic environment, and considers the potential risks associated with the UK's negotiations with the European Union on their future relationship.

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 59).

It is fundamental to the Group's longer-term strategy that the directors manage and monitor risk, taking into account 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 Solvency II regulatory framework.

In response to the COVID-19 pandemic, the Group has reduced exposure to equity and interest rate risk, credit spread and counterparty default risk across all our major markets and actions are being taken to further reduce the sensitivity to economic shocks. In the event of major new risks emerging, the Group has a number of management actions available to maintain or restore key capital, liquidity and solvency metrics to within the Group's approved risk appetites over the planning period.

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 2023.

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 Leadership team 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' 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 requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the Group and parent company financial statements in accordance with IFRS adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union (EU). 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 whether applicable IFRS adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union (EU) have been followed, subject to any material departures disclosed and explained in the financial statements
- 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 and 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. Legislation in the United Kingdom 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 IFRS adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union (EU), 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 35
13	Shareholder waivers of future dividends	IFRS Financial Statements – note 35

By order of the Board on 3 March 2021.

Amanda Blanc
Chief Executive Officer

Remuneration Committee report

On behalf of the Remuneration Committee (the Committee), I am pleased to present the Directors' Remuneration report (DRR), for the year ended 31 December 2020.

Shareholders will be asked to vote on two remuneration resolutions at the 2021 Annual General Meeting (AGM):

- The Directors Remuneration Policy (Policy), which outlines the remuneration framework that will apply to our Executive Directors (ED), Non-Executive Directors (NED), and the Chair of the Board following approval; and
- Our Annual Report on Remuneration, summarising remuneration outcomes for 2020 and intended operation of the Policy in 2021.

Policy review

During 2020 the Committee conducted a comprehensive review of the current Policy.

The Committee recognises the opportunity and importance of ensuring that our remuneration framework for all colleagues supports our strategic agenda, while also being aligned with our purpose and values as an organisation.

The Policy review highlighted that on the whole our framework remains fit for purpose and has operated as intended, in terms of performance and quantum. Our Policy and our Annual Report on Remuneration have also been well-received by our stakeholders over the last seven years. As such, we are not proposing any major changes to the Policy, nor the overall construct of reward at Aviva. We are however, making some revisions to the metrics used under the annual bonus and Long Term Incentive Plan (LTIP), with three objectives in mind:

- Reinforce our desire to reduce complexity;
- Ensure colleagues are focused on areas which can transform performance; and
- Support our environmental, social and governance responsibilities.

In addition, we are proposing some minor amendments to other elements of the Policy to ensure continued alignment with corporate governance best practice in areas including pension, post-cessation shareholding requirements and malus and clawback provisions.

Throughout the review process, shareholders have provided constructive and helpful feedback on the proposals and I would like to thank them on behalf of the Committee.

Annual bonus

The annual bonus is intended to align reward outcomes with the achievement of key annual goals, enacted by cascading the scorecard down into the business. While the review suggested on the whole the bonus framework works effectively, it highlighted that the assessment process is overcomplicated, with potential for overlap in some areas.

To provide a clearer, more transparent and simpler structure, we are proposing the removal of non-financial modifiers and, where appropriate, incorporating them into the metrics to ensure their impact is retained. Specifically:

- **Employee engagement** – A highly engaged workforce is one that is more productive, accountable and motivated to deliver for our customers and we aim for our people to achieve their potential within a diverse, collaborative and customer-focused organisation. Therefore we are introducing employee engagement as a primary metric to reflect our focus in this area;
- **Customer trust** – Customers are at the heart of everything we do at Aviva and we are retaining Relationship Net Promoter Score (RNPS) and Transactional Net Promoter Score (TNPS) as primary metrics. The Committee is satisfied with the removal of the customer trust modifier to reduce duplication; and
- **Risk and controls** – The introduction of percentage Risks Inside Tolerance (RIT) as a primary metric for 2020, reinforced the fundamental importance of controlling, measuring and assessing our risk performance across the business. However, the Committee views the risk modifier as complicated and duplicative. It is proposed to remove the modifier and instead to measure RIT and risk and controls quality, together with an additional assessment to give a fuller picture of how we are performing across our risk profile. The Committee is comfortable with this since it retains overall discretion to adjust outcomes should they not align with underlying performance or wider business circumstances.

Individual performance will continue to be assessed and act as a modifier on the scorecard outcome as the Committee recognises the critical importance of individual accountability.

In terms of the financial metrics, the overall weighting will remain at 70%. We are taking the opportunity to move from Solvency II operating capital generation (SII OCG)[1] to Solvency II operating own funds generation (SII OFG)[1]. The latter more directly captures the value created in a period, providing closer alignment to our growth strategy, and is also the numerator in our Solvency II return on equity (SII RoE)[1] measure, creating alignment across incentive plans. The other metrics, annual cash remittances and Group adjusted operating profit, remain unchanged, although we are adjusting some weightings to retain an appropriate balance between growth and cash/capital measures.

Long Term Incentive Plan (LTIP)

The LTIP is intended to (i) incentivise and reward senior executives for delivering Aviva's long-term objectives, (ii) align them with the interests of shareholders, and (iii) encourage a focus on value growth. The current metrics of SII RoE[1] (with a SII shareholder cover ratio[1]) and relative Total Shareholder Return (TSR) measured against a group of key peers remain key measures of our long-term success and are therefore being retained.

To complement these metrics, we are proposing two changes to ensure that the LTIP supports delivery of our strategy. The first change is the inclusion of a new long-term cumulative cash remittance metric to the financial element of the LTIP. The focus on longer-term sustainable cash generation becomes fundamentally important as we execute on our strategic priorities to focus the portfolio and transform performance. This has been reflected in shareholder feedback, which has emphasised the importance of delivering on our long-term dividend ambitions whilst balancing short term cash delivery and investment in the business to drive sustainable growth. Cumulative cash remittances are established performance measures for the Group and have been targeted externally on a cumulative basis for a number of years. It is therefore proposed, that the existing SII RoE[1] financial measure be balanced by the inclusion of cumulative cash remittances[1].

1 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 within the Annual Report and Accounts.

Secondly, we believe we can make our Environmental, Sustainability and Governance (ESG) agenda a key differentiator for Aviva. Two key parts are our environmental and diversity and inclusion goals.

- Climate change is an existential challenge and we would like to take a more prominent role in helping to solve these issues, for the benefit of our customers, shareholders and society. Through our investment strategy we can significantly influence the biggest carbon emitters, and are putting in place a comprehensive climate strategy, including our announcement in March 2021 that we plan to become a Net Zero carbon emissions company by 2040
- Creating a diverse, inclusive organisation is a fundamental part of living up to our purpose to ensure we represent the communities we serve and make decisions that reflect their needs

To recognise the importance of getting our approach right in these areas, for 2021 we are proposing to focus 10% of the LTIP on an ESG agenda. This will be split across three metrics:

- % reduction in CO_2 intensity of shareholders' assets
- % of women in senior leadership roles in UK, Ireland and Canada
- % of ethnic minority employees in senior leadership roles in the UK

We are proposing to retain the flexibility of the current Policy for up to 20% of the LTIP to be based on strategic performance metrics although would engage with shareholders before changing the weighting in future years.

Other changes

Additionally, we are proposing minor changes to the Policy to ensure continued alignment with best practice and to incorporate actions the Committee took last year.

- **Pension** – Formalise the current practice whereby ED provision is aligned with that available to the majority of the UK workforce
- **Shareholding requirements** – To increase alignment we are increasing the Group Chief Financial Officer (CFO)'s shareholding requirement from 200% to 225% of salary (the Group Chief Executive Officer (CEO)'s requirement is unchanged at 300%)
- **Post-cessation shareholding requirement** – EDs will be required to hold their full shareholding requirement for two years following cessation
- **Malus and clawback provisions** – Strengthen the provisions to bring them into line with those in our internal policy

2020 Company performance

Whilst COVID-19 has disrupted a large portion of the industry, our results demonstrate the fundamental resilience of our businesses and demonstrate our disciplined and effective response during a period of extreme uncertainty. We are proud of the hard work and commitment of our colleagues during this unprecedented period, helping ensure that we continue to provide our customers with outstanding service and support.

Our initial response to the pandemic was one of prudence, suspending dividend payments and withdrawing senior management salary increases in April 2020. Dividend payments were subsequently re-instated in August and we are proud to say no UK Aviva colleagues were furloughed or made redundant as a result of the pandemic during the year.

Nevertheless, the impact of COVID-19 is seen in a number of areas across the business, including business interruption claims, reduced customer activity in life businesses, lower asset values, additional expenditure on operational readiness, and risk management initiatives. Our financial performance has been very resilient, despite the direct and indirect impact of COVID-19 and we made good progress in reducing our expenses, though more needs to be done.

Remuneration outcomes for 2020

While COVID-19 caused disruption and uncertainty for our business, no adjustments to performance metrics were made for any annual bonus or LTIP awards during the year.

2020 Annual bonus

The Committee carefully considered Group, business unit and individual performance during 2020 and decided that the bonus scorecard should be capped at 100% to reflect shareholder experience during the year and wider societal factors caused by COVID-19.

It noted the impact of the global pandemic and the decision to suspend the dividend in April, a decision based on prudence following conversations with regulators, rather than a question of affordability. Consequently, the initial formulaic outcome against the 2020 bonus scorecard prior to any adjustments was determined to be 116.55% (out of a maximum of 200%).

The Committee conducted an extensive analysis of the quality of earnings, noting recommendations by the Audit Committee and the Risk Committee, and:

- Approved management's proposal to cap the mechanical outcome of RIT to 'on target' (a 9.75% reduction) as it was a more balanced view of risk resolution across 2020. This adjusted the bonus scorecard from 116.55% to 106.8%
- Made upward adjustments to the scorecard of 5% for employee engagement and 5% for customer trust to recognise strong achievements under challenging conditions
- Made a 5% downward adjustment to the scorecard for risk and controls. This recognised that while significant improvements had been made over the course of 2020, further work is required

This resulted in an adjusted scorecard outcome of 111.8% which has been capped at 100%.

Since being appointed Group CEO in July 2020, Amanda Blanc has shown strong, decisive leadership and driven numerous significant actions in a short space of time. We have made a good start on the new strategy and there are clear signs that we are heading in the right direction. Jason Windsor steered the Group through the economic challenges of 2020 taking early and proactive action and provided critical support to the new Group CEO and Chair. Table 8 provides further detail on individual performance.

As a result, annual bonuses for Amanda and Jason were 120% and 100% of salary respectively.

2018-20 LTIP

As a result of our performance over 2018-20, the 2018 LTIP lapsed in full. This reflected below threshold performance against both the adjusted operating earnings per share (EPS)[1] and the relative TSR targets.

Discretion

- Discretion was applied in determining the annual bonus outcome, notably the decision to cap the bonus scorecard at 100% to align with the shareholder experience
- LTIP – No discretion regarding the vesting outcome was exercised

1 This measure is derived from the Group adjusted operating profit Alternative Performance Measure (APM). Further details of this measure are included in the 'Other Information' section of the Annual Report and Accounts.

Appointment of new Group Chief Executive Officer
Amanda was initially appointed as a NED to the Aviva plc Board in January 2020 and subsequently appointed as Group CEO in July. She brings her extensive insurance industry knowledge gained from a long and successful career in the insurance sector.

Taking into account our Policy and shareholder expectations, and reflecting Amanda's significant executive experience in the insurance sector, the Committee determined Amanda's remuneration as detailed below.

- A salary of £1 million per annum
- Reimbursement of costs associated with renting suitable accommodation in London, up to an after-tax maximum of £2,500 per month during the first 18 months of employment
- Our standard benefits package for EDs, including private family medical insurance, life insurance, and reasonable travel benefits
- Pension allowance of 14% of salary, aligned with the rate available to the majority of our UK workforce
- A maximum annual bonus opportunity of 200% of salary, delivered one-third in cash and two-thirds in shares deferred over three years
- For 2021, an award under the LTIP of 300% of basic salary
- Amanda is also subject to a shareholding requirement of 300% of salary, which will continue for two years post-cessation

Departure of Maurice Tulloch
Maurice stepped down as Group CEO with effect from 6 July 2020 in good leaver circumstances (as determined by the Committee in its discretion) for his outstanding awards under the Annual Bonus Plan (ABP) and LTIP.

Maurice will be required to retain his shares held on departure for two years following cessation of employment and is subject to post-activity restrictions which allow the Committee to reduce or recover awards if certain employment is taken elsewhere.

While he remained eligible for a 2020 annual bonus in respect of the period up to and including 5 July 2020, when he left active service with Aviva, the Committee determined, taking all factors into account including Aviva's performance for the first half of 2020, shareholder experience during that period and the wider economic context, that Maurice would not receive a 2020 annual bonus.

Shareholder consultation
In addition to the AGM and consultation with shareholders specifically on the Policy, the Chair and EDs meet with institutional shareholders during the year and a shareholder newsletter is published quarterly on aviva.com. Topics raised included the suspension of dividend, the updated dividend policy and the Policy, which are covered elsewhere in this letter.

Committee changes during the year
In May 2020, George Culmer succeeded Sir Adrian Montague as Chair and therefore retired from the Committee. Patrick Flynn joined the Committee in June 2020, bringing with him significant experience in financial services. Pippa Lambert joined the Committee in January 2021. Pippa has significant experience in global financial services as a HR professional and has an excellent record of delivery across a range of people strategies and transformation programmes.

The Committee works hard to ensure alignment with shareholder interests, and over the last year has dealt with a number of time critical matters, including changes to the Board. I want to thank all Committee members, past and present, for their dedication and active participation.

Remuneration in 2021
Salary

Although 2021 salary budgets were increased by 1.5% for junior colleagues, this did not apply to Aviva senior management. Amanda and Jason, therefore, did not receive salary increases in 2021.

2021 Annual bonus and 2021-23 LTIP

Award opportunities for 2021 are unchanged:

	Annual bonus		
	Target opportunity	Maximum opportunity	LTIP opportunity
Group CEO	100%	200%	300%
CFO	100%	150%	225%

The LTIP opportunities are lower than the scheme maximum which is 350%.

Proposed changes to the performance metrics and assessment process for both plans are outlined above. A graphical summary and further details are shown in table 25. These changes will ensure that the framework remains fit for purpose and best-placed to drive performance against our key financial and non-financial goals.

2021 Focus areas
2021 promises to be another busy year for the Committee, the focus of which is reviewing our workforce demographics. While considerable efforts have been made in diversity and inclusion, we are particularly focussed on two priorities, gender and diversity. We are determined to keep challenging ourselves to do more to build a workplace and society that works for all.

Conclusion
In what has been a difficult year, Aviva has responded well and delivered resilient results against a challenging external backdrop. As a Committee, we have sought to make decisions which effectively drive and support this progress, while continuing to align with UK best practice remuneration and governance expectations.

I hope that you find this report clear and informative, and that the Committee has your support for our Policy and Annual Report on Remuneration at our forthcoming AGM.

Patricia Cross
Chair of the Remuneration Committee
3 March 2021

Remuneration in context

In determining the Policy for EDs, the Committee seeks to put in place arrangements that support the execution of our strategy and the delivery of sustainable long-term shareholder value.

The Committee also takes into account a wide range of other factors, including legal and regulatory requirements, shareholder guidance and best practice, and also the views and experiences of our wider stakeholders, including our colleagues. The following sections provide further context.

How does the proposed Policy align with Aviva's strategic priorities?

The Committee firmly believes that performance measures used in the Policy should be linked to the Group's Key Performance Indicators (KPIs) and other strategic priorities.

Group KPIs / strategic priorities		Financial KPIs focusing on economic value					Shareholder value creation	Non-financial goals				
	Annual cash remittances[1]	SII OFG[1]	Group adjusted operating profit[2]	SII RoE[1]	Long-term cumulative cash remittances[1]	SII shareholder cover ratio[1]	TSR	RIT and risk controls quality	Employee engagement	Customer NPS	Carbon emissions reduction	Diversity and inclusion
Annual bonus	30%	25%	15%					15%	5%	5% RNPS 5% TNPS		
LTIP				22.5%	22.5%	Underpin	45%				5%	5%

Annual Bonus & LTIP metric aims

The annual bonus metrics are comprised of a balanced set of financial and non-financial measures aligned to the key annual goals supporting our strategy. The financial metrics underpin our dividend, measure the value created in the period as well as our profitability, and the non-financial metrics complement the delivery of broader strategic goals.

The LTIP metrics support delivery of sustained performance and value growth, aligned to our strategic priorities and the interest of shareholders. The financial metrics measure longer term value creation, and underpin our sustainable dividend policy.

The inclusion of a cumulative cash remittance measure emphasises the importance of delivering on our long-term dividend ambitions whilst balancing short term cash delivery and investment in the business to drive long-term growth. TSR directly measures the value we create for shareholders and the non-financial metrics will enable Aviva take a more prominent role in society by focusing on climate change issues and diversity and inclusion.

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 framework at Aviva is well-aligned with these areas.

Clarity
- Our remuneration framework is structured to support the financial and strategic objectives of the Company, aligning the interests of our EDs with those of shareholders
- 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 consideration of wider colleague pay and shareholder views section

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, rewarding performance against key measures of success for the business

Risk
- Our reward structure aligns with the Company's risk management framework
- Long-term alignment is achieved through a number of means, including three-year deferral under the annual bonus, the two-year holding period on LTIP awards, and our within- and post-employment shareholding guidelines
- Both plans also incorporate robust performance targets, malus and clawback provisions, and overarching Committee discretion to adjust formulaic outcomes, providing shareholders with comfort that any risk events are appropriately reflected in remuneration outcomes

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 under the illustration of the Policy for further details

Proportionality
- There is clear alignment between the performance of the Company 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

Alignment to culture
- We are committed to effective stakeholder and colleague engagement
- As part of this, the Committee regularly reviews data relating to pay and broader employment conditions in the workforce, and takes these into account when considering executive remuneration

1 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 within the Annual Report and Accounts.
2 Group adjusted operating profit is an APM which is used by the Group to supplement the required disclosures under IFRS. Please refer to note B in the 'Accounting Policies' section and to the 'Other Information' section within the Annual Report and Accounts for further information.

Shareholder views

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, and guides, development of new proposals. Shareholders were consulted extensively during the recent Policy review, and the Committee is grateful for their feedback and challenge.

Our colleagues' views

The Committee has sight of colleague views on remuneration through the colleague opinion survey (Voice of Aviva) and colleague forums, input from the People function during Committee meetings and the Evolution Council, chaired by the Chair. 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 strategy and input into final decisions. 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 18. Other considerations include:
  - Changes in remuneration (salary, benefits and bonus) of UK employees with that of Directors (see table 14);
  - The ratio of CEO pay to that of employees (see table 17 and 18);
  - Spend on pay compared with, for example operating profit, dividends (see table 19); and
  - Gender pay gap. We released our third gender pay gap review in January 2021, along with details of actions we are taking to drive change and close the gap. The report can be found at www.aviva.com/gpgr
- Any material changes to benefit and pension provision for colleagues more widely

How we pay our colleagues

As a company, we aim to ensure all colleagues are motivated and rewarded fairly for their performance. We work hard to recognise the individual needs of colleagues and in this context, we are proud of our reward, benefits and overall support offering and apply principles consistent with how we pay our EDs:

- We aim for transparency and a fair cascade of remuneration throughout the Group by sharing our pay ranges with our colleagues. We decided to increase salary budgets for 2021 by 1.5% for junior grades as we believed that allowed leaders to deliver remuneration fairly, while balancing the need for prudence at a time of economic uncertainty
- We regularly review our salary ranges to maintain competitiveness to market rates, and we move everyone who may be below a band to at least the minimum of that range each year
- We have a structured salary progression for our frontline colleagues, providing incremental salary increases over the first few years in role as individuals develop and gain experience. As well as being a Living Wage employer, this demonstrates our commitment to improving the salaries of the least well-paid people in Aviva
- We have a market-leading benefits offering:
  - Carers – We continue to provide colleagues up to 35 hours paid leave per year to help balance caring responsibilities with work. Over 600 UK colleagues used this scheme in 2020; and
  - Parental leave – We offer up to 12 months' parental leave in the UK, including 26 weeks at full pay regardless of parent gender. We are proud that 97% of new dads at Aviva took more than two weeks' leave, with an average of five months. We also provide half a day's leave when a child is starting a new school.
- Our competitive pension scheme provides an employer contribution of 14% of salary (subject to the level of colleague contribution)
- We ensure that colleagues can share in the success of the business, where appropriate, through performance-based variable remuneration
- UK colleagues are eligible to participate in our Aviva Savings Related Share Option Scheme 2020 (SAYE) and All Employee Share Ownership Plan (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

How we support our colleagues

We recognise that 2020 was clearly a difficult year in many respects; although all our colleagues felt the impact of COVID-19 in their personal and professional lives, they continued to provide our customers with outstanding service and commitment. We felt that it was important to recognise that our colleagues have gone above and beyond for our customers during a challenging period. Therefore, in addition to the regular annual bonus, and in direct recognition of the impact of COVID-19, Aviva rolled out a series of initiatives to recognise colleagues' hard work during the challenges due to COVID-19, including a festive thank-you voucher of £100 for UK colleagues.

A range of tools is also available to assist our colleagues through challenging times such as:

- DigiCare+, a smartphone app to help detect, manage and prevent physical and mental health problems, is available free to colleagues
- Free access to wellbeing apps, Headspace and Thrive that help build overall resilience
- #backtobest, a wellbeing campaign where colleagues can earn points for doing things that are good for them, like being active or meditating
- Flexible working available for all our people. Since the first lockdown we have paid, and will continue to pay, all our people in full, regardless of the hours they are able to work

We will continue to help and support our colleagues, and ensure that they feel valued, motivated, and rewarded over the course of 2021 and beyond.

Directors' Remuneration Policy

The proposed Remuneration Policy for directors is set out in accordance with the requirements of the Companies Act 2006 (as amended) and the Large & Medium Sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended) and is subject to shareholder approval at the 2021 AGM on 6 May 2021. If approved, it will apply immediately, for up to three years.

The key changes between this Policy and the current Policy as approved at the 2018 AGM are detailed below.

- LTIP – The current Policy provides for up to 20% of the LTIP to be based on strategic performance metrics. For 2021, ESG metrics will comprise 10% of the LTIP (we would engage with shareholders before changing the weighting in future years)
- Pension – The Policy formalises the current position whereby ED provision is aligned with that available to the majority of the UK workforce (14% of salary)
- Shareholding requirements – To promote alignment we are increasing the CFO's shareholding requirement from 200% to 225% of salary (the CEO's requirement is unchanged at 300%)
- Post-employment shareholding requirements – From 2021, EDs will have to hold their full shareholding requirement for two years following departure
- Post-activity restrictions – Retirees are subject to post-activity restrictions which mean LTIP and deferred bonus awards can be reduced or recovered if certain employment is taken elsewhere
- Malus and clawback – Malus and clawback triggers have been strengthened to include events which lead to corporate failure, aligning the provisions with those of our internal malus and clawback policy

Alignment of Group strategy with executive remuneration

The Committee considers that alignment between Group strategy and the remuneration of its EDs is critical. The Policy provides market competitive remuneration, and incentivises EDs to achieve both the annual business plan and the longer-term strategic objectives of the Group. Significant levels of deferral and within- and post-employment shareholding requirements align EDs' interests with those of shareholders and aid retention of key personnel. As well as rewarding the achievement of objectives, variable remuneration can be zero if performance thresholds are not met. Remuneration payments to directors can only be made if they are consistent with the approved Policy.

Table 1 below provides an overview of the Policy for EDs. For an overview of the Policy for NEDs, see table 3.

Table 1 Key aspects of the Remuneration Policy for Executive Directors

Element		
Basic salary *No changes proposed*	**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.
Annual bonus *No changes proposed*	**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 metrics. Threshold performance against a single metric 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 *Changes proposed*	**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 metrics. The Policy provides for a minimum aggregate weighting of 80% for financial metrics and TSR and for up to 20% to be based on strategic performance metrics. We would engage with shareholders before changing metrics or weighting in future years. For the 2021 awards the measures and weightings will be: • 22.5% Solvency II RoE[1] • 22.5% Cumulative cash remittances[1] • 45% TSR against a comparator group • 10% ESG measures **Vesting at threshold** Threshold vesting for all metrics is 20%. **Discretion** See notes to this table.
Pension *Changes proposed*	**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.
Benefits *No changes proposed*	**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.
Relocation and mobility *No changes proposed*	**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 *Changes proposed*	**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 5 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 KPIs 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 metrics 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;
- 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 metric 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;
- Any other circumstance required by local regulatory obligations or, 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.

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.

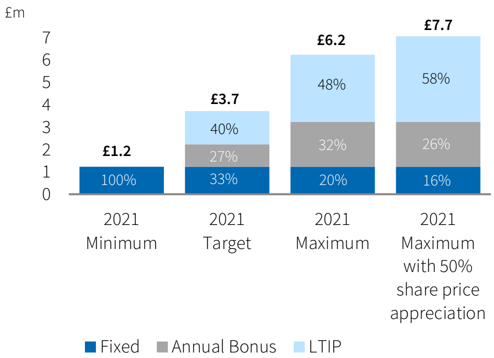
On appointing a new NED, the Committee would align the remuneration package with the Policy for NEDs, outlined in table 3, including fees and travel benefits.

Illustration of the Policy

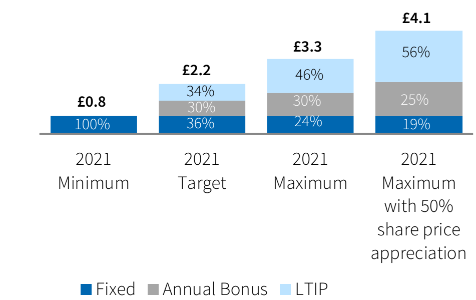
The charts below illustrate how much EDs could earn under different performance scenarios in one financial year:

- 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 an LTIP of 300% of basic salary (with notional LTIP vesting at 50% of maximum) for the Group CEO; and
  - A bonus of 100% and an LTIP of 225% of basic salary (with notional LTIP vesting at 50% of maximum) for the CFO.
- Maximum – basic salary, pension or cash in lieu of pension, benefits, and:
  - A bonus of 200% and an LTIP of 300% of basic salary (with notional LTIP vesting at maximum) for the Group CEO; and
  - A bonus of 150% and an LTIP of 225% of basic salary (with notional LTIP vesting at maximum) for the CFO.
- Maximum with share price increase – indicative maximum remuneration, assuming a notional LTIP vesting at maximum and share price appreciation of 50% on the LTIP.

Amanda Blanc
Potential earnings
by pay element



Jason Windsor
Potential earnings
by pay element



Notes to the charts
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.
Fixed pay consists of basic salary, pension as described in table 1, and estimated value of benefits provided under the Remuneration Policy, excluding any one offs. Actual figures may vary in future years.
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 have been accrued during the vesting period.
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 have been accrued during the vesting period.
The LTIP is as proposed to be awarded in 2021, which would vest in 2023, 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 2021 AGM on 6 May from 1.45pm 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.

Table 2 Executive Directors' key conditions of employment

Provision	Policy
Notice period	
By the ED	6 months.
By the Company	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 six 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 Jason Windsor — 26 September 2019

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 LTIPs, where the Committee determines EDs to be good leavers, 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.

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 union, Your Forum and the Evolution Council to discuss remuneration; and
- 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 has been 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 3 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 percent 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 him to discharge his 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.
NED Travel and Accommodation	**Purpose** To reimburse NEDs for appropriate business travel and accommodation, including attending Board and committee meetings.	**Operation** 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 4 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 24.
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.

	Committee appointments						
Director	Nomination and Governance	Audit	Customer, Conduct and Reputation	Remuneration	Risk	Appointment date[1]	Appointment end date[2]
George Culmer	C					25 September 2019	AGM 2021
Patricia Cross	✓	✓		C		1 December 2013	AGM 2021
Patrick Flynn	✓	C		✓	✓	16 July 2019	AGM 2021
Belén Romana García	✓	✓	✓		C	26 June 2015	AGM 2021
Mohit Joshi	✓				✓	1 December 2020	AGM 2021
Pippa Lambert	✓		✓	✓		1 January 2021	AGM 2021
Jim McConville	✓	✓	C		✓	1 December 2020	AGM 2021
Michael Mire	✓		✓	✓	✓	12 September 2013	AGM 2021

Key
C Chair of Committee
✓ Committee
1 The dates shown below reflect the date the individual was appointed to the Aviva plc Board.
2 Appointment end dates are in accordance with letters of appointment.

Annual report on remuneration

This section of the report sets out how Aviva has implemented its Policy for EDs during the course of 2020. This is in accordance with the requirements of the Large & Medium Sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended).

The full terms of reference for the Committee can be found on the Company's website at www.aviva.com/remuneration-committee and are also available from the Group General Counsel and Company Secretary.

Committee membership

The members of the Committee are shown below. George Culmer joined the Committee in January 2020 and retired in May following his appointment as Chair of the Board. Patrick Flynn joined the Committee in June 2020.

	Member Since	Years on the Committee
Patricia Cross[1]	01/12/2013	7
Michael Mire	14/05/2015	5
George Culmer[2]	01/01/2020	1
Patrick Flynn	15/06/2020	1

1 Chair from 19 February 2014.
2 George Culmer retired from the Committee on 27 May 2020

The Committee met 12 times during 2020, of which 5 were scheduled meetings and 7 were additional meetings outside of the normal timetable. Details of attendance at Committee meetings are shown in the 'Our Board of Directors' section and the Directors' and Corporate 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 agenda and 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 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 they are a member of the Remuneration Consultants Group and adhere to its Code of Conduct. During the year, Deloitte LLP also provided advice to the Group on taxation, financial due diligence, risk, compliance and other consulting advisory services (including technology transformation and cyber). Tapestry Compliance Limited, appointed by the Company, provided advice on share incentive plan related matters, including on senior executive remuneration matters and views on shareholder perspectives.

During the year, Deloitte LLP were paid fees totalling £184,850 and Tapestry Compliance Limited were paid fees totalling £17,504 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.

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 on the next page.

Committee performance and effectiveness

During 2020, the Committee undertook an evaluation of its effectiveness, alongside the exercise undertaken by the Board. Further details on how this has been carried out and the actions arising are contained in the Directors and Corporate Governance report.

Committee activities during 2020

Governance, regulatory issues and reporting policy

- Reviewed updates from external advisers on the regulatory environment and on benchmarking the Company's remuneration policies and practices against industry best practice
- Formulated and developed a new proposed Policy to be put forward for shareholder approval at the 2021 AGM, taking into account the views of shareholders
- Focused on the alignment of the remuneration policy with Aviva's overall strategy, risk culture and appropriate ESG metrics
- Engaged with key institutional shareholders on financial and non-financial metrics for 2021 annual bonus and 2021-2023 LTIP
- Considered and agreed the remuneration packages for the departing and incoming CEOs, and approved associated regulatory disclosures
- 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, bonus target setting and pay decisions

- Agreed on the withdrawal of Executive Committee (ExCo) salary increases following the pausing of dividend payments. Dividend payments were subsequently reinstated
- Determined appropriate levels of discretion to be applied to EDs and ExCo remuneration outcomes, including in response to the risk and control environment
- Reviewed engagement with shareholders on 2020 annual bonus targets, including customer and trust metrics as strategic progress measures
- Discussed and approved the annual bonus targets for 2020
- Reviewed and approved the proposed individual remuneration for each member of the ExCo in relation to their performance
- Agreed an appropriate approach to a remuneration package for incoming and outgoing EDs and ExCo members

- Reviewed wider workforce pay and employment conditions elsewhere in the Group
- Reviewed the Risk and Internal Audit 2020 Performance Opinion in relation to remuneration
  Discussed and approved the overall maximum bonus pool available to senior managers for the 2020 performance year, taking into account metrics 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 2020 LTIP awards
- Approved vesting of the 2017 LTIP and noted the interim testing for the 2018, 2019 and 2020 awards
- Reviewed the proposed changes to future LTIP grants
- Reviewed and approved any application of malus and clawback
- Approved the terms of the SAYE and the Aviva Ireland Save as You Earn Scheme, the Ireland Profit Share Scheme, and the invitation terms for eligible employees

2018 Corporate Governance Code
In determining remuneration arrangements at Aviva, the Committee aims to ensure that they support the execution of our strategy and the delivery of sustainable long-term shareholder value. In doing so, the Committee takes into account the 2018 Code, wider workforce remuneration and emerging best practice in relation to ED remuneration.

The Committee believes that our remuneration framework is clear and transparent and aligned with our culture. We operate a simple incentive framework of an annual bonus and LTIP. Award levels are capped with pay-out linked to performance against a limited number of measures that are aligned to our strategy. Stretching but fair targets are set. This ensures that potential reward outcomes are clear and aligned with the performance achieved, with the Committee having the discretion to adjust outcomes where this is not considered to be the case.

Pay levels are set taking into account internal and external reference points to ensure that pay is competitive while remaining equitable within the Company. A number of additional factors are in place to mitigate reputational and other risks, including malus and clawback provisions, unfettered discretion, a two-year holding period on LTIP awards, and both within and post-employment shareholding guidelines.

Reward Governance Framework

<table>
<tr><th colspan="5">Terms of reference, policies and guidelines</th><th colspan="2">Control and assurance</th></tr>
<tr><td rowspan="2">Terms of Reference</td><td colspan="4">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</td><td rowspan="6">Remuneration business standard

Assurance framework to attest reward operations are conducted within the Global Remuneration Policy, Directors' Remuneration Policy and supporting policies</td><td rowspan="6">Reward Approvals Matrix

Approval requirements to ensure Reward operations are conducted within the Global Remuneration Policy, Directors' Remuneration Policy and supporting policies</td></tr>
<tr><td colspan="4">Subsidiary board remuneration committee terms of reference
Sets out the subsidiary remuneration committee's scope and responsibilities</td></tr>
<tr><td>Overarching policy</td><td colspan="2">Global Remuneration Policy
Approved by the Committee, applies to all employees in entities within Aviva Group</td><td colspan="2">Directors' Remuneration Policy
Approved by the shareholders, applies to the Directors of Aviva plc</td></tr>
<tr><td>Supporting policies</td><td>Identification of remuneration regulated staff</td><td colspan="2">Variable pay and risk adjustment
(includes bonus, LTIPs, buy-out, retention, recognition awards and funding)</td><td>Malus and clawback</td></tr>
<tr><td rowspan="2">Internal guidelines and non-Remuneration Committee approved policies (examples)</td><td>New hires</td><td colspan="2">Terminations</td><td>Buyouts</td></tr>
<tr><td>Retention plans</td><td colspan="2">Recognition awards</td><td>Global mobility</td></tr>
</table>

Key
- Dark grey: Element of the Reward Governance Framework managed as part of the business of the Committee
- Light grey: Element of the Reward Governance Framework managed mainly under delegated authority from the Committee

Single total figures of remuneration for 2020

The table below sets out the total remuneration for 2020 and 2019 for each of our EDs.

Table 5 Total 2020 remuneration – Executive Directors (audited information)

	Executive Directors				Former Executive Directors			
	Amanda Blanc[6]		Jason Windsor[7]		Maurice Tulloch[8]		Total emoluments of Executive Directors[9]	
	2020 £000	2019 £000	**2020 £000**	2019 £000	**2020 £000**	2019 £000	**2020 £000**	2019 £000
Basic Salary[1]	**489**	—	**675**	177	**502**	946	**1,666**	1,123
Benefits[2]	**78**	—	**42**	10	**470**	443	**590**	453
Pension[3]	**51**	—	**83**	22	**62**	138	**196**	160
Total Fixed Pay	**618**	—	**800**	209	**1,034**	1,527	**2,452**	1,736
Annual bonus[4]	**587**	—	**675**	178	**—**	886	**1,262**	1,064
LTIP[5]	**—**	—	**—**	82	**—**	384	**—**	466
Total Variable Pay	**587**	—	**675**	260	**—**	1,270	**1,262**	1,530
Total	**1,205**	—	**1,475**	469	**1,034**	2,797	**3,714**	3,266

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. In the case of Maurice and Jason this also includes benefits resulting from the UK HMRC tax-advantaged SAYE plan, in which they participate on the same basis as all eligible employees. All numbers disclosed include the tax charged on the benefits, where applicable. Amanda's benefits include taxable relocation assistance (£34,000), car benefits (£26,000) and advisor fees (£12,000) in relation to legal assistance. As disclosed on appointment and in last year's report Maurice was provided with assistance with relocation from Canada to the UK, of an amount up to £250,000 exclusive of tax, payable against receipted costs incurred within a period of 24 months from date of appointment. During 2020, a further £69,000 of this allowance was used reflecting, ongoing residential accommodation. This is included as £132,000 in the table above, grossed-up for tax. Other benefits include: Private medical insurance (£10,000), taxable travel and subsistence (£283,000, of which £281,000 is the grossed-up tax value of flights), car benefits (£24,000) and advisor fees (£19,000) in relation to tax assistance. Travel costs were higher than 2019, reflecting the increased cost of safe international travel during COVID-19.
3 Pension contributions consist of employer defined contribution benefits, excluding salary exchange contributions made by the employees, plus cash payments in lieu of pension. For Maurice, following his appointment as Group CEO on 4 March 2019 and for Jason the total was 12.34% of basic salary (pension contribution of 14% which is reduced for the effect of employers' National Insurance contributions when paid as cash). For former EDs (and Maurice prior to his appointment as Group CEO) the aggregate total was 28% of basic salary. No ED has 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 element is made under the ABP and will vest in equal tranches on the first, second and third anniversary of the award date, subject to continued employment. ABP awards will be granted to EDs after the 2021 AGM so will be made under the proposed Policy. The grant will be made using the same share price as if they were granted in March, in line with other employees.
5 For Maurice, the value of the LTIP for 2020 relates to the 2018 award, which had a three-year performance period ending 31 December 2020. 0% of the award will vest in March 2021. The LTIP amounts shown in last year's report in respect of the LTIPs awarded in 2017 were calculated with an assumed vesting share price of 411.20 pence. The actual share price at vesting was 268.5 pence, and the table has been updated to reflect this change. The estimated value of the awards for the EDs was £670,000; the actual value was £466,000 (decrease of £204,000). Jason, prior to becoming an ED, was granted Restricted Stock Unit (RSU) awards. These awards do not have performance conditions. In accordance with the regulations a pro-rated amount for 2019 is shown in respect of qualifying services during the year, using the share price at grant to determine the value of the award.
6 Amanda was appointed as Group CEO on 6 July 2020.
7 Jason was appointed to the Board on 26 September 2019. For 2019, the values relate to the period while he was an ED.
8 Maurice stepped down from the Board on 6 July 2020; values for 2020 relate to the period while he was an ED. Details of Maurice's leaving arrangements and bonus are set out in the Remuneration Committee Report under the heading Departure of Maurice Tulloch and in this Annual Report on Remuneration under Payments for loss of office (after table 12).
9 Year on year increase is primarily due to 2019 figures only reflecting part-year remuneration for Jason, although offset by nil vesting of the 2018 LTIP.

Additional disclosures in respect of the single total figure of remuneration table

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.

No incidents concerning the EDs are currently subject to action under Aviva's Malus and Clawback policy.

Other items of remuneration

The EDs have not received any items in the nature of remuneration other than those disclosed in table 1.

Preference shares

As referenced in the Chairs' Governance letter, in line with the comments made at the 2018 AGM, in October 2020 a committee of the board, consisting of the Chair, senior independent NED and the Group CEO, instructed Allen & Overy LLP to conduct a review of the remuneration decisions that had previously been taken in light of the preference shares matter. The scope of the review included a review of all relevant documentation and discussions with key individuals involved in the decisions.

Allen & Overy's review has concluded that the adjustments the Committee decided to apply to the relevant EDs variable remuneration, which we announced in 2019, were reasonable in the circumstances and that these adjustments were applied after careful and thorough consideration by the Committee. The review has also confirmed that, taking into account the FCA's decision, there was no reasonable basis for further adjustments to be made to the relevant EDs variable remuneration in relation to the preference shares matter. In addition, it concluded that there was no basis for Aviva to make any adjustments to the fees of the relevant NEDs in light of the preference shares matter.

The Committee has discussed, considered and accepted the findings of the review.

2020 Annual bonus outcomes

The chart below summarises how our annual bonus operates for 2020.

Step I – Bonus scorecard

Financial measures:
- 15% IFRS Operating Profit[1,2]
- 25% Cash remittances[2]
- 30% SII OCG[2]

Performance against financial measures subject to a quality of earnings assessment.

Strategic measures:
- 7.5% RNPS
- 7.5% TNPS
- 15% RIT

Performance is assessed against defined minimum, target and maximum targets.

Step II – Non-financial performance modifiers

- Employee engagement
- Customer trust
- Risk and controls assessment

The bonus scorecard outcome as determined under step I may be modified by consideration of performance in these areas.

Typically, any adjustments would be in the range of +/- 15%, but may be larger for major customer and/or risk and controls issues.

Step III – Individual performance

The bonus scorecard outcome coming out of step II 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 +22%.

Discretion

The Committee retains overarching discretion to adjust outcomes upwards or downwards in order to align remuneration for the overall performance of the Group and wider circumstances.

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 of the EDs.

Table 6 2020 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)						
Group adjusted operating profit[1]	15.0%	£2,450m	£2,650m	£2,850m	**£3,098m**	30.0%
Cash remittances[2]	25.0%	£1,825m	£1,975m	£2,125m	**£1,500m**	0.0%
SII OCG[2]	30.0%	£1,730m	£1,880m	£2,030m	**£1,932m**	40.4%
Total financial measures	**70.0%**	—	—	—	—	**70.4%**
Strategic measures (30% of total)						
RNPS	7.5%	8	13	18	**11.5**	6.4%
TNPS	7.5%	38	41	44	**44**	15.0%
RIT	15.0%	92.5%	95%	97%	**96.3%**	15.0%[3]
Total strategic measures	**30.0%**	—	—	—	—	**36.4%**
Scorecard outcome	**100.0%**					**106.8%**

1 Group adjusted operating profit is an Alternative Performance Measure (APM) which is used by the Group to supplement the required disclosures under IFRS. Please refer to note B in the 'Accounting Policies' section and to the 'Other Information' section within the Annual Report and Accounts for further information.
2 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 within the Annual Report and Accounts.
3 The Committee approved management's proposal to cap the mechanical outcome to 'on target' as it considered this to be a more balanced view of risk resolution across 2020; this reduced the outcome from 24.75% to 15.0%.

Step II – Non-financial performance modifiers

The Committee considered Group performance against the non-financial modifiers set out below, the outcome of which may result in an adjustment to the bonus scorecard outcome if considered appropriate.

Table 7 2020 non-financial modifiers relating to bonus scorecard

Modifier	Assessment
Employee Employee engagement.	In 2020 our global employee opinion survey, the Voice of Aviva, showed another solid uplift in engagement, with 80% of colleagues saying they would recommend Aviva as a great place to work. The rise was driven by stronger belief in the Aviva strategy (up 12 points) and greater trust in senior leaders (up seven points). This shows colleagues are clear about how they contribute to the business' success. Feedback on Aviva's culture shows strong improvements in speed of decision-making and on customer and risk-focused behaviours. Three in four colleagues are having performance conversations quarterly or more often. This is an important lead indicator of wider leadership behaviour – listening to, coaching, recognising and supporting teams. The Committee recognised employee engagement was achieved under challenging conditions with an upward adjustment of 5%.
Customer Performance against trust.	Customer Trust has shown robust improvement on the baseline measurement and against the competitor benchmark where Aviva has improved from a position that lagged competition by two points to one that now exceeds by seven points. This reflects actions taken to improve customer outcomes, as mirrored in RNPS and TNPS scores, and is underpinned by improvements across the majority of businesses and in the context of a challenging 2020 trading year. The Committee felt an upward adjustment of 5% was appropriate given the circumstances.
Risk and controls Aviva's reward strategy includes specific risk and control objectives for all employees. The aim is to help drive and reward effective risk management and a robust control environment across the Group.	The assessments performed by our risk and internal audit functions looked at the effectiveness and robustness of the risk framework and control environment. The outputs of the assessments were shared with the Risk and Audit Committees ahead of decisions being made on impacts to bonus. Notwithstanding improvements made in 2020, it was concluded that further work is required to improve the overall control environment. As a result, and to provide a clear statement of the focus on continual improvement across 2021 the Committee considered a downwards adjustment of 5% in respect of the risks and controls non-financial performance modifier appropriate for the year.

The impact of the assessment of non-financial modifiers is shown in the table 8.

Step III – Individual performance

The Committee assessed EDs on their individual performance in the year. Details of each individual's achievements are set out in the table below.

Amanda Blanc

Amanda was appointed Group CEO on 6 July 2020 having previously been a NED of Aviva plc since 2 January 2020. Since being appointed, Amanda has provided strong leadership across the Group with many significant achievements:

- Establishment and implementation of a new strategy for the Group, announced on 6 August 2020, based on three clear priorities of focusing the portfolio, transforming performance and improving financial strength;
- Moved at pace to focus the portfolio by focusing on the core markets of the UK, Ireland and Canada and actively managing the continental Europe and Asian markets for long term shareholder value. Since 6 August the Group has completed the sale of Singapore and Indonesia, and announced the sale of Aviva Vita (Italy) and Vietnam which are both expected to complete in the first half of 2021;
- Reinvigorated the senior leadership team with 7 appointments to the Group ExCo including three external appointments; CEO UK Life, CEO International and Chief Brand and Corporate Affairs Officer;
- Established a new dividend policy aligned to core business of the UK, Ireland and Canada and clearly articulated a capital framework for excess capital deployment, both of which were communicated on 26 November 2020;
- Delivered robust financial results, including record trading levels across the UK business, while continuing to enhance the financial strength of the group; and
- Led the business in a highly visible way during the COVID-19 global pandemic; sustaining high customer service levels and enhanced employee engagement.

Jason Windsor

Jason was appointed as CFO and as an ED in September 2019, with 2020 reflecting his first full year in role. Jason's contribution enabled Aviva to move forward with a new strategy, underpinned by a robust financial performance, through a challenging year. Notable achievements included:

- Strong visible and engaging leadership across the Group throughout the COVID-19 global pandemic particularly during the first half of the year, including chairing the Group Operational Risk Committee;
- Providing critical transitional support to the new Group CEO and Chair ensuring continuity during these changes;
- Developing, communicating and implementing the new Group strategy with the Group CEO. He has established detailed plans across the business, and driven significant M&A activity completing the sales of Singapore and Indonesia, and announcing the sales of Aviva Vita (Italy) and Vietnam;
- The Group SII shareholder cover ratio[1] remained well above the target range in 2020 despite market and economic volatility due to early and proactive action and the financial performance was robust, with SII OCG[1] and Group adjusted operating profit[2] being ahead of plans and cash remittances[1] to centre being robust at £1.5 billion;
- Delivery of £180 million of cumulative efficiency savings, ahead of plan, despite incremental expenditure on IT to allow our colleagues to work remotely during COVID-19;
- Design and implementation of the dividend policy and capital framework aligned to the new Group strategy; and
- Improvements to the risk and control environment throughout 2020, including taking personal accountability to address the impacts of changes to the French life model.

The Committee carefully considered the individual performance of each ED. Details of the individual adjustments are reflected in table 8.

1 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 within the Annual Report and Accounts.
2 Group adjusted operating profit is an Alternative Performance Measure (APM) which is used by the Group to supplement the required disclosures under IFRS. Please refer to note B in the 'Accounting Policies' section and to the 'Other Information' section within the Annual Report and Accounts for further information.

Table 8 2020 bonus outcomes for Executive Directors[1]

	Amanda Blanc	Jason Windsor
Bonus scorecard (0% – 200%)	106.8%	106.8%
Non-financial modifiers	5%	5%
Sub-total (pre-discretion)	111.8%	111.8%
Committee discretion	(11.8%)	(11.8%)
Sub total	**100%**	**100%**
Individual adjustment	20%	0%
Final outcome	**120%**	**100%**
Target opportunity	100% of salary	100% of salary
Maximum opportunity for 2020[2]	200% of salary	150% of salary
Final bonus outcomes		
% of salary[3]	**120%**	**100%**
% of maximum	**60%**	**67%**
£ amount[4]	**£586,956**	**£675,000**

1 Commentary regarding the bonus outcome for Maurice is provided in the Payments for loss of office section.
2 The Group CEO has a maximum bonus opportunity of two times target (i.e. 200% of salary) while other EDs have a maximum opportunity 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 % 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.
4 This outcome is pro-rated to reflect the time served as Group CEO.

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 and the non-financial modifiers, although the Committee is of the view that these outcomes appropriately reflect the overall performance of Aviva during the year, the outturn (before any individual adjustments) should be capped at 100% to align with the experience of shareholders and reflect wider societal factors caused by the global pandemic.

2018 LTIP vesting in respect of performance period 2018-2020

The Operating EPS[1] and TSR[2] outcome for the 2018 LTIP are detailed in the table below. 0% of the award will vest in March 2021. No discretion regarding the vesting outcome of the 2018 LTIP was exercised by the Committee.

Table 9 2018 LTIP award – performance conditions

	Weighting	Threshold (10% vest)	Maximum (100% vest)	Outcome	Vesting (% of maximum)
Operating EPS[1]	50%	4.0% p.a.	10.0% p.a.	3.7%	0%
Relative TSR[2] Performance	50%	Median	Upper quintile and above	10.5/14	0%

1 This measure is derived from the Group adjusted operating profit Alternative Performance Measure (APM). Further details of this measure are included in the 'Other Information' section of the Annual Report and Accounts.
2 TSR is a measure of share price growth, calculated as the difference between the share price at the vesting date and the 90 day average for the period immediately preceding the start of the three year performance period.

Quality of earnings assessment – 2020 remuneration decisions

The Committee discussed those items that impacted the overall results in 2020 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.

Table 10 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)	Maximum Performance (% of face value)	End of performance period	End of vesting/ holding period
Amanda Blanc	06 Aug 2020	LTIP	147%	£1,470,000	20%	100%	31 Dec 2022	23 Mar 2025
Jason Windsor	23 Mar 2020	LTIP	225%	£1,518,750	20%	100%	31 Dec 2022	23 Mar 2025
	23 Mar 2020	ABP	43%	£292,396	N/A			23 Mar 2023
Former Directors[3]								
Maurice Tulloch	23 Mar 2020	LTIP	300%	£2,925,000	20%	100%	31 Dec 2022	23 Mar 2025
	23 Mar 2020	ABP	61%	£590,875	N/A			23 Mar 2023

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 the portion of the 2019 bonus deferred into shares which vests in three equal 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 value for the awards granted on 23 March 2020 and 6 August 2020 has 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 main date of grant, of 229.00 pence.
3 Maurice stepped down from the Board on 6 July 2020.

At the point the 2020 LTIP awards were due to be made in March 2020, the impact of COVID-19 was causing significant volatility in the wider market and the Aviva share price. As it was not clear when more normal conditions would resume, the Committee decided to grant the 2020 LTIP award at the normal opportunity for our EDs, but committed to review the outcome at vesting to determine whether there had been windfall gains as a result of the award being made at an artificially depressed share price. The award documentation was drafted to provide the Committee with the discretion to make an adjustment should it be considered appropriate.

We recognise the wish from shareholders and proxy advisory bodies for companies to be clear about how the use of discretion would be assessed and exercised in practice. For these purposes, the Committee has agreed that factors to be considered in making the assessment will include:

- The relationship between the 2020 grant price and those used in previous years, and the resultant impact on the number of shares under award;
- The extent to which COVID-19 continues to have an impact on market valuations and volatility.
- An analysis of share price performance prior to and following grant, with a focus on:
  - Performance vs. the broader market;
  - Performance vs. other Insurance firms; and
  - Share price growth over the 2020 LTIP performance period vs. that for prior LTIP awards.
- Broader performance context, including financial and non-financial results, and progress against strategic and operational priorities.

Full details of the outcome of the assessment will be provided in our 2022 DRR.

1 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 within the Annual Report and Accounts.

Solvency II RoE[1] targets for awards made in 2020
Solvency II RoE[1] performance determines the vesting of 50% of the LTIP award. Three-year targets are set annually within the context of the Company's strategic plan. The 2020 targets are provided below.

Table 11 2020 LTIP SII RoE[1] targets (audited information)

Achievement of SII RoE[1] targets over the three-year performance period	Percentage of shares in award that vests based on achievement of SII RoE[1] targets
Less than 11.0%	0%
11.0%	10%
Between 11.0% and 13.0%	Pro-rata between 10% and 50% on a straight line basis
13% and above	50%

Any vesting of the SII RoE[1] element of the LTIP is subject to a SII shareholder cover ratio[1] that meets or exceeds the minimum of the stated working range (in 2020, this was 160% to 180% and remains the target as announced in the Q3 operating update).

TSR targets for awards made in 2020
Relative TSR performance determines the vesting of the other 50% of the LTIP award. For the 2020 grant, Aviva's TSR performance will be assessed against that of the following companies: Aegon, Allianz, Assicurazioni Generali, AXA, Direct Line Group, Intact, Legal & General, Lloyds Banking Group, M&G, Phoenix, RSA, Standard Life Aberdeen and Zurich Insurance.

The performance period for the TSR performance condition is the three years beginning 1 January 2020. 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 vesting schedule is set out in the table below.

Table 12 TSR vesting schedule for the 2020 LTIP award (audited information)

TSR position over the three-year performance period	Percentage of shares in award that vest based on achievement of TSR targets
Below median	0%
Median	10%
Between median and upper quintile	Pro-rata between 10% and 50% on a straight line basis
Upper quintile and above	50%

Payments to past directors (audited information)
Glyn Barker retired from the Board as a NED on 31 December 2019. In 2020 he received a retirement gift with a grossed up value of £5,345.

Payments for loss of office (audited information)
We announced on 6 July 2020 Maurice Tulloch would step down as Group CEO and retire as a Director of the Company with immediate effect.
- Maurice was placed on garden leave from 6 July 2020 until the end of his six-month notice period on 5 January 2021. During this period, he continued to receive his contractual salary and benefits. For the period 6 July to 5 January 2021 these totalled £574,311
- The Committee exercised its discretion to treat Maurice as a good leaver under the ABP and LTIP by reason of his retirement
  - Maurice's outstanding deferred share awards under ABP will continue to vest on the normal vesting dates
  - Maurice's 2018, 2019 and 2020 LTIP awards will continue to vest, pro-rated for the time from the date of grant to his leave date and subject to satisfaction of the relevant performance conditions. The two-year holding period will continue to apply
  - All outstanding awards under the ABP and LTIP will remain subject to malus and clawback
- Maurice will be required to retain the necessary amount of shares from departure for two years following cessation of employment, in line with the Employment Shareholding Policy and is subject to post-activity restrictions which allow the Committee to reduce or recover awards if certain employment is taken elsewhere
- While Maurice remained eligible for a 2020 annual bonus in respect of the period up to and including 5 July 2020, when he left active service with Aviva, the Committee determined, taking all factors into account including Aviva's performance for the first half of 2020, shareholder experience during that period and the wider economic context, that Maurice would not receive a 2020 annual bonus
- In line with the Policy, Maurice was entitled to a capped contribution of £10,000 (excluding VAT) towards legal fees incurred in connection with his departure. In addition, assistance with filing tax returns in the UK and Canada with an appropriately qualified tax advisor will be provided to ensure Maurice's and the Company's compliance requirements for trailing income are met. The total value of this benefit is anticipated to be £39,562

1 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 within the Annual Report and Accounts.

Table 13 Total 2020 remuneration for Non-Executive Directors (audited information)

The table below sets out the total remuneration earned by each NED who served during 2020 for Group-related activities.

	Fees		Benefits[1]		Aviva plc total		Subsidiaries fees		Group total	
	2020 £000	2019 £000	**2020 £000**	2019 £000	**2020 £000**	2019 £000	**2020 £000**	2019 £000	**2020 £000**	2019 £000
Chair										
George Culmer[2]	**392**	29	**5**	2	**397**	31	**—**	—	**397**	31
NEDs										
Patricia Cross	**141**	128	**—**	—	**141**	128	**60**	60	**201**	188
Patrick Flynn	**171**	55	**2**	2	**173**	57	**—**	—	**173**	57
Belén Romana García	**165**	139	**8**	15	**173**	154	**44**	44	**217**	198
Mohit Joshi[3]	**9**	—	**—**	—	**9**	—	**—**	—	**9**	—
Jim McConville[3]	**15**	—	**—**	—	**15**	—	**—**	—	**15**	—
Michael Mire	**128**	118	**1**	3	**129**	121	**—**	—	**129**	121
Former Chair[4]										
Sir Adrian Montague	**229**	550	**36**	88	**265**	638	**—**	—	**265**	638
Former NED[5]										
Amanda Blanc	**68**	—	**1**	—	**69**	—	—	—	**69**	—
Total emoluments of NEDs	**1,318**	1,019	**53**	110	**1,371**	1,129	**104**	104	**1,475**	1,233

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 George Culmer was appointed as Chair on 27 May 2020 after being on the Board since 25 September 2019.
3 Mohit and Jim were appointed to the Board 1 December 2020.
4 Sir Adrian retired from the Board on 31 May 2020.
5 Amanda retired from the Board as a NED on 5 July 2020. Amanda was subsequently appointed as Group CEO on 6 July 2020.

The Aviva plc total amount paid to NEDs in 2020 was £1,371,000 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 as directors of subsidiary companies to support and further enhance the flow of information between material subsidiaries and the Group. The additional emoluments received in respect of these roles are detailed below:

- Patricia Cross received an additional fee of £60,000 (*2019: £60,000)* in respect of her duties as Senior Independent Director of Aviva Investors Holdings Limited. Patricia subsequently stepped down on 31 December 2020
- Belén Romana García received an additional fee of €49,538 (*2019: €50,000*) in respect of her duties as a Board member of Aviva Italia Holding S.p.A., and as a committee member of the Audit and Risk Committees. Belén subsequently stepped down on 17 December 2020

Percentage change in remuneration of the Directors

The table below sets out the increase in the basic salary, bonus and benefits of each of the Directors and that of the wider workforce. The UK employee workforce was chosen as a suitable comparator group, as 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 14 Percentage change in remuneration of the Directors

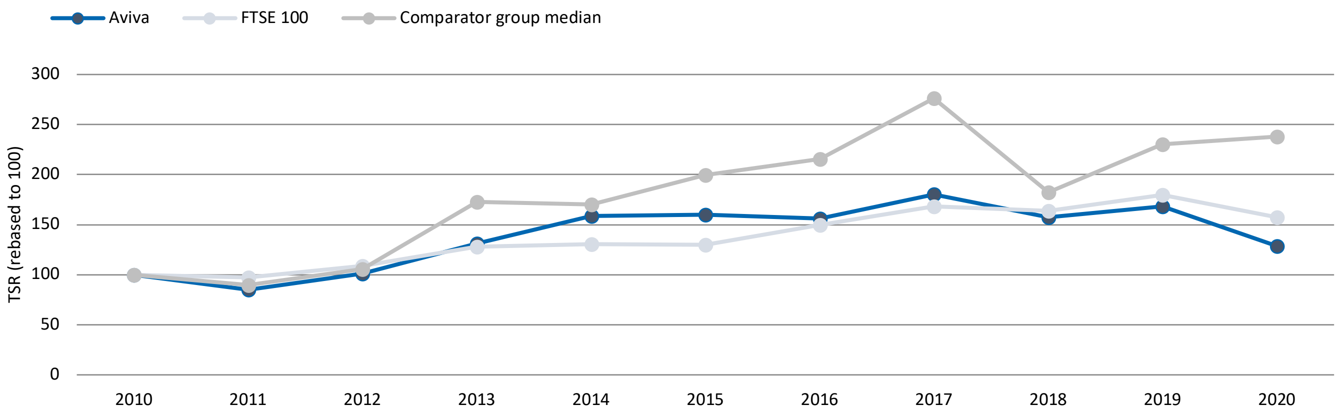
	% change in salary/ fees 2019-2020	% change in bonus 2019-2020	% change in benefits 2019-2020[6]
Group CEO[1]			
Amanda Blanc	—	—	—
Maurice Tulloch	0.0%	(100)%	44.6%
CFO[1]			
Jason Windsor	0.0%	(0.6)%	11.1%
Chair[1]			
George Culmer	263.6%	—	(26.3)%
Sir Adrian Montague	0.0%	—	0.0%
Non-Executive Directors[2]			
Patricia Cross	10.4%	—	—
Patrick Flynn[1, 3]	44.8%	—	(39.4)%
Belén Romana García	18.9%	—	(47.9)%
Mohit Joshi[4]	—	—	—
Jim McConville[4]	—	—	—
Michael Mire	9.6%	—	(82.8)%
All UK-based employees[5]	3.3%	0.5%	10.7%

1 Salary, annual bonus and benefit amounts for the EDs, Chair and Patrick have been annualised where applicable to reflect what they would have been over a full 12-month period to aid comparison. The increase in benefits for EDs reflects relocation and taxable travel and subsistence. The increase in George's fees is a result of his appointment as Chair on 27 May 2020.
2 The increase in fee levels for NEDs are mainly driven by increases in fees effective July 2020, as set out in table 24.
3 Patrick was appointed as Senior Independent Director of Aviva plc and a Remuneration Committee member on 15 June and 7 September 2020 respectively.
4 Mohit and Jim were appointed to the Board 1 December 2020 therefore no comparison available.
5 The increase in benefits for UK based employees has been mainly driven by the increase in the cost of private medical insurance. Without this, benefits would have increased by 2.3%.
6 The reduction in benefits for NEDs compared to 2019 is largely reflective of reduced taxable travel and subsistence costs due to COVID-19.

Historical TSR performance and Group CEO remuneration outcomes

Table 15 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 is a member. In addition, median TSR performance for the LTIP comparator group has been shown. The companies which comprise the LTIP comparator group for TSR purposes are listed above table 12.

Table 15 Aviva plc ten-year TSR performance against the FTSE 100 and the median of the 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 16 Historical Group CEO remuneration outcomes

	Group CEO	2011	2012	2013	2014	2015	2016	2017	2018	2019	**2020**
Annual bonus payout (as a % of maximum opportunity)	Amanda Blanc[1]	—	—	—	—	—	—	—	—	—	**60%**
	Maurice Tulloch[2]	—	—	—	—	—	—	—	—	48.1%	**0%**
	Mark Wilson[3]	—	—	75.0%	86.7%	91.0%	91.0%	94%	42.0%	—	**—**
	Andrew Moss[4]	81.0%	—	—	—	—	—	—	—	—	**—**
LTIP vesting (as a % of maximum opportunity)	Amanda Blanc	—	—	—	—	—	—	—	—	—	**—**
	Maurice Tulloch	—	—	—	—	—	—	—	—	50.0%	**0%**
	Mark Wilson	—	—	—	—	53.0%	41.3%	36.9%	—	—	**—**
	Andrew Moss	81.7%	—	—	—	—	—	—	—	—	**—**
Group CEO single figure of remuneration (£000)	Amanda Blanc	—	—	—	—	—	—	—	—	—	**1,205**
	Maurice Tulloch	—	—	—	—	—	—	—	—	2,352	**1,030**
	Mark Wilson	—	—	2,615	2,600	5,438	4,523	4,318	1,836	—	**—**
	Andrew Moss	3,477	554	—	—	—	—	—	—	—	**—**

1 Amanda was appointed Group CEO on 6 July 2020.
2 Maurice 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 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.
4 Andrew resigned from the Board with effect from 8 May 2012 and left the Company on 31 May 2012.

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, pension, and value received from incentive plans.

Table 17 CEO Pay ratio table

Year	Method	P25 (lower quartile)	P50(median)	P75 (upper quartile)
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 Group CEO data for 2020, we have aggregated the amount shown in the single figure table of £1,029,794 for Maurice in respect of his services as Group CEO from 1 January to 5 July and the amount shown in the single figure table of £1,204,967 for Amanda in respect of her services from 6 July to 31 December 2020
- Similar to prior years, we have provided an additional ratio below, calculated on a full-year basis using total target remuneration due to changes in Group CEO during the year
- In 2019, the single figure for Maurice was aggregated with the pro-rata fees for Sir Adrian 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 decrease in the ratio reflects the fact that:

- 2020 remuneration outcomes for the Group CEO include a lower aggregate bonus figure than 2019 and nil LTIP vesting, compared to 50% in 2019
- Although offset by the role of Group CEO being occupied by an ED for all of 2020, compared with an Executive Chairman and an ED in 2019

Whilst the CEO pay ratio has decreased, the salary and total remuneration for each quartile employee has also remained broadly flat (although median salary has increased 2.7% and median total compensation increased 2.3%).

Table 18 provides further information on the total remuneration figure for each quartile employee, and the salary component within this.

Table 18 Salary and total remuneration used in the CEO pay ratio calculations

Year	Pay element	P25 (lower quartile)	P50 (median)	P75 (upper quartile)
2020	Salary	£22,922	£32,457	£51,229
	Total remuneration	£27,677	£39,773	£66,209

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.

As referred to above, we recognise that 2020 was an unusual year for Aviva resulting in a Group CEO pay ratio which is likely to be lower than we might typically expect. Shareholders may find it helpful to consider what the ratio might have been in a more normal year, recognising that the ratio may well vary significantly from year-to-year. Specifically, we have considered the ratio if Amanda had been employed for the full year 2020 and had received an on-target annual bonus of 100% of salary (half of maximum) and LTIP vesting at 150% of salary (half of maximum).

Year	P25 (lower quartile)	P50 (median)	P75 (upper quartile)
2020 (illustrative based on a notional 'target' package)	135:1	94:1	57:1

At Aviva, we consider that we are equally focused on our colleagues as we are on our customers. We work hard to recognise the individual needs of colleagues and in this context, we are proud of the reward, benefits and overall career packages that we offer our colleagues.

- In the UK, we have been an accredited Living Wage employer since April 2014
- We have a structured salary progression scheme for our frontline colleagues, providing incremental salary increases over the first few years in role as individuals 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
- We have a comprehensive flexible benefits offering, providing colleagues with the opportunity to select the benefits that matter most to them including equal parental leave
- Our competitive pension scheme provides an employer contribution of 14% of salary (subject to the level of employee contribution). Above this level, we share employer National Insurance savings with our colleagues
- 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

Relative importance of spend on pay

Table 19 outlines Group adjusted operating profit[1], dividends paid to shareholders and share buy-backs, 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 19 Relative importance of spend on pay

	2019 £m	**2020 £m**	% change between 2019 – 2020
Group adjusted operating profit[1]	3,184	**3,161**	(1)%
Dividends paid[2]	1,184	**236**	(80)%
Share buy-backs	—	**—**	—
Total staff costs[3]	1,944	**1,857**	(5)%

1 Group adjusted operating profit is an Alternative Performance Measure (APM) which is used by the Group to supplement the required disclosures under IFRS. Please refer to accounting policy B in the 'Accounting Policies' section and to the 'Other Information' section within the Annual Report and Accounts for further information
2 The total cost of ordinary dividends paid to shareholders.
3 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 29,079 (2020) and 30,189 (2019).

Statement of directors' shareholdings and share interests

EDs share ownership requirements

Under our Employment Shareholding Policy applicable to 2020, 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 200% 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. The post-cessation guideline is the same level as the current (within employment) guideline. The Committee will retain 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 it with the ability to enforce the post-cessation guidelines in practice

Table 20 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	352,226	641,921	—			300	115%	No
Jason Windsor	495,587	663,209	317,302	6,338	—	200	239%	Yes
Maurice Tulloch	625,001	2,282,929	431,698	6,338	—	300	208%	No

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 and deferred for three years. 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. For Jason, this also includes RSU awards, granted under the LTIP prior to his appointment to the Board. Details of these awards can be found in table 22.
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 2020 of 325.2 pence. The closing middle-market price of an ordinary share of the Company during the year ranged from 211 pence to 423.6 pence.

There were no changes to the EDs interests in Aviva shares during the period 1 January 2021 to 3 March 2021.

Table 21 Non-Executive Directors' shareholdings[1] (audited information)

	1 January 2020	31 December 2020
George Culmer	31,276	31,276
Patricia Cross	30,574	31,192
Patrick Flynn	—	—
Belén Romana García	10,223	19,418
Mohit Joshi	—	—
Jim McConville	—	—
Michael Mire	50,000	50,000
Former Chair[2]		
Sir Adrian Montague	58,553	58,553
Former NEDs[3]		
Amanda Blanc	—	—

1 This information includes holdings of any connected persons.
2 Sir Adrian retired from the Board on 31 May 2020.
3 Amanda retired from the Board as a NED on 5 July 2020. Amanda was subsequently appointed as Group CEO on 6 July 2020.

There were changes to the NEDs interests in Aviva shares during the period 1 January 2021 to 3 March 2021. Belén Romana García acquired a further 351 shares and Mohit Joshi acquired 7,618 shares. There have been no further changes.

Share awards and share options

Details of the EDs who were in office for any part of the 2020 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 table 22. 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 5, 10 and 21 (and SAYE options are included in table 22). More information around HMRC tax-advantaged plans can also be found in note 34. 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).

Table 22 LTIP, ABP and options over Aviva shares (audited information)

	At 1 January 2020 (number)	Options/awards granted during year[1] (number)	Options/awards exercised/vesting during year (number)	Options/awards lapsing during year (number)	At 31 December 2020 (number)	Market price at date awards granted[2] (number)	SAYE Exercise price (options) (pence)	Market price at date awards vested/option exercised(pence)	Normal vesting date/ exercise period[5]
Amanda Blanc									
LTIP[3,4]									
2020	—	641,921	—	—	641,921	297.50	—	—	Mar-23
Jason Windsor									
LTIP									
2017[5]	77,358	—	92,870[8]	—	—	523.00	—	268.50	Mar-20
2018[5]	83,333	—	—	—	83,333	494.10	—	—	Mar-21
2019[5]	73,634	—	—	—	73,634	409.00	—	—	Mar-22
2020[3,4]	—	663,209	—	—	663,209	211.00	—	—	Mar-23
ABP									
2017	9,361	—	11,238[8]	—	—	523.00	—	268.50	Mar-20
2018	22,222	—	12,660[8]	—	11,111	494.10	—	—	Mar-21
2019	32,310	—	11,597[8]	—	21,540	409.00	—	—	Mar-22
2020	—	127,684	—	—	127,684	211.00	—	—	Mar-23
SAYE[7]							—		
2019	6,338	0	—	—	6,338	—	284.00	—	Dec-22 – May-23
Maurice Tulloch[6]									
LTIP[3,4]									
2017	286,091	—	171,729[8]	143,046	—	523.00	—	268.50	Mar-20
2018	310,863	—	—	—	310,863	542.60	—	—	Mar-21
2019	694,774	—	—	—	694,774	409.00	—	—	Mar-22
2020	—	1,277,292	—	—	1,277,292	211.00	—	—	Mar-23
ABP							—		
2017	85,564	—	102,722[8]	—	—	523.00	—	268.50	Mar-20
2018	110,529	—	—	—	110,529	494.10	—	—	Mar-21
2019	94,717	—	33,996[8]	—	63,145	409.00	—	—	Mar-22
2020	—	258,024	—	—	258,024	211.00	—	—	Mar-23
SAYE[7]							—		
2019	6,338	—	—	—	6,338	—	284.00	—	Dec-22 – May-23

1 The aggregate net value of share awards granted to the EDs in the period was £6.8 million (*2019: £8.0 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.
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 grant date. These were in 2017: 530 pence, 2018: 504 pence 2019: 421 pence and 2020 229 pence.
3 For the 2017 LTIP grant, the TSR comparator group consisted of the following companies: Aegon, Allianz, Assicurazioni Generali, Axa, CNP Assurances, Direct Line Group, Legal & General, MetLife, NN Group, Old Mutual, Prudential, RSA Insurance Group, Standard Life and Zurich Insurance Group. For the 2018 and 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, 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, Zurich Insurance Group.
4 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.
5 LTIP awards for Jason comprise RSUs and were granted prior to his appointment to the Board. The transfer of the shares at the end of the period is not subject to the attainment of performance conditions but the shares can be forfeited if he leaves service before the end of the period.
6 Maurice stepped down from the Board on 6 July 2020. The LTIP awards will be time prorated to reflect the number of days worked from the date of grant to the final date of service.
7 Any unexercised options will lapse at the end of the exercise period. 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. Options granted under the SAYE are normally exercisable during the six-month period following the end of the relevant (3 or 5 year) savings contract.
8 The shares comprised in these vested awards include shares issued in lieu of dividends accrued during the deferral period.

Dilution

Awards granted under Aviva employee share plans are generally met by issuing new shares as agreed by the Board. Shares are held in employee trusts, details of which are set out in note 35.

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 3.58% and 1.89% respectively on 31 December 2020.

Governance Regulatory Remuneration Code

Aviva Investors and two small 'firms' (as defined by the FCA) within the UK Life Insurance business are subject to the Capital Requirements Directive IV (CRD IV) and the FCA Remuneration Code (SYSC 19A). Additionally, Aviva Investors UK Funds Services Ltd is subject to the Alternative Investment Fund Management Directive (AIFMD), the Undertakings for Collective Investments in Transferrable Securities (UCITS V) directive and the Markets in Financial Instruments Directive II (MiFID II). 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 V. For CRD IV requirements the most recent Aviva Investors disclosure can be found in Section 5 of the Pillar 3 Disclosure available at www.aviva.com/pillar3 and a link to the disclosure for the UK Insurance firms can be found at www.aviva.com/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 so that they are 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 was approved by the Group Remuneration Committee and submitted to the Prudential Regulatory Authority (PRA).

The Solvency II reporting requirements for the year ended 31 December 2020 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.

Statement of voting at AGM

The result of the shareholder vote at the Company's 2020 AGM in respect of the 2019 Directors' Remuneration report is set out in table 23. The Committee was pleased with the level of support received from shareholders for the resolution.

Table 23 Results of votes at 2020 AGM

	Percentage of votes cast		Number of votes cast		
	For	Against	For	Against	Votes withheld
Directors' Remuneration Policy[1]	97.13%	2.87%	2,809,661,298	83,164,398	3,970,718
Directors' Remuneration Report	95.84%	4.16%	2,426,163,368	105,081,885	2,308,589

1 Voting on Remuneration Policy at 2018 AGM.

Approach to NED fees for 2021

NED fees are reviewed annually and the Committee Chair and membership fees were increased with effect from 1 July 2020, the first such increase since 1 April 2014. This recognised the increased time commitment and regulatory burden for NEDs over the past six years, and to maintain competitiveness within the financial services sector.

Table 24 Non-Executive Directors' fees

Role	Fee from 1 January 2021	Fee from 1 January 2020
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	£45,000
• Customer, Conduct and Reputation	£40,000	£35,000
• Remuneration	£40,000	£35,000
• Risk	£55,000	£45,000
Committee membership:		
• Audit	£20,000	£15,000
• Customer, Conduct and Reputation	£15,000	£12,500
• Nomination and Governance	£10,000	£7,500
• Remuneration	£15,000	£12,500
• Risk	£20,000	£15,000

1 Inclusive of Board membership fee and any committee membership fees, and committee chair of the Nomination and Governance Committee.

Table 25 Implementation of Policy in 2021

Subject to the approval of the Policy at the 2021 AGM, its implementation will be consistent with that outlined in table 1.

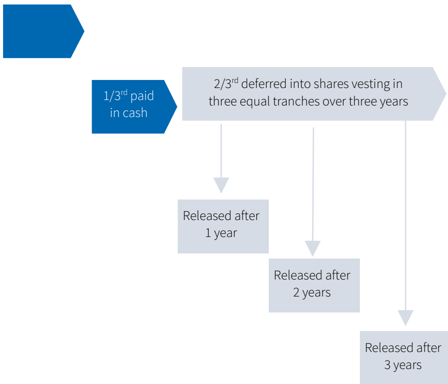
Key Element

Phasing	2021	2022	2023	2024	2025	2026	Implementation in 2021

Salary[1]

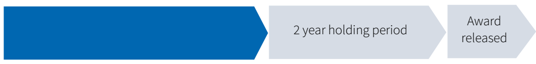
- Group CEO – £1,000,000 per annum
- CFO – £675,000 per annum

Bonus[2]



- Group CEO – 200% of salary
- CFO – 150% of salary
- One-year performance assessed against financial and non-financial performance measures
- The SII OCG[4] measure has been replaced by SII OFG[4] and in respect of the non-financial measures, the modifiers have been removed and a formal employee engagement measure has been incorporated into the framework:
  - *Financial measures (70% of total)*
    - 15% – Group adjusted operating profit[3]
    - 30% – Annual cash remittances[4]
    - 25% – SII OFG[4]
  - *Non-financial strategic measures (30% of total)*
    - 5% – RNPS
    - 5% – TNPS
    - 5% – Employee Engagement
    - 15% – RIT and risk controls quality, with an adjustment process to capture any wider considerations
- 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
- The Committee have reviewed performance targets attached to the awards and are comfortable they are stretching and deliver appropriate payout levels
- Personal performance during the year will be taken into account

LTIP



- Group CEO – 300% of salary
- CFO – 225% of salary
- Performance assessed over three years against financial and non-financial performance measures
- Financial metrics aim to balance longer-term value creation (SII RoE[4]) and medium-term dividend coverage (cumulative cash remittances)

Performance measures

- 22.5% – SII ROE[4] subject to a SII shareholder cover ratio[4]
- 22.5% – Cumulative cash remittances[4], subject to a SII shareholder cover ratio[4]
- 45% – relative TSR against a comparator group[5]
- 10% – Environmental and diversity and inclusion measures

For the 2021 awards, the SII shareholder cover ratio[4] is to meet or exceed the minimum of the stated working range (currently 160% to 180%).

		Target	
Metric	**Weighting**	**Threshold**	**Maximum**
SII RoE [4]	22.5%	9%	11%
Cumulative cash remittances [4]	22.5%	£5.1bn	£5.6bn
TSR [5]	45%	Median	Upper Quintile
Environmental			
Reduction in CO_2 intensity of shareholders' assets	5%	10%	15%
Diversity and Inclusion			
Females in senior leadership roles [6]	2.5%	36%	40%
Ethnic minority employees in senior leadership roles [7]	2.5%	7.5%	12.5%

Vesting Levels for all metrics	
Outturn	**Vesting Level**
Below Threshold	0%
Threshold	20%
Between threshold and maximum	20-100% straight line
Above maximum	100%

Share Ownership guidelines	• Group CEO – 300% of salary Other EDs – 225% • To be built up over a period not exceeding 5 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 No changes in salary in 2021.
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 2021 DRR.
3 Group adjusted operating profit is an Alternative Performance Measure (APM) which is used by the Group to supplement the required disclosures under IFRS. Please refer to note B in the 'Accounting Policies' section and to the 'Other Information' section within the Annual Report and Accounts for further information.
4 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 within the Annual Report and Accounts.
5 2021 LTIP Comparator Group: Aegon, Allianz, Assicurazioni Generali, Axa, Direct Line Group, Intact, Legal & General, Lloyds Banking Group, M&G, Phoenix, Zurich Insurance Group. LTIP awards will be granted to EDs after the 2021 AGM so will be made under the proposed Policy. The grant will be made using the same share price as if they were granted in March, in line with other employees.
6 Senior leadership in the UK, Ireland, Canada and Group Functions.
7 Senior leadership in the UK.

Approval by the Board

This Directors' Remuneration report was reviewed and approved by the Board on 3 March 2021.

Patricia Cross
Chair, Remuneration Committee

IFRS financial statements

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 2020 and of the Group's profit, the Company's loss and the Group's and Company's cash flows for the year then ended;
- have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006; 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 (the "Annual Report"), which comprise:

- the Consolidated and Company statements of financial position as at 31 December 2020;
- the Consolidated and Company income statements and statements of comprehensive income for the year then ended;
- the Reconciliation of Group adjusted operating profit to 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, which includes other explanatory information.

Our opinion is consistent with our reporting to the Audit Committee.

Separate opinion in relation to international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union

As explained in note the accounting policies to the Group financial statements, the Group, in addition to applying international accounting standards in conformity with the requirements of the Companies Act 2006, has also applied international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

In our opinion, the Group financial statements have been properly prepared in accordance with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

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 to the Group.

Other than those disclosed in note 13 to the financial statements, we have provided no non-audit services to the Group in the period under audit.

Our audit approach

Overview

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 had with the Audit Committee.

COVID-19 has meant that substantially all of our interactions were undertaken virtually, including those between engagement teams, with our component audit teams and Aviva board members, management and staff.

Audit scope

- Our audit scope has been determined to provide coverage of all material financial statement line items.
- We have performed audit procedures that have assessed the extent of the impact of COVID-19, in particular on the valuation of insurance contract liabilities, the Group's ability to continue meeting regulatory solvency capital requirements, and the Group's financial performance, as well the ability of the Group to continue as a going concern.

Key audit matters

- Valuation of life insurance contract liabilities (Group)
  - Annuitant mortality assumptions (Group)
  - Credit default assumptions for illiquid assets, specifically: commercial mortgages and equity release mortgages (Group)
  - Expense assumptions (Group)
- Valuation of non-life insurance contract liabilities (Group)
- Valuation for hard to value investments (Group)
- Risk of error arising from the implementation of new Bulk Purchase Annuities ("BPA") actuarial model (Group)
- Impact of COVID-19 (Group and Company)

Materiality
- Overall Group materiality: £157,900,000 *(2019: £158,000,000)* based on 5% of three-year average of the Group adjusted operating profit before tax attributable to shareholders' profits.
- Overall Company materiality: £61,250,000 *(2019: £47,800,000)* based on 0.5% of net assets.
- Performance materiality: £118,425,000 (Group) and £45,937,500 (Company).

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. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

Capability of the audit in detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined in the Auditors' responsibilities for the audit of the financial statements section, 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 and the Financial Conduct Authority, 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 preparation of the financial statements such as the 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 Prudential Regulation Authority ("PRA") periodically and reading key correspondence with the PRA and the Financial Conduct Authority, 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.

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 risk of error arising from the implementation of new BPA actuarial model and the impact of COVID-19 are new key audit matters this year. Valuation of specific UK Life provisions, which was a key audit matter last year, is no longer included because of the reduction in the magnitude and related uncertainty of the provisions held in relation to product governance as a result of the progress made to determine and settle amounts due. 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 contract liabilities (Group) Refer to the Audit Committees' report, Accounting policy (L) Insurance and participating investment contract liabilities – Long-term business provisions and note 42 Insurance liabilities (b) Long-term business liabilities.	
For UK Life insurance contract liabilities, the Directors' valuation of the provisions 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.	The work to address the valuation of the life insurance contract liabilities included the following procedures: • Understood and evaluated the process and controls in place to determine the insurance contract liabilities; • Tested the design and operating effectiveness of controls in place over insurance contract liabilities, including those covering the approval of assumptions and completeness and accuracy of data used; • Using our actuarial specialist team members, applied 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; • Tested the key judgements over the preparation of the liabilities, including manually calculated components focussing on the consistency in treatment and methodology period-on-period 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 expense assumptions for the UK Life component 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.
Annuitant mortality assumptions (Group) Refer to the Audit Committee report, Accounting policy (L) Insurance and participating investment contract liabilities – Long-term business provisions and note 42 Insurance liabilities methodology and assumptions (b) Long-term business liabilities.	
Annuitant mortality assumptions used to value insurance contract liabilities for UK Life 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 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 BPA, adjusted for internal experience. However, judgement is required in choosing the appropriate table and fitting internal experience to this table. • 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 Management have adopted the most recent CMI 2019 model and dataset in setting this assumption with specific parameters for the long term rate of improvement and tapering at older ages and adjustments to reflect the profile of their portfolio. This reflects their views on the rate of mortality improvement. In addition, a margin of prudence is applied to these assumptions.	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 choice of, and fitting to, the CMI base tables and the adoption of the CMI 2019 model and dataset for improvements and the margin for prudence; • Assessed the results of the experience investigations carried out by management for the annuity business to determine whether they provided support for the assumptions used; • Compared the mortality assumptions selected by management against those used by their peers; and • Considered alternative assumptions that could be used in the CMI 2019 model such as the smoothing factor and used externally published information to validate the choice management made. *Based on the work performed and the evidence obtained, we consider the assumptions used for annuitant mortality to be appropriate.*

Key audit matter	How our audit addressed the key audit matter
Credit default assumptions for illiquid assets, specifically: commercial mortgages and equity release mortgages (Group) Refer to the Audit Committee report, Accounting policy (L) Insurance and participating investment contract liabilities – Long-term business provisions and note 42 Insurance liabilities methodology and assumptions (b) Long-term business liabilities.	
UK Life has substantial holdings in illiquid asset classes with significant credit risk. Management takes an active approach to setting the associated credit default assumptions on these illiquid assets. A long term deduction for credit default is made from the current market yields and a supplementary allowance is also held to cover the risk of higher short term default rates along with a margin for prudence.	In respect of the credit default assumptions, we performed the following: • Tested the methodology and credit risk pricing models used by management for commercial and equity release mortgages to derive the assumptions with reference to relevant rules and actuarial guidance, including the adoption of an appropriate prudence margin and by applying our industry knowledge and experience; and • Validated significant assumptions used by management by ensuring consistency with the assumptions used for the valuation of the assets, and against market observable data (to the extent available and relevant) and our experience of market practices. *Based on the work performed and the evidence obtained, we consider the assumptions used for credit default risk on commercial mortgages and equity release mortgages to be appropriate*.
Expense assumptions (Group) Refer to the Audit Committee report, Accounting policy (L) Insurance and participating investment contract liabilities – Long term business provisions and note 42 Insurance liabilities methodology and assumptions (b) Long-term business liabilities.	
Future maintenance expenses and expense inflation assumptions are used in the measurement of life insurance contract liabilities at UK Life. The assumptions reflect the expected future expenses that will be required to maintain the inforce policies at the balance sheet date, including an allowance for project costs and a margin for prudence. The assumptions used require significant judgement.	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 by agreeing a sample to supporting evidence; and • We 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. *Based on the work performed and the evidence obtained, we consider the expense assumptions to be appropriate.*
Valuation of non-life insurance contract liabilities (Group) Refer to the Audit Committee report, Accounting policy (L) Insurance and participating investment contract liabilities – Long-term business provisions and note 42 Insurance liabilities methodology and assumptions (c) General insurance and health liabilities.	
The estimation of non-life insurance contract liabilities involves a significant degree of judgement. The liabilities are based on the estimated ultimate cost of all claims incurred but not settled at 31 December 2020, whether reported or not, together with the related claims handling costs. A range of methods, including stochastic projections, may be used to determine these provisions. Underlying these methods are a number of explicit or implicit assumptions relating to the expected settlement amount and settlement patterns of claims. This includes assumptions relating to the settlement of personal injury lump sum compensation amounts. Given their size in relation to the consolidated Group and the complexity of the judgements involved, our work focused on the actuarial liabilities in the UK General Insurance, Canada General Insurance and France General Insurance components.	We assessed the calculation of the nonlife insurance liabilities by performing the following procedures: • Understood and tested the governance process in place to determine the insurance contract liabilities, including testing the associated financial reporting control framework; • Tested the underlying data to source documentation on a sample basis; • Using our actuarial specialist team members, applied our industry knowledge and experience and we compared the methodology, models and assumptions used against recognised actuarial practices; • Using our actuarial specialist team members, independently estimated the reserves on selected classes of business, particularly focusing on the largest and most uncertain reserves. For these classes we compared our estimated reserves to those booked by management, and sought to understand any significant differences; • For the remaining classes evaluated the methodology and assumptions applied, or performed a diagnostic check to identify and investigate any anomalies; 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 non-life insurance contract liabilities to be appropriate.*

Key audit matter	How our audit addressed the key audit matter
Valuation for hard to value investments (Group) Refer to Audit Committee report, Accounting policies (F) and (T) and note 24 Fair Value methodology, note 26 Securitised mortgages and related assets and note 28 Financial Investments..	
The valuation of the investment portfolio involves judgement and continues to be an area of inherent risk. The risk is not uniform for all investment types and is greatest for the following, where the investments are hard to value because quoted prices are not readily available: • Commercial mortgage loans (UK Life); • Equity release mortgage loans (UK Life); • Infrastructure loans (UK Life); and • Structured bond-type investments (France Life).	We assessed the Directors' approach to valuation of hard to value investments by performing the following procedures: • Tested data inputs used in the valuation models to underlying documentation on a sample basis; • Evaluated the methodology and assumptions used by management, including yield curves, discounted cash flows, property growth rates, longevity and liquidity premiums as relevant to each asset class; • Tested the operation of data integrity and change management controls for the valuation models; • Using our valuation experts, performed independent valuations for a sample of infrastructure loans and structured bonds; 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.*
Risk of error arising from the implementation of new Bulk Purchase Annuities ("BPA") actuarial model (Group)	
UK Life have introduced a new model for the valuation of £4.3 billion of Bulk Purchase Annuities during the year. The key risk in relation to any new model is the risk of error in the implementation or the functionality of the model. This model is being used to value large BPA schemes written during the year and we have assessed the risk of error in relation to the BPA model to be significant given its complexity and the magnitude of the contracts that it will be used to value.	We assessed the implementation of new BPA actuarial model by performing the following procedures: • For a sample of immediate bulk purchase annuity policies we remodelled the gross valuations to within 0.01% on average of management's valuation. • We have replicated the calculation of benefits in deferment on a sample of deferred bulk purchase annuity policies to within 0.01% on average. • We have reviewed management's own results reconciliation testing (between this new model and the current model used for other BPA business) and investigated any differences noted by management. *Based on the work performed and evidence obtained, we consider the valuation of the BPAs valued using the new model to be appropriate.*
Impact of COVID-19 (Group and Company) Refer to the Audit and Risk Committee Reports and note 2 Significant events in the current reporting period.	
The impacts of the global pandemic due to the Coronavirus COVID-19 continue to cause significant social and economic disruption up to the date of reporting. In our audit we have identified the following key impacts of COVID-19: **Ability of the entity to continue as a going concern** There are a number of potential matters in relation to COVID-19 which could impact on the going concern status of the Group and Company. Using downside scenarios driven by the required Own Risk and Solvency Assessment (ORSA) process, the Directors have considered the ability of the Company to remain solvent with sufficient liquidity to meet future obligations. The Directors have also considered its requirements in respect of regulatory capital under Solvency II and the potential operational impacts on the business arising from remote working. The Directors' have concluded that the Company is a going concern. **Impact on Estimation Uncertainty in the Financial Statements** The pandemic has increased the level of estimation uncertainty in the financial statements. The Directors have therefore considered how COVID-19 has impacted the key estimates that determine the valuation of material balances, particularly the Non Life Insurance Contract Liabilities, Life Insurance Contract Liabilities and Hard to Value Financial Investments.	In assessing management's consideration of the impact of COVID-19 on the Company we have performed the following procedures: • Obtained management's updated going concern assessment and challenged 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; • Considered information obtained during the course of the audit and publicly available market information to identify any evidence that would contradict management's assessment of the impact of COVID-19; and • Inquired and understood the actions taken by management to mitigate the impacts of COVID-19, including review of Board Risk Committee minutes and attendance of all Audit Committees. We agree with the Director's conclusions in respect of going concern. • Considered whether there have been any impacts from remote working on the design and operating effectiveness of key controls impacting the preparation of financial statement information; • Challenged management's judgements in the valuation of non-life insurance contracts in relation to COVID-19, specifically the treatment of the Business Interruption test case; and • Challenged the judgements applied by management to determine the insurance contract liabilities, including annuitant

Key audit matter	How our audit addressed the key audit matter
Qualitative Disclosures in the Annual Report and Financial Statements In addition, the Directors have considered the qualitative disclosures included in the Annual Report and Accounts in respect of COVID-19 and the impact that the pandemic has had, and continues to have, on the Group and Company.	mortality, credit default and expense assumptions, in light of the emerging COVID-19 experience and by comparing these relative to the Company's industry peers; We have audited the balances impacted by estimation uncertainty and believe the values presented in the Financial Statements to be reasonable. • Reviewed the appropriateness of disclosures within the Annual Report and Accounts with respect to *COVID-19* and, where relevant, considered the material consistency of this other information to the audited financial statements and the information obtained in the audit. *Based on the procedures performed and evidence obtained, we consider the disclosure of COVID-19 in the financial statements to be appropriate.*

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 and France.

We identified a further two components: Aviva Investors and Italy Life, where specific account balances were considered to be significant in size in relation to the Group, and scoped our audit to include detailed testing of those account balances. We also performed audit procedures over the head office 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 included above;
- Maintained an active dialogue with reporting component audit teams throughout the year;
- Attended meetings with local management;
- Attended Audit Committee meetings for certain in-scope components;
- Reviewed reporting requested from component teams, including those areas determined to be of heightened audit risk; and
- Reviewed the detailed working papers, where relevant.

Due to the impact of COVID-19, we were unable to visit component teams in person. Consistent with previous years, we performed a detailed review of key audit working papers at all in-scope components, however this was performed remotely.

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.

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	£157,900,000 *(2019: £158,000,000)*.	£61,250,000 *(2019: £47,800,000)*.
How we determined it	5% of three-year average of the Group adjusted operating profit before tax attributable to shareholders' profits *(2019: Group adjusted operating profit before tax attributable to shareholders' profits)*	0.5% of net assets *(2019: 5% of profit for the year before tax)*
Rationale for benchmark applied	In determining our materiality, we considered financial metrics which we believed to be relevant, and concluded, consistent with prior year, that Group adjusted operating profit was the most relevant benchmark. For the year ended 31 December 2020, 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 more consistency which aligns better with the trend in the primary metrics used to assess the businesses performance and dividend capability such as capital metrics.	In determining our materiality, we considered financial metrics which we believed to be relevant and concluded that net assets 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 focussed on distributable reserves, a balance captured using a net asset 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 between £20,000,000 and £145,000,000. 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% of overall materiality, amounting to £118,425,000 for the Group financial statements and £45,937,500 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 £7,000,000 (Group audit) *(2019: £7,000,000)* and £3,062,500 (Company audit) *(2019: £2,390,000)* 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:

- Obtained the Directors' Going Concern assessment and challenged 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;
- Considered management's assessment of the regulatory Solvency coverage and liquidity position in the forward looking scenarios considered which have been driven from Aviva's ORSA;
- Considered information obtained during the course of the audit and publicly available market information to identify any evidence that would contradict management's assessment of going concern (including the impacts of COVID-19); and
- Enquired and understood the actions taken by management to mitigate the impacts of COVID-19, 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 Company's 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.

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. 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' and Corporate Governance 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' and corporate governance report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' and Corporate Governance report for the year ended 31 December 2020 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' and Corporate Governance report.

Directors' Remuneration

In our opinion, the part of the Directors' Remuneration Report 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, included within the Directors' and Corporate Governance Report 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 and Accounts 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 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.

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 section of the Directors' and Corporate Governance 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.

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.

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 Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns.; or

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 9 years, covering the years ended 31 December 2012 to 31 December 2020.

Alex Bertolotti (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
3 March 2021

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, continental Europe, 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 international accounting standards in conformity with the requirements of the Companies Act 2006 (IFRS) and the legal requirements of the Companies Act 2006. In addition, the consolidated financial statements also comply with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union (EU). 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).

Comparative figures have been re-presented for adjustments as detailed in note 1.

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 2020. The amendments have been issued and endorsed by the EU and do not have a significant impact on the Group's consolidated financial statements.

(i) Amendments to References to the Conceptual Framework in IFRS Standards (published by the IASB in March 2018)

(ii) Amendment to IFRS 3 Business Combinations (published by the IASB in October 2018)

(iii) Amendment to IAS 1 and IAS 8: Definition of material (published by the IASB in October 2018)

(iv) Interest Rate Benchmark Reform: Amendments to IFRS 9, IAS 39 and IFRS 7 (published by the IASB in October 2019)

Standards, interpretations and amendments to published standards that are not yet effective and have not been adopted early by the Group

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 covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 that was issued in 2005. IFRS 17 applies to all types of insurance contracts as well as to certain financial instruments with discretionary participation features. 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 insurance contracts. The core of IFRS 17 is the general model, supplemented by a specific adaption for contracts with direct participation features (the variable fee approach) and a simplified approach (the premium allocation approach) mainly for short-duration contracts.

The main features of the new accounting model for insurance contracts are, as follows: the measurement of the present value of future cash flows incorporating an explicit risk adjustment and remeasured at each reporting period (the fulfilment cash flows); a contractual service margin that is equal and opposite to any day one gain in the fulfilment cash flows of a group of contracts, representing the unearned profit of the insurance contracts to be recognised in profit or loss over the service period (coverage period); the presentation of insurance revenue and insurance service expenses in the statement of comprehensive income based on the concept of insurance services provided during the period; and extensive disclosures to provide information on the recognised amounts from insurance contracts and the nature and extent of risks arising from these contracts.

On adoption IFRS 17 will significantly impact the measurement and presentation of the contracts in scope of the standard. Following amendments to the standard published in June 2020, it is now expected that the standard will apply to annual reporting periods beginning on or after 1 January 2023. The final standard remains subject to endorsement. Following departure from the EU and the end of the transition period in December 2020 the Group will be subject to IFRS as endorsed by the UK. The UK endorsement process has commenced and we expect it to complete in time for the 1 January 2023 effective date.

(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. The amendments introduced two options for insurers: the deferral approach and the overlay approach. The deferral approach provides an entity, if eligible, with a temporary exemption from applying IFRS 9. The overlay approach allows an entity to remove from profit or loss the effects of some of the accounting mismatches that may occur before the new insurance contracts standard is applied. The Group has met the eligibility requirements of the deferral approach as set out below and has opted to apply this deferral from 1 January 2018. The Group has however been required to apply the additional disclosure requirements of IFRS 9 which are set out in note 53 and note 59.

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 December 2020, the EU endorsed the IASB's *Amendments to IFRS 4 Insurance Contracts – deferral of IFRS 9*. This 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 of IFRS 9 *Financial Instruments* with IFRS 17 *Insurance contracts*.

The impact of the adoption of IFRS 9 on the Group's consolidated financial statements will be dependent on the interaction with the new insurance contracts standard, IFRS 17. As such, it is not possible to fully assess the effect of the adoption of IFRS 9. IFRS 9 has been endorsed by the EU.

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. 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. The hedge accounting requirements are more closely aligned with risk management practices and follow a more principle based approach.

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 from 1 January 2018 can be found in the entities' publicly available individual financial statements.

The following new standards and amendments to existing standards have been issued, are not effective for the current reporting period and are not expected to have a significant impact on the Group's consolidated financial statements:

(iii) Amendments to IFRS 16 Leases: COVID-19 related rent concessions
Published by the IASB in May 2020. The amendments are effective for annual reporting beginning on or after 30 June 2020 and have been endorsed by the EU.

(iv) Interest Rate Benchmark Reform Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16
Published by the IASB in August 2020. The amendments are effective for annual reporting beginning on or after 1 January 2021 and have not yet been endorsed by the EU.

(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 9 and 10.

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, acquisition and disposal 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 Generally Accepted Accounting Principles (GAAP) 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.

(C) Critical accounting policies and the use of estimates

Critical accounting policies

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 issues considered by the Committee in the year are included within the Audit Committee report.

The following accounting policies are those that have the most significant impact on the amounts recognised in the financial statements, with those judgements involving estimation summarised thereafter.

Item	Critical accounting judgement	Accounting policy
Consolidation	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.	D
Insurance and participating investment contract liabilities	Assessment of the significance of insurance risk transferred to the Group in determining whether a contract should be accounted for as insurance or investment contract. 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.	G
Financial investments	Classification of investments including the application of the fair value option. 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 local management at initial recognition.	T

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 items considered particularly susceptible to changes in estimates and 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.

Item	Critical accounting estimates	Accounting policy	Note
Measurement of insurance and participating investment contract liabilities	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.	L	44(a)
	Principal assumptions used in the calculation of general insurance and health liabilities include the discount rates used in determining our 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).		43(b)
Fair value of financial instruments and investment property	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.	F,T,U	24(g)

During the year management reassessed the critical estimates previously provided and, based on their assessment of qualitative and quantitative risk factors, resolved that valuation of two specific UK Life product governance provisions was no longer a critical estimate in the context of the Group's results. The valuation of the provisions has decreased significantly in the year, primarily due to utilisation of one of the provisions, resulting in significantly reduced estimation uncertainty in aggregate as at 31 December 2020.

(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, 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. 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, associates and joint ventures, 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 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 fair value through profit or loss (FVTPL) (see accounting policy T) are included in foreign exchange gains and losses in the income statement. For monetary financial assets designated as available for sale (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. 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. Any contracts not considered to be insurance contracts under IFRS 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. These are referred to as participating contracts.

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.

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. For investment contracts 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, 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.

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 liability 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 43(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 range of discount rates used is described in note 43(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.

In prior periods, the accounting policy was to disclose anticipated recoveries as receivables where material, otherwise they were deducted from outstanding claims provisions. To remove the potential for inconsistent presentation of these balances in different reporting periods, the accounting policy has been changed to present outstanding claims provisions net of anticipated recoveries.

The revised accounting policy is consistent with previous practice and so there is no restatement of 2019 comparatives in the statement of financial position or related notes.

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 an additional liability 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.

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 17. 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, as described in accounting policy Z.

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

The assets' residual values, useful lives and method of depreciation are reviewed regularly, 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 local 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 an AFS investment is deemed to be impaired, the impairment losses are recognised as a charge to the income statement in the period in which they occur. 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. 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. 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 60(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. 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 investment or occurrence of the cash flow as appropriate.

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 (see note 61). However, where the Group has a currently enforceable legal right of set-off and the ability and intent to settle net, 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 the appropriate asset classification.

(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. The Group has not entered into any material finance lease arrangements as lessor.

(AA) Provisions and contingent liabilities

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is more probable than not that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. Restructuring provisions include lease termination penalties and employee termination payments. They comprise only the direct expenditures arising from the restructuring, which are those that are necessarily entailed by the restructuring; and not associated with the ongoing activities of the entity. The amount recorded as a provision is the best estimate of the expenditure required to settle the present obligation at the balance sheet date. Where the effect of the time value of money is material, the provision is the present value of the expected expenditure. Provisions are not recognised for future operating losses.

Where the Group expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

The Group recognises a provision 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.

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.

(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.

For defined contribution plans, the Group pays contributions to publicly or privately administered 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.

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 the direct capital instrument is credited to the income statement. In prior periods, the accounting policy was to recognise the credit directly in equity. The change in accounting policy followed an amendment to IAS 12 as part of the IASB's Annual improvements to IFRS standards 2015-2017 cycle which required the tax consequences of distributions from certain equity instruments to be recognised in the income statement. There is no restatement of 2019 comparatives as the impact of this change is not material.

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 pro forma reconciliations, 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.

(AG) Earnings per share

Basic earnings per share is calculated by dividing net income available 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, the direct capital instrument (the DCI) and tier one notes as the directors believe this figure provides a better indication of operating performance. Details are given in note 15.

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.

Potential or contingent share issuances are treated as dilutive when their conversion to shares would decrease net earnings per share.

(AH) Operations held for sale

Assets and liabilities held for disposal as part of operations which are held for sale are shown separately in the consolidated statement of financial position. Operations held for sale are recorded at the lower of their carrying amount and their fair value less the estimated selling costs.

(AI) 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 as a single line in the consolidated income statement and consolidated statement of cash flows and comparatives are re-presented where applicable. 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. For more information on amounts relating to discontinued operations, see note 4(d).

Consolidated income statement

For the year ended 31 December 2020

	Note	2020 £m	2019[1] £m
Continuing operations			
Income	6		
Gross written premiums		**29,015**	29,711
Premiums ceded to reinsurers		**(3,638)**	(3,184)
Premiums written net of reinsurance		**25,377**	26,527
Net change in provision for unearned premiums		**(123)**	(193)
Net earned premiums	H	**25,254**	26,334
Fee and commission income	I & J	**1,946**	1,936
Net investment income	K	**19,330**	39,611
Share of profit after tax of joint ventures and associates		**27**	94
Profit on the disposal and remeasurement of subsidiaries, joint ventures and associates		**12**	6
		46,569	67,981
Expenses	7		
Claims and benefits paid, net of recoveries from reinsurers		**(21,045)**	(22,092)
Change in insurance liabilities, net of reinsurance	41(b)	**(6,640)**	(5,670)
Change in investment contract provisions		**(6,413)**	(23,878)
Change in unallocated divisible surplus		**(1,528)**	(3,616)
Fee and commission expense		**(4,161)**	(3,924)
Investment expense attributable to unitholders		**(579)**	(1,355)
Other expenses		**(3,037)**	(3,057)
Finance costs	8	**(553)**	(568)
		(43,956)	(64,160)
Profit before tax		**2,613**	3,821
Tax attributable to policyholders' returns	14(d)	**(43)**	(501)
Profit before tax attributable to shareholders' profits		**2,570**	3,320
Tax expense	AC & 14	**(571)**	(1,201)
Less: tax attributable to policyholders' returns	14(d)	**43**	501
Tax attributable to shareholders' profits		**(528)**	(700)
Profit from continuing operations		**2,042**	2,620
Profit from discontinued operations	4(d)	**868**	43
Profit for the year		**2,910**	2,663
Attributable to:			
Equity holders of Aviva plc		**2,798**	2,548
Non-controlling interests	40	**112**	115
Profit for the year		**2,910**	2,663
Earnings per share	AG & 15		
Basic (pence per share)		**70.2**	63.8
Diluted (pence per share)[2]		**69.8**	63.6
Continuing operations – basic (pence per share)		**48.1**	62.7
Continuing operations – diluted (pence per share)[2]		**47.8**	62.5

1 The 2019 comparative results have been re-presented from those previously published to reclassify certain operations in Asia as discontinued operations as described in note 1.
2 Following a revision to the methodology to calculate the dilutive effect of share awards, the 2019 comparative amounts have been amended from those previously reported. See note 15 for more information.

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 2020

	Note	2020 £m	2019[1] £m
Profit for the year from continuing operations		**2,042**	2,620
Other comprehensive income from continuing operations:			
Items that may be reclassified subsequently to income statement			
Investments classified as available for sale			
Fair value gains	38	**22**	39
Fair value gains transferred to profit on disposals	38	**(7)**	(19)
Share of other comprehensive income of joint ventures and associates	38	**17**	22
Foreign exchange rate movements	38, 40	**131**	(193)
Aggregate tax effect – shareholder tax on items that may be reclassified subsequently to income statement	14(b)	**(11)**	6
Items that will not be reclassified to income statement			
Owner-occupied properties – fair value gains	38	**3**	3
Remeasurements of pension schemes	39	**(150)**	(867)
Aggregate tax effect – shareholder tax on items that will not be reclassified subsequently to income statement	14(b)	**(22)**	103
Total other comprehensive income, net of tax from continuing operations		**(17)**	(906)
Total comprehensive income for the year from continuing operations		**2,025**	1,714
Profit for the year from discontinued operations	4(d)	**868**	43
Other comprehensive income, net of tax from discontinued operations	4(d)	**4**	(26)
Total comprehensive income for the year from discontinued operations		**872**	17
Total comprehensive income for the year		**2,897**	1,731
Attributable to:			
Equity holders of Aviva plc			
From continuing operations		**1,880**	1,637
From discontinued operations		**871**	18
Non-controlling interests			
From continuing operations		**145**	77
From discontinued operations		**1**	(1)
		2,897	1,731

1 The 2019 comparative results have been re-presented from those previously published to reclassify certain operations in Asia as discontinued operations as described in note 1.

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 profit for the year

For the year ended 31 December 2020

	Note	2020 £m	2019[1] £m
Group adjusted operating profit before tax attributable to shareholders' profits from continuing operations		**2,849**	2,933
Group adjusted operating profit before tax attributable to shareholders' profits from discontinued operations		**312**	251
Group adjusted operating profit before tax attributable to shareholders' profits		**3,161**	3,184
Adjusted for the following:			
Life business: Investment variances and economic assumption changes	9	**174**	654
Non-life business: Short-term fluctuation in return on investments	10(a)	**(64)**	167
General insurance and health business: Economic assumption changes	10(a)	**(104)**	(54)
Impairment of goodwill, joint ventures, associates and other amounts expensed	17(a), 20	**(30)**	(15)
Amortisation and impairment of intangibles acquired in business combinations	18	**(76)**	(87)
Amortisation and impairment of acquired value of in-force business	18	**(278)**	(406)
Profit/(loss) on the disposal and remeasurement of subsidiaries, joint ventures and associates	4(a)	**725**	(22)
Other[2]		**(34)**	(47)
Adjusting items before tax		**313**	190
Profit before tax attributable to shareholders' profits from continuing operations and discontinued operations		**3,474**	3,374
Tax on group adjusted operating profit		**(634)**	(668)
Tax on other activities		**70**	(43)
		(564)	(711)
Profit for the year		**2,910**	2,663

1 The 2019 comparative results have been re-presented from those previously published to reclassify certain operations in Asia as discontinued operations as described in note 1.
2 Other in 2020 includes a charge of £16 million relating to costs on contracts that have become onerous following the disposals of FPI, Singapore, Indonesia and Hong Kong. This is disclosed outside of Group adjusted operating profit as the onerous contracts arise as a result of disposal transactions which we consider to be strategic in nature. Also included is a charge of £18 million relating to the estimated additional liability arising in the UK defined benefit pension schemes as a result of the requirement to equalise members' benefits for the effects of Guaranteed Minimum Pension (GMP) for former members. This is disclosed outside of Group adjusted operating profit as the additional liability arose as a consequence of a further High Court judgement in November 2020 in the case involving Lloyds Banking Group and does not reflect the financial performance of the Group for the year. Other in 2019 relates to a charge of £45 million in relation to a change in the discount rate used for estimating lump sum payments in settlement of bodily injury claims and a charge of £2 million relating to negative goodwill which arose on the acquisition of Friends First.

The above reconciliation of group adjusted operating profit to 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 profit for the year continued

Group adjusted operating profit can be further analysed into the following operating segments and by product and services (details of segments can be found in note 5):

For the year ended 31 December 2020	Long-term business £m	General insurance and health £m	Fund management £m	Other £m	Total £m
	Products and services				
Operating segments					
UK & Ireland Life	**1,873**	**43**	**—**	**(9)**	**1,907**
General Insurance					
UK & Ireland GI	**—**	**213**	**—**	**—**	**213**
Canada	**—**	**287**	**—**	**—**	**287**
Aviva Investors	**—**	**—**	**85**	**—**	**85**
Manage-for-value					
France	**412**	**103**	**—**	**(48)**	**467**
Italy	**244**	**62**	**—**	**(8)**	**298**
Poland	**168**	**21**	**—**	**7**	**196**
Other	**46**	**(4)**	**—**	**(4)**	**38**
Other Group activities	**—**	**(3)**	**—**	**(19)**	**(22)**
	2,743	**722**	**85**	**(81)**	**3,469**
Corporate Centre					**(250)**
Group debt costs and other interest					**(370)**
Group adjusted operating profit before tax attributable to shareholders' profits from continuing operations (note 5)					**2,849**
Group adjusted operating profit before tax attributable to shareholders' profits from discontinued operations					**312**
Group adjusted operating profit before tax attributable to shareholders' profits					**3,161**

For the year ended 31 December 2019 restated[1]	Long-term business £m	General insurance and health £m	Fund management £m	Other £m	Total £m
	Products and services				
Operating segments					
UK & Ireland Life[2]	1,948	35	—	(9)	1,974
General Insurance					
UK & Ireland GI	—	296	—	1	297
Canada	—	191	—	—	191
Aviva Investors	—	—	96	—	96
Manage-for-value					
France	425	94	—	(46)	473
Italy	182	23	—	(10)	195
Poland	171	20	—	3	194
Other	46	—	—	(9)	37
Other Group activities	27	(7)	—	(41)	(21)
	2,799	652	96	(111)	3,436
Corporate Centre					(183)
Group debt costs and other interest[2]					(320)
Group adjusted operating profit before tax attributable to shareholders' profits from continuing operations (note 5)					2,933
Group adjusted operating profit before tax attributable to shareholders' profits from discontinued operations					251
Group adjusted operating profit before tax attributable to shareholders' profits					3,184

1 The 2019 comparative results have been restated from those previously published due to a change in presentation of segmental information and re-presented to reclassify the amounts relating to certain operations in Asia as discontinued operations as described in note 1.
2 The 2019 comparative results have been amended to reclassify £65 million net interest expense from UK & Ireland Life to Group debt costs and other interest. The change has no impact on Group adjusted operating profit before tax attributable to shareholders' profits.

The above reconciliation of group adjusted operating profit to 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 2020

	Ordinary share capital Note 33 £m	Preference share capital Note 36 £m	Capital reserves[1] Note 33b £m	Treasury shares Note 35 £m	Currency translation reserve Note 38 £m	Other reserves Note 38 £m	Retained earnings Note 39 £m	DCI Note 37 £m	Total equity excluding non-controlling interests £m	Non-controlling interests Note 40 £m	Total equity £m
Balance at 1 January	**980**	**200**	**10,257**	**(7)**	**814**	**(101)**	**5,065**	**500**	**17,708**	**977**	**18,685**
Profit for the year	—	—	—	—	—	—	2,798	—	2,798	112	2,910
Other comprehensive income	—	—	—	—	221	(97)	(171)	—	(47)	34	(13)
Total comprehensive income for the year	—	—	—	—	221	(97)	2,627	—	2,751	146	2,897
Dividends and appropriations	—	—	—	—	—	—	(280)	—	(280)	—	(280)
Non-controlling interests share of dividends declared in the year	—	—	—	—	—	—	—	—	—	(30)	(30)
Reclassification of DCI to financial liabilities[2]	—	—	—	—	—	—	1	(500)	(499)	—	(499)
Reserves credit for equity compensation plans	—	—	—	—	—	37	—	—	37	—	37
Shares issued under equity compensation plans	2	—	3	1	—	(51)	46	—	1	—	1
Treasury shares held by subsidiary companies	—	—	—	—	—	—	—	—	—	—	—
Forfeited dividend income	—	—	—	—	—	—	2	—	2	—	2
Changes in non-controlling interests in subsidiaries	—	—	—	—	—	—	7	—	7	(61)	(54)
Change in equity accounted option	—	—	—	—	—	—	—	—	—	—	—
Transfer to profit on disposal of subsidiaries, joint ventures and associates	—	—	—	—	(173)	—	—	—	(173)	(26)	(199)
Aggregate tax effect – shareholder tax	—	—	—	—	—	—	—	—	—	—	—
Balance at 31 December	**982**	**200**	**10,260**	**(6)**	**862**	**(212)**	**7,468**	**—**	**19,554**	**1,006**	**20,560**

1 Capital reserves consist of share premium of £1,242 million, a capital redemption reserve of £44 million and a merger reserve of £8,974 million.
2 On 23 June 2020, notification was given that the Group would redeem the 5.9021% £500 million DCI. The instrument was reclassified as a financial liability of £499 million, representing its fair value, and the difference of £1 million charged to retained earnings. On 27 July 2020, the instrument was redeemed in full. See note 37 for further information.

For the year ended 31 December 2019

	Ordinary share capital Note 33 £m	Preference share capital Note 36 £m	Capital reserves[1] Note 33b £m	Treasury shares Note 35 £m	Currency translation reserve Note 38 £m	Other reserves Note 38 £m	Retained earnings Note 39 £m	DCI & Tier 1 notes Note 37 £m	Total equity excluding non-controlling interests £m	Non-controlling interests Note 40 £m	Total equity £m
Balance at 1 January	975	200	10,232	(15)	1,122	(279)	4,523	731	17,489	966	18,455
Adjustment at 1 January 2019 for adoption of IFRS 16[2]	—	—	—	—	—	—	(110)	—	(110)	—	(110)
Balance at 1 January restated[2]	975	200	10,232	(15)	1,122	(279)	4,413	731	17,379	966	18,345
Profit for the year	—	—	—	—	—	—	2,548	—	2,548	115	2,663
Other comprehensive income	—	—	—	—	(308)	178	(763)	—	(893)	(39)	(932)
Total comprehensive income for the year	—	—	—	—	(308)	178	1,785	—	1,655	76	1,731
Dividends and appropriations	—	—	—	—	—	—	(1,244)	—	(1,244)	—	(1,244)
Non-controlling interests share of dividends declared in the year	—	—	—	—	—	—	—	—	—	(63)	(63)
Reclassification of tier 1 notes to financial liabilities[3]	—	—	—	—	—	—	21	(231)	(210)	—	(210)
Reserves credit for equity compensation plans	—	—	—	—	—	62	—	—	62	—	62
Shares issued under equity compensation plans	5	—	25	(5)	—	(62)	55	—	18	—	18
Treasury shares held by subsidiary companies	—	—	—	13	—	—	—	—	13	—	13
Forfeited dividend income	—	—	—	—	—	—	4	—	4	—	4
Changes in non-controlling interests in subsidiaries	—	—	—	—	—	—	—	—	—	(2)	(2)
Change in equity accounted option	—	—	—	—	—	—	22	—	22	—	22
Transfer to profit on disposal of subsidiaries, joint ventures and associates	—	—	—	—	—	—	—	—	—	—	—
Aggregate tax effect – shareholder tax	—	—	—	—	—	—	9	—	9	—	9
Balance at 31 December	980	200	10,257	(7)	814	(101)	5,065	500	17,708	977	18,685

1 Capital reserves consist of share premium of £1,239 million, a capital redemption reserve of £44 million and a merger reserve of £8,974 million.
2 The Group adopted IFRS 16 *Leases* from 1 January 2019. In line with the transition options available, prior period comparatives were not restated and the impact of the adoption was shown as an adjustment to opening retained earnings.
3 On 17 October 2019, notification was given that the Group would redeem the 6.875% £230 million tier 1 notes. The instrument was reclassified as a financial liability of £210 million, representing its fair value, and the difference of £21 million charged to retained earnings. On 21 November 2019, the instruments were redeemed in full.

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 2020

	Note	2020 £m	2019 £m
Assets			
Goodwill	O & 17	**1,799**	1,855
Acquired value of in-force business and intangible assets	O & 18	**2,434**	2,800
Interests in, and loans to, joint ventures	D & 19	**1,702**	1,227
Interests in, and loans to, associates	D & 20	**263**	304
Property and equipment	P & 21	**768**	889
Investment property	Q & 22	**11,369**	11,203
Loans	V & 25	**43,679**	38,579
Financial investments	S, T, U & 28	**351,378**	343,418
Reinsurance assets	N & 46	**13,338**	12,356
Deferred tax assets	AC & 49	**119**	151
Current tax assets		**183**	132
Receivables	29	**9,352**	8,995
Deferred acquisition costs	X & 30	**3,264**	3,156
Pension surpluses and other assets	X & 31	**2,834**	2,799
Prepayments and accrued income	X & 31(b)	**2,742**	3,143
Cash and cash equivalents	Y & 58(d)	**16,900**	19,524
Assets of operations classified as held for sale	AH & 4(c)	**17,733**	9,512
Total assets		**479,857**	460,043
Equity			
Capital	AE		
Ordinary share capital	33	**982**	980
Preference share capital	36	**200**	200
		1,182	1,180
Capital reserves			
Share premium	33(b)	**1,242**	1,239
Capital redemption reserve	33(b)	**44**	44
Merger reserve	D	**8,974**	8,974
		10,260	10,257
Treasury shares	35	**(6)**	(7)
Currency translation reserve	38	**862**	814
Other reserves	38	**(212)**	(101)
Retained earnings	39	**7,468**	5,065
Equity attributable to shareholders of Aviva plc		**19,554**	17,208
Direct capital instrument and tier 1 notes	37	**—**	500
Equity excluding non-controlling interests		**19,554**	17,708
Non-controlling interests	40	**1,006**	977
Total equity		**20,560**	18,685
Liabilities			
Gross insurance liabilities	L & 42	**152,482**	149,338
Gross liabilities for investment contracts	M & 44	**222,831**	222,127
Unallocated divisible surplus	L & 48	**9,736**	9,597
Net asset value attributable to unitholders	D	**20,301**	16,610
Pension deficits and other provisions	AA, AB & 50	**1,435**	1,565
Deferred tax liabilities	AC & 49	**1,828**	2,155
Current tax liabilities		**114**	569
Borrowings	AD & 52	**9,684**	9,039
Payables and other financial liabilities	S & 53	**20,667**	18,138
Other liabilities	54	**3,043**	3,094
Liabilities of operations classified as held for sale	AH & 4(c)	**17,176**	9,126
Total liabilities		**459,297**	441,358
Total equity and liabilities		**479,857**	460,043

Approved by the Board on 3 March 2021

Jason Windsor
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 2020

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	2020 £m	2019[1] £m
Continuing operations			
Cash flows from operating activities[2]			
Cash (used in)/generated from operating activities	58(a)	**(1,644)**	6,392
Tax paid		**(1,040)**	(543)
Total net cash (used in)/from operating activities		**(2,684)**	5,849
Cash flows from investing activities			
Acquisitions of, and additions to, subsidiaries, joint ventures and associates, net of cash acquired	58(b)	**(11)**	(19)
Disposals of subsidiaries, joint ventures and associates, net of cash transferred	58(c)	**12**	12
Purchases of property and equipment		**(97)**	(63)
Proceeds on sale of property and equipment		**3**	4
Purchases of intangible assets		**(72)**	(57)
Total net cash used in investing activities		**(165)**	(123)
Cash flows from financing activities			
Proceeds from issue of ordinary shares		**3**	27
Treasury shares purchased for employee trusts		**(2)**	(9)
New borrowings drawn down, net of expenses		**966**	552
Repayment of borrowings[3]		**(1,005)**	(927)
Net repayment of borrowings		**(39)**	(375)
Interest paid on borrowings		**(536)**	(545)
Preference dividends paid	16	**(17)**	(17)
Ordinary dividends paid	16	**(236)**	(1,184)
Forfeited dividend income		**2**	4
Coupon payments on direct capital instrument and tier 1 notes	16	**(27)**	(43)
Dividends paid to non-controlling interests of subsidiaries	40	**(30)**	(63)
Other		**(2)**	(5)
Total net cash used in financing activities		**(884)**	(2,210)
Total net (decrease)/increase in cash and cash equivalents from continuing operations		**(3,733)**	3,516
Net cash flows from discontinued operations	4(d)	**245**	112
Cash and cash equivalents at 1 January		**19,434**	16,051
Effect of exchange rate changes on cash and cash equivalents		**236**	(245)
Cash and cash equivalents at 31 December	58(d)	**16,182**	19,434

1 The 2019 comparative results have been re-presented from those previously published to reclassify certain operations in Asia as discontinued operations as described in note 1.
2 Cash flows from operating activities include interest received of £5,705 million *(2019: £5,693 million)* and dividends received of £3,434 million *(2019: £5,568 million)*.
3 2020 includes the redemption of 5.902% £500 million direct capital instrument and lease payments of £76 million. 2019 includes the redemption of 6.875% £210 million tier 1 notes.

The above consolidated statement of cash flows should be read in conjunction with the accounting policies and accompanying notes to the financial statements.

1 – Changes to comparative amounts

(a) Discontinued operations

In the second half of 2020, Aviva has announced the completion of the disposal of its controlling interest in Friends Provident International Limited (FPI), its entire shareholdings in the Hong Kong and Indonesia joint ventures and its majority shareholding in Aviva Singapore. The sale of its entire shareholding in Aviva Vietnam Life Insurance Limited has been agreed and is subject to regulatory approval, expected in 2021.

In accordance with IFRS 5 *Non-current assets held for sale and discontinued operations*, the results of these operations have been reclassified as discontinued operations in these consolidated financial statements, as they represent an exit from a single geographical area of business. Profit from discontinued operations for the year ended 31 December 2020 has been shown as a single line in the consolidated income statement and net cash flows from discontinued operations have been shown as a single line in the consolidated statement of cash flows, with 2019 comparatives re-presented accordingly. Further analysis of the results from discontinued operations is provided in note 4(d).

(b) Amendment to segmental analysis

At our interim results announcement on 6 August 2020, we announced our strategic priorities to focus on building and extending leadership in the UK, Ireland and Canada (Core markets), and managing our other international businesses for long-term shareholder value (Manage- for-value markets). As a result, the financial performance of our 'Core markets' are presented as UK & Ireland Life, General Insurance (which brings together our UK & Ireland General Insurance businesses and Canada) and Aviva Investors. Our 'Manage-for-value markets' consist of our other international businesses: France, Italy, Poland and Other. The 2019 comparative results have been restated from those previously published to reclassify operations on this basis. See note 5 for further information.

2 – Significant events in the current reporting period

On 11 March 2020, the World Health Organization declared the outbreak of a strain of novel coronavirus disease, COVID-19, a global pandemic. Governments in affected areas have imposed a number of measures designed to contain the outbreak, including business closures, travel restrictions, stay at home orders and prohibition of gatherings and events. The spread of COVID-19 has had a significant impact on the global economy, causing volatile equity markets and falls in interest rates.

In our interim results announcement on 6 August 2020, we assessed the emerging situation and provided details of the significant impacts of COVID-19 on the Group's results for the first half of 2020. The Group has been impacted by the COVID-19 pandemic through its operations, insurance products and assets holdings as well as ongoing difficult conditions in the global financial markets and the wider macroeconomic environment. The effects of COVID-19 continue to present unprecedented uncertainty that may adversely impact the results of the Group. However, the strength of the Group's capital and liquidity means it is well positioned to manage this crisis and continue to support customers.

This note sets out key considerations in relation to the impact of COVID-19 on the Group's results.

Business and performance

(i) Long-term business

The Group's life insurance business is long-term in nature. As such the ultimate impact of COVID-19 has a high degree of uncertainty and will emerge over a long period of time. The reported results include a net £16 million increase in long-term insurance contract liabilities as a result of the changes in non-economic assumptions for COVID-19, noting that this includes the offsetting impacts of an increase attributable to mortality and a decrease attributable to longevity assumptions. The valuation of the Group's long-term insurance liabilities is closely linked to market movements and therefore the impact of COVID-19 on global markets has had a consequential impact on the valuation of the Group's long-term business. It is not possible however to disaggregate the impact of the pandemic from wider economic movements in the period, and as such quantification of the economic impact of COVID-19 on long term insurance contract liabilities is not possible. The effect of COVID-19 on assumptions and estimates for the long-term business is set out in note 47.

(ii) General insurance

The estimated impact of COVID-19 on the general insurance results in the year is £(17) million, principally reflecting business interruption claims net of reinsurance, which were partly offset by favourable impacts of reduced economic activity in other product lines tempered by higher profit-contingent commission payments to distributors. Further information on the impact of COVID-19 on general insurance liabilities can be found within note 42(c) and note 59(f).

(ii) Fund management

The widespread economic disruption caused by of COVID-19 has led to significant volatility in financial markets and elevated levels of investor activity throughout 2020. Information on the revenue earned by the Group's fund management segment can be found within note 5(b).

Risk profile

Note 59 has been updated to reflect the impact of COVID-19 on the risk environment within which the Group operates and the way in which the pandemic has had an impact on the Group's material risk exposures. This includes descriptions of key actions taken to mitigate these changes in risk exposures during 2020.

Fair value measurement

In addition to the increased volatility in financial markets, the economic disruption caused by COVID-19 has led to declines in the level of trading in some asset classes giving rise to additional valuation uncertainty. Information on the fair value of the Group's assets and liabilities and the methodology for calculating this fair value can be found within note 24.

2 – Significant events in the current reporting period – continued

Capital management

The Group's balance sheet exposure and solvency position has been reviewed and actions taken to protect the solvency position and further reduce the sensitivity to economic shocks. The estimated Solvency II regulatory own funds is £29.3 billion at 31 December 2020 *(2019: £28.3 billion)* and the estimated Solvency II shareholder own funds is £25.8 billion *(2019: £24.5 billion)*. Further information on Group capital management can be found within note 57.

Other

(i) Dividend

On 26 November 2020, the Group announced a new dividend policy and capital framework. Information on dividends paid during the year and the proposed final dividend for 2020 can be found within note 16.

3 – Exchange rates

The Group's principal overseas operations during the year were located within the eurozone, Canada and Poland. 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:

	2020	2019
Eurozone		
Average rate (€1 equals)	**£0.88**	£0.88
Year end rate (€1 equals)	**£0.90**	£0.85
Canada		
Average rate ($CAD1 equals)	**£0.58**	£0.59
Year end rate ($CAD1 equals)	**£0.57**	£0.58
Poland		
Average rate (PLN1 equals)	**£0.20**	£0.20
Year end rate (PLN1 equals)	**£0.20**	£0.20

4 – Strategic transactions

This note provides details of the acquisitions and disposals of subsidiaries, joint ventures and associates that the Group has made during the year, together with the details of business held for sale at 31 December 2020 and discontinued operations.

(a) Acquisitions

On 5 June 2020, the Group completed the acquisition of a further 40% shareholding in Wealthify, a Group subsidiary, for a consideration of £11 million. Following the transaction, Wealthify is now a wholly owned subsidiary.

(b) Disposals and remeasurements

The profit on the disposal and remeasurement of subsidiaries, joint ventures and associates comprises:

	2020 £m	2019 £m
Disposals	**744**	6
Held for sale remeasurements	**(19)**	(28)
Total gain/(loss) on disposals and remeasurements	**725**	(22)

The net gain on the disposal and remeasurement of subsidiaries, joint ventures and associates during the year of £725 million predominantly relates to the disposals of Friends Provident International Limited (FPI), Singapore, Indonesia and Hong Kong. In 2019, the loss on disposal of £22 million comprised of £6 million of gains relating to small disposals and a £28 million remeasurement loss relating to FPI.

4 – Strategic transactions continued

(b) Disposals and remeasurements continued

Disposals of subsidiaries, joint ventures and associates

The following businesses were disposed of in 2020:

	FPI(i) £m	Singapore(ii) £m	Total £m
Assets			
Goodwill, acquired value of in-force business and intangible assets	442	44	486
Interests in, and loans to, associates and joint ventures	—	38	38
Property and equipment	5	4	9
Financial investments	6,981	5,573	12,554
Reinsurance assets	15	734	749
Receivables and other financial assets	36	87	123
Deferred acquisition costs	205	10	215
Prepayments and accrued income	6	40	46
Cash and cash equivalents	851	186	1,037
Total assets	**8,541**	**6,716**	**15,257**
Liabilities			
Gross insurance liabilities	103	4,276	4,379
Gross liabilities for investment contracts	8,033	—	8,033
Unallocated divisible surplus	—	693	693
Tax liabilities	—	388	388
Other liabilities	104	367	471
Total liabilities	**8,240**	**5,724**	**13,964**
Net assets	**301**	**992**	**1,293**
Total consideration	309	1,540	1,849
Less: transaction costs	(11)	(34)	(45)
Net consideration	**298**	**1,506**	**1,804**
Reserves recycled to the income statement	—	160	160
(Loss)/profit on disposal	**(3)**	**674**	**671**
Other small disposals (iii)			73
Total profit on disposal			**744**

(i) FPI

On 19 July 2017, Aviva announced the sale of FPI to RL360 Holding Company Limited, a subsidiary of International Financial Group Limited and FPI has been reported as held for sale by the Group since 31 December 2017. In 2020, a revised structure was agreed for Aviva to sell a 76% shareholding in FPI for a consideration of £259 million, including £50 million of deferred consideration.

The classification as held for sale has resulted in a loss on remeasurement of £118 million in 2017, £13 million in 2018, £28 million in 2019 and an additional remeasurement loss of £19 million at 30 June 2020. The transaction completed on 16 July 2020.

On 11 December 2020, an option was exercised by RL360 requiring Aviva to recapture a book of business from FPI, subject to regulatory approval, resulting in Aviva forgoing both the deferred consideration and its remaining shareholding in FPI. The estimated value of the book of business matches the total value of the deferred consideration and the shareholding, therefore there is no impact on the value of consideration received.

(ii) Singapore

On 11 September 2020, Aviva announced the sale of a majority shareholding in Aviva Singapore to a consortium led by Singapore Life Ltd (Singlife) for a consideration of SGD 2.7 billion (approximately £1.5 billion), which is comprised of SGD 2.0 billion in cash and marketable securities, SGD 250 million in vendor finance notes and a 26% equity shareholding in the new group (Aviva Singlife Holdings Pte. Ltd – see note 19(a)). The transaction completed on 30 November 2020.

(iii) Other

On 6 March 2020, Aviva announced the sale of its entire shareholding in its joint venture in Indonesia, PT Astra Aviva Life, to the joint venture partner, PT Astra International Tbk. The consideration received was INR 1,389 billion (approximately £72 million). The transaction completed on 16 November 2020.

On 20 November 2019, Aviva announced the sale of its entire 40% shareholding in its Hong Kong joint venture (Blue) to Hillhouse AV Holdings Limited for HKD 450 million (approximately £44 million). The transaction completed on 10 December 2020.

4 –Strategic transactions continued

(c) Assets and liabilities of operations classified as held for sale

The assets and liabilities of operations classified as held for sale as at 31 December 2020 are as follows:

	2020 £m	2019 £m
Assets		
Acquired value of in-force business and intangible assets	**18**	526
Interests in, and loans to, joint ventures and associates	**—**	8
Property and equipment	**69**	8
Loans	**—**	1
Financial investments	**16,907**	7,824
Reinsurance assets	**18**	75
Other assets	**531**	290
Cash and cash equivalents	**190**	780
Total assets	**17,733**	9,512
Liabilities		
Gross insurance liabilities	**3,166**	687
Gross liabilities for investment contracts	**12,425**	8,324
Unallocated divisible surplus	**1,234**	—
Borrowings	**43**	28
Other liabilities	**308**	87
Total liabilities	**17,176**	9,126
Net assets	**557**	386

Assets and liabilities of operations classified as held for sale as at 31 December 2020 relate to the expected disposal of the Group's operations in Vietnam and of Aviva Vita S.p.A. (Aviva Vita). See below for further details. Assets and liabilities classified as held for sale at 31 December 2019 related primarily to FPI and Hong Kong.

(i) Vietnam

On 14 December 2020, Aviva announced the sale of its entire shareholding in Aviva Vietnam Life Insurance Limited to Manulife Financial Asia Limited. The transaction is expected to complete in the second half of 2021, subject to regulatory approvals.

(ii) Aviva Vita (Italy)

On 23 November 2020, Aviva announced the sale of its entire 80% shareholding in the Italian life insurance joint venture, Aviva Vita to its partner UBI Banca. The transaction is subject to customary closing conditions, including regulatory approval, and is expected to complete in the first half of 2021.

(d) Discontinued operations

In the second half of 2020, Aviva has announced the completion of the disposal of its controlling interest in FPI, its entire shareholdings in the Hong Kong and Indonesia joint ventures and its majority shareholding in Aviva Singapore. The sale of its entire shareholding in Aviva Vietnam Life Insurance Limited has been agreed and is subject to regulatory approval, expected in 2021.

In accordance with IFRS 5 *Non-current assets held for sale and discontinued operations*, the results of these operations have been reclassified as discontinued operations in these consolidated financial statements. Profit from discontinued operations for the year ended 31 December 2020 has been shown as a single line in the consolidated income statement and net cash flows from discontinued operations have been shown as a single line in the consolidated statement of cash flows, with 2019 comparatives being re-presented accordingly. 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.

Further analysis of the results and cash flows for the discontinued operations presented in the consolidated financial statements are analysed below.

4 – Strategic transactions continued

(d) Discontinued operations continued

Income Statement

Discontinued operations	2020 £m	2019 £m
Net written premiums	**1,284**	1,153
Net change in provision for unearned premiums	**3**	(16)
Net earned premiums	**1,287**	1,137
Net investment income	**119**	966
Other income	**119**	205
Share of loss after tax of joint ventures and associates	**(12)**	(9)
Profit/(loss) on the disposal and remeasurement of subsidiaries, joint ventures and associates	**713**	(28)
Total income	**2,226**	2,271
Claims and benefits paid, net of recoveries from reinsurers	**(749)**	(1,004)
Change in insurance liabilities, net of reinsurance	**(265)**	(32)
Change in investment contract provisions	**342**	(217)
Change in unallocated divisible surplus	**(161)**	(369)
Other expenses	**(445)**	(537)
Total expenses	**(1,278)**	(2,159)
Profit before tax from discontinued operations	**948**	112
Tax attributable to policyholders' returns	**(44)**	(58)
Profit before tax attributable to shareholders' profits from discontinued operations	**904**	54
Tax expense	**(36)**	(11)
Profit for the year from discontinued operations	**868**	43

Other Comprehensive Income

Discontinued operations	2020 £m	2019 £m
Other comprehensive income from discontinued operations:		
Items that may be reclassified subsequently to income statement		
Foreign exchange rate movements	**4**	(26)
Total other comprehensive income for the year from discontinued operations	**4**	(26)

Cash flows

Discontinued operations	2020 £m	2019 £m
Total net cash from operating activities	**102**	119
Cash proceeds from disposal of subsidiaries, joint ventures and associates	**1,208**	—
Less: Net cash and cash equivalents divested with subsidiaries	**(1,065)**	—
Other investing activities	**4**	(27)
Total net cash from investing activities	**147**	(27)
Total net cash (used in)/from financing activities	**(4)**	20
Net cash flows from discontinued operations	**245**	112

(e) 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.

(f) Subsequent events

For the following subsequent events, management undertook an assessment of the facts and circumstances at 31 December 2020 and concluded that for each of the transactions, the IFRS 5 criteria for classification as held for sale were not met at that date.

(i) Aviva France

On 23 February 2021, Aviva announced it had approved the sale of its entire shareholding in Aviva France to Aéma Groupe for cash consideration of €3.2 billion (approximately £2.9 billion), including €1.1 billion (approximately £1.0 billion) in respect of Aviva France's intra-group debt. The transaction will significantly strengthen the Group's capital and liquidity on completion, and covers the French life, general insurance, and asset management businesses and the 75% shareholding in L'Union Financière de France, a wealth manager listed on the Paris Bourse. The transaction is subject to consultation and customary closing conditions, including regulatory approval, and is expected to complete in the second half of 2021. The transaction would have decreased the Group's IFRS net asset value by approximately £0.5 billion, increased Solvency II surplus on a shareholder basis by approximately £0.8 billion and strengthened the Solvency II cover ratio on a shareholder basis by approximately 22 percentage points as at 31 December 2020.

(ii) AvivaSA (Turkey)

On 24 February 2021, Aviva announced the sale of its entire 40% shareholding in its joint venture in Turkey, AvivaSA Emeklilik ve Hayat AS (AvivaSA), to Ageas Insurance International N.V. for cash consideration of £122 million. The transaction is subject to customary closing conditions, including regulatory approval, and is expected to complete in 2021.

4 – Strategic transactions continued

(f) Subsequent events continued

(iii) Aviva Italy

On 3 March 2021, the Group entered into agreements to sell its remaining Italian Life and General Insurance businesses (Aviva Italy). The sale of the remaining Life business primarily comprises the entire 100% shareholding in Aviva Life S.p.A. and the 51% shareholding in Aviva S.p.A. to CNP Assurances for cash consideration of €543 million (approximately £486 million). The sale of the General Insurance business comprises the entire 100% shareholding in Aviva Italia S.p.A. to Allianz for cash consideration of €330 million (approximately £295 million). The transactions are subject to customary closing conditions, including regulatory and anti-trust approvals, and are expected to complete in the second half of 2021. The transactions would have increased the Group's IFRS net asset value by approximately £0.2 billion, increased Solvency II surplus on a shareholder basis by approximately £0.2 billion and strengthened the Solvency II cover ratio on a shareholder basis by approximately 7 percentage points as at 31 December 2020. Following completion of these transactions, Aviva will retain Aviva Italia Holdings S.p.A, which will have no underlying operating insurance entities.

5 – 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. At our 2020 interim results announcement on 6 August 2020, we announced our strategic priorities to focus on building and extending our leadership in the UK, Ireland and Canada (Core markets), and managing International businesses for long-term shareholder value (Manage-for-value markets). As a result, the financial performance of our 'Core markets' is presented as UK & Ireland Life, General Insurance (which brings together our UK & Ireland businesses and Canada) and Aviva Investors. Our 'Manage-for-value markets' consists of our other international businesses: France, Italy, Poland and Other. The 2019 comparative results have been restated (see note 1) from those previously published to reclassify operations to reflect these changes. Segmental information is presented for continuing operations only, an analysis of results from discontinued operations is presented in note 4(d).

(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.

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 principally distributed through insurance brokers.

Aviva Investors

Aviva Investors operates in most of the markets in which the Group operates, in particular the UK, France, 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.

Manage-for-value

France

The principal activities of our operations in France are long-term business and general insurance. The long-term business offers a range of long-term insurance and savings products, primarily for individuals, with a focus on the unit-linked market. The general insurance business predominantly sells personal and small commercial lines insurance products through agents and a direct insurer.

Italy

The principal activities of our operations in Italy are in the life and non-domestic insurance markets. We offer savings, investments, pension and protection products with distribution through a major bancassurance partnership with Unione di Banche Italiane S.p.A. and also through independent financial advisor networks.

Poland

Activities in Poland comprise long-term business and general insurance and includes our long-term business in Lithuania.

Other

Our other continuing activities principally comprise our long-term business operations in China, India and Singapore and our life operations in Turkey. These have been aggregated into a single reporting segment in line with IFRS 8 *Operating Segments*.

Other Group activities

Investment return on centrally held assets and head office expenses, such as Group treasury and finance functions, together with certain taxes and financing costs arising on central borrowings are included in 'Other Group activities'. The results of our internal reinsurance operations are also included in this segment, as are the elimination entries for certain inter-segment transactions and group consolidation adjustments.

5 – Segmental information continued

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;

(ii) profit or loss from operations before tax attributable to shareholders, adjusted for non-operating items, including investment market performance.

(a) (i) Segmental income statement for the year ended 31 December 2020

		General Insurance			Manage-for-value					
Continuing operations	**UK & Ireland Life £m**	**UK & Ireland GI £m**	**Canada £m**	**Aviva Investors £m**	**France £m**	**Italy £m**	**Poland £m**	**Other £m**	**Other Group activities £m**	**Total continuing operations £m**
Gross written premiums	10,268	5,051	3,271	—	5,326	4,473	626	—	—	29,015
Premiums ceded to reinsurers	(2,904)	(421)	(175)	—	(78)	(44)	(16)	—	—	(3,638)
Internal reinsurance revenue	—	—	—	—	—	—	—	—	—	—
Premiums written net of reinsurance	7,364	4,630	3,096	—	5,248	4,429	610	—	—	25,377
Net change in provision for unearned premiums	(1)	(38)	(56)	—	(28)	(1)	1	—	—	(123)
Net earned premiums	7,363	4,592	3,040	—	5,220	4,428	611	—	—	25,254
Fee and commission income	989	101	25	325	327	80	95	—	4	1,946
	8,352	4,693	3,065	325	5,547	4,508	706	—	4	27,200
Net investment income	13,842	123	227	31	1,881	2,318	157	—	751	19,330
Inter-segment revenue	—	—	—	217	—	—	—	—	—	217
Share of profit/(loss) after tax of joint ventures and associates	(58)	—	—	—	15	—	—	54	16	27
Profit on the disposal and remeasurement of subsidiaries, joint ventures and associates	—	—	12	—	—	—	—	—	—	12
Segmental income[1]	22,136	4,816	3,304	573	7,443	6,826	863	54	771	46,786
Claims and benefits paid, net of recoveries from reinsurers	(8,748)	(2,559)	(1,712)	—	(5,418)	(2,260)	(339)	—	(9)	(21,045)
Change in insurance liabilities, net of reinsurance	(4,505)	(345)	(148)	—	(670)	(925)	(54)	—	7	(6,640)
Change in investment contract provisions	(5,221)	—	—	(30)	631	(1,793)	—	—	—	(6,413)
Change in unallocated divisible surplus	505	—	—	—	(844)	(1,179)	(10)	—	—	(1,528)
Fee and commission expense	(730)	(1,372)	(914)	(27)	(698)	(257)	(159)	—	(4)	(4,161)
Investment expense attributable to unitholders	—	—	—	—	9	—	—	—	(588)	(579)
Other expenses	(1,112)	(474)	(168)	(432)	(245)	(90)	(103)	(3)	(410)	(3,037)
Inter-segment expenses	(201)	(5)	(7)	—	(1)	—	(3)	—	—	(217)
Finance costs	(166)	(4)	(6)	—	(1)	(2)	(1)	—	(373)	(553)
Segmental expenses	(20,178)	(4,759)	(2,955)	(489)	(7,237)	(6,506)	(669)	(3)	(1,377)	(44,173)
Profit/(loss) before tax	1,958	57	349	84	206	320	194	51	(606)	2,613
Tax attributable to policyholders' returns	(43)	—	—	—	—	—	—	—	—	(43)
Profit/(loss) before tax attributable to shareholders' profits	1,915	57	349	84	206	320	194	51	(606)	2,570
Adjusting items:										
Reclassification of unallocated interest	48	(13)	29	1	53	—	—	—	(118)	—
Life business: Investment variances and economic assumption changes	(314)	—	—	—	145	(31)	2	(26)	—	(224)
Non-life business: Short-term fluctuation in return on investments	—	92	(118)	—	40	8	(5)	—	47	64
General insurance and health business: Economic assumption changes	—	77	7	—	19	—	—	—	1	104
Impairment of goodwill, joint ventures, associates and other amounts expensed	—	—	16	—	—	—	—	13	—	29
Amortisation and impairment of intangibles acquired in business combinations	46	—	16	—	2	1	5	—	—	70
Amortisation and impairment of acquired value of in-force business	212	—	—	—	2	—	—	—	—	214
Profit on the disposal and remeasurement of subsidiaries, joint ventures and associates	—	—	(12)	—	—	—	—	—	—	(12)
Other[2]	—	—	—	—	—	—	—	—	34	34
Group adjusted operating profit/(loss) before tax attributable to shareholders' profits	1,907	213	287	85	467	298	196	38	(642)	2,849

1 Total reported income, excluding inter-segment revenue, includes £26,051 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 includes a charge of £16 million relating to costs on contracts that have become onerous following the disposals of FPI, Singapore, Indonesia and Hong Kong and a charge of £18 million relating to the estimated additional liability arising in the UK defined benefit pension schemes as a result of the requirement to equalise members' benefits for the effects of Guaranteed Minimum Pension (GMP).

5 – Segmental information continued

(a) (ii) Segmental income statement for the year ended 31 December 2019 – restated[1]

		General Insurance			Manage-for-value					
Continuing operations	UK & Ireland Life £m	UK & Ireland GI £m	Canada £m	Aviva Investors £m	France £m	Italy £m	Poland £m	Other £m	Other Group activities £m	Total continuing operations £m
Gross written premiums	8,921	5,066	3,204	—	6,883	4,994	643	—	—	29,711
Premiums ceded to reinsurers	(2,477)	(428)	(143)	—	(86)	(36)	(12)	(2)	—	(3,184)
Internal reinsurance revenue	—	—	—	—	—	—	—	1	(1)	—
Premiums written net of reinsurance	6,444	4,638	3,061	—	6,797	4,958	631	(1)	(1)	26,527
Net change in provision for unearned premiums	(2)	(55)	(99)	—	(28)	(11)	2	—	—	(193)
Net earned premiums	6,442	4,583	2,962	—	6,769	4,947	633	(1)	(1)	26,334
Fee and commission income	984	114	24	320	305	89	99	—	1	1,936
	7,426	4,697	2,986	320	7,074	5,036	732	(1)	—	28,270
Net investment income	28,247	252	171	61	6,267	3,218	155	1	1,239	39,611
Inter-segment revenue	—	—	—	247	—	—	—	—	—	247
Share of profit/(loss) after tax of joint ventures and associates	20	—	—	—	48	—	—	55	(29)	94
Profit on the disposal and remeasurement of subsidiaries, joint ventures and associates	—	—	6	—	—	—	—	—	—	6
Segmental income[2]	35,693	4,949	3,163	628	13,389	8,254	887	55	1,210	68,228
Claims and benefits paid, net of recoveries from reinsurers	(9,878)	(2,844)	(1,938)	—	(4,751)	(2,280)	(380)	—	(21)	(22,092)
Change in insurance liabilities, net of reinsurance	(3,431)	(80)	(16)	—	(1,112)	(1,032)	(49)	—	50	(5,670)
Change in investment contract provisions	(17,186)	—	—	(63)	(4,041)	(2,589)	1	—	—	(23,878)
Change in unallocated divisible surplus	174	—	—	—	(2,010)	(1,776)	(4)	—	—	(3,616)
Fee and commission expense	(711)	(1,337)	(823)	(27)	(659)	(238)	(156)	—	27	(3,924)
Investment expense attributable to unitholders	—	—	—	—	(157)	—	—	—	(1,198)	(1,355)
Other expenses	(1,416)	(340)	(162)	(447)	(246)	(109)	(95)	(11)	(231)	(3,057)
Inter-segment expenses	(228)	(6)	(6)	—	(2)	—	(5)	—	—	(247)
Finance costs	(192)	(4)	(7)	—	(1)	(3)	(1)	—	(360)	(568)
Segmental expenses	(32,868)	(4,611)	(2,952)	(537)	(12,979)	(8,027)	(689)	(11)	(1,733)	(64,407)
Profit/(loss) before tax	2,825	338	211	91	410	227	198	44	(523)	3,821
Tax attributable to policyholders' returns	(501)	—	—	—	—	—	—	—	—	(501)
Profit/(loss) before tax attributable to shareholders' profits	2,324	338	211	91	410	227	198	44	(523)	3,320
Adjusting items:										
Reclassification of unallocated interest	54	(8)	33	5	46	—	—	—	(130)	—
Life business: Investment variances and economic assumption changes	(735)	—	—	—	84	(3)	(4)	(17)	(8)	(683)
Non-life business: Short-term fluctuation in return on investments	—	(105)	(64)	—	(95)	(30)	(5)	—	132	(167)
General insurance and health business: Economic assumption changes	—	27	2	—	24	—	—	—	1	54
Impairment of goodwill, joint ventures, associates and other amounts expensed	—	—	2	—	—	—	—	9	—	11
Amortisation and impairment of intangibles acquired in business combinations	54	—	13	—	2	1	5	1	1	77
Amortisation and impairment of acquired value of in-force business	275	—	—	—	2	—	—	—	3	280
Profit on the disposal and remeasurement of subsidiaries, joint ventures and associates	—	—	(6)	—	—	—	—	—	—	(6)
Other[3]	2	45	—	—	—	—	—	—	—	47
Group adjusted operating profit/(loss) before tax attributable to shareholders' profits[2]	1,974	297	191	96	473	195	194	37	(524)	2,933

1 The 2019 comparative results have been restated from those previously published due to the change in presentation of segmental information. See note 1.
2 Total reported income, excluding inter-segment revenue, includes £39,041 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.
3 Other relates to a charge of £45 million in relation to a change in the discount rate used for estimating lump sum payments in settlement of bodily injury claims and a charge of £2 million relating to negative goodwill which arose on the acquisition of Friends First.

5 – 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 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.

(b) (i) Segmental income statement – products and services for the year ended 31 December 2020

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]	18,288	10,727	—	—	29,015
Premiums ceded to reinsurers	(2,948)	(690)	—	—	(3,638)
Premiums written net of reinsurance	15,340	10,037	—	—	25,377
Net change in provision for unearned premiums	—	(123)	—	—	(123)
Net earned premiums	15,340	9,914	—	—	25,254
Fee and commission income	1,423	126	321	76	1,946
	16,763	10,040	321	76	27,200
Net investment income	18,213	365	1	751	19,330
Inter-segment revenue	—	—	219	—	219
Share of profit/(loss) after tax of joint ventures and associates	16	(4)	—	15	27
Profit on the disposal and remeasurement of subsidiaries, joint ventures and associates	—	12	—	—	12
Segmental income	**34,992**	**10,413**	**541**	**842**	**46,788**
Claims and benefits paid, net of recoveries from reinsurers	(15,345)	(5,700)	—	—	(21,045)
Change in insurance liabilities, net of reinsurance	(6,073)	(567)	—	—	(6,640)
Change in investment contract provisions	(6,413)	—	—	—	(6,413)
Change in unallocated divisible surplus	(1,528)	—	—	—	(1,528)
Fee and commission expense	(1,290)	(2,794)	(27)	(50)	(4,161)
Investment expense attributable to unitholders	9	—	—	(588)	(579)
Other expenses	(1,347)	(751)	(430)	(509)	(3,037)
Inter-segment expenses	(206)	(13)	—	—	(219)
Finance costs	(139)	(10)	—	(404)	(553)
Segmental expenses	**(32,332)**	**(9,835)**	**(457)**	**(1,551)**	**(44,175)**
Profit/(loss) before tax	2,660	578	84	(709)	2,613
Tax attributable to policyholders' returns	(43)	—	—	—	(43)
Profit/(loss) before tax attributable to shareholders' profits	2,617	578	84	(709)	2,570
Adjusting items	126	144	1	8	279
Group adjusted operating profit/(loss) before tax attributable to shareholders' profits	**2,743**	**722**	**85**	**(701)**	**2,849**

1 General insurance and health business segment includes gross written premiums of £100 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 £637 million, which all relates to property and liability insurance.

5 – Segmental information continued

(b) (ii) Segmental income statement – products and services for the year ended 31 December 2019

Continuing operations	Long-term business £m	General insurance and health[2] £m	Fund management £m	Other £m	Total continuing operations[1] £m
Gross written premiums[3]	19,058	10,653	—	—	29,711
Premiums ceded to reinsurers	(2,529)	(655)	—	—	(3,184)
Premiums written net of reinsurance	16,529	9,998	—	—	26,527
Net change in provision for unearned premiums	—	(193)	—	—	(193)
Net earned premiums	16,529	9,805	—	—	26,334
Fee and commission income	1,301	126	315	194	1,936
	17,830	9,931	315	194	28,270
Net investment income/(expense)	37,756	622	(1)	1,234	39,611
Inter-segment revenue	—	—	250	—	250
Share of profit/(loss) after tax of joint ventures and associates	122	—	—	(28)	94
Profit on the disposal and remeasurement of subsidiaries, joint ventures and associates	—	6	—	—	6
Segmental income	55,708	10,559	564	1,400	68,231
Claims and benefits paid, net of recoveries from reinsurers	(15,774)	(6,318)	—	—	(22,092)
Change in insurance liabilities, net of reinsurance	(5,540)	(130)	—	—	(5,670)
Change in investment contract provisions	(23,878)	—	—	—	(23,878)
Change in unallocated divisible surplus	(3,616)	—	—	—	(3,616)
Fee and commission expense	(1,151)	(2,653)	(27)	(93)	(3,924)
Investment expense attributable to unitholders	(157)	—	—	(1,198)	(1,355)
Other expenses	(1,628)	(622)	(445)	(362)	(3,057)
Inter-segment expenses	(237)	(13)	—	—	(250)
Finance costs	(162)	(10)	—	(396)	(568)
Segmental expenses	(52,143)	(9,746)	(472)	(2,049)	(64,410)
Profit/(loss) before tax	3,565	813	92	(649)	3,821
Tax attributable to policyholders' returns	(501)	—	—	—	(501)
Profit/(loss) before tax attributable to shareholders' profits	3,064	813	92	(649)	3,320
Adjusting items	(265)	(161)	4	35	(387)
Group adjusted operating profit/(loss) before tax attributable to shareholders' profits	2,799	652	96	(614)	2,933

1 The 2019 comparative results have been re-presented from those previously published to reclassify certain operations in Asia as discontinued operations as described in note 1.
2 General insurance and health business segment includes gross written premiums of £704 million relating to health business. The remaining business relates to property and liability insurance.
3 Gross written premiums include inward reinsurance premiums assumed from other companies amounting to £62 million, which all relates to property and liability insurance.

6 – Details of income

This note gives further detail on the items appearing in the income section of the income statement.

	2020 £m	2019[1] £m
Continuing operations		
Gross written premiums		
Long-term:		
Insurance contracts	**13,272**	11,633
Participating investment contracts	**5,016**	7,425
General insurance and health	**10,727**	10,653
	29,015	29,711
Less: premiums ceded to reinsurers	**(3,638)**	(3,184)
Gross change in provision for unearned premiums	**(150)**	(216)
Reinsurers' share of change in provision for unearned premiums	**27**	23
Net change in provision for unearned premiums	**(123)**	(193)
Net earned premiums	**25,254**	26,334
Fee and commission income		
Fee income from investment contract business	**863**	886
Fund management fee income	**439**	437
Other fee income	**436**	426
Reinsurance commissions receivable	**40**	31
Other commission income	**162**	175
Net change in deferred revenue	**6**	(19)
	1,946	1,936
Total revenue	**27,200**	28,270
Net investment income		
Interest and similar income		
From financial instruments designated as trading and other than trading	**5,604**	5,819
From AFS investments and financial instruments at amortised cost	**19**	49
	5,623	5,868
Dividend income	**3,434**	5,568
Other income from investments designated as trading		
Realised (losses)/gains on disposals	**(238)**	1,393
Unrealised gains and losses (see accounting policy K)		
Gains arising in the year	**1,242**	1,839
Gains/(losses) recognised now realised	**238**	(1,393)
	1,480	446
	1,242	1,839
Other income from investments designated as other than trading		
Realised gains on disposals	**4,081**	8,847
Unrealised gains and losses (see accounting policy K)		
Gains arising in the year	**9,164**	26,272
Losses recognised now realised	**(4,079)**	(8,847)
	5,085	17,425
	9,166	26,272
Realised gains on AFS investments		
Gains recognised in prior periods as unrealised in equity	**7**	19
Net income from investment properties		
Rent	**554**	555
Expenses relating to these properties	**(124)**	(158)
Realised gains on disposal	**5**	58
Fair value (losses)/gains on investment properties (note 22)	**(372)**	93
	63	548
Foreign exchange losses on investments other than trading	**(67)**	(458)
Other investment expenses	**(138)**	(45)
Net investment income	**19,330**	39,611
Share of profit after tax of joint ventures	**9**	32
Share of profit after tax of associates	**18**	62
Share of profit after tax of joint ventures and associates	**27**	94
Profit on disposal and remeasurement of subsidiaries, joint ventures and associates	**12**	6
Income from continuing operations	**46,569**	67,981
Income from discontinued operations	**2,226**	2,271
Total income	**48,795**	70,252

1 The 2019 comparative results have been re-presented from those previously published to reclassify certain operations in Asia as discontinued operations as described in note 1.

7 – Details of expenses

This note gives further detail on the items appearing in the expenses section of the income statement.

	2020 £m	2019[1] £m
Continuing operations		
Claims and benefits paid		
Claims and benefits paid to policyholders on long-term business		
Insurance contracts	**11,197**	12,100
Participating investment contracts	**5,927**	5,333
Non-participating investment contracts	**6**	7
Claims and benefits paid to policyholders on general insurance and health business	**5,987**	6,575
	23,117	24,015
Less: Claim recoveries from reinsurers		
Insurance contracts	**(2,069)**	(1,926)
Participating investment contracts	**(3)**	3
Claims and benefits paid, net of recoveries from reinsurers	**21,045**	22,092
Change in insurance liabilities		
Change in insurance liabilities (note 41(b))	**8,121**	6,434
Change in reinsurance asset for insurance provisions (note 41(b))	**(1,481)**	(764)
Change in insurance liabilities, net of reinsurance	**6,640**	5,670
Change in investment contract provisions		
Investment expense allocated to investment contracts	**5,783**	14,972
Other changes in provisions		
Participating investment contracts (note 44(c)(i))	**405**	7,365
Non-participating investment contracts	**225**	1,550
Change in reinsurance asset for investment contract provisions	**—**	(9)
Change in investment contract provisions	**6,413**	23,878
Change in unallocated divisible surplus	**1,528**	3,616
Fee and commission expense		
Acquisition costs		
Commission expenses for insurance and participating investment contracts	**2,718**	2,669
Change in deferred acquisition costs for insurance and participating investment contracts	**(207)**	(161)
Deferrable costs for non-participating investment contracts	**32**	39
Other acquisition costs	**1,058**	976
Change in deferred acquisition costs for non-participating investment contracts	**98**	(71)
Reinsurance commissions and other fee and commission expense	**462**	472
Fee and commission expense	**4,161**	3,924
Investment expense attributable to unitholders	**579**	1,355
Other expenses		
Other operating expenses		
Staff costs (note 11(b))	**998**	1,100
Central costs	**250**	183
Depreciation	**103**	93
Impairment of goodwill on subsidiaries	**17**	2
Amortisation of acquired value of in-force business on insurance/investment contracts	**214**	280
Amortisation of intangible assets	**193**	204
Impairment of intangible assets	**23**	13
Other expenses (see below)	**1,135**	1,277
Impairments		
Net impairment on loans	**2**	4
Net impairment on financial investments	**1**	—
Net impairment on receivables and other financial assets	**(7)**	10
Net impairment on non-financial assets	**(1)**	—
Other net foreign exchange losses/(gains)	**109**	(109)
Other expenses	**3,037**	3,057
Finance costs (note 8)	**553**	568
Expenses from continuing operations	**43,956**	64,160
Expenses from discontinued operations	**1,278**	2,159
Total expenses	**45,234**	66,319

1 The 2019 comparative results have been re-presented from those previously published to reclassify certain operations in Asia as discontinued operations as described in note 1.

Other expenses were £1,135 million *(2019: £1,277 million)* which mainly included costs relating to property and IT.

8 – Finance costs

This note analyses the interest costs on our borrowings (which are described in note 52) and similar charges. Finance costs comprise:

	2020 £m	2019[1] £m
Continuing operations		
Interest expense on core structural borrowings		
Subordinated debt	**352**	336
Long term senior debt	**16**	16
Commercial paper	**(1)**	(1)
	367	351
Interest expense on operational borrowings		
Amounts owed to financial institutions	**14**	21
Securitised mortgage loan notes at fair value	**75**	77
	89	98
Interest on collateral received	**2**	10
Net finance charge on pension schemes (note 51(b)(i))	**17**	23
Interest on lease liabilities	**11**	14
Other similar charges	**67**	72
Finance costs from continuing operations	**553**	568
Finance costs from discontinued operations	**—**	8
Total finance costs	**553**	576

1 The 2019 comparative results have been re-presented from those previously published to reclassify certain operations in Asia as discontinued operations as described in note 1.

9 – 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 variance 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 movements in interest rates. 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.

9 – 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	
	2020	2019	**2020**	2019
United Kingdom	**4.5%**	4.9%	**3.0%**	3.4%
France[1]	**4.5%**	4.3%	**3.5%**	2.8%
Other Eurozone	**3.7%**	4.3%	**2.2%**	2.8%

1 In light of the current unprecedented low interest rates, the expected investment return on equity and property in France have been determined taking into account local economic and market forecasts of the long-term return. The impact of this change is an increase of £12 million to the expected return on the life business over 2020.

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 premiums are set out in the table below:

All territories	**2020**	2019
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	**2020**	2019
United Kingdom	**1.0%**	1.4%
Eurozone	**0.2%**	0.8%

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	**2020 £m**	2019 £m
Investment variances and economic assumptions	**174**	654

Investment variances and economic assumption changes were £174 million positive *(2019: £654 million positive)*, mainly due to a reduction in yields, partially offset by a reduction in equities in the UK and France.

At 31 December 2019 we included a specific allowance for the possible adverse impacts of the UK's exit from the European Union on UK commercial and residential property, which we have now removed. Our future property growth assumptions are reviewed on a quarterly basis and as at 31 December 2020 they include a cumulative 5-year growth assumption, from 2021-25, of -1% for UK commercial property (with variation by sector) and 4% for UK residential property.

Investment variance and economic assumption changes in 2019 was primarily due to the UK where there was a positive variance as a result of a reduction in yields, a narrowing of fixed income spreads and a consequent impact from economic assumption changes, including an alignment of methodology across the UK, partially offset by the impact of increases in equities. The impact of yields and equities reflect that we hedge on an economic rather than on an IFRS basis.

10 – 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	**2020 £m**	2019 £m
Short-term fluctuations in investment return (see (d) below)	**(64)**	167
Economic assumption changes (see (e) below)	**(104)**	(54)
	(168)	113

(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.

10 – Non-life business: short-term fluctuations in return on investments continued

(b) Methodology continued

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, including the centre hedging programme which is designed to economically protect the total Group's capital against adverse equity and foreign exchange movements, 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 equities		Long-term rates of return properties	
	2020 %	2019 %	**2020 %**	2019 %
United Kingdom	**4.5**	4.9	**3.0**	3.4
France[1]	**4.5**	4.3	**3.5**	2.8
Other eurozone	**3.7**	4.3	**2.2**	2.8
Canada	**5.7**	6.0	**4.2**	4.5

1 In light of the current unprecedented low interest rates, the expected investment return on equity and property in France have been determined taking into account local economic and market forecasts of the long-term return. The impact of this change is an increase of £5 million to the expected return on the general insurance business over 2020.

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 underlying reference rates and risk premiums for the United Kingdom and eurozone are shown in note 9.

(d) Analysis of investment return

The total investment income on our non-life business, including short-term fluctuations, are as follows:

Non-life business	**2020 £m**	2019 £m
Analysis of investment income:		
Net investment income	**322**	511
Foreign exchange (losses)/gains and other charges	**(45)**	55
	277	566
Analysed between:		
Long-term investment return, reported within Group adjusted operating profit	**341**	399
Short-term fluctuation in investment return, reported outside Group adjusted operating profit		
General insurance and health	**(15)**	296
Other operations[1]	**(49)**	(129)
	(64)	167
	277	566

1 Other operations represents short-term fluctuations on assets backing non-life business in Group centre investments, including the centre hedging programme.

The short-term fluctuations during 2020 of £64 million adverse is primarily due to falling equity markets and foreign exchange losses. These losses are partly offset by an increase in the value of fixed income securities as a result of falls in interest rates.

The short-term fluctuations during 2019 were mainly due to strong market conditions across all our major markets. This resulted in significant gains on equities plus gains on fixed income securities driven by interest rates falling and a narrowing of credit spreads. These gains are partly offset by losses on hedges held by the Group, including the Group centre hedging programme, and other adverse movements on centre holdings.

(e) Economic assumption changes

In the general insurance and health business, there is a negative impact of £104 million *(2019: £54 million negative)* primarily as a result of a decrease in the interest rates used to discount claims reserves for both 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 below Group adjusted operating profit as an economic assumption change. The range of discount rates used is disclosed in note 43.

11 – Employee information

This note shows where our staff are employed throughout the world, excluding staff employed by our joint ventures and associates, and analyses the total staff costs. The comparative amounts in (a) and (b) have been re-presented from those previously published to reclassify certain operations in Asia as discontinued operations as described in note 1.

(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]	
	2020 Number	Restated[2] 2019 Number	**2020 Number**	Restated[2] 2019 Number
Continuing operations				
UK & Ireland Life	**8,746**	9,022	**8,860**	9,312
UK & Ireland General Insurance	**7,817**	7,759	**7,942**	7,964
Canada	**4,163**	4,264	**4,198**	4,338
Aviva Investors	**1,483**	1,495	**1,492**	1,485
Manage-for-value				
France	**3,799**	3,911	**3,845**	3,925
Poland	**1,769**	1,861	**1,768**	1,918
Italy	**555**	548	**551**	542
Other	**61**	245	**215**	240
Other Group activities	**203**	445	**208**	465
Employees in continuing operations	**28,596**	29,550	**29,079**	30,189
Employees in discontinued operations	**334**	1,631	**1,734**	1,602
Total employee numbers	**28,930**	31,181	**30,813**	31,791

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.
2 The 2019 comparative amounts have been restated from those previously published due to the change in presentation of segmental information. See note 1.

(b) Staff costs

	2020 £m	2019 £m
Continuing operations		
Wages and salaries	**1,182**	1,236
Social security costs	**237**	235
Post-retirement obligations		
Defined benefit schemes (note 51(d))	**18**	22
Defined contribution schemes (note 51(d))	**168**	162
Profit sharing and incentive plans	**185**	193
Equity compensation plans	**48**	62
Termination benefits	**19**	34
Staff costs from continuing operations	**1,857**	1,944
Staff costs from discontinued operations	**73**	92
Total staff costs	**1,930**	2,036

Staff costs are charged within:

	2020 £m	2019 £m
Continuing operations		
Acquisition costs	**599**	580
Claims handling expenses	**205**	197
Central costs	**55**	67
Other operating expenses (note 7)	**998**	1,100
Staff costs from continuing operations	**1,857**	1,944
Staff costs from discontinued operations	**73**	92
Total staff costs	**1,930**	2,036

12 – 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 2020 was £5.0 million *(2019: £7.0 million)*. Employer contributions to pensions for executive directors for qualifying periods were £nil *(2019: £18,813)*. The aggregate net value of share awards granted to the directors in the period was £6.8 million *(2019: £8.0 million)*. The net value has been calculated by reference to the closing middle market price of an ordinary share at the date of grant. During the year, no share options were exercised by directors *(2019: no share options)*.

13 – Auditors' remuneration

This note shows the total remuneration payable by the Group, excluding VAT and any overseas equivalent thereof, to our auditors.

Continuing operations	2020 £m	2019[1] £m
Fees payable to PwC LLP and its associates for the statutory audit of the Aviva Group and Company financial statements	**1.9**	1.8
Fees payable to PwC LLP and its associates for other services		
Audit of Group subsidiaries	**12.6**	12.4
Additional fees related to the prior year audit of Group subsidiaries	**1.0**	0.8
Total audit fees	**15.5**	15.0
Audit related assurance	**4.9**	4.6
Other assurance services	**3.4**	0.7
Total audit and assurance fees	**23.8**	20.3
Tax compliance services	**—**	—
Tax advisory services	**—**	—
Services relating to corporate finance transactions	**—**	—
Other non-audit services not covered above	**—**	0.1
Fees payable to PwC LLP and its associates for services to Group companies	**23.8**	20.4
Fees payable to BDO LLP and its associates for the statutory audit of Group subsidiaries in Poland	**0.4**	0.4
Fees payable to Mazars LLP and its associates for the statutory audit of Group subsidiaries in Italy	**0.3**	0.3
Fees payable to PwC LLP, BDO LLP, Mazars LLP and their associates for services to Group companies classified as continuing operations	**24.5**	21.1
Fees payable to PwC LLP and its associates for Group occupational pensions scheme audits	**0.1**	0.3

Discontinued operations	2020 £m	2019 £m
Fees payable to PwC LLP and its associates for Audit of Group subsidiaries	**0.8**	1.3
Fees payable to PwC LLP and its associates for Audit related assurance	**—**	0.3
Total fees payable to PwC LLP and its associates for services to Group companies	**0.8**	1.6

1 The 2019 comparative amounts have been re-presented from those previously published to reclassify the amounts relating to certain operations in Asia as discontinued operations as described in note 1.

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. In addition to these fees, audit fees payable to PwC LLP in respect of investment funds consolidated in the Group financial statements were £2.7 million *(2019: £2.4 million)*. These fees are borne directly by the unitholders of the funds and are not borne by the Group.

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 for 2020, 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 £21.2 million *(2019: £21.2 million)*.

Other assurance services in 2020 of £3.4 million *(2019: £0.7 million)* mainly include a fee of £2.4 million to undertake a 'reasonable assurance' review of the Solvency II Partial Internal Model following the correction of the misapplication of regulatory rules in our French actuarial models 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.

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.

14 – Tax

This note analyses the tax charge for the year and explains the factors that affect it. The comparative amounts in (a), (b) and (d) have been re-presented from those previously published to reclassify certain operations in Asia as discontinued operations as described in note 1.

(a) Tax charged to the income statement

(i) The total tax charge comprises:

	2020 £m	2019 £m
Continuing operations		
Current tax		
For the period	**648**	1,041
Prior period adjustments	**(64)**	(178)
Total current tax from continuing operations	**584**	863
Deferred tax		
Origination and reversal of temporary differences	**12**	344
Changes in tax rates or tax laws	**(14)**	(6)
Write (back) of deferred tax assets	**(11)**	—
Total deferred tax from continuing operations	**(13)**	338
Total tax charged to income statement from continuing operations	**571**	1,201
Total tax charged to income statement from discontinued operations	**80**	69
Total tax charged to income statement	**651**	1,270

(ii) The Group, as a proxy for policyholders in the UK, Ireland and Singapore, is required to record taxes on investment income and gains each year. Accordingly, the tax benefit or expense attributable to UK, Ireland and Singapore life insurance policyholder returns is included in the tax charge. The tax charge attributable to policyholder returns included in the charge above is £87 million *(2019: £559 million)* of which £43 million *(2019: £501 million)* relates to continuing operations and £44 million *(2019: £58 million)* relates to discontinued operations.

(iii) The tax charge from continuing operations above, comprising current and deferred tax, can be analysed as follows:

Continuing operations	2020 £m	2019 £m
UK tax	**259**	851
Overseas tax	**312**	350
	571	1,201

(iv) Unrecognised tax losses and temporary differences of previous years were used to reduce the current tax expense and deferred tax charge by £6 million and £11 million *(2019: £nil and £11 million)*, respectively.

(v) Deferred tax charged/(credited) to the income statement represents movements on the following items:

	2020 £m	2019 £m
Continuing operations		
Long-term business technical provisions and other insurance items	**(339)**	(1,241)
Deferred acquisition costs	**16**	4
Unrealised gains on investments	**343**	1,554
Pensions and other post-retirement obligations	**(2)**	21
Unused losses and tax credits	**(32)**	13
Subsidiaries, associates and joint ventures	**6**	4
Intangibles and additional value of in-force long-term business	**(23)**	(63)
Provisions and other temporary differences	**18**	46
Total deferred tax (credited)/charged to income statement from continuing operations	**(13)**	338
Total deferred tax charged to income statement from discontinued operations	**70**	49
Total deferred tax charged to income statement	**57**	387

(b) Tax charged/(credited) to other comprehensive income

(i) The total tax charge/(credit) comprises:

	2020 £m	2019 £m
Current tax from continuing operations		
In respect of pensions and other post-retirement obligations	**(34)**	(49)
In respect of foreign exchange movements	**9**	(10)
	(25)	(59)
Deferred tax from continuing operations		
In respect of pensions and other post-retirement obligations	**55**	(56)
In respect of fair value gains on owner-occupied properties	**1**	1
In respect of unrealised gains on investments	**2**	5
	58	(50)
Total tax charged/(credited) to other comprehensive income arising from continuing operations	**33**	(109)
Total tax charged/(credited) to other comprehensive income arising from discontinued operations	**—**	—
Total tax charged/(credited) to other comprehensive income	**33**	(109)

14 – Tax continued

(ii) There is no tax charge/(credit) attributable to policyholders' return included above in either 2020 or 2019.

(c) Tax credited to equity

Tax credited directly to equity in the year in respect of coupon payments on the direct capital instrument and tier 1 notes amounted to £nil *(2019: £9 million)*.

(d) Tax reconciliation

The tax on the Group'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:

	Shareholder £m	Policyholder £m	2020 £m	Shareholder £m	Policyholder £m	2019 £m
Profit before tax from continuing operations	**2,570**	**43**	**2,613**	3,320	501	3,821
Profit before tax from discontinued operations	**904**	**44**	**948**	54	58	112
Total profit before tax	**3,474**	**87**	**3,561**	3,374	559	3,933
Tax calculated at standard UK corporation tax rate of 19.00% *(2019: 19.00%)*	**660**	**17**	**677**	641	106	747
Reconciling items						
Different basis of tax – policyholders	**—**	**73**	**73**	—	454	454
Adjustment to tax charge in respect of prior periods	**(30)**	**—**	**(30)**	5	—	5
Non-assessable income and items not taxed at the full statutory rate	**(72)**	**—**	**(72)**	(51)	—	(51)
Non-taxable profit on sale of subsidiaries and associates	**(138)**	**—**	**(138)**	(1)	—	(1)
Disallowable expenses	**33**	**—**	**33**	41	—	41
Different local basis of tax on overseas profits	**100**	**(3)**	**97**	98	(1)	97
Change in future local statutory tax rates	**30**	**—**	**30**	(6)	—	(6)
Movement in deferred tax not recognised	**(3)**	**—**	**(3)**	(4)	—	(4)
Tax effect of profit from joint ventures and associates	**(10)**	**—**	**(10)**	(8)	—	(8)
Other	**(6)**	**—**	**(6)**	(4)	—	(4)
Total tax charged to income statement	**564**	**87**	**651**	711	559	1,270

The tax charge/(credit) 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 rate of corporation tax in the UK was due to be reduced from 19% to 17% from 1 April 2020. In addition, the French government has introduced a stepped reduction to the French corporation tax rate from 34.43% to 25.83% from 1 January 2022. These reduced rates were used in the calculation of deferred tax assets and liabilities in the UK and France at 31 December 2019.

During 2020, the reduction in the UK corporation tax rate that was due to take effect from 1 April 2020 was cancelled and as a result, the rate has remained at 19%. This revised rate has been used in the calculation of the UK's deferred tax assets and liabilities as at 31 December 2020 and increased the Group's deferred tax liabilities by £81 million.

15 – 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 in the period. The comparative amounts in (a) and (b) have been re-presented from those previously published to reclassify certain operations in Asia as discontinued operations as described in note 1.

(a) Basic earnings per share

(i) The profit attributable to ordinary shareholders is:

			2020			2019
	Group adjusted operating profit £m	Adjusting items £m	Total £m	Group adjusted operating profit £m	Adjusting items £m	Total £m
Continuing operations						
Profit before tax attributable to shareholders' profits	**2,849**	**(279)**	**2,570**	2,933	387	3,320
Tax attributable to shareholders' profits	**(596)**	**68**	**(528)**	(640)	(60)	(700)
Profit from continuing operations	**2,253**	**(211)**	**2,042**	2,293	327	2,620
Amount attributable to non-controlling interests	**(98)**	**(14)**	**(112)**	(98)	(17)	(115)
Cumulative preference dividends for the year	**(17)**	**—**	**(17)**	(17)	—	(17)
Coupon payments in respect of DCI and tier 1 notes (net of tax)	**(27)**	**—**	**(27)**	(34)	—	(34)
Profit attributable to ordinary shareholders from continuing operations	**2,111**	**(225)**	**1,886**	2,144	310	2,454
Profit/(loss) attributable to ordinary shareholders from discontinued operations	**274**	**594**	**868**	223	(180)	43
Profit attributable to ordinary shareholders	**2,385**	**369**	**2,754**	2,367	130	2,497

15 – Earnings per share continued

(a) Basic earnings per share continued

(ii) Basic earnings per share is calculated as follows:

	2020 Before tax £m	2020 Net of tax, NCI, preference dividends and DCI £m	2020 Per share p	2019 Before tax £m	2019 Net of tax, NCI, preference dividends and DCI[1] £m	2019 Per share p
Continuing operations						
Group adjusted operating profit attributable to ordinary shareholders[2]	**2,849**	**2,111**	**53.8**	2,933	2,144	54.8
Adjusting items:						
Life business: Investment variances and economic assumption changes	**224**	**143**	**3.6**	683	558	14.3
Non-life business: Short-term fluctuation in return on investments	**(64)**	**(11)**	**(0.3)**	167	118	3.0
General insurance and health business: Economic assumption changes	**(104)**	**(83)**	**(2.1)**	(54)	(33)	(0.8)
Impairment of goodwill, joint ventures, associates and other amounts expensed	**(29)**	**(27)**	**(0.7)**	(11)	(11)	(0.3)
Amortisation and impairment of intangibles acquired in business combinations	**(70)**	**(55)**	**(1.4)**	(77)	(51)	(1.3)
Amortisation and impairment of acquired value of in-force business	**(214)**	**(174)**	**(4.4)**	(280)	(230)	(5.9)
Loss on disposal and remeasurement of subsidiaries, joint ventures and associates	**12**	**12**	**0.3**	6	5	0.1
Other	**(34)**	**(30)**	**(0.7)**	(47)	(46)	(1.2)
Profit attributable to ordinary shareholders from continuing operations	**2,570**	**1,886**	**48.1**	3,320	2,454	62.7
Discontinued operations						
Group adjusted operating profit attributable to ordinary shareholders[2]	**312**	**274**	**7.0**	251	223	5.7
Adjusting items	**592**	**594**	**15.1**	(197)	(180)	(4.6)
Profit attributable to ordinary shareholders from discontinued operations	**904**	**868**	**22.1**	54	43	1.1
Profit attributable to ordinary shareholders	**3,474**	**2,754**	**70.2**	3,374	2,497	63.8

1 DCI includes the direct capital instrument and tier 1 notes.
2 Group adjusted operating earnings per share from continuing operations and discontinued operations is 60.8p *(2019: 60.5p)*.

(iii) The calculation of basic earnings per share uses a weighted average of 3,925 million *(2019: 3,911 million)* ordinary shares in issue, after deducting treasury shares. The actual number of shares in issue at 31 December 2020 was 3,928 million *(2019: 3,921 million)* or 3,926 million *(2019: 3,919 million)* excluding treasury shares.

(b) Diluted earnings per share

(i) Diluted earnings per share is calculated as follows:

	2020 Total £m	2020 Weighted average number of shares million	2020 Per share p	2019[1] Total £m	2019[1] Weighted average number of shares million	2019[1] Per share p
Continuing operations						
Profit attributable to ordinary shareholders	**1,886**	**3,925**	**48.1**	2,454	3,911	62.7
Dilutive effect of share awards and options	**—**	**19**	**(0.3)**	—	14	(0.2)
Diluted earnings per share from continuing operations	**1,886**	**3,944**	**47.8**	2,454	3,925	62.5
Discontinued operations						
Profit attributable to ordinary shareholders	**868**	**3,925**	**22.1**	43	3,911	1.1
Dilutive effect of share awards and options	**—**	**19**	**(0.1)**	—	14	—
Diluted earnings per share from discontinued operations	**868**	**3,944**	**22.0**	43	3,925	1.1
Diluted earnings per share	**2,754**	**3,944**	**69.8**	2,497	3,925	63.6

1 Following a revision to the methodology to correctly allow for unvested share options in the calculation of the dilutive effect of share awards, the 2019 comparative amounts have been amended from those previously reported.

(ii) Diluted earnings per share on Group adjusted operating profit attributable to ordinary shareholders is calculated as follows:

	2020 Total £m	2020 Weighted average number of shares million	2020 Per share p	2019[1] Total £m	2019[1] Weighted average number of shares million	2019[1] Per share p
Continuing operations						
Group adjusted operating profit attributable to ordinary shareholders	**2,111**	**3,925**	**53.8**	2,144	3,911	54.8
Dilutive effect of share awards and options	**—**	**19**	**(0.3)**	—	14	(0.2)
Diluted group adjusted operating profit per share from continuing operations	**2,111**	**3,944**	**53.5**	2,144	3,925	54.6
Discontinued operations						
Group adjusted operating profit attributable to ordinary shareholders	**274**	**3,925**	**7.0**	223	3,911	5.7
Dilutive effect of share awards and options	**—**	**19**	**—**	—	14	—
Diluted group adjusted operating profit per share from discontinued operations	**274**	**3,944**	**7.0**	223	3,925	5.7
Diluted group adjusted operating profit per share	**2,385**	**3,944**	**60.5**	2,367	3,925	60.3

1 Following a revision to the methodology to correctly allow for unvested share options in the calculation of the dilutive effect of share awards, the 2019 comparative amounts have been amended from those previously reported.

16 – 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 2020 interim dividend, paid in January 2021, and the proposed final dividend for 2020, which are not accrued in these financial statements and are therefore excluded from the table.

	2020 £m	2019 £m
Ordinary dividends declared and charged to equity in the period		
Final 2019 – 21.40 pence per share, withdrawn on 8 April 2020	—	—
Final 2018 – 20.75 pence per share, paid on 30 May 2019	—	812
Second interim 2019 – 6.00 pence per share, paid on 24 September 2020	236	—
Interim 2019 – 9.50 pence per share, paid on 26 September 2019	—	372
	236	1,184
Preference dividends declared and charged to equity in the period	17	17
Coupon payments on DCI and tier 1 notes	27	43
	280	1,244

On 21 January 2021, an interim dividend of 7.00 pence per ordinary share was paid in respect of the 2020 financial year, amounting to £275 million, and will be accounted for as an appropriation of retained earnings in the year ending 31 December 2021. In respect of the 2019 financial year, two interim dividends were paid: 9.50 pence per ordinary share, amounting to £372 million, on 26 September 2019, accounted for as an appropriation of retained earnings in the year ended 31 December 2019, and a second payment of 6.00 pence per ordinary share, amounting to £236 million, on 24 September 2020, accounted for as an appropriation of retained earnings in the year ended 31 December 2020.

Subsequent to 31 December 2020, the directors proposed a final dividend for 2020 of 14 pence per ordinary share, amounting to £550 million in total. Subject to approval by shareholders at the AGM, the dividend will be paid on 14 May 2021 and will be accounted for as an appropriation of retained earnings in the year ending 31 December 2021. Subsequent to 31 December 2019, the directors agreed a final dividend for 2019 of 21.40 pence per ordinary share, amounting to £839 million. On 8 April 2020 the Group announced that the Board of Directors had agreed to withdraw this recommendation.

On 23 June 2020, notification was given that the Group would redeem the 5.9021% £500 million DCI at its principal amount together with accrued interest to (but excluding) 27 July 2020, the date on which the DCI was redeemed. Interest payable up to 23 June 2020 has been recorded as an appropriation of retained profits with the remaining interest payable from 24 June 2020 until the redemption date recorded within profit before tax attributable to shareholders' profits. In prior periods, the interest on the DCI and tier 1 notes was treated as an appropriation of retained profits and, accordingly, accounted for when paid.

17 – 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

	2020 £m	2019 £m
Gross amount		
At 1 January	1,968	1,991
Acquisitions and additions	—	4
Disposals	(55)	(5)
Foreign exchange rate movements	8	(22)
At 31 December	1,921	1,968
Accumulated impairment		
At 1 January	(113)	(119)
Impairment charges	(16)	(6)
Disposals	16	—
Foreign exchange rate movements	(3)	12
At 31 December	(116)	(113)
Carrying amount at 1 January	1,855	1,872
Carrying amount at 31 December	1,805	1,855
Less: Assets classified as held for sale	(6)	—
Carrying amount at 31 December	1,799	1,855

Disposals in 2020 relate to the disposals of FPI, Singapore and a small disposal in Canada. Disposals in 2019 relate to a small disposal in Canada.

The total impairment of goodwill in 2020 is a charge of £16 million *(2019: £6 million)* comprised of impairments of goodwill relating to businesses in Canada. Impairment tests on goodwill were conducted as described in note 17(b) below.

17 – Goodwill continued

(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 18)		Total	
	2020 £m	2019 £m	2020 £m	2019 £m	2020 £m	2019 £m
United Kingdom – long-term business	**663**	663	**—**	—	**663**	663
United Kingdom – general insurance and health	**927**	927	**1**	1	**928**	928
Ireland – general insurance and health	**98**	94	**—**	—	**98**	94
Canada	**60**	77	**—**	—	**60**	77
France – long-term business	**—**	—	**55**	52	**55**	52
Italy – general insurance and health	**26**	24	**—**	—	**26**	24
Poland	**25**	25	**7**	7	**32**	32
Other	**6**	45	**—**	1	**6**	46
	1,805	1,855	**63**	61	**1,868**	1,916

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 cash generating unit. The recoverable amount is the value in use of the cash generating unit 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.

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) on their website. 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	
	2020 %	2019 %	2020 (Pre-tax) %	2019 (Pre-tax) %
United Kingdom general insurance and health	**1**	1	**7.5**	6.8
Ireland general insurance and health	**Nil**	Nil	**7.7**	6.8
Italy general insurance and health	**Nil**	Nil	**11.0**	10.3
Canada general insurance	**5**	4	**8.7**	8.0

17 – Goodwill continued

(b) Goodwill allocation and impairment testing continued

Indefinite life intangible asset

France

The recoverable amount of the indefinite life intangible asset has been assessed based on the fair value less costs to sell of the cash generating unit to which it relates. The fair value less costs to sell was determined based on the quoted market value of Aviva's share of the subsidiary to which it relates.

Results of impairment testing

Management's impairment review of the Group's cash generating units identified the need to impair goodwill by a total amount of £16 million which relates to two different cash generating units within the Canada operating segment. This impairment is due to current and forecast performance of the related cash generating units being below the original financial plan.

18 – 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 (c) £m	Total £m
Gross amount					
At 1 January 2019	2,692	2,726	1,623	134	7,175
Additions and transfers	—	—	136	2	138
Disposals	—	—	(36)	(1)	(37)
Foreign exchange rate movements	(21)	(1)	(6)	(7)	(35)
At 31 December 2019	**2,671**	**2,725**	**1,717**	**128**	**7,241**
Additions and transfers	**—**	**—**	**76**	**—**	**76**
Disposals	**(108)**	**(1,295)**	**(187)**	**—**	**(1,590)**
Foreign exchange rate movements	**18**	**2**	**1**	**6**	**27**
At 31 December 2020	**2,581**	**1,432**	**1,607**	**134**	**5,754**
Accumulated amortisation					
At 1 January 2019	(1,247)	(1,081)	(703)	—	(3,031)
Amortisation for the year	(180)	(226)	(212)	—	(618)
Disposals and transfers	—	—	28	—	28
Foreign exchange rate movements	18	1	—	—	19
At 31 December 2019	**(1,409)**	**(1,306)**	**(887)**	**—**	**(3,602)**
Amortisation for the year[3]	**(132)**	**(146)**	**(197)**	**—**	**(475)**
Disposals and transfers	**73**	**708**	**177**	**—**	**958**
Foreign exchange rate movements	**(16)**	**—**	**2**	**—**	**(14)**
At 31 December 2020	**(1,484)**	**(744)**	**(905)**	**—**	**(3,133)**
Accumulated Impairment					
At 1 January 2019	(27)	(147)	(38)	(71)	(283)
Impairment charges	—	(28)	(13)	—	(41)
Disposals	—	—	6	—	6
Foreign exchange rate movements	—	—	1	4	5
At 31 December 2019	**(27)**	**(175)**	**(44)**	**(67)**	**(313)**
Impairment charges	**—**	**(19)**	**(23)**	**—**	**(42)**
Disposals	**8**	**170**	**7**	**—**	**185**
Foreign exchange rate movements	**—**	**—**	**(1)**	**(4)**	**(5)**
At 31 December 2020	**(19)**	**(24)**	**(61)**	**(71)**	**(175)**
Carrying amount					
At 1 January 2019	1,418	1,498	882	63	3,861
At 31 December 2019	1,235	1,244	786	61	3,326
At 31 December 2020	**1,078**	**664**	**641**	**63**	**2,446**
Less: Assets classified as held for sale	**(6)**	**—**	**(6)**	**—**	**(12)**
	1,072	**664**	**635**	**63**	**2,434**

1 On insurance and participating investment contracts.
2 On non-participating investment contracts.
3 Amortisation of other intangible assets with finite useful lives includes £76 million *(2019: £87 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 £1,742 million, £1,553 million *(2019: £2,380 million)* is expected to be recoverable more than one year after the statement of financial position date.

Non-participating investment 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 17(b)).

18 – Acquired value of in-force business (AVIF) and intangible assets continued

(a) Acquired value of in-force business continued

In 2020, an impairment charge of £19 million *(2019: £28 million)* was recognised in relation to the AVIF on non-participating investment contracts relating to FPI, to write down the AVIF balance to its recoverable amount measured at the estimated fair value less costs to sell.

(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 2020 and 2019 relate to capitalisation of software costs in relation to the Group's digital initiatives. Impairments totalling £23 million have been recognised in 2020 in relation to capitalised software.

(c) Intangible assets with indefinite useful lives

Intangible assets with indefinite useful lives primarily comprise the value of distribution channel Union Financière de France Banque in France where the existing life of the asset supports this classification. Impairment testing of these intangible assets is covered in note 17(b). No impairment has been recognised in 2020 *(2019: £nil)*.

19 – 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:

			2020			2019
	Goodwill and intangibles £m	**Equity interests £m**	**Total £m**	Goodwill and intangibles £m	Equity interests £m	Total £m
At 1 January	**38**	**1,197**	**1,235**	46	1,168	1,214
Share of results before tax	**—**	**10**	**10**	—	27	27
Share of tax	**—**	**(7)**	**(7)**	—	(4)	(4)
Share of results after tax	**—**	**3**	**3**	—	23	23
Amortisation of intangibles	**(4)**	**—**	**(4)**	(5)	—	(5)
Share of (loss)/profit after tax	**(4)**	**3**	**(1)**	(5)	23	18
Reclassification from subsidiary	**—**	**45**	**45**	—	—	—
Acquisitions	**—**	**457**	**457**	—	—	—
Additions	**—**	**47**	**47**	—	131	131
Disposals	**(18)**	**(29)**	**(47)**	—	(96)	(96)
Share of gains taken to other comprehensive income	**—**	**17**	**17**	—	22	22
Dividends received from joint ventures	**—**	**(39)**	**(39)**	—	(27)	(27)
Foreign exchange rate movements	**(4)**	**(8)**	**(12)**	(3)	(24)	(27)
At 31 December	**12**	**1,690**	**1,702**	38	1,197	1,235
Less: Joint venture classified as held for sale	**—**	**—**	**—**	—	(8)	(8)
At 31 December	**12**	**1,690**	**1,702**	38	1,189	1,227

Acquisitions of £457 million represents the Group's 25.95% equity shareholding in Aviva Singlife Holdings Pte. Ltd recognised as part of the consideration received on sale of the Aviva Singapore business on 30 November 2020. More details of this transaction are set out in note 4(b).

The reclassification from subsidiary and additions during 2020 relate to changes in the Group's holdings in property management undertakings.

Disposals of £47 million comprises the sale of the entire shareholdings in the Group's joint ventures in Indonesia and Hong Kong, which are detailed in note 4(b).

The Group's share of total comprehensive income related to joint venture entities is £16 million *(2019: £40 million)*.

(ii) The carrying amount at 31 December comprised:

			2020			2019
	Goodwill and intangibles £m	**Equity interests £m**	**Total £m**	Goodwill and intangibles £m	Equity interests £m	Total £m
Property management undertakings	**—**	**807**	**807**	—	792	792
Long-term business undertakings	**12**	**883**	**895**	38	397	435
General insurance and health undertakings	**—**	**—**	**—**	—	8	8
Total	**12**	**1,690**	**1,702**	38	1,197	1,235

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 with the exception of AvivaSA Emeklilik ve Hayat A.S which has issued publicly a minority portion of shares. All investments in such undertakings are held by subsidiaries, except for the shares in the Chinese joint venture, Aviva-COFCO Life Insurance Co. Ltd, which are held by Aviva plc. The Group's share of net assets of that company is £378 million *(2019: £320 million)* and it has a carrying value at cost of £123 million *(2019: £123 million)*.

19 – Interests in, and loans to, joint ventures continued

(iii) No joint ventures are considered to be material from a Group perspective *(2019: none)*. The Group's principal joint ventures are as follows:

Name	Nature of activities	Principal place of business	Proportion of ownership interest 2020	2019
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 Co. Ltd	Life insurance	China	**50.00%**	50.00%
Aviva Singlife Holdings Pte. Ltd	Insurance holding company	Singapore	**25.95%**	—
PT Astra Aviva Life	Life and Health insurance	Indonesia	**—**	50.00%
Aviva Life Insurance Company Limited	Life insurance	Hong Kong	**—**	40.00%
AvivaSA Emeklilik ve Hayat A.S	Life insurance	Turkey	**40.00%**	40.00%

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. At 31 December 2020 this includes a contingent liability in respect of a dispute where the Group's maximum exposure is approximately £65 million *(2019: £95 million)*. In the opinion of the directors it is unlikely that the Group will suffer financial loss arising from this dispute. The joint ventures have no other contingent liabilities to which the Group has significant exposure. The Group has commitments to provide funding to property management joint ventures of £4 million *(2019: £13 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.

(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 amount for long-term and general insurance businesses is calculated on a consistent basis with that used for impairment testing of goodwill, as set out in note 17(b). The recoverable amount of property management undertakings is the fair value less costs to sell of the joint venture, measured in accordance with the Group's accounting policy for investment property (see accounting policy Q).

20 – 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:

	2020 Equity interests £m	2019 Equity interests £m
At 1 January	**304**	304
Share of results before tax	**18**	80
Share of tax	**11**	(4)
Share of results after tax	**29**	76
Impairment	**(13)**	(9)
Share of profit after tax	**16**	67
Additions	**3**	2
Disposals	**(38)**	—
Reduction in Group interest	**(3)**	(1)
Dividends received from associates	**(18)**	(54)
Foreign exchange rate movements	**(1)**	(14)
Movements in carrying amount	**(41)**	—
At 31 December	**263**	304

Disposals of £38 million represents the Group's interest in Lend Lease JEM Partners Fund Limited which formed part of the sale of a majority shareholding in Aviva Singapore, as set out in note 4(b).

The Group's share of total comprehensive income related to associates is £16 million *(2019: £67 million)*.

(ii) No associates are considered to be material from a Group perspective *(2019: 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 2020	2019
Aviva Life Insurance Company India Limited	Life insurance	India	**49.00%**	49.00%
SCPI Logipierre 1	Property management	France	**44.46%**	44.46%
Lend Lease JEM Partners Fund Limited	Investment holding	Singapore	**—**	22.50%
SCPI Ufifrance Immobilier	Property management	France	**20.40%**	20.40%
AI UK Commercial Real Estate Debt Fund[1]	Property management	UK	**19.39%**	17.53%

1 The Group has significant influence over AI UK Commercial Real Estate Debt Fund so it is therefore accounted for as an associate.

20 – Interests in, and loans to, associates continued

(a) Carrying amount and details of associates continued

(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 £nil *(2019: £6 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 of the associate, measured in accordance with the Group's accounting policy for investment property (see accounting policy Q).

An impairment charge of £13 million *(2019: £9 million)* was recognised within the income statement as a component of share of profit after tax of joint ventures and associates following management's annual impairment review of the Group's associate in India, Aviva Life Insurance Company India Limited (Aviva India).

21 – Property and equipment

This note analyses our property and equipment, which are primarily properties occupied by Group companies.

	Owner-occupied properties						
	Freehold £m	Leasehold £m	Properties under construction £m	Motor vehicles £m	Computer equipment £m	Other assets £m	Total £m
Cost or valuation							
At 1 January 2019	359	—	—	4	175	306	844
Adjustment at 1 January 2019 for adoption of IFRS 16	—	1,149	—	—	—	—	1,149
At 1 January 2019 restated	359	1,149	—	4	175	306	1,993
Additions	11	42	—	—	19	12	84
Disposals	(4)	(2)	—	—	(16)	(16)	(38)
Fair value losses	(3)	—	—	—	—	—	(3)
Foreign exchange rate movements	(14)	(4)	—	—	(3)	(6)	(27)
At 31 December 2019	349	1,185	—	4	175	296	2,009
Additions	**20**	**65**	**—**	**10**	**5**	**7**	**107**
Disposals	**(11)**	**(31)**	**—**	**—**	**(82)**	**(42)**	**(166)**
Fair value losses	**(2)**	**—**	**—**	**—**	**—**	**—**	**(2)**
Foreign exchange rate movements	**15**	**(3)**	**—**	**—**	**3**	**7**	**22**
At 31 December 2020	**371**	**1,216**	**—**	**14**	**101**	**268**	**1,970**
Depreciation and impairment							
At 1 January 2019	(3)	—	—	(3)	(137)	(148)	(291)
Adjustment at 1 January 2019 for adoption of IFRS 16	—	(739)	—	—	—	—	(739)
At 1 January 2019 restated	(3)	(739)	—	(3)	(137)	(148)	(1,030)
Depreciation charge for the year	—	(62)	—	—	(16)	(20)	(98)
Disposals	—	1	—	—	16	15	32
Impairment charge	(22)	—	—	—	—	—	(22)
Foreign exchange rate movements	—	—	—	—	2	4	6
At 31 December 2019	(25)	(800)	—	(3)	(135)	(149)	(1,112)
Depreciation charge for the year	**—**	**(66)**	**—**	**(4)**	**(16)**	**(24)**	**(110)**
Disposals	**—**	**22**	**—**	**—**	**77**	**39**	**138**
Impairment charge	**(11)**	**(40)**	**—**	**—**	**—**	**(1)**	**(52)**
Foreign exchange rate movements	**—**	**5**	**—**	**—**	**(1)**	**(1)**	**3**
At 31 December 2020	**(36)**	**(879)**	**—**	**(7)**	**(75)**	**(136)**	**(1,133)**
Carrying amount							
At 31 December 2019	324	385	—	1	40	147	897
At 31 December 2020	**335**	**337**	**—**	**7**	**26**	**132**	**837**
Less: Assets classified as held for sale	(69)	—	—	—	—	—	(69)
At 31 December 2020	**266**	**337**	**—**	**7**	**26**	**132**	**768**

Owner-occupied properties, excluding £337 million *(2019: £385 million)* held under lease arrangements, are stated at their revalued amounts, as assessed by qualified external valuers. These values are assessed in accordance with the relevant parts of the current Royal Institute of Chartered Surveyors Appraisal and Valuation Standards in the UK, and with current local valuation practices in other countries. This assessment is in accordance with UK Valuations Standards 'Red book', and is the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction, after proper marketing wherein the parties had acted knowledgeably and without compulsion, on the basis of the highest and best use of asset that is physically possible, legally permissible and financially feasible. 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*.

Similar considerations apply to properties under construction, where an estimate is made of valuation when complete, adjusted for anticipated costs to completion, profit and risk, reflecting market conditions at the valuation date.

21 – Property and equipment continued

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 23.

If owner-occupied properties were stated on a historical cost basis, the carrying amount would be £426 million *(2019: £431 million)*.

22 – Investment property

This note gives details of the properties we hold for long-term rental yields or capital appreciation.

			2020			2019
	Freehold £m	**Leasehold £m**	**Total £m**	Freehold £m	Leasehold £m	Total £m
Carrying value						
At 1 January	**9,379**	**1,824**	**11,203**	9,601	1,881	11,482
Additions	**1,190**	**17**	**1,207**	731	189	920
Capitalised expenditure on existing properties	**41**	**14**	**55**	143	68	211
Fair value (losses)/gains	**(298)**	**(74)**	**(372)**	183	(90)	93
Disposals	**(662)**	**(337)**	**(999)**	(1,036)	(200)	(1,236)
Foreign exchange rate movements	**256**	**19**	**275**	(243)	(24)	(267)
At 31 December	**9,906**	**1,463**	**11,369**	9,379	1,824	11,203
Less: Assets classified as held for sale	**—**	**—**	**—**	—	—	—
At 31 December	**9,906**	**1,463**	**11,369**	9,379	1,824	11,203

See note 24 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 2020 was £11,094 million *(2019: £10,931 million)*. Future contractual aggregate minimum lease rentals receivable under the non-cancellable portion of these leases are given in note 23.

23 – Lease assets and liabilities

On 1 January 2019 the Group adopted IFRS 16 *Leases*, the standard which replaced IAS 17 *Leases*. Adoption of the standard resulted in assets previously held under operating leases (and their corresponding lease liabilities) being recognised on the statement of financial position for the first time within the comparative numbers. Adoption of the standard resulted in the following assets and liabilities being included within the statement of financial position for the first time at 1 January 2019:

- £410 million owner-occupied property assets, included within Property and equipment (see note 21);
- £24 million deferred tax assets; and
- £544 million lease liabilities, included within Payables and other financial liabilities (see note 53).

The Group's leased assets primarily consist of properties occupied by Group companies carried at amortised cost (see note 21) and leasehold investment properties carried at fair value (see note 22) which are sublet to third parties. 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.

	2020 £m	2019 £m
Interest expense on lease liabilities	**10**	14
Total lease expenses recognised in the income statement	**10**	14

Total cash outflows recognised in the period in relation to leases were £76 million *(2019: £70 million)*. Expenses recognised in the Group consolidated income statement in relation to short-term and low-value leases were £nil *(2019: £nil)*. Variable lease payments not included in the measurement of lease liabilities were £nil *(2019: £nil)*.

(ii) The following table analyses the right-of-use assets, primarily relating to leased properties occupied by Group companies.

	2020 Total £m	2019 Total £m
Balance at 1 January	**385**	410
Additions	**66**	42
Disposals	**(9)**	(1)
Foreign exchange rate movements	**2**	(4)
Impairment of right-of-use assets	**(40)**	—
Depreciation	**(66)**	(62)
Balance at 31 December	**338**	385

23 – Lease assets and liabilities continued

There were no gains arising from sale and leaseback transactions during the year. Included within the income statement is £3 million (*2019: £2 million)* of income in respect of sublets of right-of-use assets. Impairment of right-of-use assets of £40 million arises from the reduction in the Group's property footprint.

(iii) Lease liabilities included within note 53 total £533 million *(2019: £572 million)*. Future contractual aggregate minimum lease payments are as follows:

	2020 £m	2019 £m
Within 1 year	**152**	89
Later than 1 year and not later than 5 years	**214**	296
Later than 5 years	**198**	237
	564	622

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:

	2020 £m	2019 £m
Within 1 year	**266**	265
Between 1 and 2 years	**223**	205
Between 2 and 3 years	**193**	183
Between 3 and 4 years	**162**	161
Between 4 and 5 years	**179**	208
Later than 5 years	**1,233**	1,599
	2,256	2,621

24 – 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 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).
- 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.
- 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.

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.

24 – Fair value methodology continued

(a) Basis for determining fair value hierarchy continued

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 16.7% *(2019: 16.8%)* of assets and 1.2% *(2019: 3.1%)* 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 2019 annual consolidated financial statements.

(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.

	2020		2019	
	Fair value £m	**Carrying amount £m**	Fair value £m	Carrying amount £m
Financial assets				
Loans (note 25(a))	**43,672**	**43,679**	38,559	38,579
Financial investments (note 28(a))	**351,378**	**351,378**	343,418	343,418
Fixed maturity securities	**202,837**	**202,837**	198,832	198,832
Equity securities	**100,404**	**100,404**	99,570	99,570
Other investments (including derivatives)	**48,137**	**48,137**	45,016	45,016
Financial liabilities				
Non-participating investment contracts (note 44(a))	**135,347**	**135,347**	129,365	129,365
Net asset value attributable to unitholders	**20,301**	**20,301**	16,610	16,610
Borrowings (note 52(a))[1]	**11,141**	**9,684**	10,268	9,039
Derivative liabilities (note 60(b))	**7,562**	**7,562**	6,517	6,517

1 Within the fair value total, the estimated fair value has been provided for the portion of borrowings that are carried at amortised cost as disclosed in note 24 (h).

Fair value of the following assets and liabilities 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 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 as at the reporting date between those which are considered to have contractual terms which are solely payments of principal and interest (SPPI) on the principal amount outstanding (excluding instruments held for trading or managed and evaluated on a fair value basis), and all other instruments not falling into this category.

	2020		2019	
	SPPI – Fair value £m	**Non-SPPI – Fair value[1] £m**	SPPI – Fair value £m	Non-SPPI – Fair value[1] £m
Fixed maturity securities	**—**	**216,154**	—	199,481
Equity securities	**—**	**100,504**	—	99,826
Loans	**13,217**	**30,454**	9,580	28,980
Receivables	**6,510**	**3,215**	5,799	3,265
Cash and cash equivalents	**12,932**	**4,158**	15,344	4,960
Accrued income and Interest	**277**	**1,721**	272	1,924
Other financial assets	**1**	**51,626**	5	51,930
Total	**32,937**	**407,832**	31,000	390,366

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.

There has been a £13 million increase *(2019: £24 million increase)* in the fair value of SPPI instruments, and a £8,668 million increase *(2019: £20,090 million increase)* in the fair value of non-SPPI instruments during the reporting period.

24 – Fair value methodology continued

(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.

2020	Fair value hierarchy 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 (22))	—	—	11,369	11,369	—	11,369
Loans (note 25(a))	—	—	29,839	29,839	13,840	43,679
Financial investments measured at fair value (note 28(a))						
Fixed maturity securities	53,880	129,904	19,053	202,837	—	202,837
Equity securities	99,997	—	407	100,404	—	100,404
Other investments (including derivatives)	31,481	9,997	6,659	48,137	—	48,137
Financial assets classified as held for sale	9,696	6,178	1,033	16,907	—	16,907
Total	**195,054**	**146,079**	**68,360**	**409,493**	**13,840**	**423,333**
Financial liabilities measured at fair value						
Non-participating investment contracts[1] (note 44(a))	135,308	39	—	135,347	—	135,347
Net asset value attributable to unit holders	20,151	—	150	20,301	—	20,301
Borrowings (note 52(a))	—	—	1,166	1,166	8,518	9,684
Derivative liabilities (note 60(b))	421	6,570	571	7,562	—	7,562
Financial liabilities classified as held for sale	2,837	—	98	2,935	43	2,978
Total	**158,717**	**6,609**	**1,985**	**167,311**	**8,561**	**175,872**

1 In addition to the balances in this table, included within reinsurance assets in the statement of financial position and note 46 are £3,860 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.

2020	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	—	—	335	335
Total	—	—	335	335
Less: Assets classified as held for sale	—	—	(69)	(69)
	—	—	266	266

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 property measured on a non-recurring basis at 31 December 2020 was £335 million (*2019: £324 million*), stated at their revalued amounts in line with the requirements of IAS 16 *Property, Plant and Equipment.*

2019	Fair value hierarchy 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 (22))	—	—	11,203	11,203	—	11,203
Loans (note 25(a))	—	—	28,319	28,319	10,260	38,579
Financial investments measured at fair value (note 28(a))						
Fixed maturity securities[1]	56,124	125,113	17,595	198,832	—	198,832
Equity securities	98,850	—	720	99,570	—	99,570
Other investments (including derivatives)[1]	32,465	6,878	5,673	45,016	—	45,016
Financial assets classified as held for sale	5,788	50	1,986	7,824	1	7,825
Total	193,227	132,041	65,496	390,764	10,261	401,025
Financial liabilities measured at fair value						
Non-participating investment contracts[2] (note 44(a))	129,323	42	—	129,365	—	129,365
Net asset value attributable to unit holders	16,498	—	112	16,610	—	16,610
Borrowings (note 52(a))	—	—	1,233	1,233	7,806	9,039
Derivative liabilities (note 60(b))	418	5,444	655	6,517	—	6,517
Financial liabilities classified as held for sale	5,259	20	3,045	8,324	28	8,352
Total	151,498	5,506	5,045	162,049	7,834	169,883

1 Following a review of the fair value hierarchy for fixed maturity securities, a new framework has been implemented to improve consistency across the Group. Comparative amounts have been amended from those previously reported and the effect of this change is to move £14,681 million of fixed maturity securities from fair value hierarchy Level 1 to Level 2 and £3,167 million from Level 2 to Level 1.

2 In addition to the balances in this table, included within reinsurance assets in the statement of financial position and note 46 are £4,006 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.

24 – Fair value methodology continued

(d) Fair value hierarchy analysis continued

2019	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	—	—	324	324
Total	—	—	324	324
Less: Assets classified as held for sale	—	—	(4)	(4)
	—	—	320	320

(e) Valuation approach for fair value assets and liabilities classified as Level 2

Please see note 24(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

£1.0 billion of assets transferred from Level 1 to Level 2 relate to fixed maturity securities held by our business in France, primarily due to a reclassification of certain securities from government debt to corporate bonds. There were no significant transfers from Level 2 to Level 1.

Transfers to/from Level 3

£810 million of assets transferred into Level 3 and £1,042 million of assets transferred out of Level 3 relate principally to fixed maturity securities held by our businesses in the UK and France. 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.

There were no significant transfers of liabilities into and out of Level 3 during the year.

(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		
2020	**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**	**Non participating investment contracts £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 2020	**11,203**	**28,319**	**17,595**	**720**	**5,673**	**1,986**	**—**	**(112)**	**(655)**	**(1,233)**	**(3,045)**
Total net (losses)/gains recognised in the income statement[1]	**(399)**	**831**	**393**	**(52)**	**88**	**(280)**	**—**	**—**	**(47)**	**18**	**170**
Purchases	**1,263**	**2,611**	**4,640**	**74**	**1,798**	**177**	**—**	**(38)**	**(1)**	**(1)**	**(146)**
Issuances	**—**	**177**	**106**	**—**	**137**	**—**	**—**	**—**	**—**	**—**	**—**
Disposals	**(971)**	**(2,111)**	**(3,776)**	**(124)**	**(653)**	**(1,876)**	**—**	**—**	**21**	**50**	**3,002**
Settlements	**—**	**—**	**—**	**—**	**1**	**—**	**—**	**—**	**18**	**—**	**—**
Transfers into Level 3	**—**	**—**	**768**	**1**	**35**	**6**	**—**	**—**	**—**	**—**	**(31)**
Transfers out of Level 3	**—**	**—**	**(692)**	**(218)**	**(119)**	**(13)**	**—**	**—**	**—**	**—**	**50**
Reclassification to held for sale	**—**	**—**	**(487)**	**(8)**	**(538)**	**1,033**	**—**	**—**	**98**	**—**	**(98)**
Foreign exchange rate movements	**273**	**12**	**506**	**14**	**237**	**—**	**—**	**—**	**(5)**	**—**	**—**
Balance at 31 December 2020	**11,369**	**29,839**	**19,053**	**407**	**6,659**	**1,033**	**—**	**(150)**	**(571)**	**(1,166)**	**(98)**

1 Total net gains/(losses) recognised in the income statement includes realised gains/(losses) on disposals.

24 – Fair value methodology continued

(g) Further information on Level 3 assets and liabilities continued

2019	Assets								Liabilities		
	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	Non participating investment contracts £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 2019	11,482	25,008	16,503	414	5,182	1,992	—	(25)	(534)	(1,225)	(3,100)
Total net gains/(losses) recognised in the income statement[1]	151	844	505	(66)	6	134	—	—	(86)	(52)	(134)
Purchases	1,131	3,461	2,090	427	1,350	185	(100)	(56)	(128)	—	(134)
Issuances	—	190	12	—	—	—	—	—	—	—	—
Disposals	(1,294)	(1,170)	(1,454)	(39)	(532)	(262)	100	(31)	88	44	261
Settlements	—	—	(50)	—	—	—	—	—	—	—	—
Transfers into Level 3	—	—	1,449	1	—	49	—	—	—	—	(49)
Transfers out of Level 3	—	—	(919)	—	(142)	(112)	—	—	—	—	111
Foreign exchange rate movements	(267)	(14)	(541)	(17)	(191)	—	—	—	5	—	—
Balance at 31 December 2019	11,203	28,319	17,595	720	5,673	1,986	—	(112)	(655)	(1,233)	(3,045)

1 Total net gains/(losses) recognised in the income statement includes realised gains/(losses) on disposals.

Total net gains recognised in the income statement in the year ended 31 December 2020 in respect of Level 3 assets measured at fair value amounted to £581 million *(2019: net gains of £1,574 million)* with net gains in respect of liabilities of £141 million *(2019: net losses of £272 million)*. Net gains of £423 million *(2019: net gains of £1,427 million)* attributable to assets and net gains of £147 million *(2019: net losses of £271 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. Valuations have been performed more frequently since the onset of COVID-19 and have taken place at least quarterly, with a particular focus on sectors deemed to be exposed to higher risk of default as a result of the pandemic, such as retail. Valuations have been performed for all UK properties since the onset of COVID-19. Outside the UK, valuations are produced by external qualified professional appraisers in the countries concerned. 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. External valuations relating to properties in the retail and leisure sectors include a capital deduction where tenant risk is deemed to have increased as a result of COVID-19.

(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, taking into account the term dependent gilt yield curve and global assumptions for the liquidity premium. Loans valued using this model have been classified as Level 3 as the liquidity premium is deemed to be non-market observable. The liquidity premium used in the discount rate ranges between 80 bps to 110 bps *(2019: 65 bps to 80 bps)*.
- 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 2020 the illiquidity premium used in the discount rate was 190 bps *(2019: 160 bps)*.
- The 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 market observable regional house price indices. 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% which equates to a long-term average growth rate of 4.0% pa at 31 December 2020 *(2019: 4.0%)*. After applying the cost of capital charge, dilapidations and the stochastic distribution, the effective net long-term growth rate equates to 0.6% pa *(2019: 0.5%)*.
- At 31 December 2019 mortgage loan assumptions included a specific allowance for the possible adverse impacts of the UK's exit from the European Union on UK commercial and residential property, which have now been removed. Our future property growth assumptions are reviewed on a quarterly basis and as at 31 December 2020 they include a cumulative 5-year growth assumption, from 2021-25, of -1% for UK commercial property (with variation by sector) and 4% for UK residential property.
- 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.

24 – Fair value methodology continued

(g) Further information on Level 3 assets and liabilities continued

(iii) Fixed maturity securities

- Structured bond-type and non-standard debt products held by our business in France have no active market and are valued either using counterparty or broker quotes and validated against internal or third-party models. They have been classified as Level 3 because either (i) the third-party models include a significant unobservable liquidity adjustment, or (ii) differences between the valuation provided by the counterparty and broker quotes and the validation model are sufficiently significant to result in a Level 3 classification.
- Non-standard debt products and privately placed bonds held by our businesses in the UK do not trade in an active market. These fixed maturity securities are valued using discounted cash flow models, 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.
- Fixed maturity securities held by our French, UK and Asian businesses 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 transactions.

(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;
  - External hedge funds held principally by business in the UK and France; and
  - Derivatives.
- Where valuations are at a date other than the balance sheet date, as is the case for some private equity funds, adjustments are made for items such as subsequent draw-downs and distributions and the fund manager's carried interest.

(vi) Financial assets of operations classified as held for sale

- Financial assets of operations classified as held for sale are held by our Asia and Italian businesses and consist primarily of discretionary managed funds of £538 million *(2019: £1,404 million)* and fixed maturity securities which are not traded in an active market and have been valued using third party or counterparty valuations of £487 million *(2019: £401 million)*. These assets are included within the relevant asset category within the sensitivity table below.

(vii) Liabilities

The principal liabilities classified as Level 3, and the valuation techniques applied to them, are:

- Securitised mortgage loan notes, presented within Borrowings, are valued using a similar technique to the related Level 3 securitised mortgage assets.
- £nil million *(2019: £3,045 million)* of non-participating investment contract liabilities. Comparative figures were included within financial liabilities of operations classified as held for sale. These were classified as Level 3, either because the underlying unit funds were classified as Level 3 or because the liability related to unfunded units or other non-unit adjustments which were based on a discounted cash flow analysis using unobservable market data and assumptions. These liabilities are included within the relevant asset category within the sensitivity table below.

Where these valuations are at a date other than the balance sheet date, as in the case of some private equity funds, adjustments are made to reflect items such as subsequent drawdowns and distributions and the fund manager's carried interest.

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.

24 – Fair value methodology continued

(g) Further information on Level 3 assets and liabilities continued

Valuation uncertainty on assets which rely on either unobservable long-term assumptions or comparable market transactions as valuation inputs has been impacted by the economic disruption resulting from the COVID-19 pandemic. In particular, certain assets relying on comparable market transactions for a valuation, such as investment properties within the leisure and hospitality sectors, have been more difficult to value due to a reduction in the level of available market evidence. A number of property valuers have included 'material uncertainty declarations' in their valuation reports on these assets to reflect this. The pandemic has also increased uncertainty in relation to long term economic assumptions such as residential and commercial property growth rate assumptions.

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:

2020	Fair value £bn	Most significant unobservable input	Reasonable alternative	Sensitivities Positive Impact £bn	Negative Impact £bn
Investment property	**11.4**	Equivalent rental yields	+/- 5-10%	**0.8**	**(0.8)**
Loans					
Commercial mortgage loans and Primary Healthcare loans	**12.6**	Illiquidity premium	+/- 20 bps	**0.2**	**(0.2)**
		Base property growth rate	+/- 100 bps p.a.	**0.1**	**(0.1)**
Equity release mortgage loans	**11.8**	Base property growth rate	+/- 40 bps p.a.	**0.2**	**(0.2)**
		Current property market values	+/- 10%	**0.3**	**(0.4)**
Infrastructure and Private Finance Initiative (PFI) loans	**4.9**	Illiquidity premium	+/- 25 bps[1]	**0.2**	**(0.2)**
Other	**0.5**	Illiquidity premium	+/- 25 bps[1]	**—**	**—**
Fixed maturity securities					
Structured bond-type and non-standard debt products	**7.6**	Market spread (credit, liquidity and other)	+/- 25 bps	**0.1**	**(0.1)**
Privately placed notes	**1.9**	Credit spreads	+/- 25 bps[1]	**0.1**	**(0.1)**
Other debt securities	**10.0**	Credit and liquidity spreads	+/- 20-25 bps	**0.5**	**(0.5)**
Equity securities	**0.4**	Market spread (credit, liquidity and other)	+/- 25 bps	**—**	**—**
Other investments					
Property Funds	**1.8**	Market multiples applied to net asset values	+/- 15-20%	**0.3**	**(0.4)**
Other investments (including derivatives)	**5.4**	Market multiples applied to net asset values	+/- 10-40%[2]	**0.4**	**(0.3)**
Liabilities					
Non-participating investment contract liabilities	**—**	Fair value of the underlying unit funds	+/- 20-25%	**—**	**—**
Borrowings	**(1.2)**	Illiquidity premium	+/- 50 bps	**—**	**—**
Other liabilities (including derivatives)	**(0.7)**	Independent valuation vs counterparty	N/A	**—**	**—**
Total Level 3 investments	**66.4**			**3.2**	**(3.3)**

1 On discount rate spreads.
2 Dependent on investment category.

2019	Fair value £bn	Most significant unobservable input	Reasonable alternative	Sensitivities Positive Impact £bn	Negative Impact £bn
Investment property	11.2	Equivalent rental yields	+/- 5-10%	0.9	(0.9)
Loans					
Commercial mortgage loans and Primary Healthcare loans	12.9	Illiquidity premium	+/- 20 bps	0.2	(0.2)
		Base property growth rate	+/- 100 bps p.a.	0.2	(0.1)
Equity release mortgage loans	11.0	Base property growth rate[1]	+/- 40 bps p.a.	0.2	(0.2)
		Current property market values[1]	+/- 10%	0.3	(0.4)
Infrastructure and Private Finance Initiative (PFI) loans	4.0	Illiquidity premium	+/- 25 bps[2]	0.2	(0.2)
Other	0.4	Illiquidity premium	+/- 25 bps[2]	—	—
Fixed maturity securities					
Structured bond-type and non-standard debt products	6.4	Market spread (credit, liquidity and other)	+/- 25 bps	0.1	(0.1)
Privately placed notes	1.7	Credit spreads	+/- 25 bps[2]	0.1	(0.1)
Other debt securities	9.9	Credit and liquidity spreads	+/- 20-25 bps	0.5	(0.5)
Equity securities	0.8	Market spread (credit, liquidity and other)	+/- 25 bps	—	(0.1)
Other investments					
Property Funds	0.8	Market multiples applied to net asset values	+/- 15-20%	0.1	(0.1)
Other investments (including derivatives)	6.4	Market multiples applied to net asset values	+/- 10-40%[3]	0.8	(0.6)
Liabilities					
Non-participating investment contract liabilities	(3.0)	Fair value of the underlying unit funds	+/- 20-25%	0.4	(0.4)
Borrowings	(1.2)	Illiquidity premium	+/- 50 bps	—	—
Other liabilities (including derivatives)	(0.8)	Independent valuation vs counterparty	N/A	—	—
Total Level 3 investments	60.5			4.0	(3.9)

1 The sensitivity impacts for base property growth rate and current property market values for equity release mortgage loans were incorrectly transposed at 31 December 2019 and have been amended from the impacts previously reported.
2 On discount rate spreads.
3 Dependent on investment category.

24 – Fair value methodology continued

(g) Further information on Level 3 assets and liabilities continued

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.

2020	Notes	As recognised in the consolidated statement of financial position line item £m	Fair value hierarchy Level 1 £m	Level 2 £m	Level 3 £m	Total fair value £m
Liabilities not carried at fair value						
Borrowings	52(a)	**8,561**	**9,558**	**204**	**213**	**9,975**

2019	Notes	As recognised in the consolidated statement of financial position line item £m	Fair value hierarchy Level 1 £m	Level 2 £m	Level 3 £m	Total fair value £m
Liabilities not carried at fair value						
Borrowings	52(a)	7,834	8,583	235	217	9,035

25 – 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:

	2020 At fair value through profit or loss other than trading £m	2020 At amortised cost £m	2020 Total £m	2019 At fair value through profit or loss other than trading £m	2019 At amortised cost £m	2019 Total £m
Policy loans	**2**	**635**	**637**	1	684	685
Loans to banks	**481**	**11,849**	**12,330**	302	8,528	8,830
Healthcare, infrastructure and PFI other loans	**7,283**	**—**	**7,283**	6,467	—	6,467
UK securitised mortgage loans (see note 26)	**2,391**	**—**	**2,391**	2,432	—	2,432
Non-securitised mortgage loans	**19,682**	**—**	**19,682**	19,117	—	19,117
Other loans	**—**	**1,356**	**1,356**	—	1,049	1,049
Total	**29,839**	**13,840**	**43,679**	28,319	10,261	38,580
Less: Assets classified as held for sale	**—**	**—**	**—**	—	(1)	(1)
	29,839	**13,840**	**43,679**	28,319	10,260	38,579

Of the above total loans, £29,629 million *(2019: £28,938 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 mortgages. Further details of the fair value methodology and models utilised are given in note 24(g).

The cumulative change in fair value of loans attributable to changes in credit risk to 31 December 2020 was a £1,302 million loss *(2019: £1,224 million loss)*.

Healthcare, infrastructure and PFI other loans of £7,283 million *(2019: £6,467 million)* are secured against the income from healthcare and educational premises.

Non-securitised mortgage loans include £9,360 million *(2019: £8,558 million)* of residential equity release mortgages, £7,518 million *(2019: £7,681 million)* of commercial mortgages and £2,804 million *(2019: £2,878 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.

25 – Loans continued

(a) Carrying amounts continued

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 2020 and 31 December 2019 was a reasonable approximation for their fair value.

(b) Analysis of loans carried at amortised cost

	2020			2019		
	Amortised Cost £m	**Impairment £m**	**Carrying Value £m**	Amortised Cost £m	Impairment £m	Carrying Value £m
Policy loans	**635**	**—**	**635**	684	—	684
Loans to banks	**11,849**	**—**	**11,849**	8,528	—	8,528
Non-securitised mortgage loans	**15**	**(15)**	**—**	12	(12)	—
Other loans	**1,357**	**(1)**	**1,356**	1,050	(1)	1,049
Total	**13,856**	**(16)**	**13,840**	10,274	(13)	10,261

The movements in the impairment provisions on these loans were as follows:

	2020 £m	2019 £m
At 1 January	**(13)**	(10)
Increase during the year	**(2)**	(4)
Foreign exchange rate movements	**(1)**	1
At 31 December	**(16)**	(13)

(c) Collateral

Loans to banks include cash collateral received under stock lending arrangements (see note 61 for further discussion regarding these collateral positions). The obligation to repay this collateral is included in payables and other financial liabilities (see note 53).

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.

26 – 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 £230 million *(2019: £224 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.

26 – Securitised mortgages and related assets continued

(b) Carrying values

The following table summarises the securitisation arrangements:

	2020 Securitised assets £m	2020 Securitised liabilities £m	2019 Securitised assets £m	2019 Securitised liabilities £m
Securitised mortgage loans (note 25) and loan notes issued	**2,391**	**(1,396)**	2,432	(1,457)
Other securitisation assets/(liabilities)	**300**	**(1,295)**	282	(1,257)
	2,691	**(2,691)**	2,714	(2,714)

Loan notes held by third parties are as follows:

	2020 £m	2019 £m
Total loan notes issued, as above	**1,396**	1,457
Less: Loan notes held by Group companies	**(230)**	(224)
Loan notes held by third parties (note 52(c)(i))	**1,166**	1,233

27 – 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 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 2020 the Group has granted loans to consolidated PLPs for a total of £61 million *(2019: £64 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 £68 million *(2019: £57 million)*. The Group has commitments to provide funding to consolidated structured entities of £4 million *(2019: £nil)*.

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 26, 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. Refer to note 26 for details of securitised mortgages and related assets as at 31 December 2020.

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 2020, the Group's total interest in unconsolidated structured entities was £55,961 million *(2019: £58,519 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.

27 – Interests in structured entities continued

As at 31 December 2020, a summary of the Group's interest in unconsolidated structured entities is as follows:

	2020					2019				
	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]	**—**	**—**	**4,504**	**—**	**4,504**	—	—	4,746	—	4,746
Other investments and equity securities	**807**	**173**	**41,594**	**—**	**42,574**	792	209	44,669	—	45,670
Analysed as:										
Unit trust and other investment vehicles[2]	**—**	**—**	**37,945**	**—**	**37,945**	—	—	42,154	—	42,154
PLPs and property funds	**807**	**173**	**3,647**	**—**	**4,627**	792	209	2,395	—	3,396
Other (Including other funds and equity securities)[2]	**—**	**—**	**2**	**—**	**2**	—	—	120	—	120
Loans[3]	**—**	**—**	**—**	**8,883**	**8,883**	—	—	—	8,103	8,103
Total	**807**	**173**	**46,098**	**8,883**	**55,961**	792	209	49,415	8,103	58,519

1 Primarily reported within 'other debt securities' in note 28(a).
2 Following a review of the presentation of investments held by the Singapore business, comparative amounts have been amended to reclassify £318 million of investments from Other (Including other funds and equity securities) to Unit trust and other investment vehicles.
3 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 £55,961 million *(2019: £58,519 million)*.

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 refer to notes 19 and 20, 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 59(b)(ii) 'Risk management'. In relation to other guarantees and commitments that the Group provides in the course of its business, please see note 55(f) 'Contingent liabilities and other risk factors'.

Aviva's interest in unconsolidated structured entities that it also manages at 31 December 2020 is £1,803 million *(2019: £1,919 million)* and the total funds under management relating to these investments at 31 December 2020 is £16,012 million *(2019: £15,454 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.

	2020		2019	
	Assets Under Management £m	**Investment Management Fees £m**	Assets Under Management £m	Investment Management Fees £m
Investment funds[1]	**6,690**	**30**	6,885	32
Specialised investment vehicles:	**3,658**	**23**	3,108	10
Analysed as:				
OEICs	**410**	**10**	33	—
PLPs	**3,248**	**13**	3,075	10
Total	**10,348**	**53**	9,993	42

1 Investment funds relate primarily to the Group's Polish pension funds.

28 – 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:

	2020				2019			
	At fair value through profit or loss				At fair value through profit or loss			
	Trading £m	Other than trading £m	Available for sale £m	Total £m	Trading £m	Other than trading £m	Available for sale £m	Total £m
Fixed maturity securities								
Debt securities								
UK government	—	30,249	—	30,249	—	27,044	—	27,044
UK local authorities	—	214	—	214	—	202	—	202
Non-UK government (note 28(d))	—	64,508	1,257	65,765	—	60,569	1,133	61,702
Corporate bonds								
Public utilities	—	10,403	10	10,413	—	10,252	14	10,266
Other corporate	—	84,398	305	84,703	—	77,999	308	78,307
Convertibles and bonds with warrants attached	—	6	7	13	—	35	6	41
Other	—	7,787	—	7,787	—	7,378	—	7,378
	—	197,565	1,579	199,144	—	183,479	1,461	184,940
Certificates of deposit	—	17,010	—	17,010	—	14,541	—	14,541
	—	214,575	1,579	216,154	—	198,020	1,461	199,481
Equity securities								
Ordinary shares								
Public utilities	—	3,098	1	3,099	—	2,883	—	2,883
Banks, trusts and insurance companies	—	17,835	—	17,835	—	20,635	1	20,636
Industrial miscellaneous and all other	—	79,313	6	79,319	—	76,082	14	76,096
	—	100,246	7	100,253	—	99,600	15	99,615
Non-redeemable preference shares	—	251	—	251	—	211	—	211
	—	100,497	7	100,504	—	99,811	15	99,826
Other investments								
Unit trusts and other investment vehicles[1]	—	37,944	1	37,945	—	42,153	1	42,154
Derivative financial instruments (note 60)	9,722	—	—	9,722	7,097	—	—	7,097
Deposits with credit institutions	—	211	—	211	—	169	—	169
Minority holdings in property management undertakings	—	3,647	—	3,647	—	2,395	—	2,395
Other investments – long-term[1]	—	101	—	101	—	119	—	119
Other investments – short-term	—	1	—	1	—	—	1	1
	9,722	41,904	1	51,627	7,097	44,836	2	51,935
Total financial investments	9,722	356,976	1,587	368,285	7,097	342,667	1,478	351,242
Less: Assets classified as held for sale								
Fixed maturity securities	—	(13,317)	—	(13,317)	—	(649)	—	(649)
Equity securities	—	(100)	—	(100)	—	(256)	—	(256)
Other investments	—	(3,490)	—	(3,490)	—	(6,919)	—	(6,919)
	—	(16,907)	—	(16,907)	—	(7,824)	—	(7,824)
	9,722	340,069	1,587	351,378	7,097	334,843	1,478	343,418

1 Following a review of the presentation of investments held by the Singapore business, comparative amounts have been amended to reclassify £318 million of investments from Other investments – long-term to Unit trusts and other investment vehicles.

Of the above total, £185,544 million *(2019: £172,649 million)* is due to be recovered in more than one year after the statement of financial position date.

Other debt securities of £7,787 million *(2019: £7,378 million)* include residential and commercial mortgage-backed securities, as well as other structured credit securities.

28 – 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:

	2020				2019			
	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	**197,789**	**24,814**	**(6,449)**	**216,154**	186,753	20,040	(7,312)	199,481
Equity securities	**87,181**	**20,669**	**(7,346)**	**100,504**	87,436	16,835	(4,445)	99,826
Other investments								
Unit trusts and other investment vehicles[1]	**30,691**	**8,188**	**(934)**	**37,945**	35,138	7,699	(683)	42,154
Derivative financial instruments	**4,634**	**5,258**	**(170)**	**9,722**	3,413	4,517	(833)	7,097
Deposits with credit institutions	**211**	**—**	**—**	**211**	169	—	—	169
Minority holdings in property management undertakings	**3,557**	**263**	**(173)**	**3,647**	2,226	259	(90)	2,395
Other investments – long-term[1]	**102**	**—**	**(1)**	**101**	138	12	(31)	119
Other investments – short-term	**1**	**—**	**—**	**1**	1	—	—	1
	324,166	**59,192**	**(15,073)**	**368,285**	315,274	49,362	(13,394)	351,242
These are further analysed as follows:								
At fair value through profit or loss	**322,704**	**59,066**	**(15,072)**	**366,698**	313,893	49,264	(13,393)	349,764
Available for sale	**1,462**	**126**	**(1)**	**1,587**	1,381	98	(1)	1,478
	324,166	**59,192**	**(15,073)**	**368,285**	315,274	49,362	(13,394)	351,242

1 Following a review of the presentation of investments held by the Singapore business, comparative amounts have been amended to reclassify £318 million of investments from Other investments – long-term to Unit trusts and other investment vehicles.

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 financial investments classified as fair value through profit or loss, recognised in the income statement in the year, were a net loss of £3,841 million *(2019: £18,398 million net gain)*. Of this net loss, £4,079 million net loss *(2019: £17,920 million net gain)* related to investments designated as other than trading and £238 million net gain *(2019: £478 million net gain)* related to financial investments designated as trading.

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 61 for further discussion 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 2020, £2,621 million *(2019: £2,472 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.

28 – Financial investments continued

(d) Non-UK Government debt securities (gross of non-controlling interests)

The following is a summary of non-UK government debt by issuer as at 31 December 2020, analysed by policyholder, participating and shareholder funds.

	Policyholder		Participating		Shareholder		Total	
Non-UK Government debt securities	2020 £m	2019 £m	2020 £m	2019 £m	2020 £m	2019 £m	2020 £m	2019 £m
Austria	**106**	66	**772**	434	**170**	215	**1,048**	715
Belgium	**158**	166	**1,021**	877	**270**	336	**1,449**	1,379
France	**866**	698	**15,662**	14,537	**1,956**	1,878	**18,484**	17,113
Germany	**420**	305	**1,864**	1,795	**765**	455	**3,049**	2,555
Greece	**2**	1	**—**	—	**—**	—	**2**	1
Ireland	**108**	75	**892**	774	**301**	389	**1,301**	1,238
Italy	**952**	801	**11,428**	10,849	**28**	194	**12,408**	11,844
Netherlands	**99**	53	**493**	562	**376**	318	**968**	933
Poland	**722**	674	**465**	655	**555**	581	**1,742**	1,910
Portugal	**117**	71	**596**	175	**119**	160	**832**	406
Spain	**582**	627	**1,117**	688	**176**	229	**1,875**	1,544
European supranational debt	**671**	512	**1,509**	1,837	**2,435**	1,968	**4,615**	4,317
Other European countries	**630**	553	**1,607**	944	**986**	1,051	**3,223**	2,548
Europe	**5,433**	4,602	**37,426**	34,127	**8,137**	7,774	**50,996**	46,503
Canada	**88**	93	**164**	111	**3,366**	3,143	**3,618**	3,347
United States	**1,064**	1,672	**787**	524	**1,424**	1,021	**3,275**	3,217
North America	**1,152**	1,765	**951**	635	**4,790**	4,164	**6,893**	6,564
Singapore	**4**	12	**14**	784	**74**	374	**92**	1,170
Other	**2,465**	2,932	**4,248**	3,862	**1,071**	671	**7,784**	7,465
Asia Pacific and other	**2,469**	2,944	**4,262**	4,646	**1,145**	1,045	**7,876**	8,635
Total	**9,054**	9,311	**42,639**	39,408	**14,072**	12,983	**65,765**	61,702
Less: Assets classified as held for sale	**(285)**	(23)	**(8,252)**	—	**(247)**	(93)	**(8,784)**	(116)
Total (excluding assets held for sale)	**8,769**	9,288	**34,387**	39,408	**13,825**	12,890	**56,981**	61,586

At 31 December 2020, the Group's total government (non-UK) debt securities stood at £65,765 million *(2019: £61,702 million)*. The majority of these holdings are within our participating funds where the risk to our shareholders is governed by the nature and extent of our participation within those funds.

Our direct shareholder asset exposure to government (non-UK) debt securities amounts to £14,072 million *(2019: £12,983 million)*. The primary exposures, relative to total shareholder (non-UK) government debt exposure, are to Canadian (24%), French (14%), US (10%), German (5%), Polish (4%) and Dutch (3%) government debt securities.

The participating funds exposure to (non-UK) government debt amounts to £42,639 million *(2019: £39,408 million)*. The primary exposures, relative to total (non-UK) government debt exposures included within our participating funds, are to the (non-UK) government debt securities of France (37%), Italy (27%), Germany (4%), Spain (3%), Belgium (2%) and Ireland (2%).

29 – Receivables

This note analyses our total receivables.

	2020 £m	2019 £m
Amounts owed by contract holders	**2,126**	2,187
Amounts owed by intermediaries	**1,504**	1,379
Deposits with ceding undertakings	**38**	68
Amounts due from reinsurers	**432**	347
Amounts due from brokers for investment sales	**156**	274
Amounts receivable for collateral pledged	**3,170**	2,786
Amounts due from government, social security and taxes	**976**	812
Other receivables	**1,323**	1,211
Total	**9,725**	9,064
Less: Assets classified as held for sale	**(373)**	(69)
	9,352	8,995
Expected to be recovered in less than one year	**9,701**	9,032
Expected to be recovered in more than one year	**24**	32
	9,725	9,064

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.

30 – Deferred acquisition costs

(a) Deferred acquisition costs – carrying amount

The carrying amount of deferred acquisition costs was as follows:

	2020 £m	2019 £m
Deferred acquisition costs in respect of:		
Insurance contracts – Long-term business	**1,075**	993
Insurance contracts – General insurance and health business	**1,146**	1,141
Participating investment contracts – Long-term business	**118**	116
Non-participating investment contracts – Long-term business	**950**	1,108
Total	**3,289**	3,358
Less: Classified as held for sale	**(25)**	(202)
	3,264	3,156

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, £1,707 million *(2019: £1,751 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					
2020	Insurance contracts £m	Participating investment contracts £m	Non-participating investment contracts £m	General insurance and health business £m	Retail fund management business £m	Total £m
Carrying amount at 1 January	**993**	**116**	**1,108**	**1,141**	**—**	**3,358**
Acquisition costs deferred during the year	**226**	**7**	**88**	**2,622**	**—**	**2,943**
Amortisation	**(98)**	**(11)**	**(88)**	**(2,610)**	**—**	**(2,807)**
Impact of assumption changes	**(22)**	**1**	**(1)**	**—**	**—**	**(22)**
Effect of portfolio transfers, acquisitions and disposals[1]	**(39)**	**—**	**(166)**	**(9)**	**—**	**(214)**
Foreign exchange rate movements	**15**	**5**	**9**	**2**	**—**	**31**
Other movements	**—**	**—**	**—**	**—**	**—**	**—**
Carrying amount at 31 December	**1,075**	**118**	**950**	**1,146**	**—**	**3,289**
Less: Classified as held for sale	**—**	**—**	**(25)**	**—**	**—**	**(25)**
	1,075	**118**	**925**	**1,146**	**—**	**3,264**

1 The movement during 2020 includes the disposal of FPI and Singapore businesses

30 – Deferred acquisition costs continued

(b) Deferred acquisition costs – movements in the year continued

2019	Long-term business Insurance contracts £m	Participating investment contracts £m	Non-participating investment contracts £m	General insurance and health business £m	Retail fund management business £m	Total £m
Carrying amount at 1 January	931	101	1,036	1,088	—	3,156
Acquisition costs deferred during the year	248	13	174	2,543	—	2,978
Amortisation	(149)	2	(90)	(2,482)	—	(2,719)
Impact of assumption changes	(16)	4	—	—	—	(12)
Effect of portfolio transfers, acquisitions and disposals	—	—	—	—	—	—
Foreign exchange rate movements	(20)	(4)	(9)	(8)	—	(41)
Other movements	(1)	—	(3)	—	—	(4)
Carrying amount at 31 December	993	116	1,108	1,141	—	3,358
Less: Classified as held for sale	—	—	(202)	—	—	(202)
	993	116	906	1,141	—	3,156

DAC for long-term business decreased overall over 2020 as increases from new business sales across the UK and European markets were lower than the decrease arising from the disposals of FPI and Singapore businesses. DAC for general insurance and health business increased slightly over 2020.

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 £116 million *(2019: £29 million)* if market yields on fixed income investments were to increase by 1% and increase profit by £135 million *(2019: £36 million)* if yields were to reduce by 1%.

At both 31 December 2020 and 31 December 2019, the DAC balance has been restricted by the value of projected future profits.

31 – Pension surpluses, other assets, prepayments and accrued income

(a) Pension surpluses and other assets – carrying amount

The carrying amount comprises:

	2020 £m	2019 £m
Surpluses in the staff pension schemes (note 51(a))	**2,780**	2,746
Other assets	**55**	53
Total	**2,835**	2,799
Less: Assets classified as held for sale	**(1)**	—
	2,834	2,799

Surpluses in the staff pension schemes and £2 million *(2019: £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 £2,865 million *(2019: £3,151 million)* include assets classified as held for sale of £123 million *(2019: £8 million)* and £62 million *(2019: £30 million)* that is expected to be recovered more than one year after the statement of financial position date.

32 – 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.

	2020 £m	2019 £m
Loans	**2,334**	2,111
Fixed maturity securities	**45,781**	42,350
Equity securities	**86,957**	83,035
Reinsurance assets	**3,860**	4,003
Cash and cash equivalents	**6,555**	8,353
Units trusts and other investment vehicles	**34,577**	37,822
Other	**7,921**	8,508
Total	**187,985**	186,182
Less: Assets classified as held for sale	**(3,194)**	(8,170)
Total	**184,791**	178,012

The reinsurance assets balance in the table above includes £3,860 million *(2019: £4,006 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.

33 – Ordinary share capital

This note gives details of Aviva plc's ordinary share capital and shows the movements during the year.

(a) Details of the Company's ordinary share capital are as follows:

	2020 £m	2019 £m
The allotted, called up and fully paid share capital of the Company at 31 December 2020 was: 3,928,490,420 (*2019: 3,921,129,145*) ordinary shares of 25 pence each	**982**	980

At the 2020 Annual General Meeting, the Company was authorised to allot up to a further maximum nominal amount of:
- £654,611,032 of which £327,305,516 can be in connection with an offer by way of a rights issue
- £100 million of new ordinary shares in relation to any issue of Solvency II compliant capital instruments

(b) During 2020, a total of 7,361,275 were allotted and issued by the Company as follows:

	2020				2019			
	Number of shares	Share capital £m	Capital redemption reserve £m	Share premium £m	Number of shares	Share capital £m	Capital redemption reserve £m	Share premium £m
At 1 January	**3,921,129,145**	**980**	**44**	**1,239**	3,902,352,211	975	44	1,214
Shares issued under the Group's Employee and Executive Share Option Schemes	**7,361,275**	**2**	**—**	**3**	18,776,934	5	—	25
At 31 December	**3,928,490,420**	**982**	**44**	**1,242**	3,921,129,145	980	44	1,239

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.

34 – 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 Irish revenue-approved SAYE share option scheme in Ireland. 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 2011 (LTIP), and are described in section (b) below and in the Directors' Remuneration report.

34 – Group's share plans continued

(a) Description of the plans continued

(iii) Aviva annual bonus plan awards

These awards have been made under the Aviva Annual Bonus Plan 2011 (ABP), and are described in section (b) below and in the directors' remuneration report.

(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 will 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 can choose to have the deferred element of their bonus deferred into awards over Aviva shares. The awards vest in three equal tranches on the second, third and fourth year following the year of grant.

(vi) Aviva Investors long-term incentive plan awards

These awards have been made under the Aviva Investors Long-Term Incentive Plan 2015 (AI LTIP)

(vii) Various all employee share plans

The Company maintains a number of active stock option and share award voluntary schemes:

a) The global matching share plan
b) Aviva Group employee share ownership scheme
c) Aviva France employee profit sharing scheme.

No new Aviva plc ordinary shares will be issued to satisfy awards made under plans iv, v, vi, vii b) or vii c).

(b) Outstanding options

The following table summarises information about options outstanding at 31 December 2020:

Range of exercise prices	Outstanding options Number	Weighted average remaining contractual life Years	Weighted average exercise price p
£2.20 – £3.16	**44,735,905**	**4**	**234.65**
£3.17 – £3.67	**873,773**	**1**	**351.00**
£3.68 – £4.19	**4,528,106**	**1**	**394.94**

The comparative figures as at 31 December 2019 were:

Range of exercise prices	Outstanding options Number	Weighted average remaining contractual life Years	Weighted average exercise price p
£2.20 – £3.16	26,589,056	3	284.00
£3.17 – £3.67	5,066,836	1	351.00
£3.68 – £4.19	7,634,402	1	395.52

(c) Movements in the year

A summary of the status of the option and share plans as at 31 December 2019 and 2020, and changes during the years ended on those dates, is shown below.

	2020			2019		
	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	**39,290,294**	**314.36**	**35,442,035**	28,658,026	375.13	40,574,481
Granted during the year	**34,852,776**	**220.00**	**26,293,467**	26,798,392	284.00	17,713,898
Exercised/ released during the year	**(1,126,489)**	**348.71**	**(11,829,285)**	(7,340,420)	359.44	(12,308,712)
Forfeited during the year	**(19,149,479)**	**299.36**	**(3,959,889)**	(8,112,308)	382.94	(10,557,632)
Cancelled during the year	**(202,718)**	**300.97**	**—**	(240,979)	372.02	—
Expired during the year	**(3,526,600)**	**351.07**	**—**	(472,417)	379.66	—
Outstanding at 31 December	**50,137,784**	**251.16**	**45,926,327**	39,290,294	314.31	35,442,035
Exercisable at 31 December	**1,910,895**	**401.98**	**—**	7,100,956	370.06	—

(d) Expense charged to the income statement

The total expense recognised for the year arising from equity compensation plans was as follows:

	2020 £m	2019 £m
Equity-settled expense	**50**	62
Total	**50**	62

34 – Group's share plans continued

(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 £0.64 and £1.96 *(2019: £0.50 and £3.86)* respectively.

(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	2020	2019
Share price	**291p**	394p
Exercise price	**220p**	284p
Expected volatility	**29.50%**	20.22%
Expected life	**3.91 years**	3.80 years
Expected dividend yield	**5.32%**	7.68%
Risk-free interest rate	**(0.10)%**	0.23%

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. 1,126,489 options granted after 7 November 2002 were exercised during the year *(2019: 7,340,420)*.

(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	2020	2019
Share price	**222p**	405p
Expected volatility[1]	**29%**	23%
Expected volatility of comparator companies' share price[1]	**30%**	23%
Correlation between Aviva and comparator competitors' share price[1]	**54%**	53%
Expected life[1]	**2.77 years**	2.77 years
Expected dividend yield	**0.00%**	0.00%
Risk-free interest rate[1]	**0.08%**	0.63%

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.

35 – Treasury shares

The following table summarises information about treasury shares at 31 December 2020:

	2020		2019	
	Number	**£m**	Number	£m
Shares held by employee trusts	**1,737,038**	**6**	1,714,288	7
Shares held by subsidiary companies	**—**	**—**	—	—
	1,737,038	**6**	1,714,288	7

(a) Shares held by employee trusts

Prior to 2014, we satisfied awards and options granted under the Group's share plans primarily through shares purchased in the market and held by employee share trusts. From 2014 we primarily issue new shares except where it is necessary to use shares held by an employee share trust. This note gives details of the shares held in these trusts. Movements in the carrying value of shares held by employee trusts comprise:

	2020		2019	
	Number	**£m**	Number	£m
Cost debited to 'shareholders' funds				
At 1 January	**1,714,288**	**7**	455,986	2
Acquired in the year	**687,326**	**2**	2,165,032	9
Distributed in the year	**(664,576)**	**(3)**	(906,730)	(4)
Balance at 31 December	**1,737,038**	**6**	1,714,288	7

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 directors' remuneration report and/or in note 34.

These shares were either purchased in the market or, in 2015, new shares were issued to the trust and are carried at weighted average cost. At 31 December 2020, they had an aggregate nominal value of £434,260 *(2019: £428,572)* and a market value of £5,648,848 *(2019: £7,177,724)*. The trustees have waived their rights to dividends on the shares held in the trusts.

(b) Shares held by subsidiary companies

At 31 December 2020, the balance of shares held by subsidiary companies of nil shares *(2019: nil shares)* had an aggregate nominal value of £0 *(2019: £nil)* and a market value of £0 *(2019: £nil)*.

36 – 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:

	2020 £m	2019 £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, on a winding up or where their rights are altered.

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 2020, the fair value of Aviva plc's preference share capital was £303.6 million *(2019: £299 million)*.

Following our March 2018 statement in the full year 2017 results that we "have the ability to cancel our preference shares", Aviva listened to the views of investors, who expressed concerns, and as a result Aviva subsequently announced on 23 March 2018 that it had decided to take "no action to cancel its preference shares". On 30 April 2018 Aviva announced a charge of £14 million relating to a provision for the goodwill payment scheme to those preference shareholders who sold preference shares in the period from 8 to 22 March 2018 (inclusive) at a share price that was lower than the price that the preference shares returned to following the announcement on 23 March 2018. The total cost of the goodwill payment scheme was £10 million relating to the goodwill payments to preference shareholders, and associated administration costs, against our initial estimate of £14 million.

On 26 October 2020, the Financial Conduct Authority published the outcome of its investigation into Aviva's announcement on preference shares in March 2018, which found that Aviva contravened certain provisions of the Listing Rules and the Disclosure Guidance and Transparency Rules by failing to take reasonable care to ensure that information in that announcement was not misleading and did not omit anything likely to affect the import of the information in the announcement. Aviva released its response the same day accepting the FCA finding.

Under current regulation the preference shares will no longer count as regulatory capital in 2026. Aviva will work towards obtaining regulatory approval for the preference shares, or a suitable substitute, to qualify as capital from 2026 onwards. If as we approach 2026 Aviva needs to reconsider this position, it will do so after taking into account the fair market value of the preference shares at that time.

At the 2020 Annual General Meeting, the Company was authorised to allot sterling new preference shares, as defined in the Company's articles of association, up to a maximum nominal value of £500 million.

37 – Direct capital instrument and tier 1 notes

Notional amount	2020 £m	2019 £m
5.9021% £500 million direct capital instrument – Issued November 2004	**—**	500
6.875% £210 million STICS – Issued November 2003	**—**	—
Total	**—**	500

The DCI was issued on 25 November 2004. The DCI had no fixed redemption date however, on 23 June 2020 notification was given that the Group would redeem the DCI at its principal amount together with accrued interest to (but excluding) 27 July 2020. The 27 July 2020 being the first optional call date for the DCI. On the notification date the instrument was reclassified as a financial liability of £499 million, representing its fair value at that date. The resulting difference of £1 million has been charged to retained earnings. On 27 July 2020, the instrument was redeemed in full at a cost of £500 million.

On 17 October 2019, notification was given that the Group would redeem the 6.875% £210 million tier 1 notes. At that date, the instruments were reclassified as a financial liability of £210 million, representing the fair value at that date. On 21 November 2019 the instruments were redeemed in full at a cost of £210 million. The difference of £21 million between the carrying amount of £231 million and fair value of £210 million was charged to retained earnings.

38 – 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 2019	1,122	27	40	(466)	120	(279)
Arising in the year through other comprehensive income:						
Fair value gains	—	3	39	—	—	42
Fair value gains transferred to profit on disposals	—	—	(19)	—	—	(19)
Share of other comprehensive income of joint ventures and associates	—	—	22	—	—	22
Foreign exchange rate movements	(318)	—	—	138	—	138
Aggregate tax effect – shareholders' tax	10	(1)	(4)	—	—	(5)
Total other comprehensive income for the year	(308)	2	38	138	—	178
Transfer to profit on disposal of subsidiaries, joint ventures and associates	—	—	—	—	—	—
Reserves credit for equity compensation plans	—	—	—	—	62	62
Shares issued under equity compensation plans	—	—	—	—	(62)	(62)
Balance at 31 December 2019	**814**	**29**	**78**	**(328)**	**120**	**(101)**
Arising in the year through other comprehensive income:						
Fair value gains	**—**	**3**	**22**	**—**	**—**	**25**
Fair value gains transferred to profit on disposals	**—**	**—**	**(7)**	**—**	**—**	**(7)**
Share of other comprehensive income of joint ventures and associates	**—**	**—**	**17**	**—**	**—**	**17**
Foreign exchange rate movements	**230**	**—**	**—**	**(129)**	**—**	**(129)**
Aggregate tax effect – shareholders' tax	**(9)**	**(1)**	**(2)**	**—**	**—**	**(3)**
Total other comprehensive income for the year	**221**	**2**	**30**	**(129)**	**—**	**(97)**
Transfer to profit on disposal of subsidiaries, joint ventures and associates	**(173)**	**—**	**—**	**—**	**—**	**—**
Reserves credit for equity compensation plans	**—**	**—**	**—**	**—**	**37**	**37**
Shares issued under equity compensation plans	**—**	**—**	**—**	**—**	**(51)**	**(51)**
Balance at 31 December 2020	**862**	**31**	**108**	**(457)**	**106**	**(212)**

Foreign exchange rate movements recorded in the consolidated statement of comprehensive income of £131 million for continuing operations *(2019: £(193) million)* and £4 million *(2019: £(26) million)* for discontinued operations (see note 4(d)) relate to foreign exchange rate movements on the currency translation reserve of £230 million *(2019: £(318) million)*, the hedging instrument reserve of £(129) million *(2019 £138 million)* and non-controlling interests (see note 40) of 34 million *(2019: £(39) million).*

39 – Retained earnings

This note analyses the movements in the consolidated retained earnings during the year.

	2020 £m	2019 £m
Balance at 1 January	**5,065**	4,523
Adjustment at 1 January 2019 for adoption of IFRS 16	—	(110)
Balance at 1 January restated	**5,065**	4,413
Profit for the year attributable to equity shareholders	**2,798**	2,548
Remeasurements of pension schemes[1] (note 51)	**(150)**	(867)
Dividends and appropriations (note 16)	**(280)**	(1,244)
Net shares issued under equity compensation plans	**46**	55
Effect of changes in non-controlling interests in existing subsidiaries	**7**	—
Forfeited dividend income[2]	**2**	4
Change in equity accounted option	**—**	22
Reclassification of DCI and tier 1 notes to financial liabilities (note 37)	**1**	21
Aggregate tax effect	**(21)**	113
Balance at 31 December	**7,468**	5,065

1 Net remeasurements of pension schemes recorded in the consolidated statement of comprehensive income of £150 million loss *(2019: £867 million loss)* includes £148 million of remeasurement *losses (2019: £867 million losses)* on the main pension schemes (see note 51) with a small amount of losses in relation to other schemes.
2 The Group has a shareholder forfeiture programme, where the shares of shareholders with whom Aviva has lost contact over the last 12 years will be forfeited and sold on. Any associated unclaimed dividends will be reclaimed by the Group. After covering administration costs, the majority of the money will be put into a charitable foundation.

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.

40 – 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:

	2020 £m	2019 £m
Equity shares in subsidiaries	**261**	273
Share of earnings	**479**	441
Share of other reserves	**16**	13
	756	727
Preference shares in General Accident plc	**250**	250
	1,006	977

Movements in the year comprised:

	2020 £m	2019 £m
Balance at 1 January	**977**	966
Profit for the year attributable to non-controlling interests	**112**	115
Foreign exchange rate movements	**34**	(39)
Total comprehensive income attributable to non-controlling interests	**146**	76
Non-controlling interests share of dividends declared in the year	**(30)**	(63)
Disposals of non-controlling interests in subsidiaries	**(26)**	—
Changes in non-controlling interests in subsidiaries	**(61)**	(2)
Balance at 31 December	**1,006**	977

The Group has no subsidiaries whose non-controlling interest is material on the basis of their share of profit or loss.

41 – 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 42 covers insurance liabilities;
- Note 43 covers the methodology and assumptions used in calculating the insurance liabilities;
- Note 44 covers liabilities for investment contracts;
- Note 45 details the financial guarantees and options on certain contracts;
- Note 46 details the associated reinsurance assets on these liabilities; and
- Note 47 shows the effects of changes in the assumptions on the liabilities.

(a) Carrying amount

The following is a summary of the contract liabilities and related reinsurance assets as at 31 December.

	2020 £m			2019 £m		
	Gross provisions £m	Reinsurance assets £m	Net £m	Gross provisions £m	Reinsurance assets £m	Net £m
Long-term business						
Insurance liabilities	**(135,409)**	**7,176**	**(128,233)**	(131,182)	6,369	(124,813)
Liabilities for participating investment contracts	**(97,073)**	**1**	**(97,072)**	(92,762)	1	(92,761)
Liabilities for non-participating investment contracts	**(138,183)**	**3,860**	**(134,323)**	(137,689)	4,006	(133,683)
	(370,665)	**11,037**	**(359,628)**	(361,633)	10,376	(351,257)
Outstanding claims provisions	**(2,643)**	**87**	**(2,556)**	(2,187)	93	(2,094)
	(373,308)	**11,124**	**(362,184)**	(363,820)	10,469	(353,351)
General insurance and health						
Outstanding claims provisions	**(9,017)**	**794**	**(8,223)**	(8,831)	683	(8,148)
Provisions for claims incurred but not reported	**(3,367)**	**1,139**	**(2,228)**	(2,672)	1,004	(1,668)
	(12,384)	**1,933**	**(10,451)**	(11,503)	1,687	(9,816)
Provision for unearned premiums	**(5,210)**	**299**	**(4,911)**	(5,138)	275	(4,863)
Provision arising from liability adequacy tests[1]	**(2)**	**—**	**(2)**	(15)	—	(15)
	(17,596)	**2,232**	**(15,364)**	(16,656)	1,962	(14,694)
Total	**(390,904)**	**13,356**	**(377,548)**	(380,476)	12,431	(368,045)
Less: Liabilities classified as held for sale	**15,591**	**(18)**	**15,573**	9,011	(75)	8,936
	(375,313)	**13,338**	**(361,975)**	(371,465)	12,356	(359,109)

1 Provision arising from liability adequacy tests relates to general insurance business only. Additional liabilities arising from liability adequacy test for life operations, where applicable, are included in unallocated divisible surplus. At 31 December 2020 this liability is £8 million *(2019: £nil)* for life operations.

41 – Contract liabilities and associated reinsurance continued

(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 income statement (note 7), 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.

2020	Gross £m	Reinsurance £m	Net £m
Long-term business			
Change in insurance liabilities (note 42(b)(iii))	**7,336**	**(1,458)**	**5,878**
Change in provision for outstanding claims	**471**	**(22)**	**449**
	7,807	**(1,480)**	**6,327**
General insurance and health			
Change in insurance liabilities (note 42(c)(iv) and 46(c)(ii))	**852**	**(259)**	**593**
Change in provision arising from liability adequacy tests	**(12)**	**—**	**(12)**
Less: Unwind of discount	**(11)**	**8**	**(3)**
	829	**(251)**	**578**
Total change in insurance liabilities	**8,636**	**(1,731)**	**6,905**
Less: Change in insurance liabilities from discontinued operations	**(515)**	**250**	**(265)**
Total change in insurance liabilities from continued operations (note 7)	**8,121**	**(1,481)**	**6,640**

2019	Gross £m	Reinsurance £m	Net £m
Long-term business			
Change in insurance liabilities (note 42(b)(iii))	6,600	(1,030)	5,570
Change in provision for outstanding claims	4	(8)	(4)
	6,604	(1,038)	5,566
General insurance and health			
Change in insurance liabilities (note 42(c)(iv) and 46(c)(ii))[1]	234	(94)	140
Change in provision arising from liability adequacy tests	—	—	—
Less: Unwind of discount	(14)	10	(4)
	220	(84)	136
Total change in insurance liabilities	6,824	(1,122)	5,702
Less: Change in insurance liabilities from discontinued operations	(390)	358	(32)
Total change in insurance liabilities from continued operations (note 7)	6,434	(764)	5,670

1 Includes £45 million in the UK General Insurance and Health business relating to a change in the discount rate used for estimating lump sum payments of bodily injury claims from 0.00% to -0.25%.

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.

42 – 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:

	2020 £m	2019 £m
Long-term business		
Participating insurance liabilities	**44,725**	47,344
Unit-linked non-participating insurance liabilities	**14,061**	14,707
Other non-participating insurance liabilities	**76,623**	69,131
	135,409	131,182
Outstanding claims provisions	**2,643**	2,187
	138,052	133,369
General insurance and health		
Outstanding claims provisions	**9,017**	8,831
Provision for claims incurred but not reported	**3,367**	2,672
	12,384	11,503
Provision for unearned premiums	**5,210**	5,138
Provision arising from liability adequacy tests[1]	**2**	15
	17,596	16,656
Total	**155,648**	150,025
Less: Liabilities classified as held for sale	**(3,166)**	(687)
	152,482	149,338

1 Provision arising from liability adequacy tests relates to general insurance business only. Additional liabilities arising from liability adequacy test for life operations, where applicable, are included in unallocated divisible surplus. At 31 December 2020 this liability is £8 million *(2019: £nil)* for life operations.

(b) Long-term business liabilities

(i) Business description

The Group underwrites long-term business in a number of countries as follows:

- In the UK and Ireland, long-term business 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 cannot be distributed until the 'lock-in' criteria set by the Reattribution Scheme have been met;
- In France, the majority of policyholders' benefits are determined by investment performance, subject to certain guarantees, and shareholders' profits are derived largely from management fees. In addition, a substantial number of policies participate in investment returns, with the balance being attributable to shareholders; and
- In other Manage-for-value operations in Europe and Asia, a range of long-term insurance and savings products are written.

(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 43).

42 – Insurance liabilities continued

(b) Long-term business liabilities continued

(iii) Movements in long-term business liabilities

The following movements have occurred in the gross long-term business liabilities during the year:

	2020 £m	2019 £m
Carrying amount at 1 January	**131,182**	125,829
Liabilities in respect of new business	**8,982**	6,988
Expected change in existing business	**(6,293)**	(6,452)
Variance between actual and expected experience	**(378)**	3,212
Impact of operating assumption changes	**(783)**	(961)
Impact of economic assumption changes	**5,531**	3,766
Other movements recognised as an expense[1]	**277**	47
Change in liability recognised as an expense (note 41(b))	**7,336**	6,600
Effect of portfolio transfers, acquisitions and disposals[2]	**(4,707)**	—
Foreign exchange rate movements	**1,510**	(1,775)
Other movements[3]	**88**	528
Carrying amount at 31 December	**135,409**	131,182

1 Other movements recognised as an expense during 2020 relate primarily to recognition of additional reserves related to with-profits legacy guarantees. Additional contributions from a special bonus distribution to with-profits policyholders and provisions for legacy unclaimed assets broadly offset by model changes in UK Life, Ireland and Singapore. The movement in 2019 relates to: a special bonus distribution to with-profits policyholders and model changes in UK Life; the reclassification of health liabilities in Singapore; and methodology changes in Ireland.
2 The movement during 2020 includes the disposal of FPI, Hong Kong and Singapore businesses.
3 Other movements include the reclassification in the UK from participating investment contracts to insurance contracts of £97 million during 2020 *(2019: £972 million)*. Other movements in 2019 also included £(427) million of negative reinsurance assets in the UK which were reclassified from insurance liabilities to reinsurance assets following a review of the presentation of negative reinsurance assets.

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 increased by £4.2 billion during 2020 *(2019: £5.4 billion increase)* mainly driven by:
- New business net of the expected change on existing business of £2.7 billion, primarily due to growing bulk purchase annuities sales in the UK;
- Variance between actual and expected experience of £(0.4) billion, which was mainly due to lower than expected equity returns in the UK, France and Italy;
- Impact of operating assumption changes of £(0.8) billion mainly due to updates to longevity assumptions (with the impact on profit partially offset by a corresponding reduction in reinsurance assets) in the UK; and
- Economic assumption changes of £5.5 billion, which reflects a reduction in valuation interest rates in response to decreasing interest rates and narrowing of credit spreads, primarily in respect of annuity contracts in the UK.

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 47), 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 a number of countries as follows:
- In the UK and Ireland, providing individual and corporate customers with a wide range of insurance products;
- In Canada, providing a range of personal and commercial lines products; and
- In other Manage-for-value operations in Europe, providing a range of general insurance and health 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. The Group therefore does not establish catastrophe equalisation reserves that defer a share of income in respect of certain lines of business from years in which a catastrophe does not occur to future periods in which catastrophes may occur. When calculating reserves, the Group takes into account estimated future recoveries from salvage and subrogation, and a separate asset is recorded for expected future recoveries from reinsurers after considering their collectability.

42 – Insurance liabilities continued

(c) General insurance and health 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 2020			As at 31 December 2019		
	Outstanding claim provisions £m	**IBNR provisions £m**	**Total claim provisions £m**	Outstanding claim provisions £m	IBNR provisions £m	Total claim provisions £m
Motor	**4,678**	**1,298**	**5,976**	4,836	1,115	5,951
Property	**2,117**	**430**	**2,547**	1,823	155	1,978
Liability	**1,940**	**1,440**	**3,380**	1,864	1,277	3,141
Creditor	**2**	**1**	**3**	5	6	11
Other	**280**	**198**	**478**	303	119	422
	9,017	**3,367**	**12,384**	8,831	2,672	11,503

The gross outstanding claims provision before discounting was £12,546 million *(2019: £11,801 million)*. Details of the range of discount rates used along with other material assumptions are available (see note 43(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:

	2020 £m	2019 £m
Carrying amount at 1 January	**11,503**	11,406
Impact of changes in assumptions	**184**	126
Claim losses and expenses incurred in the current year	**6,909**	7,045
Decrease in estimated claim losses and expenses incurred in prior periods	**(122)**	(186)
Incurred claims losses and expenses	**6,971**	6,985
Less:		
Payments made on claims incurred in the current year	**(3,315)**	(3,834)
Payments made on claims incurred in prior periods	**(3,137)**	(3,327)
Recoveries on claim payments	**322**	396
Claims payments made in the period, net of recoveries	**(6,130)**	(6,765)
Unwind of discounting	**11**	14
Changes in claims reserve recognised as an expense (note 41(b))	**852**	234
Effect of portfolio transfers, acquisitions and disposals[1]	**(72)**	—
Foreign exchange rate movements	**101**	(138)
Other movements	**—**	1
Carrying amount at 31 December	**12,384**	11,503

1 The movement during 2020 relates to the disposal of the Singapore business.

The impact of COVID-19 on general insurance incurred claims losses is estimated as £150 million after allowing for an estimated £500 million of offsetting favourable impacts in other product lines as a result of reduced economic activity. Claims are primarily as a result of disruption to business insured by the Group; partially offset by a reduction in claims frequency on other product lines. Further information on the impact of COVID-19 on general insurance and health liabilities can be found within note 59.

Since the ultimate cost of claims is not known in advance, there are uncertainties involved in estimating the loss reserves including those relating to the COVID-19 pandemic. Allowances for uncertainties in the reserving process are discussed in note 43.

(v) Movements in general insurance and health unearned premiums

The following changes have occurred in the liabilities for unearned premiums (UPR) during the year:

	2020 £m	2019 £m
Carrying amount at 1 January	**5,138**	4,946
Premiums written during the year	**10,956**	10,908
Less: Premiums earned during the year	**(10,807)**	(10,677)
Changes in UPR recognised as an expense/(income)	**149**	231
Gross portfolio transfers and acquisitions[1]	**(104)**	—
Foreign exchange rate movements	**27**	(39)
Carrying amount at 31 December	**5,210**	5,138

1 The movement during 2020 relates to the disposal of the Singapore business.

42 – 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 2011 to 2020. 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 2020 were:

- £47 million release from the UK and Ireland primarily due to favourable experience in personal property and personal motor lines, partially offset by strengthening across commercial lines due to adverse large claims experience;
- £13 million release from Canada primarily due to favourable injury experience in personal motor, offset by strengthening and large loss development in latent claims;
- £20 million release from Manage-for-value markets mainly due to favourable claims development in France.

Key elements of the development of prior accident year general insurance and health net provisions during 2019 were:

- £134 million release from the UK due to favourable claims experience in personal and commercial motor partly offset by a strengthening in commercial property and a change in the discount rate used for estimating lump sum payments in settlement of bodily injury claims (for further details see note 43);
- £58 million release from Canada primarily due to favourable claims experience on personal and commercial motor and large reinsurance recoverable on two catastrophe events from August 2018 in personal and commercial property lines; and
- £83 million release from other markets mainly due to favourable claims development in France.

Gross of reinsurance

Before the effect of reinsurance, the loss development table is:

Accident year	All prior years £m	2011 £m	2012 £m	2013 £m	2014 £m	2015 £m	2016 £m	2017 £m	2018 £m	2019 £m	**2020 £m**	**Total £m**
Gross cumulative claim payments												
At end of accident year		(3,420)	(3,055)	(3,068)	(3,102)	(2,991)	(3,534)	(3,517)	(3,769)	(3,617)	(3,240)	
One year later		(4,765)	(4,373)	(4,476)	(4,295)	(4,285)	(4,972)	(4,952)	(5,239)	(4,986)		
Two years later		(5,150)	(4,812)	(4,916)	(4,681)	(4,710)	(5,435)	(5,388)	(5,681)			
Three years later		(5,457)	(5,118)	(5,221)	(4,974)	(4,997)	(5,781)	(5,699)				
Four years later		(5,712)	(5,376)	(5,467)	(5,244)	(5,198)	(6,020)					
Five years later		(5,864)	(5,556)	(5,645)	(5,406)	(5,364)						
Six years later		(5,978)	(5,635)	(5,739)	(5,507)							
Seven years later		(6,032)	(5,718)	(5,785)								
Eight years later		(6,078)	(5,756)									
Nine years later		(6,101)										
Estimate of gross ultimate claims												
At end of accident year		6,428	6,201	6,122	5,896	5,851	6,947	6,894	7,185	6,979	6,896	
One year later		6,330	6,028	6,039	5,833	5,930	6,931	6,796	7,175	6,935		
Two years later		6,315	6,002	6,029	5,865	5,912	6,864	6,756	7,220			
Three years later		6,292	5,952	6,067	5,842	5,814	6,817	6,751				
Four years later		6,262	6,002	6,034	5,772	5,785	6,836					
Five years later		6,265	5,979	5,996	5,756	5,760						
Six years later		6,265	5,910	5,956	5,735							
Seven years later		6,223	5,902	5,950								
Eight years later		6,205	5,895									
Nine years later		6,213										
Estimate of gross ultimate claims		6,213	5,895	5,950	5,735	5,760	6,836	6,751	7,220	6,935	6,896	
Cumulative payments		(6,101)	(5,756)	(5,785)	(5,507)	(5,364)	(6,020)	(5,699)	(5,681)	(4,986)	(3,240)	
	2,305	112	139	165	228	396	816	1,052	1,539	1,949	3,656	**12,357**
Effect of discounting	(160)	(1)	(1)	—	—	—	—	—	—	—	—	**(162)**
Present value	2,145	111	138	165	228	396	816	1,052	1,539	1,949	3,656	**12,195**
Cumulative effect of foreign exchange movements	—	1	5	7	18	60	(4)	(9)	(2)	17	—	**93**
Effect of acquisitions	—	5	7	7	15	31	31	—	—	—	—	**96**
Present value recognised in the statement of financial position	**2,145**	**117**	**150**	**179**	**261**	**487**	**843**	**1,043**	**1,537**	**1,966**	**3,656**	**12,384**

42 – Insurance liabilities continued

Net of reinsurance

After the effect of reinsurance, the loss development table is:

Accident year	All prior years £m	2011 £m	2012 £m	2013 £m	2014 £m	2015 £m	2016 £m	2017 £m	2018 £m	2019 £m	**2020 £m**	**Total £m**
Net cumulative claim payments												
At end of accident year		(3,300)	(2,925)	(2,905)	(2,972)	(2,867)	(3,309)	(3,483)	(3,718)	(3,565)	(3,090)	
One year later		(4,578)	(4,166)	(4,240)	(4,079)	(4,061)	(4,591)	(4,843)	(5,117)	(4,873)		
Two years later		(4,963)	(4,575)	(4,649)	(4,432)	(4,452)	(5,012)	(5,255)	(5,514)			
Three years later		(5,263)	(4,870)	(4,918)	(4,720)	(4,725)	(5,329)	(5,560)				
Four years later		(5,485)	(5,110)	(5,159)	(4,973)	(4,919)	(5,564)					
Five years later		(5,626)	(5,289)	(5,324)	(5,132)	(5,085)						
Six years later		(5,740)	(5,371)	(5,417)	(5,222)							
Seven years later		(5,798)	(5,439)	(5,459)								
Eight years later		(5,842)	(5,488)									
Nine years later		(5,868)										
Estimate of net ultimate claims												
At end of accident year		6,202	5,941	5,838	5,613	5,548	6,489	6,714	6,997	6,774	6,378	
One year later		6,103	5,765	5,745	5,575	5,635	6,458	6,591	6,944	6,729		
Two years later		6,095	5,728	5,752	5,591	5,608	6,377	6,569	6,983			
Three years later		6,077	5,683	5,733	5,559	5,517	6,334	6,560				
Four years later		6,034	5,717	5,689	5,490	5,495	6,335					
Five years later		6,005	5,680	5,653	5,472	5,469						
Six years later		6,003	5,631	5,612	5,449							
Seven years later		5,967	5,600	5,612								
Eight years later		5,952	5,607									
Nine years later		5,961										
Estimate of net ultimate claims		5,961	5,607	5,612	5,449	5,469	6,335	6,560	6,983	6,729	6,378	
Cumulative payments		(5,868)	(5,488)	(5,459)	(5,222)	(5,085)	(5,564)	(5,560)	(5,514)	(4,873)	(3,090)	
	990	93	119	153	227	384	771	1,000	1,469	1,856	3,288	**10,350**
Effect of discounting	(89)	1	(1)	2	—	—	—	—	—	—	—	**(87)**
Present value	901	94	118	155	227	384	771	1,000	1,469	1,856	3,288	**10,263**
Cumulative effect of foreign exchange movements	—	1	5	7	17	59	(4)	(9)	(2)	16	—	**90**
Effect of acquisitions	3	5	7	7	15	30	31	—	—	—	—	**98**
Present value recognised in the statement of financial position	**904**	**100**	**130**	**169**	**259**	**473**	**798**	**991**	**1,467**	**1,872**	**3,288**	**10,451**

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 2020 were £87 million *(2019: £88 million)*. The movement in asbestos and environmental pollution liabilities in the year reflects a reduction of £11 million due to favourable claims development, claim payments net of reinsurance recoveries and foreign exchange movements.

43 – Insurance liabilities methodology and assumptions

(a) Long-term business

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.

The methodology and assumptions described below relate to the UK and France insurance businesses only.

(i) UK

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 non-profit business in the ex. Friends Life with-profits funds, the liabilities are measured on a realistic basis with implicit recognition of the present value of future profits.

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 24). A further margin for risk is then deducted for all asset classes.

43 – Insurance liabilities methodology and assumptions continued

(a) Long-term business continued

Discount rates continued

Valuation discount rates for business in the non-profit funds are as follows:

Valuation discount rates (Gross of investment expenses)	2020	2019
Assurances		
Life conventional non-profit	**0.5%**	0.5% to 2.1%
Pensions conventional non-profit	**0.5%**	0.6% to 1.6%
Annuities		
Conventional immediate and deferred annuities	**0.5% to 1.5%**	0.9% to 2.3%
Non-unit reserves on unit-linked business		
Life	**0.4%**	0.9%
Pensions	**0.5%**	1.1%
Income Protection		
Active lives	**0.5%**	0.6% to 2.1%
Claims in payment (level and index linked)	**0.5%**	1.1%

The valuation discount rates are after a reduction for risk, but before allowance for investment expenses. For 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 46 bps, 35 bps, and 118 bps respectively at 31 December 2020 *(2019: 45 bps – 47 bps, 31 bps – 35 bps, and 124 bps respectively)*.

The total valuation allowance in respect of corporate bonds was £1.4 billion *(2019: £1.3 billion)* over the remaining term of the portfolio at 31 December 2020. The total valuation allowance in respect of mortgages (including healthcare mortgages but excluding equity release) was £0.6 billion at 31 December 2020 *(2019: £0.5 billion).* The total valuation allowance in respect of equity release mortgages was £1.7 billion at 31 December 2020 *(2019: £1.5 billion)*. Total liabilities for the annuity business were £62.9 billion at 31 December 2020 *(2019: £57.6 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, and in line with external agreements for business administered externally. An additional liability is held if projected per policy expenses in future years are expected to exceed current assumptions. Further, explicit project expense liabilities are held for non-discretionary project costs that typically relate to mandatory requirements. Expense-related liabilities are only held where expenses are not 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.

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	2020	2019
Assurances		
Non-profit	**AM00/AF00 or TM08/TF08 adjusted for smoker status and age/sex specific factors**	AM00/AF00 or TM08/TF08 adjusted for smoker status and age/sex specific factors
Pure endowments and deferred annuities before vesting	**AM00/AF00 adjusted**	AM00/AF00 adjusted
Annuities in payment		
Pensions business and general annuity business	**PMA08 HAMWP /PFA08 HAMWP adjusted plus allowance for future mortality improvement**	PMA08 HAMWP /PFA08 HAMWP adjusted plus allowance for future mortality improvement
Bulk purchase annuities	**CV3**	CV3

For the largest portfolio of pensions annuity business, the underlying mortality assumptions for males are 105.2% of PMA08 HAMWP adjusted (2019: 105.4% of PMA08 HAMWP adjusted) with base year 2008; for females the underlying mortality assumptions are 102.7% of PFA08 HAMWP adjusted (2019: 99.5% of PFA08 HAMWP adjusted) with base year 2008.

Improvements are based on 'CMI_2019 (S=7.25) Advanced with adjustments' *(2019: 'CMI_2018 (S=7.25) Advanced with adjustments')* with a long-term improvement rate of 1.5% *(2019: 1.75%)* for males and 1.5% *(2019: 1.5%)* for females, both with an additional improvement for prudence of 0.5% *(2019: 0.5%)* to all future annual improvement adjustments. The CMI_2019 tables have been adjusted by adding 0.25% *(2019: 0.25%)* and 0.35% *(2019: 0.35%)* to the initial rate of mortality improvements for males and females respectively (to allow for greater mortality improvements in the annuitant population relative to the general population on which CMI_2019 is based), and uses the advanced parameters to taper the long-term improvement rates to zero between ages 90 and 115 (the 'core' parameters taper the long-term improvement rates to zero between ages 85 and 110). The tapering approach is unchanged from that used at 2019. 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.

43 – Insurance liabilities methodology and assumptions continued

(a) Long-term business continued

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 2020 of 0.40% *(2019: 1.02%)* 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	**2020**	2019
Equity returns	**19.0%**	16.2%
Property returns	**15.4%**	15.8%

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 2021 have been set consistently with the year-end 2020 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.

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	**2020**	2019
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	**PMA08 HAMWP/PFA08 HAMWP adjusted plus allowance for future mortality improvement**	PMA08 HAMWP/PFA08 HAMWP adjusted 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 45.

43 – Insurance liabilities methodology and assumptions continued

(a) Long-term business continued

(ii) France

The majority of reserves arise from single premium savings products and are based on the accumulated fund values, adjusted to maintain consistency with the value of the assets backing the policyholder liabilities. For traditional business, the net premium method is used for prospective valuations, in accordance with local regulation, where the valuation assumptions depend on the date of issue of the contract. The valuation discount rate also depends on the original duration of the contract and mortality rates are based on industry tables.

	Valuation discount rates		Mortality tables used
	2020	2019	**2020 and 2019**
Life assurances	**0% to 4.5%**	0% to 4.5%	TD73-77, TD88-90, TH00-02, TF00-02, H_AVDBS, F_AVDBS, H_SSDBS, F_SSDBS
Annuities	**0% to 1.5%**	0% to 1.5%	TGF05/TGH05

(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.

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:

	Discount rate		Mean term of liabilities	
Class	**2020**	2019	**2020**	2019
Reinsured London Market business	**0.0% to 1.5%**	0.8% to 2.2%	**9 years**	9 years
Latent claims	**0.0% to 1.2%**	0.8% to 2.2%	**9 to 11 years**	10 to 12 years
Structured settlements	**-0.4% to 2.3%**	-0.2% to 2.7%	**11 to 35 years**	11 to 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. The duration of the claims span over 35 years, with the average duration being between 9 and 11 years depending on the geographical region.

At 31 December 2020, it is estimated that a 1% fall in the discount rates used would increase net claim reserves by approximately £130 million *(2019: £120 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.

43 – Insurance liabilities methodology and assumptions continued

(b) General insurance and health continued

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.

44 – 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 2020 comprised:

	2020 £m	2019 £m
Long-term business		
Liabilities for participating investment contracts	**97,073**	92,762
Liabilities for non-participating investment contracts	**138,183**	137,689
Total	**235,256**	230,451
Less: Liabilities classified as held for sale	**(12,425)**	(8,324)
	222,831	222,127

(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 43). 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 is expected to apply to annual reporting periods beginning on or after 1 January 2023.

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 45.

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, £138,044 million at 31 December 2020 *(2019: £137,040 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 30 and the deferred income liability is shown in note 54.

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 18, which relates primarily to the acquisition of Friends Life in 2015 and Friends First in 2018.

44 – Liabilities for investment contracts continued

(c) Movements in the year

The following movements have occurred in the gross provisions for investment contracts in the year:

(i) Participating investment contracts

	2020 £m	2019 £m
Carrying amount at 1 January	**92,762**	90,455
Liabilities in respect of new business	**4,691**	6,991
Expected change in existing business	**(5,127)**	(4,857)
Variance between actual and expected experience	**343**	4,751
Impact of operating assumption changes	**92**	173
Impact of economic assumption changes	**330**	204
Other movements recognised as an expense[1]	**76**	103
Change in liability recognised as an expense[2]	**405**	7,365
Foreign exchange rate movements	**4,003**	(4,054)
Other movements[3]	**(97)**	(1,004)
Carrying amount at 31 December	**97,073**	92,762

1 Other movements recognised as an expense during 2020 relate to a special bonus distribution to with-profits policyholders in UK Life. In 2019 this related to a special bonus distribution and the recognition of unitised with-profits annual management charges in UK Life.
2 Total interest expense for participating investment contracts recognised in profit or loss is £1,311 million *(2019: £5,269 million)*.
3 Other movements include the reclassification in the UK from participating investment contracts to insurance contracts of £(97) million during 2020 *(2019: £(972) million)*. Other movements in 2019 also included a reclassification in the UK from participating investment contracts to outstanding claims reserves of £(32) million.

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 2020 of £0.3 billion is primarily due to higher bond and gilt values as a result of lower interest rates and increases in US and Japanese equity markets; partially offset by decreases in UK and European equity performance.

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 47, together with the impact of movements in related non-financial assets.

(ii) Non-participating investment contracts

	2020 £m	2019 £m
Carrying amount at 1 January	**137,689**	120,354
Liabilities in respect of new business	**4,187**	5,520
Expected change in existing business	**(3,231)**	(3,742)
Variance between actual and expected experience	**6,970**	16,345
Impact of operating assumption changes	**19**	(22)
Impact of economic assumption changes	**6**	(1)
Other movements recognised as an expense	**—**	2
Change in liability	**7,951**	18,102
Effect of portfolio transfers, acquisitions and disposals[1]	**(8,038)**	—
Foreign exchange rate movements	**583**	(575)
Other movements[2]	**(2)**	(192)
Carrying amount at 31 December	**138,183**	137,689

1 The movement during 2020 relates to the disposal of FPI.
2 Other movements during 2019 relate to a reclassification from non-participating investment to outstanding claims reserves in the UK (£(180) million).

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 2020 of £7.0 billion is due to higher bond and gilt values as a result of lower interest rates and increases in US and Japanese equity markets; partially offset by decreases in UK and European equity performance. In addition more UK pension policies have remained in force due to increased pensions freedoms.

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 47, which combines participating and non-participating investment contracts together with the impact of movements in related non-financial assets.

45 – Financial guarantees and options

This note details the financial guarantees and options inherent in some of our insurance and investment contracts.

As a part of their operating activities, various Group companies have provided guarantees and options, including investment return guarantees, on certain long-term insurance and fund management products.

(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 written contracts which contain 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 £76 million at 31 December 2020 *(2019: £82 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

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 £223 million at 31 December 2020 *(2019: £178 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, provision 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.

(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 £1,587 million at 31 December 2020 *(2019: £1,628 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 £137 million at 31 December 2020 *(2019: £129 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 – Financial guarantees and options continued

(d) France

Guaranteed surrender value guaranteed minimum bonuses and options

Aviva France has written a number of contracts with a guaranteed surrender value and guaranteed minimum bonuses. The guaranteed surrender value is the accumulated value of the contract including accrued bonuses. Bonuses are based on accounting income from amortised bond portfolios, where the duration of bond portfolios is set in relation to the expected duration of the policies, plus income and releases from realised gains on equity-type investments. Policy reserves are equal to guaranteed surrender values. Local statutory accounting envisages the establishment of a reserve, 'Provision pour Aléas Financiers' (PAF), when accounting income is less than 125% of guaranteed minimum credited returns. No PAF was established at full year 2020 *(2019: no PAF was established)*.

The most significant of these contracts is the AFER Eurofund which has total liabilities of £38 billion at 31 December 2020 *(2019: £37 billion)*. The guaranteed minimum bonus is agreed between Aviva France and the AFER association at the end of each year, in respect of the following year. The bonus was 1.70% for 2020 *(2019: 1.85%)* compared with an accounting income from the fund of 2.186% *(2019: 2.336%)*.

Non-AFER contracts with guaranteed surrender values had liabilities of £11 billion at 31 December 2020 *(2019: £11 billion)* and all guaranteed annual bonus rates are between 0% and 4.5% *(2019: 0% to 4.5%)*. For non-AFER business the accounting income return exceeded guaranteed bonus rates in 2020 *(2019: the accounting income return exceeded guaranteed bonus rates)*.

In addition, there are a small proportion of contracts with a switch-loss option. Consistent with previous years, the risks associated with switch-loss options are allowed for in the liabilities in accordance with local regulations and IFRS 4.

Guaranteed death and maturity benefits

The Group has also sold a small proportion of unit-linked policies where the death and/or maturity benefit is guaranteed to be at least equal to the premiums paid. The reserve held in the Group's consolidated statement of financial position is calculated on a prudent basis and is in excess of the economic liability.

(e) Italy

Guaranteed investment returns and guaranteed surrender values

The Group has written contracts containing guaranteed investment returns and guaranteed surrender values in Italy. Traditional profit-sharing products receive an appropriate share of the investment return, assessed on a book value basis, subject to a guaranteed minimum annual return of up to 4% on existing business. New business has a minimum guaranteed return of 0% applicable at certain policy anniversaries. Liabilities are generally taken as the face value of the contract plus, if required, an explicit provision for guarantees calculated in accordance with local regulations and IFRS 4.

46 – 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:

	2020 £m	2019 £m
Long-term business		
Insurance contracts	**7,176**	6,369
Participating investment contracts	**1**	1
Non-participating investment contracts[1]	**3,860**	4,006
	11,037	10,376
Outstanding claims provisions	**87**	93
	11,124	10,469
General insurance and health		
Outstanding claims provisions	**794**	683
Provisions for claims incurred but not reported	**1,139**	1,004
	1,933	1,687
Provisions for unearned premiums	**299**	275
	2,232	1,962
	13,356	12,431
Less: Assets classified as held for sale	**(18)**	(75)
Total	**13,338**	12,356

1 Balances 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, £12,048 million *(2019: £10,943 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.

46 – Reinsurance assets continued

(c) Movements

The following movements have occurred in the reinsurance assets during the year:

(i) Long-term business liabilities

	2020 £m	2019 £m
Carrying amount at 1 January	**10,376**	9,846
Assets in respect of new business	**1,539**	954
Expected change in existing business assets	**(335)**	(185)
Variance between actual and expected experience	**763**	274
Impact of non-economic assumption changes	**(150)**	(175)
Impact of economic assumption changes	**503**	193
Other movements recognised as an expense[1]	**(998)**	(37)
Change in assets[2]	**1,322**	1,024
Effect of portfolio transfers, acquisitions and disposals[3]	**(731)**	—
Foreign exchange rate movements	**63**	(73)
Other movements[4]	**7**	(421)
Carrying amount at 31 December	**11,037**	10,376

1 Other movements recognised as an expense during 2020 primarily relate to the reclassification of collective investments in unit-linked funds in the UK following a restructure of a reinsurance treaty. The movement in 2019 primarily relates to the ceding of reinsurance for annuity business offset by basis methodology changes in Ireland, the reclassification of health reinsurance assets in Singapore and collective investments in unit-linked funds in the UK following a restructure of a reinsurance treaty.
2 Change in assets does not reconcile with values in note 41(b) due to the inclusion of reinsurance assets classified as non-participating investment contracts where, for such contracts, deposit accounting is applied on the income statement.
3 Movements in 2020 relate to the disposals of the FPI, Hong Kong and Singapore businesses.
4 Other movements in 2019 included £(427) million of negative reinsurance assets in the UK which were reclassified form insurance liabilities to reinsurance assets following a review of the presentation of negative 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 47), together with the impact of movements in related liabilities and other non-financial assets.

(ii) General insurance and health claims liabilities

	2020 £m	2019 £m
Carrying amount at 1 January	**1,687**	1,611
Impact of changes in assumptions	**81**	73
Reinsurers' share of claim losses and expenses		
Incurred in current year	**521**	195
Incurred in prior years	**(43)**	96
Reinsurers' share of incurred claim losses and expenses	**478**	291
Less:		
Reinsurance recoveries received on claims		
Incurred in current year	**(145)**	(53)
Incurred in prior years	**(163)**	(227)
Reinsurance recoveries received in the year	**(308)**	(280)
Unwind of discounting	**8**	10
Change in reinsurance asset recognised as income (note 41(b))	**259**	94
Effect of portfolio transfers, acquisitions and disposals[1]	**(9)**	—
Foreign exchange rate movements	**(4)**	(15)
Other movements	**—**	(3)
Carrying amount at 31 December	**1,933**	1,687

1 The movement during 2020 relates to the disposal of the Singapore business.

The impact of COVID-19 on reinsurers' share of incurred claim losses is estimated as £255 million. Further information on the impact of COVID-19 on general insurance and health liabilities and associated reinsurance can be found within note 59.

(iii) General insurance and health unearned premiums

	2020 £m	2019 £m
Carrying amount at 1 January	**275**	254
Premiums ceded to reinsurers in the year	**725**	683
Less: Reinsurers' share of premiums earned during the year	**(696)**	(661)
Changes in reinsurance asset recognised as income	**29**	22
Reinsurers' share of portfolio transfers and acquisitions[1]	**(4)**	—
Foreign exchange rate movements	**—**	(1)
Carrying amount at 31 December	**300**	275

1 The movement during 2020 relates to the disposal of the Singapore business.

47 – Effect of changes in assumptions and estimates during the year

This note analyses the impact of changes in estimates and assumptions from 2019 to 2020, 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 2020 £m	Effect on profit 2019 £m
Assumptions		
Long-term insurance business		
Interest rates	**(3,831)**	(2,978)
Expenses	**111**	(47)
Persistency rates	**(31)**	(124)
Mortality and morbidity for assurance contracts	**81**	(38)
Mortality for annuity contracts	**384**	830
Tax and other assumptions	**14**	9
Long-term investment business		
Expenses	**3**	—
General insurance and health business		
Change in discount rate assumptions	**(104)**	(54)
Total	**(3,373)**	(2,402)

The impact of change in interest rates on long-term business relates primarily to annuities in the UK (including any change in credit default and reinvestment risk provisions), where a reduction in the discount rate, in response to decreasing interest rates and narrowing credit spreads, has increased liabilities.

The impact of expense assumption changes on long-term business relates to the UK and Ireland, where reserves have decreased by £111 million following a review of recent experience including the expense allocations.

The impact of persistency assumption changes on long-term business relates to the UK where reserves have increased by £31 million following a review of recent experience on protection business.

The impact of change in mortality and morbidity assumptions for assurance contracts relates primarily to Singapore where prior to disposal there was a reduction in reserves of £86 million following a review of recent experience. In addition, there has been a £40 million strengthening of reserves in the UK as a result of COVID-19 partially offset by a £32 million reduction in reserves following a review of recent experience (not related to COVID-19).

The impact of mortality assumption changes for annuitant contracts on long-term business relates primarily to a reduction in reserves of £390 million in the UK. This is due to changes in assumptions on both individual and bulk purchase annuities arising from:
- Updates to base mortality to reflect recent experience of £224 million;
- Updates to the rate of mortality improvements, including moving to CMI 2019 and changing the long-term rate of future mortality improvements for males of £210 million;
- Changes to assumptions for anti-selection on individual annuities of £(68) million;
- Net impacts arising from COVID-19 of £24 million.

In 2019 the impact of mortality for annuitant contracts on long-term business related primarily to a reduction in reserves of £799 million in the UK comprising:
- Updates to base mortality to reflect recent experience for individual annuities of £81 million;
- Updates to the rate of mortality improvements for individual annuities, including CMI 2018 and a change in smoothing parameter, of £410 million;
- Refinements to modelling of bulk purchase annuities together with a change to base mortality, improvements and a change in smoothing parameter, of £231 million;
- Refinements to modelling of enhanced annuities of £58 million; and
- Other less significant movements of £19 million.

In the general insurance and health business, a negative impact of £(104) million *(2019: £(54) million negative)* has arisen primarily as a result of a decrease in the interest rates used to discount claim reserves for both periodic payment orders (PPOs) and latent claims.

48 – 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.

	2020 £m	2019 £m
Carrying amount at 1 January	**9,597**	5,949
Change in participating fund assets	**2,925**	9,411
Change in participating fund liabilities	**(1,244)**	(5,426)
Other movements[1]	**8**	—
Change in liability recognised as an expense	**1,689**	3,985
Effect of portfolio transfers, acquisition and disposals[2]	**(730)**	—
Foreign exchange rate movements	**414**	(337)
	10,970	9,597
Less: Classified as held for sale	**(1,234)**	—
Carrying amount at 31 December	**9,736**	9,597

1 Other movements relates to additional liabilities arising from the liability adequacy test for France of £8 million *(2019: £nil)*.
2 The movement during 2020 relates to disposal of the Singapore business.

The amount of UDS at 31 December 2020 has increased to £9.7 billion *(2019: £9.6 billion)*. The movement in UDS is mainly due to market movements in Europe as a result of decreasing interest rates and narrowing credit spreads; partially offset by a decrease in the UK due to an increase in liabilities for special bonus distributions, the disposal of the Singapore business and business now held for sale in Italy.

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 *(2019: no material negative UDS)*.

49 – 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 £121 million and £3 million *(2019: £104 million and £9 million)*, respectively.

The Group is party to the CFC & Dividend Group Litigation Order, 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 £108 million is included within current tax assets.

(b) Deferred tax

(i) The balances at 31 December comprise:

	2020 £m	2019 £m
Deferred tax assets	**128**	162
Deferred tax liabilities	**(1,889)**	(2,155)
Net deferred tax liability	**(1,761)**	(1,993)
Less: Classified as held for sale	**52**	(11)
	(1,709)	(2,004)

Amounts classified as held for sale include £9 million of deferred tax assets and £61 million of deferred tax liabilities. *(2019: deferred tax assets £11 million).*

49 – Tax assets and liabilities continued

(b) Deferred tax continued

(ii) The net deferred tax liability arises on the following items:

	2020 £m	2019 £m
Long-term business technical provisions and other insurance items	**2,523**	1,752
Deferred acquisition costs	**(211)**	(198)
Unrealised gains on investments	**(3,354)**	(2,875)
Pensions and other post-retirement obligations	**(477)**	(425)
Unused losses and tax credits	**121**	103
Subsidiaries, associates and joint ventures	**(19)**	(13)
Intangibles and additional value of in-force long-term business	**(397)**	(413)
Provisions and other temporary differences	**53**	76
Net deferred tax liability	**(1,761)**	(1,993)
Less: Classified as held for sale	**52**	(11)
	(1,709)	(2,004)

(iii) The movement in the net deferred tax liability was as follows:

	2020 £m	2019 £m
Net liability at 1 January	**(1,993)**	(1,700)
Adjustment at 1 January for adoption of IFRS 16	**—**	24
Net liability at 1 January restated	**(1,993)**	(1,676)
Acquisition and disposal of subsidiaries	**362**	—
Amounts (charged) to income statement (note 14(a))	**(57)**	(387)
Amounts (charged)/credited to other comprehensive income (note 14(b))	**(58)**	50
Foreign exchange rate movements	**(14)**	23
Other movements	**(1)**	(3)
Net liability at 31 December	**(1,761)**	(1,993)

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 entities 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 taxable profits will be available. Where this is the case, the directors have relied on business plans supporting future profits.

The Group has unrecognised gross tax losses (excluding capital losses) and other temporary differences of £920 million *(2019: £1,270 million)* to carry forward against future taxable income of the necessary category in the companies concerned. Of these, trading losses of £11 million *(2019: £38 million)* will expire within the next 20 years. The remaining losses have no expiry date.

In addition, the Group has unrecognised gross capital losses of £581 million *(2019: £612 million)*. These have no expiry date.

There are no temporary differences in respect of unremitted overseas retained earnings for which deferred tax liabilities have not been recognised at 31 December 2020 *(2019: £nil)*.

50 – 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

	2020 £m	2019 £m
Total IAS 19 obligations to main staff pension schemes (note 51(a))	**746**	770
Deficits in other staff pension schemes	**77**	66
Total IAS 19 obligations to staff pension schemes	**823**	836
Restructuring provisions	**48**	29
Other provisions	**565**	700
	1,436	1,565
Less: Liabilities classified as held for sale	**(1)**	—
Total provisions	**1,435**	1,565

Total Other provisions primarily include amounts set aside throughout the Group relating to product governance rectification and staff entitlements.

50 – Pension deficits and other provisions continued

(b) Movements on restructuring and other provisions

	2020 Restructuring provisions £m	2020 Other provisions £m	2020 Total £m	2019 Restructuring provisions £m	2019 Other provisions £m	2019 Total £m
At 1 January	**29**	**700**	**729**	64	577	641
Additional provisions	**24**	**127**	**151**	2	302	304
Provisions released during the period	**—**	**(53)**	**(53)**	—	(57)	(57)
Charge to income statement	**24**	**74**	**98**	2	245	247
Utilised during the year	**(5)**	**(200)**	**(205)**	(37)	(118)	(155)
Disposal of subsidiaries	**—**	**(11)**	**(11)**	—	—	—
Foreign exchange rate movements	**—**	**2**	**2**	—	(4)	(4)
At 31 December	**48**	**565**	**613**	29	700	729

Of the total restructuring and other provisions, £175 million *(2019: £569 million)* is expected to be settled more than one year after the statement of financial position date.

Other provisions include a £45 million provision *(2019: £229 million)* and a £173 million provision *(2019: £175 million)* in respect of two product governance issues in our UK Life business:

- The first relates to a historical issue with over 90% of cases identified being pre-2002 and is limited to advised sales by Friends Provident, where a number of external defined benefit pension arrangements transferred into Friends Provident pension arrangements. The reduction in the value of the provision during 2020 of £183 million is due to utilisation in the period of £168 million and a release of £15 million. The issue does not affect any other part of our business. The Group has notified its professional indemnity insurers and intends to make a claim on its insurance to mitigate the financial impact.
- The second relates to past communications to a specific sub-set of pension policyholders, that may not have adequately informed them of switching options into with-profit funds that were available to them. This issue is restricted to a product originally sold between 1985 and 1989 and acquired by Aviva through the purchase of Friends Life. It does not affect any other part of our business. We have completed a review to identify affected customers and we will ensure those affected are not disadvantaged. The most significant assumption in relation to the calculation of the provision is the estimated rates of customer switching. Each 10% reduction/increase in the rates of switching would reduce/increase the estimate of the provision by £30 million *(2019: £40 million)*. The valuation of the provision involves a high degree of judgement and estimation uncertainty due to the dependence on decisions made by customers, and therefore the possible range of outcomes is significant.

51 – Pension obligations

(a) Introduction

The Group operates a number of defined benefit and defined contribution pension schemes. The material defined benefit schemes are in the UK, Ireland and Canada. The assets and liabilities of these defined benefit schemes as at 31 December 2020 are shown below.

	2020 UK £m	2020 Ireland £m	2020 Canada £m	2020 Total £m	2019 UK £m	2019 Ireland £m	2019 Canada £m	2019 Total £m
Total fair value of scheme assets (see b(ii) below)	**18,915**	**941**	**269**	**20,125**	17,671	833	264	18,768
Present value of defined benefit obligation	**(16,623)**	**(1,123)**	**(345)**	**(18,091)**	(15,416)	(1,035)	(341)	(16,792)
Net IAS 19 surpluses/(deficits) in the schemes	**2,292**	**(182)**	**(76)**	**2,034**	2,255	(202)	(77)	1,976
Surpluses included in other assets (note 31)	**2,780**	**—**	**—**	**2,780**	2,746	—	—	2,746
Deficits included in provisions (note 50)	**(488)**	**(182)**	**(76)**	**(746)**	(491)	(202)	(77)	(770)
Net IAS 19 surpluses/(deficits) in the schemes	**2,292**	**(182)**	**(76)**	**2,034**	2,255	(202)	(77)	1,976

This note relates to the defined benefit pension schemes included in the table above. There are a number of smaller schemes that are also measured under IAS 19. These are included as a total within Deficits in other staff pension schemes (see note 50). Similarly, while the charges to the income statement for the main schemes are shown in section (b)(i) below, 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 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), 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.

51 – Pension obligations continued

(a) Introduction continued

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	
	2020 Number	2019 Number	**2020 Number**	2019 Number	**2020 Number**	2019 Number
Deferred members	**43,698**	45,748	**2,458**	2,479	**428**	467
Pensioners	**39,447**	39,038	**882**	895	**1,291**	1,313
Total members	**83,145**	84,786	**3,340**	3,374	**1,719**	1,780

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 Aviva Ireland Staff Pension Fund (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.

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:

2020	Fair Value of Scheme Assets £m	Present Value of defined benefit obligation £m	IAS 19 Pensions net surplus/ (deficits) £m
Net IAS 19 surplus in the schemes at 1 January	**18,768**	**(16,792)**	**1,976**
Past service costs – amendments[1]	**—**	**(18)**	**(18)**
Administrative expenses[2]	**—**	**(17)**	**(17)**
Total pension cost charged to net operating expenses	**—**	**(35)**	**(35)**
Net interest credited/(charged) to investment income /(finance costs)[3]	**350**	**(309)**	**41**
Total recognised in income	**350**	**(344)**	**6**
Remeasurements:			
Actual return on these assets	**1,746**	**—**	**1,746**
Less: Interest income on scheme assets	**(350)**	**—**	**(350)**
Return on scheme assets excluding amounts in interest income	**1,396**	**—**	**1,396**
Losses from change in financial assumptions	**—**	**(1,769)**	**(1,769)**
Gains from change in demographic assumptions	**—**	**43**	**43**
Experience gains	**—**	**182**	**182**
Total recognised in other comprehensive income	**1,396**	**(1,544)**	**(148)**
Employer contributions	**211**	**—**	**211**
Plan participant contributions	**2**	**(2)**	**—**
Benefits paid	**(631)**	**631**	**—**
Administrative expenses paid from scheme assets[2]	**(17)**	**17**	**—**
Foreign exchange rate movements	**46**	**(57)**	**(11)**
Net IAS 19 surplus in the schemes at 31 December	**20,125**	**(18,091)**	**2,034**

1 Past service costs include a charge of £18 million relating to the estimated liability arising in the UK defined benefit pension schemes as a result of the requirement to equalise the cash equivalent transfer values paid to former scheme members for the effects of Guaranteed Minimum Pension (GMP). This additional liability has arisen following the High Court judgement in November 2020 in the case involving Lloyds Banking Group.
2 Administrative expenses are expensed as incurred.
3 Net interest income of £58 million has been credited to investment income and net interest expense of £17 million has been charged to finance costs (see note 8).

51 – Pension obligations continued

(b) IAS 19 disclosures continued

2019	Fair Value of Scheme Assets £m	Present Value of defined benefit obligation £m	IAS 19 Pensions net surplus/ (deficits) £m
Net IAS 19 surplus in the schemes at 1 January	18,083	(15,520)	2,563
Administrative expenses[1]	—	(19)	(19)
Total pension cost charged to net operating expenses	—	(19)	(19)
Net interest credited/(charged) to investment income /(finance costs)[2]	479	(406)	73
Total recognised in income	479	(425)	54
Remeasurements:			
Actual return on these assets	1,141	—	1,141
Less: Interest income on scheme assets	(479)	—	(479)
Return on scheme assets excluding amounts in interest income	662	—	662
Losses from change in financial assumptions	—	(1,824)	(1,824)
Gains from change in financial assumptions	—	165	165
Experience gains	—	130	130
Total recognised in other comprehensive income	662	(1,529)	(867)
Employer contributions	215	—	215
Plan participant contributions	4	(4)	—
Benefits paid	(612)	612	—
Administrative expenses paid from scheme assets[1]	(19)	19	—
Foreign exchange rate movements	(44)	55	11
Net IAS 19 surplus in the schemes at 31 December	18,768	(16,792)	1,976

1 Administrative expenses are expensed as incurred.
2 Net interest income of £96 million has been credited to investment income and net interest expense of £23 million has been charged to finance costs (see note 8).

The present value of unfunded post-retirement benefit obligations included in the table above is £120 million at 31 December 2020 *(2019: £118 million)*.

During the period the ASPS completed a bulk annuity buy-in transaction 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 plan asset recognised. This has been recognised as a loss in the actual return on assets within other comprehensive income. The plan asset recognised is transferable and so has not been subject to consolidation within the Group's financial statements.

The remeasurements recognised are also a result of falling interest rates over the period; as well as an update to the corporate bond portfolio used to derive the discount rate, which reduces the liabilities under IAS 19. The impact of the change in corporate bond portfolio used to derive the discount rate is recognised as a gain from change in financial assumptions within other comprehensive income.

(ii) Scheme assets

Scheme assets are stated at their fair values at 31 December 2020.

Total scheme assets are comprised by country as follows:

	2020				2019			
	UK £m	**Ireland £m**	**Canada £m**	**Total £m**	UK £m	Ireland £m	Canada £m	Total £m
Bonds	**19,702**	**921**	**119**	**20,742**	17,343	723	141	18,207
Equities	**—**	**31**	**—**	**31**	—	—	—	—
Property	**352**	**—**	**—**	**352**	392	—	—	392
Pooled investment vehicles	**4,182**	**272**	**146**	**4,600**	4,497	283	122	4,902
Derivatives	**—**	**13**	**—**	**13**	60	4	—	64
Insurance Policies	**2,714**	**—**	**—**	**2,714**	1,977	—	—	1,977
Cash and other[1]	**(7,368)**	**(296)**	**4**	**(7,660)**	(5,952)	(177)	1	(6,128)
Total fair value of scheme assets	**19,582**	**941**	**269**	**20,792**	18,317	833	264	19,414
Less: consolidation elimination for non-transferable Group insurance policy[2]	**(667)**	**—**	**—**	**(667)**	(646)	—	—	(646)
Total IAS 19 fair value of scheme assets	**18,915**	**941**	**269**	**20,125**	17,671	833	264	18,768

1 Cash and other assets comprise cash at bank, receivables, payables, repurchase agreements and longevity swaps. At 31 December 2020, cash and other assets primarily consist of repurchase agreements of £5,168 million *(2019: £3,078 million)*.
2 As at 31 December 2020, the FPPS asset includes an insurance policy of £667 million *(2019: £646 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 £2,047 million as at 31 December 2020 *(2019: £1,331 million)* included in the ASPS assets are transferable and so are not subject to consolidation.

51 – Pension obligations continued

(b) IAS 19 disclosures continued

Total scheme assets are analysed by those that have a quoted market price in an active market and other as follows:

	2020			2019		
	Quoted in an active market £m	**Other £m**	**Total £m**	Quoted in an active market £m	Other £m	Total £m
Bonds	**16,770**	**3,972**	**20,742**	14,399	3,808	18,207
Equities	**31**	**—**	**31**	—	—	—
Property	**—**	**352**	**352**	—	392	392
Pooled investment vehicles	**128**	**4,472**	**4,600**	178	4,724	4,902
Derivatives	**12**	**1**	**13**	9	55	64
Insurance Policies	**—**	**2,714**	**2,714**	—	1,977	1,977
Cash and other[1]	**(2,021)**	**(5,639)**	**(7,660)**	(2,611)	(3,517)	(6,128)
Total fair value of scheme assets	**14,920**	**5,872**	**20,792**	11,975	7,439	19,414
Less: consolidation elimination for non-transferable Group insurance policy[2]	**—**	**(667)**	**(667)**	—	(646)	(646)
Total IAS 19 fair value of scheme assets	**14,920**	**5,205**	**20,125**	11,975	6,793	18,768

1 Cash and other assets comprise cash at bank, receivables, payables, repurchase agreements and longevity swaps. At 31 December 2020, cash and other assets primarily consist of repurchase agreements of £5,168 million *(2019: £3,078 million)*.
2 As at 31 December 2020, the FPPS asset includes an insurance policy of £667 million *(2019: £646 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 £2,047 million as at 31 December 2020 *(2019: £1,331 million)* included in the ASPS assets are transferable and so are not subject to consolidation.

IAS 19 plan assets include investments in Group-managed funds in the consolidated statement of financial position of £2,530 million *(2019: £2,575 million)* and transferable insurance policies with other Group companies of £2,047 million *(2019: £1,331 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 2020.

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.

Financial assumptions

The main financial assumptions used to calculate scheme liabilities under IAS 19 are:

	UK		Ireland		Canada	
	2020	2019	**2020**	2019	**2020**	2019
Inflation rate[1]	**3.0%/2.4%**	3.0%/2.2%	**1.4%**	1.5%	**2.0%**	2.0%
General salary increases[2]	**4.75%**	4.8%	**2.9%**	3.0%	**2.5%**	2.5%
Pension increases[3]	**3.0%/2.4%**	3.0%/2.2%	**0.3%**	0.35%	**1.25%**	1.25%
Deferred pension increases[3]	**3.0%/2.4%**	3.0%/2.2%	**1.4%**	1.5%	**—**	—
Discount rate[4,5]	**1.31%/1.37% (non-insured members) 1.34%/1.22% (insured members)**	1.9% (non-insured members) 1.9%/1.8% (insured members)	**0.75%/0.85%**	1.1%/1.2%	**2.375%**	3.00%
Basis of discount rate	AA-rated corporate bonds		AA-rated corporate bonds		AA-rated corporate bonds	

1 For the UK schemes, assumptions provided for RPI/CPI. In the UK, relevant RPI/CPI swap curves are used, which are equivalent to the single rates shown for ASPS. In 2020, CPI is derived as RPI less 80 bps pre 2030 and RPI less 0 bps post 2030 *(2019: RPI less 100 bps pre 2030 and RPI less 60 bps post 2030)*. The change in adjustment applied post 2030 reflects the reforms to the RPI set out in the joint consultation response issued by the UK Government and UK Statistics Authority in November 2020.
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, assumptions are provided for RPI/CPI. In the UK, relevant RPI/CPI swap curves are used, which are equivalent to the single rates shown for ASPS. The assumptions are also adjusted to reflect the relevant caps/floors and the inflation volatility.
4 To calculate scheme liabilities in the UK, a discount rate of 1.31% is used for ASPS and RAC members and 1.37% for FPPS members not included in annuity policies held by the scheme. A discount rate of 1.34% is used for ASPS members and 1.22% 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 0.75% and 0.85% 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.

51 – Pension obligations continued

(b) IAS 19 disclosures continued

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 2020 for scheme members are as follows:

Mortality table		Normal retirement age (NRA)	Life expectancy/(pension duration) at NRA of a male: Currently aged NRA	Life expectancy/(pension duration) at NRA of a male: 20 years younger than NRA	Life expectancy/(pension duration) at NRA of a female: Currently aged NRA	Life expectancy/(pension duration) at NRA of a female: 20 years younger than NRA
UK						
– ASPS	SAPS tables as a proxy for Club Vita pooled experience, including an allowance for future improvements	60	88.0 (28.0)	89.4 (29.4)	89.8 (29.8)	92.0 (32.0)
– RAC	SAPS, including allowances for future improvement	65	86.8 (21.8)	88.4 (23.4)	89.6 (24.6)	91.5 (26.5)
– FPPS	SAPS, including allowances for future improvement	60	87.4 (27.4)	89.4 (29.4)	90.2 (30.2)	92.3 (32.3)
Ireland – AISPF	73%/81% PNA00 with allowance for future improvements	61	89.8 (28.8)	92.8 (31.8)	91.5 (30.5)	94.4 (33.4)
– FFPS	88%/91% ILT15 with allowance for future improvements	65	86.7 (21.7)	89.0 (24.0)	89.1 (24.1)	91.1 (26.1)
Canada	Canadian Pensioners' Mortality 2014 Private Table, including allowance for future improvements	65	87.1 (22.1)	88.6 (23.6)	89.6 (24.6)	90.9 (25.9)

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_2019 (S=7.25) Advanced with adjustments' model *(2019: 'CMI_2018 (S=7.25) Advanced with adjustments')*, with a long-term improvement rate of 1.5% per annum *(2019: 1.75% per annum)* for males and 1.5% per annum *(2019: 1.5% per annum)* for females. The CMI_2019 tables have been adjusted by adding 0.25% per annum *(2019: 0.25% per annum)* and 0.35% per annum *(2019: 0.35% per annum)* to the initial rate of mortality improvements for males and females respectively (to allow for greater mortality improvements in the pension scheme membership relative to the general population on which CMI_2019 is based), and uses the advanced parameters to taper the long-term improvement rates to zero between ages 90 and 115 *(2019: long-term improvement rates taper to zero between ages 90 and 115)* (the 'core' parameters taper the long-term improvement rates to zero between ages 85 and 110).

Sensitivity analysis

Significant actuarial assumptions for the determination of the defined benefit obligation are discount rate, inflation rate and mortality. The sensitivity analysis below has been determined by changing the respective assumptions while holding all other assumptions constant. The following table summarises how the defined benefit obligation would have increased/(decreased) as a result of the change in the respective assumptions:

Impact on present value of defined benefit obligation

	Increase in discount rate +1% £m	Decrease in discount rate -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 2020	**(2,976)**	**3,950**	**2,647**	**(2,067)**	**714**
Impact on present value of defined benefit obligation at 31 December 2019	(2,786)	3,713	2,627	(2,037)	613

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. In addition, the sensitivities shown are for liabilities only and ignore the impact on assets, which would significantly mitigate the net interest rate and inflation sensitivity impact on the net surplus, as well as the longevity sensitivity impact due to the insurance policy and longevity swap assets held by the UK schemes.

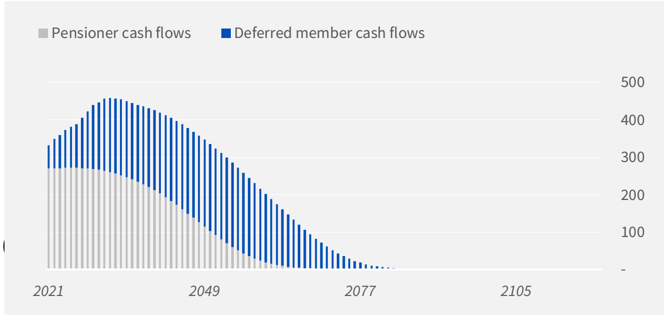
51 – Pension obligations continued

(b) IAS 19 disclosures continued

Maturity profile of the defined benefit obligation

The discounted scheme liabilities have an average duration of 19 years in ASPS, 21 years in FPPS, 19 years in the RAC scheme, 19 years in AISPF, 28 years in FFPS and 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

As noted above, 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 will continue to evolve over time and is expected to match the liability profile increasingly 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 reduced 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 £5 billion of pensioner in payment scheme liabilities.

In October 2019 the ASPS completed a bulk annuity buy-in transaction with Aviva Life & Pensions UK Limited, a Group Company. This covered approximately £1.1 billion of liabilities related to deferred pensioners and current pensioners, removing the investment and longevity risk for these members from the scheme. A further buy-in transaction with Aviva Life & Pensions UK Limited took place in October 2020, and covered approximately £0.6 billion of liabilities relating to deferred pensioners and current pensioners.

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 £0.6 billion of pensioner in payment scheme liabilities.

(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 IAS19 purposes, which are best estimate.

For the ASPS, following the latest formal actuarial valuation (with an effective date of 31 March 2018) a schedule of contributions was agreed with the trustees, even though the ASPS was fully funded on its technical provisions basis consistent with the requirements of the UK pension regulations.

Total employer contributions for all defined benefit schemes in 2021 are currently expected to be £0.2 billion.

(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.

51 – Pension obligations continued

(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:

	2020 £m	2019 £m
Continuing operations		
UK defined benefit schemes	17	21
Overseas defined benefit schemes	1	1
Total defined benefit schemes from continuing operations (note 11(b))	**18**	22
UK defined contribution schemes	147	141
Overseas defined contribution schemes	21	21
Total defined contribution schemes from continuing operations (note 11(b))	**168**	162
Charge for pension schemes from discontinued operations	—	2
Total charge for pension schemes	**186**	186

There were no significant contributions payable or prepaid in the consolidated statement of financial position as at either 31 December 2020 or 2019.

52 – 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 and contractual maturity amounts of each type and explains their main features and movements during the year.

(a) Analysis of total borrowings

Total borrowings comprise:

	2020 £m	2019 £m
Core structural borrowings, at amortised cost	8,253	7,496
Operational borrowings, at amortised cost	308	338
Operational borrowings, at fair value	1,166	1,233
	1,474	1,571
	9,727	9,067
Less: Liabilities classified as held for sale	(43)	(28)
	9,684	9,039

(b) Core structural borrowings

(i) The carrying amounts of these borrowings are:

	2020 £m	2019 £m
Subordinated debt		
6.125% £700 million subordinated notes 2036	695	695
6.125% £800 million undated subordinated notes	798	797
6.875% £600 million subordinated notes 2058	595	594
12.000% £162 million subordinated notes 2021	166	179
8.250% £500 million subordinated notes 2022	526	545
6.625% £450 million subordinated notes 2041	450	449
6.125% €650 million subordinated notes 2043	581	549
3.875% €700 million subordinated notes 2044	624	591
5.125% £400 million subordinated notes 2050	396	395
3.375% €900 million subordinated notes 2045	799	756
4.500% C$450 million subordinated notes 2021	258	261
4.375% £400 million subordinated notes 2049	395	395
4.000% £500 million subordinated notes 2055	493	—
4.000% C$450 million subordinated notes 2030	257	—
	7,033	6,206
Senior notes		
0.625% €500 million senior notes 2023	446	422
1.875% €750 million senior notes 2027	666	630
	1,112	1,052
Commercial paper	108	238
Total	8,253	7,496

In 2020 the Group issued further subordinated debt and reduced the outstanding commercial paper balance. Further details are set out below:

- On 3 June 2020, Aviva plc issued £500 million of subordinated debt at 4.000%, with final maturity in June 2055 and first call in June 2035.
- On 2 October 2020, Aviva plc issued C$450 million of subordinated debt at 4.000% which matures in October 2030.
- The outstanding commercial paper balance was reduced to £108 million *(2019: £238 million)* during 2020.

All borrowings are stated at amortised cost.

52 – Borrowings continued

(b) Core structural borrowings continued

(ii) The contractual maturity dates of undiscounted cash flows for these borrowings are:

			2020			2019
	Principal £m	**Interest £m**	**Total £m**	Principal £m	Interest £m	Total £m
Within one year	**528**	**387**	**915**	238	372	610
1 to 5 years	**948**	**1,342**	**2,290**	1,347	1,255	2,602
5 to 10 years	**930**	**1,613**	**2,543**	636	1,451	2,087
10 to 15 years	**—**	**1,540**	**1,540**	—	1,417	1,417
Over 15 years	**5,864**	**2,831**	**8,695**	5,257	2,636	7,893
Total contractual undiscounted cash flows	**8,270**	**7,713**	**15,983**	7,478	7,131	14,609

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 £49 million *(2019: £49 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.

(c) Operational borrowings

(i) The carrying amounts of these borrowings are:

	2020 £m	2019 £m
Amounts owed to financial institutions		
Loans	**308**	338
Securitised mortgage loan notes		
UK lifetime mortgage business (note 26(b))	**1,166**	1,233
Total	**1,474**	1,571

All the above borrowings are stated at amortised cost, except for the loan notes issued in connection with the UK lifetime mortgage business of £1,166 million *(2019: £1,233 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 24. 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 26.

(ii) The contractual maturity dates of undiscounted cash flows for these borrowings are:

			2020			2019
	Principal £m	**Interest £m**	**Total £m**	Principal £m	Interest £m	Total £m
Within one year	**298**	**41**	**339**	294	46	340
1 to 5 years	**431**	**149**	**580**	392	173	565
5 to 10 years	**448**	**143**	**591**	559	148	707
10 to 15 years	**198**	**111**	**309**	59	116	175
Over 15 years	**72**	**60**	**132**	212	109	321
Total contractual undiscounted cash flows	**1,447**	**504**	**1,951**	1,516	592	2,108

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.

52 – Borrowings continued

(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%
£800 million	29 Sep 2003	Undated	29 Sep 2022	5 year Benchmark Gilt + 2.40%
£600 million	20 May 2008	20 May 2058	20 May 2038	3 month LIBOR + 3.26%
£162 million	21 May 2009	21 May 2021	N/A	N/A
£500 million	21 April 2011	21 April 2022	N/A	N/A
£450 million	26 May 2011	3 June 2041	3 June 2021	6 Month LIBOR + 4.136%
€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	3 month LIBOR + 4.022%
€900 million	4 June 2015	4 December 2045	4 December 2025	3 month Euribor + 3.55%
C$450 million	9 May 2016	10 May 2021	N/A	N/A
£400 million	12 September 2016	12 September 2049	12 September 2029	3 month LIBOR + 4.721%
£500 million	3 June 2020	3 June 2055	3 March 2035	Benchmark Gilt Rate + 4.70%
C$450 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 2020 was £8,233 million *(2019: £7,211 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 2020 was £1,217 million *(2019: £1,134 million)*.

(iii) Commercial paper

The commercial paper consists of £108 million issued by the Company *(2019: £238 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.

(iv) Loans

Loans owed to financial institutions comprise:

	2020 £m	2019 £m
Non-recourse		
Loans to property partnerships	**22**	64
Other non-recourse loans	**52**	52
	74	116
Other loans	**234**	222
	308	338

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 £22 million *(2019: £64 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 2020 was £52 million *(2019: £52 million)*.

Other loans of £234 million *(2019: £222 million)* include external debt raised by overseas long-term businesses to fund operations.

(v) Securitised mortgage loan notes

Loan notes have been issued by special purpose securitisation companies in the UK. Details are given in note 26.

52 – Borrowings continued

(e) Movements during the year

Movements in borrowings during the year were:

	2020			2019		
	Core Structural £m	Operational £m	Total £m	Core Structural £m	Operational £m	Total £m
New borrowings drawn down, excluding commercial paper, net of expenses	**754**	**(2)**	**752**	—	75	75
Repayment of borrowings, excluding commercial paper[1]	**(499)**	**(69)**	**(568)**	(210)	(231)	(441)
Movement in commercial paper[2]	**(150)**	**—**	**(150)**	19	—	19
Net cash outflow	**105**	**(71)**	**34**	(191)	(156)	(347)
Foreign exchange rate movements	**177**	**36**	**213**	(204)	(28)	(232)
Borrowings reclassified/(loans repaid) for non-cash consideration[1]	**499**	**(26)**	**473**	210	(4)	206
Fair value movements	**—**	**(11)**	**(11)**	—	38	38
Amortisation of discounts and other non-cash items	**(24)**	**—**	**(24)**	(23)	—	(23)
Movements in debt held by Group companies[3]	**—**	**(25)**	**(25)**	5	—	5
Movements in the year	**757**	**(97)**	**660**	(203)	(150)	(353)
Balance at 1 January	**7,496**	**1,571**	**9,067**	7,699	1,721	9,420
Balance at 31 December	**8,253**	**1,474**	**9,727**	7,496	1,571	9,067

1 On 23 June 2020, notification was given that the Group would redeem 5.9021% £500 million direct capital instrument. At that date, the instruments were reclassified as a financial liability of £499 million, representing the fair value at that date. On 27 July 2020 the instruments were redeemed in full at a cost of £500 million. The difference of £1 million between the carrying amount of £500 million and fair value of £499 million was charged to retained earnings. On 17 October 2019, notification was given that the Group would redeem the 6.875% £210 million tier 1 notes. At that date, the instruments were reclassified as a financial liability of £210 million, representing the fair value at that date. On 21 November 2019 the instruments were redeemed in full at a cost of £210 million. The difference of £21 million between the carrying amount of £231 million and fair value of £210 million was charged to retained earnings.
2 Gross issuances of commercial paper were £214 million in 2020 *(2019: £505 million)*, offset by repayments of £364 million *(2019: £486 million)*.
3 Certain subsidiary companies have purchased subordinated notes and securitised loan notes issued by Group companies as part of their investment portfolios. In the consolidated statement of financial position, borrowings are shown net of these holdings but movements in such holdings over the year are reflected in the tables above.

All movements in fair value in 2019 and 2020 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:

	2020 £m	2019 £m
Expiring within one year	**—**	—
Expiring beyond one year	**1,700**	1,650
	1,700	1,650

(g) Subsequent events

On 3 March 2021 the Group approved the launch of £800 million of tender offers for certain series of its euro and sterling denominated notes to expedite the delivery of the Group's debt reduction targets.

53 – Payables and other financial liabilities

This note analyses our payables and other financial liabilities at the end of the year.

	2020 £m	2019 £m
Payables arising out of direct insurance	**1,317**	1,503
Payables arising out of reinsurance operations	**331**	348
Deposits and advances received from reinsurers	**95**	78
Bank overdrafts (see below)	**908**	870
Derivative liabilities (note 60)	**7,659**	6,517
Amounts due to brokers for investment purchases	**207**	314
Obligations for repayment of cash collateral received	**7,468**	6,329
Lease liabilities (note 23(iii))	**533**	572
Other financial liabilities	**2,335**	1,634
Total	**20,853**	18,165
Less: Liabilities classified as held for sale	**(186)**	(27)
	20,667	18,138
Expected to be settled within one year	**14,361**	13,856
Expected to be settled in more than one year	**6,492**	4,309
	20,853	18,165

Bank overdrafts amount to £541 million *(2019: £536 million)* in life business operations and £367 million *(2019: £334 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.

54 – Other liabilities
This note analyses our other liabilities at the end of the year.

	2020 £m	2019 £m
Deferred income	**108**	135
Reinsurers' share of deferred acquisition costs	**28**	23
Accruals	**1,346**	1,197
Other liabilities	**1,625**	1,799
Total	**3,107**	3,154
Less: Liabilities classified as held for sale	**(64)**	(60)
	3,043	3,094
Expected to be settled within one year	**2,721**	2,399
Expected to be settled in more than one year	**386**	755
	3,107	3,154

55 – 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 43 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.

In addition, COVID-19 has given rise to an increase in the uncertainty over the general insurance business outstanding claims provisions and long-term business provisions. The impact on the Group's insurance liabilities as a result of the global pandemic has been recognised (see note 47 for long-term business and note 42(c(iv)) for general insurance and health business). However, due to the uncertainty around the long-term impacts of COVID-19, actual experience may differ from that expected.

Business Interruption
On 15 January 2021, the Supreme Court handed down its judgement on the appeal for the FCA Test Case on business interruption cover. Aviva was not a party to the Test Case, but fully supported the process. The Supreme Court judgement has been carefully considered and the impact on claims related to business interruption policies assessed. In Canada, we are party to a number of litigation proceedings challenging coverage under certain policies; however, we do not believe there is 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. For further information on our general insurance risk management see note 59(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 various jurisdictions, including Europe, Canada and Australia. 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 45 gives details of these guarantees and options. In providing these guarantees and options, the Group's capital position is sensitive to fluctuations in financial variables including foreign currency exchange rates, interest rates, property values and equity prices. Interest rate guaranteed returns, such as those available on guaranteed annuity options, are sensitive to interest rates falling below the guaranteed level. Other guarantees, such as maturity value guarantees and guarantees in relation to minimum rates of return, are sensitive to fluctuations in the investment return below the level assumed when the guarantee was made. The directors continue to believe that the existing provisions for such guarantees and options are sufficient.

55 – Contingent liabilities and other risk factors continued

(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 regulators outside the UK typically have similar powers, but in some cases they also operate a system of 'prior product approval'.

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 £742 million as at 31 December 2020 *(2019: £707 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 2020, 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 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.

56 – Capital commitments

This note gives details of our commitments to capital expenditure. See note 23 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:

	2020 £m	2019 £m
Infrastructure loan advances	**833**	853
Investment property	**167**	115
Property and equipment	**46**	62
Other investment vehicles[1]	**123**	241
	1,169	1,271

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 19 and 20 set out the commitments the Group has to its joint ventures and associates.

57 – 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 the minimum capital requirements of regulators in each territory in which it operates. At a Group level, we have to comply with the requirements established by the Solvency II Framework Directive, as adopted by the PRA under the transitional approach to the UK's withdrawal from the European Union.

The Group Solvency II capital requirements are calculated using a Partial Internal Model (PIM) which assesses the risks the Group is exposed to 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-EEA 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-EEA businesses including Canada are subject to the locally applicable capital requirements in the jurisdictions in which they operate.

Group capital continues to be 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.

57 – Group capital management continued

(a) Group capital continued

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 £2,492 million at 31 December 2020 *(2019: £2,501 million)* and staff pension schemes in surplus of £1,179 million at 31 December 2020 *(2019: £1,181 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 2020 Solvency II position includes a notional reset (£564 million increase in surplus) while the 31 December 2019 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; and
- A change in regulations announced in December 2019 allows French insurers to place a part of the Provision pour Participation aux Excédents (PPE) into Solvency II own funds. At 31 December 2019 PPE was included in the France local regulatory own funds but was excluded from the estimated Group regulatory and shareholder own funds, subject to confirmation of the appropriate treatment at Group level. The treatment has since been confirmed and PPE of £385 million is included within Group regulatory own funds at 31 December 2020 but remains excluded from the shareholder position.

	2020 £m	2019 £m
Estimated Solvency II regulatory own funds as at 31 December	**29,262**	28,347
Adjustments for:		
Fully ring-fenced with-profits funds	**(2,492)**	(2,501)
Staff pension schemes in surplus	**(1,179)**	(1,181)
Notional reset of TMTP	**564**	—
PPE	**(385)**	—
Pro forma adjustments[1]	**—**	(117)
Estimated Solvency II shareholder own funds at 31 December	**25,770**	24,548

1 The 31 December 2019 Solvency II position includes pro forma adjustments for the disposal of FPI (£111 million reduction in own funds), the disposal of Hong Kong (£6 million reduction in own funds) and the potential impact of an expected change to Solvency II regulations on the treatment of equity release mortgages (£nil impact on own funds). The 31 December 2020 Solvency II position does not include proforma adjustments. Note that from 31 December 2020 no pro forma adjustments will be made for planned disposals.

Solvency II own funds are comprised of a combination of shareholders' funds, preference share capital, direct capital instruments, subordinated debt, and deferred tax assets measured on a Solvency II basis. During the year, the Group redeemed its £500 million 5.9021% direct capital instrument in full (see note 37).

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 2020. All regulated subsidiaries complied with their capital requirements throughout the year.

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.

(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 a new dividend policy and capital framework announced in November 2020.

The Group seeks to, on a consistent basis:

- Maintain sufficient, but not excessive, financial strength in accordance with risk appetite, to support new business growth and satisfy the requirements of our regulators and other stakeholders giving both our customers and shareholders assurance of our financial strength. See note 59 for more information about the Group's risk management approach;
- Retain financial flexibility by maintaining strong liquidity, access to a range of capital markets and significant unutilised committed credit lines;
- Manage an appropriate level of leverage to ensure an efficient capital structure;
- Allocate capital rigorously to support value adding growth and return excess capital to shareholders where appropriate; and
- Operate a sustainable dividend policy with a level of dividend that is resilient in times of stress and is covered by the capital and cash generated from the core markets of UK, Ireland and Canada.

58 – Statement of cash flows

This note gives further detail behind the figures in the statement of cash flows. The comparative amounts in (a), (b) and (c) have been re-presented from those previously published to reclassify certain operations in Asia as discontinued operations as described in note 1.

(a) The reconciliation of profit before tax to the net cash inflow from operating activities is:

Continuing operations	2020 £m	2019 £m
Profit before tax	**2,613**	3,821
Adjustments for:		
Share of profits of joint ventures and associates	**(27)**	(94)
Dividends received from joint ventures and associates	**57**	79
(Profit)/loss on sale of:		
Investment property	**(5)**	(58)
Property and equipment	**4**	2
Subsidiaries, joint ventures and associates	**(12)**	(6)
Investments	**(3,850)**	(10,259)
	(3,863)	(10,321)
Fair value (gains)/losses on:		
Investment property	**372**	(93)
Investments	**(6,549)**	(17,901)
Borrowings	**(11)**	38
	(6,188)	(17,956)
Depreciation of property and equipment	**103**	93
Equity compensation plans, equity settled expense	**37**	62
Impairment and expensing of:		
Goodwill on subsidiaries	**17**	2
Financial investments, loans and other assets	**(5)**	14
Acquired value of in-force business and intangibles	**23**	13
Non-financial assets	**46**	22
	81	51
Amortisation of:		
Premium/discount on debt securities	**319**	109
Premium/discount on borrowings	**(24)**	(23)
Premium/discount on non-participating investment contracts	**85**	101
Financial instruments	**84**	23
Acquired value of in-force business and intangibles	**323**	383
	787	593
Change in unallocated divisible surplus	**1,528**	3,616
Interest expense on borrowings	**536**	545
Net finance income on pension schemes	**(41)**	(73)
Foreign currency exchange losses	**176**	349
Changes in working capital		
Increase in reinsurance assets	**(1,378)**	(782)
Increase in deferred acquisition costs	**(109)**	(230)
Decrease in insurance liabilities and investment contracts	**16,922**	32,146
Decrease/(Increase) in other assets	**2,345**	(263)
	17,780	30,871
Net purchases of operating assets		
Net purchases of investment property	**(1,262)**	(1,131)
Net proceeds on sale of investment property	**1,004**	1,294
Net purchases of financial investments	**(14,965)**	(5,407)
	(15,223)	(5,244)
Total cash (used in)/generated from operating activities from continuing operations	**(1,644)**	6,392

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.

(b) Cash flows in respect of the acquisition of, and additions to, subsidiaries, joint ventures and associates comprised:

Continuing operations	2020 £m	2019 £m
Cash consideration for subsidiaries, joint ventures and associates acquired and additions	**(11)**	(20)
Less: Cash and cash equivalents acquired with subsidiaries	**—**	1
Total cash flow on acquisitions and additions from continuing operations	**(11)**	(19)

58 – Statement of cash flows continued

(c) Cash flows in respect of the disposal of subsidiaries, joint ventures and associates comprised:

	2020 £m	2019 £m
Continuing operations		
Cash proceeds from disposal of subsidiaries, joint ventures and associates	**14**	12
Less: Net cash and cash equivalents divested with subsidiaries	**(2)**	—
Cash flow on disposals from continuing operations	**12**	12
Discontinued operations		
Cash proceeds from disposal of subsidiaries, joint ventures and associates	**1,208**	—
Less: Net cash and cash equivalents divested with subsidiaries	**(1,065)**	—
Cash flow on disposals from discontinued operations	**143**	—
Total cash flow on disposals	**155**	12

The above figures form part of cash flows from investing activities.

(d) Cash and cash equivalents in the statement of cash flows at 31 December comprised:

	2020 £m	2019 £m
Cash at bank and in hand	**6,495**	6,722
Cash equivalents	**10,595**	13,582
	17,090	20,304
Bank overdrafts	**(908)**	(870)
	16,182	19,434

Cash and cash equivalents reconciles to the statement of financial position as follows:

	2020 £m	2019 £m
Cash and cash equivalents (excluding bank overdrafts)	**17,090**	20,304
Less: Assets classified as held for sale	**(190)**	(780)
	16,900	19,524

59 – Risk management

Risk management is key to Aviva's success. We accept the risks inherent to our core business lines of life, health and general insurance 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 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) capital and regulatory capital.

The key elements of our risk management framework comprise our 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.

The Group's overarching risk management and internal control system is actively responding to the challenges of the COVID-19 outbreak and remains intact. We are focused on ensuring that the control environment remains robust in the current operating environment.

Risk environment

During the year, the Group has been impacted by the COVID-19 pandemic through its operations, insurance products and asset holdings as well as ongoing difficult conditions in the global financial markets and the economy generally. General insurance products are impacted as a result of disruption to business and travel insured by the Group; life protection products as a result of increased mortality; savings and asset management revenues which are sensitive to asset values; and income protection, critical illness and health insurance products as a result of increased morbidity, offset by a potential reduction in annuity payments.

We have seen COVID-19 have a significant impact on the global economy and markets. Key impacts have been observed from volatile equity markets and falls in interest rates. We have taken a number of actions to reduce our exposure to equity and interest rate risk across all our markets. We have also taken a number of actions to reduce our exposure to credit spread and counterparty default risk across our major markets. The Group's balance sheet exposure has been reviewed and actions are being taken to further reduce the sensitivity to economic shocks.

The Group continues to maintain strong solvency and liquidity positions through a range of scenarios and stress testing. These scenarios allow for the potential impacts of COVID-19 both directly on operations of the Group and also the wider macroeconomic environment. Key financial actions taken in response to the crisis include significant de-risking to reduce sensitivity to equity and corporate credit spreads. We have been closely engaging with regulators in both Europe and globally on their response to COVID-19. The FCA Business Interruption test case judgement was broadly in line with expectations and reserves are not expected to materially change.

59 – Risk management continued

Risk environment continued

Risks associated with business conduct and financial crime heightened in the year with COVID-19 becoming a pretext for phishing activity, leading to pension and investment fraud. An increase in switching, churning and exaggerated or fraudulent GI claims is expected, particularly if the economic impact is prolonged. Our controls have been effectively monitoring this situation.

In the current climate, areas of increased conduct risk have been identified across the Group in relation to the financial vulnerability of our customers, product suitability and fair value. In response, our businesses have taken action to support the needs of different customer groups and we continue to work with local regulators. Steps have been taken to support our customers and their local communities, whether that be through extension of covers, additional support to customers and charitable donations.

The UK-EU Future Relationship Agreement came into effect on 1 January 2021, ending the Brexit transition period, for which the Group was fully prepared. It provides scope for managed policy divergence or maintaining alignment, if the UK chooses. The agreement will have evolving consequences in 2021 and beyond on future financial services and data regulation, UK-EU data transfers, EU market access and the UK economy which will require careful monitoring.

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. We are acting now to mitigate and manage the impact of climate change on our business. We calculate a Climate VaR against 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.

The Group is in the process of implementing the new international accounting standards for insurance contracts, IFRS 17 Insurance Contracts. The impact of the adoption of IFRS 17 significantly impacts the measurement and presentation of the contracts in scope of the standard. It is now expected that the standard will apply to annual reporting periods beginning on or after 1 January 2023.

(a) Risk management framework

For the purposes of risk identification and measurement, and aligned to Aviva's risk policies, risks are usually grouped by risk type: credit, market, liquidity, life insurance (including long-term health), general insurance (including short-term health), asset management and operational risk. Risks falling within these types may affect a number of metrics including those relating to balance sheet strength, liquidity and profit. They may also affect the performance of the products we deliver to our customers and the service to our customers and distributors, which can be categorised as risks to our brand and reputation or as conduct risk.

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, appetite, framework and minimum requirements for the Group's worldwide operations. The business Chief Executive Officers make an annual declaration supported by an opinion from the business Chief Risk Officers that the system of governance and internal controls was effective and fit for purpose for their business throughout the year.

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 on the basis of the Solvency II SCR.

Roles and responsibilities for risk management in Aviva are based around the 'three lines of defence model' where ownership for risk is taken at all levels in the Group. Line management in the business is accountable for risk management, including the implementation of the risk management framework and embedding of the risk culture. 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 risk management framework. Internal Audit provides an independent assessment of the risk framework and internal control processes.

Board oversight of risk and risk management across the Group is maintained on a regular basis through its Risk Committee and Customer, Conduct and Reputation Committee. To further align with our strategic priority to transform customer experiences, the Customer, Conduct and Reputation Committee was designated as a sub-committee of the Risk Committee. The Board has overall responsibility for determining risk appetite, which is an expression of the risk the business is willing to take. Risk appetites are set relative to capital and liquidity at Group and in the business units.

The risk management framework of a small number of our joint ventures and strategic equity holdings differs from the Aviva framework 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 framework.

The types of risks to which the Group is exposed have not changed significantly during the year and remain credit, market, liquidity, life and health insurance, general insurance, 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 we 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, due to 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.

59 – Risk management continued

(b) Credit risk continued

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 ensure detailed reporting and monitoring of their exposures against 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.

As a result of the financial market impact of COVID-19 we have taken a number of actions to reduce our exposure to credit spread and counterparty default risk across our major markets. Actions include purchasing tactical derivative hedges, asset disposals and reallocation and reducing new business sales in certain markets and products. We continue to monitor credit quality in our Commercial Mortgage and Equity Release Mortgage portfolios, specific de-risking actions include phased sales and credit hedging.

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 2020	AAA £m	AA £m	A £m	BBB £m	Below BBB £m	Not rated £m	Carrying value including held for sale £m	Less: Assets classified as held for sale £m	Carrying value £m
Fixed maturity securities	**9.7%**	**34.0%**	**21.4%**	**23.2%**	**7.3%**	**4.4%**	**216,154**	**(13,317)**	**202,837**
Reinsurance assets	**—**	**77.4%**	**21.0%**	**—**	**—**	**1.6%**	**13,356**	**(18)**	**13,338**
Other investments	**—**	**0.1%**	**0.3%**	**—**	**—**	**99.6%**	**51,627**	**(3,490)**	**48,137**
Loans	**9.0%**	**10.2%**	**7.9%**	**0.4%**	**—**	**72.5%**	**43,679**	**—**	**43,679**
Total							**324,816**	**(16,825)**	**307,991**

As at 31 December 2019	AAA £m	AA £m	A £m	BBB £m	Below BBB £m	Not rated £m	Carrying value including held for sale £m	Less: Assets classified as held for sale £m	Carrying value £m
Fixed maturity securities	10.7%	34.1%	19.7%	23.0%	8.0%	4.5%	199,481	(649)	198,832
Reinsurance assets	3.3%	75.8%	9.2%	7.8%	—	3.9%	12,431	(75)	12,356
Other investments	0.2%	—	0.3%	0.1%	—	99.4%	51,935	(6,919)	45,016
Loans	18.3%	3.8%	0.1%	—	—	77.8%	38,580	(1)	38,579
Total							302,427	(7,644)	294,783

At 31 December 2020, a significant portion of assets remain investment grade in line with 2019. We have remained focused on high quality assets.

The majority of non-rated debt 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 £4,580 million (*2019: £4,095 million*) 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 2020	AAA £m	AA £m	A £m	BBB £m	Below BBB £m	Not rated £m
Loans	**3,920**	**4,468**	**3,453**	**—**	**—**	**153**
Receivables	**—**	**497**	**539**	**459**	**2**	**4,555**
Accrued income & interest	**—**	**—**	**—**	**—**	**—**	**283**
Other financial assets	**—**	**—**	**—**	**—**	**—**	**12**
Total	**3,920**	**4,965**	**3,992**	**459**	**2**	**5,003**

As at 31 December 2019	AAA £m	AA £m	A £m	BBB £m	Below BBB £m	Not rated £m
Loans	7,065	1,443	—	—	—	1,071
Receivables	—	144	338	259	4	5,044
Accrued income & interest	—	—	—	—	—	265
Other financial assets	—	—	5	—	—	—
Total	7,065	1,587	343	259	4	6,380

At the period end, the Group held cash and cash equivalents of £12,576 million *(2019: £15,344 million)* that met the SPPI criteria, of which all *(2019: £15,322 million)* 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.

59 – Risk management continued

(b) Credit risk continued

(i) Financial exposures by credit ratings continued

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 28), reinsurance assets (note 46), loans (note 25) and receivables (note 29). The collateral in place for these credit exposures is disclosed in note 61.

(ii) Other investments

Other investments (including assets of operations classified as held for sale) 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.

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.

(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's 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 Swiss Reinsurance Company Ltd (including subsidiaries), representing approximately 2.1% 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.

The Group's largest reinsurance counterparty is Swiss Reinsurance Company Ltd (including subsidiaries). At 31 December 2020, the reinsurance asset recoverable, including debtor balances, from Swiss Reinsurance Company Ltd was £2,399 million *(2019: £3,097 million)*.

(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.

59 – Risk management continued

(b) Credit risk continued

(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 2020	**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	**1,573**	—	—	**6**	—	—	**1,579**
Reinsurance assets	**9,478**	—	—	—	—	—	**9,478**
Other investments	**1**	—	—	—	—	—	**1**
Loans	**13,840**	—	—	—	—	—	**13,840**
Receivables and other financial assets	**9,326**	**18**	—	**8**	—	—	**9,352**

		Financial assets that are past due but not impaired					
As at 31 December 2019	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	1,455	—	—	6	—	—	1,461
Reinsurance assets	8,361	—	—	—	—	—	8,361
Other investments	2	—	—	—	—	—	2
Loans	10,260	—	—	—	—	—	10,260
Receivables and other financial assets	8,911	51	14	10	9	—	8,995

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: £214,575 million of debt securities *(2019: £198,020 million)*, £42,320 million of other investments *(2019: £44,836 million)*, £29,839 million of loans *(2019: £28,319 million)* and £3,860 million of reinsurance assets *(2019: £4,006 million)*.

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 included in the tables 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 due to 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. However, we have limited appetite for interest rate risk as we do not believe it is adequately rewarded.

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 the Group level and has established criteria for matching assets and liabilities to limit the impact of mismatches due to market movements.

In addition, where the Group's long-term savings businesses have written insurance and investment products where the majority of investment risks are borne by its policyholders, these risks are managed in line with local regulations and marketing literature, in order to satisfy the policyholders' risk and reward objectives. The Group writes unit-linked business in a number of its operations. 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.

As a result of the significant financial market impact of COVID-19, particularly to equity markets and interest rates, we have taken a number of actions to reduce our exposure to equity and interest rate risk across all our markets. Actions include purchasing tactical derivative hedges, asset disposals and reallocations and reducing new business sales in certain markets and products. We are also exposed to the potential impact of increased defaults and downgrades on our commercial mortgage loans although we maintain conservative loan-to-value across this portfolio. Our capital position includes an allowance for the expected potential impacts from downgrades and defaults.

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.

59 – Risk management continued

(c) Market risk continued

(i) Equity price risk continued

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. At 31 December 2020 the Group continues to hold a series of macro equity hedges to reduce the overall shareholder equity risk exposure.

Sensitivity to changes in equity prices is given in section (i) Risk and capital management, below.

(ii) Property price risk

The Group is subject to property price risk directly due to 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 2020, no material derivative contracts had been entered into to mitigate the effects of changes in property prices. 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 (i) 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 45.

Exposure to interest rate risk is monitored through several measures that include duration, capital modelling, sensitivity testing and stress and scenario testing. The impact of exposure to sustained low interest rates is considered within our scenario testing.

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.

Some of the Group's products, 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). Markets where Aviva is primarily exposed to this risk are the UK, France, Italy and some other Asian business units.

The low interest rate environment in a number of markets around the world has resulted in our current investment yields being lower than the overall current portfolio yield, primarily in our investments in fixed income securities. We anticipate that interest rates may remain below historical averages for an extended period of time and that financial markets may continue to have periods of high volatility. Investing activity will continue to decrease the portfolio yield as long as market yields remain below the current portfolio level. We expect the decline in portfolio yield will result in lower net investment income in future periods.

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 will be largely unaffected by low interest rates. Annual management fees may increase in the short term as the move towards low interest rates increases the value of unit funds. However, in the medium term, unit funds will grow at a lower rate which will reduce fund charges. For the UK annuities business, interest rate exposure is mitigated by closely matching the duration of liabilities with assets of the same duration.

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. The Group's key exposure to low interest rates arises through its other participating contracts, principally in Italy and France. Some of these contracts also include features such as guaranteed minimum bonuses, guaranteed investment returns and guaranteed surrender values. In a low interest rate environment there is a risk that the yield on assets might not be sufficient to cover these obligations. For certain of its participating contracts the Group is able to amend guaranteed crediting rates. Our ability to lower crediting rates may be limited by competition, bonus mechanisms and contractual arrangements.

59 – Risk management continued

(c) Market risk continued

(iii) Interest rate risk continued

Details of material guarantees and options are given in note 45. In addition, the following table summarises the weighted average minimum guaranteed crediting rates and weighted average book value yields on assets as at 31 December 2020 for our Italian and French participating contracts, where the Group's key exposure to sustained low interest rates arises.

	Weighted average minimum guaranteed crediting rate	Weighted average book value yield on assets	Participating contract liabilities £m
France	**0.69%**	**1.94%**	**72,620**
Italy	**0.20%**	**3.40%**	**23,941**
Other[1]	**N/A**	**N/A**	**45,237**
Total	**N/A**	**N/A**	**141,798**

1 'Other' includes UK participating business

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
2018	2.28%	14,651
2019	2.21%	14,350
2020	**1.88%**	**15,023**

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. To the extent that there are further falls in interest rates the investment yield would be expected to decrease further in future periods.

Sensitivity to changes in interest rates is given in section (i) 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.

(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 50% (*2019: 58%*) of the Group's premium income arises in currencies other than sterling and the Group's net assets are denominated in a variety of currencies, of which the largest are sterling, euro and Canadian dollars. 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 60(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 2020 and 2019, 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 2020	**16,438**	**2,374**	**635**	**1,113**	**20,560**
Net assets at 31 December 2019	16,036	819	397	1,433	18,685

59 – Risk management continued

(c) Market risk continued

(v) Currency risk continued

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 2020	**(237)**	**237**	**(64)**	**64**
Net assets at 31 December 2019	(82)	82	(40)	40

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.

A 10% change in sterling to euro/CAD$ 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.

	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 2020	**(48)**	**59**	**(31)**	**37**
Impact on profit before tax 31 December 2019	(67)	82	(18)	22

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, but less liquid assets such as commercial mortgages and infrastructure loans. The Group seeks to ensure that it maintains 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.

A cautious approach on cash remittances is being taken across the Group with some markets retaining cash rather than remitting to Group in the wake of the unprecedented challenges COVID-19 presents for businesses, households and customers, and the adverse and highly uncertain impact on the global economy.

Maturity analyses

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 52 and 60, respectively. Contractual obligations under leases and capital commitments are given in note 23 and note 56.

(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 2020 and 2019 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 therefore the tables below reflect the expected cash flows for these contracts, rather than their contractual maturity date. This table includes amounts held for sale.

59 – Risk management continued

(d) Liquidity risk continued

(i) Analysis of maturity of insurance and investment contract liabilities continued

As at 31 December 2020	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	**116,352**	**8,433**	**26,288**	**43,385**	**38,246**
Investment contracts – non-linked	**78,024**	**4,348**	**17,555**	**32,203**	**23,918**
Linked business	**178,932**	**8,187**	**27,420**	**58,411**	**84,914**
General insurance and health	**17,596**	**7,413**	**7,260**	**2,325**	**598**
Total contract liabilities	**390,904**	**28,381**	**78,523**	**136,324**	**147,676**

As at 31 December 2019	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	111,731	8,811	27,184	41,728	34,008
Investment contracts – non-linked	74,641	5,978	19,532	28,313	20,818
Linked business	177,448	16,226	26,002	58,601	76,619
General insurance and health	16,656	7,136	6,665	2,258	597
Total contract liabilities	380,476	38,151	79,383	130,900	132,042

(ii) Analysis of maturity of financial assets

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 2020	Total £m	On demand or within 1 year £m	1-5 years £m	Over 5 years £m	No fixed term £m
Fixed maturity securities	**202,837**	**50,488**	**45,917**	**106,432**	**—**
Equity securities	**100,404**	**—**	**—**	**—**	**100,404**
Other investments	**48,137**	**39,681**	**126**	**7,469**	**861**
Loans	**43,679**	**14,049**	**4,339**	**25,290**	**1**
Cash and cash equivalents	**16,900**	**16,900**	**—**	**—**	**—**
	411,957	**121,118**	**50,382**	**139,191**	**101,266**

As at 31 December 2019	Total £m	On demand or within 1 year £m	1-5 years £m	Over 5 years £m	No fixed term £m
Fixed maturity securities	198,832	42,644	47,983	106,981	1,224
Equity securities	99,570	—	—	—	99,570
Other investments	45,016	38,817	25	5,365	809
Loans	38,579	9,641	4,643	24,293	2
Cash and cash equivalents	19,524	19,524	—	—	—
	401,521	110,626	52,651	136,639	101,605

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.

59 – Risk management continued

(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 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.

We have reinsurance in place across all our markets 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 business we have surplus reinsurance for large individual claims.

The impact of COVID-19 on the profile of our life insurance risks, primarily longevity, persistency, mortality and expense risk, has been limited during 2020. We track the potential longer term impacts from the pandemic (e.g. morbidity impacts). We are also 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 approximately £5 billion of pensioner in payment scheme liabilities. Longevity risk remains the Group's most significant life insurance risk. We purchased reinsurance for longevity risk for our annuity business, including the bulk annuity buy-in transaction with the Aviva Staff Pension scheme (see note 51). 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 subject to sensitivity and stress and scenario testing.

In all of our markets, underwriting procedures on Individual Life Protection products limit our exposure to cohorts of the population at highest risk of COVID-19. While we have greater potential net exposure through Group Life Protection, we have taken pricing actions to limit our potential exposure from new business. We expect there to be some offset to increased protection claims as a result of COVID-19 from technical provision releases on our UK annuity portfolio

The assumption and management of life and health 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 and health insurance risks are managed as follows:

- Mortality and morbidity risks are mitigated by use of reinsurance. The Group allows businesses to select reinsurers, from those approved by the Group, based on local factors, but retains oversight of the overall exposures and monitors that the aggregation of risk ceded is within credit risk appetite.
- Longevity risk and internal experience analysis are monitored against 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 benchmarked against local market information. Generally, persistency risk arises from customers lapsing their policies earlier than has been assumed. Where possible the financial impact of lapses is reduced through appropriate product design. Businesses also implement specific initiatives to improve the retention of policies which may otherwise lapse. The Group has developed guidelines on persistency management.
- Expense risk is primarily managed by the business units through the assessment of business unit profitability and 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, and guaranteed minimum rate of annuity payment; 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 44.

59 – Risk management continued

(f) General insurance and health risk

The Group writes a balanced portfolio of general insurance risk (including personal motor; household; commercial motor; property and liability) across a geographically diversified spread of markets, 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.

We continue to closely monitor the impact of COVID-19 on our General insurance and health business. Our exposures, together with mitigants, are:

- Business Interruption: For the significant majority of the Group's UK General Insurance commercial policies, where policy wordings are determined by the company, cover is based on a specified list of diseases. These policies exclude business interruption due to new and emerging diseases, like COVID-19. Business interruption losses stemming from the current COVID-19 outbreak are therefore not covered under the significant majority of policies but there is a risk that litigation will be required to provide legal clarity in terms of the events and the cover provided under broker determined business interruption policy wordings where we are the lead or follow insurer and many of the issues were subject to the outcome of the FCA test case. Judgement in the FCA test case was received on 15 September 2020 and followed by the Supreme Court appeal on 15 January 2021. Following the verdict the legal uncertainty in the UK around gross losses has been significantly reduced. In order to provide clarity to policyholders and mitigate exposure to future events of a similar nature, exclusions have been added to relevant policy wordings at renewal. In Canada, we are party to a number of litigation proceedings challenging coverage under certain policies; however, we do not believe there is coverage under these policies. In Ireland, the vast majority of commercial insurance products do not respond to business interruption losses arising from the COVID-19 pandemic. In respect of broker-led wordings, Ireland continues to assess developments arising from the changing nature of Government restrictions and the outcome of both the FCA case and test case litigation in the local market.
- Travel Insurance: We are potentially exposed to claims due to travel cancellation, disruption and sickness where this is insured by the Group, primarily in the UK. We are only exposed to losses after recoveries have been made from travel providers (e.g. tour operators or airlines) and agents. Travel disruption is not part of our Aviva UK Direct cover and was removed as a policy option on 9 March but is included as standard in the majority of the added value accounts with our banking partners. COVID-19 wording has been clarified to eliminate ambiguity, pricing adjusted to ensure risk is appropriately priced and further reinsurance cover has been purchased. These costs are offset by reduced claims frequency as a result of the current low levels of international travel, and are also partially mitigated through profit commission and future pricing agreements with distribution partners.
- Other: There have also been impacts in other product lines as a result of reduced economic activity, for example there has been a reduction in claims frequency and a change in the severity of claims on motor lines. Private health insurance claims were also lower than expected levels in 2020 as a result of the disruption caused by the COVID-19 pandemic, and in the UK we provided a fair value pledge to policyholders to recognise the ongoing uncertainty around the ability to access treatment.

The Group purchases reinsurance protections on its property portfolio that includes coverage for business interruption and will seek reinsurance recoveries of those of its business interruption losses that are covered by reinsurance. The continuing nature of the event means that our final exposure is subject to a significant degree of uncertainty.

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. The total Group potential retained loss from its most concentrated catastrophe exposure peril (Northern Europe Windstorm) is approximately £150 million on a per occurrence basis and £175 million on an annual aggregate basis. Any losses above these levels are covered by the group-wide catastrophe reinsurance programme to a level in excess of a 1 in 250 year return period. In addition the Group purchases a number of GI 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. The Group's property reinsurance programme and several of its smaller specialty programmes no longer provide coverage for pandemic catastrophes following the 1 January 2021 renewal in line with the rest of the market.

59 – Risk management continued

(g) Asset management risk

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.

Due to the adverse impact of COVID-19 on the UK commercial property sectors, and in particular the difficulty in being able to assign values to our commercial property portfolios, we temporarily suspended our unit-linked property funds to redemptions for six months in March 2020. We perform stress tests to ensure that our portfolios are managed within client mandates.

(h) Operational 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.

Our business units are primarily responsible for identifying and managing operational risks within their businesses, within the Group-wide operational risk framework including the risk and control self-assessment process. Businesses must be satisfied that all material risks falling outside our risk tolerances are being mitigated, monitored and reported to an appropriate level. Any risks with a high potential impact are monitored centrally on a regular basis. Businesses use key indicator data to help monitor the status of the risk and control environment. They also identify and capture loss events, taking appropriate action to address actual control breakdowns and promote internal learning.

COVID-19 has resulted in an increased level of inherent operational risk through new practices including enforced remote working, staff absences for sickness and childcare, market volatility and through our outsourcing arrangements. Additional risks relating to extensive working from home; include cyber, data loss and occupational health. We have adapted and strengthened our processes and controls to ensure operational risks remain at an acceptable level. Since the onset of the pandemic the Group has remained operationally resilient, with key activities such as cash payments and transaction processing being maintained, IT systems remaining operational, and employees including frontline customer facing staff being supported to ensure that that we are there to support our customers when they need us most.

Aviva has not seen a material increase in the volume of cyber incidents/attacks as a result of COVID-19 but has seen external threat actors exploiting the COVID-19 pandemic within such attacks e.g. phishing, texts and phone calls. In response to this Aviva has put in place a programme of communications to ensure Aviva employees are aware of such scams, published safe homeworking guides and run online training for our employees and their families. Support has also been given to our customers, including the launch of an online reporting facility to help combat fraud.

The importance of digital interaction with our customers and advanced data analytics, the conduct, data protection and financial crime agenda of the European institutions, the FCA and other regulators, as well as the increasing cyber security threat, as evidenced by continuing instances of high profile cyber security breaches for other corporates in the UK and elsewhere, mean the Group has inherent risk exposure to data theft, conduct regulatory breaches (including financial crime) and customer service interruption due to IT systems failure. During 2020 we have continued to take action to reduce our residual exposure to these risks and improve our operational resilience through our conduct risk management framework, financial crime risk mitigation programme and significant investment in upgrading our IT infrastructure and security.

On 26 October 2020 the FCA published the outcome of its investigation into Aviva's announcement on preference shares made in March 2018. The FCA found that Aviva contravened certain provisions of the Listing Rules and the Disclosure and Transparency Rules by failing to take reasonable care to ensure that information in the announcement was not misleading and did not omit anything likely to affect the import of the information in the announcement. We have accepted the FCA decision and lessons have been learned.

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, and 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 for the product change. We seek to reduce this risk to as low a level as commercially sensible.

The FCA regularly considers whether we are meeting the requirement to treat our customers fairly and we make use of various metrics to assess our own performance, including customer advocacy, retention and complaints. Failure to meet these requirements could also impact our brands or reputation. During 2020, the FCA published their General Insurance Pricing Practices Report. We support the FCA's intent to bring greater clarity and consistency to consumers across general insurance pricing. This will be a significant area of focus for us over the next 12 months.

If we do not manage the perception of our brands and reputation successfully, it could cause existing customers or agents to withdraw from our business and potential customers or agents to choose not to do business with us.

59 – Risk management continued

(i) 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.

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.
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 2020

31 December 2020 Impact on profit 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	10	(375)	(80)	(20)	(40)	(65)	20	(5)
Insurance non-participating	(965)	1,215	(735)	(115)	100	(215)	(155)	(1,020)
Investment participating	(60)	75	—	(20)	20	(50)	—	—
Investment non-participating	(5)	5	—	5	(10)	(5)	—	—
Assets backing life shareholders' funds	(145)	180	(45)	(25)	25	—	—	—
Total	**(1,165)**	**1,100**	**(860)**	**(175)**	**95**	**(335)**	**(135)**	**(1,025)**

31 December 2020 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	10	(375)	(80)	(20)	(40)	(65)	20	(5)
Insurance non-participating	(965)	1,215	(735)	(115)	100	(215)	(155)	(1,020)
Investment participating	(60)	75	—	(20)	20	(50)	—	—
Investment non-participating	(5)	5	—	5	(10)	(5)	—	—
Assets backing life shareholders' funds	(195)	220	(50)	(25)	25	—	—	—
Total	**(1,215)**	**1,140**	**(865)**	**(175)**	**95**	**(335)**	**(135)**	**(1,025)**

59 – Risk management continued

(i) Risk and capital management continued

(iv) Sensitivity test results continued

Sensitivities as at 31 December 2019

31 December 2019 Impact on profit 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	—	5	(10)	(65)	60	(50)	10	(5)
Insurance non-participating	(985)	1,265	(800)	(120)	105	(240)	(145)	(955)
Investment participating	(85)	55	(5)	(5)	5	(25)	—	—
Investment non-participating	—	5	—	5	(5)	(5)	—	—
Assets backing life shareholders' funds	(150)	170	(35)	(35)	30	—	—	—
Total	(1,220)	1,500	(850)	(220)	195	(320)	(135)	(960)

31 December 2019 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	—	5	(10)	(65)	60	(50)	10	(5)
Insurance non-participating	(985)	1,265	(800)	(120)	105	(240)	(145)	(955)
Investment participating	(85)	55	(5)	(5)	5	(25)	—	—
Investment non-participating	—	5	—	5	(5)	(5)	—	—
Assets backing life shareholders' funds	(190)	205	(30)	(30)	30	—	—	—
Total	(1,260)	1,535	(845)	(215)	195	(320)	(135)	(960)

Changes in sensitivities between 2020 and 2019 reflect underlying movements in the value of assets and liabilities, 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 2020

31 December 2020 Impact on profit 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	**(380)**	**445**	**(110)**	**100**	**(100)**	**(145)**	**(325)**
Net of reinsurance	**(435)**	**490**	**(110)**	**100**	**(100)**	**(145)**	**(305)**

31 December 2020 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	**(380)**	**445**	**(110)**	**100**	**(100)**	**(25)**	**(325)**
Net of reinsurance	**(435)**	**490**	**(110)**	**100**	**(100)**	**(25)**	**(305)**

Sensitivities as at 31 December 2019

31 December 2019 Impact on profit 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	(210)	165	(115)	185	(175)	(140)	(315)
Net of reinsurance	(270)	215	(115)	185	(175)	(140)	(300)

31 December 2019 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	(210)	165	(115)	185	(175)	(25)	(315)
Net of reinsurance	(270)	215	(115)	185	(175)	(25)	(300)

For general insurance and health, the impact of the expense sensitivity on profit 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 2020

31 December 2020 Impact on profit before tax £m	**Interest rates +1%**	**Interest rates -1%**	**Credit spreads +0.5%**	**Equity/ property +10%**	**Equity/ property -10%**
Total	**—**	**—**	**50**	**(10)**	**20**

31 December 2020 Impact on shareholders' equity before tax £m	**Interest rates +1%**	**Interest rates -1%**	**Credit spreads +0.5%**	**Equity/ property +10%**	**Equity/ property -10%**
Total	**—**	**—**	**50**	**(10)**	**15**

59 – Risk management continued

(i) Risk and capital management continued

(iv) Sensitivity test results continued

Sensitivities as at 31 December 2019

31 December 2019 Impact on profit before tax £m	Interest rates +1%	Interest rates -1%	Credit spreads +0.5%	Equity/ property +10%	Equity/ property -10%
Total	(20)	15	40	(10)	15

31 December 2019 Impact on shareholders' equity before tax £m	Interest rates +1%	Interest rates -1%	Credit spreads +0.5%	Equity/ property +10%	Equity/ property -10%
Total	(15)	15	40	(10)	15

Limitations of sensitivity analysis

The above tables demonstrate the effect of a change in a key assumption while other assumptions remain unchanged. In reality, 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 analyses do 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 allocation, adjusting bonuses credited to policyholders, and taking other protective action.

A number of the business units use passive assumptions to calculate their long-term business liabilities. Consequently, a change in the underlying assumptions may not have any impact on the liabilities, whereas assets held at market value in the statement of financial position will be affected. In these circumstances, the different measurement bases for liabilities and assets may lead to volatility in shareholder equity. Similarly, for general insurance liabilities, the interest rate sensitivities only affect profit and equity where explicit assumptions are made regarding interest (discount) rates or future inflation.

Other limitations in the above sensitivity analyses include the use of hypothetical market movements to demonstrate potential risk 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 interest rates move in an identical fashion.

60 – 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 61 for further information on collateral and net credit risk of derivative instruments.

(a) Instruments qualifying for hedge accounting

The Group has formally assessed and documented the hedge effectiveness for financial instruments designated as hedge instruments in accordance with IAS 39, *Financial Instruments: Recognition and Measurement.*

Net investment hedges

To reduce its exposure to foreign currency risk, the Group has designated a portion of its euro denominated debt as hedge instruments to hedge a net investment in its European subsidiaries. The carrying value of the debt at 31 December 2020 was £2,460 million *(2019: £2,331 million)* and its fair value at that date was £2,732 million *(2019: £2,604 million)*.

Foreign exchange losses of £129 million *(2019: gains of £138 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.

On 23 February 2021 the Group announced it had approved the sale of Aviva France to Aéma Groupe. The net investment hedge was deemed to be prospectively ineffective and was discontinued at this date. The hedge has been fully effective during the year.

(b) Derivatives not qualifying for hedge accounting

Certain derivatives either do not qualify for hedge accounting under IAS 39 or the option to designate them as hedge instruments has not been taken. These are referred to below as non-hedge derivatives.

60 – Derivative financial instruments and hedging continued

(b) Derivatives not qualifying for hedge accounting continued

(i) The Group's non-hedge derivatives are as follows:

	2020			2019		
	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	**51,342**	**1,359**	**(394)**	54,269	1,094	(438)
Interest rate and currency swaps	**9,338**	**488**	**(464)**	6,937	141	(316)
Total	**60,680**	**1,847**	**(858)**	61,206	1,235	(754)
Interest rate contracts						
OTC						
Forwards	**3,345**	**254**	**(69)**	688	63	(35)
Swaps	**49,114**	**6,420**	**(3,245)**	50,549	4,685	(2,727)
Options	**212**	**1**	**(8)**	213	2	(8)
Swaptions	**259**	**126**	**(1)**	944	151	(2)
Exchange traded						
Futures	**11,744**	**35**	**(17)**	11,438	52	(85)
Total	**64,674**	**6,836**	**(3,340)**	63,832	4,953	(2,857)
Equity/Index contracts						
OTC						
Options	**10,201**	**138**	**(70)**	13,712	74	(30)
Exchange traded						
Futures	**8,388**	**42**	**(112)**	8,583	74	(73)
Options	**2,329**	**259**	**(12)**	2,427	225	(4)
Total	**20,918**	**439**	**(194)**	24,722	373	(107)
Credit contracts	**9,492**	**56**	**(340)**	10,088	18	(324)
Other	**11,848**	**544**	**(2,927)**	14,136	518	(2,475)
Total at 31 December	**167,612**	**9,722**	**(7,659)**	173,984	7,097	(6,517)

Fair value assets of £9,722 million *(2019: £7,097 million)* are recognised as 'Derivative financial instruments' in note 28(a), while fair value liabilities of £7,659 million *(2019: £6,517 million)* are recognised as 'Derivative liabilities' in note 53.

The Group's derivative risk management policies are outlined in note 59.

(ii) The contractual undiscounted cash flows in relation to non-hedge derivative liabilities have the following maturities:

	2020 £m	2019 £m
Within 1 year	**1,261**	1,098
Between 1 and 2 years	**639**	593
Between 2 and 3 years	**550**	448
Between 3 and 4 years	**493**	434
Between 4 and 5 years	**386**	358
After 5 years	**4,495**	3,996
	7,824	6,927

(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 29 and 53 respectively. Collateral received and pledged by the Group is detailed in note 61.

61 – 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 60.

61 – Financial assets and liabilities subject to offsetting, enforceable master netting agreements and similar arrangements continued

(a) Offsetting arrangements continued

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 25. These arrangements are reflected in the tables below. In instances where the collateral is recognised on the statement of financial position, the obligation for its return is included within 'Payables and other financial liabilities' in note 53.

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 on 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			
2020	**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	**8,279**	**—**	**8,279**	**(4,444)**	**(1,515)**	**(234)**	**2,086**
Loans to banks and repurchase arrangements	**12,330**	**—**	**12,330**	**—**	**(300)**	**(9,638)**	**2,392**
Total financial assets	**20,609**	**—**	**20,609**	**(4,444)**	**(1,815)**	**(9,872)**	**4,478**
Financial liabilities							
Derivative financial liabilities	**(6,633)**	**—**	**(6,633)**	**4,415**	**96**	**1,092**	**(1,030)**
Other financial liabilities	**(2,929)**	**—**	**(2,929)**	**—**	**—**	**2,929**	**—**
Total financial liabilities	**(9,562)**	**—**	**(9,562)**	**4,415**	**96**	**4,021**	**(1,030)**

				Amounts subject to enforceable netting arrangements			
	Offset under IAS 32			Amounts under a master netting agreement but not offset under IAS 32			
2019	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	6,570	—	6,570	(4,646)	(999)	(164)	761
Loans to banks and repurchase arrangements[1]	8,830	—	8,830	—	(300)	(6,845)	1,685
Total financial assets	15,400	—	15,400	(4,646)	(1,299)	(7,009)	2,446
Financial liabilities							
Derivative financial liabilities	(5,682)	—	(5,682)	3,961	40	1,130	(551)
Other financial liabilities	(2,671)	—	(2,671)	—	—	2,671	—
Total financial liabilities	(8,353)	—	(8,353)	3,961	40	3,801	(551)

1 Following a review of the securities collateral pledged on loans to banks and repurchase arrangements, comparative amounts have been amended from those previously reported. The effect of this change is to increase securities collateral pledged on these assets by £3,865 million to £6,845 million.

Derivative assets are recognised as 'Derivative financial instruments' in note 28(a), while fair value liabilities are recognised as 'Derivative liabilities' in note 53. £1,443 million *(2019: £527 million)* of derivative assets and £1,026 million *(2019: £835 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 £12,330 million *(2019: £8,830 million)* are recognised within 'Loans to banks' in note 25.

Other financial liabilities presented above represent liabilities related to repurchase arrangements recognised within 'Obligations for repayment of cash collateral received' in note 53.

(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 25, was £19,550 million *(2019: £20,984 million)*, all of which other than £7,505 million *(2019: £7,567 million)* is related to securities lending arrangements. Collateral of £1,633 million *(2019: £1,547 million)* has been received related to balances recognised within 'Loans to banks' in note 25. The value of collateral that was actually sold or repledged in the absence of default was £nil *(2019: £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.

62 – 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

	2020				2019			
	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	**12**	**(1)**	**—**	**6**	1	—	—	4
Joint ventures	**27**	**—**	**—**	**1**	54	—	—	4
Employee pension schemes	**11**	**—**	**—**	**6**	9	—	—	6
	50	**(1)**	**—**	**13**	64	—	—	14

Transactions with joint ventures in the UK relate to the property management undertakings, the most significant of which are listed in note 19(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 2020, 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 51(b)(ii). As at 31 December 2020, the Friends Provident Pension Scheme ('FPPS'), acquired in 2015 as part of the acquisition of the Friends Life business, held an insurance policy of £667 million *(2019: £646 million)* issued by a Group company, which eliminates 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.

During the prior period, the ASPS completed a bulk annuity buy-in transaction with Aviva Life & Pensions UK Limited (AVLAP), a Group company. At inception, the buy-in insured approximately 4,300 deferred and 1,500 current pensioner liabilities. A premium of £1,665 million was paid by the scheme to AVLAP, with AVLAP recognising gross insurance liabilities of £1,334 million. The difference between the premium and the gross liabilities implied a profit of £331 million, which did not include costs incurred by the Group associated with the transaction, and was 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 a plan asset of £1,126 million, with the difference between the plan asset recognised and the premium paid being recognised as an actuarial loss through Other Comprehensive Income.

During the current period, the ASPS completed a further bulk annuity buy-in transaction with AVLAP. A premium of £873 million was paid by the scheme to AVLAP, with AVLAP recognising gross liabilities of £737 million. The difference between the premium and the gross liabilities implies a profit of £136 million, which does not include costs incurred by the Group associated with the transaction, 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 a plan asset of £579 million, with the difference between the plan asset recognised and the premium paid being recognised as an actuarial loss through Other Comprehensive Income. As at 31 December 2020, AVLAP recognised technical provisions of £2,147 million *(2019: £1,243 million)* in relation to buy-in transactions with the ASPS which have been included within the Group's gross insurance liabilities, and the ASPS held a transferable plan asset of £1,858 million *(2019: £1,144 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:

	2020 £m	2019 £m
Salary and other short-term benefits	**10.7**	12.3
Other long-term benefits	—	3.2
Post-employment benefits	**1.4**	1.3
Equity compensation plans	**12.8**	12.7
Termination benefits	**0.6**	1.0
Total	**25.5**	30.5

Information concerning individual directors' emoluments, interests and transactions is given in the Directors' Remuneration report.

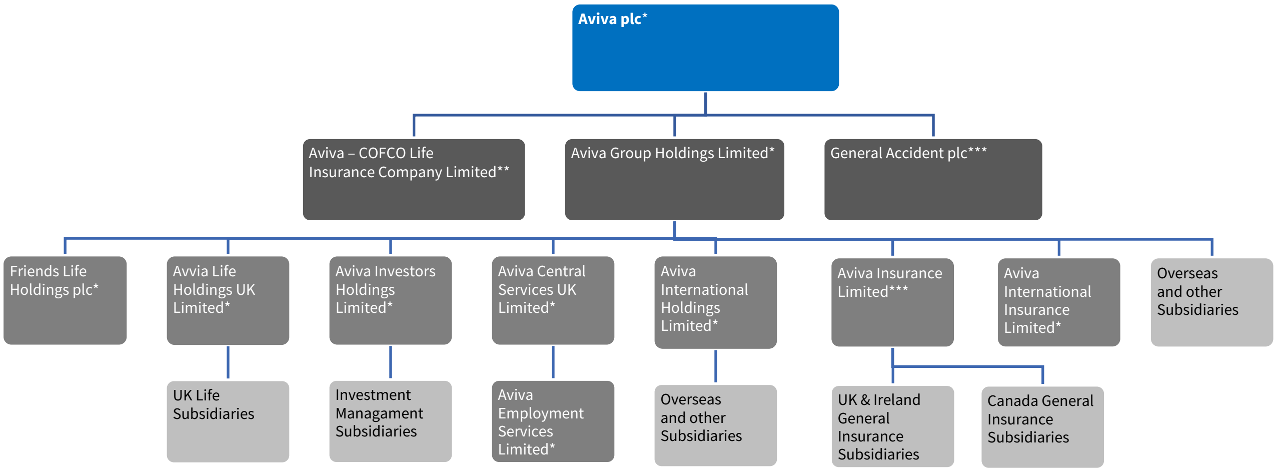
63 – Organisational structure

The following chart shows, in simplified form, the organisational structure of the Group as at 31 December 2020. Aviva plc is the holding company of the Group.

Parent company
Aviva plc

Subsidiaries
The principal subsidiaries of the Company at 31 December 2020 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.



* Incorporated in England and Wales
** Incorporated in People's Republic of China.
*** Incorporated in Scotland

United Kingdom
Aviva Central Services UK Limited
Aviva Employment Services Limited
Aviva Health UK Limited
Aviva Insurance Limited
Aviva International Insurance Limited
Aviva Investors Global Services Limited
Aviva Investors Pensions UK Limited
Aviva Life & Pensions UK Limited
Aviva Life Services UK Limited
Aviva Pension Trustees UK Limited
Aviva UK Digital Limited
Aviva Wrap UK Limited
Gresham Insurance Company Limited
The Ocean Marine Insurance Company Limited
Aviva Management Services UK Limited
Aviva Administration Limited

Barbados
Victoria Reinsurance Company Limited

Bermuda
Aviva Re 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

France
Aviva France SA (99.9%) and its principal subsidiaries
Aviva Assurances SA (100%)
Aviva Investors France SA (99.3%)
Aviva Investors Real Estate France SA (100%)
Aviva Solutions (100%)
Aviva Vie SA (100%)
Locamat SAS (100%)
NEWCO (99.7%)

Ireland
Aviva Life and Pensions Ireland Designated Activity Company
Aviva Insurance Ireland Designated Activity Company

63 – Organisational structure continued

Italy
Aviva Italia Holdings S.p.A and its principal subsidiaries:
Aviva S.p.A (50.0%)
Aviva Italia S.p.A (100%)
Aviva Life S.p.A(100%)
Aviva Life Vita S.p.A[1] (80%)

Lithuania
Uždaroji akcinė gyvybės draudimo ir pensijų bendrovė "Aviva Lietuva" (100%)

Poland
Aviva Powszechne Towarzystwo Emerytalne Aviva Santander S.A.(90%)
Aviva Towarzystwo Ubezpieczen Na Zycie S.A. (90%)
Aviva Towarzystwo Ubezpieczen Ogolnych S.A.(90%)
Santander Aviva Towarzystwo Ubezpieczeń SA (51%)
Santander Aviva Towarzystwo Ubezpieczeń na Życie SA (51%)

Vietnam
Aviva Vietnam Life Insurance Company Limited[1] (90%)

Branches
The Group also operates through branches, the most significant of which is based in Ireland

Associates and joint ventures
The Group has ongoing interests in the following operations that are classified as joint ventures or associates. Further details of those operations that were most significant in 2020 are set out notes 19 and 20 to the financial statements.

United Kingdom
The Group has interests in several property limited partnerships. Further details are provided in notes 19, 20 and 27 to the financial statements.

China
Aviva-COFCO Life Insurance Company Limited (50%)

India
Aviva Life Insurance Company India Limited (49%)

Turkey
AvivaSA Emeklike ve Hayat (40%)

Singapore
Aviva Singlife Holdings Pte. Ltd.(26%)

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 2020 are disclosed below.

The direct related undertakings of the Company as at 31 December 2020 are listed below:

Name of undertaking	Country of incorporation	Registered address	Share class[1]	% held
Aviva-COFCO Life Insurance Company Ltd	China	12/F,15F, Block A, 27F Block B, 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

1 See note 4(c) for further details in respect of operations classified as held for sale.

64 – Related Undertakings continued

The indirect related undertakings of the Company as at 31 December 2020 are listed below:

Company Name	Share Class[1]	% held
Australia		
c/o TMF Corporate Services (Aust) Pty Ltd, L16, 201 Elizabeth Street, Sydney 2000, Australia		
Aviva Investors Pacific Pty Ltd	Ordinary	100
Barbados		
c/o USA Risk Group (Barbados) Ltd., 6th Floor, CGI Tower, Warrens, St. Michael, BB22026, Barbados		
Victoria Reinsurance Company Ltd.	Common Shares	100
Belgium		
Avenue Louise 326 Boite 30, 1050 Ixelles, Belgium		
Parnasse Square Invest	Ordinary	99
Bermuda		
Cumberland House 7th Floor, 1 Victoria Street, Hamilton HM11, Bermuda		
Aviva Re Limited	Ordinary	100
Canada		
10 Aviva Way, Markham ON L6G0G1, Canada		
9543864 Canada Inc.	Common Shares	100
Aviva Canada Inc.	Voting Interest	100
Aviva General Insurance Company	Common Shares	100
Aviva Insurance Company of Canada	Common Shares	100
Aviva Warranty Services Inc.	Common Shares	100
Bay-Mill Specialty Insurance Adjusters Inc.	Common Shares	100
Elite Insurance Company	Common Shares	100
Insurance Agent Service Inc.	Common Shares	100
National Home Warranty Group Inc.	Common Shares	100
Nautimax Ltd.	Common Shares	100
OIS Ontario Insurance Service Limited	Common Shares	100
Pilot Insurance Company	Common Shares	100
S&Y Insurance Company	Common Shares	100
Scottish & York Insurance Co. Limited	Common Shares	100
Traders General Insurance Company	Common Shares	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.	Holding Company	34
555 Chabanel Ouest, Bureau 900, Montreal, QC H2N 2H8, Canada		
Aviva Agency Services Inc.	Common Shares	100
Cayman Islands		
PO Box 309, George Town, KY1-1104, Cayman Islands		
GS Mezzanine Partners V Offshore LP	Private Equity Fund	100
China		
12F, 15F Block A, 27F Block B Landgent Centre, 20 East Third Ring Middle Road, Beijing, China, 100022, China		
Aviva-Cofco Life Insurance Co. Ltd	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 Ltd	Ordinary	21
Czech Republic		
5/482, Ve Svahu, Prague 4, 147 00, Czech Republic		
AIEREF Renewable Energy s.r.o.	Quota share	99
France		
6 Rue Menars, 75002 Paris 2, France		
AFER CONVERTIBLES	FCP	100
10 Rue d'Uzès, 75002, Paris, France		
PYTHAGORE	Ordinary	100

Company Name	Share Class[1]	% held
13 Rue du Moulin Bailly, 92270, Bois Colombes, France		
Agents 3A	Ordinary	50
AVIVA ASSURANCES, Société Anonyme d'Assurances Incendie, Accidents et Risques Divers	Ordinary	100
14 Rue Roquépine, 75008, France		
AFER Actions Amérique	FCP	100
AFER Actions Euro ISR	FCP	100
AFER Actions Monde	FCP	100
AFER Diversifie Durable	FCP	100
AFER Inflation Monde	FCP	100
AFER Marchés Emergents	FCP	100
AFER Oblig Monde Entreprises	FCP	100
AFER Patrimoine	FCP	100
Afer-Flore	FCP	97
Afer-Sfer	SICAV	100
AI Inflation Euro HD	FCP	50
Aviva Actions Convex	FPS	100
AVIVA Actions Croissance	FCP	100
Aviva Actions Euro ISR	FCP	100
Aviva Actions Europe ISR	FCP	100
Aviva Actions France	FCP	100
Aviva Amérique	FCP	100
Aviva Asie	FCP	100
Aviva Conviction Opportunites	FCP	100
Aviva Conviction Patrimoine	FCP	100
Aviva Croissance Durable ISR	FCP	100
Aviva Flex	FCP	100
AVIVA Flexible Emergents A	FCP	100
Aviva Flexible Emergents I	FCP	100
Aviva France Opportunités	FCP	99.99
Aviva Grandes Marques ISR	FCP	90
Aviva Interoblig	FCP	100
Aviva Investors Actions Euro	FCP	95
Aviva Investors Alpha Yield	FCP	94
Aviva Investors Britannia	SICAV	100
Aviva Investors Conviction	FCP	98
Aviva Investors Crédit Europe	FCP	69
Aviva Investors Euro Aggregate	FCP	76
Aviva Investors Euro Crédit 1-3 Hedged Duration	FCP	100
AVIVA Investors Euro Credit 1-3 Hedged Duration R	FCP	100
AVIVA Investors Euro Credit Bonds	FCP	100
Aviva Investors Euro Credit Bonds 1-3	FCP	99
AVIVA Investors Euro Credit Bonds 1-31	FCP	99
Aviva Investors Euro Credit Bonds ISR	FCP	100
Aviva Investors Inflation Euro	FCP	44
Aviva Investors Japon ISR	FCP	100
Aviva Investors Portefeuille	FCP	100
Aviva Investors Reference Diversifié	FCP	100
Aviva Investors Sélection	FCP	100
Aviva Investors Small & Mid Caps Euro A	FCP	100
Aviva Investors Small & Mid Caps Euro I	FCP	100
Aviva Investors Valeurs	FCP	100
Aviva Investors Valeurs Europe	FCP	83
Aviva Investors Valorisation	FCP	94
Aviva Investors Yield Curves Absolute Return	FCP	100
AVIVA JAPON	FCP	100

Company Name	Share Class[1]	% held
Aviva Messine 5	FCP	100
Aviva Monétaire ISR	FCP	99
Aviva Monétaire ISR CT	FCP	35
Aviva Investors Monétaire ISR CT	SICAV	35
Aviva Multigestion	FCP	98
Aviva Obliréa	SICAV	97
Aviva Performance	FCP	100
Aviva Performance Diversifié	FCP	100
Aviva Rebond	FCP	88
Aviva Repo	FCP	100
Aviva Sélection Opportunités	FCP	99
Aviva Sélection Patrimoine	FCP	99
Aviva Signatures Europe	FCP	99
Aviva Small & Mid Caps Euro ISR	FCP	100
Aviva Structure Index 1	FCP	100
Aviva Structure Index 2	FCP	100
Aviva Structure Index 3	FPS	100
Aviva Structure Index 4	FIPS	100
Aviva Structure Index 5	FCP	100
Aviva Valeurs Responsables	FCP	100
Aviva Valorisation Opportunités	FCP	100
Aviva Valorisation Patrimoine	FCP	100
Faraday	FCP	100
FPE Aviva Small & Midcap	FCP	100
Global Allocation M	FCP	86
Obligations 5-7 M	FCP	82
Rendement Diversifié M	FCP	96
UFF Cap Défensif	FCP	100
UFF Euro-Valeur 0-100 ISR A	FCP	98
UFF Global Allocation A	FCP	100
UFF Obligations 5-7 A	FCP	98
UFF Rendement Diversifié A	FCP	100
AFER – SFER	Ordinary	99
Aviva Convertibles	Ordinary	74
Aviva Developpement	Ordinary	99
Aviva Diversifie	SICAV/Ordinary	94
Aviva Europe	Ordinary	96
Aviva Investors France	Ordinary	99
Aviva Oblig International	SICAV/Ordinary	67
Aviva Patrimoine	SICAV/Ordinary	97
Aviva Rendement Europe	SICAV/Ordinary	96
Aviva Valeurs Francaises	SICAV/Ordinary	91
Aviva Valeurs Immobilieres	SICAV/Ordinary	26
14, Rue Bergere, 75009, Paris, France		
Afer Avenir Senior	SICAV	100
Afer Multi Foncier	FCP	100
159 Rue Montmartre, 75002, Paris, France		
SACAF	Ordinary	100
20, Place Vendome, 75001 Paris, France		
AXA LBO Fund IV	Private Equity Fund	38.81
21 Rue de l'Arrivée, 95880 Enghien Les Bains, France		
Assurances Kremer & FAU	Ordinary	50
24 – 26 Rue de la Pepiniere, 75008 Paris, France		
100 Courcelles SAS	Ordinary	100
AFER Immo	Ordinary	100
AFER IMMO 2	Ordinary	100
Aviva Commerce Europe	Ordinary	65
Aviva Immo Selection	Ordinary/SCI	100
Aviva Investors Experimmo	Ordinary	100
Aviva Investors Experimmo Propco 1	Ordinary	100
Aviva Investors Experimmo Propco 2	Ordinary	100
Aviva Investors Real Estate France S.A.	Ordinary	100
Aviva Patrimoine Immobilier	Ordinary/SCI	100
Erasmus-NL	Ordinary	74
Logiprime Europe	Ordinary	92

Company Name	Share Class[1]	% held
Primotel Europe	Ordinary	99
SCI 50 ANJOU	Ordinary	100
SCI La Coupole des Halles	Ordinary	98
SCI REIWA	Ordinary	82
Societe Civile Immobiliere Pleyel R2	Ordinary	50
Société Civile Immobilière Thomas Edison	Ordinary	50
SPEKTRUM	Ordinary	100
WINDOW	Ordinary	75
3 Boulevard Saint Martin, 75003 Paris, France		
Aviva Impact Investing France	Ordinary	95
Kroknet S. a. r. l.	Ordinary	90
32 Avenue d'Iena, 5016 Paris, France		
CGP Entrepreneurs	Ordinary	75
Myria Asset Management	Ordinary	75
UFF Actions France A	FCP	100
UFF Allocation Optimum	FCP	97
UFF Cap Diversifié	FCP	48
UFF Croissance PME A	FCP	100
UFF Emergence A	FCP	99
UFF Euro Valeur ISR A	FCP	100
UFF Europe Opportunités A	FCP	99
UFF Global Foncières A	FCP	100
UFF Global Obligations A	FCP	96
UFF Global Réactif A	FCP	94
UFF Grandes Marques ISR A	FCP	98
UFF Sélection Alpha A	FCP	99
UFF Sélection Premium A	FCP	98
Ufifrance Gestion	Ordinary	75
Ufifrance Patrimoine	Ordinary	75
Union Financière de France Banque	Ordinary	75
36, Rue de Naples, 75008, Paris, France		
UFIFRANCE Immobilier	SCPI	20
37 Avenue des Champs Elysées, 75008, Paris, France		
Bellatrix	SICAV	100
Bételgeuse	SICAV	93
Sirius	SICAV	99
Société Française de Gestion et d'Investissement	Ordinary	68
7 Rue Auber, 75009 Paris, France		
Vip Conseils	Ordinary	34
70 Avenue de l'Europe, 92270, Bois-Colombes, France		
AVIVA DÉVELOPPEMENT VIE	Ordinary	100
Aviva Epargne Retraite	Ordinary	100
Aviva France Ventures	Ordinary	100
Aviva Investissements	Ordinary	100
Aviva Retraite Professionnelle	Ordinary	100
AVIVA VIE, Société Anonyme d'Assurances Vie et de Capitalisation	Ordinary	100
CARPE DIEM Société Civile Immobilière	Ordinary	25
Epargne Actuelle	Ordinary	100
NEWCO 5	Ordinary	100
NEWCO 6	Ordinary	100
SCI PESARO	Ordinary	79
Societe Civile Immobiliere Charles Hermite	Ordinary	56
Societe Civile Immobiliere Montaigne	Ordinary	92
ZELMIS	Ordinary	100
80 Avenue de l'Europe, 92270, Bois-Colombes, France		
Aviva France	Ordinary	100
Aviva Solutions	Ordinary	100
Croissance Pierre II	Ordinary	100

Company Name	Share Class[1]	% held
Groupement d'Interet Economique du Groupe Aviva France	Ordinary	100
Locamat SAS	Ordinary	100
NEWCO	Ordinary	100
Selectinvie – Societe Civile Immobiliere	Ordinary	100
Selectipierre – Société Civile	Ordinary	95
Societe Concessionaire des Immeubles de la Pepiniere	Ordinary	100
Victoire Immo 1- Société Civile	Ordinary	100
Voltaire S.A.S	Ordinary	100
9 Rue de Téhéran, F-75008 Paris, France		
Pierrevenus	Ordinary	74
91-93 Boulevard Pasteur, 75015 Paris, France		
SCI Campus Rimbaud St Denis	Ordinary	30
SCI Campus Medicis St Denis	Ordinary	30
Germany		
Speditionstrasse 23, 40221, Düsseldorf, Germany		
Projektgesellschaft Hafenspitze	Ordinary	94
Thurn-und-Taxis-Platz 6, 60313, Frankfurt am Main, Germany		
Reschop Carré Hattingen GmbH	Ordinary	95
Reschop Carré Marketing GmbH	Ordinary	100
Warburg Invest KAG mbh Ferdinandstraße 75 20095 Hamburg Germany		
Warburg – Multi-Smart-Beta Aktien Europa	OEIC	32
Guersney		
PO Box 155 Mill Court, La Charroterie, St Peter Port, GY1 4ET, Guernsey		
Paragon Insurance Company Guernsey Limited	Ordinary	47
PO Box 255, Trafalgar Court, Les Banques, St Peter Port, GY1 3QL, Guernsey		
BMO Commercial Property Trust Limited	Ordinary	47
India		
2nd floor, Prakash Deep Building, 7 Tolstoy Marg, New Delhi, 110001, India		
Aviva Life Insurance Company India Limited	Ordinary	49
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		
1 Custom House Plaza, IFSC, Dublin 1, DO1 V9X5, Ireland		
Blackrock Emerging markets Bond Hard Currency Fam Fund	OEIC	33
Eurizon Flexible Equity Strategy FAM Fd	OEIC	22
JPMorgan US Equity Value FAM Fund	OEIC	76
Robeco BP Global Premium Eq FAM Fd	OEIC	22
Threadneedle Global Equities Inc FAM Fd	OEIC	26
Vontobel Global Equity FAM Fd	OEIC	35
1st Floor, 2 Ballsbridge Park, Ballsbridge, Dublin 4, Ireland		
BlackRock Index Selection Fund Market Advantage Strategy	Unit Trust	29
3rd Floor, 2 Harbourmaster Place, IFSC, Dublin 1, DO1 X5P3, Ireland		
KBI Institutional Dividend Plus Eurozone Equity Fund EUR B	OEIC	27
78 Sir John Rogersons Quay Dublin 2, DO2 HD32, Ireland		
Acadian Multi-Asset Absolute Return UCITS	OEIC	80
SSgA GRU Euro Index Equity Fund	Gross Roll Up Unit Trust	49
SSgA GRU World ex Euro Index Equity Fund	Gross Roll Up Unit Trust	37
State Street IUT Balanced Fund S30	IUT	31
Charlotte House, Charlemont St., Dublin 2, Ireland		
Mercer Diversified Retirement Fund	OEIC	29
Mercer Multi Asset Defensive Fund	OEIC	29
Mercer Multi Asset Growth Fund	OEIC	35
Mercer Multi Asset Moderate Growth Fund	OEIC	26
MGI UK Equity Fund	OEIC	61
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 2, Ireland		
FPPE Fund Public Limited Company	Ordinary	100
Merrion Managed Fund	Unit Trust	33
IFSC House, International Financial Services Centre, Ireland		
Aviva Investors Liquidity Funds plc Aviva Investors Euro Liquidity Fund	Liquidity Fund	80
Aviva Investors Liquidity Funds plc Aviva Investors Sterling Government Liquidity Fund	Liquidity Fund	97
Aviva Investors Liquidity Funds plc Aviva Investors Sterling Liquidity Fund	Liquidity Fund	77
Aviva Investors Sterling Liquidity Plus Fund	Liquidity Fund	100
Aviva Investors US Dollar Liquidity Fund	Liquidity Fund	100
One Park Place, Hatch Street, Dublin 2		
Aviva DB Trustee Company Ireland Designated Activity Company	Ordinary	92
Aviva DC Trustee Company Ireland Designated Activity Company	Ordinary	92
Aviva Direct Ireland Limited	Ordinary	100
Aviva Driving School Ireland Limited	Ordinary	100
Aviva Group Services Ireland Limited	Ordinary	92
Aviva Insurance Ireland Designated Activity Company	Ordinary	100
Aviva Life & Pensions Ireland Designated Activity Company	Ordinary	100
Peak Re Designated Activity Company	Ordinary	100
Italy		
14 Via Scarsellini, 20161, Milan, Italy		
Aviva Italia Servizi Scarl	Ordinary	36
Aviva Vita S.p.A	Ordinary	80
Corso Venezia, 18, 20122 Milan, Italy		
Fondo Tages Helios II – CL 3	Alternative Investment	24
P.zza Lina Bo Bardi, 3, 20124 Milan, Italy		
Aviva Immobiliare	Alternative Investment	100
Via Scarsellini 14, 20161, Milan, Italy		
Aviva Italia Holding S.p.A	Ordinary	100
Aviva Italia S.p.A	Ordinary	100
Aviva Life SPA	Ordinary	100
Aviva SPA	Ordinary	50
Via Valtellina, Milan, Italy		
Fondo Armilla – Fondo Immobiliare Chiuso A Distr	Alternative Investment	68

Company Name	Share Class[1]	% held
Jersey		
22 Grenville Street, St. Helier, JE4 8PX, Jersey		
Axa Sun Life Private Equity	Unit Trust	100
Slas Axa Private Equity	Private Equity Fund	100
3rd Floor, One The Esplanade, St Helier, JE2 3QA, Jersey		
Crieff Road Limited	Ordinary	100
FF UK Select Limited	Ordinary	100
Gaspé House, 66-72 Esplanade, St Helier, JE1 3PB, Jersey		
Aviva Investors Jersey Unit Trusts Management Limited	Ordinary	100
11-12 Hanover Square Unit Trust	Fund	50
130 Fenchurch Street Unit Trust	Fund	100
20 Gracechurch Unit Trust	Fund	25
20 Station Road Unit Trust	Fund	100
30 Station Road Unit Trust	Fund	100
30-31 Golden Square Unit Trust	Fund	50
40 Spring Gardens Unit Trust	Fund	100
50-60 Station Road Unit Trust	Fund	100
Barratt House Unit Trust	Fund	50
Bermondsey Yards Unit Trust	Fund	100
New Broad Street House Unit Trust	Fund	50
Irongate House Unit Trust	Fund	50
Pegasus House and Nuffield House Unit Trust	Fund	50
Quantum Unit Trust	Fund	50
Southgate Unit Trust	Fund	50
The Designer Retail Outlet Centres Unit Trust	Fund	100
The Designer Retail Outlet Centres (Mansfield) Unit Trust	Fund	100
The Designer Retail Outlet Centres (York) Unit Trust	Fund	100
1 Fitzroy Place Jersey Unit Trust	Fund	50
2 Fitzroy Place Jersey Unit Trust	Fund	50
COW Real Estate Investment Unit Trust	Fund	100
Lithuania		
Lvovo g. 25, Vilnius, LT-09320, Lithuania		
Uždaroji akcinė gyvybės draudimo ir pensijų bendrovė "Aviva Lietuva" (Joint Stock Limited Life Insurance and Pension Company Aviva Lietuva)	Ordinary	90
Luxembourg		
14, Porte de France, Esch-sur-Alzette, L4360, Luxembourg		
Aviva Investors Cells Fund	Alternative Investment	40
Aviva Investors Perpetual Capital	Alternative Investment	53
15 Avenue JF Kennedy, L1616, Luxembourg		
Tir Europe Forestry Fund 2	Alternative Investment	23
15 Boulevard Raiffeisen, L2411, Luxembourg		
Negentropy – Debt Select Fund	Alternative Investment	32
16 Avenue de la Gare, L1610, Luxembourg		
AFRP Sarl	Ordinary	100
AIEREF Holding 1	Equity	100
AIEREF Holding 2	Capital	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

Company Name	Share Class[1]	% held
Aviva Investors Perpetual Capital (GP) SARL	Ordinary	100
Hexagone S.à r.l.	Ordinary	100
MPS L014 S.à r.l.	Ordinary	100
Sapphire Ile de France 1 S.à.r.l.	Ordinary	100
Sapphire Ile de France 2 S.à r.l.	Ordinary	100
Victor Hugo 1 S.à r.l.	Ordinary	100
Aviva Investors Alternative Income Solutions SCSp	Fund	65
VH German Mandate	Fund	100
AIEREF - Aviva Investors European Renewable Energy S.A.	Fund	100
1c, Rue Gabriel Lippmann, L5365, Luxembourg		
Patriarch Classic B&W Global Freestyle	FCP	37
2 Rue du Fort Bourbon, L1249, Luxembourg		
Aviva Investors Asian Equity Income Fund	SICAV	99
Aviva Investors Climate Transition European Equity Fund	SICAV	99
Aviva Investors Emerging Markets Bond Fund	SICAV	83
Aviva Investors Emerging Markets Corporate Bond Fund	SICAV	84
Aviva Investors Emerging Markets Equity Income Fund	SICAV	100
Aviva Investors Emerging Markets Equity Small Cap Fund	SICAV	85
Aviva Investors Emerging Markets Local Currency Bond Fund	SICAV	90
Aviva Investors European Corporate Bond Fund	SICAV	64
Aviva Investors European Equity Fund	SICAV	67
Aviva Investors European Equity Income Fund	SICAV	100
Aviva Investors European High Yield Bond Fund	SICAV	42
Aviva Investors European Real Estate Securities Fund	SICAV	66
Aviva Investors Global Convertibles Absolute Return Fund	SICAV	78
Aviva Investors Global Convertibles Fund	SICAV	41
Aviva Investors Global Emerging Markets Equity Unconstrained Fund	SICAV	100
Aviva Investors Global Emerging Markets Index Fund	SICAV	90
Aviva Investors Global Equity Endurance Fund	SICAV	99
Aviva Investors Global Equity Unconstrained Fund	SICAV	100
Aviva Investors Global High Yield Bond Fund	SICAV	68
Aviva Investors Global Investment Grade Corporate Bond Fund	SICAV	88
Aviva Investors Global Sovereign Bond Fund	SICAV	96
Aviva Investors Investment Solutions Emerging Markets Debt Fund	SICAV	100
Aviva Investors Luxembourg	Ordinary	100
Aviva Investors Multi-Strategy Fixed Income Fund	SICAV	29

Company Name	Share Class[1]	% held
Aviva Investors Multi-Strategy Target Income Fund	SICAV	75
Aviva Investors Multi-Strategy Target Return Fund	SICAV	48
Aviva Investors Perpetual Capital SCSp SICAV-RAIF	Limited Partnership	100
Aviva Investors Short Duration Global High Yield Bond Fund	SICAV	41
Aviva Investors Sustainable Income & Growth Fund	SICAV	98
Aviva Investors US Equity Income Fund	SICAV	69
UK Listed Equity High Alpha Fund	SICAV	94
Aviva Investors Climate Transition Global Equity Fund	SICAV	100
Aviva Investors US Investment Grade Bond Fund	SICAV	100
Aviva Investors Investment Solutions Fixed Maturity Plan – Series I Fund	SICAV	100
Aviva Investors Global EUR ReturnPlus Fund	SICAV	100
Aviva Investors Global GBP ReturnPlus Fund	SICAV	100
Aviva Investors Aviva France Global High Yield Fund	SICAV	100
Aviva Investors Global Aggregate Bond Fund	SICAV	100
Aviva Investors UK Equity Focus Fund	SICAV	100
Aviva Investors E-RELI SCSp	Fund	20
Aviva Investors European Infrastructure Debt Strategy FCP-RAIF	Fund	100
2, Boulevard Konrad Adenauer, L1115 Luxembourg		
Xtrackers II Eurozone Government Bond 15-30 UCITS ETF	SICAV	32
AIDE-Aviva Infrastructure Debt Europe I S.A.	Fund	100
AIESIC - Aviva Investors European Secondary Infrastructure Credit SV S.A	Fund	67
20 Rue de la Poste, L2346 Luxembourg		
Algebris NPL Partnership 3	Alternative Investment	96
24-26, Avenue de la Liberte, L1930 Luxembourg		
Greenman Open Fund Class H	SICAV	21
28 Boulevard D'Avranches, L1160, Luxembourg		
Goodman European Business Park Fund (Lux) S.àr.l.	Ordinary	50
3 rue des Labours, L1912, Luxembourg		
Haspa TrendKonzept V	FCP	47
46a Avenue John F Kennedy, L1855, Luxembourg		
Aviva Investors Polish Retail S.à r.l.	Ordinary	100
Centaurus CER (Aviva Investors) Sarl	Ordinary	100
5, Allée Scheffer, L2520, Luxembourg		
Amundi Investment Funds – EMU Equity	SICAV	34.4
Pramerica Pan-European Real Estate Fund II	Alternative Investment	28.4
Tikehau Italy Retail Fund II SCSP-AREA12	Alternative Investment	24
Tikehau Residential I	Alternative Investment	25
Tikehau Senior Loan III	Alternative Investment	25
5, Rue Heienhaff, L1736 Senningerberg, Luxembourg		

Company Name	Share Class[1]	% held
Robeco QI Global Multi-Factor Bonds	SICAV	87
6 Rue Eugene Ruppert, L2453, Luxembourg		
Riverrock Brownfield Infra Fund I	Alternative Investment	40
6H Rue de Trèves, L2633 Senningerberg, Luxembourg		
Archmore Infrastructure Equity III	Alternative Investment	22
Malta		
Central North Business Centre, Level 1, Sqaq il-Fawwara, Sliema		
APCIM Real Estate Finance	Alternative Investment	100
ATUM Growth Fund I	Alternative Investment	100
Herakles	Alternative Investment	67
Herakles II	Alternative Investment	100
Netherlands		
Schiphol Boulevard 269, 1118 BH, Schipol, Netherlands		
DIF Infrastructure III	Private Equity Fund	100
EIF USPF IV Blocker Fund	Unit Trust	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		
AdRate Sp. z o.o.	Ordinary	90
Aviva Investors Fio Malych Spolek kat Z	UCITS	46
Aviva Investors Fio Niskiego Ryzyka kat Z	UCITS	34
Aviva Investors Fio Nowoczesnych Technologii kat Z	UCITS	66
Aviva Investors Fio Obligacji kat Z	UCITS	67
Aviva Investors Fio Polskich Akcji kat Z	UCITS	55
Aviva Investors Poland Towarzystwo Funduszy Inwestycyjnych S.A.	Ordinary	95
Aviva Investors Sfio – Aviva Investors Akcyjny	Non UCITS (AIF)	100
Aviva Investors Sfio – Aviva Investors Dluzny	Non UCITS (AIF)	100
Aviva Investors Sfio – Aviva Investors Krótkoterminowych Obligacji	Non UCITS (AIF)	100
Aviva Investors Sfio – Aviva Investors Papierów Nieskarbowych	Non UCITS (AIF)	99
Aviva Investors Sfio – Aviva Investors Spółek Dywidendowych	Non UCITS (AIF)	100
Aviva Investors Sfio Akcyjny	Non UCITS (AIF)	100
Aviva Investors Sfio Dluzny	Non UCITS (AIF)	100
Aviva Investors Sfio Dużych Spółek	Non UCITS (AIF)	100
Aviva Investors Sfio Krotkoterminowych Obligacji	Non UCITS (AIF)	100
Aviva Investors Sfio Pap Nieskarbowych	Non UCITS (AIF)	99
Aviva Investors Sfio Spolek Dywidend	Non UCITS (AIF)	100
Aviva Investors Sfio Stabilnego Dochodu	Non UCITS (AIF)	41
Aviva Investors Specjalistyczny Fundusz Inwestycyjny Otwarty Stabilnego Dochodu	Non UCITS (AIF)	62
Aviva Powszechne Towarzystwo Emerytalne Aviva Santander S.A.	Ordinary A, B,C,D – Zlo	81
Aviva Services Spółka z ograniczoną odpowiedzialnością	Ordinary	100
Aviva Sfio – Aviva Oszczędnościowy	Non UCITS (AIF)	67
Aviva Sfio Subfundusz Aviva Globalnych Strategii	Non UCITS (AIF)	67
Aviva Spółka z ograniczoną odpowiedzialnością	Ordinary – Zlo	90
Aviva Towarzystwo Ubezpieczen Na Zycie S.A.	Parent Interest	90

Company Name	Share Class[1]	% held
Aviva Towarzystwo Ubezpieczen Ogolnych S.A.	Ordinary A, B, C, D, E, F	81
Expander Advisors Sp. z o.o.	Ordinary	90
Life Plus Sp. z o.o.	Ordinary	90
Santander Aviva Towarzystwo Ubezpieczeń na Życie Spółka Akcyjna	Ordinary A, B	51
Santander Aviva Towarzystwo Ubezpieczeń Spółka Akcyjna	Ordinary	51
Prosta 69, 00-838, Warsaw, Poland		
porowneo.pl Sp. z o.o.	Ordinary	90
ul. Burakowska 5/7, 01-066, Warsaw, Poland		
Berkley Investments S.A.	Ordinary	90
Singapore		
1 Raffles Quay, #27-13, South Tower, 048583, Singapore		
Aviva Investors Asia Pte. Limited	Ordinary	100
12 Marina View, #18-02 Asia Square Tower 2, 018961, Singapore		
Nikko AM Global Green Bond Fund	Unit Trust	45
Nikko AM Shenton Asia Pacific Fund	Unit Trust	66
Nikko AM Shenton Income Fund	Unit Trust	30
6 Temasek Boulevard, 29th Floor, Suntec Tower 4, 038986, Singapore		
Aviva Asia Management Pte. Ltd.	Ordinary	100
Aviva Global Services (Management Services) Private Ltd.	Ordinary	100
83 Clemenceau Avenue, #11-01 UE Square, 239920, Singapore		
Aviva Singlife Holdings Pte. Ltd.	Ordinary	26
Spain		
1D, 13 Edificio América Av. de Bruselas, 28108, Alcobendas, Madrid, Spain		
Eólica Almatret S.L.	Ordinary	50
Avda Andalucia, 10 -12, Malaga, Spain		
Ahorro Andaluz, S.A	Ordinary	46
Nanclares de Oca, numero 1-B, 28022, Madrid, Spain		
San Ramon Hoteles	Ordinary	100
TODO Real Est Investments	Ordinary	100
Switzerland		
Leutschenbachstrasse 45, 8050 Zurich, Switzerland		
Aviva Investors Schweiz GmbH	Ordinary	100
Turkey		
Saray Mah., Adnan Büyüjdeniz Cad. No:12 34768, Umraniye, Istanbul, Turkey		
AvivaSA Emeklilik ve Hayat	Ordinary	40
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	45
12 Throgmorton Avenue, London EC2N 2DL, United Kingdom		
BlackRock Market Advantage Fund	Unit Trust	48
180 Great Portland Street, London, W1W 5QZ, United Kingdom		
Quantum Property Partnership (General Partner) Limited	Ordinary	50
Quantum Property Partnership (Nominee) Limited	Ordinary	50
2nd Floor, 36 Broadway, London, SW1H 0BH, United Kingdom		
Fred. Olsen CBH Limited	Ordinary	49
42 Dingwall Road, Croydon, Surrey, CR0 2NE, United Kingdom		
Ballard Investment Company Limited	Ordinary	25
47 Bermondsey Street, London, SE1 3XT, United Kingdom		
Neos Ventures Limited	Ordinary/Preference	81
4th Floor, New London House, 6 London Street, London, EC3R 7LP, United Kingdom		
Polaris U.K. Limited	Ordinary	39
5 Lister Hill, Horsforth, Leeds, LS18 5AZ, United Kingdom		
Aspire Financial Management Limited	Ordinary	47

Company Name	Share Class[1]	% held
Living in Retirement Limited	Ordinary	47
Tenet & You Limited	Ordinary	47
Tenet Business Solutions Limited	Ordinary	47
Tenet Client Services Limited	Ordinary	47
Tenet Compliance Services Limited	Ordinary	47
Tenet Financial Services Limited	Ordinary/ Reedeemable	37
Tenet Group Limited	Ordinary	47
Tenet Limited	Ordinary	47
TenetConnect Limited	Ordinary	47
TenetLime Limited	Ordinary	47
TenetConnect Services Limited	Ordinary	47
5 Old Broad Street, London EC2N 1AD, United Kingdom		
Architas Multi-Manager Diversified Protector 70	OEIC	50
Architas Multi-Manager Diversified Protector 80	OEIC	37
50 Lothian Road, Festival Square, EH3 9WJ, Edinburgh, United Kingdom		
ASL Infrastructure Equity Fund	Private Equity Fund	100
50 Stratton Street, London W1J 8LL, United Kingdom		
Lazard Multicap UK Income Fund	OEIC	48
7 Lochside View, Edinburgh, EH12 9DH, United Kingdom		
Origo Services Limited	Ordinary	22
7 Newgate Street, London EC1A 7NX, United Kingdom		
AXA Ethical Distribution Fund	OEIC	32
AXA Rosenberg American Fund	OEIC	91
AXA Rosenberg Asia Pacific ex Japan Fund	OEIC	85
AXA Rosenberg Global Fund	OEIC	90
AXA Rosenberg Japan Fund	OEIC	94
8 Surrey Street, Norwich, Norfolk, NR1 3NG, United Kingdom		
Aviva Central Services UK Limited	Ordinary	100
Aviva Consumer Products 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
57-59 St James's Street, London SW1A 1LD, United Kingdom		
Artemis UK Special Situations Fund	Unit Trust	25
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 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 Pension Trustees UK Limited	Ordinary	100
Aviva Savings Limited	Ordinary	100
Aviva Trustees UK Limited	Ordinary	100

Company Name	Share Class[1]	% held
Aviva Wrap UK Limited	Ordinary	100
CGNU Life Assurance Limited	Ordinary	100
Friends AELRIS Limited	Ordinary	100
Friends Provident Pension Scheme Trustees Limited	Ordinary	100
Lancashire and Yorkshire Reversionary Interest Company Limited /The	Ordinary	100
Undershaft (NULLA) Limited	Ordinary	100
Voyager Park South Management Company Limited	Ordinary	52
c/o ANESCO Limited, The Green, Easter Partk, Benyon Road, Reading, RG7 2PQ , 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
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
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 SPV1 Limited	Ordinary	100
Aviva Investors GR SPV2 Limited	Ordinary	100
Aviva Investors GR SPV3 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 SPV10 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 SPV16 Limited	Ordinary	100
Aviva Investors GR SPV17 Limited	Ordinary	100
Calton Square, 1 Greenside Row, Edinburgh EH1 3AN, United Kingdom		
Baillie Gifford International Fund	OEIC	20
Baillie Gifford UK Equity Core Fund	OEIC	20
Centrium 1, Griffiths Way, St Albans , Hertfordshire , AL1 2RD, United Kingdom		
Opal (UK) Holdings Limited	Ordinary	29
Opal Information Systems Limited	Ordinary	29
Outsourced Professional Administration Limited	Ordinary	29
Synergy Financial Products Limited	Ordinary	29
East Farmhouse, Cams Hall Estate, Fareham, PO16 8UT, United Kingdom		
IQUO Limited	Ordinary	67
Exchange House, Primrose Street, London EC2A 2HS, United Kingdom		
BMO Diversified Growth Fund	SICAV	86
BMO Emerging Markets Equity Fund	OEIC	43
BMO European Growth & Income Fund	SICAV	99
BMO Global Total Return Bond (GBP Hdg) Fund	OEIC	33
BMO Global Total Return Bond Fund I EUR Acc	SICAV	67
BMO North American Equity Fund	OEIC	24
F&C Emerging Markets Fund Share Class 2	OEIC	43
F&C Multi Strategy Global Equity Fund OEIC	OEIC	96
Liontrust Fund Partners LLP, 2 Savoy Court, London WC2R 0EZ, United Kingdom		
Liontrust Sustainable Future Corporate Bond Fund	OEIC	31
Liontrust Sustainable Future European Growth Fund	OEIC	43
Liontrust Sustainable Future Global Growth Fund	OEIC	30
Liontrust Sustainable Future Managed Fund	OEIC	51
Liontrust Sustainable Future Managed Growth Fund	OEIC	38
Liontrust Sustainable Future UK Growth Fund	OEIC	31
Liontrust UK Ethical Fund	OEIC	54
Melrose House , 42 Dingwall Road, Croydon, CR0 2NE, United Kingdom		
Cannock Consortium LLP	Ordinary	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
Health & Case Management Limited	Ordinary/Preference	25
Old Bourchiers Hall New Road, Aldham, Colchester, Essex, C06 3QU, United Kingdom		
County Broadband Holdings Limited	Ordinary	29
Pitheavlis, PERTH, Perthshire, PH2 0NH, United Kingdom		
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
General Accident plc	Ordinary	100
Medium Scale Wind No.2 Limited	Ordinary	100
Aviva Investors (FP) LP	Fund	100
Aviva Investors PEP 2008 Partnership	Fund	40
Pixham End, Dorking, Surrey, RH4 1QA, United Kingdom		
Aviva Investment Solutions UK Limited	Ordinary	100
Aviva Management Services UK Limited	Ordinary	100
Bankhall Support Services Limited	Ordinary	100
Friends AEL Trustees Limited	Ordinary	100
Friends AELLAS 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 plc	Ordinary	100

Company Name	Share Class[1]	% held
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 SL Nominees Limited	Ordinary	100
Friends SLUA Limited	Ordinary	100
Gateway Specialist Advice Services Limited	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 FAL Limited	Ordinary	100
Undershaft FPLLA Limited	Ordinary	100
Undershaft SLPM Limited	Ordinary	100
Wealth Limited	Ordinary	100
Samuel House, 6 St. Albans Street, 4th floor, London, SW1Y 4SQ, United Kingdom		
Acre Platforms Limited	Ordinary	40
Shakespeare House, 42 Newmarket Road, Cambridge, CB5 8EP, United Kingdom		
Hillswood Management Limited	Ordinary	24
St Helen's, 1 Undershaft, London, EC3P 3DQ, United Kingdom		
10-11 GNS Limited	Ordinary	100
11-12 Hanover Square Nominee 1 Limited	Ordinary	50
11-12 Hanover Square Nominee 2 Limited	Ordinary	50
130 Fenchurch Street General Partner Limited	Ordinary	100
130 Fenchurch Street Nominee 1 Limited	Ordinary	100
130 Fenchurch Street Nominee 2 Limited	Ordinary	100
1-5 Lowndes Square Management Company Limited	Ordinary	76
20 Gracechurch (General Partner) Limited	Ordinary	50
20 Lowndes Square Management Company Limited	Ordinary	77
2015 Sunbeam Limited	Ordinary	100
2-10 Mortimer Street (GP No 1) Limited	Ordinary	50
2-10 Mortimer Street GP Limited	Ordinary	50
30 Station Road Nominee 1 Limited	Ordinary	100
30 Station Road Nominee 2 Limited	Ordinary	100
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
43 Lowndes Square Management Company Limited	Ordinary	77

Company Name	Share Class[1]	% held
44-49 Lowndes Square Management Company Limited	Ordinary	76
50-60 Station Road Nominee 1 Limited	Ordinary	100
50-60 Station Road Nominee 2 Limited	Ordinary	100
6-10 Lowndes Square Management Company Limited	Ordinary	76
Ascot Real Estate Investments GP LLP	Ordinary	50
Atlas Park Management Company Limited	Company Limited by Guarantee	100
Aviva Brands 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 SE	Ordinary	92
Aviva Group Holdings Limited	Ordinary	100
Aviva Insurance Services UK Limited	Ordinary	100
Aviva International Holdings Limited	Parent Company	100
Aviva International Insurance Limited	Ordinary	100
Aviva Investors 30 70 GLobal Eq Ccy Hedged Ind Fund	Collective Investment Scheme	100
Aviva Investors 40 Spring Gardens (General Partner) Limited	Ordinary	100
Aviva Investors Commercial Assets GP Limited	Ordinary	100
Aviva Investors Commercial Assets Nominee Limited	Ordinary	100
Aviva Investors Continental Euro Equity Index Fund	Collective Investment Scheme	100
Aviva Investors EBC GP Limited	Ordinary	100
Aviva Investors Energy Centres No.1 GP Limited	Ordinary	100
Aviva Investors Funds ACS AI Asia Pacific Ex Japan Fund	Collective Investment Scheme	100
Aviva Investors Funds ACS AI Balanced Life Fund	Collective Investment Scheme	100
Aviva Investors Funds ACS AI Balanced Pension Fund	Collective Investment Scheme	100
Aviva Investors Funds ACS AI Cautious Pension Fund	Collective Investment Scheme	100
Aviva Investors Funds ACS AI Continental European Equity Alpha Fund	Collective Investment Scheme	100
Aviva Investors Funds ACS AI Distribution Life Fund	Collective Investment Scheme	100
Aviva Investors Funds ACS AI Europe Equity EX UK Fund	Collective Investment Scheme	100
Aviva Investors Funds ACS AI Global Equity Alpha Fund	Collective Investment Scheme	100
Aviva Investors Funds ACS AI Global Equity Fund	Collective Investment Scheme	100
Aviva Investors Funds ACS AI Index Linked Gilt Fund	Collective Investment Scheme	100
Aviva Investors Funds ACS AI Japan Equity Alpha Fund	Collective Investment Scheme	100
Aviva Investors Funds ACS AI JAPAN EQUITY FUND	Collective Investment Scheme	100
Aviva Investors Funds ACS AI Money Market VNAV Fund	Collective Investment Scheme	100
Aviva Investors Funds ACS AI North American Equity Fund	Collective Investment Scheme	100

Company Name	Share Class[1]	% held
Aviva Investors Funds ACS AI Pre-Annuity Fixed Interest Fund	Collective Investment Scheme	100
Aviva Investors Funds ACS AI Sterling Corporate Bond Fund	Collective Investment Scheme	100
Aviva Investors Funds ACS AI Sterling Gilt Fund	Collective Investment Scheme	100
Aviva Investors Funds ACS AI Stewardship Fixed Interest Fund	Collective Investment Scheme	100
Aviva Investors Funds ACS AI Stewardship International Equity Fund	Collective Investment Scheme	100
Aviva Investors Funds ACS AI Stewardship UK Equity Fund	Collective Investment Scheme	100
Aviva Investors Funds ACS AI Stewardship UK Equity Income Fund	Collective Investment Scheme	100
Aviva Investors Funds ACS AI Strategic Global Equity Fund	Collective Investment Scheme	100
Aviva Investors Funds ACS AI UK Equity Alpha Fund	Collective Investment Scheme	100
Aviva Investors Funds ACS AI UK Equity Dividend Fund	Collective Investment Scheme	100
Aviva Investors Funds ACS AI UK Equity Fund	Collective Investment Scheme	100
Aviva Investors Funds ACS AI UK Equity Income Fund	Collective Investment Scheme	100
Aviva Investors Funds ACS AI US Large Cap Equity Fund	Collective Investment Scheme	100
AI UK equity ex tobacco fund	Collective Investment Scheme	100
AI Japan equity alpha fund	Collective Investment Scheme	100
AI non-gilt bond up to 5 years index fd	Collective Investment Scheme	100
AI Pacific ex Japan equity index fund	Collective Investment Scheme	100
AI UK gilts up to 5 years index fund	Collective Investment Scheme	100
Aviva Investors High Yield Bond Fund	OEIC	100
Aviva Investors UK Equity Fund	OEIC	100
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 Infrastructure GP Limited	Ordinary	100
Aviva Investors Infrastructure Income B Limited	Ordinary	100
Aviva Investors Infrastructure Income Midco 6.1 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.4A Limited	Ordinary	100

Company Name	Share Class[1]	% held
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	59
Aviva Investors Infrastructure Income No.6B Limited	Ordinary	32
Aviva Investors Infrastructure Income No.7 Limited	Ordinary	64
Aviva Investors Investment Funds ICVC Aviva Investors Cash Fund	OEIC	56
Aviva Investors Investment Funds ICVC Aviva Investors Corporate Bond Fund	OEIC	93
Aviva Investors Investment Funds ICVC Aviva Investors Global Equity Income Fund	OEIC	81
Aviva Investors Investment Funds ICVC Aviva Investors International Index Tracking Fund	OEIC	45
Aviva Investors Investment Funds ICVC Aviva Investors Managed High Income Fund	OEIC	63
Aviva Investors Investment Funds ICVC Aviva Investors Strategic Bond Fund	OEIC	41
Aviva Investors Investment Funds ICVC Aviva Investors UK Equity Income Fund	Collective Investment Scheme	51
Aviva Investors Investment Funds ICVC Aviva Investors UK Index Tracking Fund	OEIC	68
Aviva Investors Manager of Manager ICVC (ICVC2) Aviva Investors Japan Equity MoM 1 Fund	OEIC	73
Aviva Investors Manager of Manager ICVC (ICVC2) Aviva Investors UK Equity MoM 1 Fund	OEIC	87
Aviva Investors Manager of Manager ICVC (ICVC2) Aviva Investors UK Opportunities Fund	OEIC	95
Aviva Investors North American Equity Index Fund	Collective Investment Scheme	100
Aviva Investors Passive Funds ACS AI 40 60 Global Equity Index Fund	Collective Investment Scheme	100
Aviva Investors Passive Funds ACS AI 50 50 Global Equity Index Fund	Collective Investment Scheme	100
Aviva Investors Passive Funds ACS AI 60 40 Global Equity Index Fund	Collective Investment Scheme	100
Aviva Investors Passive Funds ACS AI Developed Asia Pacific Ex Japan Equity Index Fund	Collective Investment Scheme	100
Aviva Investors Passive Funds ACS AI Developed European Ex UK Equity Index Fund	Collective Investment Scheme	100
Aviva Investors Passive Funds ACS AI Developed Overseas Government Bond (Ex UK) Index Fund	Collective Investment Scheme	100
Aviva Investors Passive Funds ACS AI Developed World Ex UK Equity Index Fund	Collective Investment Scheme	100
Aviva Investors Passive Funds ACS AI Index-Linked Gilts Over 5 years Index Fund	Collective Investment Scheme	100

Company Name	Share Class[1]	% held
Aviva Investors Passive Funds ACS AI Japanese Equity Index Fund	Collective Investment Scheme	100
Aviva Investors Passive Funds ACS AI Multi-Asset (40-85% Shares) Index Fund	Collective Investment Scheme	100
Aviva Investors Passive Funds ACS AI Non-gilt Bond All Stocks Index Fund	Collective Investment Scheme	100
Aviva Investors Passive Funds ACS AI Non-Gilt Bond Over 15 years Index Fund	Collective Investment Scheme	100
Aviva Investors Passive Funds ACS AI UK Equity Index Fund	Collective Investment Scheme	100
Aviva Investors Passive Funds ACS AI UK Gilts All Stocks Index Fund	Collective Investment Scheme	100
Aviva Investors Passive Funds ACS AI UK Gilts over 15 years Index fund	Collective Investment Scheme	100
Aviva Investors Passive Funds ACS AI US Equity Index Fund	Collective Investment Scheme	100
Aviva Investors Pensions Limited	Ordinary	100
Aviva Investors Pip Solar PV (General Partner) Limited	Ordinary	100
Aviva Investors Pip Solar PV No.1 Limited	Ordinary	100
Aviva Investors Polish Retail GP Limited	Ordinary	100
Aviva Investors Portfolio Funds ICVC Aviva Investors Multi-asset Fund III	OEIC	50
Aviva Investors Portfolio Funds ICVC Aviva Investors Multi-asset Fund IV	OEIC	41
Aviva Investors Portfolio Funds ICVC Aviva Investors Multi-Manager 20-60% Shares Fund	OEIC	74
Aviva Investors Portfolio Funds ICVC Aviva Investors Multi-Manager 40-85% Shares Fund	OEIC	70
Aviva Investors Portfolio Funds ICVC Aviva Investors Multi-Manager Flexible Fund	OEIC	81
Aviva Investors Property Fund Management Limited	Ordinary	100
Aviva Investors Property Funds ICVC Aviva Investors Asia Pacific Property Fund	OEIC	80
Aviva Investors Property Funds ICVC Aviva Investors European Property Fund	OEIC	73
Aviva Investors Real Estate Limited	Ordinary	100
Aviva Investors Secure Income REIT Limited	Ordinary	100
Aviva Investors Social Housing GP Limited	Ordinary	100
Aviva Investors Social Housing Limited	Company Limited by Guarantee	100
Aviva Investors UK CRESD GP Limited	Ordinary	100
Aviva Investors UK Eq Ex Aviva Inv Trusts Index Fund	Collective Investment Scheme	100
Aviva Investors UK Fund Services Limited	Ordinary	100
Aviva Overseas Holdings Limited	Ordinary	100
Aviva plc	Ordinary	100
Aviva Public Private Finance Limited	Ordinary	100
Aviva Special PFI GP Limited	Ordinary	100
Aviva Staff Pension Trustee Limited	Ordinary	100
Aviva UK Digital Limited	Ordinary	100

Company Name	Share Class[1]	% held
Aviva UKLAP De-risking Limited	Ordinary	100
Axcess 10 Management Company Limited	Company Limited by Guarantee	100
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 Nominee 1 Limited	Ordinary	100
Bermondsey Yards Nominee 2 Limited	Ordinary	100
Biomass UK No. 3 Limited	Ordinary Deferred	100
Biomass UK No.1 LLP	Member Capital	75
Biomass UK No.2 Limited	Ordinary Deferred Shares	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
CGU International Holdings BV	Ordinary	100
Chesterford Park (General Partner) Limited	Ordinary	100
Chesterford Park (Nominee) Limited	Ordinary	100
Commercial Union Corporate Member Limited	Ordinary	100
Commercial Union Life Assurance Company Limited	Ordinary	100
Cornerford Limited	Ordinary	100
Den Brook Energy Limited	Ordinary	100
Dilkes Energy Limited	Ordinary	64
EES Operations 1 Limited	Ordinary	100
Electric Avenue Ltd	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
Gobafoss General Partner Limited	Ordinary	100
Gobafoss Partnership Nominee No 1 Ltd	Ordinary	100
Heath Farm Energy Limited	Ordinary	64
Hooton Bio Power Limited	Ordinary	56
Houlton Commercial Management Company Limited	Ordinary	50
Igloo Regeneration (General Partner) Limited	Ordinary	50
Igloo Regeneration (Nominee) Limited	Ordinary	50
Igloo Regeneration Developments (General Partner) Limited	Ordinary	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
Matthew Parker Street (Nominee No 2) Limited	Ordinary	100
Mayfair Healthcare (Durham) Limited	Ordinary	100

Company Name	Share Class[1]	% held
Mayfair Healthcare (Harrogate) Limited	Ordinary	98
Mayfair Healthcare (Knaresborough) Limited	Ordinary	100
Mayfair Healthcare (Oulton) Limited	Ordinary	100
Mayfair Healthcare (Wetherby) Limited	Ordinary	100
Mayfair Healthcare Holdings 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
New Broad Street House Nominee 1 Limited	Ordinary	50
New Broad Street House Nominee 2 Limited	Ordinary	50
NIRO Renewables Limited	Ordinary	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
NUPPP (GP) Limited	Ordinary	100
NUPPP Nominees Limited	Ordinary	100
Opus Park Management Limited	Company Limited by Guarantee	100
Paddington Central III (GP) Limited	Ordinary	100
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
Protricity Ltd	Ordinary	100
Quarryvale One Limited	Ordinary	100
RDF Energy No.1 Limited	Ordinary	57
Renewable Clean Energy 3 Limited	Ordinary	100

Company Name	Share Class[1]	% held
RENEWABLE CLEAN ENERGY LIMITED	Ordinary	100
Rugby Radio Station (General Partner) Limited	Ordinary	50
Rugby Radio Station (Nominee) Limited	Ordinary	50
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 Ltd	Ordinary	100
Station Road General Partner LLP	LLP	100
Stonebridge Cross Management Limited	Company Limited by Guarantee	100
SUE GP LLP	LLP	50
SUE GP Nominee Limited	Ordinary	50
Sunrise Renewables (Hull) Limited	Ordinary	75
The Designer Retail Outlet Centres (Mansfield) General Partner Limited	Ordinary	100
The Designer Retail Outlet Centres (York) General Partner Limited	Ordinary	100
The Ocean Marine Insurance Company Limited	Ordinary	100
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
Yorkshire Insurance Company Limited /The	Ordinary	100
2-10 Mortimer Street Limited Partnership	Fund	50%
Ascot Real Estate Investments LP	Fund	50%
Igloo Regeneration Partnership	Fund	40%
Rugby Radio Station Limited Partnership	Fund	50%
SUE Developments Limited Partnership	Fund	50%
Station Road Cambridge LP	Fund	55%
1 Fitzroy Place Limited Partnership	Fund	50%
11-12 Hanover Square LP	Fund	50%
130 Fenchurch Street LP	Fund	100%
2 Fitzroy Place Limited Partnership	Fund	50%
20 Gracechurch Limited Partnership	Fund	50%
20 Station Road LP	Fund	50%
30 Station Road LP	Fund	50%
30-31 Golden Square Limited Partnership	Fund	50%
50-60 Station Road LP	Fund	50%
Aviva Investors EBC Limited Partnership	Fund	100%
Aviva Investors Energy Centres No.1 Limited Partnership	Fund	100%
Aviva Investors Polish Retail Limited Partnership	Fund	100%
Aviva Special PFI Limited Partnership	Fund	100%
Barratt House LP	Fund	50%
Bermondsey Yards Limited Partnership	Fund	100%
Chesterford Park Limited Partnership	Fund	50%

Company Name	Share Class[1]	% held
Igloo Regeneration Developments LP	Fund	50%
Igloo Regeneration Partnership LP	Fund	50%
Igloo Regeneration Property Unit Trust	Fund	50%
Irongate House LP	Fund	50%
New Broad Street House LP	Fund	50%
Norwich Union Public Private Partnership Fund	Fund	100%
Paddington Central III Limited Partnership	Fund	100%
Pegasus House and Nuffield House LP	Fund	50%
Southgate Limited Partnership	Fund	50%
The Designer Retail Outlet Centres (Mansfield) Limited Partnership	Fund	97%
The Designer Retail Outlet Centres (York) Limited Partnership	Fund	97%
The Gobafoss Partnership	Fund	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
United States		
1209 Orange Street, Wilmington DE 19801, United States		
Aviva Investors Americas LLC	Sole Member	100
1211 Avenue of the Americas New York, NY 10036, United States		
AEP Feed Fund V	Unit Trust	100
Annaly Credit Opportunities Ireland ICAV	Alternative Investment	100
200 Clarendon Street, 55th Floor, Boston, Massachusetts. United States		
2222 Grand Avenue, Des Moines IA 50312, United States		
Aviva Investors North America Holdings, Inc	Common	100
251 Little Falls Drive, Wilmington DE 19808, United States		
AI-RECAP Carry I, LP	Ordinary	82
AI-RECAP GP I, LLC	Sole Member	100
2711 Centreville Road, Suite 400, Wilmington, New Castle, Delaware, 19808, United States		
UKP Holdings Inc.	Ordinary	100
Cogency Global Inc., 850 New Burton Road, Suite 201, Dover Delaware Kent County 19904, United States		
Exeter Properties Inc.	Common Stock	95
Winslade Investments Inc.	Common Stock	100
Vietnam		
Mipec Tower, 229 Tay Son, Dong Da, Ha Noi, Vietnam		
Aviva Vietnam Life Insurance Company Limited	Ordinary	90

1 Investment Company with Variable Capital ('ICVC')
Fond Common de Placement ('FCP')
Open Ended Investment Fund ('OEIC')
Société d 'Investment à Capital Variable ('SICAV')
Undertaking for Collective Investment in Transferrable Securities ('UCITS')
Irish Collective Asset Management Vehicle ('ICAV')
Authorised Contractual Scheme ('ACS')
Organisme de Placement Collectif Immobilier ('OPCI')
Sociétés Civiles de Placement Immobilier ('SCPI')
2 Please see accounting policies (D) Consolidation principles, for further details on Joint Ventures and the factors on which joint management is based.

65 – Subsequent events

- For details of subsequent events relating to disposals see note 4(f).
- For details of subsequent events relating to borrowings see note 52(g).

Income statement

For the year ended 31 December 2020

	Note	2020 £m	2019 £m
Income			
Net investment income	A	**192**	1,688
		192	1,688
Expenses			
Operating expenses	B	**(251)**	(195)
Finance costs	C	**(500)**	(537)
		(751)	(732)
(Loss)/profit for the year before tax		**(559)**	956
Tax credit	D	**116**	92
(Loss)/profit for the year after tax		**(443)**	1,048

Statement of comprehensive income

For the year ended 31 December 2020

	Note	2020 £m	2019 £m
(Loss)/profit for the year		**(443)**	1,048
Items that will not be reclassified to income statement			
Remeasurement of pension scheme	H	**(1)**	(1)
Other comprehensive expense, net of tax		**(1)**	(1)
Total comprehensive (expense)/income for the year		**(444)**	1,047

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.

Statement of changes in equity

For the year ended 31 December 2020

	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	Direct capital instrument £m	Total equity £m
Balance at 1 January		**980**	**200**	**1,239**	**44**	**6,438**	**120**	**3,910**	**500**	**13,431**
Loss for the year		—	—	—	—	—	—	(443)	—	(443)
Other comprehensive expense		—	—	—	—	—	—	(1)	—	(1)
Total comprehensive expense for the year		—	—	—	—	—	—	(444)	—	(444)
Dividends and appropriations	16	—	—	—	—	—	—	(280)	—	(280)
Reserves credit for equity compensation plans	34	—	—	—	—	—	37	—	—	37
Shares issued under equity compensation plans	33	2	—	3	—	—	(51)	46	—	—
Reclassification of DCI to financial liabilities[1]	37,L	—	—	—	—	—	—	1	(500)	(499)
Reclassification of tier 1 notes to financial liabilities	37,L	—	—	—	—	—	—	—	—	—
Forfeited dividend income	H	—	—	—	—	—	—	2	—	2
Aggregate tax effect	D	—	—	—	—	—	—	—	—	—
Balance at 31 December		**982**	**200**	**1,242**	**44**	**6,438**	**106**	**3,235**	**—**	**12,247**

1 On 23 June 2020, notification was given that the Group would redeem the 5.9021% £500 million DCI and the instrument was reclassified as a financial liability. See note 37 for further information.

For the year ended 31 December 2019

	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	Direct capital instrument and fixed rate tier 1 notes £m	Total equity £m
Balance at 1 January		975	200	1,214	44	6,438	120	4,026	724	13,741
Profit for the year		—	—	—	—	—	—	1,048	—	1,048
Other comprehensive income		—	—	—	—	—	—	(1)	—	(1)
Total comprehensive income for the year		—	—	—	—	—	—	1,047	—	1,047
Dividends and appropriations	16	—	—	—	—	—	—	(1,244)	—	(1,244)
Reserves credit for equity compensation plans	34	—	—	—	—	—	62	—	—	62
Shares issued under equity compensation plans	33	5	—	25	—	—	(62)	55	—	23
Reclassification of DCI to financial liabilities	37,L	—	—	—	—	—	—	—	—	—
Reclassification of tier 1 notes to financial liabilities[2]	37,L	—	—	—	—	—	—	14	(224)	(210)
Forfeited dividend income	H	—	—	—	—	—	—	4	—	4
Aggregate tax effect	D	—	—	—	—	—	—	8	—	8
Balance at 31 December		980	200	1,239	44	6,438	120	3,910	500	13,431

2 On 17 October 2019, notification was given that the Group would redeem the 6.875% £230 million tier 1 notes and the instrument was reclassified as a financial liability. See note 37 for further information.

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.

Statement of financial position
As at 31 December 2020

	Note	2020 £m	2019 £m
Assets			
Non-current assets			
Investments in subsidiaries	E	**31,788**	31,788
Investment in joint venture	E	**123**	123
Receivables and other financial assets	F	**3,791**	5,025
Deferred tax assets	G	**9**	9
Current tax assets	G	**108**	85
		35,819	37,030
Current assets			
Receivables and other financial assets	F	**812**	241
Prepayments and accrued income		**20**	13
Cash and cash equivalents		**191**	74
Total assets		**36,842**	37,358
Equity			
Ordinary share capital	33	**982**	980
Preference share capital	36	**200**	200
Called up capital		**1,182**	1,180
Share premium	33(b)	**1,242**	1,239
Capital redemption reserve	33(b)	**44**	44
Merger reserve	H	**6,438**	6,438
Equity compensation reserve	H	**106**	120
Retained earnings	H	**3,235**	3,910
Direct capital instrument	37,L	**—**	500
Total equity		**12,247**	13,431
Liabilities			
Non-current liabilities			
Borrowings	J	**7,195**	6,534
Payables and other financial liabilities	K	**12,430**	12,675
Pension deficits and other provisions	I	**48**	47
		19,673	19,256
Current liabilities			
Borrowings	J	**366**	238
Payables and other financial liabilities	K	**4,456**	4,344
Other liabilities		**100**	89
Total liabilities		**24,595**	23,927
Total equity and liabilities		**36,842**	37,358

Approved by the Board on 3 March 2021

Jason Windsor
Chief Financial Officer

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.

Statement of cash flows

For the year ended 31 December 2020

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.

	2020 £m	2019 £m
Cash flows from investing activities		
Dividends received from joint venture	**—**	5
Net disposal of financial investments	**2**	—
Net cash from investing activities	**2**	5
Cash flows from financing activities		
Proceeds from issue of ordinary shares	**3**	27
Treasury shares purchased for employee trusts	**(2)**	(9)
New borrowings drawn down, net of expenses	**967**	505
Repayment of borrowings[1]	**(862)**	(696)
Net repayment of borrowings	**105**	(191)
Interest paid on borrowings	**(330)**	(316)
Preference dividends paid	**(17)**	(17)
Ordinary dividends paid	**(236)**	(1,184)
Forfeited dividend income	**2**	4
Coupon payments on direct capital instrument and tier 1 notes	**(27)**	(43)
Funding provided from subsidiaries	**632**	1,807
Other[2]	**(15)**	(5)
Net cash generated from financing activities	**115**	73
Net increase in cash and cash equivalents	**117**	78
Cash and cash equivalents at 1 January	**74**	15
Exchange gains on cash and cash equivalents	**—**	(19)
Cash and cash equivalents at 31 December	**191**	74

1 2020 includes redemption of the £500 million DCI. 2019 includes redemption of 6.875% £210 million tier 1 notes.
2 2020 includes a £2 million *(2019: £5 million)* donation of forfeited dividend income to a charitable foundation and £13 million *(2019: £nil)* in respect of payments relating to equity compensation plans.

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.

A – Net investment income

	Note	2020 £m	2019 £m
Dividends received from subsidiaries	O(iii)	**101**	1,590
Dividends received from joint venture	O(iii)	**6**	5
Interest receivable from group loans held at amortised cost	O(i)	**89**	92
Other income		**—**	1
Unrealised loss on FX forward contracts		**(4)**	—
Total		**192**	1,688

B – Operating expenses

(i) Operating expenses

Operating expenses comprise:

	2020 £m	2019 £m
Equity compensation plans (see (ii) below)	**15**	19
Other operating costs	**236**	175
Net foreign exchange losses	**—**	1
Total	**251**	195

(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 34. 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	2020 £m	2019 £m
Interest payable on borrowings		**342**	325
Interest payable on group loans held at amortised cost	O(ii)	**158**	212
Total		**500**	537

D – Tax

(i) Tax credited to the income statement

The total tax credit comprises:

	2020 £m	2019 £m
Current tax		
For this year	**(108)**	(90)
Prior year adjustments	**(9)**	(2)
Total current tax	**(117)**	(92)
Deferred tax		
Origination and reversal of temporary differences	**1**	—
Total deferred tax	**1**	—
Total tax credited to income statement	**(116)**	(92)

(ii) Tax credited to other comprehensive income

Tax credited to other comprehensive income in the year amounted to £1 million *(2019: £nil)* in respect of obligations under pension and post-retirement benefit schemes.

(iii) Tax credited to equity

Tax credited directly to equity in the year amounted to £nil *(2019: £8 million in respect of coupon payments on the direct capital instrument and fixed rate tier 1 notes)*.

D – Tax continued

(iv) Tax reconciliation

The tax on the Company'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:

	2020 £m	2019 £m
(Loss)/profit before tax	**(562)**	956
Tax calculated at standard UK corporation tax rate of 19.00% *(2019: 19.00%)*	**(107)**	182
Reconciling items		
Adjustment to tax charge in respect of prior years	**(9)**	(2)
Non-assessable dividend income	**(20)**	(303)
Losses surrendered intra-group for nil value	**25**	31
Tax on interest amounts charged direct to equity	**(5)**	—
Total tax credited to income statement	**(116)**	(92)

During 2020, the reduction in the UK corporation tax rate that was due to take effect from 1 April 2020 was cancelled and as a result, the rate has remained at 19%. This results in an increase in the Company's deferred tax assets of £1 million. The resulting credit of £1 million is recognised in other comprehensive income.

E – Investments in subsidiaries and joint venture

(i) Subsidiaries

At 31 December 2020, the Company has two wholly owned subsidiaries, both incorporated in the UK. These are General Accident plc (GA) and Aviva Group Holdings Limited (AGH). AGH is an intermediate holding company, while GA has preference shares listed on the London Stock Exchange. At 31 December 2020, the Company's investments in subsidiaries have a cost of £31,788 million *(2019: £31,788 million)*. The principal subsidiaries of the Aviva Group at 31 December 2020 are set out in note 63 to the Group consolidated financial statements.

(ii) Joint venture

At 31 December 2020, the Company's investment in the joint venture, Aviva-COFCO Life Insurance Co. Limited has a cost of £123 million *(2019: £123 million)*.

F – Receivables and other financial assets

	Note	2020 £m	2019 £m
Loans due from subsidiaries held at amortised cost	O(i)	**4,346**	5,025
Amounts due from subsidiaries held at amortised cost	O(iii)	**257**	241
Total		**4,603**	5,266
Expected to be recovered in less than one year		**812**	241
Expected to be recovered in more than one year		**3,791**	5,025
		4,603	5,266

Fair value of these assets is approximate to their carrying amounts.

G – Tax assets and liabilities

(i) Current tax

Current tax assets recoverable in more than one year are £108 million *(2019: £85 million)*.

Assets for prior years' tax settled by Group Relief of £94 million *(2019: £106 million)* are included within Receivables and other financial assets (note F), of which £94 million are recoverable in less than one year.

(ii) Deferred tax

(a) The balance at 31 December comprises:

	2020 £m	2019 £m
Pensions and other post retirement obligations	**9**	9
Net deferred tax assets	**9**	9

(b) The movement on the net deferred tax asset was as follows:

	2020 £m	2019 £m
Net asset at 1 January	**9**	9
Amounts charged to profit	**(1)**	—
Amounts credited to other comprehensive income	**1**	—
Net asset at 31 December	**9**	9

H – Reserves

	Merger reserve £m	Equity compensation reserve[1] £m	Retained earnings £m
Balance at 1 January 2019	6,438	120	4,026
Arising in the year:			
Profit for the year	—	—	1,048
Remeasurement of pension scheme	—	—	(1)
Forfeited dividend income[2]	—	—	4
Dividends and appropriations	—	—	(1,244)
Reserves credit for equity compensation plans	—	62	—
Issue of share capital under equity compensation plans	—	(62)	55
Reclassification of tier 1 notes to financial liabilities[3] (note L)	—	—	14
Aggregate tax effect	—	—	8
Balance at 31 December 2019	**6,438**	**120**	**3,910**
Arising in the year:			
Loss for the year	**—**	**—**	**(443)**
Remeasurement of pension scheme	**—**	**—**	**(1)**
Forfeited dividend income[2]	**—**	**—**	**2**
Dividends and appropriations	**—**	**—**	**(280)**
Reserves credit for equity compensation plans	**—**	**37**	**—**
Issue of share capital under equity compensation plans	**—**	**(51)**	**46**
Reclassification of DCI to financial liabilities[4] (note L)	**—**	**—**	**1**
Aggregate tax effect	**—**	**—**	**—**
Balance at 31 December 2020	**6,438**	**106**	**3,235**

1 See notes 34(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.
3 On 17 October 2019, notification was given that the Group would redeem the 6.875% £230 million tier 1 notes and the instrument was reclassified as a financial liability. See note 37 for further information.
4 On 23 June 2020, notification was given that the Group would redeem the 5.9021% £500 million DCI and the instrument was reclassified as a financial liability. See note 37 for further information.

Tax effect of £nil *(2019: £8 million)* is recognised in respect of coupon payments on the DCI *(2019: £43 million in respect of coupon payments on the DCI and tier 1 notes)*.

I – Pension deficits and other provisions
(i) Carrying amounts

	2020 £m	2019 £m
Total IAS 19 obligations to staff pension schemes	**48**	47
Total provisions	**48**	47

J – Borrowings
The Company's borrowings comprise:

	2020 £m	2019 £m
Subordinated debt	**6,341**	5,482
Senior notes	**1,112**	1,052
Commercial paper	**108**	238
Total	**7,561**	6,772

All the above borrowings are stated at amortised cost.

J – Borrowings continued

Maturity analysis of contractual undiscounted cash flows:

	2020 Principal £m	2020 Interest £m	2020 Total £m	2019 Principal £m	2019 Interest £m	2019 Total £m
Within 1 year	**366**	**338**	**704**	238	311	549
1 – 5 years	**448**	**1,330**	**1,778**	686	1,194	1,880
5 – 10 years	**930**	**1,613**	**2,543**	635	1,451	2,086
10 – 15 years	**—**	**1,540**	**1,540**	—	1,417	1,417
Over 15 years	**5,864**	**2,831**	**8,695**	5,251	2,636	7,887
Total contractual undiscounted cash flows	**7,608**	**7,652**	**15,260**	6,810	7,009	13,819

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 £49 million *(2019: £49 million)*.

The fair value of the subordinated debt at 31 December 2020 was £7,514 million *(2019: £6,446 million)*, calculated with reference to quoted prices. The fair value of the senior debt at 31 December 2020 was £1,217 million *(2019: £1,134 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 52, with details of the fair value hierarchy in relation to these borrowings in note 24.

K – Payables and other financial liabilities

	Note	2020 £m	2019 £m
Loans due to subsidiaries	O(ii)	**12,430**	12,675
Amount due to subsidiaries	O(iii)	**4,456**	4,344
Total		**16,886**	17,019
Expected to be recovered in less than one year		**4,456**	4,344
Expected to be recovered in more than one year		**12,430**	12,675
		16,886	17,019

L – Direct capital instrument and tier 1 notes

The 6.875% £210 million tier 1 notes were redeemed on 21 November 2019 at a cost of £210 million, see details in note 37. These were reflected in the Company financial statements at a value of £224 million following the transfer at fair value from Friends Life Holdings plc on 1 October 2015. The resulting difference of £14 million between their carrying amount of £224 million and fair value of £210 million has been charged to the Company retained earnings.

The £500 million direct capital instrument was redeemed on 27 July 2020 at a cost of £500 million, see details in note 37. These were reflected in the Company financial statements at a value of £499 million following the reclassification to financial liability on the notification date. The resulting difference of £1 million has been charged to the Company retained earnings.

M – Contingent liabilities

Details of the Company's contingent liabilities are given in the Group consolidated financial statements, note 55.

N – Risk management

Risk management in the context of the Group is considered in the Group consolidated financial statements, note 59.

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 59. 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 52) 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.

N – Risk management continued

Interest rate risk continued

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 52.

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 £114 million *(2019: decrease/increase of £104 million)*. The net asset value of the Company's financial resources is not materially affected by fluctuations in interest rates.

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 59(c)(v).

The Company faces exposure to foreign currency risk through some of its borrowings which are denominated in Euros. However, most of these borrowings have been on-lent to a subsidiary which holds investments in Euros, generating the net investment hedge described in the Group consolidated financial statements, note 60(a).

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.

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. From January 2021, as a result of LIBOR being abolished, loans previously accruing interest at specific basis points above LIBOR will now be set at a fixed rate for 5 years or up to maturity. The maturity analysis of the related party loans is as follows:

(i) Loans owed by subsidiaries

Maturity analysis	2020 £m	2019 £m
Within 1 year	**555**	—
1 – 5 years	**3,311**	3,792
Over 5 years	**480**	1,233
Total	**4,346**	5,025

The interest received on these loans is £89 million *(2019: £92 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 facility was £224 million *(2019: £212 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 facility accrues interest at 75 basis points above 6 month LIBOR. As at the statement of financial position date, the total amount drawn down on the facility was £849 million *(2019: £1,563 million)*.

On 27 June 2016, the Company provided an unsecured loan of C$446 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 CDOR. As at the statement of financial position date, the total amount drawn was £256 million *(2019: £259 million)*.

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. 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 was £555 million *(2019: £661 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 facility was £582 million *(2019: £551 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 facility was £627 million *(2019: £593 million)*.

O – Related party transactions continued

(i) Loans owed by subsidiaries continued

- 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 facility was £805 million *(2019: £762 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 was £448 million *(2019: £424 million)*.

(ii) Loans owed to subsidiaries

	2020			2019		
Maturity analysis of contractual undiscounted cash flows:	Principal £m	Interest £m	Total £m	Principal £m	Interest £m	Total £m
Within 1 year	—	93	93	—	182	182
1 – 5 years	12,430	178	12,608	12,675	395	13,070
Total	**12,430**	**271**	**12,701**	12,675	577	13,252

The interest paid on these loans is £158 million *(2019: £212 million)*. See note C.

On 3 September 2013 Aviva Group Holdings Limited, its subsidiary, provided an unsecured rolling credit facility of £5,000 million to the Company, accruing interest at 75 basis points above 6 month LIBOR and with an initial maturity date of 3 September 2018, which was subsequently extended to 31 December 2023. The total amount drawn down on the facility at 31 December 2020 was £2,900 million *(2019: £3,045 million)*.

On 14 December 2017, the Company renewed its facility with GA 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 other terms of the loan will remain unchanged, including the rate of interest payable by the Company to GA plc (65 basis points above 3 month LIBOR and in the event that the LIBOR rate is less than zero, the rate shall be deemed to be zero). As at 31 December 2020, the loan balance outstanding was £9,530 million *(2019: £9,630 million)*. This loan is secured against the ordinary share capital of Aviva Group Holdings Limited. The loan agreement also includes a penalty interest charge of 1% above the interest rate if any amounts payable under the loan agreement remain outstanding.

(iii) Other transactions

Services provided to related parties

	2020		2019	
	Income earned in year £m	Receivable at year end £m	Income earned in year £m	Receivable at year end £m
Subsidiaries	**107**	**257**	1,595	241

Income earned relates to dividends. 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.

Services provided by related parties

	2020		2019	
	Expense incurred in year £m	Payable at year end £m	Expense incurred in year £m	Payable at year end £m
Subsidiaries	**239**	**4,456**	175	4,344

Expenses incurred relates to operating expenses. The Company incurred expenses in the year of £0.7 million *(2019: £0.6 million)* representing audit fees paid by the Company on behalf of subsidiaries. The Company did not recharge subsidiaries for these expenses.

The related parties' payables are not secured and no guarantees were given 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 55(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 62.

P – Subsequent events

For details of subsequent events relating to borrowings please see note 52(g).

Other Information

In this section	Page

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 figures determined according to other regulations.

Throughout, the symbol '#' denotes an APM that is also a key performance indicator used as a base to determine or modify remuneration.

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.

Following the announcement of our strategic priorities on 6 August 2020, the financial performance of our 'Core markets' are presented as UK & Ireland Life, General Insurance (which brings together our UK & Ireland general insurance businesses and Canada) and Aviva Investors. Our 'Manage-for-value' markets consist of our remaining international businesses: France, Italy, Poland, Asia and Other. The 2019 comparative results for our APMs have been restated from those previously published to reclassify operations on this basis.

In addition, the 2019 comparative amounts have been re-presented from those previously published to reclassify the amounts relating to Aviva Singapore, Friends Provident International Limited (FPI), Hong Kong, Indonesia and Vietnam as discontinued operations. Where relevant, these discontinued operations are presented as 'Manage-for-value' markets.

At 31 December 2020, the estimated Solvency II shareholder cover ratio APM has been amended to no longer make adjustments for planned acquisitions and disposals when deriving the shareholder view. This change in approach is considered more relevant because prior to completion there is uncertainty in relation to the progression and final terms of such transactions. Comparative amounts have not been restated for this change as the impacts were not material at 31 December 2019.

At 30 June 2020, we removed the operating expenses APM, having disclosed this metric alongside controllable costs at 31 December 2019. The controllable costs metric aligns to our capital markets day target announced in November 2019 and excludes premium based taxes, fees and levies that vary directly with premium volumes. Therefore, controllable costs is considered more representative of operational expenses that are controllable by management and is considered more useful and relevant than the operating expenses metric.

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. Definitions and additional information, including reconciliations 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 adjusted 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.

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, acquisition and disposal 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 in 2020 comprise:

- A charge of £16 million relating to costs on contracts that have become onerous following the disposals of FPI, Singapore, Indonesia and Hong Kong. This was disclosed outside of Group adjusted operating profit as the onerous contracts arise as a result of disposal transactions which we consider to be strategic in nature; and
- A charge of £18 million relating to the estimated additional liability arising in the UK defined benefit pension schemes as a result of the requirement to equalise members' benefits for the effects of Guaranteed Minimum Pension (GMP) for former members. This was disclosed outside of Group adjusted operating profit as the additional liability arose as a consequence of a further High Court judgement in November 2020 in the case involving Lloyds Banking Group, and does not reflect the financial performance of the Group for the year.

Other items in 2019 comprised:

- A charge of £45 million relating to a change in the discount rate used for estimating lump sum payments in settlement of bodily injury claims. Consistent with the presentation of the change in the Ogden discount rate in 2016 and 2018, this was disclosed outside of Group adjusted operating profit; and
- A charge of £2 million relating to the negative goodwill which arose on the acquisition of Friends First in 2018, which was excluded from Group adjusted operating profit for consistency with the treatment of impairment of goodwill.

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.

The table below presents a reconciliation between our consolidated operating profit and profit before tax attributable to shareholders' profits.

	2020 £m	2019 £m
UK & Ireland Life	**1,907**	1,974
General Insurance		
UK & Ireland GI	**213**	297
Canada	**287**	191
Aviva Investors	**85**	96
Core markets	**2,492**	2,558
Manage-for-value	**999**	899
Other Group activities	**(22)**	(21)
	3,469	3,436
Corporate centre	**(250)**	(183)
Group debt costs and other interest	**(370)**	(320)
Group adjusted operating profit before tax attributable to shareholders' profits from continuing operations	**2,849**	2,933
Group adjusted operating profit before tax attributable to shareholders' profits from discontinued operations	**312**	251
Group adjusted operating profit before tax attributable to shareholders' profits	**3,161**	3,184
Adjusted for the following:		
Life business: Investment variances and economic assumption changes	**174**	654
Non-life business: Short-term fluctuation in return on investments	**(64)**	167
General insurance and health business: Economic assumption changes	**(104)**	(54)
Impairment of goodwill, associates and joint ventures and other amounts expensed	**(30)**	(15)
Amortisation and impairment of intangibles acquired in business combinations	**(76)**	(87)
Amortisation and impairment of acquired value of in-force business	**(278)**	(406)
Profit/(loss) on the disposal and re-measurement of subsidiaries, joint ventures and associates	**725**	(22)
Other	**(34)**	(47)
Adjusting items before tax	**313**	190
Profit before tax attributable to shareholders' profits	**3,474**	3,374
Tax on Group adjusted operating profit	**(634)**	(668)
Tax on other activities	**70**	(43)
	(564)	(711)
Profit for the year	**2,910**	2,663

The difference between the Group adjusted operating profit before tax attributable to shareholders' profit from discontinued operations of £312 million *(2019: £251 million)* and profit before tax attributable to shareholders' profits from discontinued operations of £904 million *(2019: £54 million)* is a net profit of £592 million *(2019: £197 million loss)*. This is included in the total adjustments in the table above of £313 million *(2019: £190 million)* and comprises a net gain of £713 million *(2019: £28 million loss)* relating to profit on the disposal and re-measurement of subsidiaries, joint ventures and associates; offset by losses of £50 million *(2019: £29 million loss)* relating to investment return variances and economic assumption changes on long-term business; losses of £1 million *(2019: £4 million loss)* relating to impairment of goodwill, associates and joint ventures; losses of £6 million *(2019: £10 million loss)* in relation to amortisation and impairment of intangibles acquired in business combinations; and losses of £64 million *(2019: £126 million loss)* relating to amortisation and impairment of acquired in-force business.

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.

	2020 £m	2019 £m
Continuing operations		
Incurred claims – GI & Health (as per note 5)[1]	**(6,267)**	(6,448)
Adjusted for the following:		
Incurred claims – Health	**423**	491
Change in discount rate assumptions	**104**	54
Impact of change in the discount rate used in settlement of bodily injury claims	**—**	45
Total Incurred claims (included in COR)[2]	**(5,740)**	(5,858)
Commission and expenses – GI & Health (as per note 5)	**(3,545)**	(3,275)
Adjusted for the following:		
Amortisation and impairment of intangibles acquired in business combinations	**23**	19
Foreign exchange gains/(losses)	**49**	(45)
Commission income	**21**	20
Other	**12**	5
Commission and Expenses – Health & Other Non GI	**252**	259
Total commission and expenses (included in COR)[3]	**(3,188)**	(3,017)
Total underwriting costs from continuing operations	**(8,928)**	(8,875)
Total underwriting costs from discontinued operations	**(12)**	(17)
Total underwriting costs	**(8,940)**	(8,892)
Net earned premiums – GI & Health	**9,914**	9,805
Adjusted for:		
Net earned premiums – Health	**(638)**	(700)
Net earned premiums (included in COR) from continuing operations	**9,276**	9,105
Net earned premiums (included in COR) from discontinued operations	**12**	15
Net earned premiums (included in COR)	**9,288**	9,120
Combined operating ratio – continuing operations	**96.2%**	97.5%
Combined operating ratio	**96.2%**	97.5%

1 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 5.
2 Includes Aviva Re.
3 Commission and expenses (included in COR) is comprised of £2,031 million earned commission *(2019: £1,900 million)* and £1,157 million earned expenses *(2019: £1,116 million)*. It includes Aviva Re.

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.

Operating earnings per share (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 and tier 1 note 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 15.

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 exclude 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.

Controllable costs exclude 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. In 2019 these costs included a £175 million provision in our UK Life business relating to past communications to a specific sub-set of pension policyholders that may not have adequately informed them of switching options into with-profits funds that were available to them.

Controllable costs exclude 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.

Controllable costs also excludes 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.

Following a review of the presentation of claims handling costs, to achieve consistency in our reporting, comparative amounts have been restated by £83 million for the year ended 31 December 2019 to include previously excluded claims handling costs attributable to the Life & Health businesses from the UK, Ireland and Poland in controllable costs.

A reconciliation of other expenses in the IFRS consolidated income statement to controllable costs is set out below:

	2020 £m	Restated[1] 2019 £m
Continuing operations		
Other expenses (IFRS income statement)	**3,037**	3,057
Add: other acquisition costs	**1,028**	947
Add: claims handling costs[1]	**366**	422
Less: impairment of goodwill, associates and joint ventures and other amounts expensed	**(17)**	(2)
Less: amortisation and impairment of intangibles acquired in business combinations	**(71)**	(76)
Less: amortisation and impairment of acquired value of in-force business	**(214)**	(280)
Less: foreign exchange (losses)/gains	**(109)**	109
Less: product governance and mis-selling costs[2]	**(50)**	(225)
Less: premium based income taxes, fees and levies	**(192)**	(180)
Add: other costs	**—**	57
Controllable costs from continuing operations	**3,778**	3,829
Controllable costs from discontinued operations	**157**	193
Controllable costs	**3,935**	4,022

1 Following a review of the presentation of claims handling costs, to achieve consistency in our reporting, comparative amounts have been restated by £83 million for the year ended 31 December 2019 to include previously excluded claims handling costs attributable to the Life & Health businesses from the UK, Ireland and Poland in controllable costs.
2 Product governance and mis-selling costs, previously included within other costs, have been presented as a discrete item in the reconciliation in order to improve transparency.

At 30 June 2020, we have removed the operating expenses APM, having disclosed this metric alongside controllable costs at 31 December 2019. The controllable costs metric aligns to our target announced in 2019 and excludes premium based taxes, fees and levies that vary directly with premium volumes. Therefore, controllable costs is considered more representative of operational expenses that are controllable by management and is considered more useful and relevant than the operating expenses metric.

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, preference share capital and direct capital instrument and tier 1 notes).

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.

	2020	2019
Equity attributable to shareholders of Aviva plc at 31 December[1] (£m)	**19,354**	17,008
Number of shares in issue at 31 December (in millions)	**3,928**	3,921
IFRS NAV per share	**493p**	434p

1 Excluding preference shares of £200 million *(2019: £200 million)*.

Assets Under Management (AUM) and Assets Under Administration (AUA)

AUM represent all assets managed or administered by or on behalf of the Group, including those assets managed by Aviva Investors and by third parties. AUM include 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 £40 billion *(2019: £36 billion)* 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:

	2020 £bn	2019 £bn
Assets managed on behalf of Group companies		
Assets included in statement of financial position[1]		
Financial investments	**369**	351
Investment properties	**11**	11
Loans	**44**	39
Cash and cash equivalents	**17**	20
Other	**5**	1
	446	422
Less: third party funds and UK Platform included above	**(26)**	(17)
	420	405
Assets managed on behalf of third parties[2]		
Aviva Investors	**74**	67
UK Platform[3]	**34**	29
Other	**7**	9
	115	105
Total AUM[4]	**535**	510

1 Includes assets classified as held for sale.
2 AUM managed on behalf of third parties cannot be directly reconciled to the financial statements.
3 UK Platform relates to the assets under management in the UK long-term savings business.
4 Includes AUM of £366 billion *(2019: £346 billion)* managed by Aviva Investors.

Net flows

Net flows is one of the measures of growth used by management and is a component of the movement in the life and platform business AUM during the period. It is the difference between the inflows (being IFRS net written premiums plus deposits received under investment contracts) and outflows (being IFRS net paid claims plus redemptions and surrenders under investment contracts). It excludes market and other movements.

In previous periods, this APM was labelled net fund flows and this has been updated for consistency.

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.

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 include 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 reconciliation from total Group equity on an IFRS basis to Solvency II regulatory own funds is presented below. The key differences between the two bases are as follows:

- Elimination of goodwill and other intangible assets
- Valuation adjustments to reflect insurance assets and liabilities valued on a best estimate basis using market-implied assumptions
- Valuation adjustments and the impact of the difference between consolidation methodologies under Solvency II and IFRS
- Tax effect of all other reconciling items in the table above which are shown gross of tax
- Recognition of subordinated debt capital, non-controlling interests and adjustments for ring-fenced funds restrictions.

	2020 £m	2019 £m
Total Group equity on an IFRS basis	**20,560**	18,685
Elimination of goodwill and other intangible assets		
Goodwill	**(1,805)**	(1,855)
Acquired value of in-force business	**(1,742)**	(2,479)
Deferred acquisition costs (net of deferred income)	**(3,154)**	(3,221)
Other intangibles	**(704)**	(869)
Liability valuation differences (net of transitional deductions)	**16,159**	19,564
Inclusion of risk margin (net of transitional deductions)	**(3,245)**	(3,122)
Revaluation of subordinated liabilities	**(795)**	(716)
Other accounting differences	**(69)**	(99)
Net deferred tax	**(1,191)**	(1,220)
Estimated Solvency II net assets (gross of non-controlling interests)	**24,014**	24,668
Difference between Solvency II net assets and own funds	**5,248**	3,679
Estimated Solvency II own funds	**29,262**	28,347

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 capital generation (OCG)#
- Solvency II operating own funds generation
- Solvency II return on capital
- Solvency II return on equity (RoE)#
- Solvency II net asset value (NAV) per share
- Solvency II debt leverage ratio

Solvency II shareholder cover ratio#

The estimated Solvency II shareholder cover ratio, which is derived from own funds divided by the SCR using a 'shareholder view', is one of the indicators of the Group's balance sheet strength. 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 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 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 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 2020 position includes a notional reset while the 31 December 2019 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.
- A change in regulations announced in December 2019 allows French insurers to place a part of the Provision pour Participation aux Excédents (PPE) into Solvency II own funds. At December 2019 PPE was included in the France local regulatory own funds but was excluded from the estimated Group regulatory and shareholder own funds, subject to confirmation of the appropriate treatment at Group level. The treatment has since been confirmed and PPE is now included within Group regulatory own funds but remains excluded from the shareholder position.
- Pro forma 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.
- In a change to previous practice, pro forma adjustments are no longer made for planned acquisitions and disposals. This change in approach is considered more relevant because prior to completion there is uncertainty in relation to the progression and final terms of such transactions. Comparative amounts have not been restated for this change as the impacts were not material at 31 December 2019.

A reconciliation of the Solvency II regulatory surplus to the Solvency II shareholder surplus is provided below:

2020	Own funds £m	SCR £m	Surplus £m
Estimated Solvency II regulatory surplus	**29,262**	**(16,441)**	**12,821**
Adjustments for:			
Fully ring-fenced with-profit funds	**(2,492)**	**2,492**	—
Staff pension schemes in surplus	**(1,179)**	**1,179**	—
Notional reset of TMTP	**564**	—	**564**
PPE	**(385)**	—	**(385)**
Pro forma adjustments	—	—	—
Estimated Solvency II shareholder surplus	**25,770**	**(12,770)**	**13,000**

2019	Own funds £m	SCR £m	Surplus £m
Estimated Solvency II regulatory surplus	28,347	(15,517)	12,830
Adjustments for:			
Fully ring-fenced with-profit funds	(2,501)	2,501	—
Staff pension schemes in surplus	(1,181)	1,181	—
Notional reset of TMTP	—	—	—
Pro forma adjustments[1]	(117)	(75)	(192)
Estimated Solvency II shareholder surplus	24,548	(11,910)	12,638

1 The 31 December 2019 Solvency II position includes three pro forma adjustments that relate to the disposal of FPI (£nil impact on surplus), the disposal of Hong Kong (£nil impact on surplus) and the potential impact of an expected change to Solvency II regulations on the treatment of equity release mortgages (£0.2 billion decrease in surplus as a result of an increase in SCR). The 31 December 2020 Solvency II position does not include proforma adjustments. Note that from 31 December 2020 no pro forma adjustments will be made for planned disposals.

A summary of the shareholder view of the Group's Solvency II position is shown in the table below:

	2020 £m	2019 £m
Own Funds	**25,770**	24,548
Solvency Capital Requirement	**(12,770)**	(11,910)
Estimated Solvency II Shareholder Surplus at 31 December	**13,000**	12,638
Estimated Shareholder Cover Ratio	**202%**	206%

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 and Asia Healthcare, Retail fund management 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:

Full year 2020	UK & Ireland Life £m	Aviva Investors £m	Manage-for-value £m	Group £m
VNB (gross of tax and non-controlling interests)	**675**	**9**	**576**	**1,260**
Solvency II contract boundary restrictions – new business	**(108)**	**—**	**(209)**	**(317)**
Solvency II contract boundary restrictions – increments/renewals on in-force business	**113**	**—**	**96**	**209**
Businesses which are not in the scope of Solvency II own funds	**(106)**	**(9)**	**(5)**	**(120)**
Tax and Other[1]	**(125)**	**—**	**(209)**	**(334)**
Solvency II own funds impact of new business (net of tax and non-controlling interests)	**449**	**—**	**249**	**698**

Full year 2019	UK & Ireland Life £m	Aviva Investors £m	Manage-for-value £m	Group £m
VNB (gross of tax and non-controlling interests)	600	12	612	1,224
Solvency II contract boundary restrictions – new business	(83)	—	(181)	(264)
Solvency II contract boundary restrictions – increments/renewals on in-force business	97	—	99	196
Businesses which are not in the scope of Solvency II own funds	(138)	(12)	(8)	(158)
Tax and Other[1]	(103)	—	(236)	(339)
Solvency II own funds impact of new business (net of tax and non-controlling interests)	373	—	286	659

1 Other includes the impact of 'look through profits' in service companies (where not included in Solvency II) of £(69) million *(2019: £(78) million)*, the reduction in value when moving to a net of non-controlling interests basis of £(37) million *(2019: £(57) million)*, the difference between locally applicable capital requirements for the smaller Asian markets (Indonesia, Vietnam, Hong Kong) and the value of new business on an adjusted Solvency II basis of £(47) million *(2019: £(37) million)*, and the assumed take up of tax-free lump sum payments at retirement (not included in Solvency II Own Funds) on BPAs of £(4) million *(2019: £nil)*

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 matching adjustment 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 expected 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 matching adjustment used for 2020 UK new business (where applicable) was 98 bps *(2019: 95 bps)*.

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.

	2020 £m	2019 £m
Present value of new business premiums	**43,358**	45,665
Investment sales	**5,270**	4,621
General insurance and health net written premiums	**10,232**	10,224
Long-term health and collectives business	**(3,647)**	(3,563)
Total sales	**55,213**	56,947
Effect of capitalisation factor on regular premium long-term business[1]	**(14,686)**	(15,294)
JVs and associates[2]	**(226)**	(286)
Annualisation impact of regular premium long-term business[3]	**(399)**	(327)
Deposits[4]	**(9,936)**	(10,917)
Investment sales[5]	**(5,270)**	(4,621)
IFRS gross written premiums from existing long-term business[6]	**5,066**	5,057
Long-term insurance and savings business premiums ceded to reinsurers	**(3,101)**	(2,879)
Total IFRS net written premiums	**26,661**	27,680
Analysed as:		
IFRS net written premiums from continuing business	**25,377**	26,527
IFRS net written premiums from discontinued operations	**1,284**	1,153
	26,661	27,680
Analysed as:		
Long-term insurance and savings net written premiums	**16,429**	17,456
General insurance and health net written premiums	**10,232**	10,224
	26,661	27,680

1 Discounted value of regular premiums expected to be received over the term of the new contract, adjusted for expected levels of persistency.
2 Total long-term new business sales include our share of sales from joint ventures and associates. Under IFRS, premiums from these sales are excluded.
3 The impact of annualisation is removed in order to reconcile the non-GAAP new business sales to IFRS premiums.
4 Under IFRS, only the margin earned from non-participating investment contracts is recognised in the IFRS income statement.
5 Investment sales included in total sales represent the cash inflows received from customers investing in mutual fund type products such as unit trusts and OEICs.
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.

Solvency II operating capital generation (OCG)#

Solvency II OCG measures the amount of Solvency II capital the Group generates from operating activities and 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 expected investment returns assumed within Solvency II OCG are consistent with the returns used for Group adjusted operating profit.

Solvency II OCG 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), model changes that are non-economic in nature and the impact of capital actions, for example, strategic changes in asset mix including changes in hedging exposure. Consistent with the Group adjusted operating profit APM, Solvency II OCG is determined on start of period economic assumptions and therefore excludes economic variances and economic assumption changes.

An analysis of the components of Solvency II OCG is presented below, including an analysis of Solvency II operating own funds generation which is the own funds component of Solvency II OCG (see the section below):

	2020 £m	2019 £m
Solvency II own funds impact of new business (net of tax and non-controlling interests)	**698**	659
Operating own funds generation from life existing business	**721**	507
Operating own funds generation from non-life	**562**	431
Operating own funds generation from other[1]	**6**	944
Group debt costs	**(296)**	(284)
Solvency II operating own funds generation	**1,691**	2,257
Solvency II operating SCR impact	**241**	2
Solvency II OCG	**1,932**	2,259

1 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.

2020 Shareholder view	Own funds £m	SCR £m	Surplus £m
Group Solvency II shareholder surplus at 1 January	**24,548**	**(11,910)**	**12,638**
Opening restatements[1]	**78**	**(202)**	**(124)**
Operating capital generation	**1,691**	**241**	**1,932**
Non-operating capital generation	**(741)**	**(963)**	**(1,704)**
Dividends[2]	**(549)**	**—**	**(549)**
Hybrid debt	**257**	**—**	**257**
Acquisitions and disposals	**486**	**64**	**550**
Estimated Solvency II shareholder surplus at 31 December	**25,770**	**(12,770)**	**13,000**

1 Opening restatements allows for adjustments to the estimated position presented in the preliminary announcement and the final position in the Solvency and Financial Condition Report (SFCR).
2 Dividends includes £17 million of Aviva plc preference dividends and £21 million of General Accident plc preference dividends, and £511 million for the interim dividends in respect of the 2019 and 2020 financial years.

2019 Shareholder view	Own funds £m	SCR £m	Surplus £m
Group Solvency II shareholder surplus at 1 January	23,551	(11,569)	11,982
Opening restatements[1]	58	6	64
Operating capital generation	2,257	2	2,259
Non-operating capital generation	120	(368)	(248)
Dividends[2]	(1,222)	—	(1,222)
Share buy-back	—	—	—
Hybrid debt repayments	(210)	—	(210)
Acquisitions and disposals	(6)	19	13
Estimated Solvency II shareholder surplus at 31 December	24,548	(11,910)	12,638

1 Opening restatements allows for differences between the shareholder view presented in the 2018 preliminary announcement and the 2018 SFCR.
2 Dividends includes £17 million of Aviva plc preference dividends and £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. 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), which 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 calculation approach is consistent with prior periods.

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 operating own funds generation

Solvency II operating own funds generation measures the amount of Solvency II own funds generated from operating activities. Solvency II operating own funds generation is the own funds component of Solvency II OCG and follows the methodology and assumptions outlined in Solvency II OCG.

Solvency II Return on Equity (RoE)#

Solvency II RoE is calculated as:

- Operating own funds generation less preference dividends, DCI and tier 1 note coupons divided by;
- Opening value of unrestricted tier 1 shareholder own funds

Unrestricted tier 1 shareholder own funds represents the highest quality tier of capital and includes instruments with principal loss absorbing features such as permanence, subordination, undated, absence of redemption incentives, mandatory costs and encumbrances.

The tables below provide a summary of the Group's regulatory Solvency II own funds by tier and a reconciliation between unrestricted tier 1 regulatory own funds and unrestricted tier 1 shareholder own funds:

Regulatory view	2020 £m	2019 £m
Unrestricted regulatory tier 1 own funds	**20,850**	20,377
Restricted Tier 1	**1,317**	1,839
Tier 2	**6,740**	5,794
Tier 3[1]	**355**	337
Estimated Solvency II regulatory own funds	**29,262**	28,347

1 Tier 3 regulatory own funds at 31 December 2020 consists of £259 million subordinated debt *(2019: £259 million)* plus £96 million net deferred tax assets *(2019: £78 million)*.

Shareholder view	2020 £m	2019 £m
Unrestricted regulatory tier 1 own funds	**20,850**	20,377
Adjustments for:		
Fully ring-fenced with-profit funds	**(2,492)**	(2,501)
Staff pension schemes in surplus	**(1,179)**	(1,181)
Notional reset of TMTP	**564**	—
PPE[2]	**(385)**	—
Pro forma adjustments[1]	**—**	(117)
Unrestricted shareholder tier 1 own funds	**17,358**	16,578

1 The 31 December 2019 Solvency II position includes two pro forma adjustments that relate to the disposal of FPI (£0.1 billion reduction in own funds) and the disposal of Hong Kong (£nil impact on own funds).
2 Regulation was introduced in France that allows French insurers to place the Provision pour Participation aux Excedents (PPE) into Solvency II own funds. The PPE has been included in the Group regulatory own funds in 2020 but it is not included in the Group shareholder own funds.

Solvency II RoE provides useful information as it is used as an economic value measure by the Group to assess growth and performance.

The Solvency II RoE is shown below:

	2020 £m	2019 £m
Solvency II operating own funds generation	**1,691**	2,257
Less: preference share dividends	**(38)**	(38)
Less: DCI and tier 1 note coupons	**(27)**	(34)
	1,626	2,185
Opening unrestricted shareholder tier 1 own funds	**16,578**	15,296
Solvency II Return on Equity	**9.8%**	14.3%

Solvency II return on capital

Solvency II return on capital is calculated as Solvency II operating own funds generation excluding the costs of servicing external debt (including direct capital instrument coupons and preference share dividends) divided by opening shareholder Solvency II own funds. It is an unlevered economic value measure as it is used to assess growth and performance in our markets before taking debt into account.

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 capital and Solvency II return on equity measures.

A reconciliation of Solvency II return on capital by market to the Group level Solvency II return on capital and Solvency II return on equity is provided below.

2020	Solvency II operating own funds generation £m	Opening shareholder own funds £m	Return on capital/equity %
UK & Ireland Life	1,057	14,241	7.4%
UK & Ireland General Insurance[2]	329	2,509	13.1%
Canada	287	1,442	19.9%
Aviva Investors	67	488	13.7%
Manage-for-value markets	497	8,010	6.2%
Group centre costs and Other[2]	(250)	(2,142)	N/A
Solvency II return on capital 31 December	1,987	24,548	8.1%
Less: Senior debt	(12)	—	—
Less: Subordinated debt	(284)	(6,942)	—
Solvency II operating own funds generation at 31 December	**1,691**		
Direct capital instrument	(27)	(500)	—
Preference shares[3]	(38)	(450)	—
Net deferred tax assets	—	(78)	—
Solvency II return on equity at 31 December	**1,626**	**16,578**	**9.8%**
Less: Management actions and other[1]	(6)	—	—
Solvency II return on equity (excluding management actions)	1,620	16,578	9.8%

1 Other includes the impact of capital actions, non-economic assumption changes and other non-recurring items.
2 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 capital and Solvency II return on equity measures, with the reversal of the impact included in Group centre costs and Other opening own funds.
3 Preference shares includes £21 million of dividends and £250 million of capital in respect of General Accident plc.

2019	Solvency II operating own funds generation £m	Opening shareholder own funds £m	Return on capital/equity %
UK & Ireland Life	1,247	13,733	9.1%
UK & Ireland General Insurance[2]	333	2,326	14.3%
Canada	203	1,330	15.3%
Aviva Investors	70	509	13.7%
Manage-for-value markets	850	7,453	11.4%
Group centre costs and Other[2]	(162)	(1,800)	N/A
Solvency II return on capital at 31 December	2,541	23,551	10.8%
Less: Senior debt	(12)	—	—
Less: Subordinated debt	(272)	(6,979)	—
Solvency II operating own funds generation at 31 December	2,257		
Direct capital instrument and Tier 1 notes	(34)	(731)	—
Preference shares[3]	(38)	(450)	—
Net deferred tax assets	—	(95)	—
Solvency II return on equity at 31 December	2,185	15,296	14.3%
Less: Management actions and other[1]	(944)	—	(6.2)%
Solvency II return on equity (excluding management actions)	1,241	15,296	8.1%

1 Other includes the impact of capital actions, non-economic assumption changes and other non-recurring items.
2 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 capital and Solvency II return on equity measures, with the reversal of the impact included in Group centre costs and Other opening own funds.
3 Preference shares includes £21 million of dividends and £250 million of capital in respect of General Accident plc.

Solvency II net asset value (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:

	2020	2019
Unrestricted tier 1 shareholder Solvency II own funds (£m)	**17,358**	16,578
Number of shares in issue at 31 December (in millions)	**3,928**	3,921
Solvency II NAV per share	**442p**	423p

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. Where Solvency II debt includes subordinated debt, preference share capital and direct capital instrument. The Solvency II debt leverage ratio provides a measure of the Group's financial strength.

	2020 £m	2019 £m
Solvency II regulatory debt	**8,316**	7,892
Senior notes	**1,112**	1,052
Commercial paper	**108**	238
Total debt	**9,536**	9,182
Estimated Solvency II regulatory own funds, senior debt and commercial paper	**30,482**	29,637
Solvency II debt leverage ratio	**31%**	31%

A reconciliation from IFRS subordinated debt to Solvency II regulatory debt is provided below:

	2020 £m	2019 £m
IFRS borrowings	**9,727**	9,067
Less borrowings not classified as Solvency II regulatory debt		
Senior notes	**(1,112)**	(1,052)
Commercial paper	**(108)**	(238)
Operational borrowings	**(1,474)**	(1,571)
IFRS subordinated debt	**7,033**	6,206
Revaluation of subordinated liabilities	**795**	716
Other movements	**38**	20
Solvency II subordinated debt	**7,866**	6,942
Preference share capital and direct capital instrument	**450**	950
Solvency II regulatory debt	**8,316**	7,892

Other APMs

Cash remittances#

Cash paid by our operating businesses to the Group, for the period between March and the end of the month preceding preliminary results announcements, 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 markets. 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.

The table below shows a breakdown of total Group cash remittances by market.

	2020 £m	2019 £m
UK & Ireland Life[1,2,3]	**1,007**	1,394
UK & Ireland General Insurance[1,4]	**171**	273
Canada[1,5]	**131**	156
Aviva Investors	**50**	86
Core markets	**1,359**	1,909
Manage-for-value markets[1]	**127**	613
Other	**14**	75
Total	**1,500**	2,597

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 UK & Ireland Life cash remittances in 2019 included a special remittance of £500 million from UK Life which was not repeated in 2020.
3 UK & Ireland Life cash remittances include £250 million *(2019: £nil)* received in February 2021 in respect of 2020 activity.
4 UK & Ireland General Insurance cash remittances include £74 million *(2019: £83 million)* received in February 2021 in respect of 2020 activity.
5 Canada General Insurance cash remittances include £115 million *(2019: £141 million)* received in February 2021 in respect of 2020 activity.

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.

These amounts eliminate on consolidation and hence are not directly reconcilable to the Group's IFRS consolidated statement of cash flows.

Centre liquidity

Centre liquidity comprises cash and liquid assets and represents amounts as at the end of the month preceding preliminary 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.

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.

Spread margin

The spread margin represents the return made on the Group's annuity and other non-linked business, based on the expected investment return, less amounts credited to policyholders. The expected investment returns assumed within the spread margin are consistent with the returns used for Group adjusted operating profit. The spread margin is a useful indicator of the expected investment return arising on this business.

Underwriting margin

The underwriting margin represents the release of reserves held to cover claims, surrenders and administrative expenses less the cost of actual claims and surrenders in the period.

Unit-linked margin

The unit-linked margin represents the annual management charges on unit-linked business. This is an indicator of the return arising on this business.

Aviva Investors revenue

Aviva Investors revenue represents segmental profit before tax excluding controllable expenses. It is a useful measure of the revenue earned from fund management activities, adjusted for fee and commission expenses.

Shareholder services

2021 Financial Calendar

Ordinary dividend timetable:	Final	Interim**
Ordinary ex-dividend date	8 April 2021	26 August 2021
Dividend record date	9 April 2021	27 August 2021
Last day for Dividend Reinvestment Plan and currency election	22 April 2021	10 September 2021
Dividend payment date*	14 May 2021	1 October 2021
Other key dates:		
Annual General Meeting		2pm on 6 May 2021
Quarter one market update**		27 May 2021
2021 interim results announcement**		12 August 2021
Quarter three market update**		25 November 2021

* 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;
- The Global Payment Service provided by our Registrar, Computershare Investor Services PLC (Computershare). This enables shareholders living outside of the UK and the Single Euro Payments Area to elect to receive their dividends or interest payments in a choice of over 125 international currencies; 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.aviva.com/online 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.aviva.com/online
Log in to the Computershare Investor Centre to:
- Change your address
- Change payment options
- Switch to electronic communications
- View your shareholding
- View any outstanding payments

Annual General Meeting (AGM)

The 2021 AGM will be held at St Helen's, 1 Undershaft, London EC3P 3DQ, on Thursday, 6 May 2021, at 2pm, with facilities to attend electronically.

Details of arrangements for the meeting in light of Government restrictions in relation to the COVID-19 pandemic, each resolution to be considered at the meeting and voting instructions are provided in the Notice of AGM, which is available on the Company's website at www.aviva.com/agm

The voting results of the 2021 AGM will be accessible on the Company's website at www.aviva.com/agm shortly after the meeting.

Shareholder contacts:

Ordinary and preference shares – Contact:

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) – Contact:

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. Statements containing the words 'believes', 'intends', 'expects', 'projects', 'plans', 'will', 'seeks', 'aims', 'may', 'could', 'outlook', 'likely', 'target', 'goal', 'guidance', 'trends', 'future', 'estimates', 'potential' 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 difficult conditions in the global financial markets and the economy generally; the impact of simplifying our operating structure and activities; the impact of various local and international political, regulatory and economic conditions; 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; changes in interest rates that may cause policyholders to surrender their contracts, reduce the value of our 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 impact of COVID-19) on our business activities and results of operations; the transitional and physical risks associated with climate change; our reliance on information and technology and third-party service providers for our operations and systems; the inability of reinsurers to meet obligations or unavailability of reinsurance coverage; increased competition in the UK and in other countries where we have significant operations; regulatory approval of extension of use of 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 (including cyber attack); 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 fluctuations in share price as a result of general market conditions or otherwise; 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 government regulations or tax laws in jurisdictions where we conduct business, including decreased demand for annuities in the UK due to changes in UK law; the inability to protect our intellectual property; the effect of undisclosed liabilities, execution and separation issues and other risks associated with our disposals; and the timing/regulatory approval impact and other uncertainties, such as diversion of management attention and other resources, relating to announced and future disposals and 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 the implementation of key legislation and regulation. For a more detailed description of these risks, uncertainties and other factors, please see the 'Risk and risk management' section of the Strategic report.

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.

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