It takes AVIVA

Aviva plc
Annual Report and Accounts 2021

We are the UK's leading Savings, Retirement, Investments and Insurance business, helping 18.5 million customers across our core markets of the UK, Ireland and Canada

To make the most out of life, plan for the future and have the confidence that if things go wrong we'll be there to put it right

It takes Aviva

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Foreword

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

The Strategic report is only part of the Annual Report and Accounts 2021, which was approved by the Board on 1 March 2022 and signed on its behalf by Amanda Blanc, Chief Executive Officer. The Directors Report required under the Companies Act 2006 comprises the 'Governance' section of the Annual Report.

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 unique business model, Key performance indicators, Our sustainable ambition, Our people and Our risks and risk management.

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

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

Delivering on our commitments

In 2021 we delivered substantial progress on our strategy: focusing the portfolio, rebuilding financial strength and taking significant steps to transform our performance

Focus the portfolio

In 2020 we made a decisive plan to refocus Aviva. We have swiftly executed on this plan, completing all of our targeted disposals and realising excellent value for shareholders. We are now leaner and simpler, focused on our core markets in the UK, Ireland and Canada, where we have market-leading positions and meaningful growth opportunities.

Eight
disposals completed

£7.5bn
generated in proceeds

Rebuild financial strength

We have strengthened our financial position by bringing our leverage ratio in line with our target and reducing our capital volatility following disposals. We have also returned material capital to shareholders, whilst maintaining capacity to reinvest for growth and efficiency. From this position of financial strength, our cash generation and dividend outlook is both attractive and sustainable.

244%
Solvency II shareholder cover ratio, up from 202% in 2020

27%
Solvency II debt leverage ratio, reduced from 31% in 2020

Transform performance

This year we have made good progress on our journey to transform our performance. We have built strong growth momentum across our core businesses, enhanced our customer experience and materially reduced our cost base. At the same time, we have strengthened the Aviva masterbrand, invested in innovation and launched a market-leading sustainability ambition. Looking ahead to 2022, our focus will be on accelerating the next phase of our transformation. Read more in the 'Delivering our promise' section.

22%
year-on-year increase in cash remittances from our continuing businesses, to £1.7bn

£244m
reduction in controllable costs[1] vs. 2018 baseline

1 Controllable costs from continuing operations, excluding cost reduction implementation and IFRS 17 costs

Highlights of the year

Financial highlights

Cash remittances‡,R

2021:
£1,899m
2020: £1,500m

Group adjusted operating profit‡,1,R

2021:
£2,265m
2020: £3,161m

Solvency II operating own funds generation‡,R

2021:
£1,645m
2020: £1,691m

IFRS profit for the year

2021:
£2,036m
2020: £2,910m

Estimated Solvency II Shareholder cover ratio‡,R

2021:
244%
2020: 202%

Solvency II debt leverage ratio‡

2021:
27%
2020: 31%

Non-financial highlights

Operational carbon emissions reduction since 2010

2021:
81%
2020: 76%

Customer Net Promoter Score® (NPS®)R

Number of markets[2] at or above average:
2021:
5
2020: 5

R Symbol denotes key performance indicators used as a base to determine or modify remuneration.

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

1 Group adjusted operating profit is an APM which is used by the Group to supplement the required disclosures under IFRS. Please see note B in the 'Accounting Policies' section of IFRS Financial Statements and the 'Other Information' section for further information.

2 Total markets is 5. Excludes discontinued businesses for 2021 and 2020.

Upgrading capital returns, dividends and targets

Capital returns

£4.75bn

£3.75bn B Share Scheme + £1bn existing share buyback

- £4.75 billion total capital return
- £3.75 billion B Share Scheme* on top of existing buyback
- An ordinary share consolidation* will also take place
- The B Share Scheme and share consolidation are subject to shareholder approval and other customary conditions, including no deterioration in market conditions and the financial position of the Company

Dividends

22.05p

2021 total DPS (2020: 21.0p)
Clear guidance for next 2 years

- In light of the significant changes we have made, and our confidence in the outlook for Aviva, we have announced clear guidance for next two financial years[1]:
  - For 2022 we estimate we will be able to pay a dividend of approximately £870 million. Following the proposed B Share Scheme and share consolidation approved on 1 March 2022, this would be equivalent to an illustrative per share amount of c.31.5 pence, an increase of c.40% on 2021[1].
  - For 2023 we estimate we will be able to pay a dividend of approximately £915 million, growth of 5% giving an illustrative c.33 pence per share[1]
- Thereafter we expect low-to-mid single digit growth in dividend per share. These cash dividends represent an attractive payout level from long-term, sustainable cash and capital, underpinned by our upgraded cash remittance target.

Targets

Upgrade

to key targets underpinning our dividend and growth ambitions

- Cash remittances: >£5.4 billion cumulative cash remittances (2022-2024). Underpinning our sustainable dividend policy. Upgraded from >£5 billion (2021-2023).
- Solvency II operating own funds generation: £1.5 billion per annum by 2024. A new target that represents a key driver of Solvency II value and cash generation.
- Controllable costs savings: c£750 million 2018-2024 gross of inflation excluding IFRS17, cost reduction implementation and planned investment in growth. Equates to £400 million net of inflation. Upgraded from £300 million net of inflation (2018-2022).

* There are important notices relating to the B Share Scheme and illustrative share consolidation ratio and illustrative future dividend per share in the Chief Financial Officer's report. Please read those notices in full in order to obtain a comprehensive understanding of the Company's proposals

1 Estimated dividends are for guidance, these are calculated using the illustrative consolidation ratio and are subject to change. The Board has not approved or made any decision to pay any dividend in respect of any future period.

It takes 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.**

Chair's statement

2021 was the year Aviva began to deliver on its promise to become the business that our customers, people and shareholders deserve it to be.

In last year's report I said we had a clear strategy to realise Aviva's potential – and we do. I also said that a sensible strategy is only a starting point; fulfilling our potential depends on delivering what we said we would. And that is exactly what we have done in the last 12 months.

A new Aviva

In many ways it feels like a new Aviva. Our work to focus the portfolio is now complete and we're concentrating our efforts where we are best placed for success. We have consolidated and enhanced our financial strength. And we have taken strides down the road to transform not just the shape of the organisation, but the very way we do business.

Delivering our promise

For me, 2021 was the year Aviva began to deliver on its promise and began to become the business that our customers, people and shareholders deserve it to be.

We delivered a strong financial performance, we have announced a £4.75 billion capital return to our shareholders, we have a new and improved dividend policy, and we have set ambitious goals for the top line, for better business performance and for growth in capital and cash.

“Our reason to exist has never felt more important as our customers navigate the various challenges currently facing our world.”

George Culmer
Chair

Chair's statement continued

Living up to our purpose

What has not changed is the vital role we play in the lives of our customers, encapsulated in our purpose of 'with you today, for a better tomorrow.' Our reason to exist has never felt more important as our customers navigate the various challenges currently facing our world, not least the ongoing impacts of COVID-19.

Aviva has strong market positions in Canada and Ireland, and in the UK Aviva is unique as the only business that can serve all our customers' savings, retirement, and insurance needs across their lifetime, whether they are a private individual, a small enterprise, or a publicly listed company.

The breadth and depth of our offering is a key strength. It allows us to understand and support people and businesses, and secure the things that matter most to them, including their and their families' futures, in a way no-one else can match. The work we have done this year to relaunch our brand means that it now speaks more clearly to our customers, brokers, and clients about the difference we can make to people's lives across the full range of the services and products we can offer.

In line with our values

While I'm enormously proud of what the team have achieved this year, we still have a long way to go. Delivering on our commitments to our customers and shareholders and continuing to improve our performance. And that takes time.

What we will not be changing are the values that underpin our work, the important touchstones of care, commitment, community and confidence that help guide the way we do things. We want to make sure the service we offer our customers is all they could hope for. And aiming to do the right thing, as well as doing things right, will be central to our long-term success.

Acting sustainably

We have been very clear that acting sustainably is an integral part of our approach, and a foundation of our strategy. That's why this year we have placed such an emphasis on extending our leadership on environmental, social and governance (ESG) issues, and set out a bold ambition to be Net Zero by 2040.

2040

Net Zero

We do not underestimate the challenge required to ensure that consideration of the long-term impact of our decisions and actions is embedded into every aspect of our company, from the way we power our buildings, to the business we choose to underwrite. But we have a big responsibility towards our customers, our people, our communities, and the planet, and so are determined that Aviva plays its part to the full.

For a better tomorrow

I said earlier that Aviva feels like a new company, but of course we are not that. We are an institution with a rich heritage built up over 325 years of history.

325yrs

We are an institution with a rich heritage

This heritage inevitably prompts a sense of perspective and encourages all of us to take a long-term view. I certainly see my role as being merely a temporary steward of this extraordinary business, with the responsibility to help make sure Aviva, and the world we operate in, remain in good health for the years to come.

It only remains for me to thank all our people for their extraordinary efforts over the past year. The challenge has been enormous, but Amanda, her team, and the entire community of Aviva colleagues are continuing to do a tremendous job.

George Culmer
Chair
1 March 2022

Our values

Care

"Customers come to us in their time of need. We do what's right for them, creating new ways to give them the best possible care."

Rosallie Papa-Reid
Healthcare Services, Canada

Commitment

"Commitment speaks to Aviva wanting to be more than just a reactive company; it's about trying to make the world a better place."

Katy Litt
UK Life Risk, UK

Community

"We have lots of different communities: our team, a community of Aviva colleagues, and the communities in which we live and work."

Debbie Bullock (she/her)
Wellbeing Lead, People Function, UK

Confidence

"We're always looking forward to the future to see what improvements we can provide for our customers."

Hisham Khogali
Business Analyst, Ireland

With you today, for a better tomorrow – for 325 years and counting

Our Purpose

Aviva's purpose is to be 'with you today, for a better tomorrow'. We exist to be with people when it really matters, throughout their lives. And we are here to help them make the most of life.

Whether it is protecting what people value most in their lives or helping them build a better future to look forward to, we've got the products and services to live up to our promise. We're the only UK insurer that can look after all of our customers insurance, protection, savings and retirement needs.

Our purpose applies equally to how we approach looking after our people, contributing to our communities and helping protect our planet.

Our heritage

On 12th November, 1696, a group of men gathered in Tom's Coffee House in St.Martin's Lane in London to found one of the first ever insurers.

Initially called 'Contributors for Insuring Houses, Chambers or Rooms from Loss by Fire, by Amicable Contribution', it soon became known as the Hand in Hand Fire and Life Insurance Society after its logo.

Over the years and centuries that followed, our various ancestor companies articulated their reason to exist in different ways, often in Latin. But whether they were 'semper paratus' (always ready) or 'sapiens qui prospicit' (wise is he who looks ahead), the common essence of their purpose endured.

Just like Aviva today, they were there for their customers when it really mattered. and they helped people look to the future with confidence.

Our future

For over three centuries, Aviva has been a company that understands the importance of thinking for the long term, and facing up to challenges ahead.

With the climate disaster looming, those challenges have never been more pressing or threatening than they are today. Living up to our purpose of working towards a better tomorrow has never felt more important.

This is why we have set ourselves the challenge of becoming Net Zero across our operations, supply chain underwriting and investments by 2040, the most demanding carbon reduction plan of any major insurer in the world today.

You can read more about our climate goals in the 'Our sustainable ambition' section and in our Sustainability Report.

Find out more about our involvement with this year's international climate conference in Glasgow, COP26 at: www.aviva.com/newsroom/perspectives/2021/10/playing-our-part/

> "We're there to secure the things that matter most – our customers' homes and possessions, their health, and their families' future. And so I think 'with you today, for a better tomorrow' really encapsulates that for me. It's a great purpose, and one I can truly get behind."
>
> **Amanda Blanc**
> **Group Chief Executive Officer**

Chief Executive Officer's report

I've got high ambitions for Aviva. What we've done this year gives me increased confidence that we have all the building blocks in place to achieve those ambitions.

In 2021, Aviva showed we've got what it takes to exceed customer expectations, execute our strategy at pace, and deliver sustainable growth.

Overview

We've made substantial progress in my first full year as CEO and I'm very proud of what we've achieved together. I'd like to thank our people for really going the extra mile during an incredibly challenging period.

We've focused our portfolio. We're financially strong. Now we can draw a line under these elements of our strategy and focus on delivering Aviva's promise: realising the full potential of this business and meeting our clear commitments to customers and shareholders.

Our customers are at the heart of that promise. We want to bring the value of Aviva to more of them than ever before. This year, we've shown we can deliver on that ambition. But I'm under no illusions. We've only just started to show what we're capable of.

We're going to take maximum advantage of our brand, our scale, and the strong relationships of trust we enjoy with both customers and intermediaries. We have everything in the toolbox to succeed, and with a refreshed, highly capable management team in place, we're confident in our ability to make a strong business even better.

"Our performance shows Aviva has what it takes to deliver strong, sustainable returns for shareholders."

Amanda Blanc
Group Chief Executive Officer

Chief Executive Officer's report continued

£7.5bn

Generated from divestment of 8 non-core businesses

A year of substantial progress

We have made clear strategic progress this year. We divested eight non-core businesses, generating £7.5 billion of proceeds and realising excellent value for our shareholders. As a result, Aviva is now much leaner, simpler, and focused on the UK, Ireland and Canada, where we have market-leading positions and clear plans to deliver strong returns.

We have strengthened our financial position, reducing debt levels by £1.9 billion in 2021, and our Solvency II debt leverage ratio has fallen to 27%, in line with our target of below 30%. Our Solvency II shareholder cover ratio will stand at 191% (net of the announced capital return and allowing for further debt reduction and one-off pension payment), and c.186% after the Succession Wealth acquisition announced today. We continue to consider capital above a 180% Solvency II shareholder cover ratio as excess. Over time this may be used for investment in growth opportunities, or additional returns for shareholders.

Aviva is a market leader in sustainability, and we enhanced our track record during 2021. We were the first major insurer worldwide to commit to be Net Zero by 2040 across our operations, supply chain, underwriting and investment.

We've committed to deploy £6 billion into green investments by 2025, launched a flagship partnership with the World Wide Fund for Nature (WWF) and played a leading role at COP26, including as part of the Glasgow Financial Alliance for Net Zero.

We have also made tangible progress in our operating performance. Trading in 2021 was strong, showing we have the foundations to deliver on our promise of targeted growth through a relentless focus on consistent, superior operating performance.

Our continuing operations delivered 22% growth in cash remittances, to £1,662 million, and we have clear line of sight to growing and sustainable cash flows over the coming years, providing the crucial underpin to our dividend.

In UK & Ireland Life we delivered excellent present value of new business premiums (PVNBP) growth of 22% to £35.6 billion, driven by 33% growth in Savings & Retirement[1] (with record net flows, up 17%) and 5% growth in Annuities & Equity Release, including record BPA volumes of £6.2 billion. VNB, a key measure of the profitability of new business, was down 1% to £668 million, due to the impact of the lower spread environment on BPA margins.

For our continuing operations, General Insurance gross written premiums grew 6% to £8.8 billion, the highest in over a decade, benefiting from both volume and rate increases. General Insurance delivered an excellent combined operating ratio of 92.9%, 3.9pp better than 2020.

External net flows in Aviva Investors more than doubled as we continue to see positive signs of improving performance in this business in both the top and bottom line.

We continued to focus on cost efficiency. Our 2021 results benefit from cumulative controllable cost savings[2] of £244 million against our 2018 baseline, as well as absorbing c.£130 million of inflation over 2018-21, and we have now delivered all of the actions required to meet our existing £300 million target in 2022.

At a headline level, adjusted operating profit from continuing operations was down 10% to £1,634 million. However, excluding the management actions and other, which were lower than 2020, adjusted operating profit was up 16%, demonstrating the core earnings potential of Aviva.

In light of this progress and our financial position, the Board of Directors has declared a final dividend of 14.7 pence, bringing Aviva's 2021 total dividend per share to 22.05 pence, up 5% versus 2020.

Growing ambition

Refocusing Aviva means we can deliver what we said we would – a substantial capital return to our shareholders. We are returning £4.75 billion in total, via a £1 billion share buyback - which is largely complete - and the balance of £3.75 billion via a B Share Scheme with a share consolidation[3,4], which we intend to complete in the first half of 2022.

We are also setting out plans for further investment to accelerate growth in our core businesses. We will be investing £300 million over the next three years into growth and £200 million to accelerate efficiency in order to serve our customers more effectively. And we have announced the acquisition of Succession Wealth, a leading national independent financial advice firm, which will significantly enhance our position in the fast-growing wealth market.

Additionally, we have the means to look opportunistically at further 'bolt-on' acquisitions that would complement our target growth areas.

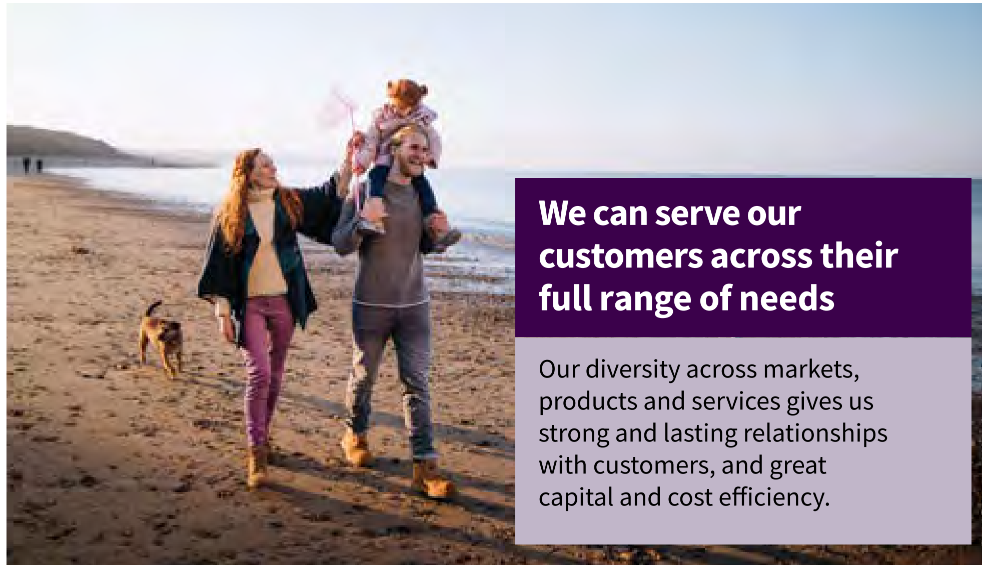
£300m

Investment to grow our core businesses

Our confidence in the future means we are upgrading key financial targets. We're targeting cumulative cash remittances of greater than £5.4 billion across 2022-24 (up from greater than £5 billion 2021-23). We're introducing a new target to grow Solvency II own funds generation to £1.5 billion per annum by 2024, a key driver of long-term cash generation. We're increasing our cost savings target to £750 million gross of inflation across 2018-24[2].

1 Savings & Retirement and Other
2 Represents controllable costs excluding cost reduction implementation and IFRS 17 costs
3 Subject to shareholder approval and customary conditions including no material deterioration in market conditions or the financial position of the company
4 There are important notices relating to the B share scheme and illustrative share consolidation ratio and illustrative future dividend per share set out in the Chief Financial Officer's Report. Please read those notices in full in order to obtain a comprehensive understanding of the Company's proposals.

Chief Executive Officer's report continued



We can serve our customers across their full range of needs

Our diversity across markets, products and services gives us strong and lasting relationships with customers, and great capital and cost efficiency.

Our performance shows Aviva has what it takes to deliver strong, sustainable returns for shareholders. The confidence that brings allows us to update our dividend policy, with clear guidance on dividends for the next two financial years.

For 2022 we estimate we will pay a dividend of approximately £870million, equivalent to an estimated per share amount of c.31.5 pence[1,2], calculated using an illustrative consolidation ratio, an increase of c.40% on 2021. For 2023 we estimate we will pay a cash dividend of approximately £915 million which equates to an estimated dividend per share, calculated using an illustrative consolidation ratio, of around 33 pence[1,2]. Beyond 2023, we anticipate low-to-mid single digit growth in dividends per share.

This represents an attractive payout level, with long-term sustainability, and we are committed to delivering what we've promised.

One Aviva

Our progress makes for an increasingly compelling case to invest in Aviva. As the leading UK provider of insurance, protection, savings and retirement solutions, with strong businesses in Canada and Ireland, and Aviva Investors, we can offer something no other business can.

We are in a unique position of market strength. We can serve our customers across their full range of needs and we are the only business of our kind in the UK to do so. This diversity across markets, products and services gives us strong and lasting relationships with customers, and material capital benefits and cost efficiency.

With these advantages from our diversified model – what we call One Aviva - we are well set to take full advantage of structural growth opportunities arising from societal trends. For example, offering retirement solutions to the one in four people in the UK who will be over 65 by 2039, or taking a big slice of the estimated £30-50 billion flowing into bulk purchase annuities each year over the next 5 years.

Combining structural growth, with an emphasis on top quartile cost efficiency, and outstanding trading performance, will lead to sustainable, healthy cash generation. That in turn will result in secure, growing dividends over the long term.

Delivering Aviva's Promise

We aim to be a leading player in every major segment where we operate. Where we are already number one, we plan to leave the competition behind. Where we are not, we'll be chasing hard on their heels. We're focusing on four areas to make that a reality.

First, we will pursue continued, targeted growth in our priority areas: individual savings and retirement, workplace savings, bulk purchase annuities, protection and health, and general insurance. We have great capabilities, partnerships, and market shares, and we're ideally equipped to capitalise on big customer trends.

Second, we will provide leading customer experience and engagement. That means enhancing our digital capability to provide customers with a simpler, more personalised offering, with the products they need, when and how they need them.

Third, we are targeting top quartile efficiency and cost reduction. That means cutting old systems and products, making it easier for customers and brokers to deal with us, and automating processes to free up our people to focus on customer needs.

Finally, we will continue to live up to our responsibilities to people and the planet, changing the way we do business and using our influence to help others do the same, creating stronger communities, and embedding sustainability in everything we do.

Accelerating momentum for 2022

Aviva's whole reason to exist – our purpose - is to be with you today, for a better tomorrow. This applies to our customers, our people, and to the communities where we live and work. And it applies to our shareholders, the owners of this business, sharing in the value Aviva creates.

We've delivered much in 2021 to help us live up to that purpose, giving us the momentum we need for success in 2022 and beyond. I've got high ambitions for Aviva, and what we've done this year gives me increased confidence that we have all the building blocks in place to achieve those ambitions.

Amanda Blanc
Group Chief Executive Officer
1 March 2022

1 Estimated dividends are for guidance, these are calculated using the illustrative consolidation ratio and are subject to change. The Board has not approved or made any decision to pay any dividend in respect of any future period.

2 There are important notices relating to the B share scheme and illustrative share consolidation ratio and illustrative future dividend per share set out in the Chief Financial Officer's Report. Please read those notices in full in order to obtain a comprehensive understanding of the Company's proposals.

It takes putting our customers first

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.

5

Customer Net Promoter Score® (NPS®): Number of markets in 2021 at or above average

Lorraine's Story
Somerset, UK

Lorraine works as a mortgage and protection adviser. When she was diagnosed with COVID-19, she ended up in hospital with pneumonia in both lungs.

After a call with Aviva, she learnt that she was able to make a hospital benefit claim on her income protection policy. She said, "it really did help me financially, but also emotionally." Because it allowed her to take more time off to recover from the illness, she said "it gave me that security to not worry."

She also took advantage of the rehabilitation service when she was out of hospital, which offered a listening ear and meant that she didn't feel alone. She's now fully recovered and feeling "fantastic."

One Aviva: Our unique business model

Trusted brand
#1
UK insurance brand[1]

Leading customer franchise
18.5m
Customers in the UK, Ireland and Canada

Strong broker relationships
#1
UK broker sentiment[2]

Material scale
£401bn
Group assets under management

Diversified model
c.£2bn
Capital diversification benefit

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

33%
Total shareholder return over 2021 (2020: (19)%)

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

3.5m
People helped through £31.8m of community investment in 2021 (2020: 5.1m people and £43.1m)

Customers
We provide our customers with a range of solutions to meet their insurance, wealth and retirement needs

£30.2bn
Paid out in benefits and claims to our customers in 2021 (2020: £30.6bn)

Colleagues
We empower our people to achieve their potential within a diverse, collaborative and customer-focused organisation

72%
Our employee engagement score in 2021 (2020: 80%)

1 Aviva Brand Tracker 2021
2 GlobalData UK Commercial Broker Survey 2021
Aviva market positions are based on Aviva's analysis of company reporting: Fundscape Q3 2021; Hymans Robertson H1 2021; LaingBuisson, Healthcover 16ed published 2020; SwissRe Group Watch, In force premiums 2020; Milliman Life and Pensions New Business 2020 Report and Insurance Ireland 2020

Our investment case

Unique market strength

We are the leading UK provider of insurance, wealth and retirement solutions, with strong franchises in Canada and Ireland. Our businesses are of high quality, with strong positions across all of our segments.

Our diversified 'One Aviva' model drives our competitive advantage. It allows us to serve customers across the full range of their needs, building lifetime relationships. On top of this, we can deploy our leading brand across multiple segments.

One Aviva also provides us with synergies between our business lines. For example, we use our in-house asset manager, Aviva Investors, to source real assets for our UK Life business. We also generate substantial capital diversification benefits and have a natural diversification of earnings.

Profitable growth opportunities

Our diversified model means we are well placed to capitalise on the structural growth opportunities in our markets.

For example, around one in every four people in the UK will be over 65 by 2039. With over 13% of the UK population already saving and retiring with Aviva, we are strongly positioned to capture the retirement opportunity.

The £30-50 billion p.a. of corporate balance sheet de-risking is another structural trend we are focused on. As one of the UK's leading bulk purchase annuity writers, we stand to capture a significant portion of this growth market over the coming years.

To drive profitable growth, we will aim to operate at top-quartile cost efficiency across all of our businesses.

Sustainable cash generation

The combination of our unique market strength and our focus on profitable growth opportunities means we are well-placed to deliver sustainable cash generation for our shareholders and other stakeholders over the long-term.

This sustainable cash generation will in turn underpin an attractive and secure dividend, as well as enable us to reinvest in the business to drive further value creation.

We believe this makes for a compelling investment case for Aviva.

Delivering our promise

Targeted growth

In **General Insurance** we have opportunities across UK, Ireland and Canada. In UK Commercial, we aim to increase our share in mid-market and expand across corporate & speciality. In UK Personal, we are aiming for market leadership, focusing on retail and speciality. In Canada we are focused on digital direct and growth across commercial lines.

In our **Life** business, we have a number of exciting growth opportunities. We will build a leading Wealth business by strengthening our Workplace and Retail propositions. We will grow our BPA business in a capital efficient manner and support our social purpose by investing in the UK. In Protection & Health, we will grow through extending our distribution reach.

In **Aviva Investors** we will capitalise on growth opportunities both with UK Life and externally through our strengths in ESG, real assets, solutions, multi-assets, sustainable equities and credit.

Progress in 2021

+6%
GI GWP of £8.8bn

+23%
Life PVNBP of £36.7bn

+17%
increase in S&R net flows to £10.0bn

+137%
increase in Aviva Investors external net flows to £3.3bn

Customer focus

As the most trusted UK insurance **brand**, we have outstanding brand strength. We will look to drive value from this through further deepening the emotional connection to the brand and leveraging this across our businesses.

We are enhancing our **customer experience** through improving digital customer journeys, building engaging mobile-led experiences and harnessing data to better meet customer needs.

We are **innovating** to meet the changing needs of our customers. We are doing this through a combination of venture building, where we work closely with InsurTechs and FinTechs to build new customer propositions, in-house rapid proposition development and venture capital investing.

+22%
year-on-year increase in MyAviva registered customers

+25%
year-on-year increase in MyAviva logins

£70m
of capital deployed into start ups

Delivering our promise continued

Top quartile efficiency

We have made significant progress on **efficiency**, reducing costs[1] by £244 million and putting in place all of the actions required to meet our £300 million target in 2022, one year earlier than planned. Efficiency will continue to be a key focus going forward, with all of our business units targeting **top quartile efficiency** by 2024.

We will continue to **simplify our technology estate**, removing legacy systems and applications, and improving our overall operational resilience, customer service and agility. We will **digitise and automate our customer journeys**, making it easier for our customers to interact with us.

Simplification of our product portfolio will remain a key focus area as we rationalise the number of product variations we offer. We will also continue to **reduce our property footprint** and focus on the **simplification of our organisation** through optimised outsourcing and improved cost discipline.

1 Controllable costs from continuing operations, excluding cost reduction implementation and IFRS 17 costs

Progress in 2021

11%
reduction in UK IT applications

52%
of UK customer journeys digitised and automated

36%
reduction in property footprint (by square ft)

Leading on sustainability

We are at the forefront of taking action against **climate change**, with a market-leading ambition. We will make progress towards our ambition through tangible actions across our operations, investments and underwriting.

Our sustainability ambition also encompasses **building stronger communities.** We will do this through investing £10 billion in UK infrastructure and real estate, investing 2% of our profits in the community, and helping the UK with their savings and retirement needs.

We will also ensure we continue to **operate as a sustainable business**, and will always strive for the highest standards of ethical conduct, acting responsibly and transparently at all times.

1st
major insurer globally to commit to Net Zero by 2040

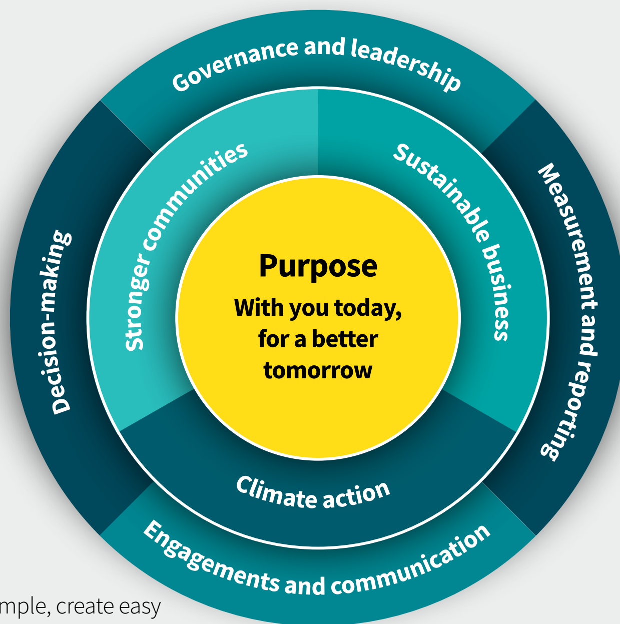
2%
2021 pre-tax profits invested in communities

£4.3bn
invested in UK infrastructure and real estate

Our sustainability ambition

Our ambition is to lead the UK financial services sector in taking action on climate change, building stronger, more resilient communities and running ourselves as a sustainable business. We'll deliver our ambition through the way we conduct ourselves as a company, the products we offer, the responsible investments we make, our commitment to our people and our ability to influence others.

Taking climate action and building stronger communities underpinned by sustainable business



We will lead by example, create easy ways for our customers to do good, and influence others to act. We will do this through our...

- Investments and underwriting
- Purposeful propositions
- People and operations
- Extending impact and voice

Climate Action

In March 2021, we set an ambition to become a Net Zero carbon company by 2040. To deliver this plan will require action on our investments and underwriting, which between them account for around 90% of our current emissions, and in how we run and operate our business. This will require coordinated action across our industry, but also clear leadership and action by ourselves. More details of our approach can be found in the 'Our climate-related financial disclosures' section of this report and in the 2021 Aviva Climate-related Financial Disclosure Report.

We have achieved a 81% reduction in our operational carbon emissions against our 2010 baseline (2020:76%). Now we are focused on making our operations and supply chain Net Zero by 2030.

We currently offset any remaining operational emissions, ensuring that our business continues to remain 'carbon neutral' and helping over 1.2 million people since 2006 through projects like clean cook stoves in India.

This year we installed roof top solar panels on our new Glasgow premises which became the main energy source for the site, estimated to produce 28,866 kWh of energy per annum, avoiding 6.7 tonnes of CO_2e (tCO_2e) annually. We are exploring further opportunities across our tenanted offices.

We continue to focus on reducing water use and waste levels across our offices. Having achieved zero-use of single-use plastics Group-wide in 2019, a small volume of single-use plastic had to be reintroduced due to COVID-19. We are working to remove these as soon as it is safe to do so.

In order to tackle the climate crisis we need everyone in our business engaged. 20,995 Aviva colleagues have completed an Essential Learning climate change module. A more detailed climate course is also available through the Aviva University.

Quantifying the impact of climate change is an emerging practice, with inherent uncertainty in the quality of available data. It is challenging to obtain consistent asset data across our entire portfolio and quantify the impact of carbon emissions from our scope 3 category financial investments. We have made several methodology improvements in 2021 and will continue to enhance our capabilities in line with industry developments and standards.

Read more about:

Our approach, the indicators we use to track our progress and our independent assurance process.

- >2021 Aviva Sustainability Report -www.aviva.com/content/dam/aviva-corporate/documents/socialpurpose/pdfs/2021-aviva-sustainability-report.pdf
- >2021 Aviva Climate-related Financial Disclosure Report (TCFD) - www.aviva.com/content/dam/aviva-corporate/documents/socialpurpose/pdfs/climate-related-financial-disclosure-2021-report.pdf
- >2021 Aviva Reporting Criteria - www.aviva.com/content/dam/aviva-corporate/documents/investors/pdfs/reports/2021/aviva-cr-reporting-criteria-2021.pdf
- >2021 Sustainability Accounting Standard (SASB) disclosure - www.aviva.com/content/dam/aviva-corporate/documents/socialpurpose/pdfs/aviva-sasb-alignment-disclosure-2021.pdf

Our sustainability ambition continued

Streamlined Energy and Carbon Reporting (SECR) data

	2021[1]			2020		
	Offshore	UK	Total	Restated[2] Offshore	UK	Restated[2] Total
Emissions[3]						
Scope 1 (tCO_2e)	**1,760**	**8,870**	**10,630**	3,352	8,386	11,738
Scope 2 (tCO_2e)	**5,640**	**—**	**5,640**	8,610	8,269	16,879
Scope 3 (tCO_2e)	**2,944**	**1,072**	**4,016**	3,078	1,910	4,988
Total emissions (tCO_2e)	**10,344**	**9,942**	**20,286**	15,040	18,565	33,605
Carbon offsets[4] (tCO_2e)	**(10,344)**	**(9,942)**	**(20,286)**	(15,040)	(18,565)	(33,605)
Total net emissions	**—**	**—**	**—**	—	—	—
Location-based						
Scope 1 location-based (tCO_2e)	**1,760**	**8,870**	**10,630**	3,352	8,386	11,738
Scope 2 location-based (tCO_2e)	**7,155**	**5,912**	**13,067**	8,610	8,269	16,879
Total Scope 1 and 2 location-based (tCO_2e)	**8,915**	**14,782**	**23,697**	11,962	16,655	28,617
Scope 3 (tCO_2e)	**2,944**	**1,072**	**4,016**	3,078	1,910	4,988
Total location-based (tCO_2e)	**11,859**	**15,854**	**27,713**	15,040	18,565	33,605
Market based						
Scope 2 market-based (tCO_2e)	**5,640**	**—**	**5,640**	6,901	—	6,901
Energy consumption						
Energy consumption (MWh)[5]	**28,292**	**65,547**	**93,839**	43,352	73,811	117,163
Intensity ratios						
Scope 1 and 2 - location-based emissions (tCO_2e) / £ million GWP	**0.62**	**0.97**	**0.80**	0.83	1.14	0.98
Total location-based emissions (tCO_2e) / £ million GWP	**0.83**	**1.04**	**0.94**	1.04	1.27	1.16
Total location-based emissions (tCO_2e) / employee	**0.73**	**1.02**	**0.87**	0.88	1.18	1.02

By the end of 2021, Aviva had invested £7.6 billion in green assets. This includes £4.4 billion in low-carbon infrastructure and real estate, such as wind farms and solar arrays, £1.6 billion in green and sustainable bonds and low carbon loans, and £1.6 billion in specific climate transition funds.

Our operational global greenhouse gas emissions data boundaries show the scope of the data we monitor and the emissions we offset. For the first time this year we have estimated the carbon emissions generated through 'homeworking'. We believe these equate to 3,051 tCO_2e for 2021 and will offset these additional emissions.

For Aviva's Group-wide operations, we report on Greenhouse Gas (GHG) emission sources on a carbon dioxide emissions equivalents basis (CO_2e) as required under the Companies Act 2006 (Strategic report and Directors' reports) 2013 Regulations. We refer to the GHG Protocol Corporate Accounting and Reporting Standard, the Department for Environment, Food and Rural Affairs (DEFRA) 2021 methodology for UK-based carbon reporting and we use the International Energy Agency (IEA) emission factors for the non-UK markets. This table fulfils the requirements of the UK Streamlined Energy and Carbon Reporting (SECR) framework, including our operational energy and carbon emissions.

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

1 Independent reasonable assurance on 2021 data is provided by PricewaterhouseCoopers LLP and available at www.aviva.com/content/dam/aviva-corporate/documents/socialpurpose/pdfs/2021-aviva-sustainability-report.pdf
2 The 2021 amounts exclude the markets who have exited the Group. As a result the 2020 comparative amounts have been re-presented from those previously published.
3 Emissions are included where Aviva has operational control, including joint ventures
4 In 2021, we offset our residual carbon emissions from our Scope 2 market-based total as this takes account of the reduced emissions from our use of electricity from renewable sources. In 2020 we offset Scope 2 location-based total. As at 1 March 2022, of the 20,286 credits purchased in relation to the 2021 market-based emissions footprint, 7,691 were retired and 12,595 were committed to be retired.
5 Includes scopes 1 and 2 energy MWh and fuel from company car use

Our sustainability ambition continued

It takes empowering people to make sustainable investment decisions

This year, Aviva has been working with trusted partners to increase awareness on the impact of investments. In collaboration with Make My Money Matter, Tumelo and others, we are empowering our customers to have more control over their investments and to make more sustainable decisions. For more detail, please see the case study in the Sustainable Business section of our Sustainability Report.

Read more

> Aviva's Transition Plans for a Net Zero Future - www.aviva.com/content/dam/aviva-corporate/documents/sustainability/communities/transition-plans-for-a-net-zero-future.pdf

Building stronger communities

We help people build resilience to climate change and to protect against financial shocks. We support health, wellbeing and inclusion in our communities. In 2021 our community investment totalled over £31.8 million[1].

We have seen first-hand the impacts from extreme weather on homes and livelihoods. In the summer we launched Building Future Communities, which calls for greater government and cross-industry support to help protect homes and businesses from climate change. Our partnership with WWF is using natural land management to improve flood resilience and we are supporting the University of Hull's Flood Innovation Centre to help UK communities build back better after climate events.

Aviva and the Red Cross won the Charity Times Awards Corporate Social Responsibility Project of the Year Award for our COVID-19 Response for our UK Hardship Fund supporting those financially at risk during the pandemic. In 2021, the Aviva Foundation received £1 million from the Aviva Share Forfeiture Programme and donated over £0.8 million to 14 initiatives, benefitting 838,419 people. The Foundation focuses on financial capability and closing the protection and income in retirement gap, particularly for low-income and vulnerable groups.

Projects include supporting start-ups developing innovative products to increase the financial resilience of low-income groups, developing a methodology that will enhance the provision of financial advice services to deprived communities and transforming the industry response to victim-survivors of economic abuse.

In Ireland our protection customers get access to Best Doctors second medical opinion service providing access to over 50,000 of the world's top physicians at no extra cost. The rising tide of stress and anxiety following the pandemic means psychological issues are the number one medical reason for claiming on income protection policies. Customers can access a mental health support service with up to five free counselling sessions per year for each issue that arises such as stress in the workplace, a bereavement or relationship breakdown. In Canada our Take Back Our Roads campaign uses our risk management capabilities to improve road safety across the country. In the UK our partnership with Enterprise Nation is helping small businesses tackle sustainability issues and build their own resilience.

1 Independent reasonable assurance on 2021 data is provided by PricewaterhouseCoopers LLP and available at www.aviva.com/content/dam/aviva-corporate/documents/socialpurpose/pdfs/2021-aviva-sustainability-report.pdf

It takes partnership to tackle climate change and build stronger communities

In 2021, Aviva and WWF launched a new climate-focused partnership to build healthier and more resilient ecosystems. These will help to reduce the risk of climate-related natural disasters and create wider benefits for Aviva customers and communities in the UK and Canada. As well as beginning our work on climate resilience and nature restoration, one of the biggest of our partnership to date has been our contribution towards shifting the financial sector to Net Zero. To accompany the partnership launch, Aviva and WWF published a joint policy paper 'Transition Plans for a Net Zero Future' which set out recommendations for how the UK government could demonstrate further leadership on sustainable finance – including a call to UK government to mandate regulated financial institutions to develop credible transition plans that align with Net Zero and the 1.5°C goal of the Paris Agreement.

Our sustainability ambition continued

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 19,091 volunteering hours to support their local communities throughout 2021. They also gave or fundraised £1.03 million.

Acting Sustainably

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. UK, Ireland and Canada 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.

99.6%

of our employees read and signed our Ethics Code 2021.

Read more

> The policies section of www.aviva.com/sustainability

It takes empowering inspirational local projects in our communities

The Aviva Community Fund (ACF) supports innovative, small charities by helping them raise funds for today, and building capability so they can sustainably exist tomorrow. In the UK, we have used the ACF platform to invest £9 million in over 6,000 good causes since 2015. For more detail on ACF, please see the case study in the Stronger Communities section of our Sustainability Report.

Our sustainability ambition continued

In April 2021 we were the first major insurer to have attained both The Good Shopping Guide Ethical Company Award and be recognised by the Good Business Charter.

We want to give customers more control over the sustainable choices they can make. In 2021, we offered 69 green or accessible products and services, to enable our customers to be more environmentally responsible or give them easier access to the protection they need for themselves and their families.

The high standards of ethical behaviour we expect are outlined in the Aviva Business Ethics Code 2021. We require all our people, at every level, to read and sign-up to our Code every year (99.6%[1] of our employees did so in 2021).

We have a zero-tolerance approach to acts of bribery and corruption. We therefore have a risk management framework that sets out policies and standards across all markets. These apply to everyone at Aviva and it is the responsibility of CEOs (or equivalent) to ensure that their business operates in line with them.

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

1 Independent reasonable assurance on 2021 data is provided by PricewaterhouseCoopers LLP and available at www.aviva.com/content/dam/aviva-corporate/documents/socialpurpose/pdfs/2021-aviva-sustainability-report.pdf

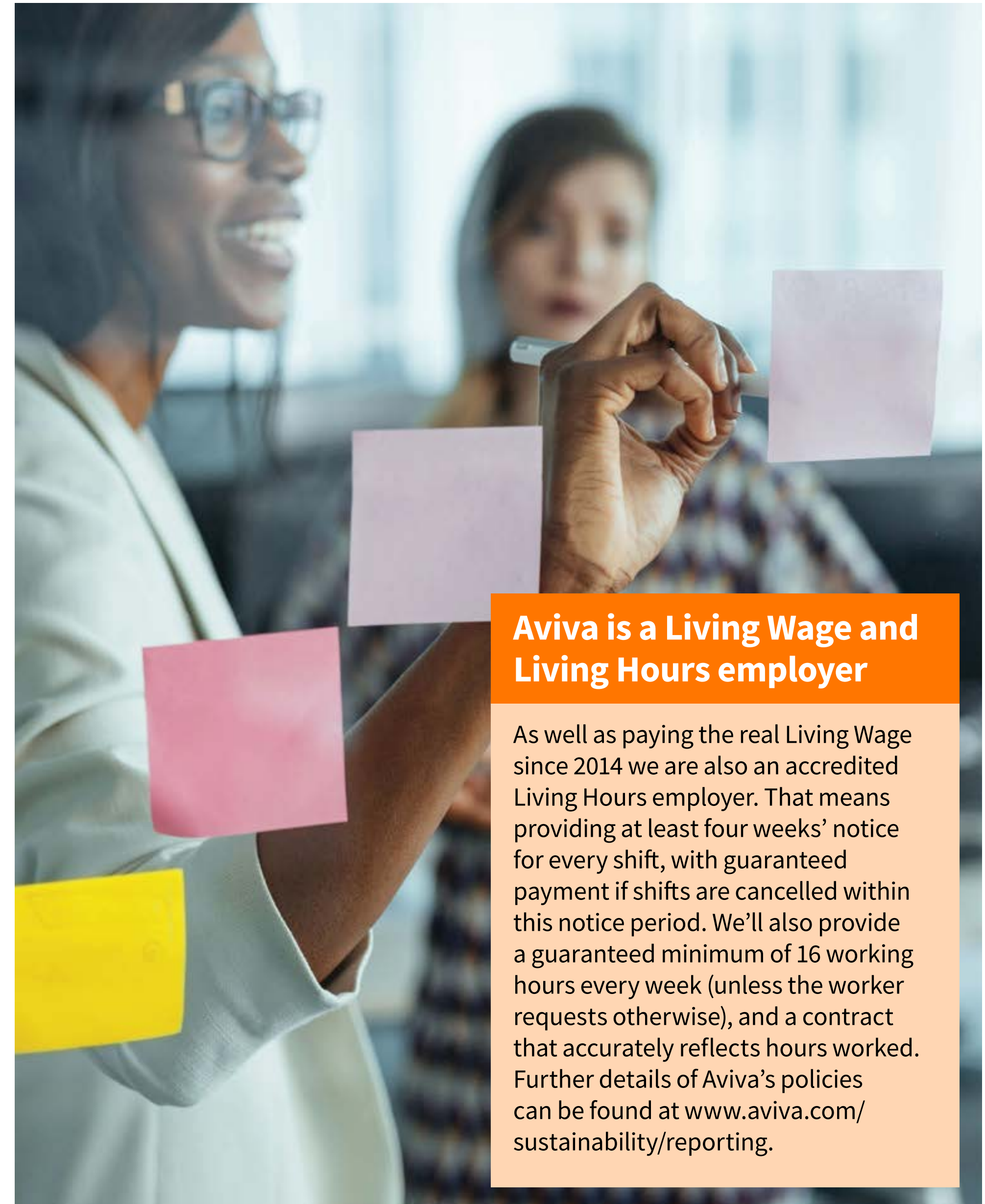
We use risk-based training to ensure employees and others acting on Aviva's behalf know what is expected of them and how they should manage bribery and corruption risks.

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 2021, 52 cases were reported through Speak Up (2020: 41), with none related to modern slavery.

We conduct due diligence when recruiting and engaging external partners. At the end of 2021, 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.

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



Aviva is a Living Wage and Living Hours employer

As well as paying the real Living Wage since 2014 we are also an accredited Living Hours employer. That means providing at least four weeks' notice for every shift, with guaranteed payment if shifts are cancelled within this notice period. We'll also provide a guaranteed minimum of 16 working hours every week (unless the worker requests otherwise), and a contract that accurately reflects hours worked. Further details of Aviva's policies can be found at www.aviva.com/sustainability/reporting.

Our sustainability ambition continued

The Customer Conduct and Reputation Committee (CCRC) oversees performance against our Aviva Sustainability Ambition 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. Stephen Doherty of Brand and Corporate Affairs 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 2021, as well as twice at the Aviva plc Board.

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.

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

Our support for human rights

We are committed to respecting human rights and we continue to pursue our anti-modern slavery agenda both within our operations and supply chain, and through our partnerships. In 2021 we conducted the latest biennial Group-wide human rights due diligence assessment. All markets took part in the review covering the most salient human rights issues for our business and stakeholders. The results were reviewed by Slave Free Alliance, our external expert partner. We have also conducted modern slavery threat assessments on a range of key suppliers.

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

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.

Aviva Investors (AI), our global asset management company has a heritage in responsible investing dating back to the early 1970s. We invest responsibly with Environmental, Social and Governance (ESG) considerations forming key pillars of our investment process, integrated across all our asset classes and assets under management (AUM). This process includes areas like climate change, biodiversity loss and social injustice. We believe investing for a sustainable future can not only minimise risk but also allow us to spot opportunities for our customers.

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 2021 AI continued to enhance its work on responsible investment. This included further embedding our responsible investment philosophy and ESG integration policies across Credit, Equities, Multi-Asset and Macro, and Real Assets.

We have also expanded our Sustainable Outcomes Fund Range linked to the United Nations Sustainable Development Goals (SDGs) and seen Real Estate Debt origination of c.£1 billion in line with our Sustainable Transition Loans Framework.

Our Real Assets Climate Transition Fund has c.£1.2 billion of investible capital focussed on Real Estate Equity, Infrastructure and Forestry investments specifically aligned to make a positive contribution to climate transition. This is in line with our overarching objective to be Net Zero by 2040.

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

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 played a prominent role at COP26 as a leading member of the Glasgow Financial Alliance for Net Zero (GFANZ) – a Net Zero alliance. Aviva CEO Amanda Blanc co-led GFANZ work calling on G20 governments to introduce: economy-wide Net Zero targets aligned to 1.5C; the reform of financial regulations to support the Net Zero transition; the phase-out of fossil fuel subsidies; pricing carbon emissions; mandatory Net Zero transition plans and climate reporting for public and private enterprises by 2024; unlocking the trillions of climate finance required to support developing economies meet the transition to Net Zero.

Read more about:

- 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.
- Our environmental risks and impacts in 'Our risks and risk management' section and in 'Our climate-related financial disclosure' section.
- Our approach to our modern slavery statement, as well as our Human Rights Policy and the Aviva Business Ethics Code 2021, which can all be found on www.aviva.com/content/dam/aviva-corporate/documents/socialpurpose/pdfs/Aviva-Business-Ethics-Code-2021.pdf.
- Our internal diversity, inclusion and wellbeing approach in the 'People' section.

Key performance indicators

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

The financial KPIs include Alternative Performance Measures (APMs) 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. This guidance includes definitions and, where possible, reconciliations to relevant line items or sub-totals in the financial statements.

Financial KPIs

Cash remittances[‡, R]

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

2021:

£1,899m

2020: £1,500m

Estimated Solvency II shareholder cover ratio[‡, R]

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

2021:

244%

2020: 202%

Solvency II return on equity[‡, R, 1]

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

2021:

11.3%

2020: 12.3%

Solvency II operating own funds generation[‡, R, 1]

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

2021:

£1,645m

2020: £1,691m

Solvency II debt leverage ratio[‡]

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

2021:

27%

2020: 31%

Controllable costs[‡]

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

2021:

£3,686m

2020: £3,935m

‡ 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.

R Symbol denotes key performance indicators used as a base to determine or modify remuneration.

1 Following a review of the basis of preparation of Group Solvency II return on equity, comparative amounts for the year ended 31 December 2020 have been restated. Further information can be found in the 'Other Information' section.

Financial KPIs continued

Group adjusted operating profit‡, R, 1

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

2021:

£2,265m

2020: £3,161m

Operating earnings per share‡, R, 2

Illustrates the profitability associated with each share owned by our shareholders and aims to enhance the understanding of the Group's operating performance.

2021:

43.8p

2020: 60.8p

Basic earnings per share

Illustrates the profitability after tax associated with each share owned by our shareholders.

2021:

50.1p

2020: 70.2p

Combined operating ratio‡

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

2021:

94.1%

2020: 96.2%

IFRS profit for the year

Measures the profit after tax, attributable to shareholders, generated by the Group.

2021:

£2,036m

2020: £2,910m

Value of new business on an adjusted Solvency II basis‡

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

2021:

£1,074m

2020: £1,251m[3]

Non-financial KPIs

Customer Net Promoter Score® (NPS®)R

Our measure of customer advocacy across our markets, indicating the likelihood of a customer recommending Aviva relative to our competitors.

We are at or above market average across all five of our markets.

Operational carbon emissions reductionR

We are an operationally carbon-neutral company. We measure our carbon emissions against our 2010 baseline and have exceeded our 70% reduction by 2030 target.

2021:

81%

2020: 76%

Employee engagementR

We measure this through our annual global 'Voice of Aviva' survey. 72% of colleagues recommend Aviva as a great place to work.

2021:

72%

2020: 80%[4]

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

‡ 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.

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 see note B in the 'Accounting Policies' section of IFRS Financial Statements and the 'Other Information' section for further information.

2 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.

3 VNB for Aviva Investors is no longer reported as this is not an APM used to assess the trading performance of our investment business. Comparative amounts have been amended to exclude the contribution of Aviva Investors to VNB (2020: £9 million).

4 Employee engagement was previously measured on a different basis. 2020 comparative has been restated (previously 2020: 76%).

Chief Financial Officer's Report

2021 was a transformative year for Aviva and I am incredibly proud of everything that our team has achieved. Most importantly, we successfully completed our ambition to focus the portfolio, positioning Aviva to succeed in our strongest markets.

Pleasingly, as a result of these actions, we are in a position to meet our promise to make a significant capital return to shareholders, and to invest in our business to drive growth over the longer term.

> "As we emerge from the pandemic, I am confident that we have positioned Aviva to succeed."

Jason Windsor
Chief Financial Officer

Overview

2021 was an extremely encouraging year with strong financial performance, giving us momentum as we move into 2022.

In addition to our success focusing the portfolio, we have lowered Solvency II debt leverage through the successful execution of a £1 billion debt tender, and reduced debt by a total £1.9 billion in the year, thereby meeting our ambition to reduce leverage to below 30%.

This has put us in a strong position to deliver on our promise to shareholders by proposing a total £4.75 billion capital return and to be able to set clear guidance on dividend outlook.

I am confident that we have positioned Aviva to succeed. We are a customer-centric company with a leading brand, and it is our ambition to generate superior outcomes for all our stakeholders.

The results from the steps we are taking to transform performance are beginning to emerge, but there is much more we can, and will, do. We look forward confidently, and with the drive and commitment to deliver on our promise to our customers, our shareholders, our employees and our communities.

Chief Financial Officer's Report continued

Group financial highlights

Cash remittances‡
£1,899m
2020: £1,500m

IFRS profit for the year
£2,036m
2020: £2,910m

Controllable costs‡
£3,686m
2020: £3,935m

General Insurance Gross Written Premiums
£8,807m
2020: £8,322m

Group adjusted operating profit‡,1
£2,265m
2020: £3,161m

Solvency II operating own funds generation‡
£1,645m
2020: £1,691m

Estimated Solvency II shareholder cover ratio‡
244%
2020: 202%

Life Present Value of New Business Premiums‡
£36,747m
2020: £29,922m

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

1 Group adjusted operating profit is an APM which is used by the Group to supplement the required disclosures under IFRS. Please see note B in the 'Accounting Policies' section of IFRS Financial Statements and the 'Other Information' section for further information.

Throughout this report, we use a range of financial metrics to measure our performance and financial strength. These metrics include Alternative Performance Measures (APMs), which are non-GAAP measures that are not bound by the requirements of IFRS and Solvency II. A complete list and further guidance in respect of the APMs used by the Group can be found in the 'Other information' section.

Group financial headlines

Operating results

Cash remittances

2021:

£1,899m

Year	Amount
2021	£1,899m
2020	£1,500m

Cash remittances

Cash remittances during 2021 were £1.9 billion (2020: £1.5 billion) with the vast majority of these, £1.66 billion (2020: £1.37 billion), delivered from our continuing operations. The growth in 2021 remittances, partly reflecting lower remittances in 2020 due to the decision to retain cash in our subsidiaries to maintain balance sheet strength, was in line with our existing target to grow towards £1.8 billion in 2023.

Profit

Group adjusted operating profit[1] of £2,265 million (2020: £3,161 million) and operating earnings per share of 43.8 pence (2020: 60.8 pence) decreased largely owing to our divestments with reduced adjusted operating profit[1] from discontinued operations. In 2021 we completed disposals of all discontinued operations which concludes our divestment programme.

IFRS profit for the year was £2,036 million (2020: £2,910 million) while basic earnings per share decreased to 50.1 pence (2020: 70.2 pence) driven by the reduction in adjusted operating profit[1] combined with non-operating items. Non-operating items included a profit on disposals of £1,572 million (2020: profit of £725 million) following the sale of our discontinued operations which was partially offset by economic variances of £(1,039) million (2020: positive impact of £6 million). Higher interest rates and strong equity returns resulted in an adverse economic variance impact as our hedging programme is run on an economic basis, protecting the solvency position.

Adjusted operating profit[1] from continuing operations decreased by 10% to £1,634 million (2020: £1,806 million). However, excluding UK Life management actions and other of £77 million (2020: £469 million), adjusted operating profit[1] was up 16% to £1,557 million (2020: £1,337 million).

UK & Ireland Life adjusted operating profit[1] benefitted from strong results in Savings & Retirement and Protection & Health, however this was more than offset by lower profits in Annuities & Equity Release as well as lower levels of management actions and other compared to 2020.

General Insurance performed strongly, driven by improvements in underwriting performance and reduced COVID-19 related claims. Our International Investments also performed well with strong results from Singapore.

Chief Financial Officer's Report continued

Cost reduction

Controllable costs from continuing operations, excluding cost reduction implementation and IFRS 17 costs, fell by 2% to £2,856 million (2020: £2,924 million), despite headwinds from inflation and targeted investments in growth. We have achieved £244 million cost reduction in the period 2018-21, as well as absorbing c.£130 million of inflation over that time, and remain on target to meet our £300 million cost ambition in 2022. As a result of this we are setting a target of £750 million, gross of inflation, from the same 2018 baseline by the end of 2024. Net of inflation, this equates to £400 million of savings from 2018 to 2024.

£244m

Controllable costs excl IFRS 17 & implementation costs savings vs. 2018

Solvency II operating own funds generation (Solvency II OFG)

Total Solvency II OFG decreased marginally to £1,645 million (2020: £1,691 million) due to lower Solvency II OFG from discontinued operations.

Solvency II OFG from continuing operations was flat on the prior year as lower margins on annuities and lower management actions in UK Life were offset by higher Solvency II OFG from Protection & Health, Ireland Life, General Insurance and International Investments.

Solvency II Own Funds Generation

2021:

£1,645m

Year	Amount
2021	£1,645m
2020	£1,691m

Solvency II operating capital generation (Solvency II OCG)

Total Solvency II OCG decreased to £1,561 million (2020: £1,932 million) driven largely by reduced Solvency II OCG from discontinued operations, due to disposals in 2020 and 2021.

Solvency II OCG from continuing operations increased by 9% to £1,364 million (2020: £1,250 million) driven by higher Solvency II OCG from General Insurance, Aviva Investors and International Investments, partially offset by lower Solvency II OCG from UK & Ireland Life. Higher earnings from existing business in UK & Ireland Life were offset by lower management actions and other, reflecting lower net benefit from assumption changes and non-recurring items in 2021.

Solvency II return on equity (Solvency II RoE)

Solvency II return on equity has been amended following a review of the basis of preparation. In the numerator, Transitional Measures on Technical Provisions (TMTP) run-off has been replaced with the economic cost of holding equivalent capital to the opening value of TMTP on a shareholder basis and the denominator has been adjusted to exclude excess capital above our target Solvency II shareholder cover ratio.

This approach improves comparability of Solvency II return across Life and General Insurance business whilst removing distortions that would otherwise arise where the Group is temporarily holding excess capital.

Using this revised methodology, Solvency II RoE was 11.3%. This was 1.0pp lower than the restated 2020 Solvency II RoE (2020 restated: 12.3%), mainly reflecting the impact of lower interest rates in 2020 on the 2021 opening capital position. Solvency II RoE on a continuing basis was 10.7% (2020 restated: 11.7%). Our ambition is for Solvency II RoE on a continuing basis to improve to >12% by 2024.

Capital and cash

Capital return

Under our capital framework, we consider capital above 180% Solvency II shareholder cover ratio as excess, allowing for reinvestment in the business and returns to shareholders. We target Solvency II debt leverage ratio of below 30%.

In line with this framework, we intend to return £3.75 billion to shareholders via a proposed B Share Scheme[1,2] in addition to the £1 billion share buyback already underway. This takes the total amount to be returned to shareholders to £4.75 billion since August 2021.

This, combined with debt repayments of £2 billion (including £0.1 billion premium on tender) carried out in the first half of 2021, and repayment of £0.7 billion of the internal loan, utilises the £7.5 billion of proceeds from the divestments.

£4.75bn

Capital return to shareholders[1,2]

1 Subject to shareholder approval and customary conditions including no material deterioration in market conditions or the financial position of the company

2 There are important notices relating to the B share scheme and illustrative share consolidation ratio and illustrative future dividend per share set out in the Chief Financial Officer's Report. Please read those notices in full in order to obtain a comprehensive understanding of the Company's proposals

Chief Financial Officer's Report continued

B Share Scheme
Refer to important information box

The additional £3.75 billion capital return will be returned via a B Share Scheme, expected to be settled in the first half of 2022.

Shareholders will receive one B Share for each existing ordinary share held at the relevant record time with B Shares redeemed for cash (estimated proceeds of c.100 pence per share).

An ordinary share consolidation will also take place. The aim of the consolidation is to seek to ensure that the market price of Aviva ordinary shares (along with other data points for comparability) remains consistent after the B Share Scheme.

Full details of the B Share Scheme (including mechanics, eligibility, consolidation ratio and amounts) will be set out in an explanatory circular which will be made available on or around 4 April 2022.

As an illustrative example, following the capital return and share consolidation, an ordinary shareholder with a holding of 100 shares at the record time will receive cash of £100 via the B Share Scheme, and will have a remaining holding in Aviva of 75 new ordinary shares.

Important information regarding B Share Scheme and illustrative consolidation ratio

The illustrative share consolidation referenced in this document refers to a ratio of 75 for 100. This is an illustrative consolidation ratio only based upon the average market capitalisation of Aviva over the last five trading days in February, adjusted for the 2021 final dividend. The actual consolidation ratio to be applied is expected to be published on or around 4 April 2022, with the directors retaining absolute discretion to determine the final ratio and may be calculated on a different basis depending on share price volatility, including by reference to share price movement after the date of this Report and Accounts amongst other things. The aim of the consolidation is to seek to ensure that the market price of Aviva ordinary shares (along with other data points for comparability) remains consistent after the B Share Scheme. The estimated proceeds under the B Share Scheme of approximately 100 pence per share are subject to change. Full details of the B Share Scheme (including mechanics, eligibility, consolidation ratio and proceeds) will be set out in an explanatory circular which will be made available on or around 4 April 2022. The B Share Scheme and share consolidation remain subject to shareholder approval and customary conditions including no material deterioration in market conditions or the company's financial position. This illustrative consolidation ratio is not and should not be taken as an expectation or used as the basis of any investment decision. In particular, the actual consolidation ratio applied in the B Share Scheme could result in different estimated dividend per share amounts for 2022 and 2023 than those referred to in the document.

Solvency II capital

At 31 December 2021, Aviva's Solvency II shareholder surplus was £13.1 billion and Solvency II shareholder cover ratio was 244% (2020: £13.0 billion and 202% respectively). Our pro forma Solvency II cover ratio allowing for the announced further capital return of £3.75 billion, £1 billion further debt reduction over time and pension scheme payment is estimated at 191%. The acquisition of Succession Wealth will have an estimated 5 percentage points adverse impact on the Solvency II cover ratio once completed, and would reduce the proforma Solvency II cover ratio to 186%. The solvency capital requirement of £9.1 billion includes a c.£2 billion benefit from Group diversification.

Solvency II net asset value per share was 417 pence (2020: 442 pence) as Solvency II OFG and the reduction in the value of subordinated liabilities as a result of higher interest rates, were more than offset by the payment of dividends, share buyback and adverse non-operating movements in own funds also driven by higher interest rates.

Centre liquidity

At end February 2022, centre liquidity was £6.6 billion (February 2021: £4.1 billion) with the increase primarily driven by disposal proceeds of £6.2 billion and cash remittances of £1.9 billion offset by debt repayments of £2.7 billion, ordinary dividend payment of £0.8 billion, share buyback of £0.9 billion and centre costs of £0.8 billion. Our pro forma centre liquidity is £1.7 billion. We will look to maintain centre liquidity at c.£1.5 billion.

Centre liquidity

Feb 2022:

£6.6bn

Year	Amount
2022	£6.6bn
2021	£4.1bn

Solvency II debt leverage

Solvency II debt leverage ratio decreased to 27% (2020: 31%) primarily owing to our debt reduction actions of £1.9 billion. Our pro forma Solvency II debt leverage ratio is 28% allowing for the further £3.75 billion capital return, additional £1 billion debt reduction over time and pension scheme contribution.

Dividend

On 1 March 2022, we approved a final dividend per share for 2021 of 14.70 pence (2020: 14.00 pence). Together with an interim of 7.35 pence (2020: 7.00 pence) this brings total dividends for the year to 22.05 pence (2020: 21.00 pence), up 5% with a cash cost of c.£833 million.

22.05p

2021 total dividend per share

Chief Financial Officer's Report continued

Dividend policy and dividend outlook

We recognise that dividends are important to our shareholders, with sustainable growth in cash generation an important driver of dividend capacity. In light of the significant progress we have made, prospective changes to our capital structure, and our confidence in the outlook for Aviva, we have announced clear guidance on dividends for the next two financial years.

For the 2022 financial year we estimate a dividend payment of approximately £870 million, equivalent to an estimated per share amount of c.31.5 pence, (calculated using an illustrative consolidation ratio approved on 1 March 2022)[1,2].

For 2023 we estimate a dividend payment of approximately £915 million, equivalent to an estimated per share amount of c.33 pence, (calculated using an illustrative consolidation ratio announced 2 March 2021)[1,2].

Thereafter we anticipate low-to-mid single digit growth in dividends per share. These dividend estimates are subject to market conditions and Board approval.

These dividend amounts represent an attractive cash payout level together with long-term sustainability.

Surplus free cash flow not paid as a dividend is available for organic and inorganic investment in the business. Any build up in surplus capital above 180% Solvency II shareholder cover ratio that is not reinvested into the business, is available for return to shareholders over time (subject to market conditions, and Board and regulatory approvals).

Investment in the business

In addition to returning £4.75 billion to shareholders[3], we have set out plans for reinvestment into the businesses to further accelerate growth. We will be investing £300 million over the next three years into growth, with costs of c.£100 million per annum (2022-2024) expected to deliver run-rate adjusted operating profit[4] benefits of £100 million from 2025 onwards. We will also be investing £200 million to accelerate efficiency. We expect implementation costs to be £100 million per annum (2022-2023) to deliver the upgraded cost target of £750 million by 2024. This is equivalent to approximately a further £250 million per annum cost savings from 2024 compared to 2022 (including absorbing c.£150 million of inflation).

Surplus above 180% Solvency II shareholder cover ratio also provides the opportunity to consider bolt-on acquisitions that would complement our target growth areas.

Acquisition of Succession Wealth

In line with our strategy to target sustainable growth in core markets, we approved on 1 March 2022, the acquisition of Succession Wealth, a leading national independent financial advice firm. This significantly enhances our position in the fast-growing UK wealth market and accelerates our ability to offer high-quality financial advice to 6 million of our workplace and individual pension and savings customers.

Succession Wealth will be acquired for consideration of £385 million and its 2022 EBITDA is expected to be £24 million. The transaction, which is being funded by cash from our strong capital position, is expected to have an estimated 5 percentage points adverse impact on the Group's Solvency II shareholder cover ratio once completed. We are expecting a double digit return on our investment over the medium term through accelerated growth.

Targets

We are upgrading our financial targets. These upgraded targets support cash generation and in turn our dividend policy and demonstrate our confidence and ambition for Aviva as we look to deliver on our promise to all of our stakeholders.

Upgraded financial targets

>£5.4bn
Cash remittances cumulative 2022-2024

£1.5bn
Solvency II Own funds generation per annum by 2024

£750m
Controllable costs reduction, excluding IFRS 17, implementation and planned investment in growth, 2018-24 (£400m net inflation)

We are also providing guidance that we expect to grow Solvency II RoE to >12% over the medium term, based on our revised methodology.

1 Estimated dividends are for guidance and are subject to change. The Board has not approved or made any decision to pay any dividend in respect of any future period.
2 There are important notices relating to the B share scheme and illustrative share consolidation ratio and illustrative future dividend per share set out in the Chief Financial Officer's Report. Please read those notices in full in order to obtain a comprehensive understanding of the Company's proposals.
3 Subject to shareholder approval and customary conditions including no material deterioration in market conditions or the financial position of the company
4 Group adjusted operating profit is an APM which is used by the Group to supplement the required disclosures under IFRS. Please see note B in the 'Accounting Policies' section of IFRS Financial Statements and the 'Other Information' section for further information.

Chief Financial Officer's Report continued

Business highlights

UK & Ireland Life

UK and Ireland Life adjusted operating profit[1] was 25% lower at £1,428 million (2020: £1,907 million). Excluding management actions and other this was 6% lower at £1,351 million (2020: £1,438 million).

Savings & Retirement adjusted operating profit[1] increased 24% to £147 million (2020: £119 million) reflecting higher revenues from strong growth in AUM. Protection & Health adjusted operating profit[1] increased 21% to £229 million (2020: £189 million) driven by an improvement in new business profitability and reduced costs. This was more than offset by a reduction in profit from Annuities & Equity release, which was 21% lower at £645 million (2020: £815 million) driven by lower profit from bulk purchase annuities as a result of the lower credit spread environment following exceptionally strong corporate bond yields in 2020, and lower profit presented within Other.

Other adjusted operating profit[1] was lower due to lower longevity benefits of £266 million (2020: £390 million), non-recurrence of an expense reserve release in 2020 of £123 million and a number of offsetting items including a provision for legacy customer remediation, increased IFRS 17 costs and reduction in the carrying value of deferred acquisition costs as a result of higher interest rates.

Ireland Life adjusted operating profit[1] improved significantly driven by reduced expenses, higher annual management charge income and improved claims experience.

UK & Ireland Life Solvency II OFG of £953 million (2020: £1,057 million) was down 10% and down 7% excluding management actions & other. Protection & Health was up 81% to £132 million (2020: £73 million) driven by higher new business margins and a strong Group Protection performance. Savings & Retirement Solvency II OFG was flat as expenses on our growing Platform business are required to be recognised in full up front. Annuities & Equity Release Solvency II OFG of £392 million (2020: £513 million) was down 24% mainly reflecting lower bulk annuity margins. Management actions & other of £279 million (2020: £335 million) was down 17%. Ireland Life returned to positive Solvency II OFG of £19 million, up from £(32) million in 2020.

Savings & Retirement PVNBP grew 33% driven by strong performance in both Workplace and Platform. Both new scheme wins and member growth contributed to growth in Workplace with Platform growth reflecting improvements in the functionality and propositions of our platform offering, as well as a return to confidence in the wider market. This growth resulted in our most successful tax year-end across Savings & Retirement. VNB increased 27% driven by growth in PVNBP.

Annuities & Equity Release PVNBP were 5% higher, driven by strong growth in equity release PVNBP up 23% on prior year, as the market sharply rebounded following reduced activity in 2020, and with record BPA PVNBP of £6.2 billion (2020: £6.0 billion), despite a subdued first half. Individual annuity volumes were also marginally ahead of 2020 volumes. VNB has improved during the second half, as we switched a greater proportion of assets from cash and gilts into illiquids but overall remains lower than prior year reflecting the lower credit spread environment.

Protection & Health VNB was up 13% despite lower PVNBP. PVNBP was 3% lower as strong performance in Health and Individual Protection was offset by a subdued Group Protection market, following a strong year in 2020. Health volumes grew 19% driven by a positive reaction to our Expert Select proposition. A more profitable business mix combined with reduced costs in both Health and Individual Protection led to an increase in VNB.

Ireland Life PVNBP grew 7% driven by strong PVNBP in unit linked and protection business. A new single product offering has improved margins and driven VNB up significantly over the year.

Savings & Retirement net flows were up 17% to £10 billion (2020: £8.5 billion), benefiting from strong inflows in both Workplace and Platform, delivering our ambition of £10 billion net flows one year early. Our adviser platform business continued to grow with net flows up 58% to £5.4 billion (2020: £3.4 billion) reflecting a record year for inflows. Workplace inflows increased by 16% to £10.5 billion (2020: £9 billion) benefiting from our most successful tax year-end bonus sacrifice campaign and growth in members, up 244,000 to over 4 million. This was offset slightly by a normalisation of outflows following subdued levels in 2020.

Savings & Retirement assets under management grew to £152 billion (2020: £128 billion) due to a combination of strong net flows and positive market movements.

UK&I Life PVNBP

2021:

£35.6bn

Year	PVNBP
2021	£35.6bn
2020	£29.3bn

1 Group adjusted operating profit is an APM which is used by the Group to supplement the required disclosures under IFRS. Please see note B in the 'Accounting Policies' section of IFRS Financial Statements and the 'Other Information' section for further information.

Chief Financial Officer's Report continued

General Insurance

Adjusted operating profit[1] increased to £762 million (2020: £500 million) owing to a combination of an improvement in underlying performance and a reduction in COVID-19 related claims compared to the prior year. This was partially offset by lower frequency benefits as COVID-19 restrictions eased and a reduction in long-term investment return due to lower interest rates and a more cautious investment strategy implemented in 2020.

General Insurance Solvency II OFG of £671 million (2020: £616 million) was up 9% in the year. UK & Ireland GI Solvency II OFG of £339 million (2020: £329 million) was up 3%, whilst Canada Solvency II OFG of £332 million (2020: £287 million) was up 16%.

UK, Ireland and Canada COR improved sharply to 92.9% from 96.8%. UK COR improved 3.9pp to 94.6% (2020: 98.5%) driven by a reduction in COVID-19 related claims and profitable new business growth in commercial lines, growth in higher margin retail business and benefits of ongoing simplification in personal lines, partially offset by lower frequency benefits. Canada COR improved 4.0pp to 90.7% (2020: 94.7%) due to continued rate strengthening and a shift to higher value policies in commercial lines partially offset by higher weather losses in personal lines.

Total GWP across UK, Ireland and Canada was the highest for a decade, growing 6% to £8.8billion (2020: £8.3 billion), including 7% growth in the UK and 6% in Canada. Ireland was flat on the prior year.

UK commercial lines GWP grew 15% to £2,609 million (2020: £2,262 million), reflecting the benefits of investment in underwriting talent which led to strong new business growth, high retention levels and continued rate momentum. Canada commercial lines GWP increased 10% to £1,268 million (2020: £1,153 million) due to increased rate in the prevailing hard market, the strategic shift to mid-market and higher policy retention.

UK personal lines GWP was 2% lower at £2,334 million (2020: £2,377 million). GWP through retail channels increased 3%, more than offset by lower GWP through our distribution partners and very low demand for travel insurance in 2021. Retail growth benefited from the successful launch of the Aviva brand on price comparison websites for motor and home, which helped to grow our market share. Canada personal lines GWP of £2,187 million (2020: £2,118 million) was up 3% due to higher new business and retention despite rate reductions in Ontario motor.

92.9%

Combined operating ratio

Aviva Investors

Aviva Investors adjusted operating profit[1] increased to £41 million (2020: £25 million) reflecting 6% growth in revenues driven by a 50% increase in origination of real assets and higher asset levels owing to positive net flows and positive market movements. Cost efficiency measures and streamlining of the business resulted in a reduction in controllable costs (excluding cost reduction implementation costs) to £345 million (2020: £356 million) with further benefits expected in the future. This resulted in the cost income ratio improving by 7pp to 86% (2020: 93%).

Aviva Investors net flows, excluding cash and liquidity funds, improved to £1.5 billion compared to outflows of £1.1 billion in 2020. This included external net flows, excluding cash and liquidity funds, which more than doubled to £3.3 billion (2020: £1.4 billion). AUM increased by £7.5 billion during 2021 with positive impact from net flows and markets partly offset by the impact of corporate actions which comprised the sale of our US investment grade credit capability and fund rationalisations.

Investment performance improved significantly with AUM ahead of benchmark over one year, up to 69% (2020: 55%) and over 3 years up to 65% (2020: 56%). Our trading momentum remains positive as we continue to build and deliver growth through our strengths of ESG, real assets, infrastructure, credit and sustainable equities.

Aviva Investors external net flows

2021:

£3.3bn

Year	Net flows
2021	£3.3bn
2020	£1.4bn

International Investments

International Investments comprises our joint ventures and associates in China, Singapore and India, providing us with value creation potential and optionality in attractive and fast-growing markets.

Adjusted operating profit[1] increased three-fold to £97 million (2020: £26 million) and Solvency II OFG was up 97% to £124 million (2020: £63 million) largely due to the inclusion of our minority stake in Aviva SingLife which was formed on 30 November 2020 following the disposal of Aviva Singapore (shown in discontinued operations for 2020). During 2021 Aviva SingLife had a strong performance arising from the successful launch of a new long-term care product. Alongside improved volumes and margins in China, this contributed to higher PVNBP of £1,122 million (2020: £664 million) and VNB of £78 million (2020: £29 million).

1 Group adjusted operating profit is an APM which is used by the Group to supplement the required disclosures under IFRS. Please see note B in the 'Accounting Policies' section of IFRS Financial Statements and the 'Other Information' section for further information.

Chief Financial Officer's Report continued

Corporate centre costs, Group debt costs and Other

Corporate centre costs and Other operations of £379 million (2020: £282 million) increased due to higher cost reduction implementation, IFRS 17 costs and project costs. This is partially offset by the non-recurring £34 million of COVID-19 charitable donations in 2020.

Group debt costs and other interest reduced to £315 million (2020: £370 million). External debt costs reduced 14% as a result of £1.9 billion reduction in external debt in 2021. Internal lending arrangements are lower than prior year which is partially offset by lower pension scheme finance income, both driven by lower interest rates.

Discontinued operations

Discontinued operations comprises our former businesses in France, Italy, Poland, Turkey and Asia (Friends Provident International (FPI), Aviva Singapore, Hong Kong, Indonesia and Vietnam) and also includes Aviva Investors' discontinued operations in France and Poland.

In 2021 we have completed disposals of all discontinued operations, which concludes the refocus of our portfolio and a divestment programme in which eight non-core businesses have been sold.

The results for the discontinued operations includes the operating performance of businesses disposed until the completion date of the respective sale.

Adjusted operating profit[1] has decreased by 53% to £631 million (2020: £1,355 million) driven by the completion of disposals in 2020 and 2021. Adjusted operating profit[1] in France was lower due to adverse conditions in the general insurance business, and a lower result in Italy was largely as a result of adverse claims experience due to higher mortality rates and a non-recurring loss on dormant policies.

Other

Implementation of IFRS 17

IFRS 17 is a comprehensive new accounting standard, effective from 1 January 2023 (subject to UK endorsement) which predominantly affects the timing of profit recognition for long term insurance contracts. The Group is in the advanced stages of implementing the standard, albeit some material judgements are still under consideration.

IFRS 17 introduces the concept of a contractual service margin (CSM) liability that defers future unearned profit on insurance contracts. The recognition of a CSM for our life businesses is expected to result in a material reduction in the IFRS net asset value of the Group on transition to IFRS 17, with a stock of future profits held on the balance sheet as a liability and released over time.

The cash flows and underlying capital generation of our businesses are unaffected by IFRS 17, and the standard will have no impact on our Solvency II performance metrics or the Group financial targets we have announced. Furthermore, we do not expect IFRS 17 to impact on the dividend policy, dividend guidance and planned capital return.

Outlook

We are confident that our progress in 2021 brings the momentum we need for success in 2022 and beyond, capitalising on our strengths and the growth opportunities in our core markets of UK, Ireland and Canada.

In UK & Ireland Life we expect to see continued growth across the portfolio, particularly in Savings & Retirement through both Workplace and Platform PVNBP. Our VNB ambition of c.5-7% growth per annum is supported by volume growth.

In General Insurance we continue to see opportunities for growth in commercial lines as we capitalise on our market-leading positions and the favourable rate environment. In personal lines the softer rate and inflationary environment create headwinds as we enter 2022 however, experience is in line with expectations to date. This supports our Group COR ambition of below 94%.

Our focus on enhancing performance will continue as we deliver further cost efficiencies to meet our upgraded cost target[2] of £750 million (gross of inflation) by 2024.

Cash remittances are expected to grow from £1.66 billion[3] achieved this year as we target greater than £5.4 billion of cumulative cash remittances in 2022 to 2024. This, together with the other upgraded targets set out, supports our dividend policy and demonstrates our confidence and ambition for Aviva as we look to deliver on our promise to all of our stakeholders.

Jason Windsor
Chief Financial Officer
1 March 2022

1 Group adjusted operating profit is an APM which is used by the Group to supplement the required disclosures under IFRS. Please see note B in the 'Accounting Policies' section of IFRS Financial Statements and the 'Other Information' section for further information.
2 Controllable costs excluding cost reduction implementation, IFRS 17 costs and planned investment in growth
3 From continuing operations

Our market review

We operate through businesses in the UK, Ireland and Canada

- UK & Ireland Life
- UK & Ireland General Insurance
- Canada General Insurance
- Aviva Investors

We also have International investments in joint venture operations in Singapore, China and India.

Our market review UK & Ireland Life

"Aviva UK & Ireland Life has built strong momentum as we serve a wide range of our customers' financial wellbeing needs, from savings and retirement to protection and health. Our focus is to further build on that momentum by supporting our customers, while delivering on our sustainability ambitions."

Doug Brown
UK & Ireland Life Chief Executive Officer

Our ambition

Solvency II VNB

c.5-7%

average per annum growth

Savings & Retirement net flows

≥10%

compound annual growth rate 2021-2024

UK & Ireland Life

We are innovating to meet the changing needs of our customers, developing our digital platforms and digitising and automating our customer journeys, with a focus on driving growth in Savings & Retirement, Bulk Purchase Annuities, and Health & Protection.

Solvency II VNB

£668m

2021	**£668m**
2020	£675m

Green assets

£7.0bn

2021	**£7.0bn**
2020	£4.3bn

S&R net flows

£10.0bn

2021	**£10.0bn**
2020	£8.5bn

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

129

2021	**129**
2020	145

Key financial indicators

	2021	2020
Cash remittances	**£1,219m**	£1,007m
Adjusted operating profit	**£1,428m**	£1,907m
Profit before tax	**£571m**	£1,915m
Solvency II operating own funds generation	**£953m**	£1,057m
PVNBP	**£36bn**	£29bn
Solvency II value of new business	**£668m**	£675m

Overview

Business strategy overview

Aviva is the UK's largest life insurer with a 25% share[2] of the UK market, over 11 million customers, and a product range which meets all our customers' insurance, protection and savings & retirement needs.

We are committed to Aviva's social purpose and our position in the group is critical to delivery of Aviva's sustainability ambition.

We help individuals save and achieve financial peace of mind either directly or through intermediaries. We provide corporate customers with de-risking solutions for their pension schemes and provide solutions to help promote wellbeing and health within their workforces.

Our financial strength gives customers and our investors certainty. We are well capitalised and the composite nature of the UK Life business and the wider Aviva Group gives us a significant capital advantage.

In Ireland our strategy is to transform and grow the business. We are currently fourth[3] in the market and have an ambitious long-term target to become the market leading intermediary provider.

1 Relates to equity and credit investments within Aviva's shareholder and with-profit funds. Investments in scope for the weighted average carbon intensity metric represent 32% of the total shareholder and with-profit funds at the Aviva Group level.
2 Association of British Insurers (ABI) – 9 months to 30 September 2021.
3 Aviva calculation derived from the Milliman Life and Pensions New Business 2020 Report, which is based on responses from a number of key companies within the Irish life market.

Our market review UK & Ireland Life continued

Products and customers

Savings & Retirement

We offer a comprehensive range of modern savings, retirement, and wealth management solutions, helping our customers to adapt to an environment of increasing individual responsibility for retirement.

We are the UK's largest bundled workplace provider[1] with over 23,000 corporate clients and four million members. The corporate market is largely intermediated and our success has been built on strong relationships with intermediaries. We were recognised as 'Best Group Pensions Provider' at the 2021 Corporate Adviser Awards and also received Gold awards from the Finance Technology Research Centre for workplace pensions.

Our retail business includes the UK's second largest adviser platform by net flows[2]. We have relationships with c.3,000 advisory firms who we provide with a wide range of support including expert insight around the key area of ESG. In 2021 we launched our ESG profiling tool, letting advised clients see how their portfolio performs against key ESG metrics. Our products are underpinned by Aviva Investors' expertise in multi asset and ESG investing. Through Aviva Financial Advisers we also offer advice to customers who do not have a relationship with a financial adviser.

Annuities & Equity Release

Annuities & Equity Release consists of bulk purchase annuities (BPA), individual annuities and equity release. We work hand in hand with Aviva Investors to support the UK economy with over £25 billion invested in UK infrastructure and commercial mortgages over the last ten years.

BPA allows pension trustees to secure future obligations to defined benefit scheme members by de-risking their pension schemes. We are the second[3] largest provider in one of the largest growth areas in the UK insurance market. There is estimated to be £2 trillion[4] of private sector defined benefit liabilities of which 90% is yet to come to market. We manage exposure to longevity risk and maximise the capital efficiency of new business by partnering with reinsurance counterparties.

Individual annuities gives customers secure lifetime retirement income. We are the UK's largest provider[3] and provide an income to over one million customers.

Equity release supplements retirement income in a tax efficient way by unlocking housing equity. We manage the UK's largest book of equity release mortgages[5] and in 2021 lent over £700 million to customers. We believe the market will grow reflecting an increasing need for customers to release equity from their homes.

Protection & Health

We are the UK's only provider of scale covering health, group protection and individual protection. Our propositions are centred on wellbeing and service. We have number two[3] positions in protection markets and are third[6] in the health market.

Individual protection protects customers and their loved ones when they fall upon difficult times such as bereavement or serious illness, and is available through financial advisers, estate agents or directly to customers. In 2020, we paid out over £1 billion of individual protection claims, helping over 50,000 customers and their families. In 2021, we won 'Outstanding Added Value Provider' at the Cover Excellence Awards and 'Best Protection Provider' at the Money Marketing Awards.

Group protection helps employers provide workforces with life cover, income protection and critical illness policies. We help employers provide flexible benefits packages that give employees control over their benefits. We are the second largest provider of group income protection[7] and our overall portfolio grew from £483 million at the end of 2020 to £489 million. In 2021, we provided rehabilitation to over 2,262 people via group income protection, with 80% of members helped to return to, or remain in work.

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

Our health proposition gives customers seamless access to private medical services and treatment. In 2021, we launched Expert Select, a simple approach to accessing private medical services. This along with higher levels of demand has helped to increase the number of lives we cover to over one million. We remain committed to our COVID-19 pledge and returning any difference in claims costs to private medical insurance customers. We have extended the pledge through to 2022, reflecting the increased time we expect claims to come through to us.

Ireland Life

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

In 2021, we completed our Integrated Product Launch Programme, offering the best of both Aviva and Friends First to customers and intermediaries. This has made it easier for customers to do business with Aviva and improved our overall transactional net promoter scores by 6 points to +30 (2020: +24). We were awarded the 'ESG provider of the year' at the Irish Pension Awards.

Key business strategic priorities for 2022

- Continue Savings & Retirement growth by strengthening our Workplace and Retail propositions
- Grow BPA in a capital efficient manner and support our social purpose by investing in the UK
- Extend the distribution reach of Protection & Health and continue to deliver innovative wellness services
- Deliver on our promises to be a climate champion by leading the UK's financial services industry in sustainability and ESG
- In Ireland, focus on improving efficiency, optimising product profitability and delivering a simplified, improved customer and intermediary experience

1 Corporate adviser, Workplace Savings Report, November 2021
2 Fundscape Q3 2021 press release, 9 months to 30 September 2021
3 Association of British Insurers (ABI) – 9 months to 30 September 2021
4 Pension Protection Fund - The Purple Book 2021
5 UK Finance data on UK mortgage lenders
6 LaingBuisson, Health Cover UK Market Report, 16th edition
7 Swiss Re Group Watch 2021

It takes making things simple

The power of digital will transform the way we do business, making things quicker for our customers. Small changes can make a big difference.

+30

Overall transactional net promoter score (2020 +24)

Digital authentication
Ireland

Aviva Ireland are using digital signatures on our protection business, investment and pension new business application forms. This lets brokers conduct more business online, using editable application forms along with digital signatures to complete the process.

Our customers can sign online with nothing to download, making it fast and easy to do business with us.

Broker Chris McKenzie from Pension Advice said "What used to take days to complete including posting application forms and supporting documents can now be done in minutes using Aviva's DocuSign. This innovation is a game changer, saves valuable time for us and leads to very satisfied clients."

Our market review UK & Ireland General Insurance

"2021 has been a great year. Going forwards we will continue to build on our strong foundations and accelerate profitable growth through investment in targeted areas, whilst continuing to deliver the service our customers expect."

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

Our ambition

Group combined operating ratio (COR)

<94%

UK & Ireland General Insurance

We are committed to delivering a simple, digitally-enhanced experience for our customers and intermediaries. This is underpinned by our leading underwriting capability, focus on removing complexity and driving profitable growth to support our UK strategy and increase our market share.

GWP

£5,352m

Year	GWP
2021	£5,352m
2020	£5,051m

Retail customer growth

3.5m

Year	Retail customer growth
2021	3.5m
2020	3.2m

Combined operating ratio

94.3%

Year	Combined operating ratio
2021	94.3%
2020	98.2%

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

84

Year	Weighted average carbon intensity
2021	84
2020	98

Key financial indicators

	2021	2020
Cash remittances	**£261m**	£171m
Adjusted operating profit	**£356m**	£213m
Profit before tax	**£247m**	£57m
Solvency II operating own funds generation	**£339m**	£329m
Gross written premiums	**£5,352m**	£5,051m
Combined operating ratio	**94.3%**	98.2%

Overview

Business strategy overview

Aviva is a leading insurer in both the UK and Ireland general insurance (GI) markets, providing insurance solutions to c.6 million customers, number one in the UK market and number three in Ireland[2].

Our strategy is to invest for profitable growth and to deliver on our ambition to be the clear market leader in the UK and Ireland.

Despite 2021 being another COVID-19 impacted year, our service has remained market-leading, supported by our ongoing investment in digital journeys and effective transition to a hybrid-working model.

As the UK emerged from lockdown, we were one of the first to support customers' travel plans by relaunching travel insurance, without a COVID-19 exclusion.

We are well placed in the evolution of mobility, as customers increasingly switch to Electric Vehicles (EVs). Aviva currently insure around 1 in 8 Battery Electric Vehicles (BEV) & Hybrid vehicles in the UK and have an ambition to be the leading EV insurer.

The FCA published their final policy statement on General Insurance Pricing Practices in May 2021, and we support bringing greater clarity and consistency to consumers across general insurance pricing and remain confident in both our execution against the new rules and our competitive position.

1 Relates to equity and credit investments within Aviva's shareholder and with-profit funds. Investments in scope for the weighted average carbon intensity metric represent 32% of the total shareholder and with-profit funds at the Aviva Group level.

2 Aviva's estimates based on a combination of the 2020 ABI General Insurance Premium Distribution and competitor results

Our market review UK & Ireland General Insurance continued

#1
for UK broker sentiment[1]

In the SME sector, the ongoing pandemic required our customers to adapt and we have been there to support them. Our market leading Commercial Intelligence Tool is a good example, through helping customers and brokers identify potential underinsurance and gaps in cover. Our Risk Management Solutions team provided prevention advice, virtually and on-site, with 40,000 client engagements and in excess of £1 trillion of assets reviewed in 2021.

We have consolidated our SME underwriting capability into regional trading hubs, providing our customers and brokers direct access to key underwriters to efficiently underwrite risks.

We continue to benefit from strong broker relationships as demonstrated by our latest broker satisfaction survey which delivered a 94% trust score in Aviva.

Products and customers

Personal lines

In personal lines we have four strategic priorities. They are to (i) grow our Retail business, (ii) focus on profitable, specialty segments in business-to-business (B2B) distribution, (iii) continue to simplify our business, and (iv) create focused, empowered business units, specialising in each segment of our multi-channel distribution footprint.

In the UK and Ireland we offer personal lines insurance with a core focus on home, motor and travel. Our multi-channel distribution includes selling direct to customers through MyAviva and PCW's, as well as intermediary relationships with brokers, affinity partners and several of the UK's leading banks.

Our Retail business is a strategic focus area and we have grown premiums by 3% and customer numbers by 9% to 3.5 million supported by the launch of the Aviva brand on PCWs.

In the summer we acquired new capability through the AXA XL High Net Worth (HNW) team. We integrated the team and launched our revised Aviva Private Clients division in September 2021, providing a clear HNW proposition to fuel future growth. This is an attractive market segment, with clear demand from Brokers as well as synergies with our SME clients.

We continue to cut complexity from our business, removing a further 77 products and decommissioning 28 IT applications. This allows us to focus on customers' greatest needs and improve customer experience through augmented digital journeys, as well as improving our agility and ability to compete in a highly competitive market.

In Ireland, we're constantly updating our private motor rating models to ensure that we continue to have market-leading risk selection, and are focusing on digitisation of our direct business.

Commercial lines

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

Our strategy is to leverage our market-leading distribution and broker sentiment to accelerate profitable growth. Continued investment in automation and digital distribution will drive efficiencies and create new opportunities to distribute our broad product offering.

In 2021, we have grown our SME business by 11%, enabled by the acceleration of our digital capabilities, additional underwriting capability and maintaining positive broker and client sentiment throughout the year.

Our Global Corporate business (GCS) has grown 20% and continued to benefit from a hard market environment. This has provided the opportunity to continue our strong growth trajectory, at attractive rates across new business and renewing book.

In recognition of our performance, we won 'commercial lines insurer of the year' at both the Insurance Times and British Insurance Awards.

Key priorities for 2022:

- Accelerate growth in commercial lines SME, through investing in increased underwriting capacity and continuing the roll-out of digital propositions
- Continued expansion of our Commercial product offering in Ireland
- Expanding our GCS business through enhancing our distribution reach and adding underwriting capability to support UK and multinational clients
- Continued focus on our personal lines retail brands and speciality market; in addition to developing innovative customer propositions
- Support our 'One Aviva' ambition, by driving enhanced customer acquisition and engagement through our MyAviva portal
- Future-proof the business by driving structural efficiency through digitisation and simplification of our products and IT estate
- Transform our claims proposition and deliver best in class indemnity management

1 UK GI commercial line

It takes building trust

We give our customers the confidence that if things go wrong, we will be with them to put it right.

+56

Average Canada Claims TNPS (2020: +56)

Michelle's story
Nova Scotia, Canada

When Michelle's home caught fire, everything was charred right down to the ground. Nobody was hurt but she was devastated that they'd lost everything.

She got through to Qassim, who listened and took care of everything. Michelle said, "I got everything I thought I was covered for… my faith in insurance companies was reinstated.

"To have somebody look after you like that with an insurance company goes a long way. And I can't thank Qassim enough for what he did for me and my family."

See Michelle's story at www.aviva.com/about-us/customer-stories/there-when-you-need-us/

Our market review Canada General Insurance

"Aviva Canada delivered strong results in 2021 with a combined operating ratio of 90.7% and premium growth of 5.6%. I am particularly proud of our highly engaged and committed people who continue to work hard for our customers and brokers throughout the pandemic."

Jason Storah
Chief Executive Officer, Aviva Canada

Canada General Insurance

Our focus is on enhancing our service experience for customers and distributors and delivering sustainable growth. We will support this by continuing to strengthen our core capabilities including pricing, underwriting, claims management, data science and risk and control.

Total GWP

£3,455m

2021	**£3,455m**
2020	£3,271m

Commercial lines GWP

£1,268m

2021	**£1,268m**
2020	£1,153m

Combined operating ratio

90.7%

2021	**90.7%**
2020	94.7%

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

46

2021	**46**
2020	52

Key financial indicators

	2021	2020
Cash remittances	**£156m**	£131m
Adjusted operating profit	**£406m**	£287m
Profit before tax	**£259m**	£349m
Solvency II operating own funds generation	**£332m**	£287m
Gross written premiums	**£3,455m**	£3,271m
Combined operating ratio	**90.7%**	94.7%

Our ambition

Group combined operating ratio (COR)

<94%

Overview

Business strategy overview

Canada represents the eighth[2] largest Property & Casualty market globally with estimated gross written premium of $CAD69 billion. Aviva Canada holds the number three position with an 8% market share,[3] offering a range of GI products.

We have set clear priorities to become the leading insurer in Canada as the undisputed choice for our customers, distributors and our people. Our strategy, aligned to the Group strategic pillars is to (1) deliver sustainable growth, (2) invest in industry leading capabilities, (3) transform the service experience through digitisation, and (4) disrupt the market with innovation.

The Canadian personal motor market is highly regulated and commoditised. In 2021, the reduction in claims frequency due to COVID-19 continued to drive increased government and regulatory pressure and impact pricing. However, we expect higher driving activity in 2022 as provinces lift restrictions. COVID-19 has also accelerated the shift in consumer behaviours to digital, highlighting the growing need for digital capabilities and an increased pace of technological change among carriers and brokers.

In Commercial insurance, rate holding and competitor exit of certain segments creating capacity shortages has led to a hard market in recent years.

1 Relates to equity and credit investments within Aviva's shareholder and with-profit funds. Investments in scope for the weighted average carbon intensity metric represent 32% of the total shareholder and with-profit funds at the Aviva Group level.
2 Canadian Property & Casualty market position source: Swiss Re, sigma No. 3/2021 from the Insurance Information Institute (www.iii.org).
3 Canadian market share source: 2020 MSA Research Results. Includes: Lloyds, excludes: ICBC, SAF, SGI and Genworth.

Our market review Canada General Insurance continued

The continued uncertainty from COVID-19 caused many businesses to close or operate below capacity in 2020 and 2021 which has suppressed policy counts. However, recent indications from the unemployment rate which has returned to pre-COVID-19 levels suggest that there may be more demand in 2022.

Inflation and supply chain pressure will impact rate requirements and loss costs in 2022.

Products and customers

Our Personal insurance portfolio ($CAD3.7 billion, 63% 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. In addition to these areas, our future focus is on digitising the proposition and service experience in order to deliver value and compete on price.

Personal lines

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

In 2021 our gross written premiums increased year-on-year and despite the pandemic, we have seen strong new business performance and policy retention.

Our personal insurance retail segment is highly commoditized and cyclical. In 2022 growth is projected to be in line with the market (i.e. low single digit). We are focussed on delivering above-market growth in our Direct channel (due to investments capitalising on changing consumer buying trends) as well as in our specialty lines, where we have market-leading expertise. We continue to remain cautious as short-term industry profits may lead to political or regulatory intervention that could offset any organic customer growth and create longer-term profitability challenges.

Commercial lines

Our commercial lines are divided into Small-Medium Enterprise (SME)(19.2% of overall business) and Global Corporate Specialty (GCS)(18.1% of overall business) businesses. Our commercial business is a strategic growth priority, and we see opportunities for growth across SME and GCS.

Within SME we are focusing on value growth over policy-count growth by targeting new business with a high average premium.

Within GCS we are expanding our attainable market by leveraging products and capabilities that exist within Group. We are prioritising frequent interactions between customers and Aviva, leveraging the strength of our people. Across commercial lines we are building deeper, more meaningful relationships with brokers and positioning to grow through differentiated service via operational efficiency, attractive pricing, and underwriting expertise.

Despite COVID-19 and subsequent lockdowns, we ended the year with significant growth in commercial lines c.9.7% (SME (c.2.8%) and in GCS (c.18.1%). We are committed to maintaining underwriting discipline, and we plan to deliver strong premium and customer growth in target segments through 2022 (particularly SME: Commercial Auto, Core and Middle Market. GCS: Corporate Risk and Multinational Proposition).

Customers

Our claims TNPS performance (Auto +56, Property +57) remains strong due to internal efforts with slight decline in Auto as a result of external factors such as delays in parts and repair shop capacity which contributed to increased cycle times in the second half of 2021. NPS remains higher than pre-COVID scores in 2019.

Overall complaint volumes for 2021 are in line with 2020 performance, showing a slight increase 3% attributed to increased claims volumes in the second half of the year.

Distribution channels

In Canada, 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] and most valuable brand in Canada, with a significant portion of high net worth customers.

We are continuing to invest in our broker channel through the modernisation of our policy system which will deliver an improved broker experience. We are also launching a new telematics offering for our brokers in Ontario.

Additionally, we are building our Direct channel into a meaningful business for customers who wish to transact with Aviva digitally helping to further 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 2022

- Deliver sustainable growth within our target growth areas, optimising, scaling and diversifying our portfolio and channels
- Continue to strengthen our core capabilities including pricing, underwriting, claims management, data science and risk and control
- 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 and buy Aviva and RBC insurance

1 RBC market position/share based on market capitalisation and brand rank source: 2021 ADV ratings; Brand Finance Global 500 2022.

It takes innovation

The world is changing fast, so we are too. Innovation is central to our strategy and our ambition to deliver great outcomes for our customers.

£70m

venture capital deployed into start-ups

Founders Factory Partnership
UK

Founders Factory is a venture studio and accelerator that has helped create and develop over 200 start-ups. Aviva has been Founders Factory's strategic partner in fintech since 2016. This year we announced a new £10 million investment and a five-year extension to our partnership, to support new start-ups in the UK.

The partnership will support the growth of seven start-ups each year, focusing on emerging trends and customers' evolving needs. Themes will include wellbeing and mobility and the opportunities created by artificial intelligence and machine learning.

Ben Luckett, our Chief Innovation Officer said, "The partnership ensures Aviva remains at the forefront of the new ideas and technology which will make customers lives simpler."

Find out more about our approach to innovation at www.aviva.com/about-us/innovation/

Our market review Aviva Investors

"I am proud of how Aviva Investors is delivering for our customers, society and our people. With significantly improved financial performance and great momentum, we have much to look forward to."

Mark Versey
Aviva Investors Chief Executive Officer

Our ambition

Cost income ratio

<75%

Aviva Investors

We continue to deliver for customers and investors through strong investment performance. Our focus on ESG is demonstrated in Aviva Investors strategy and actions in 2021, leading by example and influencing others to act.

Assets under management

£268bn

2021	£268bn
2020	£260bn[1]

Investment in low-carbon and renewable infrastructure

£4.3bn

2021	£4.3bn
2020	£3.7bn

External net flows

£3.3bn

2021	£3.3bn
2020	£1.4bn

Climate transition funds

£1.6bn

2021	£1.6bn
2020	£0.2bn

Key financial indicators

	2021	2020
Cash remittances	**£15m**	£50m
Adjusted operating profit	**£41m**	£25m
Profit before tax	**£41m**	£24m
Solvency II operating own funds generation	**£36m**	£26m
Aviva Investors revenue	**£403m**	£381m
Cost income ratio	**86%**	93%

Overview

Business strategy overview

Aviva Investors is a global asset manager that combines our insurance heritage, investment capabilities and sustainability expertise to deliver wealth and retirement outcomes that matter most to investors. Aviva Investors manages £268 billion (2020: £260 billion[1]) of assets, with £216 billion (2020: £209 billion[1]) managed on behalf of Aviva Group.

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

The key drivers of our strategy are:

- Customer: deliver our customers' investment needs through strong investment performance, sustainability impact and maintaining a rigorous risk and control culture.
- Simplification: use data and automation to streamline processes and continue to simplify our businesses to become more efficient and deliver better customer outcomes.

1 Assets under management at 31 December 2020 have been re-presented to reflect movements in continued and discontinued business, and a re-classification of certain funds between internal and external.

Our market review Aviva Investors continued

- Growth: continue to grow in both our Aviva client business, supporting its growth in BPAs, helping Aviva to be the go-to brand for Savings & Retirement solutions, and our external business, by being recognised for our broad expertise and ESG.
- People: develop a high-performance culture by embedding our diversity and inclusion strategy, and actively promoting focused learning and upskilling, talent management and career development.

Market overview

Active managers require good access to distribution, scale and operating efficiency to compete effectively and profitably.

Our focus on sustainable investing provides further opportunities for growth while playing an active role in the fight against climate change, biodiversity, human rights and building stronger communities. We have committed to a Net Zero company target by 2040 and have also signed up to the Net Zero Asset Managers Initiative.

Top 5

ranking for responsible investment by Share Action

69%

of AUM exceeding benchmark over 1 year

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

- Ranked A by Share Action (1 of only 5 Asset Managers);
- Strong scores in all modules of the United Nations' Principles for Responsible Investment (PRI) ratings which cover over $100 trillion in AUM;
- Multiple international awards including ESG Asset Manager of the Year 2021 at the Corporate Adviser awards; 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).

Products and Customers

Consistent delivery of strong investment performance is key to meeting our customers' investment needs and remains a key priority. It has improved significantly in 2021 with 69% (2020: 55%) of AUM exceeding benchmark over one year and 65% (2020: 56%) over three years.

Net flows, excluding liquidity and cash funds, improved to £1.5 billion (2020: £(1.1) billion) with net inflows of £3.3 billion (2020: £1.4 billion) from external clients and lower net outflows from Aviva clients of £(1.8) billion (2020: £(2.5) billion). These demonstrate the strength of our product offering and close collaboration across the Aviva Group.

In addition, our Liquidity business contributed £6.7 billion (2020: £8.2 billion) of net inflows into our liquidity and cash funds.

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.

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.

Our external client distribution channels include:

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

Key business strategic priorities for 2022

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

It takes targeted growth

We're well placed to serve emerging trends, with the scale and expertise to deliver.

£6.2bn

BPA PVNBP in 2021

Kingfisher plc
London, UK

More and more businesses are looking for ways to spread the risk of providing pensions to their people. Take, for example, Kingfisher plc, a British multinational retail company headquartered in London, which manages brands including B&Q and Screwfix.

This year we signed a bulk purchase annuity deal worth £900 million with Kingfisher pension scheme trustees. It means they don't have to worry about the risks around investing, increasing lifespans or inflation and can rest easy that the bulk of the pensioner members will get the pension they expect.

In turn, we get capital to invest in things like the green infrastructure the UK needs, helping to shape the world that people want to retire into.

Our people

Aviva's diverse workforce includes over 22,000 colleagues, with almost 16,000 in the UK.

"Our people are passionate about doing their best for our customers and that continued during 2021 despite the challenges of another exceptional year. Our focus has been on keeping them safe and supporting them so they can keep looking after our customers."

Danny Harmer
Chief People Officer

Our approach

Our focus is on enabling our people to deliver Aviva's promise by:

- Driving a high performance customer-focused culture
- Being sustainable, inclusive and representative of the diverse communities we serve
- Upskilling and reskilling our people to deliver the business strategy now and in the future
- Embedding risk management in every colleague's role and responsibilities

Impact of COVID-19

At the start of the year, as the UK moved back into lockdown and home schooling returned, we ran a campaign to energise and support colleagues, while they in turn continued to support our customers, including:

- Certainty of income for colleagues who had to reduce their hours for home schooling or childcare.
- Giving all our people an additional wellbeing day.
- Holding virtual events including everything from the Big Aviva Quiz and dog training, to family art competitions and fitness webinars.

Throughout 2021 leaders held regular performance check-ins with their team members so that all colleagues felt supported and were clear on how to contribute most effectively for Aviva and our customers.

In September we began the transition to 'smart-working' (our approach to hybrid working) and by October around half of our colleagues were back in the office for part of the working week, with that number continuing to rise.

Engaging our people

In our 2021 global employee opinion survey, the Voice of Aviva, 72% of colleagues said they would recommend Aviva as a great place to work. This was a fall in engagement from 2020, in line with a downward trend across the industry, but engagement remains higher than the financial services benchmark (averaging 70%).

Belief in our strategy has remained strong and there has been a significant jump in the frequency and effectiveness of performance conversations. This is an important indicator of strong leadership: listening to and supporting teams, while driving a step change in performance.

Other feedback on Aviva's culture shows that our people feel it is safe to speak up and have strong, continued advocacy for our products and services.

We will focus on two areas in response to the 2021 survey. Firstly, strengthening our leaders and secondly, the way we communicate and engage with our colleagues, particularly through times of change and uncertainty.

We are investing in the development of our people and in May launched 'Aviva University', which houses digital learning content in academies aligned to our job families. In September we also launched our 'Career Compass', a tool to enable our people to develop in line with their career aspirations.

Diversity and Inclusion

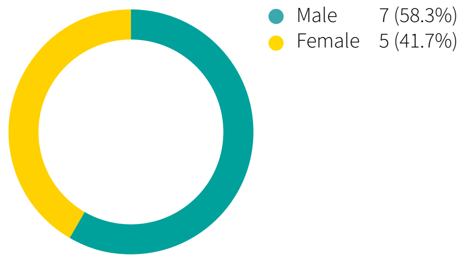
We want Aviva to be a place where people can be themselves, and for our workforce to reflect the customers and communities we serve. It's a fundamental part of living up to our purpose, key to continuing as a sustainable and successful business and contributing to a fairer, more equal society.

We are particularly focused on two priorities, gender and ethnicity. We've set ourselves the target of increasing the number of women in senior leadership to 40% and the number of ethnically diverse colleagues in senior leadership to 12.5% by 2024. Our Executive Long-Term Incentive Plans are tied to performance against these targets, reinforcing our commitment to action and driving sustainable change. Our work on gender is underpinned by our market-leading approach to equal parental leave. We also launched an ethnically diverse leadership programme and 44% of our Aviva Community Fund beneficiaries have supported Black, Asian and ethnically diverse communities.

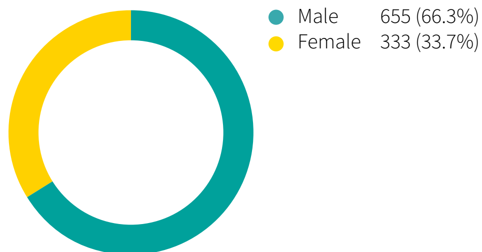
Our people continued

At 31 December 2021, we had the following gender split:

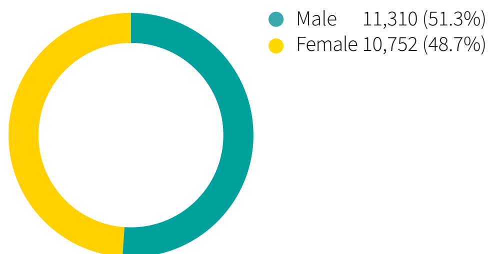
Board membership



Senior management



Aviva Group employees



In the Voice of Aviva survey 82% of employees responded that they 'can be themselves at work'. Diversity & Inclusion is woven into everything at Aviva from inclusive employee policies to customer propositions, supported by leaders helping to drive the changes that are needed.

This has been recognised through a number of awards including Aviva being the only UK insurer in the most recent Stonewall Workplace Equality Index, the top 25 for the Social Mobility Foundation and appearing on the Sunday Times Top 50 Employers for Women. A number of our leaders and future leaders were included on the HERoes, OUTstanding and EMpower Role Model lists.

Health and wellbeing

We know the wellbeing of our colleagues is vital. For Aviva to perform at its full potential, our people need to be at their best and to do what they need to be well.

Over 4,500 colleagues have attended our regular seminars covering physical, mental and financial wellbeing in 2021, with 78% planning to make changes to improve their wellbeing as a result.

During October we ran an internal campaign for World Mental Health Day, in partnership with our Aviva Communities on the theme Mental Health in an Unequal World. Other campaigns in 2021 included Mental Health Awareness Week, Nutrition and Hydration Week, Summer Wellbeing Games, and World Menopause Day.

The average number of full-time equivalent employees during 2021, in our continuing businesses, was 22,312 (2020: 22,905).

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

Menopause support for UK colleagues

One in four women consider leaving work during the menopause and one in ten do - a huge loss of talent. So we introduced Peppy for our employees and their partners - a dedicated menopause app which includes consultations with experts.

Claire shares the difference the service has made to her.

"It only took a few minutes to set-up. I was a bit nervous. But I put down a couple of the main areas I was struggling with and within a few minutes there was a Peppy Practitioner asking me about myself and my symptoms – it was so nice. I can't recommend Peppy highly enough."

72%

of colleagues recommend Aviva as a great place to work.

Delivering our promise for 2022

We have the infrastructure in place to unleash the full potential of our people.

The focus for the year ahead will be to take maximum advantage, enabling everyone to perform at their best. We'll drive improved representation for a more diverse and inclusive organisation, where all our people are clear on how they can contribute, supported by great leadership.

As our customers' needs change and the business evolves, we'll foster and retain our best talent, while equipping people to take on new roles, so we continue to have the skills and capabilities we need.

Aviva will be more efficient and more effective. It is our people who will deliver on that promise, leading to the improved performance our customers and shareholders expect.

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

Our stakeholder engagement

s.172(1) statement

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

Overview

s.172 sets out a series of matters to which the directors must have regard 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 'Sustainability Ambition' 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 2021

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.

During 2021 COVID-19 continued to impact on our customers, our people and the communities in which we operate. We maintained our remote working capability to maintain strong levels of service for individual and commercial customers. As the year progressed, we adapted our customer service model to reflect the government advice in place at that particular time. We have also 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 and in the subsequent return to office based activities.

Consistent with our strategic priorities, on 23 February 2021 we announced the sale of Aviva France for €3.2 billion in cash. On 4 March 2021 we announced a tender exercise to purchase up to £800 million of senior and subordinated debt securities to support our deleveraging strategy and redeploy the proceeds of Group disposals at pace. Following a positive response to the tender offer, we announced on 12 March 2021 we had increased the size of the tender offer to £1 billion. We also announced on 4 March 2021 the sale of our remaining Italian Life and General Insurance businesses. On 26 March 2021 we announced the sale of Aviva Poland for a cash consideration of €2.5 billion, valuing the entire business at €2.7 billion. The sale of these businesses to high quality buyers was considered to be a positive outcome for our customers, employees, distributors and shareholders.

On 9 April 2021 we announced the redemption of £450 million fixed/floating rate notes due in 2041. On 12 August 2021, and in line with the strategic objective to return capital to shareholders, we announced the intention to return at least £4 billion of capital to shareholders including a share buyback programme of £750 million. On 15 December 2021 we announced the increase and extension of the share buyback programme to £1 billion. The intention to further reduce debt by a further £1 billion was also announced.

On 1 March 2021, Aviva also reported its plan to become a Net Zero carbon emissions company by 2040. This undertaking, which will inform every aspect of operations and investment decisions at Aviva, is part of its strategy to be the UK's leading insurer, contributing to a sustainable economic recovery.

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

Our stakeholder engagement continued

Relationships with our stakeholders

Our People
Our people's well-being and commitment to serving our customers are essential for our long-term success.

- We provide an inclusive working environment where we develop talent, reward performance, protect our people and value our differences.
- Our people share in the business' success as shareholders through membership of our global share plans.

Customers
Understanding what's important to our 18.5 million customers is key to our long-term success.

- We aim to provide products and solutions to meet customer needs as well as empowering our customers to save for their goals.
- Our relationship NPS survey shows five years of sustained high-level of customer advocacy in a challenging marketplace.

AVIVA

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.

- We treat our suppliers fairly so we both mutually benefit from our relationship.
- We held our annual Club 110 Broker Conference and Key Partner Conference which were both attended by the CEO.

Shareholders
Our retail and institutional shareholders are the owners of the Company.

- Our strategy is to focus on three core markets to support long-term delivery of future shareholder returns through value appreciation and dividends.
- The Board engages with shareholders and receives briefings from our corporate brokers on investors' views.

Communities
We recognise the importance of contributing to our communities through volunteering, community investment, and long-term partnerships.

- We support communities where we operate, through investment in business and infrastructure, paying tax revenues and community support activity.
- The Board engaged with World Wide Fund for Nature (WWF) to strengthen the partnership towards our sustainability agenda.

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.
- Regulators engages with us to discuss their objectives, priorities and concerns, and how they affect the shape of our business.

Our stakeholder engagement continued

The table below sets out our approach to stakeholder engagement during 2021:

Stakeholders	Why are they important to Aviva?	What is our approach to engaging with them?
Customers	Understanding what's important to our 18.5 million customers is key to our long-term success.	• The Board reviewed the Customer Strategy presented by the Chief Customer and Marketing Officer and the Customer, Conduct and Reputation Committee (CCRC) continues to receive regular reporting on customer outcomes and customer-related strategic initiatives and engages with the leadership team if our performance does not meet our customers' expectations. • The Board ensures that they keep up to date with customers' needs through regular training and development and received a dedicated training session on Vulnerable Customers in May 2021 to ensure that appropriate focus is given to vulnerable customers. • For further information on how we engage with our customers, please see the 'Our market review' section.
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 continues to chair 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. • The CEO and Chair of the Remuneration Committee attended 'Your Forum' meetings in 2021, our fully elected employee forum, representing UK employees. We believe this method of engagement with Aviva employees is effective in building and maintaining trust and communication and allows for openness, honesty and transparency within the business. It also acts as a platform for employees to influence change in relation to matters that affect them. • The Board recognises the benefits of a diverse workforce and an inclusive culture and as a result there has been significant investment and activity on diversity and inclusion. This included having a dedicated Black Lives Matter training session in May 2021. To ensure alignment and retain focus on the agenda the Executive Directors' Long-Term Incentive Plan (LTIP) has been linked to two diversity performance metrics and employee engagement is a primary metric in the Annual Bonus Plan (ABP). • For further information on how we engage with our people, please see the 'Our people' section.
Suppliers	We operate in conjunction with a wide range of suppliers to deliver services to our customers. It is vital that we build strong working relationships with our intermediaries.	• All supplier-related activity is managed in line with the Group Procurement and Outsourcing business standard. This ensures that supply risk is managed appropriately in relation to customer outcomes, data security, corporate responsibility, and financial, operational, contractual issues. • Our Board reviews the actions we have taken to prevent modern slavery and associated practices in our supply chain and approves our Modern Slavery Statement. • 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, including how we treat suppliers fairly and equitably. With the lifting of COVID-19 restrictions imposed at the start of the year we were able to hold our annual Club 110 Broker Conference and Key Partner Conference which were both attended by the CEO.

Our stakeholder engagement continued

Stakeholders	Why are they important to Aviva?	What is our approach to engaging with them?
Communities	We recognise the importance of contributing to our communities. 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 World Wide Fund for Nature (WWF), the Aviva Foundation[1] and our wider community investment approach. • The Aviva Foundation will continue to invest in organisations delivering public benefit aligned to Aviva's purpose and expertise with a focus on financial capability. • 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 information on how the Board assesses climate risks and opportunities is included in 'Our climate-related financial disclosure' section.
Regulators	As an insurance company, we are subject to financial services regulations and approvals in all the markets we operate in.	• We maintain a constructive and open relationship with our regulators and have a programme of regular meetings between the directors and our UK regulators. • The Board proactively engaged with our regulators in respect of the Company's disposals during 2021 and the capital return quantum and mechanism. • 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 in place in 2021 it was not possible to hold our usual AGM, however we were able to enable shareholders to attend and participate electronically, including the ability to vote and ask live questions 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 and the Board receives regular briefings from our corporate brokers on investors' views which are taken into account when considering our strategy. • 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.

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

Our capital management

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

Dividend policy and capital framework

On 1 March 2022, we approved a dividend policy and capital framework aligned with our strategic priorities and consistent with the Group's Solvency II capital position. At the core of our capital framework is financial strength and efficient deployment of capital.

Key elements of our framework are as follows:

- 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 our businesses. Our performance shows Aviva has what it takes to deliver strong, sustainable returns for shareholders and this has allowed us to update our dividend policy, with clear guidance on dividends for the next two financial years.
  - For the 2022 financial year we estimate a dividend payment of approximately £870 million, equivalent to an estimated per share amount of c.31.5 pence, calculated using an illustrative consolidation ratio[1,2,3].
  - For 2023 we estimate a dividend payment of approximately £915 million, equivalent to an estimated per share amount of c.33 pence, calculated using an illustrative consolidation ratio[1,2,3].
  - Thereafter, we anticipate low-to-mid single digit growth in dividends per share. These dividend estimates are subject to market conditions and Board approval.
- We actively manage our centre liquidity in order to support our dividend and capital management ambitions. We expect to maintain centre liquid assets of c.£1.5 billion in the normal course of events, broadly representing a year's worth of centre costs, debt interest and dividend payments.
- In terms of capital deployment, we aim to maintain Solvency II debt leverage ratio below 30%.
- Thereafter, to the extent that we have both excess capital above the top of our working capital range for the Solvency II shareholder cover ratio of 180% and excess centre cash not used for investment in the business, we will consider additional returns to shareholders.

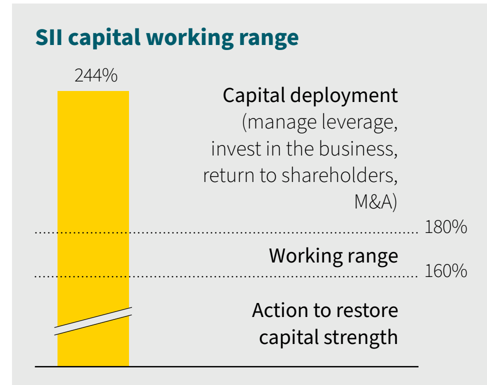
1 Subject to shareholder approval and other customary conditions, including no material deterioration in market conditions or the Company's financial position
2 There are important notices relating to the B share scheme and illustrative share consolidation ratio and illustrative future dividend per share set out in the Chief Financial Officer's Report. Please read those notices in full in order to obtain a comprehensive understanding of the Company's proposals.
3 Estimated dividends are for guidance and are subject to change. The Board has not approved or made any decision to pay any dividend in respect of any future period

Capital and liquidity risk appetite

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

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

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



Our Solvency II alternative performance measures

Solvency II performance

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

See 'Solvency II performance' section

Solvency II capital generation

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

See 'Solvency II capital generation' section

Cash remittances and centre liquidity

- Supports our dividend policy and capital framework
- Driven by our capital and liquidity risk appetite

See 'Cash and Liquidity' section

Key to our dividend policy and capital deployment ambitions is our robust Solvency II position

Our capital management continued

Cash and Liquidity

Cash generation, remittances and centre liquidity support our dividend and deleveraging ambitions.

Cash remittances

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

Cash remittances are substantially higher in 2021 compared to 2020 largely due to the decision in 2020 to retain cash in our subsidiaries to maintain balance sheet strength given the unprecedented economic uncertainty related to COVID-19.

>£5.4bn

Cash remittances cumulative target 2022-2024

Cash remittances

2021:

£1,899m

Year	Amount
2021	**£1,899m**
2020	£1,500m

Centre liquidity

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

The increase in centre liquidity since 2020 is primarily driven by the proceeds from disposal activity and cash remittances during the year offset by a reduction in borrowings, ordinary dividends paid to shareholders and the shares purchased in the buyback of £853 million.

Solvency II performance

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

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

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

Solvency II return on equity has been amended following a review of the basis of preparation. In the numerator, Transitional Measures on Technical Provisions (TMTP) run-off has been replaced with the economic cost of holding equivalent capital to the opening value of TMTP on a shareholder basis and the denominator has been adjusted to exclude excess capital above our target Solvency II shareholder cover ratio. This approach improves comparability of Solvency II return across Life and General Insurance (GI) business while removing distortions that would otherwise arise where the Group is temporarily holding excess capital.

Cash remittances	2021 £m	2020 £m
UK & Ireland Life[1,2]	**1,219**	1,007
UK & Ireland General Insurance[1,3]	**261**	171
Canada[1,4]	**156**	131
Aviva Investors	**15**	50
UK, Ireland, Canada and Aviva Investors	**1,651**	1,359
International investments	**11**	6
Cash remittances from continuing operations	**1,662**	1,365
Discontinued operations[1] and Other	**237**	135
Total	**1,899**	1,500

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 2020 cash remittances include £250 million received in February 2021 in respect of 2020 activity. In 2021 the equivalent dividend was received in December 2021.

3 UK & Ireland General Insurance 2020 cash remittances include £74 million received in January 2021 in respect of 2020 activity. In 2021 the equivalent dividend was received in December 2021.

4 Canada General Insurance 2020 cash remittances include £115 million received in January 2021 in respect of 2020 activity. In 2021 the equivalent dividend was received in December 2021.

Centre Liquidity	2021 £m	2020 £m
Cash remittances	**1,899**	1,500
External interest paid	**(388)**	(454)
Internal interest paid	**(40)**	(60)
Central spend	**(432)**	(241)
Other operating cash flows[1]	**62**	70
Excess centre cash inflow	**1,101**	815
Ordinary dividend	**(841)**	(511)
Net (reduction)/advance in borrowings	**(2,035)**	105
Disposal proceeds	**6,150**	1,253
Share buyback	**(853)**	—
Net reduction in internal borrowings	**(708)**	(27)
Other non-operating cash flows[2]	**(255)**	82
Movement in centre liquidity	**2,559**	1,717
Centre liquidity as at end of February 2022 and 2021 respectively	**6,644**	4,085

1 Other operating cash flows include pension scheme funding and group tax relief payments.

2 Other non-operating cash flows include capital injections, other investment cash flows and transaction costs paid on disposals.

Our capital management continued

Solvency II operating own funds generation

2021:

£1,645m

2021	£1,645m
2020	£1,691m

Solvency II operating own funds generation decreased marginally to £1,645 million (2020: £1,691 million) due to disposals.

Solvency II operating own funds generation in our continuing operations was stable at £1,187 million (2020: £1,188 million). In UK & Ireland Life Solvency II operating own funds generation decreased slightly mainly due to a reduction in margins on BPA new business as a result of lower spreads available in comparison to a strong 2020 and a lower impact from management actions.

This was offset by improved performance in our GI businesses, lower expenses reflecting simplification in the UK and reduced business interruption claims related to COVID-19 and beneficial prior year reserve developments in Canada, a reduction in debt costs following deleveraging in the first half of 2021 and an increase in Solvency II operating own funds generation in our International investments.

£1.5bn

Solvency II operating own funds generation target for continuing operations by 2024, an increase of £0.3bn from 2021.

Solvency II RoE has decreased by 1.0pp to 11.3% (2020: 12.3%) over 2021. Whilst Solvency II operating own funds generation is stable over the period, Solvency II RoE reduced by 0.9pp due to the impact of lower interest rates in 2020 on the 2021 opening capital position.

Our ambition is for Solvency II return on equity to improve to >12% in the medium term.

Solvency II return on equity

2021:

11.3%

2021	11.3%
2020	12.3%

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

Solvency II operating own funds generation	2021 £m	2020 £m
UK & Ireland Life	**953**	1,057
UK & Ireland General Insurance	**339**	329
Canada	**332**	287
Aviva Investors	**36**	26
UK, Ireland, Canada and Aviva Investors	**1,660**	1,699
International investments	**124**	63
Corporate centre costs and Other	**(342)**	(278)
Group external debt costs	**(255)**	(296)
Continuing operations	**1,187**	1,188
Discontinued operations	**458**	503
Solvency II operating own funds generation at 31 December	**1,645**	1,691

Solvency II return on capital/equity	2021 %	Restated 2020[1] %
Market Solvency II return on capital		
UK & Ireland Life	**6.6%**	7.7%
UK & Ireland General Insurance[2]	**14.1%**	13.1%
Canada	**21.6%**	19.9%
Aviva Investors	**9.3%**	6.3%
UK, Ireland, Canada and Aviva Investors	**8.8%**	9.4%
International investments	**13.6%**	9.8%
Discontinued operations[3]	**7.2%**	6.8%
Group Solvency II return on equity		
Solvency II return on equity at 31 December	**11.3%**	12.3%
Solvency II return on equity at 31 December on a continuing basis[4]	**10.7%**	11.7%

1 Following a review of the basis of preparation of Group Solvency II return on equity and Market Solvency II return on capital, comparative amounts for the year ended 31 December 2020 have been restated. In the numerator, Transitional Measure on Technical Provisions (TMTP) run-off has been replaced with the economic cost of holding equivalent capital to the opening value of TMTP on a shareholder basis and, for Group Solvency II return on equity only, the denominator has been adjusted to exclude excess capital above our target Solvency II shareholder cover ratio. Further details can be found in the 'Other Information: Alternative Performance Measures' section.

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 equity.

3 Following a review of Group adjustments in respect of discontinued operations, comparative amounts for the 12 months ended 31 December 2020 have been amended to reclassify these as Discontinued operations from Corporate centre costs and Other. The change has no impact on the Group's Solvency II return on equity.

4 Group Solvency II return on equity on a continuing basis excludes our discontinued operations. Further details can be found in the 'Other Information: Alternative Performance Measures' section.

Our capital management continued

Solvency II capital generation

Solvency II operating capital generation (Solvency II OCG)

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

Solvency II OCG decreased to £1,561 million (2020: £1,932 million) primarily as a result of our disposal activity during the period.

In our continuing operations, Solvency II OCG increased by 9% to £1,364 million (2020: £1,250 million).

The increase is mainly due to strong performance and favourable COVID-19 claims experience in our GI markets, higher capital generation in Aviva Investors and our International investments, and a reduction in debt costs following deleveraging in the first half of 2021. UK & Ireland Life Solvency II OCG was stable despite a lower impact from management actions and new business volume growth as we carefully managed new business strain through pricing and asset allocation strategy.

Solvency II future surplus emergence

The chart[1] shows the expected future emergence of Solvency II surplus from our existing long-term in-force UK & Ireland life business.

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

Solvency II capital position

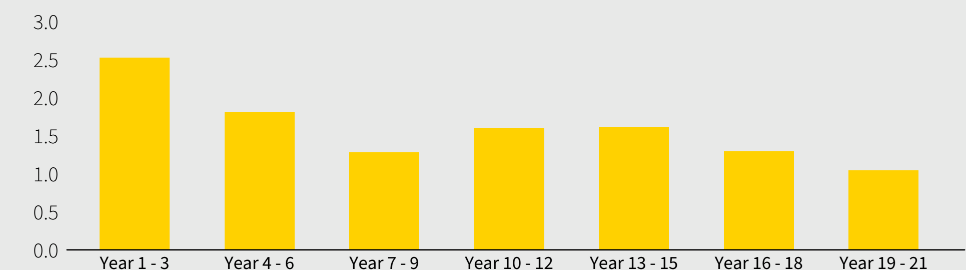
The Group is required to measure and monitor its capital resources on a regulatory basis and to comply with minimum capital requirements of regulators in each territory it operates in. At a Group level, we have to comply with the requirements established by the PRA. The Group Solvency II capital requirements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

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

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

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

Solvency II operating capital generation	2021 £m	2020 £m
UK & Ireland Life	**1,219**	1,259
UK & Ireland General Insurance	**296**	357
Canada	**338**	262
Aviva Investors	**53**	29
UK, Ireland, Canada and Aviva Investors	**1,906**	1,907
International investments	**55**	4
Corporate centre costs and Other	**(342)**	(365)
Group external debt costs	**(255)**	(296)
Continuing operations	**1,364**	1,250
Discontinued operations	**197**	682
Group Solvency II operating capital generation	**1,561**	1,932



1 Does not include OCG from future new business or from active management of the business (for example investment, hedging, risk transfer, expense management). It includes a linear run-off of the TMTP to 2031 (year 10).

Our capital management continued

Estimated Solvency II shareholder cover ratio

2021:

244%

2021	**244%**
2020	202%

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

Financial strength is key to the Group's strategy and the Group's estimated Solvency II shareholder cover ratio is 244% at 31 December 2021 (2020: 202%).

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

The slight increase in surplus since 31 December 2020 is mainly due to the beneficial impacts from the disposals of France, Italy, Poland, Turkey and Vietnam and positive operating capital generation from our businesses which is largely offset by repayment of hybrid debt, share buyback announced in August and extended in December, the final 2020 dividend and the interim 2021 dividend payments.

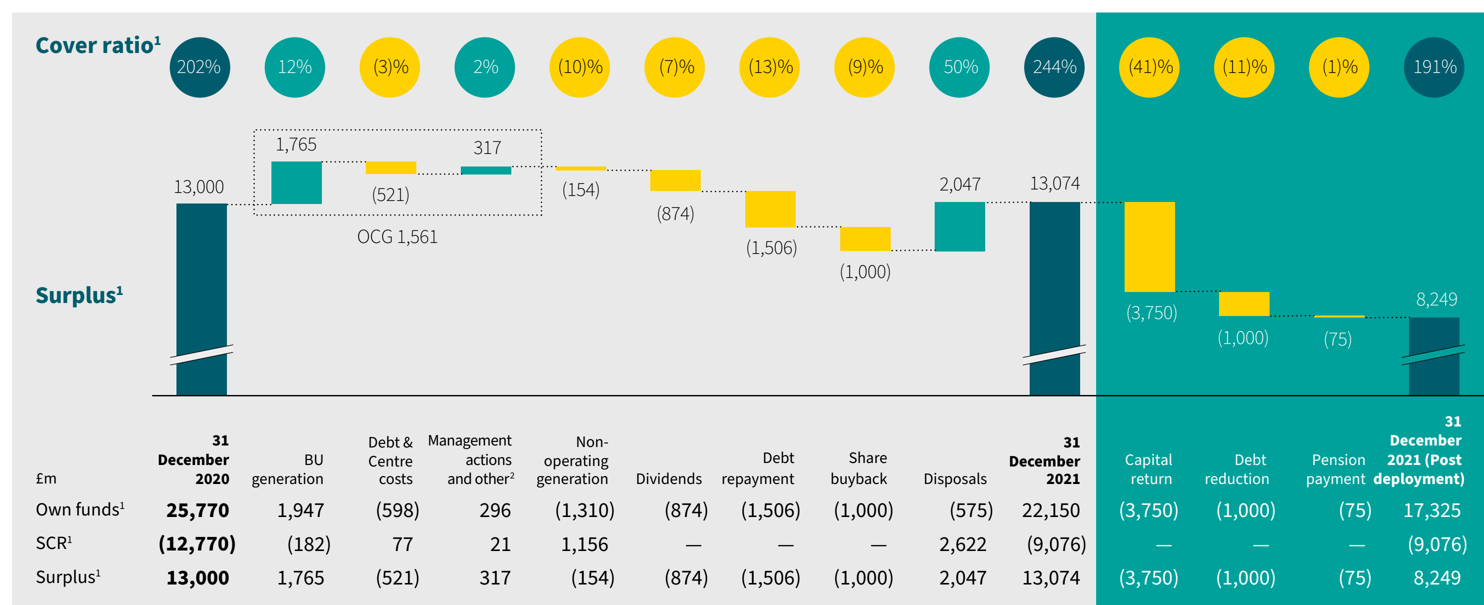
Non-operating capital generation includes the impact of market movements which result in a broadly consistent reduction in both Own funds and SCR due to our hedging strategy.

Solvency II post capital deployment

Our 31 December 2021 Solvency II shareholder cover ratio post capital deployment is estimated at 191%.

The chart shows the impact of the further announced capital return of £3.75 billion[3,4] (taking the total returned to shareholders to £4.75 billion), £1 billion further debt reduction over time and £75 million one-off payment in relation to our staff pension schemes as a result of our excess capital position.

We have also set out plans for reinvestment into the businesses to further accelerate growth. We will be investing £300 million over the next three years into growth. Any additional surplus above the top of our working capital range of 180% after allowing for our investment plans provides the opportunity to consider 'bolt-on' acquisitions that would complement our target growth areas.



£m	31 December 2020	BU generation	Debt & Centre costs	Management actions and other[2]	Non-operating generation	Dividends	Debt repayment	Share buyback	Disposals	31 December 2021	Capital return	Debt reduction	Pension payment	31 December 2021 (Post deployment)
Own funds[1]	**25,770**	1,947	(598)	296	(1,310)	(874)	(1,506)	(1,000)	(575)	22,150	(3,750)	(1,000)	(75)	17,325
SCR[1]	**(12,770)**	(182)	77	21	1,156	—	—	—	2,622	(9,076)	—	—	—	(9,076)
Surplus[1]	**13,000**	1,765	(521)	317	(154)	(874)	(1,506)	(1,000)	2,047	13,074	(3,750)	(1,000)	(75)	8,249

1 The estimated Solvency II position represents the shareholder view only
2 Management actions and other includes the impact of capital actions, non-economic assumption changes and other non-recurring items
3 Subject to shareholder approval and other customary conditions, including no material deterioration in market conditions or the Company's financial position
4 There are important notices relating to the B share scheme and illustrative share consolidation ratio and illustrative future dividend per share set out in the Chief Financial Officer's Report. Please read those notices in full in order to obtain a comprehensive understanding of the Company's proposal.

Our capital management continued

Diversified Solvency Capital Requirement (SCR) analysis

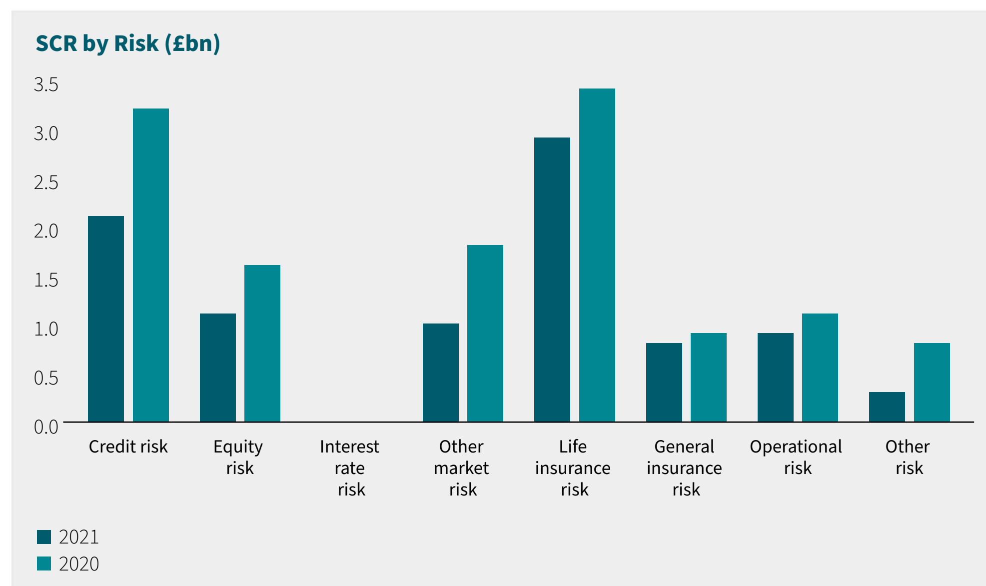
Capital required is closely linked to the Group's risk exposures. Analysis of the SCR by risk type is a key measure used in managing risk exposures. The split of SCR by risks is summarised in the chart.

The SCR has decreased by £3.7 billion to £9.1 billion since 31 December 2020 primarily due to disposals and an increase in interest rates over the period.

Sensitivity analysis

As part of the Group's internal capital management process, we regularly monitor the Group's sensitivity to economic and non-economic scenarios. The table shows the absolute change in Solvency II shareholder surplus and cover ratio under each sensitivity, e.g. a 2pp positive impact would result in the Solvency II shareholder cover ratio increasing from 244% to 246%.

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



Stress and scenario testing

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

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

	Impact on surplus	Impact on shareholder cover ratio pre capital deployment	Impact on shareholder cover ratio post capital deployment
Group Solvency II shareholder cover ratio		**244%**	**191%**
Sensitivities at 31 December 2021	**£bn**	**pp**	**pp**
Changes in economic assumptions[1]			
25 bps increase in interest rate	**0.2**	**6pp**	**5pp**
50 bps increase in interest rate	**0.3**	**12pp**	**9pp**
100 bps increase in interest rate	**0.4**	**21pp**	**15pp**
25 bps decrease in interest rate	**(0.2)**	**(6)pp**	**(4)pp**
50 bps decrease in interest rate	**(0.3)**	**(11)pp**	**(8)pp**
50 bps increase in corporate bond spread[2]	**0.2**	**7pp**	**5pp**
100 bps increase in corporate bond spread[2]	**0.4**	**15pp**	**11pp**
50 bps decrease in corporate bond spread[2]	**(0.4)**	**(11)pp**	**(8)pp**
Credit downgrade on annuity portfolio[3]	**(0.5)**	**(9)pp**	**(8)pp**
10% increase in market value of equity	**0.1**	**—pp**	**1pp**
25% increase in market value of equity	**0.3**	**1pp**	**2pp**
10% decrease in market value of equity	**(0.1)**	**—pp**	**—pp**
25% decrease in market value of equity	**(0.3)**	**(1)pp**	**(2)pp**
20% increase in value of commercial property	**0.3**	**6pp**	**5pp**
20% decrease in value of commercial property	**(0.5)**	**(9)pp**	**(8)pp**
20% increase in value of residential property	**0.4**	**8pp**	**7pp**
20% decrease in value of residential property	**(0.6)**	**(10)pp**	**(9)pp**
Changes in non-economic assumptions			
10% increase in maintenance and investment expenses	**(0.7)**	**(11)pp**	**(10)pp**
10% increase in lapse rates	**(0.3)**	**(3)pp**	**(3)pp**
5% increase in mortality/morbidity rates – life assurance	**(0.2)**	**(2)pp**	**(2)pp**
5% decrease in mortality rates – annuity business	**(1.4)**	**(21)pp**	**(19)pp**
5% increase in gross loss ratios	**(0.2)**	**(3)pp**	**(3)pp**

1 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.
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.
3 An immediate full letter downgrade on 20% of the annuity portfolio credit assets (e.g. from AAA to AA, from AA to A).

Our capital management continued

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

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

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

Solvency II debt leverage ratio

2021:

27%

2021	**27%**
2020	31%

Solvency II debt leverage ratio at 31 December 2021 is 27% (2020: 31%). The reduction is due to the redemption of £1.9 billion of subordinated debt and senior notes during the first half of 2021.

Regulatory view	2021 £m	% of own funds 2021	2020 £m	% of own funds 2020
Solvency II regulatory debt[1]	**6,330**		8,316	
Senior notes	**651**		1,112	
Commercial paper	**50**		108	
Total debt	**7,031**		9,536	
Unrestricted Tier 1[2]	**19,120**	**75%**	20,850	71%
Restricted Tier 1[3]	**967**	**4%**	1,317	5%
Tier 2[4]	**5,363**	**21%**	6,740	23%
Tier 3[5]	**123**	**—%**	355	1%
Total regulatory own funds	**25,573**		29,262	
Solvency II debt leverage ratio[6]	**27%**		31%	

1 Solvency II regulatory debt consists of Restricted Tier 1 and Tier 2 regulatory own funds, and Tier 3 subordinated debt.
2 Unrestricted Tier 1 capital, 75% of own funds, includes Aviva's ordinary share capital and share premium which are high quality instruments with principal loss absorbing features such as permanence, subordination, undated, absence of redemption incentives, mandatory costs and encumbrances.
3 Restricted Tier 1, 4% of own funds, includes preference shares and subordinated debt. None of these instruments include principal loss absorbency features and all qualify as restricted Tier 1 capital under transitional provisions.
4 Tier 2 capital, 21% of own funds, consists of dated subordinated debt. The features of Tier 2 capital include subordination, a minimum duration of 10 years with no contractual opportunity to redeem within 5 years, absence of redemption incentives and mandatory costs and encumbrances.
5 Tier 3 capital consists of subordinated debt and net deferred tax assets after taking into account the ability to offset assets against deferred tax liabilities. The features of Tier 3 capital include subordination and a minimum duration of 5 years. Tier 3 regulatory own funds at 31 December 2021 consist of £123 million net deferred tax assets (2020: £96 million). There is no subordinated debt included in Tier 3 regulatory own funds (2020: £259 million).
6 Solvency II debt leverage is calculated as the total debt as a proportion of total regulatory own funds plus commercial paper and senior notes.

Solvency II net asset value

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

Solvency II net asset value per share decreased by 25 pence to 417 pence per share (2020: 442 pence) mainly as a result of the share buyback, the payment of the 2020 dividend and the 2021 interim dividend, completed disposals, the share buyback and economic movements partially offset by the beneficial impacts from operating own funds generation and changes to the value of subordinated liabilities following an increase in market interest rates.

Solvency II net asset value per share

2021:

417p

2021	**417p**
2020	442p

Our risks 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.

"Enabling Aviva's strategic growth objectives through balanced risk taking."

Andrea Montague
Chief Risk Officer

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 'Principal emerging trends and causal factors' section) which may impact our current and longer-term profitability and viability, in particular our ability to write profitable new business.

This includes the strategic risk of failing to develop and execute a strategy that addresses and takes advantage of these trends. The 'Principal emerging risk trends and causal factors' table in this section describes these trends, their impact, future outlook and how we manage these risks.

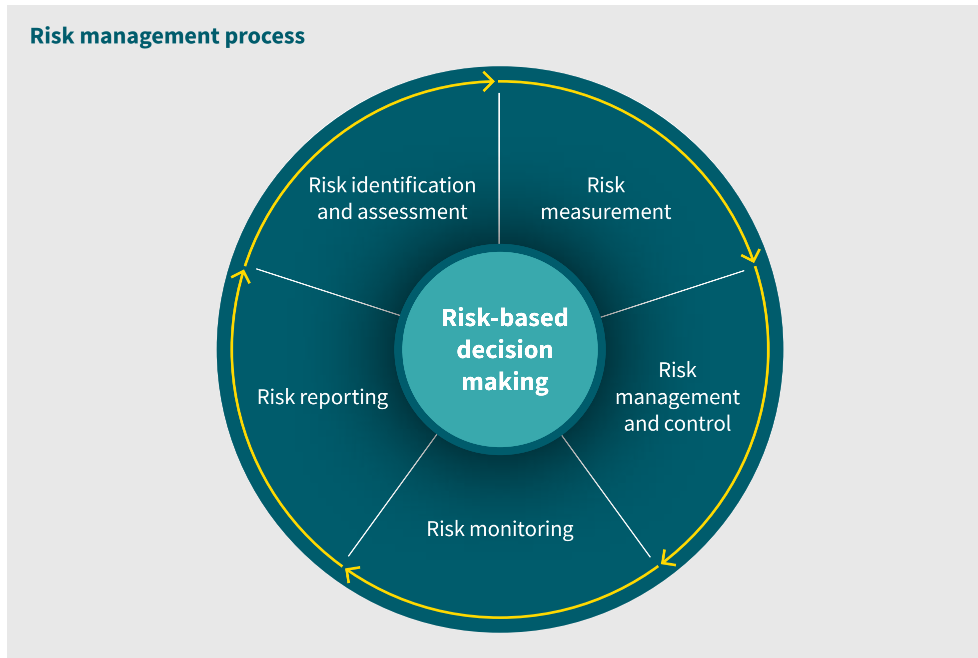
How we manage risk

Our Risk Management Framework comprises our systems of governance, risk management processes and risk appetite framework. It applies Group-wide, ensuring a rigorous and consistent approach to risk management is embedded across the business.

Our governance

This includes risk policies and business standards, risk oversight committees (both Board and Management) and clearly defined 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 in relation to the oversight of risk management and internal control is set out in the 'Directors' and Corporate Governance report'.

Our risks and risk management continued



Our risk processes

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 the risks of our business and measured their impact, depending on our risk appetite, we either accept these risks or take action to reduce, transfer or mitigate them. The standards required are set out in our risk policies that all in the business need to adhere to.

Our risk appetite framework

This refers to the risks that we select in pursuit of our strategic objectives. Our risk preferences define the risks that we prefer, accept or avoid. In 2021, we added a risk appetite for conduct risk explicitly referencing good customer outcomes and integrated climate risk into our risk appetite framework, defined our climate risk appetite and incorporated climate risks into our business planning, to facilitate risk-based decision-making. 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) and inflation (on expenses and claims). Health insurance exposes the Group to morbidity risk (the proportion of our customers falling sick) and medical expense inflation.

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.
- Conduct risk is the risk of causing harm to our customers, the markets in which we operate or our regulatory relationships.
- Asset management risk is the risk of customers redeeming funds, not investing with us, or switching funds, resulting in reduced fee income.

Our risks and risk management continued

Principal risk types

While the types of risk to which the Group is exposed have not changed significantly over the year, we have de-risked our risk profile through our business divestment programme and strengthened our risk and control framework to manage these risks . All of the risks below, and in particular operational risks, may have an adverse impact on our brand and reputation.

Risk preference	Mitigation
Credit Risk: 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. For more information see Note 57b - Risk Management: Credit risk.	• Risk frameworks considering macroeconomic risk tolerances, which includes 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 and asset de-risking
Market Risk: 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. For more information see Note 57c - Risk Management: Market risk.	• Risk frameworks considering macroeconomic risk tolerances, which includes market risk • Active asset management and hedging in business units. Group-level equity and foreign exchange hedging. • Pension fund active risk management • Through product design, asset and liability duration matching limits impact of interest rate changes
Life insurance risk: We take measured amounts of life insurance risk provided we have the appropriate core skills in underwriting and pricing. For more information see Note 57e - Risk Management: Life insurance risk	• Risk selection (includes risk tolerance for longevity risk) and underwriting on acceptance of new business • Longevity swaps covering pensioner-in-payment scheme liabilities • Product development and management framework ensures products and propositions meet customer needs • Use of reinsurance on longevity risk for our annuity business and the staff pension scheme
General insurance and health risk: 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. For more information see Note 57f - Risk Management: General insurance and health risk.	• 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/limits • Product development and management framework that ensures products meet customer needs
Liquidity Risk: 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. For more information see Note 57d - Risk Management: Liquidity risk.	• Maintaining committed borrowing facilities from banks and commercial paper issuance • Ensure cash flows are sufficient to meet liabilities through asset liability matching methodology • 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: 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. For more information see Note 57g - Risk Management: Asset management risk	• Product development and review process with propositions based on customer needs • Investment performance and risk management oversight and review process • Client relationship teams managing client retention risk
Operational Risk: Operational risk, including conduct risk, should generally be reduced to as low a level as is commercially sensible. For more information see Note 57h - Risk Management: Operational risk.	• 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 • Scenario-based approach to determine appropriate level of capital to be held in respect of operational risks • Improving the resilience and reliability of our systems and IT security to protect ours and our customers' data • Monitoring the potential conduct exposures and the key drivers of these, taking action to mitigate harm • Implementing mitigating controls to ensure all risks associated with our disposals are appropriately addressed

Our risks and risk management continued

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	Trend	Risks impacted	Risks managed	Outlook
Economic & credit cycle – uncertainty over prospects for future macroeconomic growth (including the impact of the conflict between Russia and Ukraine), inflation, credit and current low interest rates, and the response of Central Banks, could adversely impact the valuation of our investments or credit default experience. This could also impact level of the returns we can offer to customers going forwards and our ability to profitably meet our promises of the past.	Uncertain	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 follow-on effects of the financial stimulus measures to cope with the pandemic are now coming more into focus including the impact of interest rate rises, risk of a deflating asset bubble and the risk of inflation (potentially impacting credit quality of counterparties, as well as squeezing real wages adversely impacting discretionary saving, insurance new business and renewals and lapse risk). While inflation pressures are expected to recede in 2023, there is a risk inflation becomes entrenched and persistent. The Group's balance sheet has hedges in place to mitigate these risks.
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. The nature of the UK relationship with the EU and the EU's treatment of 3rd countries in respect of financial services has implications for our business models for our asset management and insurance businesses in the EU.	Uncertain	Operational risk	We actively engage with governments and regulators globally 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 Group. The Group's multi-channel distribution and product strategy and geographic diversification, although reduced following the divestment programme, underpin the Group's adaptability to public policy risk, and often provides a hedge to the risk. For example, since the end of compulsory annuitisation in the UK, we have compensated for falling sales of individual annuities by increasing sales of other pension products – particularly bulk purchase annuities. We continue to actively monitor developments in EU policy towards third countries such as the UK, which could impact our business model and identify contingent management actions to address these.	In the UK pressure on public finances may result in further erosion of tax relief for pension savings, and increase in Insurance Premium Tax. The FCA expect to confirm new consumer duty rules by end-July 2022, while new PRA and FCA regulations on operational resilience take effect end-March 2022. In Ireland the regulator has expressed concerns over renewal pricing and is expected to adopt reforms similar to those recently implemented in the UK. In Canada, where motor premium increases are approved by provincial regulators, pressure to minimise these will persist. The Future Regulatory Framework Review will determine the post Brexit regulatory and policy settlement, which will have a direct bearing on the outcome of the UK Solvency II review. The UK and EU separate reviews of Solvency II continue through 2022. Both reviews could impact the amount of prudential capital our businesses are required to hold in the UK and EU. EU policy towards financial services provided from third countries continues to incrementally harden. Some restrictions on delegation of asset management activities to the UK are expected in the Alternative Investment Fund Managers Directive (AIFMD) review. Emerging UK policy on data potentially threaten data adequacy with the 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.	Stable	Operational risk	Aviva continues to develop our data science capabilities to both inform and enable improvements in the customer journey, our understanding of how customers interact with us and our underwriting disciplines. Our Data Charter sets out our public commitment to use data responsibly and securely.	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 grow their footprint in the insurance market, where previously underwriting capability, risk selection and required capital have proven to be a sufficient barrier to entry.

Our risks and risk management continued

Key trends and movement	Trend	Risks impacted	Risks managed	Outlook
Climate change – potentially resulting in higher than expected weather-related claims (including business continuity claims), inaccurate pricing of general insurance risk, possible changes in morbidity and/or mortality rates, reputational impact from not being seen as a responsible steward/investor, as well as adversely impacting economic growth and investment markets. This also includes transition risks for our investments relating to the impact of the transition to a low carbon economy and litigation risk where we provide insurance cover.	Increasing	General insurance risk, Life insurance risk, Credit risk, Market risk	Our 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 are committed to aligning our business to the 1.5°C Paris Agreement target and plan to be a Net Zero company by 2040. The Group CRO was responsible for overseeing the embedding of a framework for ensuring climate-related risks and opportunities are identified, measured, monitored, managed and reported through our risk management framework and in line with our risk appetite.	Aviva considers climate change to be a significant long-term risk 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_2 emissions is expected to continue, in the absence of radical action by governments, with global temperatures likely to exceed pre-industrial levels by at least 2°C and weather events (floods, droughts and windstorms) increasing in frequency and severity. Disclosure of potential impacts against various climate scenarios and time horizons will become increasingly common for all companies.
Cyber crime – criminals (including state sponsored activity) may attempt to access our IT systems to steal or utilise company and customer data, or plant malware viruses to access customer or company funds, and/or damage our reputation and brand.	Increasing	Operational risk	Aviva has invested significantly in cyber security with automated controls to protect our data and critical IT services. In response to the changing threat environment Aviva has increased the level of anti-malware protection during 2021 enhancing our ability to identify, detect and prevent such attacks. Aviva has extensive operational measures to assess and respond to data breaches and has continued to monitor the threat environment and enhance its IT infrastructure and cyber controls to prevent attacks. Aviva's cyber defences are regularly tested using our own 'ethical hacking' team as well as through using external penetration testing to evaluate our infrastructure. Aviva uses the Information Security Forum (ISF) Standard of Good Practice and cross references to ISO 27001 and the NIST Cybersecurity Framework. Aviva conducts regular internal audits using the financial services three lines of defence model and are audited externally at least annually.	High profile cyber security incidents have continued to impact corporates globally due to the increased use of destructive malware/ransomware. The cyber threat is expected to persist in 2022 with increasing levels of sophistication and industrialisation anticipated. Aviva continuously monitors the external threat environment to ensure that our cyber investment and the effectiveness of our controls remains appropriate to mitigate the continued and changing nature of the cyber threat.
Longevity advancements (e.g. due to medical advances) – 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.	Stable	Life insurance risk (longevity)	We monitor our own experience carefully and analyse external population data to identify emerging trends. Detailed analysis of the factors that influence mortality informs our pricing and reserving policies. We add qualitative medical expert inputs to our statistical analysis and analyse factors influencing mortality and trends in mortality by cause of death. We also use longevity swaps to hedge some of the longevity risk from the Aviva Staff Pension Scheme and longevity reinsurance for bulk purchase annuities and for some of our individual annuity business.	There is considerable uncertainty as to whether the improvements in life expectancy that have been experienced over the last 40 years will continue into the future. In particular, there is likely to be a reduced level of improvement from the two key drivers of recent improvements, smoking cessation (as you can only give up smoking once) and the use of statins in the treatment of cardiovascular disease (where the most significant benefit from use in higher risk groups has now been seen). Despite continued medical advances emerging, dietary changes, increasing obesity and strains on public health services have slowed the historical trend since around 2011. In the UK, this has led to some significant industry-wide longevity reserve releases in recent years, as the assumptions around future longevity improvements have been weakened. The potential impact of the COVID-19 pandemic on medium and longer term longevity projections, via ongoing direct effects (e.g. endemic COVID-19) or via indirect effects (e.g. strains on the NHS), also adds to the uncertainty but we do not currently anticipate a material impact on the overall outlook.

Our risks and risk management continued

Key trends and movement	Trend	Risks impacted	Risks managed	Outlook
Talent – an ageing workforce and new technologies requiring new skills will make recruitment, retention and investing in talent increasingly important.	Increasing	Operational risk	To attract and retain talent we have various internal talent development programmes and a broad variety of graduate and apprentice schemes. In 2021 we launched the new Aviva University, promoting life-long learning for colleagues enabling them to focus on developing key skills such as digital/data and change management. We launched a new talent strategy and career compass, designed to enable colleagues to have brilliant career conversations. Our retention measures include innovative policies such as flexible working and equal parental leave as well as providing great leadership and career progression for our people.	We expect technology and automation to increasingly change the skills required for our workforce, and the pace of change will accelerate the required reskilling of existing workforces and recruitment of new talent. Aviva is returning to 2019 (pre-pandemic) volumes of voluntary attrition, however in recent months rates have moved slightly above 2019 which could be attributed to pent up 'demand' from 2020 where leaver volumes significantly reduced. We anticipate the impact from any pent up 'demand' to have a short term effect and aligned People teams will support leadership teams with interventions where required. Recruitment and retention will become more challenging as the relative size of the working age population declines, education systems fail to produce future generations with the right skills in sufficient numbers and immigration controls restrict the talent pool. Expectations of the next generation of employees (i.e. Generation Z) will require us to change how we operate if we are to retain talent.
Pandemic – in an increasingly globalised world, new or mutations of existing bacteria or viruses may be difficult for stretched healthcare systems to contain, disrupting national economies and affecting our operations and the health and mortality of our customers.	Stable	Life Insurance risk (mortality, longevity, morbidity), General Insurance (business interruption, travel) and Operational risk.	We have contingency plans which are designed to reduce as far as possible the impact on operational service arising from mass staff absenteeism, travel restrictions and supply chain disruption caused by a pandemic, which we were able to put into action during the 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 a range of extreme pandemic scenarios including a repeat of the 1918 global influenza pandemic and COVID-19. In the Group and commercial insurance business we manage our potential exposure through our policy wordings. As an investment manager and investor, we engage with companies to ensure the responsible use of antibiotics to reduce the risk that antimicrobial resistance negates the efficacy of medical treatment.	There remains uncertainty around the outlook for the COVID-19 Omicron variant. The long-term impact on mortality and morbidity is dependent on the extent natural immunity develops in the general population, the efficacy of new healthcare treatments and possible future strains that may emerge. 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.

Our climate-related financial disclosure

We are seeking to play our part in tackling the climate crisis we all face, first and foremost because it is the right thing to do for our customers, society and for our own business. We believe unmitigated climate-related risks present a systemic threat to societal and financial stability and to our business, over the coming decades.

This summary disclosure sets out how we incorporate climate-related risks and opportunities into governance, strategy, risk management, metrics and targets and our compliance with the TaskForce on Climate-related Financial disclosures (TCFD) recommendations. We have included more detailed disclosure against the TCFD recommendations in our Climate-related Financial Disclosure report, alongside more in depth information about our climate story and ambition.

The following table sets out where detailed disclosure against the TCFD recommendations can be found in this separate report, which is available at www.aviva.com/content/dam/aviva-corporate/documents/socialpurpose/pdfs/climate-related-financial-disclosure-2021-report.pdf.

> "Aviva has targeted Net Zero carbon by 2040. We want to help our customers too, in their ambitions to reduce carbon by harnessing the power of their investments. Rigorous, open and transparent ESG assessment is vital to this."
>
> **Mike Hogg**
> **Head of Platform Proposition, Aviva**

Our climate-related financial disclosure continued

TCFD pillars	TCFD recommended disclosures	Section of the Climate-related Financial Disclosure report that disclosures are included in
Governance Disclose the organisation's governance around climate-related issues and opportunities.	a. Describe the board's oversight of climate-related risks and opportunities.	Our climate governance structure
	b. Describe management's role in assessing and managing climate-related risks and opportunities.	Our management's climate roles and responsibilities
Strategy Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation's business, strategy and financial planning where such information is material.	a. Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term.	Introduction to our climate strategy, risks and opportunities
	b. Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning.	Our strategic focus
	c. Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	Our climate scenario analysis
Risk Management Disclose how the organisation identifies, assesses and manages climate-related risks.	a. Describe the organisation's processes for identifying and assessing climate-related risks.	Our process for identifying, assessing and managing climate-related risks
	b. Describe the organisation's processes for managing climate-related risks.	Our process to assess, manage and monitor climate-related risks and opportunities
	c. Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management.	Risk management
Metrics and Targets Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.	a. Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.	Metrics and targets
	b. Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 GHG emissions, and the related risks.	Decarbonising our investment portfolio Insuring a Net Zero future Decarbonising our operations and supply chain Metrics and targets
	c. Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.	Our 2021 climate highlights and looking ahead Metrics and targets Our process to assess, manage and monitor climate-related risks and opportunities

Our climate-related financial disclosure continued

Our summarised disclosure in accordance with the TCFD pillars is set out below.

1. Governance

Aviva has a strong system of governance, with effective and robust controls, over climate-related risks. This governance is proportionate to the nature, scale and complexity of the operations across our businesses.

Board oversight of climate-related risks and opportunities

Our Board provides active oversight of our climate-related risks and opportunities supported by the Group executive committees and Management.

In 2021 and early 2022, the Board:

- Approved Aviva's Sustainability Ambition (including our Climate Goals);
- Monitored progress against the Ambition;
- Approved the climate metrics, targets and mitigation actions as part of the 2022-2024 Business Plan;
- Approved the refined climate risk appetite, considering the climate -related risks and opportunities; and
- Approved the 2021 Climate-related Financial Disclosure report.

The Group's Executive Committee usually meets twice a month and is an opportunity for our Group CEO to discuss strategic, financial, reputational and commercial matters. The Group Executive member accountable for Aviva's Sustainability Ambition including Climate Action is Stephen Doherty, Chief Brand & Corporate Affairs Officer.

Board Committees' role in assessing and managing climate-related risks and opportunities

The Board has established committees to assist in fulfilling its oversight and other responsibilities. To assist the Board in its oversight over climate-related risks and opportunities, the board committees in 2021 and early 2022 performed the following activities:

Risk Committee

Met six times and climate was included at two of these meetings.

- Approved the climate risk appetite;
- Monitored progress against targets;
- Reviewed the outcomes from the PRA Climate Biennial Exploratory Scenario (CBES) exercise;
- Reviewed the climate analysis included in our Own Risk and Solvency Assessment (ORSA) report; and
- Undertook a deep dive session on the Climate Risk Appetite Metrics and their interaction with our Sustainability Ambition targets, with a particular focus on governance across various asset classes managed by Aviva Investors.

Customer, Conduct and Reputation Committee

Met six times and climate was included at two of these meetings.

- Received an update on the development and progress of Aviva's Sustainability Ambition and governance, and the associated non-financial reporting metrics;
- Reviewed the 2020 and 2021 Climate Transition Plan; and
- Reviewed the content of the Climate-related Financial Disclosure report.

Audit Committee

- In 2022 the Audit committee reviewed Aviva's Climate-related Financial Disclosure and recommended it to the Board for approval.

Remuneration Committee

- Approved the metric definitions, weighting and targets for the Aviva plc's 2021-2023 Long Term Incentive Plan (LTIP), with 10% of the plan based on ESG metrics, split across separate measures (5% for climate and two diversity & inclusion metrics, each with a 2.5% weighting). The climate-related metric is for the % reduction in carbon intensity of shareholders' assets. In 2021, the Aviva plc's 2021-2023 Long Term Incentive Plan was approved at the AGM.
- Monitored progress against targets on a quarterly basis.
- Following engagement with shareholders in late 2021, it is proposed to fully utilise the flexibility in the Directors Remuneration Policy for up to 20% of the 2022-2024 LTIP to be based on ESG metrics. These will be based on one climate (7.5% weighting), one customer (7.5%) and two diversity & inclusion metrics (each 2.5%). The breadth of coverage for the climate metric will be increased to include with-profits funds in addition to shareholder assets.

> "We integrate climate into our risk appetite framework, define our climate risk preference and incorporate climate risks into our business plans, to facilitate risk-based decision-making."
>
> **Andrea Montague**
> **Chief Risk Officer**

Management's role in assessing and managing climate-related risks and opportunities

Aviva's Group Executive Committee collectively sets our strategy, values and shapes our culture. In 2021 we established Aviva's Sustainability Ambition Steering Committee to drive and monitor the delivery of our plan and targets. This Steering Committee has delegated authority from the Group Executive Committee. Aviva's Sustainability Ambition Steering Committee monitor the climate related risks and opportunities and evaluate the progress of the plans and targets set.

Our climate-related financial disclosure continued

Since 2019, in line with the Prudential Regulatory Authority's (PRA) Supervisory Statement 3/19 'Enhancing banks' and insurers' approaches to managing the financial risks from climate change', the UK and material regulated entities' Chief Risk Officers (CROs) have been assigned the responsibility 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 was responsible for overseeing the embedding of this framework.

From January 2022, Senior Manager Function accountability for sustainability was apportioned as outlined below and agreed at the Executive Committee.

- The CEOs are responsible for the implementation and oversight of the Aviva Group Sustainability Ambition, including management of sustainability and climate-related risks
- The CROs provide independent opinion and challenge of the business' management of risks including their approaches to risk identification, measuring risk impacts and advising the business on how best to manage and mitigate risk, including sustainability and climate-related risks
- The CFOs advise the Board on the firm's financial exposure arising from sustainability and climate-related risks and maintain an appropriate approach to disclosure and regulatory reporting of these risks

Business unit Boards and Risk Committees, role in assessing and managing climate-related risks and opportunities

Assessment and monitoring of climate-related risks and opportunities is also embedded into the Boards and Risk committees of our business units.

The Business unit Boards:

- Approved the 2022-2024 climate business plan and the climate risk appetite to support ongoing business decision making;
- Monitored progress made in managing the climate-related risks against the business plan; and
- Reviewed the outcomes from the CBES exercise.

Business unit Investment and Underwriting Committees:

- considered the management of climate-related risks and opportunities, ensuring these are managed in line with our Sustainability Ambition, risk management framework, risk appetite, risk profile and compliance with local regulatory requirements. Aviva Investors integrates sustainability risk and wider considerations of ESG factors into the investment process.

Enhanced knowledge across the business

To enable this governance, we have been continuing to build the skills of our Boards, committees and all employees. Climate related training is delivered to all Aviva employees.

The Group and business unit Committees have been trained to equip the members with the skills and knowledge to provide direction, challenge, guidance and support to the executives, so that appropriate actions are taken to manage and assess the associated risks.

In-depth training has been deployed to those who hold direct responsibilities to identify, manage, measure and report climate-related risks and opportunities. We have created a culture of climate awareness across the organisation, with 20,995 of our employees having completed training on the implications of climate change for our planet and our business. We envisage providing similar training at least annually to all employees.

It takes investment in Clean, Green Growth Innovation

In December 2021, we announced our initial investment of £50 million into sustainability venture capital funds focused on emerging technology which supports a more sustainable future. Launched in 2020, the UK Clean Growth Fund invests in promising early-stage UK clean technology companies, and aims to accelerate the commercialisation of clean growth technologies, create new employment opportunities and contribute to the UK's efforts to deliver Net Zero by 2050. The fund has invested in companies such as Indra, who manufacture and supply smart electric vehicle chargers, and Tepeo, who have invented a zero emission boiler.

Our climate-related financial disclosure continued

2. Strategy

The ways in which the insurance sector could be affected by the climate crisis are diverse and are interconnected with other sustainability issues. Our strategic response focuses on the associated transition, physical and litigation risks and opportunities.

- Transition risks relate to the business impact resulting from the transition to a low carbon economy
- Physical risks relate to the business impact arising from acute, abrupt, disruptive impacts such as more frequent and intensive storms, extreme heat and cold, floods, droughts and fires, as well as chronic gradual impacts such as higher than average temperatures, rises in sea levels and the spread of vector-borne diseases
- Litigation risks relate to the business impact that could arise from parties who have suffered loss and damage from climate change and seek to recover losses from others who they believe may have been responsible

Climate-related risks and opportunities over the short, medium and long-term

In the table, we have provided a summary description of the material climate-related risks and opportunities that we are or could become exposed to and the time horizons over which they could manifest.

Risks

Description

As an Asset Manager, Asset Owner, Savings and Pension Provider:

Reduction in returns from company investments in highly carbon-intensive companies and sectors, where those companies are not taking action to transition to a low carbon economy **(Short to Medium-term)** and due to extreme weather events as well as chronic effects that could impact many different types of companies and sectors, especially those not taking sufficient action to build resilience and adapt to climate change **(Medium to Long-term)**

Reduction in returns from real assets that are not compatible with the transition to a low carbon economy **(Short to Medium-term)** and due to extreme weather events as well as chronic effects which present financial risks through loss of revenues from business interruption and/or increased capital costs to repair assets. **(Medium to Long-term)**

Reduction in returns from sovereign holdings where countries are exposed to the transition to a low carbon economy or physical effects of climate change and are not able to mitigate or adapt and build resilience to these **(Medium to Long-term)**

As an Insurer:

Disruption to the general insurance market, for example a move to electric and autonomous vehicles and sharing economy or changes in extreme weather that impact product design and demand as well as affordability of insurance products in some cases **(Medium-term to Long-term)**

Disruption to the life insurance market as a result of potential changes in morbidity or mortality rates as a result of less air pollution due to the transition to a low carbon economy, or a reduction in healthcare spending and an increase in the prevalence of certain health conditions in higher temperature scenarios **(Medium to Long-term)**

Opportunities

Description

As an Asset Manager, Asset Owner, Savings and Pension Provider:

Enhanced returns on company investments aligned with the transition to a low carbon economy **(Short to Medium-term)** and which are resilient to the physical effects of climate change **(Medium to Long-term)**

Enhanced returns on real assets aligned with the transition to a low carbon economy **(Short to Medium-term)** and which are resilient to the physical effects of climate change **(Medium to Long-term)**

Enhanced returns from sovereign holdings where countries are committed to the transition to a low carbon economy and are resilient to physical effects of climate change **(Medium to Long-term)**

As an Insurer:

Develop climate-conscious general insurance products and services that support the transition to a low carbon economy and reward customers for environmentally responsible actions and help to build resilience to climate change **(Short to Medium-term)**

Develop climate-conscious savings and retirements products and services that enable and incentivise climate-positive behaviour from customers **(Short to Medium-term)**

Our climate-related financial disclosure continued

The impact of climate-related risks and opportunities on our business, strategy and financial planning

We are taking the next step in our ambition to support the transition to a low carbon economy, and addressing the risks and identifying the opportunities for the business including our strategy and financial planning. We are working with the insurance industry in setting new standards, engaging with our clients to develop and implement their transition plans and provide investment and insurance solutions.

To execute our ambition, we have developed our initial **Climate Transition Plan**. This plan creates a broader, joined-up approach covering all material areas of our business including investments, insurance, operations, accountability and leadership. This has been developed in line with TCFD's recommendations, Glasgow Financial Alliance for Net Zero (GFANZ), and the Institutional Investors Group on Climate Change (IIGCC) principles.

Our plan uses five building blocks to describe how we intend to minimise risks and capture opportunities:

- **Strategy and ambition** - detailing commitment, ambition, and scope of Net Zero pledges;
- **Methodology** - defining the approach to identify, measure and monitor climate-related targets with reference to Investments, Insurance, and Operations. Our Climate Value at Risk (Climate VaR) measure assesses Aviva's resilience to different temperature pathways;
- **Action plans** - providing clarity on the measures needed to achieve defined targets. This will support the engagement with companies invested in, underwritten and in our supply chain. When updating Aviva's overall business plan, the impact of climate risks and opportunities is considered over a medium time horizon (three to five years);
- **Climate Risk Management** - defining the risk appetite and ensuring alignment with the Climate Transition Plan; and
- **Target Operating Model** - defining roles and responsibilities to ensure the execution of the Climate Transition Plan and create climate cultural awareness.

It takes Aviva to take responsibility for homeworking

In 2021, we expanded our operational carbon emissions methodology to calculate the emissions produced per employee, which includes the emissions from homeworking to reflect our hybrid operating model. As this methodology is still nascent and is based on a number of assumptions we have not included these emissions in our operational carbon footprint table. However, we estimate this equates to 3,051 tCO_2e for our core businesses, net of the Renewable Electricity Certificates (RECs) we have purchased. We believe these emissions to be Aviva's responsibility and have therefore purchased carbon avoidance offsets to account for them.

Our climate-related financial disclosure continued

To deliver on this ambition we have signed up to key global commitments and we use the following primary levers:

1. **Net Zero company by 2040** - Our plan covers operational emissions (Scope 1 & 2) and those contributed by our suppliers by 2030, as well as our shareholder and customer investment and insurance solutions by 2040 (Scope 3);
2. **Reduction in the carbon intensity** of our investments by 25% by 2025 and 60% by 2030. We plan further investments in green assets by 2025;
3. **The Aviva Investors' Climate Engagement Escalation Programme** - engagement of companies we invest in with the option of divestment gives the engagement teeth;
4. **Develop investment and insurance 'climate-conscious' products** and services to support our customers;
5. **Targeting operations and supply chain to be Net Zero by 2030** through Science Based Targets Initiative (SBT); and
6. Develop a **methodology for Net Zero underwriting.**

More details on our activities, and our targets, for our key business areas are included below.

Investments

As an asset owner and a long-term savings and pensions provider and as an asset manager, we seek to align our investments with a pathway towards Net Zero emissions and ensure consistency with the 1.5°C Paris Agreement target. We are setting targets for how we will transition our portfolios and will publish updates on our progress.

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 will hold boards and individual directors accountable where the pace of change does not reflect the urgency required."
>
> **Mark Versey**
> **CEO Aviva Investors**

We believe the highest emission fuels are not part of a low carbon future. We will therefore not be insuring thermal coal (generation or mining). Also, 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 SBTs, or the funding is for ring-fenced green project finance. This applies to all shareholder and policyholder funds where possible. We will divest the equities and corporate bonds and put the companies on our Stoplist.

Through Aviva Investor's Global Voting Policy, we set the expectation of companies to report climate-related risks, strategy, policies and performance against the TCFD's recommendations. We believe this will deliver long-term sustainable and superior investment outcomes for customers while adhering to their mandate.

Low carbon investments and products

Aviva Investors 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 2021, Aviva Investors launched a further two Climate Transition Funds focusing on Global Credit, and Real Assets. Both funds will take a long-term, high conviction investment approach. The Climate Transition Real Assets Fund is one of the first of its kind in the industry to offer investors direct investment in nature-based solutions alongside real estate and infrastructure. It aims to deliver net annual returns over rolling five-year periods, whilst targeting Net Zero by 2040 or sooner.

It takes Aviva to support the transition to electric vehicles and bring down carbon emissions

Aviva is committed to decarbonisation. We have a plan to insure over 1 million electric vehicles by 2030, we are taking action to have our entire fleet of company vehicles as electric by 2025, and we are helping our employees lower their own carbon footprint by making electric vehicles more accessible and affordable to them. To read more see Aviva's Climate-related Financial Disclosure report.

Carbon removals in the fund will be generated by afforestation (the planting of new trees), and not through the purchase of carbon offsets.

We integrate sustainability considerations into the products and services we offer, where possible. We continue to develop our customer ESG strategy and offer climate conscious and ethical funds such as the Stewardship Fund range.

Our climate-related financial disclosure continued

In the UK, we have added these funds as a default strategy option for our corporate pension customers. Following our announcement in October 2020, when we set a Net Zero target for our UK auto-enrolment default pension funds and committed to move £5 billion investments to low carbon strategies, in 2021, we advised that we would move an additional £5 billion by the end of 2022.

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 currently offer a range of 33 different green and low carbon insurance propositions across our markets.

We are seeking to understand how we approach Net Zero underwriting. It is a very new topic, and we are developing a new methodology in conjunction with UN convened Net Zero Insurance Alliance and the Partnership for Carbon Accounting Financials (PCAF) and we are examining one methodological proposal that we have developed as part of our contribution to driving the industry forward.

Personal Insurance

For our motor insurance customers in Canada we offer bespoke electric vehicle (EV) insurance and more widely our partnership with Lyft makes it easier for customers to choose car share journeys. In the UK we have expanded the cover in our personal lines motor insurance to support EVs including roadside breakdown, electrical surges and cover for EV accessories. For our domestic property insurance in the UK, solar panels on residential roofs, air/ground source heat pumps and battery storage attract no additional premium. In Canada, we offer endorsements to cover domestic solar panels and wind turbines.

Our claims management process is considered as part of our supply chain (scope 3 category 1). When paying claims, we have the opportunity to reduce our environmental impact through how we evaluate damage to how we repair, restore, dispose of, and replace items. We proactively support adaptation measures to improve the resilience of customers properties to extreme weather events (e.g. cost neutral flood or wind resilient materials offering coverage to install risk mitigation devices after a claim and to 'build back better'). In Canada, we were the first insurer to announce overland water coverage on property policies.

In July 2021, we launched our first Building Future Communities report. In the report, we call for urgent action to ensure UK homes and businesses are protected from flood and extreme weather events caused by climate change. The report calls for seven urgent steps required by government, local authorities, developers, industry bodies and business to address the threats climate changes poses to UK property, livelihoods and communities.

Commercial Insurance

We limit our exposure to the most carbon intensive elements of the economy through our ESG Baseline Underwriting Statement. This includes carbon intensive industries such as mining, offshore oil and gas extraction. The baseline mirrors the issuers on Aviva's investment Stoplist. 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.

At the end of 2019, we took an important step in our commitment by launching a specialist renewable energy proposition providing insurance solutions for the full lifecycle of renewable energy risks worldwide. We have significantly grown our renewable energy account and now support insurances of 75GW of installed capacity across six continents. This exceeds the renewable capacity of the entire UK.

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. We have achieved our long-term emissions reduction target of 70% by 2030, set in 2010, by reducing our emissions by 81%. We are now aiming for our Group-wide operations to be Net Zero by 2030. Currently, 81% of electricity used by our global operations is from renewable resources, a 19% increase from 2020. We are committed to using 100% renewable electricity by 2025 (aligned to the RE100 commitment) and have made substantial progress in the year to increase our renewable energy capacity whilst decreasing our overall energy needs.

We installed rooftop solar PV at our new Glasgow site in 2021. It has become the main energy source for the site, and will produce an estimated 28,866 kWh of energy per annum, avoiding 6.7 tonnes of CO_2 annually. This is the first of our tenanted sites where we have undertaken a renewables project and are exploring further opportunities across our tenanted offices. In January 2022, the solar panels on our Norwich Surrey Street office were switched on.

This, along with our solar ports, panels and EV charging points, means we now have installed renewable energy infrastructure across four sites in the UK. Following the successes in the UK, we are expanding our programme in Ireland and Canada, to ensure we are on track for our 2025 target.

Further details in the Sustainability Ambition section includes a table featuring our energy use and carbon emissions data and reflecting the requirements of the UK Streamlined Energy and Carbon Reporting (SECR) framework.

Our climate-related financial disclosure continued

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.

We welcomed the increased regulatory focus on this area and the Chancellor's announcement about the UK becoming the world's first Net Zero financial centre, and introducing mandatory Net Zero transition plans for listed companies. We were the first major company to call for it, and authored a joint report with WWF: 'Transition Plans for a Net Zero Future'. The Government has established a Net Zero Transition Plan Taskforce to build the standard for the plans by 2023.

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. Aviva Investor's CEO has written to 37 finance ministers and central bank governors of countries, whose sovereign debt we hold.

Culture

As an employer, we are working with our employees to amplify individual efforts to create a joint legacy that we can all be proud of. We have published an employee guide 'Tackling Climate Change Together' which sets out the actions that employees can take, and the support that we can provide through our rewards and benefits including volunteering opportunities.

We seek to ensure the reward and remuneration of employees is aligned to our decarbonisation commitments. The Trustee of the Aviva Staff Pension Scheme has set an ambition for the scheme's assets to be Net Zero by 2040 and has embedded ESG factors into the default investment solution offered to members.

The resilience of our strategy to climate change

One of the inputs into our climate risk assessment process is the scenario analysis performed through our Climate-Value-at-Risk measure. This measure enables the potential financial impacts of future climate-related risks and opportunities to be assessed in different IPCC scenarios as well as providing an indication of Aviva's resilience to different temperature pathways and the resilience of our strategy. More detailed information on our climate scenario analysis is included in our Climate-related Financial Disclosure report.

We also use a variety of other metrics to identify, measure, monitor and report alignment with global or national targets on climate change mitigation and the potential financial impact on our business. While recognising the limitations of 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 valuable in supporting our governance, strategy and risk management.

3. Risk management

Our process for identifying, assessing and managing climate-related risks

Rigorous and consistent risk management framework is embedded across Aviva including climate-related risks. This framework sets out how we identify, measure, monitor, manage and report on the risks to which our business is, or could be, exposed to. Our detailed risk appetite process can be found in the Climate-related Financial Disclosure Report.

We use our risk identification process to identify potential exposure to climate-related risks. We then conduct analysis to understand how these risks will impact our most material financial exposures. We have integrated climate into our risk appetite framework, including defining our climate risk appetite statement, as well as the associated climate risk preferences, metrics and targets. We have incorporated climate risks into our business plan, to facilitate risk-based decision-making.

Integration of climate change into our risk management framework

We have a very low appetite for climate-related risks which could have a material negative impact upon our balance sheet and business model as well as our customers and wider society. We actively seek to reduce our exposure over time to the downside risks arising from the transition to a low carbon economy. We seek to identify and support solutions that will drive a transition to a low-carbon, climate resilient economy. We seek to limit our net exposure to the more acute and chronic physical risks that will occur in the event the Paris Agreement target is not met. We actively avoid material exposure to climate litigation risks.

As included in the Our risks and risk management section of our Strategic report, we consider climate change to be a significant long-term risk to our strategy and business model and its impacts are already being felt. The principal risks impacted by climate change are credit risk, market risk, general insurance risk and life insurance risk.

We are acting now through our Sustainability Ambition to mitigate and manage its impacts both today and in the future. Through these actions, we continue to build resilience to climate-related transition, physical and liability risks.

Our climate-related financial disclosure continued

4. Metrics and targets

A full list of our targets are included in our Climate-related Financial Disclosure Report.

Our metrics to assess climate-related risks and opportunities

We use seven metrics to track our progress against this ambition, our targets and compliance with the TCFD, as well as to manage our potential exposure to climate-related risks. Five of these metrics have received independent reasonable assurance from PricewaterhouseCoopers[1]. The assurance opinion is included in our separate Climate-related Financial Disclosure Report.

Investment in Green assets

At 31 December we had Green assets, low carbon and transition assets of £7.6 billion (2020: £4.4 billion). In 2021, we refined our definition of our green assets to include green gilts, social bonds and sustainability-linked loans, and to reflect discontinued operations. The comparatives have been updated accordingly.

Operational carbon emissions

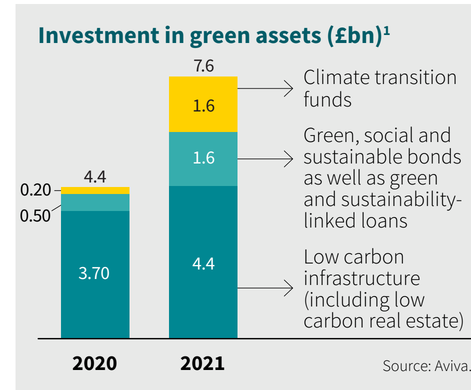
We report scope 1, 2 and operational scope 3 absolute emissions using Scope 2 location-based methodology, however we are moving to using Scope 2 market based methodology which more accurately accounts for the electricity that we purchasing and generating from renewable sources. More information on these metrics are included in the Sustainability ambition section.

Weighted average carbon intensity

We use this metric to assess our investment portfolio's sensitivity to an increase in carbon prices and our progress to the Paris Agreement target. This captures scope 1 and 2 emissions of the companies that we invest in. We are looking to include Scope 3 data in this metric once it is of sufficient quality for inclusion. Our carbon intensity has reduced compared to 2019 (our baseline year) by 16% in line with our Sustainability Ambition and NZAOA reduction targets of 25% by 2025 and by 60% by 2030. The electricity sector is the largest single contributor to the carbon intensity.

Our objective over time is to reduce our 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 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.

Investment in green assets (£bn)[1]

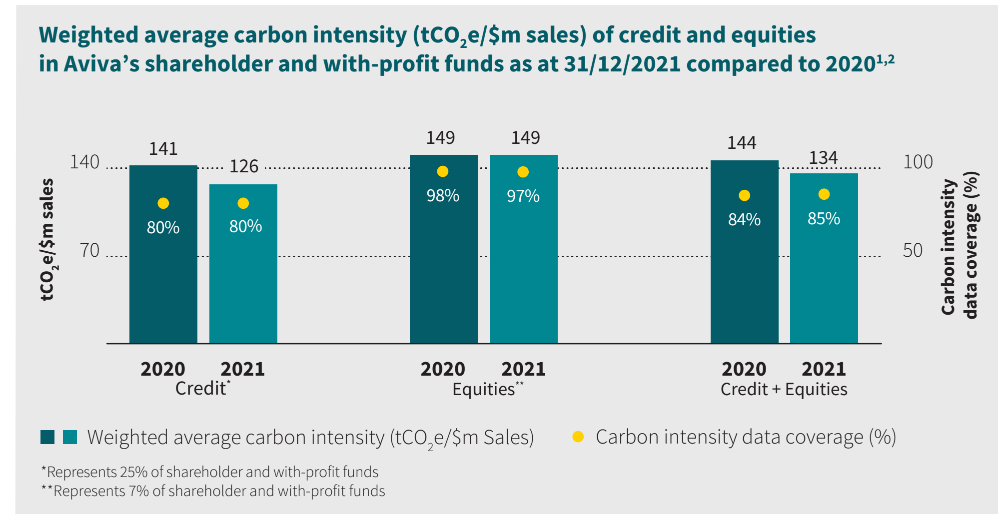


Source: Aviva.

Portfolio Warming Potential

We use this metric to assess our shareholder and with-profit funds' credit, equity, real estate, green infrastructure and sovereign bond investments' alignment with the Paris Agreement target. This captures Scope 1, 2, 3 emissions 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.

Weighted average carbon intensity (tCO_2e/$m sales) of credit and equities in Aviva's shareholder and with-profit funds as at 31/12/2021 compared to 2020[1,2]



*Represents 25% of shareholder and with-profit funds
**Represents 7% of shareholder and with-profit funds

1 Independent reasonable assurance on 2021 data is provided by PricewaterhouseCoopers LLP and available in the Climate-related Financial Disclosure report at https://www.aviva.com/content/dam/aviva-corporate/documents/socialpurpose/pdfs/climate-related-financial-disclosure-2021-report.pdf.

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.

Our climate-related financial disclosure continued

Monitoring of Sovereign Holdings

We use Notre Dame University's Global Adaptation Index (ND-GAIN) measure to monitor our sovereign holdings' exposure to climate change. It measures a country's vulnerability to climate change and its readiness to adapt to its effects. We also measure our sovereign emissions intensity using greenhouse gas emissions by PPP-adjusted GDP. 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.

Climate VaR

We have developed a Climate VaR measure which enables scenario analysis to determine the potential business impacts of future climate-related risks and opportunities. The modelling of transition and physical risks and opportunities specifically covers the projected costs of policy action related to limiting greenhouse gas emissions as well as projected profits from green revenues arising from developing new technologies and patents. In addition, it captures acute weather impacts such as coastal and fluvial flooding and tropical cyclones, as well as chronic impacts from gradual changes in extreme heat and cold, heavy precipitation and snowfall or wind gusts.

Our performance for these metrics is included in our Climate-Related Financial Disclosure Report.

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.

It takes **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**.

Our Board of Directors

George Culmer C ▲

Position: Chair

Nationality: British

Committee Membership: Nomination and Governance Committee (Chair)

Tenure: 2 years 5 months. Appointed to the Board as a Non-Executive Director on 25 September 2019, as Senior Independent Director on 1 January 2020 and as Chair on 27 May 2020

Skills and Experience: George brings significant board-level exposure with 15 years' experience as a FTSE 100 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 formerly a director and Chief Financial Officer of RSA Insurance Group plc; Head of Capital Management of Zurich Financial Services and Chief Financial Officer of its UK operations; and held senior management positions at Prudential plc. George has deep insight into the challenges that affect Aviva's businesses and the implications for shareholders and this 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: 2 years 2 months. Appointed to the Board as a Non-Executive Director on 2 January 2020 and as CEO on 6 July 2020

Skills and Experience: Amanda started her career as a graduate at one of Aviva's legacy companies, Commercial Union plc. Since then she has held senior executive roles across the insurance industry. Amanda was previously Group CEO at AXA UK PPP & 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 plc. Amanda has served as Chair of the Association of British Insurers; Chair of the Insurance Fraud Bureau and President of the Chartered Insurance Institute. In 2021, she was appointed by HM Treasury to the role of Women in Finance Charter Champion. Amanda's broad executive experience in the insurance industry makes her well qualified to lead Aviva.

External Appointments: A member of the UK Government's Financial Services Trade Advisory Group and member of the Board of the Geneva Association.

Jason Windsor ■

Position: Group Chief Financial Officer*

Nationality: British

Committee Membership: N/A

Tenure: 2 years 5 months. Appointed to the Board and as Chief Financial Officer on 26 September 2019. Resigned with effect from July 2022

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 Group Executive Committee. Jason has a proven track record as Chief Financial Officer 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 Chief Financial Officer.

External Appointments: N/A.

*resigned with effect from July 2022.

Key

- ● Customer, Conduct and Reputation Committee
- ● Audit Committee
- ● Risk Committee
- ● Remuneration Committee
- ● Nomination and Governance Committee
- C Chair
- ■ Executive
- ▲ Non-Executive
- ◆ Group General Counsel and Company Secretary

Our Board of Directors continued

Patricia Cross

Position: Independent Non-Executive Director*

Nationality: Australian

Committee Membership: Audit Committee, Nomination and Governance Committee, Remuneration Committee

Tenure: 8 years 3 months. Appointed to the Board on 1 December 2013 and will retire from the Board at the 2022 AGM

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, Ambassador for the Australian Indigenous Education Foundation and Director of the Future Fund and a Non-Executive Director of the Transurban Group.

* Patricia Cross will retire from the Board following the AGM on 9 May 2022

Patrick Flynn

Position: Senior Independent Director

Nationality: Irish

Committee Membership: Audit Committee (Chair), Nomination and Governance Committee, Remuneration Committee, Risk Committee

Tenure: 2 years 7 months. Appointed to the Board as a Non-Executive Director on 16 July 2019 and as Senior Independent Director on 7 September 2020

Skills and Experience: Patrick is an experienced finance executive and has significant experience 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. He also served as a Non-Executive Director of the boards of two listed former ING insurance companies, and his 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.

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: 6 years 8 months. Appointed to the Board on 26 June 2015 and will retire from the Board at the 2022 AGM

Skills and Experience: Belén has extensive governmental and regulatory experience and brings a detailed knowledge of the financial services industry and regulation 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, Bolsas y Mercados Españoles and SIX; 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.

* Belén Romana García will retire from the Board following the AGM on 9 May 2022

Key

- Customer, Conduct and Reputation Committee
- Audit Committee
- Risk Committee
- Remuneration Committee
- Nomination and Governance Committee
- C Chair
- ■ Executive
- ▲ Non-Executive
- ◆ Group General Counsel and Company Secretary

Our Board of Directors continued

Shonaid Jemmett-Page

Position: Independent Non-Executive Director

Nationality: British

Committee Membership: Audit Committee, Customer, Conduct and Reputation Committee, Nomination and Governance Committee, Risk Committee

Tenure: 2 months. Appointed to the Board on 20 December 2021

Skills and Experience: Shonaid is an experienced director and her business leadership and broad experience including in the financial services, sustainability and digital sectors make her a valuable addition to the Board. Shonaid was previously Chair of MS Amlin and has held a number of senior roles during her executive career including as Chief Operating Officer of CDC Group, Global SVP Finance and Information at Unilever and a partner at KPMG.

External Appointments: Chair of Greencoat UK Wind and Cordiant Digital Infrastructure Limited, Senior Independent Director of ClearBank and Non-Executive Director of QinetiQ Group and Caledonia Investments.

Mohit Joshi

Position: Independent Non-Executive Director

Nationality: British

Committee Membership: Nomination and Governance Committee, Risk Committee

Tenure: 1 year 3 months. Appointed to the Board on 1 December 2020

Skills and Experience: Mohit is President of Infosys Limited, a global leader in next-generation digital services and consulting. He heads the Financial Services, Healthcare and Life Sciences business verticals for the company and is the Chairperson for EdgeVerve, its software subsidiary. Mohit joined Infosys in 2000 after an initial career in banking and has over 24 years of professional experience working across the US, India, Mexico, and Europe. Mohit is an established business leader in technology and transformation and this expertise adds significantly to the skills and expertise of the board.

External Appointments: President, Infosys Limited.

Pippa Lambert

Position: Independent Non-Executive Director

Nationality: British

Committee Membership: Remuneration Committee (Chair), Customer, Conduct and Reputation Committee, Nomination and Governance Committee

Tenure: 1 year 2 months. Appointed to the Board on 1 January 2021

Skills and Experience: Pippa was previously Global Head of Human Resources at Deutsche Bank where she was responsible for leading the development of a successful and progressive HR transformation programme, focused on improving the group's culture, diversity and inclusion and digital agendas. Prior to that, Pippa was Group Head of Reward at the Royal Bank of Scotland from 2011 to 2013 where she worked closely with the RBS Board on the redevelopment and restructure of the bank's compensation and benefit programme. Pippa's experience contributes significantly to the Board discussions in areas relating to people and reward matters.

External Appointments: Trustee at Breast Cancer Haven and a member of the Senior Salaries Review Board.

Jim McConville

Position: Independent Non-Executive Director

Nationality: British

Committee Membership: Customer, Conduct and Reputation Committee (Chair), Audit Committee, Nomination and Governance Committee, Risk Committee

Tenure: 1 year 3 months. Appointed to the Board on 1 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 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 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: Trustee of the Leuchie Forever Fund and of the National Galleries of Scotland.

Key

- Customer, Conduct and Reputation Committee
- Audit Committee
- Risk Committee
- Remuneration Committee
- Nomination and Governance Committee
- C Chair
- ■ Executive
- ▲ Non-Executive
- ◆ Group General Counsel and Company Secretary

Our Board of Directors continued

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: 8 years 6 months. Appointed to the Board on 12 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 through his governmental experience, he brings a unique perspective and insight to the Board.

External Appointments: Chairman of HM Land Registry and Luther Systems Ltd, Non-Executive Director of the Department of Health and Social Care and Senior Adviser to Lazard.

Martin Strobel ● ● ● ▲

Position: Independent Non-Executive Director

Nationality: Swiss

Committee Membership: Audit Committee, Nomination and Governance Committee, Risk Committee.

Tenure: 4 months. Appointed to the Board on 22 October 2021

Skills and Experience: Martin is an accomplished director in insurance and private equity and his business leadership and non-executive experience in both the insurance and technology sectors make him a valuable addition to the Aviva Board. Martin was most recently Senior Independent Director of RSA Insurance plc. He has held a number of senior roles during his career including as Group CEO of Baloise-Holding AG, Operating Partner of Advent International and with the strategy consulting firm Boston Consulting Group.

External Appointments: Vice Chair and Lead Independent Director of Partners Group Holding AG and Deputy Chair of MSG Life AG.

Andrea Blance ● ● ● ● ▲

Position: Independent Non-Executive Director

Nationality: British

Committee Membership: Audit Committee, Nomination and Governance Committee, Remuneration Committee, Risk Committee.

Tenure: 1 month. Appointed to the Board on 21 February 2022

Skills and Experience: Andrea is an experienced business leader and board member who brings extensive experience of the financial services industry and a detailed understanding of customers, risk and regulation to the Board. Andrea was previously a Non-Executive Director of Scottish Widows, Lloyds Banking Group Insurance and ReAssure Group plc. Andrea has also held a number of senior roles during her executive career, including as Strategy and Marketing Director and as Chief Risk Officer of Legal & General Group plc.

External Appointments: Non-Executive Director of Hargreaves Lansdown plc and Provident Financial plc.

Kirstine Cooper ◆

Position: Group General Counsel and Company Secretary

Nationality: British

Committee Membership: N/A

Tenure: 11 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 30 years' experience at Aviva and is a trusted advisor to the Board. As a qualified solicitor Kirstine is able to execute the role of Company Secretary by advising the Board on governance issues and the regulatory environment. Kirstine established the legal and secretarial function as a global team and is responsible for the provision of legal services to the Group. She also leads the Group Investigations team. During March 2016 to March 2017, Kirstine was the Commissioner on the Cabinet Office's Dormant Assets Commission.

External Appointments: Trustee of the Royal Opera House and Non-Executive Director of HM Land Registry. Kirstine is also Insurance and Pension Champion for the expanded Dormant Assets scheme.

Key

- ● Customer, Conduct and Reputation Committee
- ● Audit Committee
- ● Risk Committee
- ● Remuneration Committee
- ● Nomination and Governance Committee
- C Chair
- ■ Executive
- ▲ Non-Executive
- ◆ Group General Counsel and Company Secretary

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

Chair’s Governance Letter

Good governance is central to making good decisions. It helps promote the long-term, sustainable success of the company, and ensures we consider the views and interests of the Group’s wider stakeholders.

“During the year the Board balanced the needs of shareholders, debt holders and the long-term growth of the business through a combination of capital returns, debt reduction and investment in the business.”

George Culmer
Chair

Governance and Strategy at Aviva

Our Corporate Governance Report sets out how the Board and its Committees operated during 2021. Our role is to set the strategy and to provide the input and challenge needed for Aviva to deliver on our strategy. During the year, the Board balanced the needs of shareholders, debt holders and the long-term growth of the business through a combination of capital returns to shareholders, debt reduction and investment in the business.

In 2020 management set out plans to fundamentally restructure the Company, focusing it on its strongest businesses in the UK, Ireland and Canada. During 2021, we successfully completed the disposal of eight non-core businesses for total proceeds of £7.5 billion.

As a result, the Board reviewed opportunities for generating value for shareholders. At the Half Year 2021 results, we committed to returning at least £4 billion of capital and approved an initial share buyback of £750 million, supplemented by a further £250 million, which was announced in December 2021.

After taking into account the disposal proceeds received, the Company’s strong financial position and capital framework, together with the desire to retain funding for the further reduction in financial leverage and for investment in the business, the Board approved a further return of £3.75 billion to shareholders subject to shareholder approval at a General Meeting to be held on 9 May 2022.

It is proposed that this return is delivered by way of a B Share Scheme accompanied by a consolidation of the Company’s share capital.

The Board considered a number of methods for returning capital to shareholders and, having regard to the differing positions of the shareholders, concluded that the B Share Scheme would be the most favourable method. In reaching this conclusion, the Board considered in particular the position of retail shareholders and the benefits of completing the capital return within a reasonable timescale.

An equivalent consolidation of the American Depository Shares (ADSs) is also proposed in order to maintain, so far as possible, the existing relationship between the market price for ADSs and Ordinary Shares. Following the Share Consolidation, each shareholder will continue to own the same proportion of the issued share capital of the Company as immediately before the Share Consolidation, subject to fractional entitlements.

The Board also approved a £1.9 billion debt reduction through a combination of a £1.0 billion tender offer and £0.9 billion of redemptions arising from maturities and optional first call dates.

We continued to invest in the business and the Board approved an investment of £300 million over three years with a further £200 million to accelerate efficiency in order to serve our customers more effectively. The Board also approved the Aviva Sustainability Ambition which includes becoming Net Zero by 2040.

Areas of Board Focus in 2021

- Provided input and challenge on our strategy to focus on our three core markets, transform our performance and ensure our financial strength.
- Approved the divestment of eight businesses for £7.5 billion in total proceeds.
- Reviewed opportunities for generating value for shareholders and committed to returning at least £4 billion of capital to shareholders.
- Approved the reduction of Group debt by £1.9 billion.
- Approved investment in the business
- Approved Aviva’s Sustainability Ambition and the associated Environmental, Social and Governance metrics.

Board Changes

During the year there have been several changes to the composition of the Board. On 1 January 2021, Pippa Lambert joined the Board as a Non-Executive Director, and on 14 September 2021 Pippa became Chair of the Remuneration Committee. Martin Strobel was appointed as a Non-Executive Director on 22 October 2021, Shonaid Jemmett-Page was appointed as a Non-Executive Director on 20 December 2021 and on 21 February 2022 we announced the appointment of Andrea Blance to the Board as a Non-Executive Director.

Chair's Governance Letter continued

Pippa, Martin, Shonaid and Andrea are welcome additions to the Board, bringing a wealth of experience and expertise. Details of the search and selection process for the appointments made since the time of last year's Annual Report are set out in the Directors' and Corporate Governance report.

On 13 January 2022 we announced that Jason Windsor had resigned as Group Chief Financial Officer (CFO) with effect from July 2022. Jason has been a valued colleague since he joined the group in 2010, including two and a half years as CFO. On behalf of the Board, I wish to thank Jason for his commitment and contribution during his time with us.

We also announced on 21 February 2022 that Patricia Cross and Belén Romana García would retire from the Board at the 2022 Annual General Meeting. Patricia joined the Board in December 2013, and Belén in June 2015, serving as Chairs of the Remuneration and Risk Committees respectively. I would like to thank Patricia and Belén for their contribution to Board and for the leadership of their Committees.

Diversity and Inclusion

The Board is committed to having a diverse and inclusive membership. This helps ensure we have the range of perspectives and insight that is so important for good decision making. I am pleased that the Board meets the Parker Review target to have at least one director from an ethnic minority background, accounting for 8% of the Board, and that women account for 46% of the current Board. In August 2021, we updated and published online our Board Diversity and Inclusion statement, articulating our commitment to diversity and setting out targets for women in leadership roles. Following changes made in 2021, these are now formal targets under the Company's Long Term Incentive scheme. On 17 March 2021 Amanda Blanc was appointed as HM Treasury's new Women in Finance Champion and will spearhead efforts to boost gender diversity across UK financial services. Amanda will play a crucial role in promoting the HM Treasury's Women in Finance Charter. More information on diversity is set out in the Directors' and Corporate Governance report and the Nomination and Governance Committee report.

Culture

The Board continues to assess and monitor the Group's culture. A culture diagnostic has been developed along with associated action plans, which the Board reviews annually. The culture diagnostic combines employee sentiment with other employee and customer data and is in addition to our annual 'Voice of Aviva' employee engagement survey.

Dividend

In light of our 2021 performance and resilient capital and liquidity, the Board has declared a final dividend of 14.7 pence per 25p ordinary share (2020: 14 pence), bringing the full year dividend in respect of 2021 financial year to 22.05 pence per 25p ordinary share (2020: 21 pence per share). We recognise that dividends are important to our shareholders, with sustainable growth in cash generation an important driver of dividend capacity. Aviva has therefore also announced clear guidance on dividends for the next two financial years.

Code Compliance

We have complied with the 2018 UK Corporate Governance Code (the Code) throughout the year, other than Provision 32 of the Code given that Pippa Lambert was appointed as the Chair of the Remuneration Committee in September 2021 having served nine months rather than 12 months as a Remuneration Committee member. Her appointment was part of a planned succession process as Patricia Cross is approaching 9 years membership on the Board. Pippa has extensive remuneration experience from her executive roles (including as Group Head of Reward at the Royal Bank of Scotland) and the Board is satisfied that she has the skills, capability and experience to chair the Remuneration Committee.

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.

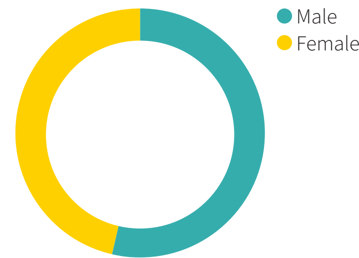
George Culmer
Chair
1 March 2022

Governance at a Glance

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

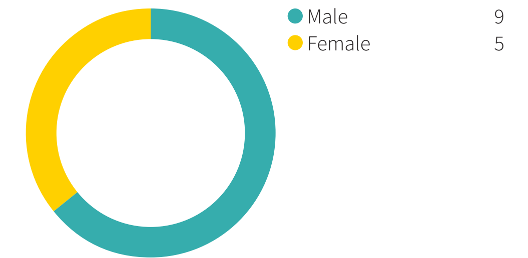
Gender

Board of Directors



Male 7
Female 6

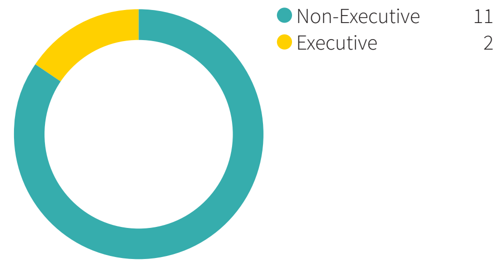
Executive Committee



Experience and skills[1]

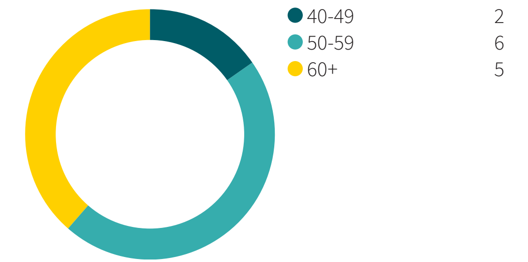
	Non-Executive including Chair	Executive	Executive committee
Insurance	11	2	12
Asset Management	11	1	7
Finance	10	2	8
People	8	2	5
Risk	8	2	8
Legal & Regulatory	9	2	4
Customer	7	2	6
Technology, Digital & Operations	7	1	3
Strategy	10	2	9

Composition



Age

Board of Directors



Non-Executive Directors' Tenure

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
George Culmer								09/2019									09/2028			
Patricia Cross		12/2013									12/2022									
Patrick Flynn								07/2019									07/2028			
Belén Romana García				06/2015									06/2024							
Shonaid Jemmet-Page										12/2021									12/2030	
Mohit Joshi									12/2020									12/2029		
Pippa Lambert										01/2021									01/2030	
Jim McConville									12/2020									12/2029		
Michael Mire		09/2013									09/2022									
Martin Strobel										10/2021									10/2030	
Andrea Blance											03/2022									03/2031

1 Individual directors may fall into one or more categories

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 and complied with the provisions of the Code during 2021 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 Provision 32 of the Code. Pippa Lambert was appointed as Remuneration Committee Chair on 14 September 2021, at which point Pippa had served on the Committee for nine months rather than 12 months. Further information on the process and reasons for the timing of the change in Remuneration Committee Chair are set out in the Nomination and Governance Committee Report. The Board was satisfied that, on appointment as Remuneration Committee Chair, Pippa had the skills, capability and experience required for the role, based on her extensive remuneration experience from her previous roles and her contribution over nine months as a member of the Remuneration Committee.

Stakeholder Engagement

We report on our stakeholder engagement and Section 172 (1) matters in the '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.

Changes to the Board

We were delighted to appoint Pippa Lambert as a Non-Executive Director to the Board on 1 January 2021. Pippa has significant experience in global financial services, people strategies and transformation programmes. Pippa also became Chair of the Remuneration Committee on 14 September 2021. Patricia Cross stepped down as Chair of the Remuneration Committee with effect from the same date and has remained a member of the Committee.

Martin Strobel was appointed as a Non-Executive Director to the Board on 22 October 2021 and became a member of the Audit, Nomination and Governance and Risk Committees. Martin was most recently Senior Independent Director of RSA Insurance Group plc and held a number of senior roles during his career including as Group Chief Executive Officer (CEO) of Baloise-Holding AG, Operating Partner of Advent International and with the strategy consulting firm BCG. Martin is an accomplished director and his business leadership and non-executive experience in the insurance and technology sectors make him a valuable addition to the Board. Martin is currently Vice Chair and Lead Independent Director of Partners Group Holding AG and Deputy Chair of MSG Life AG.

Shonaid Jemmett-Page was also appointed to the Board as a Non-Executive Director on 20 December 2021. Shonaid became a member of the Nomination and Governance Committee upon her appointment and subsequently on 14 February 2022 became a member of the Audit Committee, Customer, Conduct and Reputation Committee and Risk Committees. Shonaid is currently Chair of Greencoat UK Wind and Cordiant Digital Infrastructure Limited, Senior Independent Director of ClearBank and a Non-Executive Director of QinetiQ Group and Caledonia Investments. Shonaid was previously Chair of MS Amlin and has held a number of senior roles during her executive career including Chief Operating Officer of CDC Group, Global SVP Finance and Information at Unilever and as a partner at KPMG. Shonaid's business leadership and broad experience including in the financial services, sustainability, and digital sectors makes her a valuable addition to the Board.

We were also delighted to appoint a further Non-Executive Director, Andrea Blance, to the Board on 21 February 2022. Andrea also became a member of the Audit, Nomination and Governance, Remuneration and Risk Committees. Andrea is an experienced business leader and Board member who brings significant experience of the financial services industry and a detailed understanding of customers and of risk and regulation to the Board. Andrea is currently a Non-Executive Director of Hargreaves Lansdown plc and Senior Independent Director of Provident Financial plc. Andrea was previously a Non-Executive Director of Scottish Widows, Lloyds Banking Group Insurance and ReAssure Group plc. Andrea has also held a number of senior roles during her career including as Strategy and Marketing Director and as Chief Risk Officer of Legal & General Group plc.

On 13 January 2022 we announced that Jason Windsor had resigned as Group Chief Financial Officer (CFO) with effect from July 2022. Jason has been a valued colleague since he joined the Group in 2010, including two and a half years as CFO, an important period of transformation for the Company. We have activated our succession planning process which is currently underway regarding the appointment of a new CFO. Further details will be announced at an appropriate time.

On 21 February 2022 we announced that Patricia Cross and Belén Romana García would retire from the Board as Non-Executive Directors following the conclusion of the Company's 2022 AGM.

The Board

As at the date of this report the Board is comprised of the Non-Executive Chair, two Executive Directors and ten independent Non-Executive Directors. 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 Appointments

Our Non-Executive Directors played a principal role in the process to appoint four new Non-Executive Directors to the Board. MWM Consulting (MWM) undertook the search processes for the appointments made in 2021 but has no other connection with the Company or any individual director. In line with our succession planning processes, 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 an annual board effectiveness review confirming 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 2021 AGM were elected or re-elected at that meeting.

Directors' and Corporate Governance report continued

Strategy and business plans
- Approved the Group's financial and operational plans for 2022-2024
- Held a dedicated strategy offsite in June 2021, supplemented by further specific strategy sessions, to oversee the development and implementation of the Group's strategy
- Approved the £1 billion share buyback programme for the Company's ordinary shares as part of the substantial capital return to shareholders
- Discussed the mechanism and amount of the capital return to shareholders announced with the Full Year 2021 results
- Approved the issuance of a £1 billion debt tender offer and £0.9 billion of debt redemptions arising from maturities and optional first call dates
- Approved investment in the business

Oversight of risk and risk management
- Received and discussed reports from the Group Chief Risk Officer (CRO), including the Group Enterprise Risk Dashboard
- Approved the Group's risk appetite, risk tolerances and risk policies which make up the risk management framework for the Group
- Reviewed the effectiveness, challenges and management action plans in relation to the Group's risk and control environment

Sustainability
- Approved Aviva's Sustainability Ambition, including for Aviva to become a carbon Net Zero company by 2040
- Received updates on the Group's strategy on climate related financial risk in line with regulatory requirements

Governance
- Received reports from the Group Chief Executive Officer (Group CEO) on the strategic delivery of the Group
- Discussed reports from Board committees
- Received reports from the Group Company Secretary on corporate governance, legal and compliance matters

Significant transactions and expenditure
- Approved financial matters in line with the Group financial plan, including the completion of the divestments of our businesses in France, Poland, Italy, Singapore and four other territories

Financial reporting and performance, capital structure and dividend policy
- Discussed reports provided by the Group Chief Financial Officer (CFO) on financial reporting and performance, providing the opportunity for the Board to input and challenge where necessary
- Monitored the Group's financial performance and financial results and approved the dividend payments to ordinary shareholders
- Assessed the Group's capital and liquidity requirements and considered the challenges presented to the Group's markets by the COVID-19 pandemic
- Approved the Full Year Results and Annual Report and Accounts, the Half-Year Results and Quarterly Trading updates

People, culture, succession planning and Board effectiveness
- Following recommendations from the Nomination and Governance Committee, approved the appointment of the Non-Executive Directors to the Board
- Discussed the employee engagement survey, culture diagnostic and management action plans to address issues identified
- Undertook an external evaluation of the Board's effectiveness, and the effectiveness of each committee and of individual directors

COVID-19
- Assessed the continuing impact of the COVID-19 pandemic on our customers, our people and the communities in which we operate
- Reviewed the provision of extensive support for our people through the periods of COVID-19 restrictions, focusing on wellbeing, mental health support, and practical assistance for working from home
- Received updates on the charitable contributions to Aviva's communities to support community partnerships

Board Priorities for 2022

Strategic Delivery	Deliver our strategic plan, investing in growth and exploring opportunities for 'bolt on' acquisitions. Target upper quartile efficiency.
Financial Strength	Complete our capital return to shareholders and implement our new Dividend Policy.
Customers	Provide an engaging customer experience in the market, by enhancing our digital capabilities to provide our customers with a simpler and more personalised offering.
Aviva's Sustainability Ambition	Deliver on our ambition by progressing to Net Zero, making responsible investments and influencing others to drive change across the market.

Directors' and Corporate Governance report continued

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 socio-economic 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 amongst the Directors 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 ethnically diverse background by 2021, making up 8% of the Board, in addition to continuing to achieve our target of ensuring that women make up at least 33% of the Board with women currently representing 46% 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. The Aviva plc Board Diversity and Inclusion Statement sets out how the Board supports and measures progress against our commitments. This includes our commitment to increasing the number of women in leadership roles to 40% by 2024 and to enhancing the ethnic diversity of our leadership and succession pipeline. Further detail can be found in the Nomination and Governance Committee report.

Governance Framework

Board and Committee Structure

The Board is collectively responsible for promoting the long-term, sustainable success of the Company through seeking to generate value for shareholders while fulfilling our responsibilities to all of our stakeholders and contributing positively to the societies in which we operate.

One of the Board's key roles is to determine our shared purpose and to set and uphold the Group's values, standards and ethics which combine to create our corporate culture. We recognise that there is a clear link between our culture and our conduct, both with regards to our customers and to the way in which governance operates in the Group. The Board is also responsible for setting the Group's risk appetite and monitoring the operation of our risk management framework.

The 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 executive succession; talent development; diversity and inclusion initiatives; operation of the Group's 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 compliance with prudential regulatory requirements.
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 policies; and monitoring the independence and performance of the Internal Audit function and the External Auditors.
Customer, Conduct and Reputation Committee	Assists the Board and Risk Committee in their 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; customer data governance, oversight of the Group's brand reputational risk profile and Aviva's Sustainability Ambition.
Remuneration Committee	Assists the Board in its oversight of remuneration by reviewing the Group Remuneration Policy; the Directors' Remuneration Report; approving remuneration packages for the Non-Executive Chair and ExCo; remuneration approaches for the remuneration of regulated employees and reviewing wider workforce remuneration and policies. Works with the Risk Committee to ensure that risk management is considered in setting the Remuneration Policy through the alignment of incentive and rewards with risk management.

In order to ensure there is a clear division of responsibilities between the running of the Board and the running of the business, the Board has identified certain 'reserved matters' for its approval. In relation to other matters, unless they are specifically reserved for shareholder approval in a general meeting, the Board delegates responsibility for these to our Group CEO, who then delegates responsibility for specific operations to members of the Group Executive Committee (ExCo).

The Board has established committees to assist in fulfilling its oversight and other 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.

Directors' and Corporate Governance report continued

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 four Non-Executive Directors who joined Aviva during 2021 and the Non-Executive Director who joined the Board in February 2022, all of whom were considered to be independent.

During 2021, 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 2022 the Nomination and Governance Committee assessed the Non-Executive Directors' time commitment considering both the time required for the Aviva Board and committee appointments and the number and nature of the directors' external commitments and reported the outcome to the Board. 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. Michael Mire became Chair of Luther Systems, an enterprise software company, on 21 January 2021 and Patricia Cross became a director of the Future Fund Board of Guardians, Australia's Sovereign Wealth Fund, on 11 May 2021 and also a director of Transurban Group on 1 June 2021. In January 2022 Jim McConville became a Trustee of the Leuchie Forever Fund and the National Galleries of Scotland. The time commitment and potential conflicts involved in these appointments were assessed by the Board which determined that Michael, Patricia and Jim continued to have sufficient time to commit to the Aviva Board and their committee appointments.

The Senior Independent Director (SID) reviewed the time commitment of the Chair as part of his annual review of the Chair's performance.

Conflicts of Interest

In accordance with the Companies Act 2006, the Company's articles of association allow the Board to authorise potential conflicts of interest that may arise and to impose such limits or conditions as are deemed necessary. The decision to authorise a conflict of interest can only be made by non-conflicted directors (those who have no interest in the matter being considered) and in making such a decision the directors must act in a way they consider, in good faith, will be most likely to promote the 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 potential or actual conflicts of interest and are required to bi-annually review and confirm their external interests, which helps to determine whether they can continue to be considered independent.

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 Chair is tasked with leadership of the Board, setting its agenda, ensuring its effectiveness, and enabling the constructive challenge of the performance and strategic plans of the Executive Directors by the Non-Executive Directors. The Chair also plays a key role in working with the Board to establish our culture, purpose and values. The Group CEO is the senior executive of the Company and has overall accountability for the development and execution of the Group's strategy in line with the policies and objectives agreed by the Board.

The role of the SID is to provide a sounding board for the Chair and to serve as an intermediary for the other directors where necessary. The SID should be available to shareholders should they have concerns they have been unable to resolve through normal channels, or when such channels would be inappropriate.

Throughout the year the Chair held several meetings with the Non-Executive Directors without management present. Additionally, 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 2021, the directors participated in internal training sessions on subjects including diversity and inclusion, vulnerable customers, IFRS 17, longevity and cyber security. Further training sessions have been incorporated into the Board and Committee plans for 2022. The Board also receives regular briefings on a range of strategically important matters to ensure they are informed of developments in these areas.

A structured and tailored induction programme was prepared for each of our newly appointed Non-Executive Directors. This covered, amongst other matters, the current financial and operational plan; meeting packs and minutes from recent Board and Committee meetings; stakeholder engagement; organisation structure charts; a history of the Group; role profiles; and all relevant policies, procedures and other governance material. The induction also included meeting key members of the management team and the external and internal auditors. Any knowledge or skill enhancements identified during the directors' regulatory application process would also be addressed through their induction programme.

Directors’ and Corporate Governance report continued

Board Calendar

During 2021, 17 Board meetings were held, of which 14 were scheduled meetings and three were additional meetings called to approve certain strategic matters. In addition, the Board delegated responsibility for certain items to specially created Board committees, which met ten times to discuss these items.

If any Directors are unable to attend a meeting, they can communicate their opinions and comments on the matters to be considered via the Chair of the Board or the relevant committee chair.

The Board visited our Norwich offices in September 2021 and in June 2021 the Board held its annual two-day strategy meeting at an offsite location to review progress against our strategic priorities and to consider how these should be further developed to ensure we deliver on our commitments to our shareholders and our wider stakeholders.

Board and Committee Meetings Attendance During 2021

Number of meetings held	Board 17	Audit Committee 6	Customer, Conduct and Reputation 6	Nomination and Governance 5	Remuneration Committee 8	Risk Committee 6
Chair						
George Culmer	17			5		
Executive Directors						
Amanda Blanc	17					
Jason Windsor	17					
Non-Executive Directors						
Patricia Cross[1]	17	6		2	7	
Patrick Flynn	17	6		5	8	6
Belén Romana García	17	6	6	5		6
Mohit Joshi	17			5		6
Pippa Lambert[2]	16		4	4	8	
Jim McConville	17	6	6	5		6
Michael Mire[3]	16		6	5	8	5
Martin Strobel[4]	3	1		1		2

1. Patricia Cross was unable to attend 3 Nomination and Governance Committee meetings and one Remuneration Committee meeting due to prior commitments
2. Pippa Lambert was unable to attend one Board meeting, two Customer, Conduct and Reputation Committee meetings and one Nomination and Governance Committee meeting due to prior commitments
3. Michael Mire was unable to attend one Board meeting and one Risk Committee meeting due to prior commitments
4. Martin Strobel was appointed to the Board as a Non-Executive Director on 22 October 2021 and attended all relevant meetings from that date.

Calendar of Events 2021

January
Approved deleveraging of up to £1 billion

February
Approved the disposal of Aviva France

March
Approved the sale of Aviva Italy and Aviva Poland

Approved publication of Full Year 2020 results

May
Approved £750 million share buyback

Approved Group Solvency II results disclosures

Approved Q1 trading update

June
Approved enhancements to risk management framework

Dedicated Strategy offsite

August
Approved Half-Year results

Approved the updated Board Diversity and Inclusion statement

September
Dedicated Strategy meeting

November
Reviewed options for the mechanism for capital return to shareholders

Approved Q3 trading update

Approved the outcome of the external audit tender

December
Approved the 2022-2024 Group Financial Plan

Approved increase and extension of the share buyback programme

Directors' and Corporate Governance report continued

Outcomes from the 2020 Board evaluation and steps taken in 2021

Focus area	Theme	Feedback/actions
Strategy Implementation	Enhanced oversight of strategy implementation activities	The Board held a strategy offsite in June 2021 and received regular strategic delivery updates during the year in addition to strategic deep dives on individual business areas including Canada, Aviva Investors and UK Life.
Building an effective team	Developing and enhancing the Board as an effective team	Following the easing of COVID-19 restrictions during the year, there have been opportunities for the Board to meet formally through in-person Board and Committee meetings and informally through Board engagement sessions and training.
Focusing on performance	Delivering core business performance and driving accountability	The Board received regular strategic delivery updates together with enhanced financial performance MI to give the Board a greater insight into business performance and drive management accountability.

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. In line with the Code recommendations the Board decided to conduct an external evaluation in 2021. The external evaluation was facilitated by Independent Board Evaluation (IBE). IBE is an external Board evaluation facilitator which has no other connection with Aviva or any individual directors.

Interviews were conducted with each Board member, along with the observation of Board and Committee meetings and the final report was presented to the Board in early 2022. The Board considered the final report and the recommendations which were shared with each committee, and an action plan for areas of further focus was agreed.

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.

The outcomes from the 2020 evaluation and the resulting actions completed in 2021 to address the issues identified are outlined in the table below.

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.

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 during 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 or losses. 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.

The Risk Committee, on behalf of the Board, conducted a robust annual assessment of the Group's emerging and principal risks . The outcome of the assessment was reported to and discussed at the Board. In addition to this annual assessment, the Risk Committee regularly conducted an assessment of the principal risks facing the Company, the conclusion of which was also shared with and discussed by the Board. The annual assessment included those emerging risks that could impact the Group's business model, future performance, solvency and liquidity and therefore required management prioritisation and action. Specifically the Board considered the principal risks facing the Company when approving the Group business plan. During 2021, the Risk Committee received updates on a number of emerging risks and sources of economic uncertainty and associated mitigating actions by management. Likewise, the Customer, Conduct and Reputation Committee also received updates on emerging threats to the Group's reputation and conduct risk profile.

Emerging risks were also taken into account by the Risk Committee and management in the design of scenarios which are intended to stress test the Group's three-year business plan, recovery plan, climate change impacts, decisions on the return of capital to shareholders and operational resilience.

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 the Strategic 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

Directors' and Corporate Governance report continued

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 57.

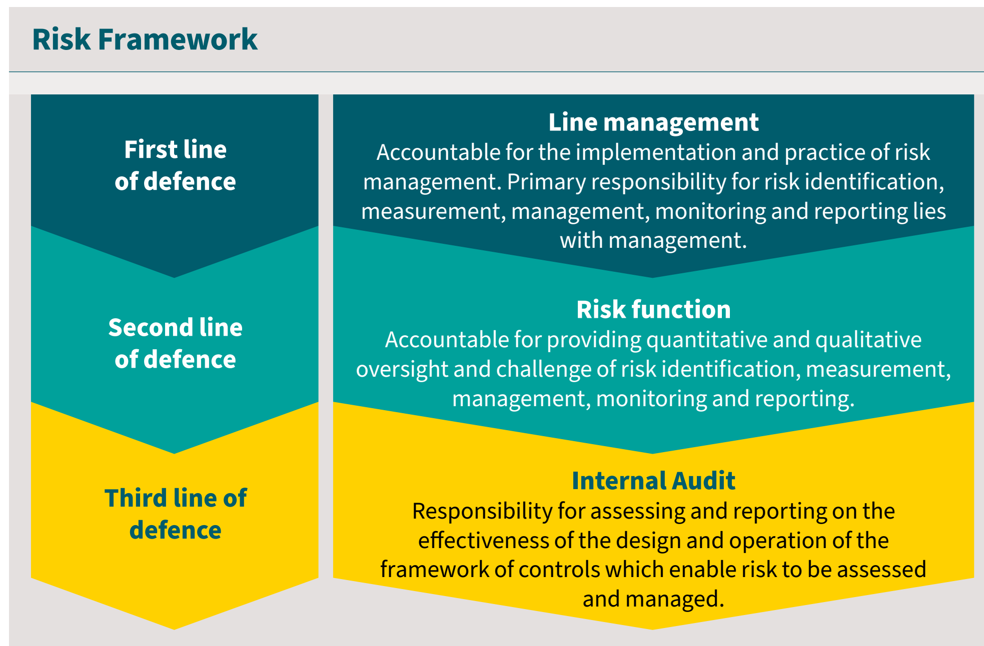
Internal Controls

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 International Financial Reporting Standards (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, Solvency II, Alternative Performance Measures (APM) and local statutory 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 2021 the Aviva Group has continued its focus on improving 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 cyber scenario testing. Significant control investment has been made during 2021 to ensure Aviva's IT environment remains protected against security vulnerabilities, including any exposures arising from Aviva's divestments.

Risk Framework



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 is supported by 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 delivering good customer outcomes and compliance with our corporate governance principles. The CCRC also provides oversight of the Aviva Sustainability Ambition. The CCRC is 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. The Committee also recommends the appointment and remuneration of external auditors.

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 Internal Audit 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.

Directors' and Corporate Governance report continued

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

Each business unit Chief Executive Officer is required to make a declaration that the Group's governance, and system of internal controls are effective and are fit for purpose for their business and that they are kept under review throughout the year.

Any material risks not previously identified, control weaknesses or non-compliance with the Group's risk policies or local delegations of authority must be highlighted as part of this process. This is supplemented by investigations carried out at Group level and a Group CEO and CRO declaration for Aviva plc.

The effectiveness assessment draws on the regular cycle of assurance activity carried out during the year, as well as the results of the annual assessment process. During 2021, this has been supported by the application of the Group's Operational Risk & Control Management (ORCM) framework.

The details of key failings or weaknesses are reported to the Risk and Audit Committees and the Board on a regular basis and are summarised annually to enable them to carry out an effectiveness assessment.

The Risk Committee, working closely with the Audit Committee, on behalf of the Board carried out a full review of the effectiveness of the systems of internal control and risk management during the year, covering all material controls, including financial, operational and compliance controls and the Risk Management Framework (RMF). 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.

The reports to the Audit and Risk Committees also enabled ongoing oversight of the management of any risks associated with the businesses divested during the year. Areas of continued focus remain the operational risk and control environment risk profile, cyber security and risk management through major change. Specific areas for improvement were also identified in India. The Risk Committee, working in conjunction with the Audit Committee, on behalf of the Board, will continue to monitor the effectiveness of risk management throughout 2022.

The RMF 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 also meets with all the Group's major shareholders. At those meetings a range of issues is discussed within the constraints of information already made public to understand shareholders' perspectives. Shareholders' views are regularly communicated to the Board through reports from the Group CEO and Group CFO and weekly briefings from our corporate brokers and the Investor Relations function. The Senior Independent Director (SID) was available to meet with major investors to discuss any concerns that could not be resolved through normal channels.

2022 Annual General Meeting (AGM)

The 2022 AGM will be held on Monday 9 May 2022 and the Notice of AGM and related papers will 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. A General Meeting of the Company to approve certain matters in relation to the return of capital to shareholders will also be held on 9 May 2022 after the conclusion of the AGM.

Due to the restrictions associated with the COVID-19 pandemic, it was not possible to put in place our usual AGM arrangements for the 2021 AGM. Shareholders were not able to physically attend the meeting and therefore the AGM was held at our registered office with facilities for electronic attendance. Shareholders were invited to join the meeting virtually to ask questions (which could be submitted in advance of the meeting) and vote on resolutions.

Other disclosures relevant to our Directors and Corporate Governance report are included in the reports of our committees and in the 'Other statutory information' section.

Nomination and Governance Committee report

The Committee continues to ensure that adequate Board succession plans are in place and corporate governance standards are upheld.

> During the year, the Committee reviewed the skills and experience on the Board and identified areas of experience which would complement the skills of the existing members.

George Culmer
Chair, Nomination and Governance Committee

I am pleased to present the Nomination and Governance Committee (the Committee) report for the year ended 31 December 2021.

Committee membership

The members of the Committee as at 31 December 2021 are shown in the following table. Pippa Lambert joined the Committee on 1 January 2021, Martin Strobel joined on 22 October 2021 and Shonaid Jemmett-Page joined on 20 December 2021. Andrea Blance also joined the Committee upon her appointment on 21 February 2022. Details of members' experience and 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. within the Directors' and Corporate Governance report.

On 21 February 2022 we announced that Patricia Cross and Belén Romana García would retire from the Board and the Committee. I would like to thank them both for their contribution.

Name	Member since	Years on the Committee
George Culmer (Chair)	25/09/2019	2
Patricia Cross	01/12/2013	8
Patrick Flynn	16/07/2019	2
Belén Romana García	26/06/2015	6
Shonaid Jemmett-Page	20/12/2021	<1
Mohit Joshi	01/12/2020	1
Pippa Lambert	01/01/2021	1
Jim McConville	01/12/2020	1
Michael Mire	12/09/2013	8
Martin Strobel	22/10/2021	<1

Committee Purpose

The main purpose of the Committee is to oversight 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. The Committee also oversees talent development and diversity and inclusion initiatives for the wider Group and following the expansion of the Committee's responsibilities in 2020, the Committee also has oversight of corporate governance and organisational change. More information on the Board and Committees' 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 continues to build on its existing processes to strengthen its focus in this area.

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

Committee focus during 2021

During the year, the Committee led the selection process for the appointment of several new Non-Executive Directors to the Board. Pippa Lambert joined as an Independent Non-Executive Director on 1 January 2021, Martin Strobel as an Independent Non-Executive Director on 22 October 2021, Shonaid Jemmett-Page as an Independent Non-Executive Director on 20 December 2021 and Andrea Blance as an Independent Non-Executive Director on 21 February 2022.

The Committee also reviewed the succession plans and talent development framework for senior executives and continued to oversight the governance and effectiveness of the Group's subsidiary boards.

During the year, the Committee reviewed the Board skills matrix and identified the areas of experience which would be beneficial to add to the composition of the Board. MWM was engaged to undertake an extensive external search based on the role specifications agreed by the Committee which included the requirement for strong insurance, digital and sustainability experience. The Committee considered the role profiles of the shortlisted candidates and met the candidates with the most alignment to the specification. Following this process, the Committee supported the appointment of Martin Strobel and Shonaid Jemmett-Page to the Board.

In 2022, the Committee led the process for the appointment of a further Non-Executive Director. The Committee worked with MWM and identified a suitable candidate. The Committee

Nomination and Governance Committee report continued

conducted a thorough interview process and the chosen candidate, Andrea Blance, met with the Chair, Senior Independent Director, Group CEO and Chairs of the Remuneration and Customer, Conduct and Reputation Committees, who supported the appointment.

The Committee also reviewed the Board succession plan and Board tenure. As Patricia Cross was approaching her 9-year tenure on the Board, it was considered timely to transition the role of the Chair of the Remuneration Committee. The Committee identified that Pippa Lambert would be an appropriate successor for the role of Remuneration Committee Chair. Pippa has extensive experience in HR and Reward matters and has been a member of the Remuneration Committee since joining the Board in January 2021. The Code recommends that the Chair of the Remuneration Committee should have served on a Remuneration Committee for at least one year before becoming Chair. Although Pippa had served on the Committee for less than one year, the Committee was comfortable, based on her relevant executive experience and her contribution as a member of the Remuneration Committee that Pippa has the required skills, knowledge and experience for the role and was supportive of her appointment as Chair. Pippa became Chair of the Remuneration Committee on 14 September 2021.

The Committee reviewed the succession plan for the Group CEO to ensure that the internal and external pipeline was robust and diverse.

On 13 January 2022, we announced that Jason Windsor had resigned as Group Chief Financial Officer (CFO) and an Executive Director of Aviva plc with effect from July 2022. The Committee is leading on the process for the appointment of a new CFO.

On 21 February 2022 we announced that Patricia Cross and Belén Romana García would retire from the Board at the 2022 Annual General Meeting. Patricia has served on the Board for more than eight years, Belén almost seven years, and the process for the appointment of a new Risk Committee Chair is underway.

Talent management

The Committee monitors the development of the Group Executive Committee (ExCo) to ensure that there is an appropriate pipeline of senior executives and potential future Executive Board members with the required skills and experience.

During 2021, the Committee received updates from the Group CEO on the composition and changes to the ExCo and considered the development plans and talent profiles of these individuals in line with the Group's succession plans. The Committee also considered the development plans designed to prepare successors for ExCo roles. Internal talent development and developing a pipeline of potential future leaders remained an area of focus for the Committee during the year, despite the continuing challenges of COVID-19, with programmes being adapted and redesigned for virtual delivery.

The Committee also considers initiatives to enhance, strengthen and diversify the talent pipeline across the wider Group and members of the Committee remain involved in various initiatives, including the ongoing Accelerating Leadership from the Inside Out (ALIO) and ALIO Ethnic Minorities programmes to support the development of future female and ethnic minority leaders.

Committee activities during 2021

Evaluation and annual assessment of performance
- 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 2021 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 identified the additional skills and experience which would complement those of the existing members
- Led the search process for the appointment of the new Non-Executive Directors
- Approved the Board Diversity and Inclusion Statement

Organisational design
- Reviewed proposals to simplify the Group's operating model and considered the impact of the revised structure on Group operations and the control environment

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 the Group Governance Framework for the oversight of the Group's subsidiaries
- Reviewed subsidiary board effectiveness with input from the first, second and third lines of defence
- Reviewed and made recommendations to the Board for revisions to the Group Conflicts of Interest policy
- Reviewed and where appropriate approved changes to the composition of the material subsidiary boards
- Discussed the outcomes of the 2021 subsidiary board effectiveness review
- Considered succession planning for material subsidiary boards around the Group
- Reviewed the proposals to enhance the operation of the SMCR Office

Nomination and Governance Committee report continued

Diversity and inclusion

Diversity and inclusion continued to be an area of focus for the Committee and the Board. The Board is committed to having a diverse and inclusive leadership team which provides a range of perspectives and insights and the challenge needed to support good decision making. Diversity at Aviva includes, but is not limited to, gender 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 27 on the Stonewall UK Workplace Equality Index.

As at the date of the report the representation of women on the Board is 46%. We actively support women advancing into senior roles, with the Group CEO being a member of the 30% Club and HM Treasury's Women in Finance Champion, which commits financial services companies to a range of measures to improve gender diversity amongst senior management. As at the date of this report women represent 36% 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 2021, the Committee reviewed the Board Diversity and Inclusion statement which supports the Committee in its approach to succession planning. The statement, which aligns to 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 2021, 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 all Non-Executives met the criteria for independence and that the Chair of the Board met the criteria on appointment to that role.

Organisational Design

During the year, the Committee considered proposals for operating model simplification within the Group. The reduced geographic size of the Group provided an opportunity to optimise and simplify our operating model to drive efficiency and deliver greater value to our shareholders. The Committee reviewed the organisational design plans and the programme workstreams and considered the governance and controls around the proposed changes.

Corporate Governance

The Committee monitors the Group's compliance with the 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.

During 2021, the Committee focused on the implementation and embedding of the Group Governance Framework for the oversight of the Group's subsidiaries and updates were provided relating to enhancements to the Subsidiary Governance Principles, the effectiveness of the Company's subsidiary boards and the Group Conflicts of Interest policy.

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 in response to those outcomes.

Committee effectiveness review

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

2022 priorities

In 2022 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
1 March 2022

Audit Committee report

The Committee's primary focus has continued to be on reviewing the integrity and quality of Aviva plc's published financial information.

> "The Committee continued to seek enhancements to our financial reporting processes, approved a number of policies relating to the implementation of IFRS 17, and completed our external audit tender."

Patrick Flynn
Chair, Audit Committee

I am pleased to present the Audit Committee (the Committee) report for the year ended 31 December 2021.

Committee membership

Martin Strobel was appointed to the Committee on 22 November 2021 and brings significant experience of financial services to the Committee. Shonaid Jemmett-Page was also appointed to the Committee on 14 February 2022, bringing a broad experience within the financial services, sustainability and digital sectors. In addition, Andrea Blance was appointed to the Committee on 21 February 2022. Andrea is an experienced Board member with extensive experience of the financial services industry. The members of the Committee as at 31 December 2021 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.

Committee focus during 2021

During the year the Committee continued to closely monitor the impact of the COVID-19 pandemic on the Finance and Internal Audit functions, the financial control environment and on the Group financial results.

The Committee also reviewed key finance transformation activities.

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. The Committee reviewed implementation plans in preparation for the introduction of IFRS 17 and approved key accounting policies to support the transition to the new standard.

In November 2021, the Committee completed the external audit tender process and made a recommendation to the Board that Ernst & Young LLP (EY) be appointed as auditor, for the reporting period ending 31 December 2024. The Board accepted this recommendation.

The Committee supported the work of the Customer, Conduct and Reputation Committee in the oversight of Climate related and non-financial reporting. The Committee's role is to support the assurance of the Climate and Non-Financial Reporting (NFR) metrics prior to external publication.

The Committee dedicated a substantial amount of time to reviewing the Group's quarterly operating performance updates, half year and full year financial statements. These were 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.

The Committee also focused on the Group's financial reporting, our system of internal controls over financial and non-financial reporting and Financial Reporting Control Framework (FRCF), and the performance and independence of the internal and external auditors.

Name	Member since	Years on the Committee
Patrick Flynn (Chair)	16/07/2019	2
Patricia Cross	01/12/2013	8
Belén Romana García	05/07/2019	2
Jim McConville	01/12/2020	1
Martin Strobel	22/10/2021	<1

Committee purpose

The primary purpose of the Committee is to provide oversight of the process to ensure our half and full year financial statements and quarterly trading updates are suitable for publication. The Committee provides the Board with assurance as to the integrity of the Group's financial and non-financial reporting (NFR) and, together with the Risk Committee and Customer, Conduct and Reputation Committee, monitors the effectiveness of our internal control environment. The Committee monitors the adequacy and effectiveness of our

Audit Committee report continued

system of control over financial and non-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 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.

Effectiveness reviews

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

The Committee regularly receives reports from the external auditor on the progress of its audit activities and its review of the content of the financial statements. The Committee reviews the contents of these reports and the level of professional scepticism and challenge of management assumptions demonstrated, and where appropriate, requested and tracked the management response to ensure a satisfactory outcome to any challenges raised.

Evaluations of the External Auditor and Internal Audit function are also conducted on behalf of the Committee each year.

Committee activities during 2021

Financial statements and accounting policies

- Recommended to the Board for approval the Quarter 1 trading update, 2021 half-year interim report, Quarter 3 trading update and full year financial statements
- Recommended to the Board the 2021 climate-related financial disclosures including the Taskforce on Climate-related Financial Disclosures (TCFD)
- Approved the IFRS and Solvency II (SII) technical provisions with the 2021 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 the structure, external disclosure and explanation for the use of Alternative Performance Measures (APMs)
- Reviewed and challenged the treatment and recoverability of goodwill and other intangible assets
- 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. The Committee challenged the key assumptions and judgements contained in these reports, and where appropriate, requested and tracked the management response to ensure a satisfactory outcome to the challenges raised
- Reviewed implementation plans in preparation for the introduction of IFRS 17 and approved key accounting methodologies to support the transition to the new standard
- Submitted a response to the BEIS on the consultation on Restoring Trust in Audit and Corporate Governance
- Reviewed and challenged the going concern assumptions for 2021 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 UK Corporate Governance Code
- Undertook the external audit tender process and made a recommendation to the Board to appoint EY for the financial year ending 31 December 2024
- Monitored compliance with our External Auditor Business Standard
- 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 2021 Audit Plan and progress against plan and reports on the review and audit of the 2021 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 trading updates

Internal audit

- Reviewed reports from the Chief Audit Officer (CAO)
- Reviewed and approved changes to the Internal Audit Charter
- 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

Audit Committee report continued

The 2021 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 2022 AGM. PwC have been Aviva's external auditor since 2012, and subject to continued satisfactory performance, it is anticipated that PwC will continue in its role until 2024, when in line with the outcomes of the recent competitive tender process, EY will be appointed as the External Auditor. The Company has complied with the Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014 for the year ended 31 December 2021.

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 External Auditor. The Committee concluded that for 2021 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 received training from Aviva's Speak Up team and Protect, the Whistleblowing Charity, on how to handle Speak Up concerns raised to them and how the Speak Up team plan to focus its 2022 awareness campaign following the VOA results. The Committee continues to support the Speak Up team and look for opportunities to further enhance the 'Speak Up Service'.

2022 priorities

In 2022, in addition to carrying out its principal function, the Committee will continue to monitor the impact of the COVID-19 pandemic on key internal functions and any impact on reported financial and non-financial results. The Committee will also monitor changes in the external audit environment following the Department for Business, Energy and Industrial Strategy (BEIS) consultation on audit and corporate governance reform. The Committee will continue to support the development of the ORCM framework in relation to internal controls over financial reporting and monitor and approve the steps toward the implementation of the new IFRS 17 standard, ahead of its scheduled introduction from 1 January 2023. The Committee will also provide oversight of the work to transition the role of the external auditor from PwC to EY, who subject to approval at the 2024 AGM, will be appointed for the financial year ended 31 December 2024.

Patrick Flynn
Chair of the Audit Committee
1 March 2022

Audit Committee report continued

Key matters considered during 2021

The significant matters that the Committee considered during the year are set out in the table below.

Matter considered	Context	Committee's response
IFRS and Solvency II 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 2021 Half Year and Full Year financial statements. The Committee reviews the underlying assumptions as these involve complex judgements and changes can have a significant impact on reported results.	**Technical Provisions.** The Committee reviewed and challenged the assumptions used in the calculation of the Best Estimate Liability component of the technical provisions required under SII, and the expense impacts on SII reserves across our life and general insurance businesses. The Committee reviewed and challenged the longevity, persistency, expense and residential and commercial property growth assumptions used for the quarterly operating updates, and 2021 half year and full year financial statements. The process around the setting of longevity assumptions was a particularly significant area for review as those judgements could have a material impact on Aviva's SII and IFRS results. During 2021, 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. The Committee also considered key assumption changes in Singapore, Italy and UK Staff Pension schemes. 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 assumption changes and additional controls that were being implemented to further increase the level of confidence in the output of these models. **COVID-19 assumptions.** The Committee reviewed and challenged the assumptions used for the impact of COVID-19 related claims on the Technical Provisions. This included the impact of the pandemic on future mortality, credit spreads and property growth as well as the impact on general insurance claims. Reviewed the 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.

Audit Committee report continued

Matter considered	Context	Committee's response
IFRS and SII key accounting judgements and disclosures	The Committee reviews and recommends to the Board Quarterly, Half Year and Full Year disclosures and the impact of accounting judgements on those disclosures. The Committee reviews and recommends to the Board the Annual Solvency and Financial Condition Report.	**Estimates and judgements for IFRS and SII reporting bases.** The Committee challenged and recommended approval of IFRS judgements including those in respect of goodwill and intangible asset impairment reviews, bond spread calculations, CPI-RPI margins, assets classified as held for sale and the valuation assumptions for certain mark to model assets and liabilities. The Committee reviewed the impact of actions taken to execute the Group's disposal activities. **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 assessed provisions in respect of product governance issues in the UK Life business. The Committee monitored the remediation plans put in place by management and updates to the control environment. **Impact of COVID-19.** The Committee reviewed the impact of the COVID-19 pandemic on the Group financial results, and in particular disclosures around the impact of the pandemic on Business Interruption insurance and lower motor insurance claims experience 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. **Fair, Balanced and Understandable.** The Committee reviewed the Quarterly, Half Year and Full Year results to support the Board conclusion that taken as a whole, these reports were fair, balanced and understandable and provided the information necessary for shareholders to assess the Group's position, performance, business model and strategy. This assessment was particularly significant in the context of the transparency of disclosures during the COVID-19 pandemic and in the changes to the Group following the focus on UK, Ireland and Canada. The Committee noted the Financial Reporting Council's (FRC) letter on its review of Aviva plc's 2020 Annual Report and Accounts, including the areas to consider for further improvements in understandability of disclosures. The Committee reviewed the disclosure enhancements made in Full Year 2021 Annual Report and Accounts, including improvements recommended in the FRC comment letter after its review of the Full Year 2020 Annual Report and Accounts.

Matter considered	Context	Committee's response
Internal Controls	The Committee provides oversight of the system of internal control over financial reporting.	**Review of the effectiveness of the Operational Risk and Control Management (ORCM) system.** The Committee regularly reviewed a number of reports to allow the evaluation of the effectiveness of controls and any failings or weaknesses. The Committee continued to challenge and 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 and non-financial reporting to gain assurance that these remained in tolerance with no control weaknesses which could have a material impact on the financial results and non-financial metrics. The Committee also reviewed an assessment of the overall effectiveness of the governance, and risk and control framework of the organisation. The review concluded that Aviva's risk appetite framework was being adhered to and was effectively being tracked and monitored. **Legal and regulatory reports.** The Committee received quarterly reports on current and emerging legal and regulatory matters and any potential impact on Aviva's financial statements.

Audit Committee report continued

Matter considered	Context	Committee's response
Internal Audit	The Committee has responsibility for overseeing the work, effectiveness and independence of the Internal Audit Function.	**Annual Plan and Budget.** The Committee reviewed and approved the Internal Audit plan and budget and monitored progress against this plan. 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.

Matter considered	Context	Committee's response
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. The Committee has conducted a tender for the provision of External Audit Services.	**External Audit Plan and Budget.** The Committee reviewed and approved the 2021 audit plan presented by PwC and progress against the plan. **Audit related and non-audit services.** The Committee monitors the External Auditor Business Standard to ensure no firm, other than PwC, undertakes audit and audit-related services other than in exceptional circumstances. The Committee also monitors non-audit services (including audit-related and other assurance services) provided by PwC. The Committee has put in place a structure to review and approve the provision of audit and audit-related services by PwC and receives bi-annual reports on these services provided by PwC and the fees charged for those services. The Committee also gains assurance that the fees remain well below the 70% non-audit services fee cap. There were no material non-audit services provided by PwC during 2021. In 2021 the Group paid PwC £17.5 million (2020: £21.2 million) for audit and audit-related assurance services. PwC were paid £1.3 million (2020: £3.4 million) for other assurance services, giving a total fee to PwC of £18.8 million (2020: £24.6 million). Further information on Auditors' Remuneration is set out in Note 12. **External Audit Tender.** As referenced in 2020 Annual Report and Accounts, Aviva obtained FRC approval for extension of the audit tender process into 2022 and for the audit relating to the year ended 31 December 2024. The Committee subsequently led a full and rigorous audit tender process during 2021, including inviting 'Challenger' and 'Big 4' firms to tender for the audit of Aviva plc and its subsidiaries. All Challenger firms declined to participate in the audit tender process. Three firms were short listed for consideration. The three firms participating in the tender conducted an extended series of meetings with members of audit committees and management from across the Group. The tendering firms submitted formal proposal documents and prospective audit partners presented to members of the Committee. The tender process focused on the provision of audit quality as the primary determinant of the successful firm. The Committee considered the independence and capacity of each firm to act in the capacity as Group external auditor. Following completion of the tender process, EY was selected as the successful audit firm, and a recommendation to the Board was made to appoint EY for the financial year ending 31 December 2024. This recommendation was accepted and approved by the Board. PwC will continue in its role as external auditor, subject to reappointment by the Company's shareholders at the 2022 and 2023 Annual General Meetings, for the financial years ending 31 December 2022 and 31 December 2023. The appointment of EY will be proposed to shareholders at the 2024 Annual General Meeting.

Audit Committee report continued

Matter considered	Context	Committee's response
Longer Term Viability Statement (the Statement) and Going Concern Assessment	The UK Corporate Governance Code requires the Board to assess the Company's current position and principal risks and state whether it has a reasonable expectation the Company will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment. The Committee supports the Board in making that assessment.	The Committee reviewed the principles underpinning the Statement for 2021 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.

Matter considered	Context	Committee's response
Implementation of IFRS 17	IFRS 17 is a new insurance accounting standard issued by the International Accounting Standards Board (IASB) 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.	The Committee continued to monitor preparedness for 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, and reviewed and approved tranches of accounting methodologies during 2021 in support of a series of 'dry runs' ahead of the effective date of 1 January 2023. The Committee will continue to approve further tranches of accounting methodologies throughout 2022.

Matter considered	Context	Committee's response
COVID-19 impact	The Committee assessed the level of uncertainty as a result of COVID-19.	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 the 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 the COVID-19 pandemic on the control environment and for the performance of control assurance activity.

Customer, Conduct and Reputation Committee report

The Committee has played a key role in supporting the Board in providing oversight of Aviva's Sustainability Ambition and in reviewing the progress made during 2021.

"During 2021, the Committee continued to focus on the support provided to customers and the wider community throughout the global COVID-19 pandemic."

Jim McConville
Chair, Customer, Conduct and Reputation Committee

I am pleased to present the Customer, Conduct and Reputation Committee (the Committee) report for the year ended 31 December 2021.

Committee membership

The members of the Committee as at 31 December 2021 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. Pippa Lambert joined the Committee on 1 January 2021 and Shonaid Jemmett-Page joined the Committee on 14 February 2022. Both bring significant experience of financial services to the Committee.

Name	Member Since	Years on the Committee
Jim McConville (Chair)	01/12/2020	1
Pippa Lambert	01/01/2021	1
Michael Mire	12/09/2013	8
Belén Romana García	26/06/2015	6

Committee purpose

The main purpose of the Committee is to assist the Risk Committee in overseeing our customer and conduct obligations, our approach to sustainability and the ongoing monitoring of our reputation.

COVID-19 response

During 2021, the Committee continued to focus on the support provided to customers and the wider community through the COVID-19 pandemic. This included our response to customer demand and maintaining oversight of the businesses response to challenges in the stability of service levels to customers while employees worked from home. As our colleagues transitioned back to office working during the year, we continued to provide oversight of customer service metrics to understand and monitor the impact on our customers.

The Committee reviewed reports on the conduct risks generated by the COVID-19 pandemic across our markets, the response of our regulators, and the support provided to the communities in which we operate. The Committee received updates on Business Interruption claims and the impact of the Supreme Court judgment in the FCA's business interruption test case.

Customer

During 2021, the Committee had oversight of customer strategy and operations. This included the regular review of the customer dashboard which provided the Committee with an overview of key customer metrics, data and insights. The appointment of Cheryl Toner as Chief Customer and Marketing Officer in May 2021 strengthened management's focus on the customer. The Committee provided oversight of the development and launch of our Customer and Marketing transformation plan, which is designed to help Aviva meet more of our customers' needs. It also monitored the increase in the number of customer journeys which could be undertaken digitally and the improvements in customer experience.

Committee focus during 2021

During the year, the Committee considered and monitored a range of matters including the treatment of our customers during the COVID-19 pandemic (including vulnerable customers), the progress of Aviva's Sustainability Ambition and our customer strategy and operations.

The Committee recognises the importance of the identification and fair treatment of vulnerable customers and, throughout the year, provided oversight of the processes put in place for identifying and providing additional support to vulnerable customers, where needed.

As the Group focussed its strategy on our businesses in the UK, Ireland and Canada, members of the Aviva Canada and Aviva Ireland Boards presented to the Committee on customer experience and conduct matters in their respective jurisdictions.

Data

During 2021 the Committee continued to review the development and delivery of data governance particularly in respect of the use of customer data and records management within the Group. The Committee also received updates from Aviva's Data Protection Officer.

Customer, Conduct and Reputation Committee report continued

Reputation

The Committee monitored developments in the Group's reputation and reputational risk position throughout the year. The report received by the Committee to measure and track Aviva's reputation has been enhanced through wider engagement of stakeholders. Key areas of focus included the response to the COVID-19 pandemic and the treatment of our customers and Aviva's corporate responsibility and sustainability ambitions. During the year the Committee received updates on the developments in respect of Aviva Investors property funds and the impact on leaseholders.

Conduct and compliance

The Committee continued to review Aviva's conduct risk agenda, conduct risk profile, compliance obligations and the wider regulatory landscape. The Committee regularly monitors the Group's regulatory risk profile and conduct risk data.

The Chairs of the UK Life and UK General Insurance Conduct Committees, and the Chair of Aviva Investors continue to provide updates on the conduct matters in their respective businesses.

The Committee also considered the impact of the FCA's General Insurance Pricing Review on our customers and on the pricing of our products. The Committee reviewed the programme governance to implement the Review by 1 January 2022. The Committee also conducted a deep dive on the FCA's new Consumer Duty proposals, following the first consultation paper in May 2021 and reviewed the response to the consultation. The Committee continues to receive updates on the proposals and assess the impact the new Consumer Duty may have on our products and our customers.

Corporate responsibility and Sustainability

The Committee provides oversight of the Aviva's Sustainability Ambition, launched in March 2021, including the implementation plan, the governance and Key Performance Indicators and the Aviva's Sustainability Ambition scorecards. The Committee agreed the Non-Financial Metrics, which demonstrate Aviva's ESG performance and will monitor progress against the metrics annually. The Committee tracks Aviva's Sustainability Ambition progress and provided input into the governance model for reporting.

The Committee provided oversight of the Aviva Climate Transition Plan that supports the announcement in March 2021 that Aviva would become a Net Zero carbon company by 2040.

The Committee reviewed the content of the Taskforce for Climate-related Financial Disclosure (TCFD) disclosures in preparation for the climate disclosures being voted on (on an advisory basis) at the 2021 Annual General Meeting.

The Committee also continued to monitor and support our community investment and the activities of the Aviva Foundation, which distributes the proceeds of our share forfeiture programme to good causes.

Further information on our integrated responsibility and sustainable business approach can be found on the Company's website at: www.aviva.com/sustainability.

Committee activities during 2021

Customer and conduct risk

- Focused on the implementation of the Group's customer strategy and received regular updates on conduct developments, including emerging trends
- Received reports on material customer trends, including COVID-19 impacts and monitored progress on customer metrics
- Received reports from the Internal Audit function on the effectiveness of conduct risk management information, product management and pricing, customer service and customer data
- Undertook deep dive reviews into digitalisation of customer interactions, our vulnerable customer framework, UK Life product governance, Aviva Canada and Aviva Ireland

Corporate responsibility and Sustainability

- Continued to drive the corporate responsibility agenda and monitored compliance with the Group's corporate responsibility strategy
- Reviewed the Aviva's Sustainability Ambition strategy and tracked implementation plans and progress of scorecard metrics.
- Agreed Non-Financial Reporting metrics
- Approved changes to the Business Ethics Code. Reviewed and recommended changes to the Group's Modern Slavery statement, annual corporate responsibility reporting and the Group's Financial Crime, Regulatory Business Standard and Corporate Responsibility, Environment and Climate Change Business Standard

Regulatory and financial crime

- 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

Committee effectiveness review

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

2022 priorities

In 2022, the Committee will continue to focus on the customer and conduct agenda, including the FCA's proposed new Consumer Duty and the implementation of the FCA's Pricing Practices Review. The Committee will continue to oversight the Aviva's Sustainability Ambition progress against our scorecard and review and input into our Sustainability Report and Climate Transition Plan ahead of their publication in 2022.

Jim McConville
Chair of the Customer, Conduct and Reputation Committee
1 March 2022

Risk Committee report

The Risk Committee has an important role in supporting the Board in the oversight and management of risk.

> "During the year the Committee reviewed the Group's current and projected capital and liquidity position, risk environment and risk profile relative to appetite, focusing on current and emerging financial and non-financial risks."

Belén Romana García
Chair, Risk Committee

I am pleased to present the Risk Committee (the Committee) report for the year ended 31 December 2021.

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 the Strategic report.

The Committee found an improving picture over the year, especially from an operational risk perspective, with improvements in issue remediation and returning risks to tolerance. The Committee also considered risk management in relation to the divestment programme and monitored the management of any risks arising through the disposal processes.

During the year, I was delighted to welcome Andrea Montague as Group Chief Risk Officer (CRO).

Committee membership

Martin Strobel was appointed to the Committee on 1 November 2021 and brings experience in the financial service sector. Shonaid Jemmett-Page was also appointed to the Committee on 14 February 2022 and brings experience of the financial services, digital and sustainability sectors. Additionally, on 21 February 2022, Andrea Blance was appointed to the Committee. Andrea brings extensive experience of the financial services industry and a detailed understanding of risk and regulation. The members of the Committee as at 31 December 2021 are shown in the table below. 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	26/06/2015	6
Patrick Flynn	16/07/2019	2
Mohit Joshi	01/12/2020	1
Jim McConville	01/12/2020	1
Michael Mire	12/09/2013	8
Martin Strobel	01/11/2021	<1

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 and liquidity, operational and reputational risks and reviewing the effectiveness of the Group's Risk Management Framework (RMF). The Committee reviews the methodology and internal model 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 are properly considered in setting the Remuneration Policy.

Committee focus during 2021

During the year the Committee reviewed the Group's current and projected capital and liquidity position, risk environment and risk profile relative to appetite, focusing on current and emerging financial and non-financial risks. The biggest risks related to the macroeconomic implications of the COVID-19 pandemic, albeit with signs of recovery emerging in the second half of the year. Strong focus also remained on balance sheet and financial risk management, particularly as the divestment programme completed during 2021. The Committee reviewed and approved proposed changes to the Group's internal model for determining its capital requirements before submission for approval to the PRA.

The Group's risk appetite framework was refreshed during the year, with revised risk appetites, preferences and tolerances considered and recommended by the Committee for the Board's approval. Climate risk and conduct risk were integrated and defined within the risk appetite framework in order to further support risk-based decision-making.

Risk Committee report continued

Committee activities during 2021

Risk appetite, risk management and risk reporting

- Reviewed reports from the 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 Group's risk profile, and operational, regulatory and conduct risks
- Received regular updates on the COVID-19 pandemic and associated developing risks
- Reviewed and recommended for Board approval the Group's risk policies
- Monitored the impact of the divestment programme on relevant risk appetites
- Worked with Customer Conduct and Risk Committee on climate-related and other sustainability risk
- Reviewed and recommended for Board approval the Solvency II capital and liquidity risk appetites
- Approved the Group's Solvency II capital risk tolerances by risk type
- Reviewed and approved the appointment of the new CRO
- Approved mobilisation of the Risk Improvement Delivery Programme in 2022

Group capital and liquidity, financial plan and stress testing

- Approved the 2021 Group Capital and Liquidity Plan and subsequent updates
- Reviewed capital and liquidity projections including the Group's SII shareholder cover ratio and liquidity cover ratio
- Considered updates on credit risk and the Company's credit exposure and reviewed mitigating actions
- Reviewed the development of the Group'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.
- Reviewed the risks associated with the capital return to shareholders announced with the Full Year 2021 results

Solvency II internal model

- Undertook a review of the internal model components and approved changes to the internal model

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 cyber security risk 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 set business units as part of an updated programme of risk deep-dive reviews
- Reviewed the Group Own Risk and Solvency Assessment 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 Solvency II 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 2022 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 2021 Group Risk and Control Goal

The Customer, Conduct and Reputation Committee (CCRC) continued to operate as a sub-committee of the Risk Committee, with a particular focus on customer, conduct and reputational risk issues, and delivery of Aviva's Sustainability Ambition. The Committee received regular updates from the CCRC throughout the year and the cross membership between the Committees continued to promote a good understanding of issues and enabled efficient communication. The Committee also continued to work closely with the Remuneration and Audit Committees on risk and control matters.

COVID-19

During the year the Committee considered that the biggest threat to the Group's capital and liquidity position remained the macroeconomic implications of the COVID-19 pandemic, albeit this became more remote during the second half. Continuing areas of uncertainty include credit spreads and downgrades, inflation, interest rate movements and the risk of commercial property price volatility on the commercial mortgage portfolio.

Employee wellbeing has remained high on the agenda and the Committee discussed the actions being taken to manage the resulting People Risk, including resource stretch as the economy recovered in the second half.

The Committee was kept updated and supported the proactive steps undertaken by the business in relation to specific customer threats, which included customer focused education and awareness in response to increases in investment scams targeting customers during the COVID-19 pandemic.

Risk Committee report continued

Control environment

Through the continued development of the Group risk dashboard, the Committee received regular updates on the risk profile, residual risks, key concerns and outlook across all markets and risk appetites. Whilst the insights gained from the dashboard demonstrated improvement in the management of risk and controls across the Group, they also enabled the Committee to request deep dives in certain areas and markets, including the management of People Risk, the lessons learnt from a Cyber incident in India, and regarding customer data strategy and risk management.

The Committee also received regular updates on the transition from the London Interbank Offered Rate (LIBOR) to the Sterling Overnight Indexed Average (SONIA) transition, disaster recovery, operational resilience, IT, technical debt and monitored and challenged the progress made by management. Regular deep dive sessions were presented to the Committee by our core markets, providing an overview of current and emerging risks, the relevant operating environment, and performance against business plan, as well as the adequacy of the models within that market. These deep dives supported and informed the Committee's review and monitoring of the Group's risk and control environment and enabled the Committee to monitor the implementation and embedding of the Risk Improvement Delivery Programme (RIDP) within each market.

During 2021, the Committee oversaw the progress of the RIDP, in particular the consideration and recommendation of the revised risk appetite framework which provided an opportunity to reduce complexity across the business. The Committee encouraged management to ensure that the risk appetite framework provided a clear overview of the interrelating parts of the Group's risk appetite, current position against limits and exposures, with benchmarks to assess how the current position against risk types compared to the Group's peers. Following the output of RIDP, the Committee discussed the revised risk appetite framework, statements and risk preference methodology, with a particular focus on ensuring they reinforced the linkage between strategy, risk appetite and risk preferences.

In addition to monitoring the operational risks associated with the divestment programme completed during the year, the Committee tracked the impact of the divestments on the debt management programme and the return of capital. The Committee also monitored the impact of the divestment programme on the Group's solvency, leverage and liquidity positions against risk appetites, tolerances and limits.

Climate Change

Whilst the CCRC oversees the progress made against the targets contained with Aviva's Sustainability Ambition announced in March 2021, management of Climate Risk was introduced as a key pillar of the revised risk management framework approved during the year, and is managed in close collaboration between the Committee, the CCRC, and the Audit Committee. As such, during the year the Committee took significant interest in the sustainability agenda and the metrics and reporting that underpin it. The Committee supported the CCRC and Audit Committee on the oversight of progress as reporting in this area continued to evolve throughout 2021.

The Committee also reviewed the scenarios to be included in the 2021 Group Recovery Plan (RCP), with one of the recommended scenarios to be tested being climate change related shock. As part of its focus on emerging risks, the Committee also reviewed and discussed the Group's response to the Prudential Regulation Authority's 2021 climate biennial exploratory scenario exercise.

Committee effectiveness review

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

2022 priorities

Ahead of my retirement from the Board following the 2022 AGM, I will ensure a smooth handover to the new Committee Chair.

The Committee will continue to monitor the impacts and associated risks arising from the regulatory landscape, global climate change and sustainability, with a particular focus on consideration of emerging risks. There will continue to be a focus on strengthening the risk and control environment, including the mobilisation of RIDP.

In addition, focus will remain on ensuring a strong dialogue between the Group Risk Committee and our equivalent subsidiary level committees.

Belén Romana García
Chair of the Risk Committee
1 March 2022

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 2021.

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 Carbon Reporting (SECR) framework
- Our people – Inclusive diversity – details of our employment policies
- Our people – Engaging with our people – details of employee engagement
- Our business relationships – suppliers, customers and others
- Our strategy – Delivering on a clear plan of action
- Important events since the financial year end
- Future developments

Details of significant post balance sheet events that have occurred after 31 December 2021 are disclosed in note 63.

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 58.

Related party transactions

Related party transactions are disclosed in note 60 which is incorporated into this report by reference.

Dividends

Dividends for ordinary shareholders of Aviva plc are as follows:

- Paid interim dividend of 7.35 pence per 25 pence ordinary share (2020: 7.00 pence)
- Proposed final dividend of 14.70 pence per 25 pence ordinary share (2020: 14 pence)
- Total ordinary dividend of 22.05 pence per 25 pence ordinary share (2020: 21 pence)
- Total cost of ordinary dividends paid in 2021 was £1,110 million (2020: £236 million)

Subject to shareholder approval at the 2022 AGM, the final dividend for 2021 will become due and payable on 19 May 2022 to all holders of ordinary shares on the Register of Members at the close of business on 8 April 2022, by reference to the number and nominal value of ordinary shares in issue at that time. (The payment date is approximately four business days later for holders of the Company's American Depositary Shares (ADS)). In compliance with the rules issued by the Prudential Regulation Authority and other regulatory requirements to which the Group is subject, 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 34.

Dividend policy

In light of our 2021 performance and resilient capital and liquidity, the Board has declared a final dividend of 14.7 pence per 25 pence ordinary share (2020: 14 pence), bringing the full year dividend in respect of 2021 financial year to 22.05 pence per 25 pence ordinary share (2020: 21 pence per share). We recognise that dividends are important to our shareholders, with sustainable growth in cash generation an important driver of dividend capacity. On 1 March 2022 Aviva has approved clear guidance on dividends for the next two financial years. For the period thereafter we anticipate low to mid-single digit growth in dividends per share. These dividend estimates are subject to market conditions and Board approval.

Under UK company law, we may only pay dividends if the Company has 'distributable profits' available. 'Distributable profits' are accumulated, realised profits/(losses) not previously distributed or capitalised, less accumulated, unrealised losses not previously written off based on IFRS. Even if distributable profits are available, we pay dividends only if the amount of our net assets is not less than the aggregate of our called-up share capital and non-distributable reserves and the payment of the dividend does not reduce the amount of our net assets to less than that aggregate. As a holding company, the Company is dependent upon dividends and interest from our subsidiaries to pay cash dividends. 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.

Other statutory information continued

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 the Company's 25 pence 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]
2016	7.42	N/A	15.88	18.71
2017	8.4	9.5	19	21.77
2018	9.25	10.25	20.75	24.12
2019	15.50 [2]	17.35	0.00 [3]	0
2020	7	7.75	14	16.15
2021	7.35	8.6	14.7	–

1 Euro dividend rate per share
2 Interim dividend in respect of 2019 paid in September 2019, second interim in respect of 2019 paid in September 2020
3 On 8 April 2020 the Board withdrew its recommendation to pay the 2019 final dividend, referencing the unprecedented challenges COVID-19 presented for businesses, households and customers and the adverse and highly uncertain impact on the global economy

Distributable reserves

Under the UK company law, dividends can only be paid if a company has distributable reserves sufficient to cover the dividend. At 31 December 2021, Aviva plc itself had sufficient distributable reserves to support the paid and proposed dividends during the period of our business plan. 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.

Acquisition of own shares

Following the divestment of eight businesses for c.£7.5 billion, at the Half Year 2021 results, we committed to returning at least £4 billion of capital. Our capital strength provided us with significant flexibility in terms of capital allocation, and as a result we outlined plans to commence a share buyback of ordinary shares. The Board believed that a buyback was a compelling use of Aviva's excess capital.

On 12 August 2021 Aviva announced a share buyback of ordinary shares for an aggregate purchase price of up to £750 million.
On 16 December 2021 Aviva announced the increase and extension of the share buyback programme to £1 billion.

A total number of 165,637,860 ordinary shares of 25 pence each were repurchased during the year under review, for an aggregate consideration of £663,382,176. These 165,637,860 shares represented 4.398% of the called up ordinary share capital as at 31 December 2021. A further 43,746,866 ordinary shares have been repurchased in the period from 1 January 2022 to 25 February 2022. All repurchased shares have been cancelled with the exception of 11,135,855 shares that are yet to be cancelled. Therefore, the number of shares in issue has reduced by 198 million as at 25 February 2022 in respect of shares acquired and cancelled under the buyback programme. Net of new shares issued during the period from 13 August 2021 to 25 February 2022, the number of shares in issue reduced by 196 million.

Details of shares purchased, held or disposed by employee share plan trusts on the recommendation of the Company in 2021 for use in conjunction with the Company's employees' share plans are set out in note 34.

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 2021 and shares issued during the year are given in notes 32 to 35. The calculation of earnings per share is included in note 14.

Share capital

During the year, 165,237,860 ordinary shares were cancelled following re-purchase by the Company as outlined above, and 2,842,866 ordinary shares were allotted to satisfy amounts under the Group's employee share and incentive plans.
At 31 December 2021:

- Issued ordinary share capital totalled 3,766,095,426 shares of 25 pence each (82% of total share capital)
- Issued preference share capital totalled 200,000,000 shares of £1 each (18% of total share capital)

Further details on the ordinary share capital of the Company are shown in note 32.

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

Other statutory information continued

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 2022 AGM, shareholders will be asked to renew the directors' authority to allot new securities. Details are contained in the Notice of 2022 Annual General Meeting (Notice of AGM).

Restrictions on transfer of securities/ voting rights

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

Details of shares purchased during 2021 are outlined above (under 'Acquisition of own shares'). At the Company's 2021 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 in relation to the ordinary shares was used and 165,637,860 ordinary shares were purchased during 2021, with a further 43,746,866 ordinary shares purchased between 1 January 2022 and 25 February 2022.

At the 2022 AGM, shareholders will be asked to renew the authorities to buy Aviva shares for another year and the resolution in relation to the ordinary shares will once again propose a maximum aggregate number of ordinary shares which the Company can purchase of less than 10% of the issued ordinary share capital. Details are contained in the Notice of AGM available at www.aviva.com/agm. All shares purchased by the Company during 2021 and up to 25 February 2022 have been cancelled with an exception of 11,135,855 shares that are yet to be cancelled. The Company held no treasury shares during the year or up to the date of this report.

Shareholding interest

	At 31 December 2021		At 25 February 2022	
Shareholder	Notified holdings[1]	Nature of holding	Notified holdings[1]	Nature of holding
BlackRock, Inc[2]	5.01%	Indirect	5.01%	Indirect
Cevian Capital II G.P. Limited	5.01%	Indirect	5.01%	Indirect

1 Percentage as at date of notification
2 Holding includes holdings of subsidiaries

Disclosure guidance and transparency rule 5 – major shareholders

The table 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 2021 and 25 February 2022. Information provided to the Company under the DTRs is publicly available via the regulatory information services and on the Company's website.

Directors

The directors as at the date of this report, together with their biographical details and details of Board appointments, resignations and retirements are shown earlier in Our Board of Directors 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.

Other statutory information continued

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 2021.

Disclosure of information to the auditor

In accordance with section 418 of the Companies Act 2006, the directors in office at the date of approval of this Annual Report and Accounts confirm that, so far as they are each aware, there is no relevant audit information of which the Company's External Auditor PwC), is unaware and each director has taken all steps that ought to have been taken as a director in order to make themselves aware of any relevant audit information and to establish that PwC is aware of that information.

Annual General Meeting (AGM) and General Meeting (GM)

The 2022 AGM of the Company will be held at The Queen Elizabeth II Centre (QEII Centre), Broad Sanctuary, Westminster, London SW1P 3EE, on Monday, 9 May 2022, at 1pm with facilities to attend electronically. The Notice of AGM convening the meeting describes the business to be conducted thereat. Any proxy voting instruction, whether provided online, by post or via CREST or Proximity voting, must be received by our Registrar, Computershare Investor Services PLC, by no later than 1pm on Thursday, 5 May 2022. Further details can be found in the shareholder information section of the Notice of AGM.

A General Meeting of the Company relating to the proposed Return of Capital will be held at The Queen Elizabeth II Centre (QEII Centre), Broad Sanctuary, Westminster, London SW1P 3EE on Monday, 9 May 2022, at 3:30pm with facilities to attend electronically. The Circular and Notice of GM 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 3:30pm on Thursday, 5 May 2022. Further details can be found in the Circular and Notice of GM.

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 2021 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 50); its contingent liabilities and other risk factors (note 53); its capital management (note 55); management of its risks including market, credit and liquidity risk (note 57); and derivative financial instruments (note 58).

The going concern and longer-term viability review includes consideration of the Group's current and forecast solvency and liquidity positions over a three-year period which aligns to management's 2022-2024 business plan and evaluates the results of stress and scenario testing. Stress and scenario testing (including reverse stress testing) is used to test the resilience of business plans and to inform decision-making. These tests are driven by the Group's risk profile at a range of severities, as well as a range of other scenarios as part of the Group solvency and liquidity management processes.

The Group continues to maintain strong solvency and liquidity positions through a range of scenarios and stress testing. Particular areas of uncertainty include credit downgrades where a specific focus has been our commercial mortgage portfolio which we continue to monitor closely and for which we have undertaken a number of actions including debt restructuring. The Group's balance sheet exposure has been reviewed and actions taken to reduce the sensitivity to economic shocks.

Even in severe downside scenarios, no material uncertainty in relation to going concern and longer-term viability has been identified, due to the Group's strong solvency and liquidity positions providing considerable resilience to external shocks, underpinned by the Group's approach to risk management (see note 57).

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 UK Solvency II regulatory framework.

Going concern

After making enquiries, the directors have a reasonable expectation that the Company and the Group as a whole have adequate resources to continue in operational existence for a period of at least 12 months from the date of approval of the financial statements. For this reason, they continue to adopt, and to consider appropriate, the going concern basis in preparing the financial statements.

Longer-term viability statement

The directors have assessed the prospects of the Group in accordance with Provision 31 of the 2018 UK Corporate Governance Code, with reference to the Group's current position and prospects, its strategy, risk appetite, and the potential impact of the principal risks and how these are managed. Based on this assessment, the directors have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the three-year assessment period to 31 December 2024.

Other statutory information continued

Fair, balanced and understandable

To support the directors' statement below that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable, the Board considered the process followed to draft the Annual Report and Accounts:

- Each section of the Annual Report and Accounts is prepared by a member of management with appropriate knowledge, seniority and experience. Each preparer receives guidance on the requirement for content included in the Annual Report and Accounts to be fair, balanced and understandable
- The overall co-ordination of the production of the Annual Report and Accounts is overseen by the Chief Financial Controller to ensure consistency across the document
- An extensive verification process is undertaken to ensure factual accuracy
- Comprehensive reviews of drafts of the Annual Report and Accounts are undertaken by members of the Aviva Executive Committee and other members of senior management and, in relation to certain parts of the report, external legal advisers and the External Auditor
- An advanced draft is considered and reviewed by the Disclosure Committee
- The final draft is reviewed by the Audit Committee prior to consideration by the Board
- Board members receive drafts of the Annual Report and Accounts for their review and input. This includes the opportunity to discuss the drafts with both management and the External Auditor, challenging the disclosures where appropriate

Directors' responsibilities

The directors are responsible for preparing the Annual Report and Accounts, the Directors' Remuneration report and the financial statements in accordance with applicable law and regulations.

Company law required the directors to prepare financial statements for each financial year. Under that law the directors have prepared the Group and parent financial statements in accordance with UK-adopted international accounting standards. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and apply them consistently;
- make reasonable and prudent judgements and accounting estimates;
- state where applicable the directors have prepared the Group and parent company financial statements in accordance with UK-adopted international accounting standards; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company and Group will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and Group, enable them to ensure that the financial statements and the Directors' Remuneration report comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Company and Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for making, and continuing to make, the Company's Annual Report and Accounts available on the Company's website. 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 UK-adopted international accounting standards, give a true and fair view of the assets, liabilities, financial position and profit of the Group; and the Strategic report and the Directors' and Corporate Governance report in this Annual report include a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that it faces.

Listing Rules requirements

For the purposes of Listing Rule (LR) 9.8.4C R, the information required to be disclosed by LR 9.8.4 R can be found in the following locations:

Section in LR 9.8.4C R	Topic	Location in the Annual Report and Accounts
12	Shareholder waivers of dividends	IFRS Financial Statements – note 34
13	Shareholder waivers of future dividends	IFRS Financial Statements – note 34

By order of the Board on 1 March 2022.

Amanda Blanc
Group Chief Executive Officer

Remuneration Committee report

The Committee assists the Board in its oversight of remuneration policies for directors and the Group ensuring alignment and fairness in decision making

"Remuneration outcomes for the year reflect our strong financial performance and ability to deliver on our 2021 commitments."

Pippa Lambert
Chair of the Remuneration Committee

On behalf of the Remuneration Committee (the Committee), I am pleased to present the Directors' Remuneration Report (DRR), for the year ended 31 December 2021.

The format of the DRR has been refreshed with the use of charts and tables, and is in three parts:

- 'Remuneration at a glance' provides a clear summary of our Remuneration Policy (the Policy), and 2021 performance and outcomes
- The application of the Policy in 2021, the 2021 remuneration outcomes, and how the Policy will be implemented in 2022 are detailed in the 'Annual report on remuneration'
- The Directors' Remuneration Policy

2021 Company performance

Our results show delivery of strong financial performance and demonstrate our ability to deliver on our commitments for stakeholders:

- Growth in the value created in our core markets and in our dividend were seen in the increase in Own Funds Generation (OFG) and cash remittances
- The sales of all previously identified businesses were completed before year-end, enabling us to start share buybacks and give certainty to shareholders on returning capital
- Customer service levels remained strong, although down slightly against 2020; this is reflected in the Relationship Net Promoter Score (RNPS) and Transactional Net Promoter Score (TNPS) outcomes
- Continued improvements in the risk and control environment were evident with a year-on-year increase in Risks inside Tolerance (RIT)
- We were the first major insurance company to set out an ambition to be Net Zero by 2040; taking a leadership position on Environmental, Sustainability and Governance (ESG) issues and are on track to meet this ambition. We have incorporated this strategic ambition in our Long-Term Incentive Plan (LTIP)
- Whilst efforts to drive change across the business saw efficiency improvements, it did cause a degree of uncertainty. This resulted in lower levels of employee engagement, although still higher than the financial services benchmark
- The continued focus on Diversity & Inclusion (D&I) across the whole Group has seen an increase in the proportion of female senior leaders (to 33.7%) and an increase in ethnicity disclosure rates, up to 85.1% from 43.9%

Remuneration outcomes for 2021

Whilst the challenges of COVID-19 continued to be felt across the business, no adjustments to performance measures were made for the 2021 annual bonus or 2019 LTIP awards during the year.

2021 Annual bonus

The Committee determined the final bonus scorecard outcome to be 75.8% of maximum (at 151.6%).

In reaching this decision, the Committee carefully considered Group, business unit and individual performance during 2021, noting that the formulaic outcome against the bonus scorecard, prior to any adjustments, was 151.6%.

The Committee conducted an extensive analysis of the quality of earnings, noting recommendations by the Audit Committee. In addition, the Committee received input from the Risk Committee on the Risk and Control assessment outcomes, and determined that no adjustments were necessary.

During 2021, Amanda Blanc continued to drive a fundamental turnaround of the business. Her outstanding performance included delivery of strong financial performance with growth across all our targeted areas, successful completion of our disposal programme, execution of the Capital Framework, the relaunch of the Aviva brand and our positioning on ESG, and rebuilding the executive team.

As a result, Amanda's annual bonus for 2021 was 88.3% of maximum (at 176.6% of salary).

2019-21 LTIP

As a result of our performance over 2019-21, the 2019 LTIP did not vest. This reflected below threshold performance against both the adjusted operating earnings per share (EPS) and the relative Total Shareholder Return (TSR) targets.

Discretion

No discretion was applied in determining the annual bonus and LTIP vesting outcomes. The Committee agreed that the final remuneration outcomes reflected Group performance over the respective performance periods and was satisfied that the Policy had operated as intended.

Remuneration Committee report continued

Departure of Jason Windsor

As announced, Jason Windsor resigned as Chief Financial Officer (CFO) on 12 January 2022 and his six-month notice period ends in July 2022. During this period, Jason will continue to receive his contractual salary and benefits.

Jason was not eligible for any further awards under the Annual Bonus Plan (ABP) (including for 2021) and LTIP. Deferred awards under the ABP and LTIP will no longer vest and will lapse on departure. Jason will be required to retain his full shareholding requirement for two years following cessation of employment.

Update to LTIP targets

The targets for the 2020 and 2021 LTIP awards were updated to reflect the change in the methodology of Solvency II (SII) Return on Equity (RoE) calculation and the divestment of non-core businesses during the performance period. Further details on SII RoE can be found in the 'Other Information: Alternative Performance Measures' section.

The impact of SII RoE on the targets is + 2% for both awards and of the divestments is -2.5% and -1% for 2020 and 2021 respectively. The new targets are:

Year	2020		2021	
Target	Threshold	Maximum	Threshold	Maximum
Original	11.0%	13.0%	9.0%	11.0%
New	10.5%	12.5%	10.0%	12.0%

The Committee was satisfied that the adjustments were made on a like for like basis.

Shareholder consultation

In addition to the Annual General Meeting (AGM), the Chair and Executive Directors (EDs) meet with institutional shareholders during the year and a shareholder newsletter is published quarterly on aviva.com. Topics raised included Aviva's dividend policy, capital returns, our strategic plan and progress, and climate risk.

Key institutional shareholders were also engaged on the proposal to increase the weighting of non-financial measures in the LTIP from 10% to 20% and minor changes to the ABP measures. Overall, shareholders were supportive of the changes. The final 2022 LTIP and ABP measures are shown in table 19 and reflect the importance of our ambition to be the 'Go to customer brand in the UK' and the increasing magnitude of climate and environmental issues.

I look forward to continued constructive engagement with shareholders this year.

Committee changes during the year

In September 2021, I succeeded Patricia Cross as Chair of the Committee. I would like to thank Patricia, for chairing the Committee so effectively over the past eight years, and the other Committee members, for their support and assistance in helping me discharge my duties as Chair of the Committee. Andrea Blance joined the Committee in February 2022. Andrea brings extensive experience of the financial services industry and an in-depth understanding of customers, risk and regulation.

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 Executive Committee.

Remuneration in 2022

Salary

Amanda will receive a salary increase of 3%, which is in line with other Aviva employees in the UK. Jason will not receive a salary increase.

2022 Annual bonus and 2022-24 LTIP

Award opportunities for 2022:

	Annual bonus		
	Target opportunity	Maximum opportunity	LTIP opportunity
Group CEO	100%	200%	350%

The Committee considers the increased LTIP opportunity will ensure appropriate alignment and incentivisation to deliver the Board's agenda for 2022 and beyond whilst remaining within our Policy. In making this LTIP proposal, the Committee was mindful of the relatively low retention value of Amanda's current deferred awards, given her short tenure and having been internally appointed as Group CEO from a Non-Executive Director (NED) role.

A graphical summary and further details are shown in table 19. The Remuneration Framework will help drive performance against our key financial and non-financial goals.

2022 Focus areas

Ensuring that our remuneration approach, practices and outcomes fully support our strategy is the overarching priority for 2022. This includes transforming performance, our D&I agenda and ESG priorities.

Remuneration has a critical role to play in ensuring we are able to attract, incentivise and retain high performing colleagues; it is our colleagues who will collectively determine our success.

The Committee has to balance the views and priorities of different stakeholders; including colleagues, shareholders, regulators and customers in making decisions. Striking the right balance is key.

Conclusion

Aviva has delivered strong financial results in another challenging year. As a Committee, we have sought to make decisions which effectively drive and support progress, while continuing to align with UK best practice remuneration and governance expectations.

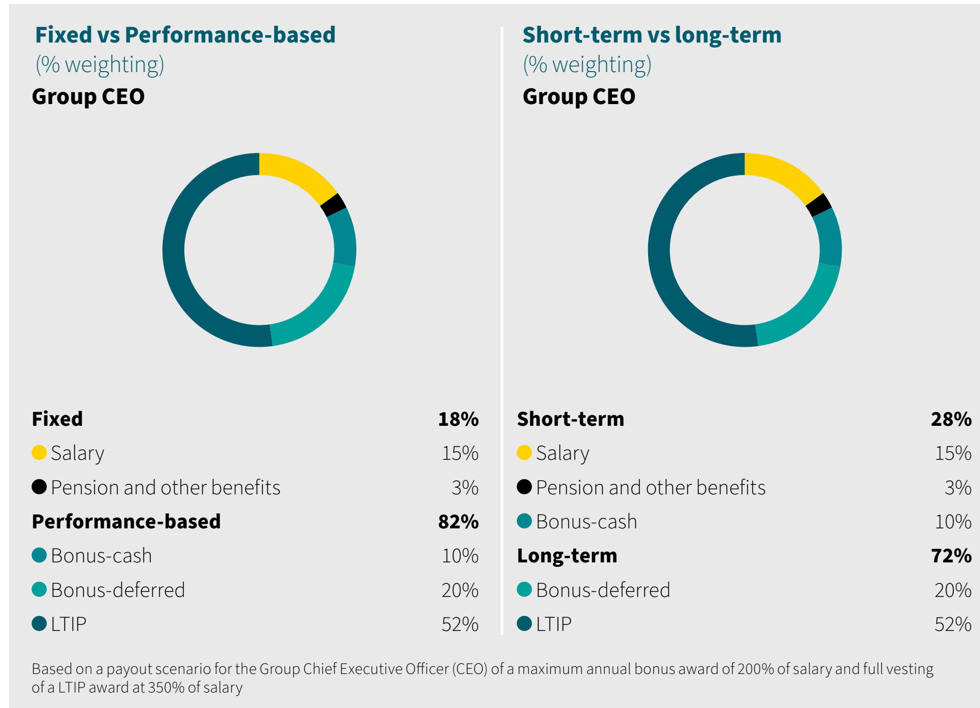
I hope that this report is clear and informative, for you and I look forward to seeing shareholders at the forthcoming AGM.

Pippa Lambert
Chair of the Remuneration Committee
1 March 2022

Remuneration at a glance

1. Elements of remuneration

A significant proportion of EDs' remuneration is performance-based, long-term and remains 'at risk' (i.e. subject to malus – forfeiture or reduction before delivery – and clawback – recovery provisions for a period after delivery).



Fixed vs Performance-based (% weighting)

Group CEO

Fixed	**18%**
Salary	15%
Pension and other benefits	3%
Performance-based	**82%**
Bonus-cash	10%
Bonus-deferred	20%
LTIP	52%

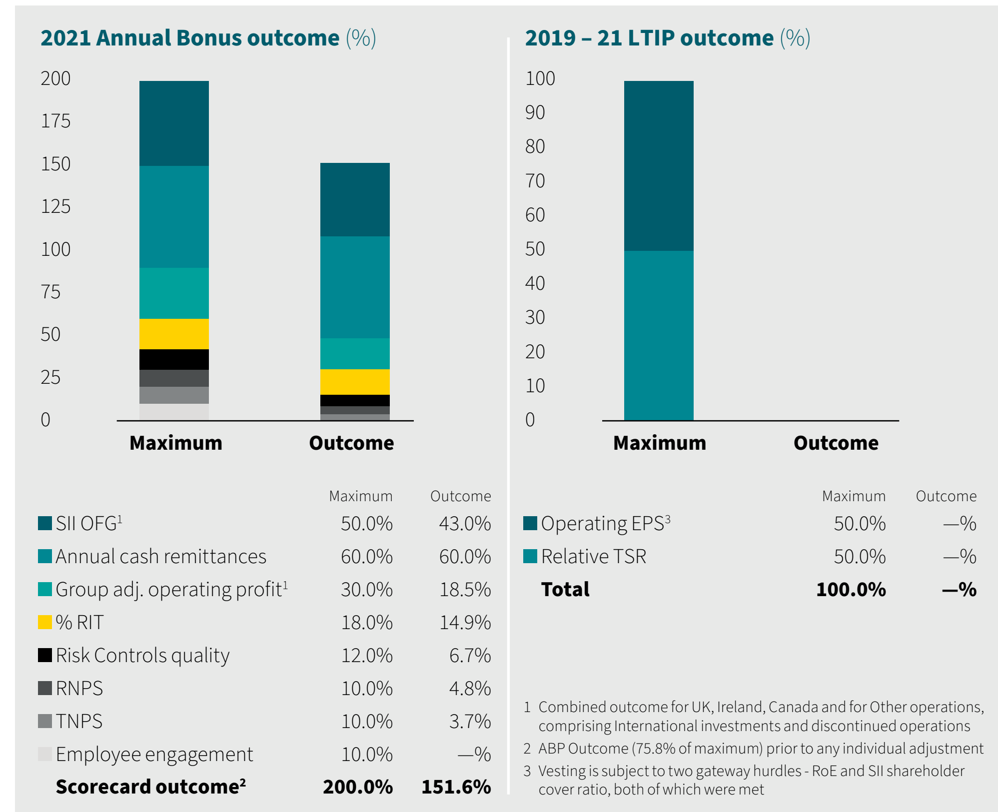
Short-term vs long-term (% weighting)

Group CEO

Short-term	**28%**
Salary	15%
Pension and other benefits	3%
Bonus-cash	10%
Long-term	**72%**
Bonus-deferred	20%
LTIP	52%

Based on a payout scenario for the Group Chief Executive Officer (CEO) of a maximum annual bonus award of 200% of salary and full vesting of a LTIP award at 350% of salary

2. 2021 remuneration outcomes



	Maximum	Outcome
SII OFG[1]	50.0%	43.0%
Annual cash remittances	60.0%	60.0%
Group adj. operating profit[1]	30.0%	18.5%
% RIT	18.0%	14.9%
Risk Controls quality	12.0%	6.7%
RNPS	10.0%	4.8%
TNPS	10.0%	3.7%
Employee engagement	10.0%	—%
Scorecard outcome[2]	**200.0%**	**151.6%**

	Maximum	Outcome
Operating EPS[3]	50.0%	—%
Relative TSR	50.0%	—%
Total	**100.0%**	**—%**

1 Combined outcome for UK, Ireland, Canada and for Other operations, comprising International investments and discontinued operations
2 ABP Outcome (75.8% of maximum) prior to any individual adjustment
3 Vesting is subject to two gateway hurdles - RoE and SII shareholder cover ratio, both of which were met

Further details are shown in table 2 in the Annual Report on Remuneration

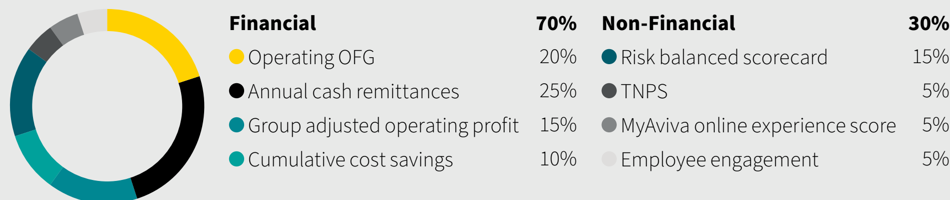
Remuneration at a glance continued

3. Alignment

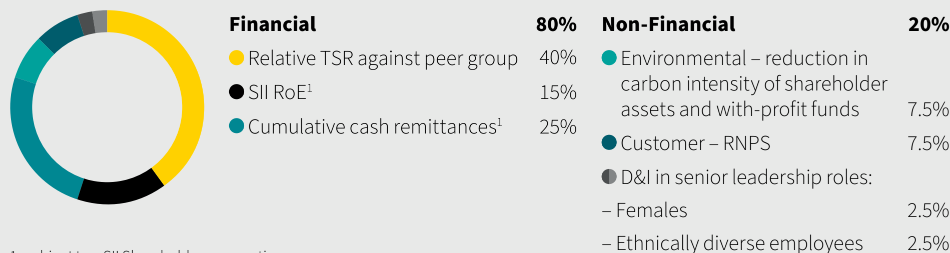
3.1 With strategy

The Committee firmly believes that performance measures used in our incentives should be linked to the Group's Key Performance Indicators (KPIs) and other strategic priorities.

2022 Annual Bonus Plan (% weighting)



2022 LTIP (% weighting)



1 subject to a SII Shareholder cover ratio.

Annual Bonus & LTIP measure aims

The financial measures in the annual bonus underpin our dividend, measure the value created in the period as well as our profitability, and the non-financial measures complement the delivery of broader strategic goals.

The LTIP measures support delivery of sustained performance and value growth.

3.2 With the wider workforce

	Executive Directors	Executive Committee	Senior Management	Wider Workforce
Salary	Our principle is of pay equity for performing the same, or broadly similar, work, accounting for local market benchmarks and union / collective agreements, where applicable.			
	Salaries are reviewed annually and increases are typically in line with or less than the wider employee population.			Salaries are reviewed annually subject to engagement with employee representatives / unions where applicable. It is important that all colleagues enjoy a reasonable standard of living and we are proud to be both a Living Wage and a Living Hours employer in the UK.
Benefits	Eligible for a range of voluntary benefits and Wellbeing available to all colleagues in respective markets. Colleagues can participate in a share matching plan (Aviva matches two shares for every one bought up to £50 per month) and, in the UK, the Aviva Savings Related Share Option Scheme 2020 (SAYE). UK benefits include 8 times' salary death-in-service. In addition, flexible benefits allow colleagues to add to and/or supplement where Company provisions differ, e.g. private health benefit:			
	Private Medical			Essential health support in lieu of Private Medical.
Pension	Eligible to participate in Aviva's UK defined contribution pension scheme with a 14% contribution (or where applicable receive cash in lieu). Rates in Ireland are 14%, although different rates apply in Canada.			
Bonus *Basis*	Annual performance-related bonus based on Group, business unit (where applicable) and individual performance against goals.			
Deferral	⅔ into shares	½ into shares	⅓ into shares	All paid in cash
Long-Term Incentive	LTIP share awards are subject to strategic performance measures over three years		Eligible for Restricted Share Awards aligned with shareholder interests, long-term Aviva performance and retention of key talent.	Not eligible
	Additional two-year holding period post-vesting applies to EDs.	Additional holding period post-vesting not applicable to Executive Committee (ExCo)		

Remuneration at a glance continued

3.3 With the UK Corporate Governance Code

The Committee is mindful of the UK Corporate Governance Code's six principles when it determines remuneration policy. The Committee's view is that the Remuneration Framework at Aviva is well-aligned with these areas.

Clarity	Risk
• 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	Our reward structure ensures risk events are reflected in remuneration outcomes through: • Opinion from Risk on appropriate performance measures and targets; risk, performance management and consequence management inputs are considered before awards are made • Overarching discretion is retained to adjust formulaic outcomes to properly reflect any risk events • Deferral of annual bonus (over three years) and LTIP (five years, including an additional two-year holding period), subject to malus and clawback provisions mitigates against future risk • Our within- and post-employment shareholding guidelines align to the successful delivery of the company's long-term strategy
Simplicity	**Proportionality**
• 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	• 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
Predictability	**Alignment to culture**
• 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	• We are committed to effective stakeholder and colleague engagement • As part of this, the Committee regularly reviews data and insights relating to pay and broader employment conditions in the workforce, and takes these into account when considering executive remuneration

4. Views

Shareholders

In its ongoing dialogue with shareholders and proxy advisory bodies, the Committee actively seeks their views, ensuring that feedback received is discussed at Committee meetings and ultimately feeds into the development of new proposals. In addition to proposed changes to the ABP & LTIP, shareholders provided feedback on dividend policy, capital returns, our strategic plan and climate risk. The Committee is grateful for their feedback and challenge, as it provided useful context when deliberating on the changes to the ABP and LTIP.

Our colleagues

The Committee has sight of colleague views on remuneration through the colleague opinion survey (Voice of Aviva), input from the People function during Committee meetings, colleague forums and the Evolution Council, chaired by the Board Chair. Specifically for the last two channels:

- The Committee Chair met with Your Forum (a fully elected employee forum representing UK colleagues) in October 2021. Discussion included key priorities for 2022 and how to balance the need for a sustainable Remuneration Framework whilst retaining key talent.
- 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 12. Other considerations include:
  - Changes in remuneration (salary, benefits and bonus) of UK employees compared with that of directors (see table 8);
  - The ratio of CEO pay to that of employees (see tables 11 and 12);
  - Spend on pay compared with, for example operating profit and dividends (see table 13); and
  - Gender and ethnicity pay gaps. We released our UK Pay Gap Report 2021 in February 2022. This was the fifth year that we published our gender pay gap and first time for our ethnicity pay gap. The report also included details of actions we are taking to drive change and close the gap. The report can be found at www.aviva.com/about-us/uk-pay-gap-report.
- Any material changes to benefit and pension provision for colleagues more widely.

Annual report on Remuneration

This section of the report sets out how Aviva has implemented its Policy for EDs during 2021.

This section of the report sets out how Aviva has implemented its Policy for EDs during the course of 2021. 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/about-us/remuneration-committee/ and are also available from the Group General Counsel and Company Secretary.

Committee membership

The members of the Committee are shown below. Pippa Lambert joined the Committee in January 2021 and was appointed as Chair in September.

	Member Since	Years on the Committee
Pippa Lambert[1]	01/01/2021	1
Patricia Cross[2]	01/12/2013	8
Michael Mire	14/05/2015	6
Patrick Flynn	15/06/2020	2

1 Chair from 14 September 2021
2 Chair from 19 February 2014 and stepped down on 14 September 2021

The Committee met 10 times during 2021, of which six were scheduled meetings and four 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 Group CFO;
- the Group Chief People Officer;
- the Group Reward and Performance Director;
- the Chief Financial Controller;
- the Chief Audit Officer;
- the Group Chief Risk Officer; and
- the Remuneration Committee Chair of Aviva Investors.

No person was present during any discussion relating to their own remuneration.

During the year, the Committee received advice on executive remuneration matters from Deloitte LLP. Deloitte LLP were approved by the Committee and appointed as their advisers in 2012 following a competitive tender process. The Committee regularly reviews and satisfies itself that the advice received from Deloitte LLP is independent and objective.

The Committee notes Deloitte LLP is a member of the Remuneration Consultants Group and adheres to its Code of Conduct. During the year, Deloitte LLP also provided advice to the Group on 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 £169,450 and Tapestry Compliance Limited were paid fees totalling £14,000 for their advice to the Committee on these matters. Fees were charged on a time plus expenses basis.

The Committee reflects on the quality of the advice provided and whether it properly addresses the issues under consideration as part of its normal deliberations. The Committee is satisfied that the advice received during the year was objective and independent.

Committee performance and effectiveness

During 2021, the effectiveness of the Committee was considered alongside the Board evaluation. 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 2021

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
- Refined the measures in the remuneration policy to align with Aviva's overall strategy and ambitions
- Engaged key shareholders on financial and non-financial measures for the 2021 and 2022 annual bonus and the 2021-2023 and 2022-2024 LTIP
- Reviewed and approved the Company's annual remuneration regulatory reporting and disclosures
- Reviewed and approved the Reward Governance Framework Policies
- Approved the list of in scope staff in respect of the different regulatory regimes to which the Company is subject

Senior management objectives, pay decisions and bonus and LTIP target setting

- Determined appropriate levels of discretion to be applied to ED and ExCo remuneration outcomes, taking into account the global pandemic, shareholder experience and the risk and control environment
- Reviewed engagement with shareholders on 2021 annual bonus and LTIP measures, including climate, customer and risk as strategic measures
- Discussed and approved the annual bonus targets for 2021 taking into account expected disposals
- Reviewed and approved the proposed individual remuneration for each member of the ExCo in relation to their performance

Annual Report on Remuneration continued

- Agreed an appropriate approach to remuneration packages for incoming and outgoing ExCo members in line with policy
- Reviewed wider workforce pay and employment terms and conditions
- Concluded its review of 2020 performance:
  - 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 measures on culture and risk as well as on financial performance

Share plan operation and performance testing

- Reviewed performance testing of all existing LTIP awards, and approved targets for the 2021 LTIP awards
- Approved vesting outcomes for the 2018 LTIP and noted the interim testing for the 2019, 2020 and 2021 awards
- Approved proposed changes to the LTIP and ABP, All Employee Share Ownership Plan (AESOP) and Global Matching Share Plan plan rules ahead of the 2021 AGM
- Reviewed the proposed changes to future LTIP grants
- Reviewed and approved any application of malus and clawback
- Approved the terms of the SAYE, the Aviva Ireland Save as You Earn Scheme, the Ireland Profit Share Scheme, and the invitation terms for eligible employees

The Committee's decisions 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 right.

Reward Governance Framework

Terms of reference, policies and guidelines

Terms of Reference	✓ **Remuneration Committee terms of reference** Sets out the Committee's scope and responsibilities, including authorities which may be delegated but which still retain Committee oversight		
	(delegated) **Subsidiary board remuneration committee terms of reference** Sets out the subsidiary remuneration committee's scope and responsibilities		
Overarching policy ✓	**Aviva Remuneration Policy** Approved by the Committee, applies to all employees in entities within Aviva Group	**Director's Remuneration Policy** Approved by shareholders, applies to directors of Aviva Group plc	
Supporting policies ✓	**Identification of remuneration regulated employees**	**Variable pay and risk adjustment** (includes bonus, LTIPs, buy-out, retention, recognition awards and funding)	**Malus and clawback**
Internal guidelines and non-Remuneration Committee approved policies (examples) (delegated)	**Benchmarking**	**Bonus deferral**	**Buyouts and guarantees**
	Global mobility	**Retention awards**	**Specialist incentive schemes**

Control and assurance

✓ **Remuneration business standard** Assurance framework to attest reward operations are conducted within the Global Remuneration Policy, Directors' Remuneration Policy and supporting policies	✓ **Reward Approvals framework** Approval requirements to ensure Reward operations are conducted within the Global Remuneration Policy, Directors' Remuneration Policy and supporting policies

Key

✓ Element of the Reward Governance Framework managed as part of the business of the Committee

(delegated) Element of the Reward Governance Framework managed mainly under delegated authority from the Committee

Annual Report on Remuneration continued

Single total figures of remuneration for 2021

The table below sets out the total remuneration for 2021 and 2020 for each of our EDs.

Table 1 Total 2021 remuneration – Executive Directors (audited information)

	Executive Directors				Total emoluments of Executive Directors[8]	
	Amanda Blanc[6]		Jason Windsor[7]			
	2021 £000	2020 £000	**2021 £000**	2020 £000	**2021 £000**	2020 £000
Basic Salary[1]	**1,000**	489	**675**	675	**1,675**	1,164
Benefits[2]	**121**	78	**7**	42	**128**	120
Pension[3]	**123**	51	**83**	83	**206**	134
Total Fixed Pay	**1,244**	618	**765**	800	**2,009**	1,418
Annual bonus[4]	**1,766**	587	**—**	675	**1,766**	1,262
LTIP[5]	**—**	—	**—**	—	**—**	—
Total Variable Pay	**1,766**	587	**—**	675	**1,766**	1,262
Total	**3,010**	1,205	**765**	1,475	**3,775**	2,680

1 Basic salary received during the relevant year
2 The benefits disclosure includes the cost, where relevant, of private medical insurance, life insurance, accommodation, travel and car benefits. All numbers disclosed include the tax charged on the benefits, where applicable. Amanda's benefits include the balance of her taxable relocation assistance (£48,000), car benefits (£54,000) and subscriptions (£9,000).
3 Pension contributions consist of employer defined contribution benefits, excluding salary exchange contributions made by the employees, plus cash payments in lieu of pension. Amanda and Jason received cash payments totalling 12.34% of basic salary (pension contribution of 14% which is reduced for the effect of employers' National Insurance contributions when paid as cash). No ED has a prospective entitlement to benefit in a defined benefit scheme.
4 Bonus payable in respect of the financial year including any deferred element at the face value at the date of award. EDs are required to defer two-thirds of any bonus awarded into Aviva shares. The deferred share element is 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. No discretion was exercised in determining the 2021 annual bonus outturn.
5 The nil LTIP amount reflects the fact that neither Amanda nor Jason received an LTIP award in 2019, which had a three-year performance period ending 31 December 2021. 0% of the award will vest in March 2022
6 Amanda was appointed as Group CEO on 6 July 2020; the figures for 2020 reflect the period since her appointment
7 Deferred awards under the ABP and LTIP will no longer vest and will lapse on departure
8 Year-on-year increase is primarily due to 2020 figures only reflecting part-year remuneration for Amanda

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.

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.

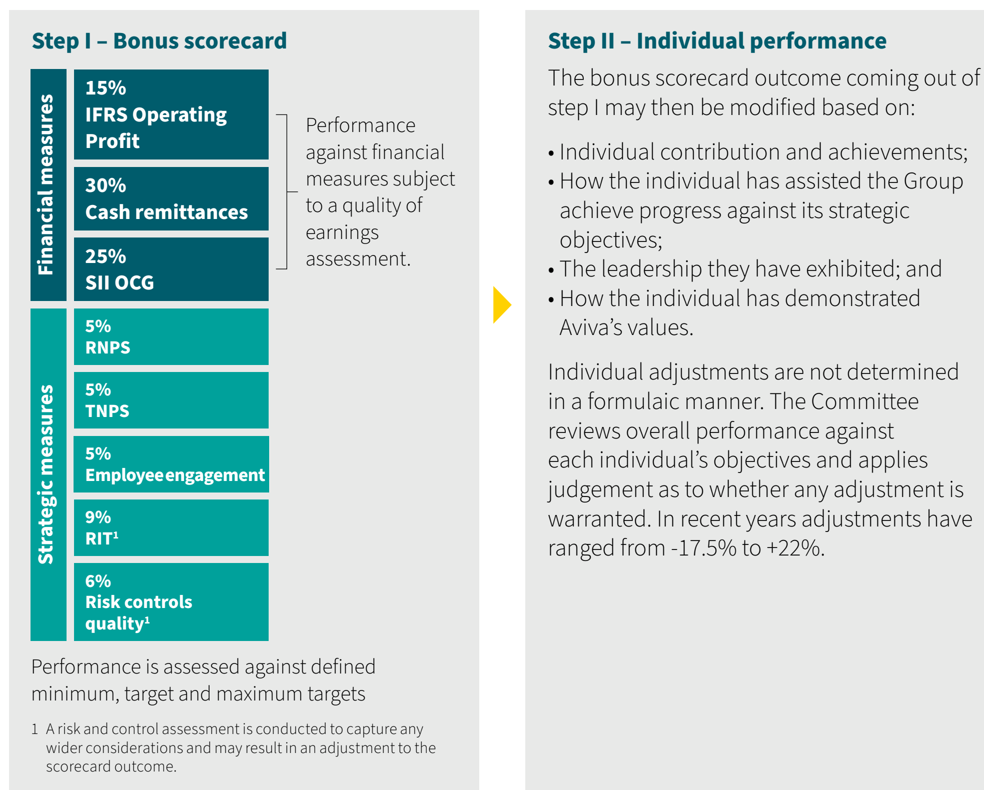
Other items of remuneration

The EDs have not received any items in the nature of remuneration other than those disclosed in table 1.

Annual Report on Remuneration continued

2021 Annual bonus outcomes

The chart below summarises how our annual bonus operates for 2021.



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 EDs, as applicable.

Table 2 2021 performance against bonus scorecard for Executive Directors' bonuses (audited information)

Measure	Weighting	Minimum[1] (50%)	Target[1] (100%)	Maximum[1] (200%)	Actual	Outcome
Financial measures (70% of total)						
Adjusted operating profit - UK, Ireland & Canada	10.0%	£1,383m	£1,496m	£1,608m	**£1,540m**	**14.0%**
Adjusted operating profit - Other operations[2]	5.0%	£680m	£735m	£790m	**£725m**	**4.5%**
Cash remittances - UK, Ireland & Canada	30.0%	£1,415m	£1,530m	£1,645m	**£1,651m**	**60.0%**
SII OFG - UK, Ireland & Canada[3]	20.0%	£784m	£848m	£912m	**£1,082m**	**40.0%**
SII OFG - Other operations[3]	5.0%	£516m	£558m	£600m	**£525m**	**3.0%**
Total financial measures	70.0%					**121.5%**
Strategic measures (30% of total)						
RNPS[4]	5.0%	6.0	11.0	16.0	**10.6**	**4.8%**
TNPS	5.0%	41.0	44.0	47.0	**42.5**	**3.7%**
Employee engagement	5.0%	76.0%	80.0%	83.0%	**72%**	**0.0%**
RIT[5]	9.0%	94.0%	96.0%	98.0%	**97.3%**	**14.9%**
Risk controls quality[5]						
% Overdue internal audit	1.5%	6.0%	3.0%	—%	**3.5%**	**1.4%**
% Overdue non-internal audit issues	1.5%	15.0%	5.0%	—%	**14.6%**	**0.8%**
% Ineffective controls from quality assurance testing	3.0%	15.0%	5.0%	—%	**2.4%**	**4.5%**
Total strategic measures	30.0%					**30.1%**
Scorecard outcome	100.0%					**151.6%**

1 Targets take into account planned divestments and expected lower contribution from management actions & other
2 Other operations include international investments and discontinued operations
3 Total SII OFG is net of £38m preference share interest costs
4 RNPS on a relative basis
5 Input received from the Risk Committee indicated improvements made from the prior year in strengthening risk and control in core markets. The Committee determined that no adjustment to the bonus scorecard was required

Annual Report on Remuneration continued

Step II – Individual performance

The Committee assessed Amanda on her individual performance in the year which is set out below. As a result of his resignation, Jason Windsor was not eligible for an annual bonus in respect of 2021.

Amanda Blanc

The Aviva Group had a strong year under Amanda's leadership building on her first six months in 2020. Key achievements include:

- Delivery of strong and broad financial performance with robust growth across targeted areas (£10 billion net flows in S&R, record Commercial Lines growth, £6.2 billion of BPA volumes) and solid underlying performance across continuing operations with progress towards efficiency targets
- Completion of our divestment programme at pace with the sale of businesses in continental Europe (France, Poland, and the remaining Italian businesses) and Asia (Vietnam)
- Successful completion of the disposals has allowed the commencement of £1 billion share buyback and the announcement of a total capital return of £4.75 billion to shareholders
- £1.9 billion debt reduction delivered in the year, bringing the debt leverage ratio below 30%
- Gained support from investor community for Group strategy
- Driven Aviva's leadership position on ESG, including announcement on Net Zero ambition by 2040, leading two key workstreams at COP26, Women in Finance Champion
- Delivered step change in Risk & Control Environment and improved relationship with principal regulators
- Continued to build senior leadership team, through appointments of Chief Customer & Marketing Officer, and Chief Information Officer, to deliver strategy

The Committee carefully considered Amanda's performance and details of the individual adjustments are reflected in table 3.

Table 3 2021 bonus outcomes for Executive Directors[1]

	Amanda Blanc
Bonus scorecard (0% – 200%)	151.6%
Committee discretion	-%
Sub total	**151.6%**
Individual adjustment	25.0%
Final outcome	**176.6%**
Target opportunity (% of salary)	100.0%
Maximum opportunity for 2021[1] (% of salary)	200.0%
Final bonus outcomes	
% of salary[2]	**176.6%**
% of maximum	**88.3%**
£ amount	**£1,766,000**

1 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)

2 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.

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, the Committee is of the view that these outcomes appropriately reflect the overall performance of Aviva during the year and align with the experience of shareholders and no discretion was exercised.

Annual Report on Remuneration continued

2019 LTIP vesting in respect of performance period 2019-2021

The Operating EPS and TSR outcome for the 2019 LTIP are detailed in the table below. 0% of the award will vest in March 2022. No discretion regarding the vesting outcome of the 2019 LTIP was exercised by the Committee.

Table 4 2019 LTIP award – performance conditions

Metric and Weighting	Actual	Threshold (10% vest)	Maximum (100% vest)	Vesting (% of maximum)
Operating EPS – 50%	Actual (7.9)%	4.0% p.a.	10.0% p.a.	0.0%
Relative TSR[1] Performance – 50%	Actual 10th of 14	Median	Upper quintile and above	0.0%

1 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 – 2021 remuneration decisions

The Committee discussed those items that impacted the overall results in 2021 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 5 Awards granted during the year (audited information)

Share and option awards granted to EDs during the year are set out below.

	Date of Award	Award Type[1]	Face Value (% of basic salary)[2]	Face Value (£)[2]	Threshold Performance (% of face value)	Maximum Performance (% of face value)	End of performance period	End of vesting/ holding period
Amanda Blanc	27 May 2021	LTIP	300%	£3,000,000	20%	100%	31 Dec 2023	22 Mar 2026
	27 May 2021	ABP	39%	£391,304	N/A			22 Mar 2024
Jason Windsor[3]	27 May 2021	LTIP	225%	£1,518,750	20%	100%	31 Dec 2023	22 Mar 2026
	27 May 2021	ABP	67%	£450,000	N/A			22 Mar 2024

1 ABP and LTIP awards have been granted as conditional share awards. The LTIP is a conditional right to receive shares which vest at the end of a three-year performance period, with an additional two-year holding period. ABP represents two-thirds of the 2020 bonus which is deferred into shares and vests in three equal annual tranches. Shares issued in lieu of dividends accrue on ABP and LTIP awards during the ABP deferral period and the LTIP performance period.
2 Face value for the awards granted on 27 May 2021 have been calculated using the average of the middle-market closing price of an Aviva ordinary share on the three consecutive business days immediately preceding the date of the main grant for other employees, 22 March 2021, of 395.00 pence
3 Deferred awards under the ABP and LTIP will no longer vest and will lapse on departure

Targets for LTIP awards made in 2021

Three-year targets are set annually within the context of the Company's strategic plan. The 2021 targets are provided below.

Table 6 2021 LTIP performance targets (audited information)

Measure and weighting	Vesting: Below threshold 0%	Threshold 20%	20-100%	Maximum 100%	Above maximum 100%
SII RoE[1,2] – 22.5%		10%		12%	
Cumulative Cash Remittances[1] – 22.5%		£5.1bn		£5.6bn	
TSR[3] – 45%		Median		Upper Quintile	
Reduction in CO_2 intensity of shareholder assets[4] – 5%		10%		15%	
Females in senior leadership roles[5] – 2.5%		36%		40%	
Ethnically diverse employees in senior leadership roles[6] – 2.5%		7.50%		12.50%	

1 Any vesting of the SII RoE and Cumulative Cash Remittances elements of the LTIP are subject to a SII shareholder cover ratio that meets or exceeds the minimum of the stated working range (in 2021, this was 160% to 180%)
2 Threshold and Maximum target range adjusted to reflect the change in the methodology of SII RoE calculation and the divestment of non-core businesses during the performance period
3 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 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.
4 Reduction in CO_2 intensity of shareholder assets over the three-year performance period is aligned to Aviva Group's target of being Net Zero by 2040.
5 Calculated as the percentage of colleagues in senior leadership roles in the UK, Ireland, Canada and Group functions who identify as female
6 Calculated as the percentage of colleagues in senior leadership roles in the UK who identify their ethnicity as anything other than 'white'

Payments to past directors (audited information)

There were no payments made to past directors during the year.

Payments for loss of office (audited information)

There were no payments for loss of office made during the year.

Jason Windsor resigned as CFO on 12 January 2022 and his six-month notice period ends in July 2022.

- During this period, Jason will continue to receive his contractual salary and benefits, which are expected to be £408,000 for the time employed during 2022.
- Jason was not eligible for further awards under the ABP (including for 2021) and LTIP. Following his resignation, and in line with the relevant plan rules, deferred awards under the ABP and LTIP will no longer vest and will formally lapse on departure. Jason will be required to hold his full shareholding requirement for two years following cessation of employment.

Annual Report on Remuneration continued

Table 7 Total 2021 remuneration for Non-Executive Directors (audited information)

The table below sets out the total remuneration earned by each NED who served during 2021 for Group-related activities.

	Fees		Benefits[1]		Aviva plc total		Subsidiaries fees		Group total	
	2021 £000	2020 £000	**2021 £000**	2020 £000	**2021 £000**	2020 £000	**2021 £000**	2020 £000	**2021 £000**	2020 £000
Chair										
George Culmer[2]	**550**	392	**8**	5	**558**	397	**—**	—	**558**	397
NEDs										
Patricia Cross[3]	**141**	141	**—**	—	**141**	141	**—**	60	**141**	201
Patrick Flynn	**210**	171	**1**	2	**211**	173	**—**	—	**211**	173
Belén Romana García	**175**	165	**—**	8	**175**	173	**—**	44	**175**	217
Shonaid Jemmett-Page[2]	**3**	—	**—**	—	**3**	—	**—**	—	**3**	—
Mohit Joshi[2]	**105**	9	**1**	—	**106**	9	**—**	—	**106**	9
Pippa Lambert[2]	**124**	—	—	—	**124**	—	**—**	—	**124**	—
Jim McConville[2]	**170**	15	**1**	—	**171**	15	**—**	—	**171**	15
Michael Mire	**135**	128	**1**	1	**136**	129	**—**	—	**136**	129
Martin Strobel[2]	**23**	—	**—**	—	**23**	—	**—**	—	**23**	—
Total emoluments of NEDs	**1,636**	1,021	**12**	16	**1,648**	1,037	**—**	104	**1,648**	1,141

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 was appointed as Chair on 27 May 2020, Mohit and Jim were appointed to the Board on 1 December 2020, Pippa on 1 January 2021, Martin on 22 October 2021 and Shonaid on 20 December 2021
3 Patricia stepped down from the board of Aviva Investors Holdings Limited on 31 December 2020

The Aviva plc total amount paid to NEDs in 2021 was £1,648,000 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, no NEDs were appointed as directors of subsidiary companies.

Percentage change in remuneration of the Directors

Table 8 sets out the change in the basic salary, bonus and benefits of each of the Directors and that of the wider workforce. The 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 8 Percentage change in remuneration of the Directors

	2020-21			2019-20		
	Salary/Fees	**Bonus**	**Benefits[6]**	Salary/Fees	Bonus	Benefits
Group CEO[1]						
Amanda Blanc	**0.0%**	**47.2%**	**(23.9)%**	—	—	—
CFO[1]						
Jason Windsor	**0.0%**	**(100.0)%**	**(82.6)%**	0.0%	(0.6)%	11.1%
Chair[1]						
George Culmer	**0.0%**	**—**	**57.7%**	263.6%	—	(26.3)%
Non-Executive Directors[2]						
Patricia Cross	**(0.2)%**	**—**		10.4%	—	—%
Patrick Flynn[1,3]	**5.0%**	**—**	**(75.0)%**	44.8%	—	(39.4)%
Belén Romana García	**6.1%**	**—**	**(98.0)%**	18.9%	—	(47.9)%
Shonaid Jemmett-Page[4]	**—**	**—**	**—**	—	—	—
Mohit Joshi[1]	**0.0%**	**—**	**—**	—	—	—
Pippa Lambert[4]	**—**	**—**	**—**	—	—	—
Jim McConville[1]	**0.0%**	**—**	**—**	—	—	—
Michael Mire	**4.9%**	**—**	**10.5%**	9.6%	—%	(82.8)%
Martin Strobel[4]	**—**	**—**	**—**	—	—	—
All UK-based employees[5]	**3.8%**	**47.4%**	**34.8%**	3.3%	0.5%	10.7%

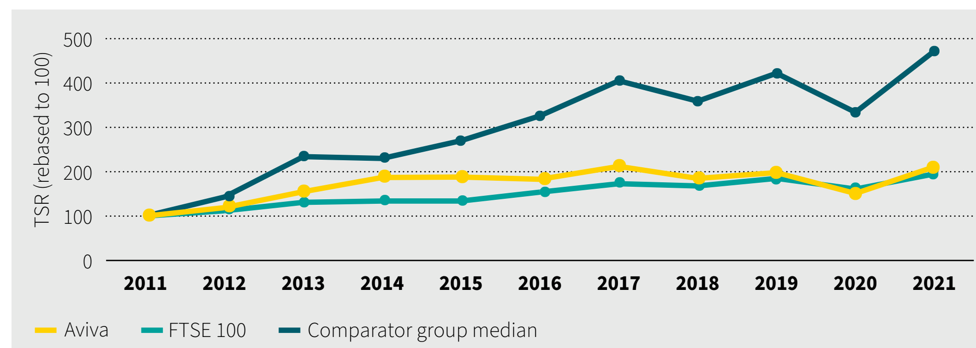
1 Salary/fees, annual bonus and benefit amounts for the EDs, the Chair and Patrick, Mohit and Jim have been annualised where applicable to reflect what they would have been over a full 12-month period to aid comparison. The decrease in benefits for EDs reflects lower relocation and taxable travel and subsistence
2 The increase in fee levels for NEDs are mainly driven by increases in fees effective July 2020, as set out in table 18
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 Pippa was appointed to the Board on 1 January 2021, Martin on 22 October 2021 and Shonaid on 20 December 2021 therefore no comparisons are available
5 The increase in taxable benefits for UK based employees has been mainly driven by the one-off recognition of colleagues for their hard work during the pandemic and an increase in the cost of private medical insurance. Without these items, benefits would have increased by 8.4% reflecting greater use of our online recognition platform.
6 The reduction in benefits for NEDs compared to 2020 is largely reflective of reduced taxable travel and subsistence costs due to the pandemic continuing into 2021

Annual Report on Remuneration continued

Historical TSR performance and Group CEO remuneration outcomes

The table below compares the TSR performance of the Company over the past ten years against the TSR of the FTSE 100. This index has been chosen because it is a recognised equity market index of which Aviva is a member. In addition, median TSR performance for the LTIP comparator group has been shown. The companies which comprise the 2021 LTIP comparator group for TSR purposes are listed below table 6.

Table 9 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 10 Historical Group CEO remuneration outcomes

	Group CEO	2012	2013	2014	2015	2016	2017	2018	2019	2020	**2021**
Annual bonus payout (as a % of maximum opportunity)	Amanda Blanc[1]	—	—	—	—	—	—	—	—	60.0%	**88.3%**
	Maurice Tulloch[2]	—	—	—	—	—	—	—	48.1%	0.0%	**—**
	Mark Wilson[3]	—	75.0%	86.7%	91.0%	91.0%	94.0%	42.0%	—	—	**—**
	Andrew Moss[4]	—	—	—	—	—	—	—	—	—	**—**
LTIP vesting (as a % of maximum opportunity)	Amanda Blanc	—	—	—	—	—	—	—	—	—	**—**
	Maurice Tulloch	—	—	—	—	—	—	—	50.0%	0.0%	**—**
	Mark Wilson	—	—	—	53.0%	41.3%	36.9%	—	—	—	**—**
	Andrew Moss	—	—	—	—	—	—	—	—	—	**—**
Group CEO single figure of remuneration (£000)	Amanda Blanc	—	—	—	—	—	—	—	—	1,205	**3,010**
	Maurice Tulloch	—	—	—	—	—	—	—	2,352	1,030	**—**
	Mark Wilson	—	2,615	2,600	5,438	4,523	4,318	1,836	—	—	**—**
	Andrew Moss	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

Annual Report on Remuneration continued

CEO Pay ratio reporting

The table below sets out the ratio at median, 25th and 75th percentile of the total remuneration received by the Group CEO compared to the total remuneration received by our UK employees. Total remuneration reflects all remuneration received by an individual in respect of the relevant years, and includes salary, benefits, bonus, pension, and value received from incentive plans.

Table 11 CEO Pay ratio table

Year	Method	P25 (lower quartile)	P50(median)	P75 (upper quartile)
2021	**Option A**	**102:1**	**70:1**	**42:1**
2020	Option A	80:1	56:1	34:1
2019	Option A	90:1	63:1	37:1

We would highlight the following in terms of the approach taken.

- In calculating the ratio for 2020, the single figure for both Amanda and Maurice Tulloch in respect of their services as Group CEO were aggregated
- In 2019, the single figure for Maurice was aggregated with the pro-rata fees for Sir Adrian Montague as Executive Chairman
- The P25, P50 and P75 employees were calculated based on full-time equivalent data as at 31 December of the relevant years
- Out of the three alternatives available for calculating the ratio, we chose to use Option A as it is considered to be the most accurate way of identifying employees at P25, P50 and P75, and is aligned with shareholder expectations. Under this approach we calculate total remuneration on a full-time equivalent basis for all of our UK employees and rank them accordingly

The increase in the ratio reflects the fact that Amanda was Group CEO for the whole of 2021 and consequently received a full-year bonus, compared to a pro-rated bonus in 2020 and Maurice Tulloch did not receive a bonus for the period that he was CEO in 2020.

Although the CEO pay ratio has increased, the salary and total remuneration for each quartile employee has increased. This reflects the salary increases and salary progression in place for frontline colleagues and higher bonuses for 2021 across the wider population.

Table 12 provides further information on the total remuneration figure for each quartile employee, and the salary component within this.

Table 12 Salary and total remuneration used in the CEO pay ratio calculations

Year	Pay element	P25 (lower quartile)	P50 (median)	P75 (upper quartile)
	Salary	£23,785	£34,529	£54,383
2021	Total remuneration	£29,406	£42,836	£71,952

In reviewing the employee pay data, the Committee is comfortable that the P25, P50 and P75 individuals identified appropriately reflect the employee pay profile at those quartiles, and that the overall picture presented by the ratios is consistent with our pay, reward and progression policies for UK employees.

At Aviva, we 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 and a Living Hours employer since October 2020. We have recently increased minimum salary levels so that all colleagues can continue to receive the real Living Wage, whilst fully participating in pension arrangements in the most tax effective manner.
- 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 65% participating in the SAYE and over 75% in the AESOP.

Annual Report on Remuneration continued

Relative importance of spend on pay

Table 13 outlines Group adjusted operating profit, dividends paid to shareholders and share buybacks, compared to overall spend on pay in total. This measure of profit has been chosen as it is used for decision-making and the internal performance management of the Group's operating segments.

Table 13 Relative importance of spend on pay

	2021 £m	2020 £m	% change between 2020 – 2021
Group adjusted operating profit	**2,265**	3,161	(28)%
Ordinary dividends paid to shareholders	**1,110**	236	370%
Share buybacks[1]	**663**	—	100%
Total staff costs[2]	**1,580**	1,542	2%

1 On 12 August 2021, the Group announced a share buyback of ordinary shares for an aggregate purchase price of up to £750 million. On 16 December 2021 Aviva announced the increase and extension of the share buyback programme to £1 billion. In the year ended 31 December 2021, £663 million of shares had been purchased and shares with a nominal value of £42 million have been cancelled, giving rise to an additional capital redemption reserve of an equivalent amount. See note 32 for further details
2 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 22,312 (2020: 22,905)

Statement of directors' shareholdings and share interests

EDs share ownership requirements

Under our Shareholding Policy applicable to 2021, the Company requires the Group CEO to build a shareholding in the Company equivalent to 300% of basic salary and each ED to build a shareholding in the Company equivalent to 225% of basic salary.

- The EDs are required to retain 50% of the net shares released from ABP and LTIP awards until the shareholding requirement is met
- The shareholding requirement needs to be built up over a period not exceeding five-years
- Unvested share awards, including shares held in connection with bonus deferrals, are not taken into account in applying this test
- A post-cessation holding period of two years applies. This is at the same level as the current (within employment) guideline. The Committee retains the discretion to waive part or all of the guideline where considered appropriate, for example in exceptional or compassionate circumstances
- EDs are required to retain shares vesting from incentive plans within the Company-sponsored nominee account, and are not permitted to transfer them e.g. into their own brokerage accounts, unless otherwise agreed by the Committee. In this manner, the Committee is able to retain oversight of the shares and is comfortable that this provides the ability to enforce the post-cessation guidelines in practice and helps with the enforcement of malus and clawback

Table 14 Executive directors – share ownership requirement (audited information)

	Shares held			Options held				
Executive Directors	Owned outright[1]	Unvested and subject to performance conditions[2]	Unvested and subject to continued employment[3]	Unvested and subject to continued employment[4]	Vested but not exercised	Shareholding requirement (% of salary)	Current shareholding[5] (% of salary)	Requirement met
Amanda Blanc	352,226	1,401,414	99,064	—	—	300	145%	No
Jason Windsor[6]	584,799	1,047,702	272,681	6,338	—	225	356%	Yes

1 Directors' beneficial holdings in the ordinary shares of the Company. This information includes holdings of any connected persons
2 Awards granted under the Aviva LTIPs which vest only if the performance conditions are achieved
3 Awards arising through the ABP. Under this plan, some of the earned bonuses are paid in the form of conditional shares which are deferred for three years and released in three equal annual tranches. The transfer of the shares to the director at the end of the period is not subject to the attainment of performance conditions but the shares can be forfeited if the ED leaves service before the end of the period. 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 16.
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 2021 of 410.4 pence. The closing middle-market price of an ordinary share of the Company during the year ranged from 325.2 pence to 426.2 pence.
6 Deferred awards under the ABP and LTIP will no longer vest and will lapse on departure

There were no changes to the EDs interests in Aviva shares during the period 1 January 2022 to 1 March 2022.

Table 15 Non-Executive Directors' shareholdings[1] (audited information)

	1 January 2021	31 December 2021
George Culmer	31,276	130,922
Patricia Cross	31,192	32,903
Patrick Flynn	—	10,000
Belén Romana García	19,418	27,509
Shonaid Jemmett-Page	—	—
Mohit Joshi	—	7,618
Pippa Lambert	—	2,903
Jim McConville	—	18,667
Michael Mire	50,000	50,000
Martin Strobel	—	40,000

1 This information includes holdings of any connected persons

There were no changes to the NEDs interests in Aviva shares during the period 1 January 2022 to 1 March 2022.

Annual Report on Remuneration continued

Share awards and share options

Details of the EDs who were in office for any part of the 2021 financial year and hold or held outstanding share awards or options over ordinary shares of the Company pursuant to the Company's share based incentive plans are set out in the table below. EDs are eligible to participate in the Company's broad-based employee share plans on the same basis as other eligible employees. Details of awards and options granted to EDs under these plans are also included in tables 1, 5 and 14 (and SAYE options are included in table 16). More information around HMRC tax-advantaged plans can also be found in note 33. 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 16 LTIP, ABP and options over Aviva shares (audited information)

	At 1 January 2021 (number)	Options/awards granted during year[1] (number)	Options/awards exercised/vesting during year (number)	Options/awards lapsing during year (number)	At 31 December 2021 (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
Amanda Blanc									
LTIP[3,4]									
2020	641,921	—	—	—	641,921	297.50	—	—	Mar-23
2021	—	759,493	—	—	759,493	412.50	—	—	Mar-24
ABP									
2021	—	99,064	—	—	99,064	412.50	—	—	Mar-24
Jason Windsor[8]									
LTIP[3,4]									
2018[5]	83,333	—	99,020[7]	—	—	494.10	—	401.20	Mar-21
2019[5]	73,634	—	—	—	73,634	409.00	—	—	Mar-22
2020	663,209	—	—	—	663,209	211.00	—	—	Mar-23
2021	—	384,493	—	—	384,493	412.50	—	—	Mar-24
ABP									
2018	11,111	—	13,202[7]	—	—	494.10	—	401.20	Mar-21
2019	21,540	—	12,094[7]	—	10,770	409.00	—	401.20	Mar-22
2020	127,684	—	44,387[7]	—	85,123	211.00	—	401.20	Mar-23
2021	—	113,924		—	113,924	412.50	—		Mar-24
SAYE[6]							—		
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 £5.4 million (2020: £6.8 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 2018: 504 pence, 2019: 421 pence, 2020: 229 pence and 2021: 395 pence.
3 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. For the 2021 LTIP, the TSR comparator group is: Aegon, Allianz, Axa, Direct Line, Generali, Intact, Legal & General, Lloyds Banking Group, M&G, Phoenix and Zurich.
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 will be forfeited when he leaves service.
6 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.
7 The shares comprised in these vested awards include shares issued in lieu of dividends accrued during the deferral period
8 Deferred awards under the ABP and LTIP will no longer vest and will lapse on departure. Any options under the SAYE will also lapse

Annual Report on Remuneration continued

Dilution

Awards granted under Aviva employee share plans are primarily satisfied through shares purchased in the market. Shares are held in employee trusts, details of which are set out in note 34.

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 3.13% and 1.27% respectively on 31 December 2021.

Governance Regulatory Remuneration Code

In 2021 Aviva Investors Global Services Limited and a number of small 'firms' (as defined by the FCA) within the UK Life Insurance business were subject to the Capital Requirements Directive IV (CRD IV), the FCA Remuneration Code (SYSC 19A) and the Markets in Financial Instruments Directive II (MiFID II). From 1 January 2022 these firms became subject to the Investment Firms Prudential Regime (IFPR) instead.

Additionally, Aviva Investors UK Funds Services Ltd is subject to the Alternative Investment Fund Management Directive (AIFMD) and the Undertakings for Collective Investments in Transferable Securities (UCITS V) directive.

Remuneration Code requirements include an annual disclosure. For AIFMD and UCITS V the disclosure is part of the Financial Statements and/or Annual accounts of the Alternative Investment Funds or UCITS. For CRD IV requirements the most recent Aviva Investors disclosure can be found in Section 5 of the Pillar 3 Disclosure available at www.avivainvestors.com/en-gb/capabilities/regulatory/ and a link to the disclosure for the UK Insurance firms can be found at www.aviva.com/about-us/remuneration-committee/.

Solvency II remuneration

Remuneration Requirements (PRA PS22/16 & SS10/16) apply to the Aviva Group. Our remuneration structures have been designed in a way 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 is approved annually by the Group Remuneration Committee.

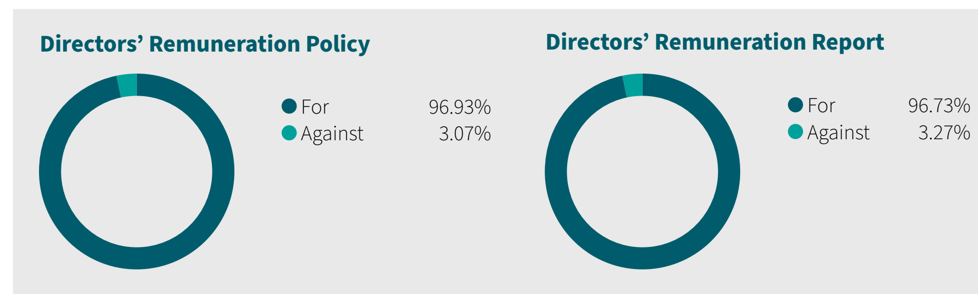
The SII reporting requirements for the year ended 31 December 2021 necessitate firms to produce the Solvency and Financial Condition Report (SFCR) which contains remuneration information and is publicly available. Aviva's reward principles and arrangements are designed to incentivise and reward employees 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 2021 AGM in respect of the 2020 Directors' Remuneration report is set out in table 17. The Committee was pleased with the level of support received from shareholders for the resolution.

Table 17 Results of votes at 2021 AGM

	Percentage of votes cast		Number of votes cast		
	For	Against	For	Against	Votes withheld
Directors' Remuneration Policy	96.93%	3.07%	2,374,520,911	75,190,042	2,529,266
Directors' Remuneration Report	96.73%	3.27%	2,366,743,575	79,935,463	5,559,198



Approach to NED fees for 2021

NED fees are reviewed annually and were last increased with effect from 1 July 2020, the first such increase since 1 April 2014.

Table 18 Non-Executive Directors' fees

Role	Fee from 1 January 2022	Fee from 1 January 2021
Chair of the Company[1]	£550,000	£550,000
Board membership fee	£75,000	£75,000
Additional fees are paid as follows:		
Senior Independent Director	£35,000	£35,000
Committee Chair (inclusive of committee membership fee):		
Audit	£55,000	£55,000
Customer, Conduct and Reputation	£45,000	£45,000[2]
Remuneration	£45,000	£45,000[2]
Risk	£55,000	£55,000
Committee membership:		
Audit	£20,000	£20,000
Customer, Conduct and Reputation	£15,000	£15,000
Nomination and Governance	£10,000	£10,000
Remuneration	£15,000	£15,000
Risk	£20,000	£20,000

1 Inclusive of Board membership fee and any committee membership fees, and committee chair of the Nomination and Governance Committee
2 The fees for the Chair of the Customer, Conduct and Reputation Committee and the Remuneration Committee were incorrectly stated as £40,000 in last year's report

Annual Report on Remuneration continued

Table 19 Implementation of Policy in 2022

The implementation of the Policy will be consistent with that outlined in table 20.

Key Element	Phasing (2022–2027)	Implementation in 2022
Salary[1]	2022	• Group CEO – £1,030,000 per annum • CFO – £675,000 per annum
Annual Bonus[2]	2022; 1/3rd paid in cash; 2/3rd deferred into shares vesting in three equal tranches over three years; Released after 1 year; Released after 2 years; Released after 3 years	• Group CEO – 200% of salary • One-year performance assessed against financial and non-financial performance measures – Financial measures (70% of total) – 15% – Group adjusted operating profit – 25% – Annual cash remittances – 20% – SII OFG – 10% – Cost reduction – Non-financial strategic measures (30% of total) – 15% – Risk scorecard – 5% – TNPS – 5% – MyAviva online experience score – 5% – Employee engagement • A quality of earnings assessment will be undertaken by the Committee to provide assurance that bonus payouts appropriately reflect underlying performance and the shareholder experience • Personal performance during the year will be taken into account
LTIP	2022–2024 performance; 2 years holding period; Award released	• Group CEO – 350% of salary • Performance assessed over three years against financial (80%) and non-financial (20%) performance measures **Performance measures** • 15% – SII ROE subject to a SII shareholder cover ratio • 25% – Cumulative cash remittances, subject to a SII shareholder cover ratio • 40% – relative TSR against a comparator group[3] • 20% – Environmental, customer and diversity and inclusion measures For 2022 awards, the SII shareholder cover ratio is to meet or exceed the minimum of the stated working range (currently 160% to 180%).

LTIP measures and weightings

Measure and weighting	Vesting: Below threshold 0%	Threshold 20%	20-100%	Maximum 100%	Above maximum 100%
SII RoE – 15.0%		11.0%		13.0%	
Cumulative Cash Remittances – 25.0%		£5.3bn		£5.8bn	
TSR – 40.0%		Median		Upper Quintile	
Reduction in CO_2 intensity of shareholders' assets and with-profit funds – 7.5%		25.0%		27.5%	
RNPS – 7.5%		11.0		14.0	
Females in senior leadership roles[4] – 2.5%		37.0%		40.0%	
Ethnically diverse employees in senior leadership roles[5] – 2.5%		10.0%		13.0%	

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 Group CEO's salary will be effective from 1 April 2022 and there is no change in the CFO's salary
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 2022 DRR
3 2021 LTIP Comparator Group: Admiral, Allianz, Axa, Direct Line Group, Hargreaves Lansdown, Hiscox, Intact, Legal & General, Lloyds Banking Group, M&G, Phoenix, Quilter and Zurich Insurance Group
4 Senior leadership in the UK, Ireland, Canada and Group Functions
5 Senior leadership in the UK

Approval by the Board

This Directors' Remuneration report was reviewed and approved by the Board on 1 March 2022.

Pippa Lambert
Chair, Remuneration Committee

Directors' Remuneration Policy

Our Remuneration Policy was approved by shareholders at our AGM on 6 May 2021 and will apply for a period of up to three years.

The full and definitive Policy is set out in our 2020 Annual report and accounts, which can be found on our website at www.aviva.com/reports/

Although reproduced here for convenience, the 2021 Policy is our formally approved Policy and should be consulted where required. Please note the updates to the scenario charts to reflect 2022 remuneration arrangements for our EDs, as well as appointment end dates for NEDs.

Alignment of Group strategy with executive remuneration

The Committee considers that alignment between Group strategy and ED remuneration is critical. The Policy provides market competitive remuneration, and incentivises EDs to achieve the annual business plan and the Group's longer-term strategic objectives. Significant levels of deferral and shareholding requirements align EDs' interests with those of shareholders and aid retention of key personnel. Variable remuneration can be zero if performance thresholds are not met. Remuneration payments to directors can only be made if they are consistent with the approved Policy.

Table 20 provides an overview of the Policy for EDs. The Policy for NEDs is in table 22.

Table 20 Key aspects of the Remuneration Policy for Executive Directors

Element		
Basic salary	**Purpose** To provide core market related pay to attract and retain the required level of talent. **Operation** Annual review, with changes normally taking effect from 1 April each year. The review is informed by: • Individual and business performance • Levels of increase for the broader employee population • Relevant pay data including market practice among relevant FTSE listed companies of comparable size to Aviva in terms of market capitalisation, large European and global insurers, and UK financial services companies	**Maximum opportunity** There is no maximum increase within the Policy. However, basic salary increases take account of the average basic salary increase awarded to the broader employee population. Different levels of increase may be agreed in certain circumstances at the Committee's discretion, such as: • An increase in job scope and responsibility • Development of the individual in the role • A significant increase in the size, value or complexity of the Group **Assessment of performance** Any movement in basic salary takes account of the performance of the individual and the Group.
Annual bonus	**Purpose** To reward EDs for achievement against the Company's strategic objectives and for demonstrating the Aviva values and behaviours. Deferral provides alignment with shareholder interests and aids retention of key personnel. **Operation** Awards are based on performance in the year. Targets are normally set annually and pay-out levels are determined by the Committee based on performance against those targets and a quality of earnings assessment and risk review. Form and timing of payment • One-third of any bonus is payable in cash at the end of the year • Two-thirds of any bonus awarded is deferred into shares which vest in three equal annual tranches Additional shares are awarded at vesting in lieu of dividends paid on the deferred shares. **Malus and clawback** Cash and deferred awards are subject to malus and clawback. Details of when these may be applied are set out in the notes below.	**Maximum opportunity** 200% of basic salary for Group CEO 150% of basic salary for other EDs **Outcome at threshold and on target** Performance is assessed against multiple measures. Threshold performance against a single measure would result in a bonus payment of no more than 25% of basic salary. 100% of basic salary is payable for on target performance. **Assessment of performance** Performance is assessed against a range of relevant financial, employee, customer and risk targets designed to incentivise the achievement of our strategy, as well as individual strategic objectives as set by the Committee. Although financial performance is the major factor in considering overall expenditure on bonuses, performance against non-financial measures including progress towards our strategic priorities and behaviours in line with our values will also be taken into consideration. **Discretion** See notes to this table.

Directors' Remuneration Policy continued

Element		

Long-term incentive plan	**Purpose**
	To reward EDs for achievement against the Company's longer-term objectives; to align EDs' interests with those of shareholders and to aid the retention of key personnel and to encourage focus on long-term growth in enterprise value.
	Operation
	Shares are awarded annually which vest dependent on the achievement of performance conditions. Vesting is subject to an assessment of quality of earnings, the stewardship of capital and risk review.
	Performance period
	Three years. Additional shares are awarded at vesting in lieu of dividends on any shares which vest.
	Additional holding period
	Two years.
	Malus and clawback
	Awards are subject to malus and clawback. Details of when these may be applied are set out in the notes below.
		Maximum opportunity
		350% of basic salary.
		Performance measures
		Awards will vest based on a combination of financial, TSR and strategic performance measures. The Policy provides for a minimum aggregate weighting of 80% for financial measures and TSR and for up to 20% to be based on strategic performance measures. We would engage with shareholders before changing measures or weighting in future years.
		For the 2022 awards the measures and weightings will be:
		• 15% Solvency II RoE
		• 25% Cumulative cash remittances
		• 40% TSR against a comparator group
		• 20% Non-financial measures
		  • 7.5% Environment
		  • 7.5% Customer
		  • 5% D&I
		Vesting at threshold
		Threshold vesting for all measures is 20%.
		Discretion
		See notes to this table.

Pension	**Purpose** To give a market competitive level of provision for post-retirement income. **Operation** EDs are eligible to participate in a defined contribution plan up to the annual limit. Any amounts above annual or lifetime limits are paid in cash.	**Maximum opportunity** If suitable employee contributions are made, the Company contributes 14% of basic salary for all EDs, aligned to the rate available to the majority of the UK workforce.

Element		
Benefits	**Purpose** To provide EDs with a suitable but reasonable package of benefits as part of a competitive remuneration package. This involves both core executive benefits, and the opportunity to participate in flexible benefits programmes offered by the Company (via salary sacrifice). This enables us to attract and retain the right level of talent necessary to deliver the Company's strategy. **Operation** Benefits are provided on a market related basis. The Company reserves the right to deliver benefits to EDs depending on their individual circumstances, which may include a cash car allowance, life insurance, private medical insurance and access to a company car and driver for business use. In the case of non-UK executives, the Committee may consider additional allowances in line with standard relevant market practice. EDs are eligible to participate in the Company's broad based employee share plans on the same basis as other eligible employees.	**Maximum opportunity** Set at a level which the Committee considers appropriate against comparable roles in companies of a similar size and complexity to provide a reasonable level of benefit. Costs would normally be limited to providing a cash car allowance, private medical insurance, life insurance, and reasonable travel benefits (including the tax cost where applicable). In addition, there may be one-off or exceptional items on a case by case basis, which would be disclosed in the DRR.
Relocation and mobility	**Purpose** To assist with mobility across the Group to ensure the appropriate talent is available to execute strategy locally. **Operation** EDs who are relocated or reassigned from one location to another receive relevant benefits to assist them and their dependants in moving home and settling into the new location.	**Maximum opportunity** Dependent on location and family size, benefits are market related and time bound. They are not compensated for performing the role but to defray costs of a relocation or residence outside the home country. The Committee would reward no more than it judged reasonably necessary, in the light of all applicable circumstances.

Directors' Remuneration Policy continued

Element	
Shareholding requirements	**Purpose** To align EDs' interests with those of shareholders. **Operation** A requirement to build a shareholding in the Company equivalent to 300% of basic salary for the Group CEO and 225% for other EDs. This shareholding is normally to be built up over a period not exceeding 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 measures under the LTIP.

As a minimum, at any Committee meeting where LTIP vesting or annual bonus scorecard decisions are considered, the Chief Financial Controller prepares a report to the Committee on the quality of earnings reflected in the results being assessed, against performance targets. Extensive information from the audited accounts is used to explain the vesting and scorecard outcomes – ranging from movements in reserves, capital management decisions, consistency of accounting treatment and period to period comparability. The Chief Financial Controller attends the Committee meeting to answer any questions that any member of the Committee may choose to ask. Any vesting decision or confirmation of awards is made after this process has been undertaken.

Malus and clawback

The circumstances when malus (the forfeiture or reduction of unvested shares awarded under the ABP and LTIP) and clawback (the recovery of cash and share awards after release) may apply include (but are not limited to) where the Committee considers that the employee concerned has been involved in or partially/wholly responsible for:

- A materially adverse misstatement (as defined by the Board) of the Company's financial statements, or a misleading representation of performance;
- A significant failure of risk management and/or controls;
- A scenario or event which causes material reputational damage to the Company;
- A scenario or event which causes material corporate failure;
- Any regulatory investigation or breach of laws, rules or codes of conduct;
- Misconduct which, in the opinion of the Committee, ought to result in the complete or partial lapse of an award;
- Conduct which resulted in significant loss(es) or summary termination of employment;
- Failure to meet appropriate standards of fitness and propriety;
- A material error (as defined by the Board) in the calculation of a financial or non-financial performance measure used to determine the outcome of variable pay, or any other error or material misstatement that results in overpayment to employees;
- Any circumstances determined by the Board that mean the underlying financial health of the Group or member of the Group has significantly deteriorated, resulting in severe financial constraints which preclude or limit the ability to fund variable pay;
- 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.

Directors' Remuneration Policy continued

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 22, including fees and travel benefits.

Directors' Remuneration Policy continued

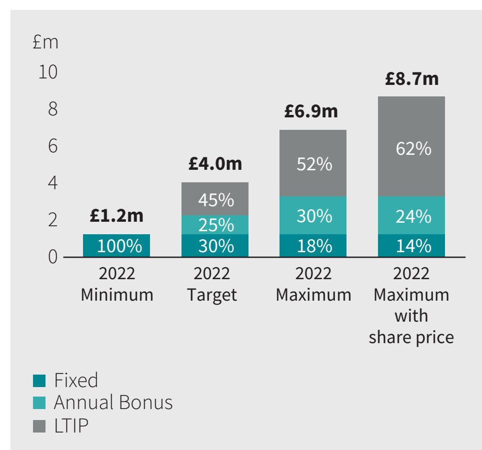
Illustration of the Policy

The charts below illustrate how much EDs could earn under different performance scenarios in one financial year:

- Minimum – basic salary, pension or cash in lieu of pension and benefits, no bonus and no vesting of the LTIP
- Target – basic salary, pension or cash in lieu of pension, benefits, and:
  – A bonus of 100% and an LTIP of 350% of basic salary (with notional LTIP vesting at 50% of maximum) for the Group CEO
- Maximum – basic salary, pension or cash in lieu of pension, benefits, and:
  – A bonus of 200% and an LTIP of 350% of basic salary (with notional LTIP vesting at maximum) for the Group CEO
- 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



Notes to the charts
1 The charts are illustrative only and the actual value EDs could earn is subject to business performance and share price movement to the date of vesting of the LTIP and of the deferred share element of the annual bonus
2 Fixed pay consists of basic salary, pension as described in table 1, and estimated value of benefits provided under the Remuneration Policy, excluding any one offs. Actual figures may vary in future years.
3 The value of the deferred element of the annual bonus assumes a constant share price and does not include additional shares awarded in lieu of dividends that may accrue during the vesting period
4 The value of the LTIP assumes a constant share price (with the exception of the maximum with share price increase scenario) and does not include additional shares awarded in lieu of dividends that may accrue during the vesting period
5 The LTIP is as proposed to be awarded in 2022, which would vest in 2024, 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 2022 AGM on 9 May from 12.45pm 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 21 Executive Directors' key conditions of employment

Provision	Policy	
Notice period **By the ED** **By the Company**	6 months. 12 months, rolling. No notice or payment in lieu of notice to be paid where the Company terminates for cause.	
Termination Payment	Pay in lieu of notice up to a maximum of 12 months' basic salary. Any payment is subject to phasing and mitigation requirements. An ED would be expected to mitigate the loss of office by seeking alternative employment. Any payments in lieu of notice would be reduced, potentially to zero, by any salary received from such employment.	
Remuneration and Benefits	The operation of the annual bonus and LTIP is at the Company's discretion.	
Expenses	Reimbursement of expenses reasonably incurred in accordance with their duties.	
Holiday entitlement	30 working days plus public holidays.	
Private medical insurance	Private medical insurance is provided for the ED and their family. The ED can choose to opt out of this benefit or take a lower level of cover. However, no payments are made in lieu of reduced or no cover.	
Other benefits	Other benefits include participation in the Company's staff pension scheme, life insurance and, where applicable, access to a Company car and driver for business related use.	
Sickness	100% of salary for the first 52 weeks and up to £150,000 per annum for a further 5 years.	
Non-compete	During employment and for nine months (for Amanda) and six months (for Jason) 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	1 January 2022

Directors' Remuneration Policy continued

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.
- 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.

Directors' Remuneration Policy continued

Non-Executive Directors

The table below sets out details of our Policy for NEDs.

Table 22 Key aspects of the Policy for Non-Executive Directors

Element		
Chair and NEDs' fees	**Purpose** To attract individuals with the required range of skills and experience to serve as a Chair or as a NED. **Operation** NEDs receive a basic annual fee in respect of their Board duties. Further fees are paid for membership and, where appropriate, chairing Board committees. The Chair receives a fixed annual fee. Fees are reviewed annually taking into account market data and trends and the scope of specific Board duties. NEDs are able to use up to 100 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 23 Non-Executive Directors' key terms of appointment

Provision	Policy
Period	In line with the requirement of the Code, all NEDs, including the Chair, are subject to annual re-election by shareholders at each AGM.
Termination	By the director or the Company at their discretion without compensation upon giving one month's written notice for NEDs and three months written notice for the Chair of the Company.
Fees	As set out in table 18.
Expenses	Reimbursement of travel and other expenses reasonably incurred in the performance of their duties.
Time commitment	Each director must be able to devote sufficient time to the role in order to discharge his or her responsibilities effectively.

Director	Appointment date[1]	Appointment end date[2]	Committee
George Culmer	25 September 2019	AGM 2022	Nomination and Governance (C)
Andrea Blance	21 February 2022	AGM 2022	Remuneration, Audit, Risk, Nomination and Governance
Patricia Cross	1 December 2013	AGM 2022	Remuneration, Audit, Nomination and Governance
Patrick Flynn	16 July 2019	AGM 2022	Remuneration, Audit (C), Risk, Nomination and Governance
Belén Romana García	26 June 2015	AGM 2022	Customer, Conduct and Reputation, Audit, Risk (C), Nomination and Governance
Shonaid Jemmett-Page	20 December 2021	AGM 2022	Customer, Conduct and Reputation, Audit, Risk, Nomination and Governance
Mohit Joshi	1 December 2020	AGM 2022	Risk, Nomination and Governance
Pippa Lambert	1 January 2021	AGM 2022	Customer, Conduct and Reputation, Remuneration (C), Nomination and Governance
Jim McConville	1 December 2020	AGM 2022	Customer, Conduct and Reputation (C), Audit, Risk, Nomination and Governance
Michael Mire	12 September 2013	AGM 2022	Customer, Conduct and Reputation, Remuneration, Risk, Nomination and Governance
Martin Strobel	22 October 2021	AGM 2022	Audit, Risk, Nomination and Governance

1 The dates shown reflect the date the individual was appointed to the Aviva plc Board.
2 All appointment end dates are the 2022 AGM, in accordance with the NEDs' letters of appointment.

Key
- Customer, Conduct and Reputation Committee
- Audit Committee
- Risk Committee
- Remuneration Committee
- Nomination and Governance Committee
- C Chair

It takes 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.

3. Financial Statements

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Independent auditors' report to the members of Aviva plc

Report on the audit of the financial statements

Opinion

In our opinion, Aviva plc's Group financial statements and Company financial statements (the 'financial statements'):

- give a true and fair view of the state of the Group's and of the Company's affairs as at 31 December 2021 and of the Group's and Company's profit and the Group's and Company's cash flows for the year then ended;
- have been properly prepared in accordance with UK-adopted international accounting standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual report and Accounts 2021 (the Annual Report), which comprise:

- the Consolidated and Company statements of financial position as at 31 December 2021;
- 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.

Our opinion is consistent with our reporting to the Audit Committee.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided.

Other than those disclosed in note 12, we have provided no non-audit services to the Company or its controlled undertakings in the period under audit.

Our audit approach

Context

In addition to forming this opinion, in this report we have also provided information on how we approached the audit, how it has changed from the previous year and details of the significant discussions that we had with the Audit Committee.

Overview

Audit scope

- Our audit scope has been determined to provide coverage of all material financial statement line items; and
- In designing our audit, we have considered the impacts that climate change could have on the Group, including the physical or transitional risks which could arise. In particular, we have assessed the impacts on reporting of the commitments related to climate change which the Group has made.

Key audit matters

- Valuation of life insurance contract liabilities (Group)
  a. Annuitant mortality assumptions (Group)
  b. Credit default assumptions for illiquid assets, specifically: commercial mortgages and equity release mortgages (Group)
  c. Expense assumptions (Group)
- Valuation of non-life insurance contract liabilities (Group)
- Valuation of hard to value investments (Group)
- Valuation of investments in subsidiaries (Company)

Materiality

- Overall Group materiality: £143,000,000 (2020: £157,900,000) based on 5% of three-year average of the Group adjusted operating profit before tax attributable to shareholders' profits.
- Overall Company materiality: £88,000,000 (2020: £61,250,000) based on 0.5% of net assets.
- Performance materiality: £107,000,000 (2020: £118,425,000) (Group) and £65,990,000 (2020: £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.

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 impact of COVID-19 (Group and Company) and risk of error arising from the implementation of new Bulk Purchase Annuities (BPA) actuarial model (Group), which were key audit matters last year, are no longer included because it has been determined that the uncertainty in respect of COVID-19 is reduced, and that there has been limited direct effect on the Group and Company and therefore there is a resultant reduction in the magnitude and related uncertainty of the provisions held in relation to product governance. The BPA actuarial model implementation was further established in the year, and therefore the related audit risk reduced. In addition, valuation of investments in subsidiaries (Company) is a new key audit matter this year. Otherwise, the key audit matters below are consistent with last year.

Key audit matter	How our audit addressed the key audit matter
Valuation of life insurance contract liabilities (Group) Refer to the Audit Committee report, Accounting policy (L) Insurance and participating investment contract liabilities – Long-term business provisions and note 40 – 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. This has been compounded by the uncertainty arising from COVID-19 and the impact this could have on various actuarial assumptions.	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 focusing 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.

Key audit matter	How our audit addressed the key audit matter
Annutant mortality assumptions (Group) Refer to the Audit Committee report, Accounting policy (L) Insurance and participating investment contract liabilities – Long-term business provisions and note 41 – Insurance liabilities methodology and assumptions (a) Long-term business	
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 material 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. In setting this assumption management opted to exclude 2020 experience from the analysis, as a result of the COVID-19 pandemic, and updated the mortality tables used. • 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 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 use 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 socio-economic group adjustments, and considered the alternative option of moving to the CMI 2020 model with no weighting on 2020 data as opposed to retaining CMI 2019. We 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.
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 41 – Insurance liabilities methodology and assumptions (a) Long-term business	
Insurance liabilities are valued by discounting expected future cash flows at an interest rate which is set based on the yield of assets backing the liabilities, less a prudent deduction for the credit risk associated with holding such assets. 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.

Key audit matter	How our audit addressed the key audit matter
Expense assumptions (Group) Refer to the Audit Committee report, Accounting policy (L) Insurance and participating investment contract liabilities – Long-term business provisions and note 41 – Insurance liabilities methodology and assumptions (a) Long-term business	
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 in-force 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; • 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; and • Tested the actuarial reserving models to ensure that the expense assumptions continue to be applied appropriately within the models and assessed the appropriateness of new and existing maintenance expense manual provisions. 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 41 – Insurance liabilities methodology and assumptions (b) General insurance and health.	
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 2021, 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 and Canada General Insurance components.	We assessed the calculation of the non-life 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 of hard to value investments (Group) Refer to the Audit Committee report, Accounting policies (F) Fair value measurement and (T) Financial investments and note 23 – Fair value methodology, note 25 – Securitised mortgages and related assets and note 27 – 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); and • Infrastructure loans (UK 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.
Valuation of investments in subsidiaries (Company) Refer to Financial statements of the Company and Note E – Investments in subsidiaries and joint venture	
In the Company's statement of financial position, investments in subsidiaries are reported at cost less impairment. The investments in subsidiaries is the largest asset on the parent company's statement of financial position.	In respect to the carrying value of investments in subsidiaries we: • Assessed investments in subsidiaries for indication of impairment considering our understanding of the business; and • Assessed the disclosures in the financial statements. Based on the work performed and the evidence obtained, we consider the carrying value of investments in subsidiaries to be appropriate.

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 and Canada.

We identified an additional component: Aviva Investors, 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 also performed specific procedures in respect of the significant entities disposed of during the year, specifically France Life, France GI, Italy Life, Italy GI, Poland Life and Poland GI. This included auditing specific account balances of disposed components where these were considered to be significant in size in relation to the discontinued operations balances.

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 all component teams in person and performed a mix of in-person and remote site visits. Consistent with previous years, we performed a detailed review of key audit working papers at all in-scope components, however for some, this was performed remotely.

We have made enquiries of management (both within and outside of the Group's finance functions) in order to understand the extent of the impact of climate change risks and the commitments made by the Group on the Group's financial statements. As part of this, we have reviewed minutes of meetings of the Aviva Sustainability Ambition (ASA) Steering Committee and reviewed the Group's climate reporting framework. We have also made enquiries to understand, and performed a risk assessment in respect of, the commitments made by the Group and how these may affect the financial statements and the audit procedures that we perform. We have assessed the risks of material misstatement to the financial statements as a result of climate change and concluded that for the year ended 31 December 2021, the main audit risks are related to disclosures included within the 'other information', as the Group increases the level of disclosure of climate related matters, either through reporting in line with the Task Force on Climate-related Disclosure (TCFD) requirements, or through their strategic report and viability report. As a result of this assessment, we concluded that there was no impact on our key audit matters.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

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	£143,000,000 (2020: £157,900,000) .	£88,000,000 (2020: £61,250,000).
How we determined it	5% of three-year average of the Group adjusted operating profit before tax attributable to shareholders' profits	0.5% of net assets
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 2021, 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 focused 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 £135,000,000. 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% (2020: 75%) of overall materiality, amounting to £107,000,000 (2020: £118,425,000) for the Group financial statements and £65,990,000 (2020: £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) (2020: £7,000,000) and £4,400,000 (Company audit) (2020: £3,062,500) 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 Own Risk and Solvency Assessment (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 directors' reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information, which includes reporting based on the Task Force on Climate-related Financial Disclosures (TCFD) recommendations. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Directors' 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 2021 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 is materially consistent with the financial statements and our knowledge obtained during the audit, and we have nothing material to add or draw attention to in relation to:

- The directors' confirmation that they have carried out a robust assessment of the emerging and principal risks;
- The disclosures in the Annual Report that describe those principal risks, what procedures are in place to identify emerging risks and an explanation of how these are being managed or mitigated;
- The directors' statement in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the Group's and Company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- The directors' explanation as to their assessment of the Group's and Company's prospects, the period this assessment covers and why the period is appropriate; and
- The directors' statement as to whether they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period of its assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Our review of the directors' statement regarding the longer-term viability of the Group 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the Group and industry, we identified that the principal risks of non-compliance with laws and regulations related to UK and European regulatory principles, such as those governed by the Prudential Regulation Authority (PRA) and the Financial Conduct Authority (FCA), and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as 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 PRA periodically and reading key correspondence with the PRA and the FCA, including those in relation to compliance with laws and regulations;
- Reviewing relevant meeting minutes including those of the Board of Directors, Audit, Remuneration and Disclosure Committees;
- Identifying and testing journal entries based on risk criteria;
- Designing audit procedures to incorporate unpredictability around the nature, timing or extent of our testing;
- Testing transactions entered into outside of the normal course of the Group and Company's business;
- Reviewing the Group's register of litigation and claims, Internal Audit reports, and Compliance reports in so far as they related to non-compliance with laws and regulations and fraud; and
- Attendance at Audit and Risk Committee meetings.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

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.

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 10 years, covering the years ended 31 December 2012 to 31 December 2021.

Other matter

In due course, as required by the FCA's Disclosure Guidance and Transparency Rule 4.1.14R, these financial statements will form part of the UKSEF-prepared annual financial report filed on the National Storage Mechanism of the FCA in accordance with the UKSEF Regulatory Technical Standard (UKSEF RTS). This auditors' report provides no assurance over whether the annual financial report will be prepared using the single electronic format specified in the UKSEF RTS.

Alex Bertolotti (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
1 March 2022

Accounting policies

Aviva plc (the 'Company'), a public limited company incorporated and domiciled in the United Kingdom (UK), together with its subsidiaries (collectively, the 'Group' or 'Aviva') transacts life assurance and long-term savings business, fund management and most classes of general insurance and health business through its subsidiaries, joint ventures, associates and branches in the UK, Ireland, Canada and Asia.

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

(A) Basis of preparation

The consolidated financial statements and those of the Company have been prepared and approved by the Directors in accordance with UK-adopted international accounting standards and the legal requirements of the Companies Act 2006.

On 31 December 2020, IFRS as adopted by the EU at that date was brought into UK law and became UK-adopted International Accounting Standards, with future changes being subject to endorsement by the UK Endorsement Board. The Group transitioned to UK-adopted international accounting standards on 1 January 2021. This change constitutes a change in accounting framework. However, there is no impact on recognition, measurement or disclosure in the period reported and as at the year end, as a result of the change in framework.

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 2021. The amendments have been issued and endorsed by the UK and do not have a significant impact on the Group's consolidated financial statements.

(i) Amendments to IFRS 16 leases: COVID-19 related rent concessions (published by the IASB in May 2020)

(ii) 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)

Standards, interpretations and amendments to published standards that are not yet effective and have not been adopted early by the Group or the Company

The following new standards and amendments to existing standards have been issued, are not yet effective for the Group and have not been adopted early by the Group:

(i) IFRS 17, Insurance Contracts

In May 2017, the IASB published IFRS 17 Insurance Contracts, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts 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 measurement model (GMM), supplemented by a specific adaptation for contracts with direct participation features (the variable fee approach (VFA)) and a simplified approach (the premium allocation approach (PAA)), 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 insurance contracts and participating investment contracts. Investment contracts with no significant insurance or discretionary participating features, equity release and investment management business will be out of scope and therefore not impacted by the new standard.

The measurement changes will be more significant for life insurance than general insurance contracts, however there will be significant changes to presentation and disclosures for all insurance contracts. We expect to align disclosures to three major groupings: Life Risk, Life Participating, and Non-life (general insurance and health) which broadly align with the IFRS 17 measurement models GMM, VFA and PAA respectively.

The Group is in the advanced stages of implementation of IFRS 17. However, as some material judgements are still under consideration, a reasonable estimate of the financial impacts cannot be provided at this stage.

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. A further amendment to the standard was published in December 2021, which applies to the comparative information presented on initial application of IFRS 9. The final standard remains subject to endorsement in the UK by the UK Endorsement Board.

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 4 which are set out in notes 23 and 57.

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.

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.

We have assessed the interaction of IFRS 9 with the new insurance contracts standard, IFRS 17, and intend to continue to apply the Group's current policy of measuring the majority of its financial instruments at fair value through profit or loss, hence we do not expect any significant measurement differences on adoption of IFRS 9. There will be changes to presentation and disclosures, including reflecting the business model assessment required for classification of financial investments under IFRS 9. IFRS 9 has been endorsed by the UK.

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 yet effective 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 beyond 30 June 2021

Published by the IASB in March 2021. The amendments are effective for annual reporting beginning on or after 1 April 2021 and have been endorsed by the UK.

(iv) Amendments to IFRS 3 Business Combinations: Reference to the Conceptual Framework

Published by the IASB in May 2020. The amendments are effective for annual reporting beginning on or after 1 January 2022 and have yet to be endorsed by the UK.

(v) Amendments to IAS 16 Property, Plant and Equipment: Proceeds before Intended Use

Published by the IASB in May 2020. The amendments are effective for annual reporting beginning on or after 1 January 2022 and have yet to be endorsed by the UK.

(vi) Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets: Onerous Contracts – Costs of Fulfilling a Contract

Published by the IASB in May 2020. The amendments are effective for annual reporting beginning on or after 1 January 2022 and have yet to be endorsed by the UK.

(vii) Annual Improvements to IFRSs 2018-2020 Cycle

Published by the IASB in May 2020, these improvements consist of amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IFRS 16 Leases and IAS 41 Agriculture. These amendments are effective for annual reporting beginning on or after 1 January 2022 and have yet to be endorsed by the UK.

(viii) Amendments to IAS 1 Presentation of Financial Statements: Disclosure of Accounting Policies

Published by the IASB in January 2020. The amendments are effective for annual reporting beginning on or after 1 January 2023 and have yet to be endorsed by the UK.

(ix) Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates

Published by the IASB in February 2021. The amendments are effective for annual reporting beginning on or after 1 January 2023 and have yet to be endorsed by the UK.

(x) Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction

Published by the IASB in May 2021. The amendments are effective for annual reporting beginning on or after 1 January 2023 and have yet to be endorsed by the UK.

(xi) Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current

Published by the IASB in February 2021. The amendments are effective for annual reporting beginning on or after 1 January 2024 and have yet to be endorsed by the UK.

(B) Group adjusted operating profit

The long-term nature of much of the Group's operations means that, for management's decision-making and internal performance management of our operating segments, the Group focuses on Group adjusted operating profit, a non-GAAP alternative performance measure (APM) which is not bound by IFRS. The APM incorporates the expected return on investments which supports its long-term and non-long-term businesses.

Group adjusted operating profit for long-term business is based on expected investment returns on financial investments backing shareholder and policyholder funds over the reporting period, with allowance for the corresponding expected movements in liabilities. Variances between actual and expected investment returns, and the impact of changes in economic assumptions on liabilities, are disclosed separately outside Group adjusted operating profit. For non-long-term business, the total investment income, including realised and unrealised gains, is analysed between that calculated using a longer-term return and short-term fluctuations from that level. The exclusion of short-term realised and unrealised investment gains and losses from the Group adjusted operating profit APM reflects the long-term nature of much of our business and presents separately the operating profit APM which is used in managing the performance of our operating segments from the impact of economic factors. Further details of this analysis and the assumptions used are given in notes 8 and 9.

Group adjusted operating profit excludes impairment of goodwill, associates and joint ventures; amortisation and impairment of intangibles acquired in business combinations; amortisation and impairment of acquired value of in-force business; and the profit or loss on disposal and remeasurement of subsidiaries, joint ventures and associates. These items principally relate to mergers and acquisition activity which we view as strategic in nature, hence they are excluded from the operating profit APM as this is principally used to manage the performance of our operating segments when reporting to the Group's chief operating decision maker.

Group adjusted operating profit also excludes other items, which are those items that, in the Directors' view, are required to be separately disclosed by virtue of their nature or incidence to enable a full understanding of the Group's financial performance. Details of these items, including an explanation of the rationale for their exclusion, are provided in the Alternative Performance Measures section within 'Other information'.

The Group adjusted operating profit APM should be viewed as complementary to IFRS GAAP measures. It is important to consider Group adjusted operating profit and profit before tax together to understand the performance of the business in the period.

(C) Critical accounting policies and the use of estimates

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 judgements considered by the Committee in the year are included within the Audit Committee Report.

The accounting policies on the following page 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
Classification of insurance and investment contracts	Assessment of the significance of insurance risk transferred to the Group and discretionary participation features in determining whether a contract should be accounted for as an insurance or investment contract. Insurance contracts are defined as those containing significant insurance risk. Contracts that transfer financial risks, but not significant insurance risk are classified as investment contracts. Judgement is required to assess whether insurance risk is significant at inception of the contract. Some insurance and investment contracts contain a discretionary participation feature which is a supplement to guaranteed benefits. Judgement is required to determine whether discretionary additional benefits are likely to be a significant portion of the total contractual payments.	G
Financial investments	Classification of investments including the application of the fair value option. The Group classifies its investments as either fair value through profit or loss (FVTPL) or available for sale (AFS). The classification depends on the purpose for which the investments were acquired and is determined by local management at initial recognition.	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 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).		44(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 accounting policies and estimates previously provided and, based on their assessment of qualitative and quantitative risk factors, resolved that no change was required.

(D) Consolidation principles

Subsidiaries

Subsidiaries are those entities over which the Group has control. The Group controls an investee if and only if the Group has all of the following:
- power over the investee;
- exposure, or rights, to variable returns from its involvement with the investee, and
- the ability to use its power over the investee to affect its returns.

The Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including: the purpose and design of an investee, relevant activities, substantive and protective rights, and voting rights and potential voting rights.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

Investment vehicles

In several countries, the Group has invested in a number of specialised investment vehicles such as Open-ended Investment Companies (OEICs) and unit trusts. These invest mainly in equities, bonds, cash and cash equivalents, and properties, and distribute most of their income.

In determining whether the Group controls such vehicles, primary considerations include whether the Group is acting as a principal or an agent (including an assessment of the substantive removal rights of third parties) and the variability in the returns associated with the Group's aggregate economic interest in the fund (direct interest and expected management fees) relative to the total variability of returns.

Additionally, the Group's percentage ownership in these vehicles can fluctuate on a daily basis according to the level of participation of the Group and third-parties. To avoid transitory or minor changes in fund holdings (which do not reflect the wider facts and circumstances of the Group's involvement) resulting in binary changes in the consolidation conclusions, the Group takes into account the trend of ownership over a period of time. This is performed in line with the following principles:
- Where the entity is managed by a Group asset manager, and the Group's ownership holding in the entity exceeds 40%, the Group is judged to have control over the entity;
- Where the entity is managed by a Group asset manager, and the Group's ownership holding in the entity is between 30% and 40%, the facts and circumstances of the Group's involvement in the entity are considered, in forming a judgement as to whether the Group has control over the entity. Considerations include the rights held by other parties, the Group's rights to fees from the entity, the variability in the returns associated with the Group's aggregate economic interest in the fund and the nature of the Group's exposure to variability compared with that of other investors; and
- Where the entity is managed by a Group asset manager, and the Group's ownership holding in the entity is less than 30%, the Group is judged to not have control over the entity.

Where the Group is deemed to control such vehicles, they are consolidated, with the interests of parties other than Aviva being classified as liabilities. These appear as 'Net asset value attributable to unitholders' in the consolidated statement of financial position. The interest of parties other than Aviva in the investment return on these funds appear as 'Investment expense/(income) attributable to unitholders' in the income statement.

Where the Group does not control such vehicles, and these investments are held by its insurance or investment funds, they are carried at fair value through profit or loss within financial investments in the consolidated statement of financial position, in accordance with IAS 39 Financial Instruments: Recognition and Measurement.

As part of their investment strategy, long-term business policyholder funds have invested in a number of property limited partnerships (PLPs), either directly or via property unit trusts (PUTs), through a mix of capital and loans. The PLPs are managed by general partners (GPs), in which the long-term business shareholder companies hold equity stakes and which themselves hold nominal stakes in the PLPs. The PUTs are managed by a Group subsidiary.

Accounting for the PUTs and PLPs as subsidiaries, joint ventures, associates or other financial investments depends on whether the Group is deemed to have control or joint control over the PUTs and PLPs' shareholdings in the GPs and the terms of each partnership agreement are considered along with other factors that determine control, as outlined above.

Where the Group exerts control over a PUT or a PLP, it has been treated as a subsidiary and its results, assets and liabilities have been consolidated.

Where the partnership is managed by an agreement such that there is joint control between the parties, notwithstanding that the Group's partnership share in the PLP (including its indirect stake via the relevant PUT and GP) may be lower or higher than 50%, such PUTs and PLPs have been classified as joint ventures (see below). Where the Group has significant influence over the PUT or PLP, as defined in the following section, the PUT or PLP is classified as an associate. Where the Group holds non-controlling interests in PLPs, with no significant influence or control over their associated GPs, the relevant investments are carried at fair value through profit or loss within financial investments.

Consolidation procedure

Subsidiaries are consolidated from the date the Group obtains control and are excluded from consolidation from the date the Group loses control. All intercompany transactions, balances and unrealised surpluses and deficits on transactions between Group companies have been eliminated. Accounting policies of subsidiaries are aligned on acquisition to ensure consistency with Group policies.

The Group is required to use the acquisition method of accounting for business combinations. Under this method, the Group recognises identifiable assets, liabilities and contingent liabilities at fair value, and any non-controlling interest in the acquiree. For each business combination, the Group has the option to measure the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. The excess of the consideration transferred over the fair value of the net assets of the subsidiary acquired is recorded as goodwill (see accounting policy O below). Acquisition-related costs are expensed as incurred.

Transactions with non-controlling interests that lead to changes in the ownership interests in a subsidiary but do not result in a loss of control are treated as equity transactions.

Merger accounting and the merger reserve

Prior to 1 January 2004, the date of first time adoption of IFRS, certain significant business combinations were accounted for using the 'pooling of interests method' (or merger accounting), which treats the merged groups as if they had been combined throughout the current and comparative accounting periods. 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 or the hedging instrument reserve within equity. On disposal of a foreign entity, such exchange differences are transferred out of this reserve and are recognised in the income statement as part of the gain or loss on sale. The cumulative translation differences were deemed to be zero at the transition date to IFRS.

Foreign currency transactions are accounted for at the exchange rates prevailing at the date of the transactions. Gains and losses resulting from the settlement of such transactions, and from the translation of monetary assets and liabilities denominated in foreign currencies, are recognised in the income statement.

Translation differences on debt securities and other monetary financial assets measured at fair value and designated as held at FVTPL (see accounting policy T) are included in foreign exchange gains and losses in the income statement. For monetary financial assets designated as AFS, translation differences are calculated as if they were carried at amortised cost and so are recognised in the income statement, while foreign exchange differences arising from fair value gains and losses are recognised in other comprehensive income and included in the investment valuation reserve within equity. Translation differences on non-monetary items, such as equities which are designated as FVTPL, are reported as part of the fair value gain or loss, whereas such differences on AFS equities are included in the investment valuation reserve.

(F) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. This presumes that the transaction takes place in the principal (or most advantageous) market under current market conditions. Fair value is a market-based measure and in the absence of observable market prices in an active market, it is measured using the assumptions that market participants would use when pricing the asset or liability.

The fair value of a non-financial asset is determined based on its highest and best use from a market participant's perspective. When using this approach, the Group takes into account the asset's use that is physically possible, legally permissible and financially feasible.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price i.e. the fair value of the consideration given or received. In certain circumstances, the fair value at initial recognition may differ from the transaction price.

If the fair value is evidenced by comparison with other observable current market transactions in the same instrument (i.e. without modification or repackaging), or is based on a valuation technique whose variables include only data from observable markets, then the difference between the fair value at initial recognition and the transaction price is recognised as a gain or loss in the income statement. When unobservable market data has a significant impact on the valuation of financial instruments, the difference between the fair value at initial recognition and the transaction price is not recognised immediately in the income statement, but deferred and recognised in the income statement on an appropriate basis over the life of the instrument but no later than when the valuation is supported wholly by observable market data or the transaction is closed out or otherwise matured.

If an asset or a liability measured at fair value has a bid price and an ask price, the price within the bid-ask spread that is most representative of fair value in the circumstances is used to measure fair value.

(G) Product classification

Insurance contracts are defined as those containing significant insurance risk if, and only if, an insured event could cause an insurer to make significant additional payments in any scenario, excluding scenarios that lack commercial substance, at the inception of the contract.

Such contracts remain insurance contracts until all rights and obligations are extinguished or expire. Contracts can be reclassified as insurance contracts after inception if insurance risk becomes significant. Contracts that transfer financial risks, but not significant insurance risk are classified as investment contracts.

Some insurance and investment contracts contain a discretionary participation feature, which is a contractual right to receive additional benefits as a supplement to guaranteed benefits (i) that are likely to be a significant portion of the total contractual payments; (ii) whose amount or timing is at the discretion of the issuer; and (iii) that are based on the performance of a specified pool of assets, company, or other entity that issues the contracts. Investment contracts with discretionary participation features, referred to as participating investment contracts, are accounted for under IFRS 4. Investment contracts without discretionary participation features, referred to as non-participating investment contracts, are accounted for as financial instruments under IAS 39.

The classification of the Group's main contracts is summarised below:

Type of contract	Classification
Annuities	Insurance contract
Unit-linked with significant insurance risk	Insurance contract
Unit-linked without significant insurance risk	Investment contract
Protection	Insurance contract
General insurance (e.g. motor, property, liability)	Insurance contract
With-profits	Insurance contract / Participating investment contract

As noted in accounting policy A, insurance contracts and participating investment contracts in general continue to be measured and accounted for under existing accounting practices at the later of the date of transition to IFRS ('grandfathered') or the date of the acquisition of the entity, in accordance with IFRS 4. IFRS accounting for insurance contracts in UK companies was grandfathered at the date of transition to IFRS and determined in accordance with the Statement of Recommended Practice issued by the Association of British Insurers (subsequently withdrawn by the ABI in 2015).

In certain businesses, the accounting policies or accounting estimates have been changed, as permitted by IFRS 4 and IAS 8 respectively, to remeasure designated insurance liabilities to reflect current market interest rates and changes to regulatory capital requirements. When accounting policies or accounting estimates have been changed, and adjustments to the measurement basis have occurred, the financial statements of that year will have disclosed the impacts accordingly. One such example is our adoption of Financial Reporting Standard 27 Life Assurance (FRS 27) which was issued by the UK's Accounting Standards Board (ASB) in December 2004 (subsequently withdrawn by the ASB in 2015).

(H) Premiums earned

Premiums on long-term insurance contracts and participating investment contracts are recognised as income when receivable, except for investment-linked premiums which are accounted for when the corresponding liabilities are recognised. For single premium business, this is the date from which the policy is effective. For regular premium contracts, receivables are recognised at the date when payments are due.

Premiums are shown before deduction of commission and before any sales-based taxes or duties. Where policies lapse due to non-receipt of premiums, then all the related premium income accrued but not received from the date they are deemed to have lapsed is offset against premiums.

General insurance and health premiums written reflect business incepted during the year, and exclude any sales-based taxes or duties. Unearned premiums are those proportions of the premiums written in a year that relate to periods of risk after the statement of financial position date. Unearned premiums are calculated on either a daily or monthly pro rata basis. Premiums collected by intermediaries, but not yet received, are assessed based on estimates from underwriting or past experience, and are included in premiums written.

Deposits collected under investment contracts without a discretionary participation feature (non-participating contracts) are not accounted for through the income statement, except for the fee income (covered in accounting policy I) and the investment income attributable to those contracts, but are accounted for directly through the statement of financial position as an adjustment to the investment contract liability.

(I) Other investment contract fee revenue

Investment contract policyholders are charged fees for policy administration, investment management, surrenders or other contract services. The fees may be for fixed amounts or vary with the amounts being managed, and will generally be charged as an adjustment to the policyholder's balance. Fees related to investment management services are recognised as revenue over time, as performance obligations are satisfied. In most cases this revenue is recognised in the same period in which the fees are charged to the policyholder. Fees that are related to services to be provided in future periods are deferred and recognised when the performance obligation is fulfilled. Variable consideration, such as performance fees and commission subject to clawback arrangements, is not recognised as revenue until it is reasonably certain that no significant reversal of amounts recognised would occur.

Initiation and other 'front-end' fees (fees that are assessed against the policyholder balance as consideration for origination of the contract) are charged on some non-participating investment and investment fund management contracts. Where the investment contract is recorded at amortised cost, these fees are deferred and recognised over the expected term of the policy by an adjustment to the effective yield. Where the investment contract is measured at fair value, the front-end fees that relate to the provision of investment management services are deferred and recognised as the services are provided. Origination fees are recognised immediately where the sale of fund interests represent a separate performance obligation.

(J) Other fee and commission income

Other fee and commission income consists primarily of fund management fees, distribution fees from mutual funds, commissions on reinsurance ceded, commission revenue from the sale of mutual fund shares and transfer agent fees for shareholder record keeping. Reinsurance commissions receivable are deferred in the same way as acquisition costs, as described in accounting policy X. All other fee and commission income is recognised over time as the services are provided.

(K) Net investment income

Investment income consists of dividends, interest and rents receivable for the year, movements in amortised cost on debt securities, realised gains and losses, and unrealised gains and losses on FVTPL investments (as defined in accounting policy T). Dividends on equity securities are recorded as revenue on the ex-dividend date. Interest income is recognised as it accrues, taking into account the effective yield on the investment. It includes the interest rate differential on forward foreign exchange contracts. Rental income is recognised on an accruals basis, and is recognised on a straight line basis unless there is compelling evidence that benefits do not accrue evenly over the period of the lease.

A gain or loss on a financial investment is only realised on disposal or transfer, and is the difference between the proceeds received, net of transaction costs, and its original cost or amortised cost, as appropriate.

Unrealised gains and losses, arising on investments which have not been derecognised as a result of disposal or transfer, represent the difference between the carrying value at the year end and the carrying value at the previous year end or purchase value during the year, less the reversal of previously recognised unrealised gains and losses in respect of disposals made during the year. Realised gains or losses on investment property represent the difference between the net disposal proceeds and the carrying amount of the property.

(L) Insurance and participating investment contract liabilities

Claims

Long-term business claims reflect the cost of all claims arising during the year, including claims handling costs, as well as policyholder bonuses accrued in anticipation of bonus declarations.

General insurance and health claims incurred include all losses occurring during the year, whether reported or not, related handling costs, a reduction for the value of salvage and other recoveries, and any adjustments to claims outstanding from previous years.

Claims handling costs include internal and external costs incurred in connection with the negotiation and settlement of claims. Internal costs include all direct expenses of the claims department and any part of the general administrative costs directly attributable to the claims function.

Long-term business provisions

Under current IFRS requirements, insurance and participating investment contract liabilities are measured using accounting policies consistent with those adopted previously under existing accounting practices, with the exception of liabilities remeasured to reflect current market interest rates to be consistent with the value of the backing assets, and those relating to UK with-profits and non-profit contracts.

The long-term business provisions are calculated separately for each life operation, based either on local regulatory requirements or existing local GAAP (at the later of the date of transition to IFRS or the date of the acquisition of the entity); and actuarial principles consistent with those applied in each local market. Each calculation represents a determination within a range of possible outcomes, where the assumptions used in the calculations depend on the circumstances prevailing in each life operation. The principal assumptions are disclosed in note 41(a). For the UK with-profits funds, FRS 27 required liabilities to be calculated on the realistic basis adjusted to remove the shareholders' share of future bonuses.

FRS 27 was grandfathered from UK regulatory requirements prior to the adoption of Solvency II. For UK non-profit insurance contracts, the liabilities are calculated using the gross premium valuation method. This method uses the amount of contractual premiums payable and includes explicit assumptions for interest and discount rates, mortality and morbidity, persistency and future expenses. These assumptions are set on a prudent basis and can vary by contract type and reflect current and expected future experience. These estimates depend upon the outcome of future events and may need to be revised as circumstances change. The liabilities are based on the UK regulatory requirements prior to the adoption of Solvency II, adjusted to remove certain regulatory reserves and margins in assumptions, notably for annuity business.

Unallocated divisible surplus

In certain participating long-term insurance and investment business, the nature of the policy benefits is such that the division between shareholder reserves and policyholder liabilities is uncertain. Amounts whose allocation to either policyholders or shareholders has not been determined by the end of the financial year are held within liabilities as an unallocated divisible surplus.

If the aggregate carrying value of liabilities for a particular participating business fund is in excess of the aggregate carrying value of its assets, then the difference is held as a negative unallocated divisible surplus balance, subject to recoverability from margins in that fund's participating business. Any excess of this difference over the recoverable amount is charged to net income in the reporting period.

Embedded derivatives

Embedded derivatives that meet the definition of an insurance contract or correspond to options to surrender insurance contracts for a set amount (or based on a fixed amount and an interest rate) are not separately measured. All other embedded derivatives are separated and measured at fair value if they are not considered closely related to the host insurance contract or do not meet the definition of an insurance contract. Fair value reflects own credit risk to the extent the embedded derivative is not fully collateralised.

Liability adequacy

At each reporting date, an assessment is made of whether the recognised long-term business provisions are adequate, using current estimates of future cash flows. If that assessment shows that the carrying amount of the liabilities (less related assets) is insufficient in light of the estimated future cash flows, the deficiency is recognised in the income statement by setting up an additional provision in the statement of financial position.

General insurance and health provisions

Outstanding claims provisions

General insurance and health outstanding claims provisions are based on the estimated ultimate cost of all claims incurred but not settled at the statement of financial position date, whether reported or not, together with related claims handling costs. Significant delays are experienced in the notification and settlement of certain types of general insurance claims, particularly in respect of liability business, including environmental and pollution exposures, the ultimate cost of which cannot be known with certainty at the statement of financial position date. As such, booked claim provisions for general insurance and health insurance are based on the best estimate of the cost of future claim payments plus an explicit allowance for risk and uncertainty. Any estimate represents a determination within a range of possible outcomes. Further details of estimation techniques are given in note 41(b).

Provisions for latent claims and claims that are settled on an annuity type basis such as structured settlements are discounted, in the relevant currency at the reporting date, having regard to the expected settlement dates of the claims and the nature of the liabilities.

The discount rate is set at the start of the accounting period with any change in rates between the start and end of the accounting period being reflected below operating profit as an economic assumption change. The range of discount rates used is described in note 41(b). Outstanding claims provisions are valued net of an allowance for expected future recoveries. Recoveries include non-insurance assets that have been acquired by exercising rights to salvage and subrogation under the terms of insurance contracts.

Provision for unearned premiums

The proportion of written premiums, gross of commission payable to intermediaries, attributable to subsequent periods is deferred as a provision for unearned premiums. The change in this provision is taken to the income statement as recognition of revenue over the period of risk.

Liability adequacy

At each reporting date, the Group reviews its unexpired risks and carries out a liability adequacy test for any overall excess of expected claims and deferred acquisition costs over unearned premiums, using the current estimates of future cash flows under its contracts after taking account of the investment return expected to arise on assets relating to the relevant general business provisions.

If these estimates show that the carrying amount of its insurance liabilities (less related deferred acquisition costs) is insufficient in light of the estimated future cash flows, the deficiency is recognised in the income statement by setting up a provision in the statement of financial position.

Other assessments and levies

The Group is subject to various periodic insurance-related assessments or guarantee fund levies. Related provisions are established where there is a present obligation (legal or constructive) as a result of a past event. Such amounts are not included in insurance liabilities but are included under 'Pension deficits and other provisions' in the statement of financial position.

(M) Non-participating investment contract liabilities

Claims

For non-participating investment contracts with an account balance, claims reflect the excess of amounts paid over the account balance released.

Contract liabilities

Deposits collected under non-participating investment contracts are not accounted for through the income statement, except for the investment income attributable to those contracts, but are accounted for directly through the statement of financial position as an adjustment to the investment contract liability.

The majority of the Group's contracts classified as non-participating investment contracts are unit-linked contracts and are measured at fair value.

The liability's fair value is determined using a valuation technique to provide a reliable estimate of the amount for which the liability could be transferred in an orderly transaction between market participants at the measurement date, subject to a minimum equal to the surrender value. For unit-linked contracts, the fair value liability is equal to the current unit fund value, including any unfunded units. In addition, if required, non-unit reserves are held based on a discounted cash flow analysis.

For non-linked contracts, the fair value liability is based on a discounted cash flow analysis, with allowance for risk calibrated to match the market price for risk.

(N) Reinsurance

The Group assumes and cedes reinsurance in the normal course of business, with retention limits varying by line of business. Premiums on reinsurance assumed are recognised as revenue in the same manner as they would be if the reinsurance were considered direct business, taking into account the product classification of the reinsured business.

The cost of reinsurance related to long-duration contracts is accounted for over the life of the underlying reinsured policies, using assumptions consistent with those used to account for these policies.

Where general insurance liabilities are discounted, any corresponding reinsurance assets are also discounted using consistent assumptions.

Gains or losses on buying retroactive reinsurance are recognised in the income statement immediately at the date of purchase and are not amortised. Premiums ceded and claims reimbursed are presented on a gross basis in the consolidated income statement and statement of financial position as appropriate.

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 16. Any impairments are charged as expenses in the income statement.

(P) Property and equipment

Owner-occupied properties are carried at their revalued amounts, and movements are recognised in other comprehensive income and taken to a separate reserve within equity. When such properties are sold, the accumulated revaluation surpluses are transferred from this reserve to retained earnings. These properties are depreciated down to their estimated residual values over their useful lives.

This excludes owner-occupied properties held under lease arrangements, which are measured at amortised cost. Refer to accounting policy Z for further information.

All other items classed as property and equipment within the statement of financial position are carried at historical cost less accumulated depreciation.

Investment properties under construction are included within property and equipment until completion, and are stated at cost less any provision for impairment in their values until construction is completed or fair value becomes reliably measurable.

Depreciation is calculated on a straight-line basis to write down the cost of other assets to their residual values over their estimated useful lives as follows:

• Properties under construction	No depreciation
• Owner-occupied properties, and related mechanical and electrical equipment	25 years
• Motor vehicles	Three years, or lease term (up to useful life) if longer
• Computer equipment	Three to five years
• Other assets	Three to five years

The assets' residual values, useful lives and method of depreciation are reviewed regularly, and at least at each financial year end, and adjusted if appropriate. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. Gains and losses on disposal of property and equipment are determined by reference to their carrying amount.

Borrowing costs directly attributable to the acquisition and construction of property and equipment are capitalised. All repair and maintenance costs are charged to the income statement during the financial period in which they are incurred. The cost of major renovations is included in the carrying amount of the asset when it is probable that future economic benefits in excess of the most recently assessed standard of performance of the existing asset will flow to the Group and the renovation replaces an identifiable part of the asset. Major renovations are depreciated over the remaining useful life of the related asset.

(Q) Investment property

Investment property is held for long-term rental yields and is not occupied by the Group. Completed investment property is stated at its fair value, as assessed by qualified external valuers or by qualified staff of the Group. Changes in fair values are recorded in the income statement in net investment income.

As described in accounting policy P above, investment properties under construction are included within property and equipment, and are stated at cost less any impairment in their values until construction is completed or fair value becomes reliably measurable.

(R) Impairment of non-financial assets

Property and equipment and other non-financial assets are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised in the income statement for the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows. Non-financial assets, except goodwill which have suffered an impairment, are reviewed annually for possible reversal of the impairment.

(S) Derecognition and offset of financial assets and financial liabilities

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- The rights to receive cash flows from the asset have expired;
- The Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- The Group has transferred its rights to receive cash flows from the asset and has either transferred substantially all the risks and rewards of the asset, or has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a currently enforceable legal right to set off the recognised amounts and there is the ability and intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

(T) Financial investments

The Group classifies its investments as either FVTPL or AFS.

The classification depends on the purpose for which the investments were acquired, and is determined by 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 the carrying value of an AFS investment is greater than the recoverable amount, the carrying value is reduced through a charge to the income statement in the period of impairment. The following policies are used to determine the level of any impairment, some of which involve considerable judgement.

AFS debt securities
An AFS debt security is impaired if there is objective evidence that a loss event has occurred which has impaired the expected cash flows, i.e. where all amounts due according to the contractual terms of the security are not considered collectible. An impairment charge, measured as the difference between the security's fair value and amortised cost, is recognised when the issuer is known to be either in default or in financial difficulty. Determining when an issuer is in financial difficulty requires the use of judgement, and we consider a number of factors including industry risk factors, financial condition, liquidity position and near-term prospects of the issuer, credit rating declines and a breach of contract. A decline in fair value below amortised cost due to changes in risk-free interest rates does not necessarily represent objective evidence of a loss event.

For securities identified as being impaired, the cumulative unrealised loss previously recognised within the investment valuation reserve is transferred to realised losses for the year, with a corresponding movement through other comprehensive income. Any subsequent increase in fair value of these impaired securities is recognised in other comprehensive income and recorded in the investment valuation reserve unless this increase represents a decrease in the impairment loss that can be objectively related to an event occurring after the impairment loss was recognised in the income statement. In such an event, the reversal of the impairment loss is recognised as a gain in the income statement.

AFS equity securities
An AFS equity security is considered impaired if there is objective evidence that the cost may not be recovered. In addition to qualitative impairment criteria, such evidence includes a significant or prolonged decline in fair value below cost. Unless there is evidence to the contrary, an equity security is considered impaired if the decline in fair value relative to cost has been either at least 20% for a continuous six-month period or more than 40% at the end of the reporting period, or been in an unrealised loss position for a continuous period of more than 12 months at the end of the reporting period. We also review our largest equity holdings for evidence of impairment, as well as individual equity holdings in industry sectors known to be in difficulty. Where there is objective evidence that impairment exists, the security is written down regardless of the size of the unrealised loss.

For securities identified as being impaired, the cumulative unrealised loss previously recognised within the investment valuation reserve is transferred to realised losses for the year with a corresponding movement through other comprehensive income.

Any subsequent increase in fair value of these impaired securities is recognised in other comprehensive income and recorded in the investment valuation reserve.

Reversals of impairments on any of these assets are only recognised where the decrease in the impairment can be objectively related to an event occurring after the write-down (such as an improvement in the debtor's credit rating), and are not recognised in respect of equity instruments.

(U) Derivative financial instruments and hedging
Derivative financial instruments include foreign exchange contracts, interest rate futures, currency and interest rate swaps, currency and interest rate options (both written and purchased) and other financial instruments that derive their value mainly from underlying interest rates, foreign exchange rates, credit or equity indices, commodity values or equity instruments.

All derivatives are initially recognised in the statement of financial position at their fair value, which usually represents their cost. They are subsequently remeasured at their fair value, with the method of recognising movements in this value depending on whether they are designated as hedging instruments and, if so, the nature of the item being hedged. Fair values are obtained from quoted market prices or, if these are not available, by using valuation techniques such as discounted cash flow models or option pricing models. All derivatives are carried as assets when the fair values are positive and as liabilities when the fair values are negative. Premiums paid for derivatives are recorded as an asset on the statement of financial position at the date of purchase, representing their fair value at that date.

Derivative contracts may be traded on an exchange or over-the-counter (OTC). Exchange-traded derivatives are standardised and include certain futures and option contracts. OTC derivative contracts are individually negotiated between contracting parties and include forwards, swaps, caps and floors. Derivatives are subject to various risks including market, liquidity and credit risk, similar to those related to the underlying financial instruments. Many OTC transactions are contracted and documented under International Swaps and Derivatives Association master agreements or their equivalent, which are designed to provide legally enforceable set-off in the event of default, reducing the Group's exposure to credit risk.

The notional or contractual amounts associated with derivative financial instruments are not recorded as assets or liabilities on the statement of financial position as they do not represent the fair value of these transactions. These amounts are disclosed in note 58(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 hedged item.

Changes in the fair value of hedging instruments that are designated and qualify as a hedge of the fair value of a recognised asset or liability (fair value hedges) are recognised in the income statement. The gain or loss on the hedged item that is attributable to the hedged risk is recognised in the income statement.

This applies even if the hedged item is an available for sale financial asset or is measured at amortised cost. If a hedging relationship no longer meets the criteria for hedge accounting, the cumulative adjustment made to the carrying amount of the hedged item is amortised to the income statement, based on a recalculated effective interest rate over the residual period to maturity. In cases where the hedged item has been derecognised, the cumulative adjustment is released to the income statement immediately.

The Group does not currently apply the specific hedge accounting rules to its derivative transactions which are treated as derivatives held for trading. The fair value gains and losses on these derivatives are recognised immediately in net investment income.

(V) Loans

Loans with fixed maturities, including policyholder loans, mortgage loans on investment property, securitised mortgages and collateral loans, are recognised when cash is advanced to borrowers.

Certain loans are carried at their unpaid principal balances and adjusted for amortisation of premium or discount, non-refundable loan fees and related direct costs. These amounts are deferred and amortised over the life of the loan as an adjustment to loan yield using the effective interest rate method.

However, for the majority of mortgage loans, the Group has taken advantage of the fair value option under IAS 39 to present the mortgages, associated borrowings and derivative financial instruments at fair value, since they are managed as a portfolio on a fair value basis. This presentation provides more relevant information and eliminates any accounting mismatch that would otherwise arise from using different measurement bases for these three items. The fair values of these mortgages are estimated using discounted cash flow models, based on a risk-adjusted discount rate which reflects the risks associated with these products. They are revalued at each period end, with movements in their fair values being taken to the income statement.

At each reporting date, we review loans carried at amortised cost for objective evidence that they are impaired and uncollectable, either at the level of an individual security or collectively within a group of loans with similar credit risk characteristics. To the extent that a loan is uncollectable, it is written down as impaired to its recoverable amount, measured as the present value of expected future cash flows discounted at the original effective interest rate of the loan, taking into account the fair value of the underlying collateral through an impairment provision account. Subsequent recoveries in excess of the loan's written-down carrying value are credited to the income statement.

The Company classifies and measures loans at either amortised cost, fair value through other comprehensive income, or fair value through profit or loss based on the outcome of an assessment of the Company's business model for managing financial assets and the extent to which the financial assets' contractual cash flows are solely payment of principal and interest.

The Company calculates expected credit losses for all financial assets held at either amortised cost or fair value through other comprehensive income. Expected credit losses are calculated on either a 12-month or lifetime basis depending on the extent to which credit risk has increased significantly since initial recognition.

(W) Collateral

The Group receives and pledges collateral in the form of cash or non-cash assets in respect of stock lending transactions, certain derivative contracts and loans, in order to reduce the credit risk of these transactions. Collateral is also pledged as security for bank letters of credit. The amount and type of collateral required depends on an assessment of the credit risk of the counterparty.

Collateral received in the form of cash, which is not legally segregated from the Group, is recognised as an asset in the statement of financial position with a corresponding liability for the repayment in financial liabilities (note 59). However, where the Group has a currently enforceable legal right of set-off and the ability and intent to net settle, the collateral liability and associated derivative balances are shown net.

Non-cash collateral received is not recognised in the statement of financial position unless the transfer of the collateral meets the derecognition criteria from the perspective of the transferor. Such collateral is typically recognised when the Group either (a) sells or repledges these assets in the absence of default, at which point the obligation to return this collateral is recognised as a liability; or (b) the counterparty to the arrangement defaults, at which point the collateral is seized and recognised as an asset.

Collateral pledged in the form of cash, which is legally segregated from the Group, is derecognised from the statement of financial position with a corresponding receivable recognised for its return. Non-cash collateral pledged is not derecognised from the statement of financial position unless the Group defaults on its obligations under the relevant agreement, and therefore continues to be recognised in the statement of financial position within financial investments.

(X) Deferred acquisition costs and other assets

Costs relating to the acquisition of new business for insurance and participating investment contracts are deferred in line with existing local accounting practices, to the extent that they are expected to be recovered out of future margins in revenues on these contracts. For participating contracts written in the UK, acquisition costs are generally not deferred as the liability for these contracts is calculated on a realistic basis which was grandfathered from UK regulatory requirements prior to the adoption of Solvency II (see accounting policy L). For non-participating investment and investment fund management contracts, incremental acquisition costs and sales enhancements that are directly attributable to securing an investment management service are also deferred.

Long-term business deferred acquisition costs are amortised systematically over a period no longer than that in which they are expected to be recoverable out of these future margins. Deferred acquisition costs for non-participating investment and investment fund management contracts are amortised over the period in which the service is provided. General insurance and health deferred acquisition costs are amortised over the period in which the related revenues are earned. The reinsurers' share of deferred acquisition costs is amortised in the same manner as the underlying asset.

Deferred acquisition costs are reviewed by category of business at the end of each reporting period and are written-off where they are no longer considered to be recoverable.

Where such business is reinsured, an appropriate proportion of the deferred acquisition costs is attributed to the reinsurer. Recoverability is assessed net of reinsurance, and may result in deferred acquisition costs being written-off if any liability recognised for the reinsurer's share is insufficient.

Other receivables and payables are initially recognised at cost, being fair value. Subsequent to initial measurement they are measured at amortised cost.

(Y) Statement of cash flows

Cash and cash equivalents

Cash and cash equivalents consist of cash at bank and in hand, deposits held at call with banks, treasury bills and other short-term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value. Such investments are those with less than three months' maturity from the date of acquisition, or which are redeemable on demand with only an insignificant change in their fair values.

For the purposes of the statement of cash flows, cash and cash equivalents also include bank overdrafts, which are included in payables and other financial liabilities on the statement of financial position.

Operating cash flows

Purchases and sales of investment property, loans and financial investments are included within operating cash flows as the purchases are funded from cash flows associated with the origination of insurance and investment contracts, net of payments of related benefits and claims.

(Z) Leases

Where the Group is the lessee, a lease liability equal to the present value of outstanding lease payments and a corresponding right-of-use asset equal to cost are initially recognised. The right-of-use asset is subsequently measured at amortised cost and depreciated on a straight-line basis over the length of the lease term. Depreciation on lease assets and interest on lease liabilities is recognised in the income statement.

The Group has made use of the election available under IFRS 16 to not recognise any amounts on the balance sheet associated with leases that are either deemed to be short-term, or where the underlying asset is of low value. A short-term lease in this context is defined as any arrangement which has a lease term of 12 months or less. Lease payments associated with such arrangements are recognised in the income statement as an expense on a straight-line basis. The Group's total short-term and low value lease portfolio is not material.

Where the Group is the lessor, leases are classified as finance leases if the risks and rewards of ownership are substantially transferred to the lessee and operating leases if they are not substantially transferred. Lease income from operating leases is recognised in the income statement on a straight-line basis over the lease term. When assets are subject to finance leases, the present value of the lease payments, together with any unguaranteed residual value, is recognised as a receivable.

(AA) Provisions and contingent liabilities

Provisions are recognised when the Group has a present 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 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.

The Group pays contributions to the defined contribution pension plans. Once the contributions have been paid, the Group, as employer, has no further payment obligations. The Group's contributions are charged to the income statement in the year to which they relate and are included in staff costs.

Equity compensation plans

The Group offers share award and option plans over the Company's ordinary shares for certain employees, including a Save As You Earn plan (SAYE plan), details of which are given in the Directors' Remuneration Report and in note 33.

The Group accounts for options and awards under equity compensation plans, which were granted after 7 November 2002, until such time as they are fully vested, using the fair value based method of accounting (the 'fair value method'). Under this method, the cost of providing equity compensation plans is based on the fair value of the share awards or option plans at date of grant, which is recognised in the income statement over the expected vesting period of the related employees and credited to the equity compensation reserve, part of shareholders' funds. In certain jurisdictions, awards must be settled in cash instead of shares, and the credit is taken to liabilities rather than reserves.

The fair value of these cash-settled awards is recalculated each year, with the income statement charge and liability being adjusted accordingly.

Shares purchased by employee share trusts to fund these awards are shown as deduction from shareholders' equity at their weighted average cost.

When the options are exercised and new shares are issued, the proceeds received, net of any transaction costs, are credited to share capital (par value) and the balance to share premium. Where the shares are already held by employee trusts, the net proceeds are credited against the cost of these shares, with the difference between cost and proceeds being taken to retained earnings. In both cases, the relevant amount in the equity compensation reserve is then credited to retained earnings.

(AC) Income taxes

The current tax expense is based on the taxable profits for the year, after any adjustments in respect of prior years. Tax, including tax relief for losses if applicable, is allocated over profits before taxation and amounts charged or credited to components of other comprehensive income and equity, as appropriate.

Provision is made for deferred tax liabilities, or credit taken for deferred tax assets, using the liability method, on all material temporary differences between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements.

The rates enacted or substantively enacted at the statement of financial position date are used to value the deferred tax assets and liabilities.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Where there is a history of tax losses, deferred tax assets are only recognised in excess of deferred tax liabilities if there is convincing evidence that future profits will be available.

Deferred tax is provided on any temporary differences arising from investments in subsidiaries, associates and joint ventures, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the difference will not reverse in the foreseeable future.

Deferred taxes are not provided in respect of temporary differences arising from the initial recognition of goodwill, or from the initial recognition of an asset or liability in a transaction which is not a business combination and affects neither accounting profit nor taxable profit or loss at the time of the transaction.

Current and deferred tax relating to items recognised in other comprehensive income and directly in equity are similarly recognised in other comprehensive income and directly in equity respectively.

Deferred tax related to fair value re-measurement of available for sale investments, pensions and other post-retirement obligations and other amounts charged or credited directly to other comprehensive income is recognised in the statement of financial position as a deferred tax asset or liability. Current tax on interest paid on subordinated debt instruments is credited to the income statement.

Current and deferred tax includes amounts provided in respect of uncertain tax positions, where management expects it is more likely than not that an economic outflow will occur as a result of examination by a relevant tax authority.

Provisions reflect management's best estimate of the ultimate liability based on their interpretation of tax law, precedent and guidance, informed by external tax advice as necessary. The final amounts of tax due may ultimately differ from management's best estimate at the balance sheet date. Changes in facts and circumstances underlying these provisions are reassessed at each balance sheet date, and the provisions are re-measured as required to reflect current information.

In addition to paying tax on shareholders' profits ('shareholder tax'), the Group's life businesses in the UK, Ireland and Singapore pay tax on policyholders' investment returns ('policyholder tax') on certain products at policyholder tax rates. The incremental tax borne by the Group represents income tax on policyholder's investment return. In jurisdictions where policyholder tax is applicable, the total tax charge in the income statement is allocated between shareholder tax and policyholder tax. The shareholder tax is calculated by applying the corporate tax rate to the shareholder profit. The difference between the total tax charge and shareholder tax is allocated to policyholder tax. This calculation methodology is consistent with the legislation relating to the calculation of tax on shareholder profits. The Group has decided to show separately the amounts of policyholder tax to provide a meaningful measure of the tax the Group pays on its profit. In the 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 profit attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the year, excluding the weighted average number of treasury shares.

Earnings per share has also been calculated on Group adjusted operating profit attributable to ordinary shareholders, net of tax, non-controlling interests, preference dividends and coupon payments on the direct capital instrument (DCI) as the directors believe this figure provides a better indication of operating performance. Details are given in note 14.

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 separately in the consolidated income statement, disaggregated between the profit on disposal of discontinued operations and profit from discontinued operations. Similarly, results of discontinued operations are presented separately in the consolidated statement of cash flows. 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 3(c).

Consolidated income statement

For the year ended 31 December 2021

	Note	2021 £m	2020[1] £m
Continuing operations			
Income	5		
Gross written premiums		**19,398**	18,590
Premiums ceded to reinsurers		**(4,701)**	(3,500)
Premiums written net of reinsurance		**14,697**	15,090
Net change in provision for unearned premiums		**(307)**	(95)
Net earned premiums	H	**14,390**	14,995
Fee and commission income	I & J	**1,488**	1,317
Net investment income	K	**17,138**	14,971
Share of profit/(loss) after tax of joint ventures and associates		**146**	(3)
Profit on the disposal and remeasurement of subsidiaries, joint ventures and associates		**22**	12
		33,184	31,292
Expenses	6		
Claims and benefits paid, net of recoveries from reinsurers		**(12,493)**	(13,028)
Change in insurance liabilities, net of reinsurance	39(b)	**1,699**	(4,991)
Change in investment contract provisions		**(15,304)**	(5,252)
Change in unallocated divisible surplus		**(175)**	505
Fee and commission expense		**(3,172)**	(3,047)
Investment expense attributable to unitholders		**(224)**	(588)
Other expenses		**(2,211)**	(2,530)
Finance costs	7	**(503)**	(549)
		(32,383)	(29,480)
Profit before tax from continuing operations		**801**	1,812
Tax attributable to policyholders' returns	13(d)	**(245)**	(43)
Profit before tax attributable to shareholders' profits from continuing operations		**556**	1,769
Tax expense	AC & 13	**(465)**	(346)
Less: tax attributable to policyholders' returns	13(d)	**245**	43
Tax attributable to shareholders' profits		**(220)**	(303)
Profit from continuing operations		**336**	1,466
Profit for the year from discontinued operations		**150**	731
Profit on disposal of discontinued operations		**1,550**	713
Profit from discontinued operations	3(c)	**1,700**	1,444
Profit for the year		**2,036**	2,910
Attributable to:			
Equity holders of Aviva plc		**1,966**	2,798
Non-controlling interests	38	**70**	112
Profit for the year		**2,036**	2,910
Earnings per share	AG & 14		
Basic (pence per share)		**50.1**	70.2
Diluted (pence per share)		**49.7**	69.8
Continuing operations - basic (pence per share)		**7.7**	35.7
Continuing operations - diluted (pence per share)		**7.6**	35.5

1 The 2020 comparative amounts have been re-presented from those previously published to reclassify the amounts relating to certain operations as discontinued operations as described in note 1.

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 2021

	Note	2021 £m	2020[1] £m
Profit for the year from continuing operations		**336**	1,466
Other comprehensive income from continuing operations:			
Items that may be reclassified subsequently to income statement			
Investments classified as available for sale			
Fair value gains		**—**	1
Share of other comprehensive income of joint ventures and associates	36	**5**	16
Foreign exchange rate movements	36, 38	**(34)**	(51)
Aggregate tax effect – shareholder tax on items that may be reclassified subsequently to income statement	13(b)	**(7)**	(9)
Items that will not be reclassified to income statement			
Remeasurements of pension schemes	37	**59**	(150)
Aggregate tax effect – shareholder tax on items that will not be reclassified subsequently to income statement	13(b)	**(159)**	(21)
Total other comprehensive loss, net of tax from continuing operations		**(136)**	(214)
Total comprehensive income for the year from continuing operations		**200**	1,252
Profit for the year from discontinued operations	3(c)	**1,700**	1,444
Other comprehensive (loss)/income, net of tax from discontinued operations	3(c)	**(241)**	201
Total comprehensive income for the year from discontinued operations		**1,459**	1,645
Total comprehensive income for the year		**1,659**	2,897
Attributable to:			
Equity holders of Aviva plc			
From continuing operations		**178**	1,231
From discontinued operations		**1,444**	1,520
Non-controlling interests			
From continuing operations		**22**	21
From discontinued operations		**15**	125
		1,659	2,897

1 The 2020 comparative amounts have been re-presented from those previously published to reclassify certain operations 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 2021

	Note	2021 £m	2020[1] £m
Group adjusted operating profit before tax attributable to shareholders' profits from continuing operations		**1,634**	1,806
Group adjusted operating profit before tax attributable to shareholders' profits from discontinued operations		**631**	1,355
Group adjusted operating profit before tax attributable to shareholders' profits		**2,265**	3,161
Adjusted for the following:			
Life business: Investment variances and economic assumption changes	8	**(805)**	174
Non-life business: Short-term fluctuation in return on investments	9(a)	**(149)**	(64)
General insurance and health business: Economic assumption changes	9(a)	**(85)**	(104)
Impairment of goodwill, joint ventures, associates and other amounts expensed	16(a),19	**—**	(30)
Amortisation and impairment of intangibles acquired in business combinations	17	**(66)**	(76)
Amortisation and impairment of acquired value of in-force business[2]	17	**(199)**	(278)
Profit on the disposal and remeasurement of subsidiaries, joint ventures and associates	3(a)	**1,572**	725
Other[3]		**(204)**	(34)
Adjusting items before tax		**64**	313
Profit before tax attributable to shareholders' profits from continuing operations and discontinued operations		**2,329**	3,474
Tax on group adjusted operating profit		**(470)**	(634)
Tax on other activities		**177**	70
		(293)	(564)
Profit for the year		**2,036**	2,910

1 The 2020 comparative amounts have been re-presented from those previously published to reclassify the amounts relating to certain operations as discontinued operations as described in note 1.
2 Includes £9 million attributable to the Group's joint venture shareholding in Aviva SingLife Holdings Pte. Ltd.
3 Other in 2021 includes net charges of £67 million from onerous contracts and indemnity provisions arising from acquisition and disposal activity, a £76 million charge associated with reinsurance accepted from the former Aviva France general insurance entity, a charge of £51 million relating to the redemption payment in excess of the market value of debt repaid, a charge of £7 million relating to the cost of voluntary amendments to ground rent leases held by an Aviva Investors fund and a £3 million stamp duty charge on share buybacks. Other in 2020 includes a charge of £16 million relating to costs on contracts that have become onerous following disposals of certain businesses in Asia, 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.

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 segments and by product and services (details of segments can be found in note 4):

	Products and services				
For the year ended 31 December 2021	Long-term business £m	General insurance and health £m	Fund management £m	Other operations £m	Total £m
Operating segments					
UK & Ireland Life	**1,384**	**47**	**—**	**(3)**	**1,428**
General Insurance					
UK & Ireland GI	**—**	**350**	**—**	**6**	**356**
Canada	**—**	**405**	**—**	**1**	**406**
Aviva Investors	**—**	**—**	**41**	**—**	**41**
International investments	**92**	**5**	**—**	**—**	**97**
Other operations	**(10)**	**—**	**—**	**(9)**	**(19)**
	1,466	**807**	**41**	**(5)**	**2,309**
Corporate centre costs					**(360)**
Group debt costs and other interest					**(315)**
Group adjusted operating profit before tax attributable to shareholders' profits from continuing operations (note 4)					**1,634**
Group adjusted operating profit before tax attributable to shareholders' profits from discontinued operations (note 3(c))					**631**
Group adjusted operating profit before tax attributable to shareholders' profits					**2,265**

	Products and services				
For the year ended 31 December 2020[1]	Long-term business £m	General insurance and health £m	Fund management £m	Other operations £m	Total £m
Operating segments					
UK & Ireland Life	1,873	43	—	(9)	1,907
General Insurance					
UK & Ireland GI	—	213	—	—	213
Canada	—	287	—	—	287
Aviva Investors	—	—	25	—	25
International investments	30	(4)	—	—	26
Other operations	—	(3)	—	(29)	(32)
	1,903	536	25	(38)	2,426
Corporate centre costs					(250)
Group debt costs and other interest					(370)
Group adjusted operating profit before tax attributable to shareholders' profits from continuing operations (note 4)					1,806
Group adjusted operating profit before tax attributable to shareholders' profits from discontinued operations (note 3(c))					1,355
Group adjusted operating profit before tax attributable to shareholders' profits					3,161

1 The 2020 comparative amounts have been re-presented from those previously published to reclassify the amounts relating to certain operations as discontinued operations as described in note 1.

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 2021

	Ordinary share capital Note 32 £m	Preference share capital Note 35 £m	Capital reserves[1] Note 32b £m	Treasury shares Note 34 £m	Currency translation reserve Note 36 £m	Other reserves Note 36 £m	Retained earnings Note 37 £m	DCI £m	Total equity excluding non-controlling interests £m	Non-controlling interests Note 38 £m	Total equity £m
Balance at 1 January	**982**	**200**	**10,260**	**(6)**	**862**	**(212)**	**7,468**	**—**	**19,554**	**1,006**	**20,560**
Profit for the year	—	—	—	—	—	—	1,966	—	1,966	70	2,036
Other comprehensive loss	—	—	—	—	(221)	(23)	(100)	—	(344)	(33)	(377)
Total comprehensive (loss)/income for the year	—	—	—	—	(221)	(23)	1,866	—	1,622	37	1,659
Dividends and appropriations	—	—	—	—	—	—	(1,127)	—	(1,127)	—	(1,127)
Non-controlling interests share of dividends declared in the year	—	—	—	—	—	—	—	—	—	(60)	(60)
Reclassification of DCI to financial liabilities	—	—	—	—	—	—	—	—	—	—	—
Reserves credit for equity compensation plans	—	—	—	—	—	24	—	—	24	—	24
Shares issued under equity compensation plans	1	—	6	(45)	—	(29)	3	—	(64)	—	(64)
Forfeited dividend income	—	—	—	—	—	—	—	—	—	—	—
Changes in non-controlling interests in subsidiaries	—	—	—	—	—	—	—	—	—	(9)	(9)
Shares purchased in buyback[2]	(42)	—	42	—	—	—	(663)	—	(663)	—	(663)
Movements attributable to disposals of subsidiaries, joint ventures and associates	—	—	—	—	(327)	183	—	—	(144)	(722)	(866)
Owner-occupied properties fair value gains transferred to retained earnings on disposals	—	—	—	—	—	(9)	9	—	—	—	—
Balance at 31 December	**941**	**200**	**10,308**	**(51)**	**314**	**(66)**	**7,556**	**—**	**19,202**	**252**	**19,454**

1 Capital reserves consist of share premium of £1,248 million, a capital redemption reserve of £86 million and a merger reserve of £8,974 million.

2 On 12 August 2021, the Group announced a share buyback of ordinary shares for an aggregate purchase price of up to £750 million. On 16 December 2021 Aviva announced the increase and extension of the share buyback programme to £1 billion. In the year ended 31 December 2021, £663 million of shares had been purchased and shares with a nominal value of £42 million have been cancelled, giving rise to an additional capital redemption reserve of an equivalent amount. See note 32 for further details.

For the year ended 31 December 2020

	Ordinary share capital Note 32 £m	Preference share capital Note 35 £m	Capital reserves[1] Note 32b £m	Treasury shares Note 34 £m	Currency translation reserve Note 36 £m	Other reserves Note 36 £m	Retained earnings Note 37 £m	DCI £m	Total equity excluding non-controlling interests £m	Non-controlling interests Note 38 £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
Forfeited dividend income	—	—	—	—	—	—	2	—	2	—	2
Changes in non-controlling interests in subsidiaries	—	—	—	—	—	—	7	—	7	(61)	(54)
Shares purchased in buyback	—	—	—	—	—	—	—	—	—	—	—
Movements attributable to disposals of subsidiaries, joint ventures and associates	—	—	—	—	(173)	—	—	—	(173)	(26)	(199)
Owner-occupied properties fair value gains transferred to retained earnings on disposals	—	—	—	—	—	—	—	—	—	—	—
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.

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 2021

	Note	2021 £m	2020 £m
Assets			
Goodwill	O & 16	**1,741**	1,799
Acquired value of in-force business and intangible assets	O & 17	**1,950**	2,434
Interests in, and loans to, joint ventures	D & 18	**1,855**	1,702
Interests in, and loans to, associates	D & 19	**118**	263
Property and equipment	P & 20	**428**	768
Investment property	Q & 21	**7,003**	11,369
Loans	V & 24	**38,624**	43,679
Financial investments	S, T, U & 27	**264,961**	351,378
Reinsurance assets	N & 44	**15,032**	13,338
Deferred tax assets	AC & 47	**138**	119
Current tax assets		**170**	183
Receivables	28	**6,088**	9,352
Deferred acquisition costs	X & 29	**2,721**	3,264
Pension surpluses and other assets	X & 30	**2,769**	2,834
Prepayments and accrued income	X & 30(b)	**2,391**	2,742
Cash and cash equivalents	Y & 56(d)	**12,485**	16,900
Assets of operations classified as held for sale	AH & 3(b)	**—**	17,733
Total assets		**358,474**	479,857
Equity			
Capital	AE		
Ordinary share capital	32(a)	**941**	982
Preference share capital	35	**200**	200
		1,141	1,182
Capital reserves			
Share premium	32(b)	**1,248**	1,242
Capital redemption reserve	32(b)	**86**	44
Merger reserve	D	**8,974**	8,974
		10,308	10,260
Treasury shares	34	**(51)**	(6)
Currency translation reserve	36	**314**	862
Other reserves	36	**(66)**	(212)
Retained earnings	37	**7,556**	7,468
Equity attributable to shareholders of Aviva plc		**19,202**	19,554
Non-controlling interests	38	**252**	1,006
Total equity		**19,454**	20,560
Liabilities			
Gross insurance liabilities	L & 40	**122,250**	152,482
Gross liabilities for investment contracts	M & 42	**172,452**	222,831
Unallocated divisible surplus	L & 46	**1,960**	9,736
Net asset value attributable to unitholders	D	**16,427**	20,301
Pension deficits and other provisions	AA, AB & 48	**1,001**	1,435
Deferred tax liabilities	AC & 47	**1,983**	1,828
Current tax liabilities		**35**	114
Borrowings	AD & 50	**7,344**	9,684
Payables and other financial liabilities	S & 51	**12,609**	20,667
Other liabilities	52	**2,959**	3,043
Liabilities of operations classified as held for sale	AH & 3(b)	**—**	17,176
Total liabilities		**339,020**	459,297
Total equity and liabilities		**358,474**	479,857

Approved by the Board on 1 March 2022

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 2021

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	2021 £m	2020[1] £m
Continuing operations			
Cash flows from operating activities[2]			
Cash used in operating activities	56(a)	**(2,554)**	(2,128)
Tax paid		**(304)**	(857)
Total net cash used in operating activities		**(2,858)**	(2,985)
Cash flows from investing activities			
Acquisitions of, and additions to, subsidiaries, joint ventures and associates, net of cash acquired	56(b)	**—**	(11)
Disposals of subsidiaries, joint ventures and associates, net of cash transferred	56(c)	**23**	12
Purchases of property and equipment		**(86)**	(77)
Proceeds on sale of property and equipment		**159**	2
Purchases of intangible assets		**(22)**	(61)
Total net cash from/(used in) investing activities		**74**	(135)
Cash flows from financing activities			
Proceeds from issue of ordinary shares		**6**	3
Shares purchased in buyback	32	**(663)**	—
Treasury shares purchased for employee trusts		**(69)**	(2)
New borrowings drawn down, net of expenses		**229**	966
Repayment of borrowings[3]		**(2,197)**	(930)
Net (repayment)/drawdown of borrowings		**(1,968)**	36
Interest paid on borrowings		**(489)**	(532)
Repayment of leases		**(71)**	(76)
Preference dividends paid	15	**(17)**	(17)
Ordinary dividends paid	15	**(1,110)**	(236)
Coupon payments on direct capital instrument	15	**—**	(27)
Dividends paid to non-controlling interests of subsidiaries		**(21)**	(21)
Other		**—**	1
Total net cash used in financing activities		**(4,402)**	(871)
Total net decrease in cash and cash equivalents from continuing operations		**(7,186)**	(3,991)
Cash flows (used in)/from discontinued operations		**(286)**	360
Cash flow on disposals from discontinued operations	56(c)	**3,364**	143
Net cash flows from discontinued operations	3(c)	**3,078**	503
Cash and cash equivalents at 1 January		**16,182**	19,434
Effect of exchange rate changes on cash and cash equivalents		**(196)**	236
Cash and cash equivalents at 31 December	56(d)	**11,878**	16,182

1 The 2020 comparative amounts have been re-presented from those previously published to reclassify the amounts relating to certain operations as discontinued operations as described in note 1.
2 Cash flows from operating activities include interest received of £3,605 million (2020: £4,299 million) and dividends received of £4,461 million (2020: £3,198 million).
3 2021 includes the redemption of £1.9 billion subordinated debt and senior notes. 2020 includes the redemption of 5.902% £500 million direct capital instrument.

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

In the first half of 2021, Aviva announced the agreement to sell its entire shareholdings in its businesses in France and Poland, its remaining Italian Life and General Insurance businesses and its joint venture in Turkey. This includes the asset management businesses in France and Poland. The completion of the disposals of controlling interests in these businesses was subsequently announced in the second half of 2021. These transactions are described in greater detail in note 3.

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 exits from separate major geographical areas of business. Profit from discontinued operations for the year ended 31 December 2021 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 comparatives at 31 December 2020 being re-presented accordingly. Further analysis of the results from discontinued operations (including those operations classified as discontinued in 2020) is provided in note 3(c).

2 – 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:

	2021	2020
Eurozone		
Average rate (€1 equals)	**£0.86**	£0.88
Year end rate (€1 equals)	**£0.84**	£0.90
Canada		
Average rate ($CAD1 equals)	**£0.58**	£0.58
Year end rate ($CAD1 equals)	**£0.58**	£0.57
Poland		
Average rate (PLN1 equals)	**£0.19**	£0.20
Year end rate (PLN1 equals)	**£0.18**	£0.20

Profits/(losses) attributable to discontinued operations which have been disposed of, have been translated using the period average rate up until their disposal date. Closing balance sheets of disposed operations have been translated using the closing rate on the date of disposal for the purpose of calculating the profit/(loss) on disposal.

3 – Strategic transactions

This note provides details of the disposals and acquisitions of subsidiaries, joint ventures and associates that the Group has made during the year, and discontinued operations.

(a) Disposals and remeasurements

The gain on the disposal and remeasurement of subsidiaries, joint ventures and associates comprises:

	2021 £m	2020 £m
Disposals of discontinued operations		
Aviva France (i)[1]	**128**	—
Aviva Vita (ii)	**65**	—
Aviva Italy (iii)[2]	**233**	—
Aviva Poland (iv)	**1,671**	—
Singapore	**—**	674
Other (v)	**(9)**	58
Held for sale remeasurements of discontinued operations		
Aviva France (i)[1]	**(538)**	—
Friends Provident International Limited	**—**	(19)
Total gain on disposals and remeasurements of discontinued operations	**1,550**	713
Profit on disposal from continuing operations (vi)	**22**	12
Total gain on disposals and remeasurements	**1,572**	725

1 A £538 million loss on remeasurement in respect of Aviva France was recognised at 30 June 2021, with a subsequent £128 million gain upon disposal recognised when the disposal completed on 30 September 2021.
2 Aviva Italy excludes Aviva Vita, which is disclosed separately.

3 – Strategic transactions continued

The total profit on disposal in 2021 from the transactions detailed above is calculated as follows:

	Aviva France (i) £m	Aviva Vita[2] (ii) £m	Aviva Italy[1,2] (iii) £m	Aviva Poland (iv) £m	Other (v) £m	Total £m
Assets						
Goodwill	—	—	25	23	6	54
Acquired value of in-force business and intangible assets	25	—	14	50	12	101
Interests in, and loans to, joint ventures	—	—	—	—	47	47
Interests in, and loans to, associates	77	—	—	—	—	77
Property & equipment	150	—	—	7	—	157
Investment property	5,155	—	—	—	—	5,155
Loans	564	—	—	15	—	579
Financial investments	78,375	15,790	21,484	3,194	256	119,099
Reinsurance assets	1,420	16	145	21	—	1,602
Deferred tax assets	—	—	—	—	6	6
Current tax assets	48	4	18	—	—	70
Receivables	1,297	310	351	133	9	2,100
Deferred acquisition costs	64	23	71	145	—	303
Pension surpluses and other assets	—	—	16	—	—	16
Prepayments and accrued income	724	92	124	20	17	977
Cash and cash equivalents	1,776	188	606	182	20	2,772
Total assets	**89,675**	**16,423**	**22,854**	**3,790**	**373**	**133,115**
Liabilities						
Gross insurance liabilities	19,404	2,861	10,314	3,002	232	35,813
Gross liabilities for investment contracts	55,962	11,890	10,393	2	—	78,247
Unallocated divisible surplus	4,757	974	1,107	40	—	6,878
Net asset value attributable to unitholders	2,538	—	—	—	—	2,538
Pension deficits and other provisions	98	1	13	24	—	136
Deferred tax liabilities	179	56	9	67	—	311
Current tax liabilities	—	—	—	11	—	11
Borrowings	—	—	—	—	—	—
Payables and other financial liabilities	3,573	141	162	141	—	4,017
Other liabilities[3]	1,081	107	39	53	25	1,305
Total liabilities	**87,592**	**16,030**	**22,037**	**3,340**	**257**	**129,256**
Net assets	**2,083**	**393**	**817**	**450**	**116**	**3,859**
Less: Non-controlling interests before disposal	(303)	(79)	(255)	(80)	—	(717)
Group's share of net assets disposed of	**1,780**	**314**	**562**	**370**	**116**	**3,142**
Gross consideration	**2,752**	**386**	**746**	**2,034**	**237**	**6,155**
Less: repayment of intercompany loans[3]	(957)	(34)	—	—	—	(991)
Less: transaction costs	(35)	(4)	(17)	(13)	(9)	(78)
Consideration (net of transaction costs)	**1,760**	**348**	**729**	**2,021**	**228**	**5,086**
Reserves recycled to the income statement	148	31	66	20	(121)	144
Profit/(loss) on disposal of discontinued operations	**128**	**65**	**233**	**1,671**	**(9)**	**2,088**
Other disposals from continuing operations (vi)						**22**
Total profit on disposal						**2,110**

1 Aviva Italy excludes Aviva Vita, which is disclosed separately.
2 The net assets of Aviva Italy that were disposed on 1 December 2021 include a portfolio of contracts transferred from Aviva Vita on 31 October 2021, when Aviva Vita was no longer part of the Group.
3 Consideration for Aviva France and Aviva Vita was received gross of intercompany loans worth £957 million and £34 million respectively. These loan liabilities are included within the Other liabilities account on the disposal balance sheet.

3 – Strategic transactions continued

(i) Aviva France

On 23 February 2021, Aviva announced the sale of its entire shareholding in Aviva France to Aéma Group for cash consideration of €3,200 million (approximately £2,752 million), including €1,100 million (approximately £957 million) in respect of Aviva France's intra-group debt.

The transaction covered 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 fair value of the consideration, net of settlement of Aviva France's intra-group debt and estimated costs to sell, was £1,760 million. At 30 June 2021, the carrying amount of the Group's holding in France was higher than the fair value of consideration less costs to sell, and therefore a loss on remeasurement of £538 million was recognised in accordance with IFRS 5 Non-current assets held for sale and discontinued operations.

The transaction completed on 30 September 2021, resulting in a profit on disposal of £128 million and a net £410 million charge over the year as calculated below:

	2021 £m
Loss on remeasurement at 30 June 2021	**(538)**
Subsequent profit after tax attributable to shareholders until completion of disposal	(25)
Reduction in estimated disposal costs	5
Loss on disposal before reserve recycling	**(20)**
Reserves recycled to the income statement	148
Profit on disposal	**128**
Net charge on disposal	**(410)**

In addition, a reinsurance quota share treaty accepted by the Group from the disposed general insurance entity was terminated on 31 December 2021.

(ii) Aviva Vita (Italy)

On 23 November 2020, Aviva announced the sale of its entire 80% shareholding in the Italian Life Insurer Aviva Vita S.p.A. (Aviva Vita) to its partner UBI Banca. The transaction completed on 1 April 2021 and resulted in a profit on disposal of £65 million.

(iii) Aviva Italy

On 4 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 businesses primarily comprised 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 £466 million). The sale of the general insurance business comprised the entire 100% shareholding in Aviva Italia S.p.A. to Allianz for cash consideration of €330 million (approximately £283 million). The transactions to sell the General Insurance and Life Insurance businesses completed on 1 October 2021 and 1 December 2021 respectively, with a total profit on disposal of £233 million.

The net assets of Aviva Italy's disposed life business included a portfolio of participating investment contracts transferred from Aviva Vita on 31 October, when Aviva Vita was no longer part of the Group, for cash consideration of £7 million (€8 million). The portfolio comprised £1,160 million of total assets and £1,160 million of total liabilities at the date of disposal of Aviva Italy's life business.

(iv) Aviva Poland

On 26 March 2021, Aviva announced the sale of its entire shareholding in its life insurance business in Poland and Lithuania, and its Polish general insurance, asset management and pensions businesses, to Allianz for net cash consideration of €2,369 million (approximately £2,034 million). The transaction completed on 30 November 2021 resulting in a profit on disposal of £1,671 million.

(v) Other disposals classified as discontinued operations

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 completed on 6 May 2021, resulting in a loss on disposal of £41 million which included a £112 million loss in relation to recycling of the currency translation reserve to the income statement.

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 completed on 29 December 2021 and resulted in a profit on disposal of £32m which included a £9 million loss in relation to the recycling of the currency translation reserve to the income statement.

(vi) Other disposals from continuing operations

A £22 million gain on disposals from continuing operations is comprised of small disposals in UK Health, UK General Insurance and Canada.

3 – Strategic transactions continued

(b) Assets and liabilities of operations classified as held for sale

There are no assets and liabilities of operations classified as held for sale as at 31 December 2021. The assets and liabilities classified as held for sale as at 31 December 2020 were as follows:

	2021 £m	2020 £m
Assets		
Acquired value of in-force business and other intangible assets	—	18
Interests in, and loans to, joint ventures and associates	—	—
Property and equipment	—	69
Investment property	—	—
Loans	—	—
Financial investments	—	16,907
Reinsurance assets	—	18
Other assets	—	531
Cash and cash equivalents	—	190
Total assets	—	17,733
Liabilities		
Gross insurance liabilities	—	3,166
Gross liabilities for investment contracts	—	12,425
Unallocated divisible surplus	—	1,234
Net assets attributable to unit holders	—	—
Borrowings	—	43
Other liabilities	—	308
Total liabilities	—	17,176
Net assets	—	557

Assets and liabilities classified as held for sale at 31 December 2020 related primarily to the expected disposal of Aviva Vita and of the Group's operations in Vietnam.

Cumulative income recognised in other comprehensive income relating to disposal groups classified as held for sale is as follows:

Operations classified as held for sale	31 December 2021 Total £m	31 December 2020 Total £m
Cumulative income recognised in other comprehensive income	—	32

(c) Discontinued operations

In accordance with IFRS 5 Non-current assets held for sale and discontinued operations, the results of the operations specified in note 1 have been reclassified as discontinued operations in these consolidated financial statements. Profit from discontinued operations for the year ended 31 December 2021 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 the comparatives at 31 December 2020 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.

3 – Strategic transactions continued

Further analysis of the results and cash flows for the discontinued operations presented in the consolidated financial statements are analysed below. The 2020 comparative amounts have been re-presented from those previously published to reclassify the amounts relating to certain operations as discontinued operations as described in note 1.

Income Statement

Discontinued operations	2021 £m	2020 £m
Gross written premiums	**10,194**	11,896
Premiums ceded to reinsurers	**(115)**	(325)
Net written premiums	**10,079**	11,571
Net change in provision for unearned premiums	**(41)**	(25)
Net earned premiums	**10,038**	11,546
Net investment income	**1,430**	4,478
Other income	**500**	748
Share of profit after tax of joint ventures and associates	**10**	18
Profit on the disposal and remeasurement of subsidiaries, joint ventures and associates	**1,550**	713
Total income	**13,528**	17,503
Claims and benefits paid, net of recoveries from reinsurers	**(6,426)**	(8,766)
Change in insurance liabilities, net of reinsurance	**(3,732)**	(1,914)
Change in investment contract provisions	**(2,207)**	(819)
Change in unallocated divisible surplus	**2,074**	(2,194)
Other expenses	**(1,464)**	(2,061)
Total expenses	**(11,755)**	(15,754)
Profit before tax from discontinued operations	**1,773**	1,749
Tax attributable to policyholders' returns	**—**	(44)
Profit before tax attributable to shareholders' profits from discontinued operations	**1,773**	1,705
Tax attributable to shareholders' profits	**(73)**	(261)
Profit for the year from discontinued operations	**1,700**	1,444

Reconciliation of Group adjusted operating profit to profit for the year

Discontinued operations	2021 £m	2020 £m
Group adjusted operating profit from discontinued operations	**631**	1,355
Adjusted for the following:		
Reclassification of unallocated interest	**(37)**	(53)
Life business: Investment variances and economic assumption changes	**(171)**	(166)
Non-life business: Short-term fluctuation in return on investments	**(28)**	(43)
General insurance and health business: Economic assumption changes	**(5)**	(20)
Impairment of goodwill, joint ventures, associates and other amounts expensed	**—**	(1)
Amortisation and impairment of intangibles acquired in business combinations	**(12)**	(14)
Amortisation and impairment of acquired value of in-force business	**(1)**	(66)
Profit on the disposal and remeasurement of subsidiaries, joint ventures and associates	**1,550**	713
Other[1]	**(154)**	—
Adjusting items before tax	**1,142**	350
Profit before tax attributable to shareholders' profits from discontinued operations	**1,773**	1,705

1 Other in 2021 comprise net charges of £78 million from onerous contracts and indemnity provisions arising from acquisition and disposal activity and a £76 million charge associated with reinsurance accepted from the former Aviva France general insurance entity.

Other Comprehensive Income

Discontinued operations	2021 £m	2020 £m
Other comprehensive income from discontinued operations:		
Items that may be reclassified subsequently to income statement		
Investments classified as available for sale		
Fair value (losses)/gains	**(62)**	23
Fair value losses transferred to profit on disposals	**(16)**	(7)
Share of other comprehensive income of joint venture and associates	**—**	1
Foreign exchange rate movements	**(182)**	186
Aggregate tax effect - shareholder tax on items that may be reclassified	**19**	(2)
Total other comprehensive (loss)/income for the year from discontinued operations	**(241)**	201

3 – Strategic transactions continued

Cash flows

Discontinued operations	2021 £m	2020 £m
Total net cash (used in)/from operating activities	**(232)**	403
Cash proceeds from disposal of subsidiaries, joint ventures and associates	**6,136**	1,208
Less: Net cash and cash equivalents divested with subsidiaries	**(2,772)**	(1,065)
Other investing activities	**(14)**	(26)
Total net cash from investing activities	**3,350**	117
Total net cash used in financing activities	**(40)**	(17)
Net cash flows from discontinued operations	**3,078**	503

(d) Acquisitions

There have been no material acquisitions in 2021. In 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 became a wholly owned subsidiary.

(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

(i) Succession Wealth

On 1 March 2022, Aviva entered into an agreement to acquire Succession Jersey Limited ("Succession Wealth") for consideration of £385 million. The transaction significantly enhances Aviva's presence in the fast-growing UK wealth market as more people seek advice for their retirement options. The transaction is subject to regulatory approval and is expected to complete in 2022. The transaction is not expected to have a material impact on the Group's IFRS net asset value.

4 – Segmental information

The Group's results can be segmented either by activity or by geography. Our primary reporting format is along market reporting lines, with supplementary information being given by business activity. This note provides segmental information on the consolidated income statement. Financial performance of our key markets are presented as UK & Ireland Life, General Insurance (which brings together our UK & Ireland GI businesses and Canada) and Aviva Investors. Our other continuing international businesses are presented as International investments (consisting of our interest in Singapore, China and India). The 2020 comparative amounts have been re-presented from those previously published to reclassify the amounts relating to certain operations as discontinued as described in note 1. Segmental information is presented for continuing operations only, an analysis of results from discontinued operations is presented in note 3(c).

(a) Operating segments

UK & Ireland Life

The principal activities of our UK & Ireland Life operations are life insurance, long-term health and accident insurance, savings, pensions and annuity business.

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 a number of international markets, in particular the UK, North America and Asia Pacific. Aviva Investors manages policyholders' and shareholders' invested funds, provides investment management services for institutional pension fund mandates and manages a range of retail investment products. These include investment funds, unit trusts, open-ended investment companies and individual savings accounts.

International investments

International investments comprise our long-term business operations in China, India and Singapore. These have been aggregated into a single reporting segment in line with IFRS 8 Operating Segments.

Other Group activities

Other Group activities includes investment return on centrally held assets, head office (Corporate Centre) expenses such as Group treasury and finance functions, financing costs arising on central borrowings, the elimination entries for certain inter-segment transactions and group consolidation adjustments.

Measurement basis

The accounting policies of the segments are the same as those for the Group as a whole. Any transactions between the business segments are subject to normal commercial terms and market conditions. The Group evaluates performance of operating segments on the basis of:

(i) profit or loss from operations before tax attributable to shareholders;

(ii) profit or loss from operations before tax attributable to shareholders, adjusted for non-operating items, including investment market performance.

4 – Segmental information continued

(i) Segmental income statement for the year ended 31 December 2021

Continuing operations	UK & Ireland Life £m	General Insurance: UK & Ireland GI £m	General Insurance: Canada £m	Aviva Investors £m	International investments £m	Other Group activities £m	Total continuing operations £m
Gross written premiums	10,591	5,352	3,455	—	—	—	19,398
Premiums ceded to reinsurers	(3,944)	(558)	(199)	—	—	—	(4,701)
Premiums written net of reinsurance	6,647	4,794	3,256	—	—	—	14,697
Net change in provision for unearned premiums	(20)	(178)	(109)	—	—	—	(307)
Net earned premiums	6,627	4,616	3,147	—	—	—	14,390
Fee and commission income	1,150	102	31	186	—	19	1,488
	7,777	4,718	3,178	186	—	19	15,878
Net investment income/(expense)	16,778	9	(23)	138	—	236	17,138
Inter-segment revenue	—	—	—	235	—	—	235
Share of profit/(loss) after tax of joint ventures and associates	94	—	1	—	76	(25)	146
Profit on the disposal and remeasurement of subsidiaries, joint ventures and associates	5	11	6	—	—	—	22
Segmental income[1]	24,654	4,738	3,162	559	76	230	33,419
Claims and benefits paid, net of recoveries from reinsurers	(8,396)	(2,520)	(1,577)	—	—	—	(12,493)
Change in insurance liabilities, net of reinsurance	2,219	(321)	(199)	—	—	—	1,699
Change in investment contract provisions	(15,174)	—	—	(130)	—	—	(15,304)
Change in unallocated divisible surplus	(175)	—	—	—	—	—	(175)
Fee and commission expense	(845)	(1,334)	(968)	(21)	—	(4)	(3,172)
Investment expense attributable to unitholders	—	—	—	—	—	(224)	(224)
Other expenses	(1,063)	(309)	(147)	(367)	—	(325)	(2,211)
Inter-segment expenses	(219)	(5)	(7)	—	—	(4)	(235)
Finance costs	(185)	(2)	(5)	—	—	(311)	(503)
Segmental expenses	(23,838)	(4,491)	(2,903)	(518)	—	(868)	(32,618)
Profit/(loss) before tax	816	247	259	41	76	(638)	801
Tax attributable to policyholders' returns	(245)	—	—	—	—	—	(245)
Profit/(loss) before tax attributable to shareholders' profits from continuing operations	571	247	259	41	76	(638)	556
Adjusting items:							
Reclassification of unallocated interest	13	(11)	25	—	—	(64)	(37)
Life business: Investment variances and economic assumption changes	622	—	—	—	12	—	634
Non-life business: Short-term fluctuation in return on investments	—	48	122	—	—	(49)	121
General insurance and health business: Economic assumption changes	—	83	(4)	—	—	1	80
Impairment of goodwill, joint ventures, associates and other amounts expensed	—	—	—	—	—	—	—
Amortisation and impairment of intangibles acquired in business combinations	44	—	10	—	—	—	54
Amortisation and impairment of acquired value of in-force business	189	—	—	—	9	—	198
Profit on the disposal and remeasurement of subsidiaries, joint ventures and associates	(5)	(11)	(6)	—	—	—	(22)
Other[2]	(6)	—	—	—	—	56	50
Group adjusted operating profit/(loss) before tax attributable to shareholders' profits from continuing operations	1,428	356	406	41	97	(694)	1,634

1 Total reported income, excluding inter-segment revenue, includes £28,320 million from the United Kingdom (Aviva plc's country of domicile). Income is attributed on the basis of geographical origin which does not differ materially from revenue by geographical destination, as most risks are located in the countries where the contracts were written.

2 Other in 2021 includes a charge of £51 million in relation to the redemption payment in excess of the market values of debt repaid as part of the Group's deleveraging strategy, a net release of £8 million of certain provisions assumed as part of historic acquisition activities, a charge of £7 million relating to the cost of voluntary amendments to a small proportion of ground rent leases, a release of £6 million provision on a tax indemnity provision associated with a historical disposal, a charge of £3 million relating to stamp duty on share buybacks and a charge of £3 million related to costs associated with disposal activity.

4 – Segmental information continued

(ii) Segmental income statement for the year ended 31 December 2020

Continuing operations	UK & Ireland Life £m	General Insurance UK & Ireland GI £m	General Insurance Canada £m	Aviva Investors £m	International investments £m	Other Group activities £m	Total continuing operations[1] £m
Gross written premiums	10,268	5,051	3,271	—	—	—	18,590
Premiums ceded to reinsurers	(2,904)	(421)	(175)	—	—	—	(3,500)
Premiums written net of reinsurance	7,364	4,630	3,096	—	—	—	15,090
Net change in provision for unearned premiums	(1)	(38)	(56)	—	—	—	(95)
Net earned premiums	7,363	4,592	3,040	—	—	—	14,995
Fee and commission income	989	101	25	198	—	4	1,317
	8,352	4,693	3,065	198	—	4	16,312
Net investment income	13,842	123	227	28	—	751	14,971
Inter-segment revenue	—	—	—	213	—	—	213
Share of profit/(loss) after tax of joint ventures and associates	(58)	—	—	—	52	3	(3)
Profit on the disposal and remeasurement of subsidiaries, joint ventures and associates	—	—	12	—	—	—	12
Segmental income[2]	22,136	4,816	3,304	439	52	758	31,505
Claims and benefits paid, net of recoveries from reinsurers	(8,748)	(2,559)	(1,712)	—	—	(9)	(13,028)
Change in insurance liabilities, net of reinsurance	(4,505)	(345)	(148)	—	—	7	(4,991)
Change in investment contract provisions	(5,221)	—	—	(31)	—	—	(5,252)
Change in unallocated divisible surplus	505	—	—	—	—	—	505
Fee and commission expense	(730)	(1,372)	(914)	(27)	—	(4)	(3,047)
Investment expense attributable to unitholders	—	—	—	—	—	(588)	(588)
Other expenses	(1,112)	(474)	(168)	(357)	—	(419)	(2,530)
Inter-segment expenses	(201)	(5)	(7)	—	—	—	(213)
Finance costs	(166)	(4)	(6)	—	—	(373)	(549)
Segmental expenses	(20,178)	(4,759)	(2,955)	(415)	—	(1,386)	(29,693)
Profit/(loss) before tax	1,958	57	349	24	52	(628)	1,812
Tax attributable to policyholders' returns	(43)	—	—	—	—	—	(43)
Profit/(loss) before tax attributable to shareholders' profits from continuing operations	1,915	57	349	24	52	(628)	1,769
Adjusting items:							
Reclassification of unallocated interest	48	(13)	29	1	—	(118)	(53)
Life business: Investment variances and economic assumption changes	(314)	—	—	—	(26)	—	(340)
Non-life business: Short-term fluctuation in return on investments	—	92	(118)	—	—	47	21
General insurance and health business: Economic assumption changes	—	77	7	—	—	—	84
Impairment of goodwill, joint ventures, associates and other amounts expensed	—	—	16	—	—	13	29
Amortisation and impairment of intangibles acquired in business combinations	46	—	16	—	—	—	62
Amortisation and impairment of acquired value of in-force business	212	—	—	—	—	—	212
Profit on the disposal and remeasurement of subsidiaries, joint ventures and associates	—	—	(12)	—	—	—	(12)
Other[3]	—	—	—	—	—	34	34
Group adjusted operating profit/(loss) before tax attributable to shareholders' profits from continuing operations	1,907	213	287	25	26	(652)	1,806

1 The 2020 comparative amounts have been re-presented from those previously published to reclassify the amounts relating to certain operations as discontinued operations as described in note 1.
2 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.
3 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).

4 – Segmental information continued

(b) Further analysis by products and services

The Group's results can be further analysed by products and services which comprise long-term business, general insurance and health, fund management and other activities.

Long-term business

Our long-term business comprises life insurance, long-term health and accident insurance, savings, pensions and annuity business written by our life insurance subsidiaries, including managed savings and pension fund business. Long-term business also includes our share of the other life and related business written in our associates and joint ventures, as well as lifetime mortgage business written in the UK.

General insurance and health

Our general insurance and health business provides insurance cover to individuals and to small and medium-sized businesses, for risks associated mainly with motor vehicles, property and liability, such as employers' liability and professional indemnity liability, and medical expenses.

Fund management

Our fund management business invests policyholders' and shareholders' funds and provides investment management services for institutional pension fund mandates. It manages a range of retail investment products, including investment funds, unit trusts, open-ended investment companies and individual savings accounts. Clients include Aviva Group businesses and third-party financial institutions, pension funds, public sector organisations, investment professionals and private investors.

Other

Other includes service companies, head office expenses such as Group treasury and finance functions, and certain financing costs and taxes not allocated to business segments and elimination entries for certain inter-segment transactions and group consolidation adjustments.

(i) Segmental income statement – products and services for the year ended 31 December 2021

Continuing operations	Long-term business £m	General insurance and health[1] £m	Fund management £m	Other £m	Total continuing operations £m
Gross written premiums[2]	10,081	9,317	—	—	19,398
Premiums ceded to reinsurers	(3,944)	(757)	—	—	(4,701)
Premiums written net of reinsurance	6,137	8,560	—	—	14,697
Net change in provision for unearned premiums	—	(307)	—	—	(307)
Net earned premiums	6,137	8,253	—	—	14,390
Fee and commission income	1,152	125	183	28	1,488
	7,289	8,378	183	28	15,878
Net investment income/(expense)	16,864	(9)	4	279	17,138
Inter-segment revenue	—	—	237	—	237
Share of profit/(loss) after tax of joint ventures and associates	165	5	—	(24)	146
Profit on the disposal and remeasurement of subsidiaries, joint ventures and associates	5	17	—	—	22
Segmental income	24,323	8,391	424	283	33,421
Claims and benefits paid, net of recoveries from reinsurers	(8,070)	(4,423)	—	—	(12,493)
Change in insurance liabilities, net of reinsurance	2,230	(531)	—	—	1,699
Change in investment contract provisions	(15,304)	—	—	—	(15,304)
Change in unallocated divisible surplus	(175)	—	—	—	(175)
Fee and commission expense	(799)	(2,348)	(21)	(4)	(3,172)
Investment expense attributable to unitholders	—	—	—	(224)	(224)
Other expenses	(1,007)	(521)	(362)	(321)	(2,211)
Inter-segment expenses	(221)	(13)	—	(3)	(237)
Finance costs	(160)	(7)	—	(336)	(503)
Segmental expenses	(23,506)	(7,843)	(383)	(888)	(32,620)
Profit/(loss) before tax	817	548	41	(605)	801
Tax attributable to policyholders' returns	(245)	—	—	—	(245)
Profit/(loss) before tax attributable to shareholders' profits from continuing operations	572	548	41	(605)	556
Adjusting items	894	259	—	(75)	1,078
Group adjusted operating profit/(loss) before tax attributable to shareholders' profits from continuing operations	1,466	807	41	(680)	1,634

1 General insurance and health business segment includes gross written premiums of £510 million relating to health business. The remaining business relates to property and liability insurance.
2 Gross written premiums include inward reinsurance premiums assumed from other companies amounting to £208 million, which all relates to property and liability insurance.

4 – Segmental information continued

(ii) Segmental income statement – products and services for the year ended 31 December 2020

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]	9,837	8,753	—	—	18,590
Premiums ceded to reinsurers	(2,904)	(596)	—	—	(3,500)
Premiums written net of reinsurance	6,933	8,157	—	—	15,090
Net change in provision for unearned premiums	—	(95)	—	—	(95)
Net earned premiums	6,933	8,062	—	—	14,995
Fee and commission income	990	120	194	13	1,317
	7,923	8,182	194	13	16,312
Net investment income/(expense)	13,828	349	(6)	800	14,971
Inter-segment revenue	—	—	216	—	216
Share of (loss)/profit after tax of joint ventures and associates	(14)	(4)	—	15	(3)
Profit on the disposal and remeasurement of subsidiaries, joint ventures and associates	—	12	—	—	12
Segmental income	21,737	8,539	404	828	31,508
Claims and benefits paid, net of recoveries from reinsurers	(8,464)	(4,564)	—	—	(13,028)
Change in insurance liabilities, net of reinsurance	(4,511)	(480)	—	—	(4,991)
Change in investment contract provisions	(5,252)	—	—	—	(5,252)
Change in unallocated divisible surplus	505	—	—	—	505
Fee and commission expense	(688)	(2,328)	(27)	(4)	(3,047)
Investment expense attributable to unitholders	—	—	—	(588)	(588)
Other expenses	(1,034)	(688)	(353)	(455)	(2,530)
Inter-segment expenses	(203)	(13)	—	—	(216)
Finance costs	(135)	(10)	—	(404)	(549)
Segmental expenses	(19,782)	(8,083)	(380)	(1,451)	(29,696)
Profit/(loss) before tax	1,955	456	24	(623)	1,812
Tax attributable to policyholders' returns	(43)	—	—	—	(43)
Profit/(loss) before tax attributable to shareholders' profits from continuing operations	1,912	456	24	(623)	1,769
Adjusting items	(9)	80	1	(35)	37
Group adjusted operating profit/(loss) before tax attributable to shareholders' profits from continuing operations	1,903	536	25	(658)	1,806

1 The 2020 comparative amounts have been re-presented from those previously published to reclassify the amounts relating to certain operations as discontinued operations as described in note 1.
2 General insurance and health business segment includes gross written premiums of £431 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 £95 million, which all relates to property and liability insurance.

5 – Details of income

This note gives further detail on the items appearing in the income section of the income statement.

	2021 £m	2020[1] £m
Continuing operations		
Gross written premiums		
Long-term:		
Insurance contracts	9,922	9,754
Participating investment contracts	159	83
General insurance and health	9,317	8,753
	19,398	18,590
Less: premiums ceded to reinsurers	(4,701)	(3,500)
Gross change in provision for unearned premiums	(340)	(121)
Reinsurers' share of change in provision for unearned premiums	33	26
Net change in provision for unearned premiums	(307)	(95)
Net earned premiums	14,390	14,995
Fee and commission income		
Fee income from investment contract business	845	756
Fund management fee income	185	194
Other fee income	297	228
Reinsurance commissions receivable	39	31
Other commission income	113	101
Net change in deferred revenue	9	7
	1,488	1,317
Total revenue	15,878	16,312
Net investment income		
Interest and similar income		
From financial instruments designated as trading and other than trading	3,940	4,287
From AFS investments and financial instruments at amortised cost	29	12
	3,969	4,299
Dividend income	4,461	3,198
Other income from investments designated as trading		
Realised gains/(losses) on disposals	552	(211)
Unrealised gains and losses (see accounting policy K)		
(Losses)/gains arising in the year	(1,929)	1,127
(Losses)/gains recognised now realised	(552)	211
	(2,481)	1,338
	(1,929)	1,127
Other income from investments designated as other than trading		
Realised gains on disposals	2,733	3,565
Unrealised gains and losses (see accounting policy K)		
Gains arising in the year	9,595	6,458
Losses recognised now realised	(2,733)	(3,563)
	6,862	2,895
	9,595	6,460
Net income from investment properties		
Rent	307	366
Expenses relating to these properties	(7)	(13)
Realised losses on disposal	(32)	—
Fair value gains/(losses) on investment properties	1,069	(324)
	1,337	29
Realised loss on external debt redemption	(51)	—
Foreign exchange losses on investments other than trading	(192)	(77)
Other investment expenses	(52)	(65)
Net investment income	17,138	14,971
Share of profit/(loss) after tax of joint ventures	170	(6)
Share of (loss)/profit after tax of associates	(24)	3
Share of profit/(loss) after tax of joint ventures and associates	146	(3)
Profit on disposal and remeasurement of subsidiaries, joint ventures and associates	22	12
Income from continuing operations	33,184	31,292
Income from discontinued operations	13,528	17,503
Total income	46,712	48,795

1 The 2020 comparative amounts have been re-presented from those previously published to reclassify the amounts relating to certain operations as discontinued operations as described in note 1.

6 – Details of expenses

This note gives further detail on the items appearing in the expenses section of the income statement.

	2021 £m	2020[1] £m
Continuing operations		
Claims and benefits paid		
Claims and benefits paid to policyholders on long-term business		
Insurance contracts	**8,899**	9,020
Participating investment contracts	**1,334**	1,208
Non-participating investment contracts	**2**	—
Claims and benefits paid to policyholders on general insurance and health business	**4,668**	4,819
	14,903	15,047
Less: Claim recoveries from reinsurers		
Insurance contracts	**(2,410)**	(2,017)
Participating investment contracts	**—**	(2)
Claims and benefits paid, net of recoveries from reinsurers	**12,493**	13,028
Change in insurance liabilities		
Change in insurance liabilities (note 39(b))	**(868)**	6,440
Change in reinsurance asset for insurance provisions (note 39(b))	**(831)**	(1,449)
Change in insurance liabilities, net of reinsurance	**(1,699)**	4,991
Change in investment contract provisions		
Investment expense allocated to investment contracts	**14,192**	5,614
Other changes in provisions		
Participating investment contracts	**(360)**	(592)
Non-participating investment contracts	**1,471**	230
Change in reinsurance asset for investment contract provisions	**1**	—
Change in investment contract provisions	**15,304**	5,252
Change in unallocated divisible surplus	**175**	(505)
Fee and commission expense		
Acquisition costs		
Commission expenses for insurance and participating investment contracts	**2,160**	2,076
Change in deferred acquisition costs for insurance and participating investment contracts	**(151)**	(175)
Deferrable costs for non-participating investment contracts	**23**	24
Other acquisition costs	**929**	865
Change in deferred acquisition costs for non-participating investment contracts	**60**	99
Reinsurance commissions and other fee and commission expense	**151**	158
Fee and commission expense	**3,172**	3,047
Investment expense attributable to unitholders	**224**	588
Other expenses		
Other operating expenses		
Staff costs (note 10(b))	**923**	882
Central costs	**360**	250
Depreciation	**74**	91
Impairment of goodwill on subsidiaries	**—**	16
Amortisation of acquired value of in-force business on insurance/investment contracts	**189**	212
Amortisation of intangible assets	**146**	177
Impairment of intangible assets	**1**	22
Other expenses (see below)	**719**	772
Other net foreign exchange (gains)/losses	**(201)**	108
Other expenses	**2,211**	2,530
Finance costs (note 7)	**503**	549
Expenses from continuing operations	**32,383**	29,480
Expenses from discontinued operations	**11,755**	15,754
Total expenses	**44,138**	45,234

1 The 2020 comparative amounts have been re-presented from those previously published to reclassify the amounts relating to certain operations as discontinued operations as described in note 1.

Other expenses were £719 million (2020: £772 million) which mainly included costs relating to property and IT.

7 – Finance costs

This note analyses the interest costs on our borrowings (which are described in note 50) and similar charges. Finance costs comprise:

	2021 £m	2020[1] £m
Continuing operations		
Interest expense on core structural borrowings		
Subordinated debt	**304**	352
Long term senior debt	**11**	16
Commercial paper	**—**	(1)
	315	367
Interest expense on operational borrowings		
Amounts owed to financial institutions	**11**	13
Securitised mortgage loan notes at fair value	**88**	75
	99	88
Interest on collateral received	**2**	2
Net finance charge on pension schemes (note 49(b)(i))	**13**	17
Interest on lease liabilities	**11**	9
Other similar charges	**63**	66
Finance costs from continuing operations	**503**	549
Finance costs from discontinued operations	**3**	4
Total finance costs	**506**	553

1 The 2020 comparative amounts have been re-presented from those previously published to reclassify the amounts relating to certain operations as discontinued operations as described in note 1.

8 – 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 other market movements. To the extent that these differences arise from the operating experience of the life business, or management decisions to change asset mix, the effect is included in the Group adjusted operating profit. The residual difference between actual and expected investment return is included in investment variances, outside Group adjusted operating profit but included in profit before tax attributable to shareholders' profits.

The movement in liabilities included in Group adjusted operating profit reflects both the change in liabilities due to the expected return on investments, and the impact of experience variances and assumption changes for non-economic items. This would include movements in liabilities due to changes in the discount rate arising from discretionary management decisions that impact on product profitability over the lifetime of products.

The effect of differences between actual and expected economic experience on liabilities, and changes to economic assumptions used to value liabilities, are taken outside Group adjusted operating profit. For many types of life business, including unit-linked and with-profits funds, movements in asset values are offset by corresponding changes in liabilities, limiting the net impact on profit. The profit impact of economic volatility on other life business depends on the degree of matching of assets and liabilities, and exposure to financial options and guarantees.

8 – 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	
	2021	2020	2021	2020
United Kingdom	**3.9%**	4.5%	**2.4%**	3.0%
France[1]	**4.0%**	4.5%	**3.0%**	3.5%
Other Eurozone	**3.2%**	3.7%	**1.7%**	2.2%

1 In light of the prevailing low interest rates at the end of 2020, 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 £9 million to the expected return on the life business over 2021 (2020: £12 million). The disposal of Aviva France during 2021 means that the rate (which is annualised) for France was only relevant for the first 9 months of 2021.

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	2021	2020
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	2021	2020
United Kingdom	**0.4%**	1.0%
Eurozone	**(0.3%)**	0.2%

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	2021 £m	2020 £m
Investment variances and economic assumptions	**(805)**	174

Investment variances and economic assumption changes had a negative impact of £805 million (2020: profit of £174 million), primarily driven by an increase in interest rates and positive global equity returns, partially offset by narrowing of credit spreads. The adverse impact of interest rates and equities reflect the fact that we hedge on a Solvency II basis as that drives the ability of markets to remit cash rather than an IFRS basis. For example, when equity markets increase we gain from the increase in the value of future annual management charges on unit-linked products on an economic basis which are not recognised under IFRS, however, the loss from hedges in place are recognised on both Solvency II and IFRS bases.

The positive variance for 2020 was mainly due to a reduction in yields, partially offset by a reduction in equities in the UK and France.

9 – 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	2021 £m	2020 £m
Short-term fluctuations in investment return (see (d) below)	**(149)**	(64)
Economic assumption changes (see (e) below)	**(85)**	(104)
	(234)	(168)

(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.

9 – Non-life business: short-term fluctuations in return on investments 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 on equities		Long-term rates of return on property	
	2021	2020	**2021**	2020
United Kingdom	**3.9 %**	4.5 %	**2.4 %**	3.0 %
France[1]	**4.0 %**	4.5 %	**3.0 %**	3.5 %
Other Eurozone	**3.2 %**	3.7 %	**1.7 %**	2.2 %
Canada	**4.7 %**	5.7 %	**3.2 %**	4.2 %

1 In light of the prevailing low interest rates at the end of 2020, 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 £3 million to the expected return on the general insurance business over 2021 (2020: £5 million). The disposal of our French business during 2021 means that the rate for France (which is an annualised rate) was only relevant for the first 9 months of 2021.

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 8.

(d) Analysis of investment return

The total investment income on our non-life business, including short-term fluctuations, is as follows:

Non-life business	**2021 £m**	2020 £m
Analysis of investment income:		
Net investment income	**86**	322
Foreign exchange gains/(losses) and other charges	**47**	(45)
	133	277
Analysed between:		
Long-term investment return, reported within Group adjusted operating profit	**282**	341
Short-term fluctuation in investment return, reported outside Group adjusted operating profit		
General insurance and health	**(199)**	(15)
Other operations[1]	**50**	(49)
	(149)	(64)
	133	277

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 2021 represented a loss of £149 million, primarily due to rising interest rates reducing the value of fixed income securities, partially offset by foreign exchange gains.

The short-term fluctuations during 2020 represented a loss of £64 million, primarily due to falling equity markets and foreign exchange losses. These losses were partly offset by an increase in the value of fixed income securities as result of falls in interest rates.

(e) Economic assumption changes

In the general insurance and health business, there is a negative impact of £85 million (2020: loss of £104 million) primarily as a result of an increase in the estimated future inflation rate used to value periodic payment orders (PPOs), partly offset by an increase in the interest rates used to discount claim reserves for both 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 41.

10 – Employee information

This note shows where our staff are employed, excluding staff employed by our joint ventures and associates, and analyses the total staff costs. The comparative amounts in (a) and (b) have been re-presented from those previously published to reclassify the amounts relating to certain operations 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]	
	2021 Number	2020 Number	**2021 Number**	2020 Number
Continuing operations				
UK & Ireland Life	**8,629**	8,746	**8,687**	8,860
UK & Ireland General Insurance	**7,521**	7,817	**7,781**	7,942
Canada	**4,321**	4,163	**4,219**	4,198
Aviva Investors	**1,118**	1,208	**1,118**	1,221
Other Group activities	**473**	517	**507**	684
Employees in continuing operations	**22,062**	22,451	**22,312**	22,905
Employees in discontinued operations	**—**	6,479	**5,151**	7,908
Total employee numbers	**22,062**	28,930	**27,463**	30,813

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.

(b) Staff costs

	2021 £m	2020 £m
Continuing operations		
Wages and salaries	**1,014**	1,012
Social security costs	**116**	121
Post-retirement obligations		
Defined benefit schemes (note 49(d))	**21**	18
Defined contribution schemes (note 49(d))	**169**	165
Profit sharing and incentive plans	**183**	162
Equity compensation plans	**44**	45
Termination benefits	**33**	19
Staff costs from continuing operations	**1,580**	1,542
Staff costs from discontinued operations	**259**	388
Total staff costs	**1,839**	1,930

Staff costs are charged within:

	2021 £m	2020 £m
Continuing operations		
Acquisition costs	**421**	405
Claims handling expenses	**186**	201
Central costs	**50**	54
Other operating expenses (note 6)	**923**	882
Staff costs from continuing operations	**1,580**	1,542
Staff costs from discontinued operations	**259**	388
Total staff costs	**1,839**	1,930

11 – 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 2021 was £5.4 million (2020: £5.0 million). Employer contributions to pensions for executive directors for qualifying periods were £nil (2020: £nil). The aggregate net value of share awards granted to the directors in the period was £5.4 million (2020: £6.8 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 (2020: no share options).

12 – Auditors' remuneration

This note shows the total remuneration payable by the Group, excluding VAT and any overseas equivalent thereof, to our auditors.

Continuing operations	2021 £m	2020[1] £m
Fees payable to PwC LLP and its associates for the statutory audit of the Aviva Group and Company financial statements	**2.2**	1.9
Fees payable to PwC LLP and its associates for other services		
Audit of Group subsidiaries	**10.1**	10.0
Additional fees related to the prior year audit of Group subsidiaries	**0.4**	1.0
Total audit fees	**12.7**	12.9
Audit related assurance	**3.8**	4.0
Other assurance services	**1.3**	3.4
Total audit and assurance fees	**17.8**	20.3
Tax compliance services	**—**	—
Tax advisory services	**—**	—
Services relating to corporate finance transactions	**—**	—
Other non-audit services not covered above	**—**	—
Fees payable to PwC LLP and its associates for services to Group companies	**17.8**	20.3
Fees payable to PwC LLP and its associates for Group occupational pensions scheme audits	**0.1**	0.1

Discontinued operations	2021 £m	2020[1] £m
Fees payable to PwC LLP and its associates for Audit of Group subsidiaries	**0.7**	3.4
Fees payable to PwC LLP and its associates for Audit related services	**0.3**	0.9
Total fees payable to PwC LLP and its associates for services to Group companies	**1.0**	4.3
Fees payable to BDO LLP and its associates for the statutory audit of Group subsidiaries in Poland	**—**	0.4
Fees payable to Mazars LLP and its associates for the statutory audit of Group subsidiaries in Italy	**—**	0.3

1 The 2020 comparative amounts have been re-presented from those previously published to reclassify the amounts relating to certain operations 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 £2.6 million (2020: £2.7 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, 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 £17.5 million (2020: £21.2 million).

Other assurance services in 2021 of £1.3 million (2020: £3.4 million) mainly includes 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. Other assurance services in 2020 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 model.

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.

13 – 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 as discontinued operations as described in note 1.

(a) Tax charged to the income statement

(i) The total tax charge comprises:

	2021 £m	2020 £m
Continuing operations		
Current tax		
For the period	**228**	426
Prior period adjustments	**33**	(62)
Total current tax from continuing operations	**261**	364
Deferred tax		
Origination and reversal of temporary differences	**133**	—
Changes in tax rates or tax laws	**88**	(7)
Write (back) /down of deferred tax assets	**(17)**	(11)
Total deferred tax from continuing operations	**204**	(18)
Total tax charged to income statement from continuing operations	**465**	346
Total tax charged to income statement from discontinued operations	**73**	305
Total tax charged to income statement	**538**	651

(ii) The Group, as a proxy for policyholders in the UK and Ireland, is required to record taxes on investment income and gains each year. Accordingly, the tax benefit or expense attributable to UK and Ireland life insurance policyholder returns is included in the tax charge. The tax charge attributable to policyholder returns included in the charge above is £245 million (2020: charge of £87 million).

(iii) The tax charge for continuing operations above, comprising current and deferred tax, can be analysed as follows:

Continuing operations	2021 £m	2020 £m
UK tax	**366**	256
Overseas tax	**99**	90
	465	346

(iv) Unrecognised tax losses and temporary differences of previous years were used to reduce the current tax expense and deferred tax charge for continuing operations by £11 million and £17 million (2020: £6 million and £11 million), respectively.

(v) Deferred tax charged to the income statement represents movements on the following items:

	2021 £m	2020 £m
Continuing operations		
Long-term business technical provisions and other insurance items	**52**	89
Deferred acquisition costs	**(1)**	4
Unrealised gains on investments	**125**	(54)
Pensions and other post-retirement obligations	**(21)**	(2)
Unused losses and tax credits	**(3)**	(32)
Subsidiaries, associates and joint ventures	**9**	6
Intangibles and additional value of in-force long-term business	**33**	(23)
Provisions and other temporary differences	**10**	(6)
Total deferred tax charged/(credited) to income statement from continuing operations	**204**	(18)
Total deferred tax charged to income statement from discontinued operations	**43**	75
Total deferred tax charged to income statement	**247**	57

(b) Tax charged to other comprehensive income

(i) The total tax charged comprises:

	2021 £m	2020 £m
Current tax from continuing operations		
In respect of pensions and other post-retirement obligations	**(17)**	(34)
In respect of foreign exchange movements	**7**	9
	(10)	(25)
Deferred tax from continuing operations		
In respect of pensions and other post-retirement obligations	**176**	55
Total tax charged to other comprehensive income arising from continuing operations	**166**	30
Total tax (credited)/charged to other comprehensive income from discontinued operations	**(19)**	3
Total tax charged to other comprehensive income	**147**	33

(ii) There is no tax charge/(credit) attributable to policyholders' return included above in either 2021 or 2020.

13 – Tax continued

(c) Tax credited to equity

No tax was charged or credited directly to equity in either 2021 or 2020.

(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	2021 £m	Shareholder £m	Policyholder £m	2020 £m
Profit before tax from continuing operations	**556**	**245**	**801**	1,769	43	1,812
Profit before tax from discontinued operations	**1,773**	**—**	**1,773**	1,705	44	1,749
Total profit before tax	**2,329**	**245**	**2,574**	3,474	87	3,561
Tax calculated at standard UK corporation tax rate of 19.00% (2020: 19.00%)	**442**	**47**	**489**	660	17	677
Reconciling items						
Different basis of tax – policyholders	**—**	**200**	**200**	—	73	73
Adjustment to tax charge in respect of prior periods	**(13)**	**—**	**(13)**	(30)	—	(30)
Non-assessable income and items not taxed at the full statutory rate	**(19)**	**—**	**(19)**	(72)	—	(72)
Non-taxable profit on sale of subsidiaries and associates	**(314)**	**—**	**(314)**	(138)	—	(138)
Disallowable expenses	**40**	**—**	**40**	33	—	33
Different local basis of tax on overseas profits	**104**	**(2)**	**102**	100	(3)	97
Change in future local statutory tax rates	**89**	**—**	**89**	30	—	30
Movement in deferred tax not recognised	**(22)**	**—**	**(22)**	(3)	—	(3)
Tax effect of profit from joint ventures and associates	**(16)**	**—**	**(16)**	(10)	—	(10)
Other	**2**	**—**	**2**	(6)	—	(6)
Total tax charged to income statement	**293**	**245**	**538**	564	87	651

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.

During 2020, the intended reduction in the rate of corporation tax in the UK was cancelled and the rate remained at 19%. This rate was used in the calculation of deferred tax assets and liabilities in the UK at 31 December 2020.

The UK corporation tax rate will increase to 25% from 1 April 2023. This revised rate has been used in the calculation of the UK's deferred tax assets and liabilities as at 31 December 2021 and increased the Group's deferred tax liabilities by £235 million.

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 France at 31 December 2020.

(e) Tax paid reconciliation

The tax on the Group's profit before tax differs from the tax paid per the consolidated statement of cash flows as follows:

	2021 £m	2020 £m
Total tax charged to income statement from continuing operations	**465**	346
Accounts adjustments		
Deferred tax	**(204)**	18
Prior period adjustments	**(33)**	62
Current tax recorded in other comprehensive income	**(10)**	(25)
	(247)	55
Payment timing differences		
Current year tax to be repaid/(paid) in later accounting periods	**31**	(42)
Current year tax paid relating to prior accounting periods	**55**	498
	86	456
Tax paid by continuing operations	**304**	857
Tax paid by discontinued operations	**79**	195
Total tax paid	**383**	1,052

Deferred tax represents the tax on profits or losses which are required by legislation to be taxed in a different period to which they impact the Group's financial statements.

Prior period adjustments arise where the final tax liability payable to tax authorities is different from the tax charge for the period reported in the Annual Report and Accounts.

The timing of tax payments to national tax authorities is determined by the local tax legislation in each jurisdiction. In our core markets, the Group is required to pay an estimate of its total tax liability in the year in which profits are earned, with any difference to the final tax liability being paid in the following year. Prior to 2020, 50% of the UK tax liability was not due for payment until the subsequent year.

14 – Earnings per share

This note shows how to calculate earnings per share on profit attributable to ordinary shareholders, based both on the present shares in issue (the basic earnings per share) and the potential future shares in issue, including conversion of share options granted to employees (the diluted earnings per share). We have also shown the same calculations based on our Group adjusted operating profit as we believe this gives an important indication of operating performance. Consideration of both these measures gives a full picture of the performance of the business during the year. The comparative amounts in (a) and (b) have been re-presented from those previously published to reclassify the amounts relating to certain operations as discontinued operations as described in note 1.

(a) Basic earnings per share

(i) The profit attributable to ordinary shareholders is:

			2021			2020
	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	**1,634**	**(1,078)**	**556**	1,806	(37)	1,769
Tax attributable to shareholders' profits	**(330)**	**110**	**(220)**	(323)	20	(303)
Profit from continuing operations	**1,304**	**(968)**	**336**	1,483	(17)	1,466
Amount attributable to non-controlling interests	**(21)**	**—**	**(21)**	(21)	—	(21)
Cumulative preference dividends for the year	**(17)**	**—**	**(17)**	(17)	—	(17)
Coupon payments in respect of DCI (net of tax)	**—**	**—**	**—**	(27)	—	(27)
Profit attributable to ordinary shareholders from continuing operations	1,266	(968)	298	1,418	(17)	1,401
Profit attributable to ordinary shareholders from discontinued operations	**441**	**1,209**	**1,650**	967	386	1,353
Profit attributable to ordinary shareholders	**1,707**	**241**	**1,948**	2,385	369	2,754

(ii) Basic earnings per share is calculated as follows:

			2021			2020
	Before tax £m	Net of tax, NCI and preference dividends £m	Per share p	Before tax £m	Net of tax, NCI, preference dividends and DCI £m	Per share p
Continuing operations						
Group adjusted operating profit attributable to ordinary shareholders[1]	**1,634**	**1,266**	**32.5**	1,806	1,418	36.1
Adjusting items:						
Reclassification of unallocated interest	**37**	**37**	**1.0**	53	53	1.4
Life business: Investment variances and economic assumption changes	**(634)**	**(549)**	**(14.1)**	340	277	7.1
Non-life business: Short-term fluctuation in return on investments	**(121)**	**(76)**	**(1.9)**	(21)	(15)	(0.4)
General insurance and health business: Economic assumption changes	**(80)**	**(65)**	**(1.7)**	(84)	(67)	(1.7)
Impairment of goodwill, joint ventures, associates and other amounts expensed	**—**	**—**	**—**	(29)	(27)	(0.7)
Amortisation and impairment of intangibles acquired in business combinations	**(54)**	**(47)**	**(1.2)**	(62)	(47)	(1.2)
Amortisation and impairment of acquired value of in-force business	**(198)**	**(234)**	**(6.0)**	(212)	(172)	(4.4)
Profit/(loss) on disposal and remeasurement of subsidiaries, joint ventures and associates	**22**	**(6)**	**(0.2)**	12	12	0.3
Other	**(50)**	**(28)**	**(0.7)**	(34)	(31)	(0.8)
Profit attributable to ordinary shareholders from continuing operations	**556**	**298**	**7.7**	1,769	1,401	35.7
Discontinued operations						
Group adjusted operating profit attributable to ordinary shareholders[1]	**631**	**441**	**11.3**	1,355	967	24.7
Adjusting items	**1,142**	**1,209**	**31.1**	350	386	9.8
Profit attributable to ordinary shareholders from discontinued operations	**1,773**	**1,650**	**42.4**	1,705	1,353	34.5
Profit attributable to ordinary shareholders	**2,329**	**1,948**	**50.1**	3,474	2,754	70.2

1 Group adjusted operating earnings per share from continuing operations and discontinued operations is 43.8p (2020: 60.8p).

(iii) The calculation of basic earnings per share uses a weighted average of 3,889 million (2020: 3,925 million) ordinary shares in issue, after deducting treasury shares. The actual number of shares in issue at 31 December 2021 was 3,766 million (2020: 3,928 million) or 3,754 million (2020: £3,926 million) excluding treasury shares.

(iv) On 12 August 2021, the Group announced a share buyback of ordinary shares for an aggregate purchase price of up to £750 million. On 16 December 2021 Aviva announced the increase and extension of the share buyback programme to £1 billion. In the year ended 31 December 2021, £663 million of shares had been purchased and shares with a nominal value of £42 million have been cancelled, giving rise to an additional capital redemption reserve of an equivalent amount. See note 32 for further details.

14 – Earnings per share continued

(b) Diluted earnings per share

(i) Diluted earnings per share is calculated as follows:

	2021			2020		
	Total £m	Weighted average number of shares million	Per share p	Total £m	Weighted average number of shares million	Per share p
Continuing operations						
Profit attributable to ordinary shareholders	**298**	**3,889**	**7.7**	1,401	3,925	35.7
Dilutive effect of share awards and options		**33**	**(0.1)**		19	(0.2)
Diluted earnings per share from continuing operations	**298**	**3,922**	**7.6**	1,401	3,944	35.5
Discontinued operations						
Profit attributable to ordinary shareholders	**1,650**	**3,889**	**42.4**	1,353	3,925	34.5
Dilutive effect of share awards and options		**33**	**(0.3)**		19	(0.2)
Diluted earnings per share from discontinued operations	**1,650**	**3,922**	**42.1**	1,353	3,944	34.3
Diluted earnings per share	**1,948**	**3,922**	**49.7**	2,754	3,944	69.8

(ii) Diluted earnings per share on Group adjusted operating profit attributable to ordinary shareholders is calculated as follows:

	2021			2020		
	Total £m	Weighted average number of shares million	Per share p	Total £m	Weighted average number of shares million	Per share p
Continuing operations						
Group adjusted operating profit attributable to ordinary shareholders	**1,266**	**3,889**	**32.5**	1,418	3,925	36.1
Dilutive effect of share awards and options		**33**	**(0.2)**		19	(0.2)
Diluted group adjusted operating profit per share from continuing operations	**1,266**	**3,922**	**32.3**	1,418	3,944	35.9
Discontinued operations						
Group adjusted operating profit attributable to ordinary shareholders	**441**	**3,889**	**11.3**	967	3,925	24.7
Dilutive effect of share awards and options		**33**	**(0.1)**		19	(0.1)
Diluted group adjusted operating profit per share from discontinued operations	**441**	**3,922**	**11.2**	967	3,944	24.6
Diluted group adjusted operating profit per share	**1,707**	**3,922**	**43.5**	2,385	3,944	60.5

15 – Dividends and appropriations

This note analyses the total dividends and other appropriations paid during the year, as set out in the table below. Details are also provided of the proposed final dividend for 2021, which is not accrued in these financial statements and is therefore excluded from the table.

	2021 £m	2020 £m
Ordinary dividends declared and charged to equity in the year		
Interim 2021 – 7.35 pence per share, paid on 7 October 2021	**286**	—
Interim 2020 – 7.00 pence per share, paid on 21 January 2021	**275**	—
Final 2020 – 14.00 pence per share, paid on 14 May 2021	**549**	—
Second Interim 2019 – 6.00 pence per share, paid on 24 September 2020	**—**	236
Final 2019 – 21.40 pence per share, withdrawn on 8 April 2020	**—**	—
	1,110	236
Preference dividends declared and charged to equity in the year	**17**	17
Coupon payments on direct capital instrument	**—**	27
	1,127	280

Subsequent to 31 December 2021, the directors proposed a final dividend for 2021 of 14.70 pence per ordinary share, amounting to £545 million in total. The cash value of dividend is calculated using 3,710 million shares as at 25 February 2022 representing issued shares eligible for dividend payment. Subject to approval by shareholders at the AGM, the dividend will be paid on 18 May 2022 and will be accounted for as an appropriation of retained earnings in the year ending 31 December 2022. The final dividend amount per ordinary share for 2021 is impacted by the share buyback programme. See note 32 for further information.

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 was 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.

16 – 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

	2021 £m	2020 £m
Gross amount		
At 1 January	**1,921**	1,968
Disposals	**(75)**	(55)
Foreign exchange rate movements	**(10)**	8
At 31 December	**1,836**	1,921
Accumulated impairment		
At 1 January	**(116)**	(113)
Impairment charges	**—**	(16)
Disposals	**18**	16
Foreign exchange rate movements	**3**	(3)
At 31 December	**(95)**	(116)
Carrying amount at 1 January	**1,805**	1,855
Carrying amount at 31 December	**1,741**	1,805
Less: Assets classified as held for sale	**—**	(6)
Carrying amount at 31 December	**1,741**	1,799

Disposals in 2021 relate to disposal of Aviva Italy, Aviva Poland and Aviva Vietnam as described in note 3 and a small disposal in the UK General Insurance segment. Disposals in 2020 related to the disposals of FPI, Singapore and a small disposal in Canada.

Impairment tests on goodwill were conducted as described in note 16(b) below.

(b) Goodwill allocation and impairment testing

A summary of the goodwill and intangibles with indefinite useful lives allocated to groups of cash generating units (CGUs) is presented below.

	Carrying amount of goodwill		Carrying amount of intangibles with indefinite useful lives (detailed in note 17)		Total	
	2021 £m	2020 £m	2021 £m	2020 £m	2021 £m	2020 £m
United Kingdom – long-term business	**663**	663	**—**	—	**663**	663
United Kingdom – general insurance and health	**924**	927	**1**	1	**925**	928
Ireland – general insurance and health	**93**	98	**—**	—	**93**	98
Canada	**61**	60	**—**	—	**61**	60
France – long-term business	**—**	—	**—**	55	**—**	55
Italy – general insurance and health	**—**	26	**—**	—	**—**	26
Poland	**—**	25	**—**	7	**—**	32
Other	**—**	6	**—**	—	**—**	6
	1,741	1,805	**1**	63	**1,742**	1,868

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. These plans consider the potential impact of future risks associated with climate change.

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.

16 – Goodwill continued

Key assumptions

The Solvency II non-economic assumptions in relation to mortality, morbidity, persistency and expenses and other items are based on management's best estimate assumptions. Economic assumptions are based on market data as at the end of each reporting period. The basic risk-free rate curves used to value the technical provisions reflect the curves, credit risk adjustment and fundamental spread for the matching adjustment published by the European Insurance and Occupational Pensions Authority (EIOPA) and the Bank of England on their websites. For the purposes of calculating value in use, the Solvency II risk margin has been modified to an economic view, with a cost of capital rate of 2%.

General insurance, health, fund management and other businesses

Value in use is calculated as the discounted value of expected future profits of each business. The calculation uses cash flow projections based on business plans approved by management covering a three-year period. These plans reflect management's best estimate of future profits based on both historical experience and expected growth rates for the relevant cash generating unit. The underlying assumptions of these projections include market share, customer numbers, premium rate and fee income changes, claims inflation and commission rates and consider future risks associated with climate change.

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	
	2021 %	2020 %	**2021 (Pre-tax) %**	2020 (Pre-tax) %
United Kingdom general insurance and health	**1.0**	1.0	**8.8**	7.5
Ireland general insurance and health	**Nil**	Nil	**8.9**	7.7
Italy general insurance and health	**N/A**	Nil	**N/A**	11.0
Canada general insurance	**5.0**	5.0	**10.6**	8.7

Results of impairment testing

Management's impairment review of the Group's cash generating units did not identify any necessary impairments to goodwill. A £16 million impairment was identified in 2020 relating to businesses in Canada.

17 – 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 2020	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**
Additions and transfers	**7**	**—**	**50**	**—**	**57**
Disposals[4]	**(290)**	**—**	**(213)**	**(128)**	**(631)**
Foreign exchange rate movements	**(16)**	**(2)**	**(1)**	**(5)**	**(24)**
At 31 December 2021	**2,282**	**1,430**	**1,443**	**1**	**5,156**
Accumulated amortisation					
At 1 January 2020	(1,409)	(1,306)	(887)	—	(3,602)
Amortisation for the year	(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)**
Amortisation for the year[3]	**(115)**	**(75)**	**(166)**	**—**	**(356)**
Disposals[4]	**279**	**—**	**78**	**—**	**357**
Foreign exchange rate movements	**13**	**1**	**(2)**	**—**	**12**
At 31 December 2021	**(1,307)**	**(818)**	**(995)**	**—**	**(3,120)**
Accumulated Impairment					
At 1 January 2020	(27)	(175)	(44)	(67)	(313)
Impairment losses charged to expenses	—	(19)	(23)	—	(42)
Disposals	8	170	7	—	185
Foreign exchange rate movements	—	—	(1)	(4)	(5)
At 31 December 2020	**(19)**	**(24)**	**(61)**	**(71)**	**(175)**
Impairment charges	**—**	**—**	**(3)**	**—**	**(3)**
Disposals[4]	**—**	**—**	**21**	**68**	**89**
Foreign exchange rate movements	**—**	**—**	**—**	**3**	**3**
At 31 December 2021	**(19)**	**(24)**	**(43)**	**—**	**(86)**
Carrying amount					
At 1 January 2020	1,235	1,244	786	61	3,326
At 31 December 2020	1,078	664	641	63	2,446
At 31 December 2021	**956**	**588**	**405**	**1**	**1,950**

1 On insurance and participating investment contracts.
2 On non-participating investment contracts.
3 Amortisation of other intangible assets with finite useful lives includes £66 million (2020: £76 million) of amortisation in respect of intangible assets acquired in business combinations.
4 The disposal of AVIF and intangible assets includes an £84 million remeasurement loss recognised at 30 June 2021 on the reclassification of Aviva France to held for sale (see note 3).

(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 £1,544 million, £1,357 million (2020: £1,553 million) is expected to be recoverable more than one year after the statement of financial position date.

Non-participating investment contract AVIF is reviewed for evidence of impairment, consistent with reviews conducted for other finite life intangible assets. Insurance and participating investment contract AVIF is reviewed for impairment at each reporting date as part of the liability adequacy requirements in IFRS 4. AVIF is reviewed for evidence of impairment and impairment tested at product portfolio level by reference to the value of future profits in accordance with Solvency II principles, adjusted where Solvency II does not represent a best estimate of shareholders' interests, consistent with the impairment test for goodwill for long-term business (see note 16(b)).

No impairment charge in 2021 (2020: £19 million) was recognised in relation to the AVIF on insurance contracts or investment contracts.

(b) Other intangible assets with finite useful lives

Other intangible assets with finite useful lives consist mainly of the value of bancassurance and other distribution agreements and capitalised software. Additions of intangible assets with finite lives in 2021 and 2020 relate to capitalisation of software costs in relation to the Group's digital initiatives. Impairments totalling £3 million (2020: £23 million) have been recognised in 2021 in relation to capitalised software.

(c) Intangible assets with indefinite useful lives

Intangible assets with indefinite useful lives at 31 December 2021 is £1 million (2020: £63 million). Amounts at 2020 primarily comprised the value of distribution channel Union Financière de France Banque in Aviva France prior to its disposal on 30 September.

18 – 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:

			2021			2020
	Goodwill and intangibles £m	Equity interests £m	Total £m	Goodwill and intangibles £m	Equity interests £m	Total £m
At 1 January	**221**	**1,481**	**1,702**	38	1,197	1,235
Share of results before tax	—	195	195	—	10	10
Share of tax	—	(8)	(8)	—	(7)	(7)
Share of results after tax	—	187	187	—	3	3
Amortisation of intangibles	(9)	—	(9)	(4)	—	(4)
Share of profit/(loss) after tax	(9)	187	178	(4)	3	(1)
Reclassification from subsidiary	—	32	32	—	45	45
Acquisitions[1]	—	—	—	209	248	457
Additions	—	31	31	—	47	47
Disposals	(12)	(39)	(51)	(18)	(29)	(47)
Share of gains taken to other comprehensive income	—	5	5	—	17	17
Dividends received from joint ventures	—	(37)	(37)	—	(39)	(39)
Foreign exchange rate movements	—	(5)	(5)	(4)	(8)	(12)
At 31 December	**200**	**1,655**	**1,855**	221	1,481	1,702

1 Following a review of the fair value of identifiable net assets acquired, comparative amounts have been amended to disaggregate goodwill and intangible assets from the total value of the investment in Aviva Singlife Holdings Pte Ltd.

The reclassification from subsidiary during 2021 and 2020 relate to changes in the Group's holdings in property management undertakings.

Disposals of £51 million in 2021 include the disposal of the Group's interest in its joint venture in Turkey (see note 3). Disposals of £47 million in 2020 comprise the disposals of the Group's operations in Indonesia and Hong Kong.

In 2020, 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.

The Group's share of total comprehensive income related to joint venture entities is £183 million (2020: £16 million).

(ii) The carrying amount at 31 December comprised:

			2021			2020
	Goodwill and intangibles £m	Equity interests £m	Total £m	Goodwill and intangibles £m	Equity interests £m	Total £m
Property management undertakings	—	916	916	—	807	807
Long-term business undertakings[1]	200	739	939	221	674	895
Total	**200**	**1,655**	**1,855**	221	1,481	1,702

1 Following a review of the fair value of identifiable net assets acquired, comparative amounts have been amended to disaggregate goodwill and intangible assets from the total value of the investment in Aviva Singlife Holdings Pte Ltd.

The property management undertakings perform property ownership and management activities, and are incorporated and operate in the UK. All such investments are held by subsidiary entities.

The long-term business undertakings perform life insurance activities. All investments in such undertakings are unlisted. All investments in such undertakings are held by subsidiaries, except for the shares in the Chinese joint venture, Aviva-COFCO Life Insurance Company Ltd, which are held by Aviva plc. The Group's share of net assets of that company is £437 million (2020: £378 million) and the carrying value in Aviva plc is at cost of £123 million (2020: £123 million).

(iii) No joint ventures are considered to be material from a Group perspective (2020: none). The Group's principal joint ventures are as follows:

			Proportion of ownership interest	
Name	Nature of activities	Principal place of business	2021	2020
Ascot Real Estate Investments LP	Property management	UK	**50.00 %**	50.00 %
2-10 Mortimer Street Limited Partnership	Property management	UK	**50.00 %**	50.00 %
Aviva-COFCO Life Insurance Company Ltd	Life insurance	China	**50.00 %**	50.00 %
Aviva Singlife Holdings Pte. Ltd	Insurance holding company	Singapore	**25.95 %**	25.95 %
AvivaSA Emeklilik ve Hayat A.S	Life insurance	Turkey	**— %**	40.00 %

The Group has no joint ventures whose non-controlling interest (NCI) is material on the basis of their share of profit/(loss).

18 – Interests in, and loans to, joint ventures continued

(iv) From time to time group joint ventures may receive liability claims or become involved in actual or threatened related litigation. At 31 December 2021 this includes a contingent liability in respect of a dispute where the Group's maximum exposure is approximately £65 million (2020: £65 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 £20 million (2020: £4 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 amounts for long-term and general insurance businesses are calculated on a consistent basis with that used for impairment testing of goodwill, as set out in note 16(b). The recoverable amount of property management undertakings is the fair value less costs to sell off the joint venture, measured in accordance with the Group's accounting policy for investment property (see accounting policy Q).

19 – 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:

	2021 Equity interests £m	2020 Equity interests £m
At 1 January	**263**	304
Share of results before tax	**(22)**	18
Share of tax	**—**	11
Share of results after tax	**(22)**	29
Impairment	**—**	(13)
Share of (loss)/profit after tax	**(22)**	16
Additions	**—**	3
Disposals	**(77)**	(38)
Reduction in group interest	**(5)**	(3)
Dividends received from associates	**(36)**	(18)
Foreign exchange rate movements	**(5)**	(1)
Movements in carrying amount	**(145)**	(41)
At 31 December	**118**	263

Disposals of £77 million in 2021 relate to the Group's interest in SCPI Ufifrance Immobilier and SCPI Logipierre 1 which were disposed of as part of the disposal of Aviva France (see note 3).

Disposals of £38 million in 2020 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.

The Group's share of total comprehensive income related to associates is £(22) million (2020: £16 million).

(ii) No associates are considered to be material from a Group perspective (2020: 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 2021	Proportion of ownership interest 2020
Aviva Life Insurance Company India Limited	Life insurance	India	**49.00 %**	49.00 %
SCPI Ufifrance Immobilier	Property Management	France	**—**	20.40 %
SCPI Logipierre 1	Property Management	France	**—**	44.46 %
AI UK Commercial Real Estate Debt Fund	Property Management	UK	**20.90 %**	19.39 %

(iii) The associates have no contingent liabilities to which the Group has significant exposure. The Group has commitments to provide funding to property management associates of £2 million (2020: £nil).

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.

19 – Interests in, and loans to, associates continued

(b) Impairment testing

The recoverable amount of property management undertakings is the fair value less costs to sell off the associate, measured in accordance with the Group's accounting policy for investment property (see accounting policy Q).

No impairment charge has been recognised in 2021. In 2020, an impairment charge of £13 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).

20 – Property and equipment

This note analyses our property and equipment, the total of which primarily consists of properties occupied by Group companies.

	Owner occupied properties					
	Freehold £m	Leasehold £m	Motor vehicles £m	Computer equipment £m	Other assets £m	Total £m
Cost or valuation						
At 1 January 2020	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
Additions	**2**	**74**	**—**	**9**	**5**	**90**
Disposals	**(334)**	**(133)**	**(7)**	**(42)**	**(88)**	**(604)**
Fair value losses	**(3)**	**—**	**—**	**—**	**—**	**(3)**
Foreign exchange rate movements	**(9)**	**(8)**	**—**	**—**	**(7)**	**(24)**
At 31 December 2021	**27**	**1,149**	**7**	**68**	**178**	**1,429**
Depreciation and impairment						
At 1 January 2020	(25)	(800)	(3)	(135)	(149)	(1,112)
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)
Depreciation charge for the year	**—**	**(52)**	**(1)**	**(11)**	**(17)**	**(81)**
Disposals	**25**	**78**	**4**	**37**	**68**	**212**
Impairment charge	**(1)**	**(6)**	**—**	**(2)**	**—**	**(9)**
Foreign exchange rate movements	**—**	**4**	**1**	**1**	**4**	**10**
At 31 December 2021	**(12)**	**(855)**	**(3)**	**(50)**	**(81)**	**(1,001)**
Carrying amount						
At 31 December 2020	335	337	7	26	132	837
At 31 December 2021	**15**	**294**	**4**	**18**	**97**	**428**

Property and equipment of £157 million was disposed of in 2021 as part of the disposal of operations in France and Poland (see note 3).

Owner-occupied properties, excluding £294 million (2020: £337 million) held under lease arrangements, are stated at their revalued amounts, as assessed by qualified external valuers. The valuation assessment adopts market-based evidence and is in line with guidance from the International Valuation Standards Committee and the requirements of IAS 16 Property, Plant and Equipment.

Owner-occupied properties held under lease arrangements are stated at amortised cost and are amortised on a straight-line basis over the lease term, unless the carrying value of the leased asset exceeds the recoverable amount. Where this is the case, the asset is impaired to its recoverable amount and the impaired carrying value is amortised on a straight-line basis over the remainder of the lease term. For further information on the Group's lease arrangements see note 22.

If owner-occupied properties (freehold and leasehold) were stated on a historical cost basis, the carrying amount would be £184 million (2020: £426 million).

21 – Investment property

This note gives details of the properties we hold for long-term rental yields or capital appreciation.

	Freehold £m	Leasehold £m	2021 Total £m	Freehold £m	Leasehold £m	2020 Total £m
Carrying value						
At 1 January	**9,906**	**1,463**	**11,369**	9,379	1,824	11,203
Additions	**1,252**	**148**	**1,400**	1,190	17	1,207
Capitalised expenditure on existing properties	**84**	**21**	**105**	41	14	55
Fair value gains/(losses)	**1,062**	**127**	**1,189**	(298)	(74)	(372)
Disposals	**(6,620)**	**(72)**	**(6,692)**	(662)	(337)	(999)
Foreign exchange rate movements	**(351)**	**(17)**	**(368)**	256	19	275
At 31 December	**5,333**	**1,670**	**7,003**	9,906	1,463	11,369

Investment property of £5,155 million was disposed of as part of the disposal of Aviva France (see note 3).

See note 23 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 2021 was £6,712 million (2020: £11,094 million). Future contractual aggregate minimum lease rentals receivable under the non-cancellable portion of these leases are given in note 22.

22 – Lease assets and liabilities

The Group's leased assets primarily consist of properties occupied by Group companies carried at amortised cost (see note 20), leasehold investment properties carried at fair value (see note 21) which are sublet to third parties and real estate long income finance leases (see note 28). 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.

	2021 £m	2020 £m
Interest expense on lease liabilities	**11**	10
Total lease expenses recognised in the income statement	**11**	10

Total cash outflows recognised in the period in relation to leases were £71 million (2020: £76 million). Expenses recognised in the Group consolidated income statement in relation to short-term and low-value leases were £nil (2020: £nil). Variable lease payments not included in the measurement of lease liabilities were £nil (2020: £nil).

(ii) The following table analyses the right-of-use assets relating to leased properties occupied by Group companies.

	2021 Total £m	2020 Total £m
Balance at 1 January	**338**	385
Additions	**74**	66
Disposals	**(56)**	(9)
Foreign exchange rate movements	**(4)**	2
Impairment of right-of-use assets	**(6)**	(40)
Depreciation	**(52)**	(66)
Balance at 31 December	**294**	338

There were no gains arising from sale and leaseback transactions during the year. Included within the income statement is £3 million (2020: £3 million) of income in respect of sublets of right-of-use assets. Impairment of right-of-use assets of £7 million (2020: £40 million) arises from the reduction in the Group's property footprint.

(iii) Lease liabilities included within note 51 total £472 million (2020: £533 million). Future contractual aggregate minimum lease payments are as follows:

	2021 £m	2020 £m
Within 1 year	**67**	152
Later than 1 year and not later than 5 years	**187**	214
Later than 5 years	**182**	198
	436	564

22 – Lease assets and liabilities continued

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

The lease agreements do not impose any covenants other than the security interest in the leased assets that are held by the lessor.

(iv) Future contractual aggregate minimum lease rentals receivable under non-cancellable operating leases are as follows:

	2021 £m	2020 £m
Within 1 year	**229**	266
Between 1 and 2 years	**206**	223
Between 2 and 3 years	**178**	193
Between 3 and 4 years	**153**	162
Between 4 and 5 years	**130**	179
Later than 5 years	**1,136**	1,233
	2,032	2,256

(v) Future contractual aggregate minimum lease rentals receivable under non-cancellable finance leases are as follows:

	2021 £m	2020 £m
Within 1 year	**4**	—
Between 1 and 2 years	**3**	—
Between 2 and 3 years	**3**	—
Between 3 and 4 years	**3**	—
Between 4 and 5 years	**3**	—
Later than 5 years	**145**	—
	161	—

Finance income on the net investment in finance leases during the period was £nil (2020: £nil).

Unearned finance income in respect of finance leases at 31 December 2021, representing the difference between the gross and net investment in the leases, was £32 million (2020: £nil). Unguaranteed residual value in respect of finance leases was £nil (2020: £nil).

23 – 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); and
- Market corroborated inputs.

Where we use broker quotes and no information as to the observability of inputs is provided by the broker, the investments are classified as follows:

- Where the broker price is validated by using internal models with market observable inputs and the values are similar, we classify the investment as Level 2; and
- In circumstances where internal models are not used to validate broker prices, or the observability of inputs used by brokers is unavailable, the investment is classified as Level 3.

23 – Fair value methodology continued

Level 3

Inputs to Level 3 fair values are unobservable inputs for the asset or liability. Unobservable inputs may have been used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date. However, the fair value measurement objective remains the same, i.e. an exit price at the measurement date from the perspective of a market participant that holds the asset or owes the liability. Unobservable inputs reflect the assumptions the business unit considers that market participants would use in pricing the asset or liability. Examples are investment properties and commercial and equity release mortgage loans.

The majority of the Group's assets and liabilities measured at fair value are based on quoted market information or observable market data. Of the total assets and liabilities measured at fair value 15.7% (2020: 16.7%) of assets and 0.9% (2020: 1.2%) of liabilities are based on estimates and recorded as Level 3. Where estimates are used, these are based on a combination of independent third-party evidence and internally developed models, calibrated to market observable data where possible. Third-party valuations using significant unobservable inputs validated against Level 2 internally modelled valuations are classified as Level 3, where there is a significant difference between the third-party price and the internally modelled value. Where the difference is insignificant, the instrument would be classified as Level 2.

(b) Changes to valuation techniques

There were no changes in the valuation techniques during the year compared to those described in the Group's 2020 Annual Report and Accounts.

(c) Comparison of the carrying amount and fair values of financial instruments

Set out below is a comparison of the carrying amounts and fair values of financial assets and liabilities, excluding those classified as held for sale. These amounts may differ where the assets or liabilities are carried on a measurement basis other than fair value, e.g. amortised cost.

	2021		2020	
	Fair value £m	Carrying amount £m	Fair value £m	Carrying amount £m
Financial assets				
Loans (note 24(a))[1]	**38,622**	**38,624**	43,672	43,679
Financial investments (note 27(a))	**264,961**	**264,961**	351,378	351,378
Fixed maturity securities	**133,251**	**133,251**	202,837	202,837
Equity securities	**95,169**	**95,169**	100,404	100,404
Other investments (including derivatives)	**36,541**	**36,541**	48,137	48,137
Financial liabilities				
Non-participating investment contract (note 42(a))	**151,115**	**151,115**	135,347	135,347
Net asset value attributable to unitholders	**16,427**	**16,427**	20,301	20,301
Borrowings (note 50(a))[1]	**8,375**	**7,344**	11,141	9,684
Derivative liabilities (note 58(b))	**5,763**	**5,763**	7,562	7,562

1 Within the fair value total, the estimated fair value has been provided for the portion of loans and borrowings that are carried at amortised cost.

Fair value of the following assets and liabilities 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 between those which are considered to have contractual terms which are solely payments of principal and interest (SPPI) on the principal amount outstanding and all other instruments (non-SPPI). The SPPI category excludes instruments held for trading or managed and evaluated on a fair value basis.

	2021		2020	
	SPPI – Fair value £m	Non-SPPI – Fair value[1] £m	SPPI – Fair value £m	Non-SPPI – Fair value[1] £m
Fixed maturity securities	**—**	**133,251**	—	216,154
Equity securities	**—**	**95,169**	—	100,504
Loans	**8,642**	**29,980**	13,217	30,454
Receivables	**4,640**	**1,448**	6,510	3,215
Cash and cash equivalents	**10,100**	**2,385**	12,932	4,158
Accrued income and interest	**284**	**1,833**	277	1,721
Other investments	**—**	**36,541**	1	51,626
Total	**23,666**	**300,607**	32,937	407,832

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 £2 million increase (2020: £13 million increase) in the fair value of SPPI instruments and a £3,838 million decrease (2020: £8,668 million increase) in the fair value of non-SPPI instruments during the reporting period.

23 – 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.

2021	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 21)	—	—	7,003	7,003	—	7,003
Loans (note 24(a))	—	—	29,980	29,980	8,644	38,624
Financial investments measured at fair value (note 27(a))						
Fixed maturity securities	34,520	90,254	8,477	133,251	—	133,251
Equity securities	94,819	—	350	95,169	—	95,169
Other investments (including derivatives)	29,043	5,968	1,530	36,541	—	36,541
Financial assets classified as held for sale	—	—	—	—	—	—
Total	**158,382**	**96,222**	**47,340**	**301,944**	**8,644**	**310,588**
Financial liabilities measured at fair value						
Non-participating investment contracts (note 42(a))[1]	151,115	—	—	151,115	—	151,115
Net asset value attributable to unit holders	16,417	—	10	16,427	—	16,427
Borrowings (note 50(a))	—	—	1,140	1,140	6,204	7,344
Derivative liabilities (note 58(b))	410	4,908	445	5,763	—	5,763
Financial liabilities classified as held for sale	—	—	—	—	—	—
Total	**167,942**	**4,908**	**1,595**	**174,445**	**6,204**	**180,649**

1 In addition to the balances in this table, included within reinsurance assets in the consolidated statement of financial position and note 44 are £5,132 million of non-participating investment contracts, which are legally reinsurance but do not meet the definition of a reinsurance contract under IFRS. These assets are financial instruments measured at fair value through profit and loss and are classified as Level 1 assets.

2021	Fair value hierarchy Level 1 £m	Level 2 £m	Level 3 £m	Total fair value £m
Non-recurring fair value measurement				
Properties occupied by group companies	—	—	15	15
Total	—	—	15	15
Less: Assets classified as held for sale	—	—	—	—
Total (excluding assets classified as held for sale)	—	—	15	15

IFRS 13 Fair Value Measurement permits assets and liabilities to be measured at fair value on either a recurring or non-recurring basis. Recurring fair value measurements are those that other IFRSs require or permit in the statement of financial position at the end of each reporting period, whereas non-recurring fair value measurements of assets or liabilities are those that other IFRSs require or permit in the statement of financial position in particular circumstances. The value of freehold owner-occupied properties measured on a non-recurring basis at 31 December 2021 was £15 million (2020: £335 million), stated at their revalued amounts in line with the requirements of IAS 16 Property, Plant and Equipment. The decrease of £320 million relates to the disposal of Aviva France explained in note 3.

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 21)	—	—	11,369	11,369	—	11,369
Loans (note 24(a))	—	—	29,839	29,839	13,840	43,679
Financial investments measured at fair value (note 27(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 (note 42(a))[1]	135,308	39	—	135,347	—	135,347
Net asset value attributable to unit holders	20,151	—	150	20,301	—	20,301
Borrowings (note 50(a))	—	—	1,166	1,166	8,518	9,684
Derivative liabilities (note 58(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 consolidated statement of financial position and note 44 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.

23 – Fair value methodology continued

2020	Level 1 £m	Level 2 £m	Level 3 £m	Total fair value £m
	Fair value hierarchy			
Non-recurring fair value measurement				
Properties occupied by group companies	—	—	335	335
Total	**—**	**—**	**335**	**335**
Less: Assets classified as held for sale	—	—	(69)	(69)
Total (excluding assets held for sale)	**—**	**—**	**266**	**266**

(e) Valuation approach for fair value assets and liabilities classified as Level 2

Please see note 23(a) for a description of typical Level 2 inputs.

Fixed maturity securities, in line with market practice, are generally valued using an independent pricing service. These valuations are determined using independent external quotations from multiple sources and are subject to a number of monitoring controls, such as monthly price variances, stale price reviews and variance analysis. Pricing services, where available, are used to obtain the third-party broker quotes. Where pricing services providers are used, a single valuation is obtained and applied. When prices are not available from pricing services, quotes are sourced from brokers.

Over-the-counter derivatives are valued using broker quotes or models such as option pricing models, simulation models or a combination of models. The inputs for these models include a range of factors which are deemed to be observable, including current market and contractual prices for underlying instruments, period to maturity, correlations, yield curves and volatility of the underlying instruments.

Unit Trusts and other investment funds (included under the other investments category) are valued using net asset values which are not subject to a significant adjustment for restrictions on redemption or for limited trading activity.

(f) Transfers between levels of the fair value hierarchy

For financial instruments that are recognised at fair value on a recurring basis, the Group determines whether transfers have occurred between levels of the fair value hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of the reporting period.

Transfers between Level 1 and Level 2

There were no significant transfers between Level 1 and Level 2 (2020: £1.0 billion of assets transferred from Level 1 to Level 2).

Transfers to/from Level 3

£189 million (2020: £810 million) of assets transferred into Level 3 and £1,370 million (2020: £1,042 million) of assets transferred out of Level 3 relate principally to fixed maturity securities held by our business in the UK. These are transferred between Levels 2 and 3 depending on the availability of observable inputs and whether the counterparty and broker quotes are corroborated using valuation models with observable inputs.

There were no significant transfers of liabilities into and out of Level 3 during the year.

23 – Fair value methodology continued

(g) Further information on Level 3 assets and liabilities:

The table below shows movement in the Level 3 assets and liabilities measured at fair value.

2021	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 2021	**11,369**	**29,839**	**19,053**	**407**	**6,659**	**1,033**	**—**	**(150)**	**(571)**	**(1,166)**	**(98)**
Total net gains/(losses) recognised in the income statement[1]	**1,206**	**(1,252)**	**(648)**	**19**	**(102)**	**17**	**—**	**—**	**34**	**(52)**	**44**
Purchases	**1,505**	**3,639**	**1,288**	**18**	**170**	**13**	**—**	**—**	**(9)**	**—**	**—**
Issuances	**—**	**142**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Disposals	**(6,709)**	**(2,374)**	**(9,681)**	**(91)**	**(5,001)**	**(1,043)**	**—**	**140**	**6**	**78**	**52**
Settlements	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**16**	**—**	**—**
Transfers into Level 3	**—**	**—**	**189**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Transfers out of Level 3	**—**	**—**	**(1,361)**	**(3)**	**(6)**	**—**	**—**	**—**	**79**	**—**	**—**
Reclassification to held for sale	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Foreign exchange rate movements	**(368)**	**(14)**	**(363)**	**—**	**(190)**	**(20)**	**—**	**—**	**—**	**—**	**2**
Balance at 31 December 2021	**7,003**	**29,980**	**8,477**	**350**	**1,530**	**—**	**—**	**(10)**	**(445)**	**(1,140)**	**—**

1 Total net gains/(losses) recognised in the income statement includes realised gains/(losses) on disposals.

2020	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 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.

Total net losses recognised in the income statement in the year ended 31 December 2021 in respect of Level 3 assets measured at fair value amounted to £760 million (2020: net gains of £581 million) with net gains in respect of liabilities of £26 million (2020: net gains of £141 million). Net losses of £852 million (2020: net gains of £423 million) attributable to assets and net losses of £18 million (2020: net gains of £147 million) attributable to liabilities relate to those still held at the end of the year.

Level 3 assets of £20,149 million and Level 3 liabilities of £107 million were disposed in 2021 as part of the disposal of subsidiaries, joint ventures and associates in France, Italy and Poland explained in note 3.

The principal assets classified as Level 3, and the valuation techniques applied to them, are described below.

(i) Investment property

- Investment property is valued in the UK at least annually by external chartered surveyors in accordance with guidance issued by The Royal Institution of Chartered Surveyors and using estimates during the intervening period. Outside the UK, valuations are produced by external qualified professional appraisers in the countries concerned. 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. Tenant risk arising as a result of COVID-19 has reduced during 2021, leading to a corresponding reduction in capital deductions applied to valuations of properties in the retail and leisure sectors. The yield used to value investment property can vary significantly depending on a number of factors including location, type of property and sector. The yield used to value the portfolio ranges from 113bps to 2094bps with higher yields relating to properties in the leisure sector where capital deductions have been applied to the value. Over 95% of the portfolio is valued using spreads within the range from 113bps to 870bps.

23 – Fair value methodology continued

(ii) Loans

- Commercial mortgage loans and Primary Healthcare loans held by our UK Life business are valued using a Portfolio Credit Risk Model. This model calculates a Credit Risk Adjusted Value for each loan. The risk adjusted cash flows are discounted using a yield curve, 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. At 31 December 2021 the liquidity premium used in the discount rate was 150 bps (2020: 110 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 2021 the illiquidity premium used in the discount rate was 180 bps (2020: 190 bps).
- The equity release mortgages have a no negative equity guarantee ('NNEG') such that the cost of any potential shortfall between the value of the loan and the realised value of the property at the end of the term is recognised by a deduction to the value of the loan. Property valuations at the reporting date are obtained by taking the most recent valuation for the property and indexing using an internal house price index based on published Land Registry data. NNEG is calculated using base property growth rates reduced for the cost of potential dilapidations, using a stochastic model. In addition, a cost of capital charge is applied to reflect the variability in these cash flows. The base property growth rate assumption is RPI +0.75% which equates to a long-term average growth rate of 4.4% pa at 31 December 2021 (2020: 4.0%). The growth rates include an adjustment for the 5-year period 2022-2026 to reflect the market view of short-term growth being lower than long-term growth. After applying the cost of capital charge, dilapidations and the stochastic distribution, the effective net long-term growth rate equates to 0.6% pa (2020: 0.6%).
- Infrastructure and Private Finance Initiative (PFI) loans held by our UK Life business are valued using a discounted cash flow model. This adds spreads for credit and illiquidity to a risk-free discount rate. Credit spreads used in the discount rate are calculated using an internally developed methodology which depends on the credit rating of each loan, credit spreads on publicly traded bonds and an estimated recovery rate in event of default and are deemed to be unobservable. At 31 December 2021, the illiquidity premium used in the discount rate was 95bps (2020: 70bps) for the PFI loans and ranged from 25bps to 210bps (2020: 25bps to 210bps) for the infrastructure loans.

(iii) Fixed maturity securities

- Structured bond-type, non-standard debt products and privately placed notes held by our life business in the UK do not trade in an active market. These fixed maturity securities are valued using discounted cash flow model, designed to appropriately reflect the credit and illiquidity risk of the instrument. These bonds have been classified as Level 3 because the valuation approach includes significant unobservable inputs and an element of subjectivity in determining appropriate credit and illiquidity spreads.
- Other debt securities held by our life business in the UK which are not traded in an active market have been valued using third-party or counter party valuations. These prices are considered to be unobservable due to infrequent market transaction.
- The unobservable credit and illiquidity spreads used to value the assets can vary significantly due to the non-standard nature of the debt products. The credit and illiquidity spreads used in the discount rate range from 24bps to 822bps with 99% of the modelled assets valued using spreads within the range from 24bps to 297bps.

(iv) Equity securities

- Equity securities which primarily comprise private equity holdings held in the UK are valued by a number of third party specialists. These are valued using a range of techniques including earnings multiples, forecast cash flows and price/earnings ratios which are deemed to be unobservable.

(v) Other investments (including derivatives)

- Other investments are held for index- linked, unit-linked and with-profit funds and are valued based on external valuation reports received from fund managers. The investments consist of:
  - Unit trusts;
  - Other Investment funds including property funds; and
  - Derivatives.
- Where valuations are at a date other than the balance sheet date, as is the case for private equity funds, adjustments are made for items such as subsequent draw-downs and distributions and the fund manager's carried interest.

(vi) Financial assets of operations classified as held for sale

- There were no operations classified as held for sale at the balance sheet date. Financial assets of operations classified as held for sale in 2020 were held by Aviva Vita in Italy and our businesses in Asia. These consisted primarily of fixed maturity securities (which were not traded in an active market and had been valued using third party or counterparty valuations) of £487 million and discretionary managed funds of £538 million. These assets are included within the relevant asset category within the sensitivity table below.

(vii) Liabilities

- The principal liabilities classified as Level 3 are securitised mortgage loan notes, presented within Borrowings, which are valued using a similar technique to the related Level 3 securitised mortgage assets. These liabilities are included within the relevant liability category within the sensitivity table below.

23 – Fair value methodology continued

Sensitivities

The valuation of level 3 assets involves a high degree of judgement and estimation uncertainty due to the reliance of valuation models on unobservable inputs. Where possible, the Group tests the sensitivity of the fair values of Level 3 assets and liabilities to changes in unobservable inputs to reasonable alternatives. Level 3 valuations are sourced from independent third parties when available and, where appropriate, validated against internally-modelled valuations, third-party models or broker quotes. Where third-party pricing sources are unwilling to provide a sensitivity analysis for their valuations, the Group undertakes, where feasible, sensitivity analysis on the following basis:

- For third-party valuations validated against internally-modelled valuations using significant unobservable inputs, the sensitivity of the internally-modelled valuation to changes in unobservable inputs to a reasonable alternative is determined.
- For third-party valuations either not validated or validated against a third-party model or broker quote, the third-party valuation in its entirety is considered an unobservable input. Sensitivities are determined by flexing inputs of internal models to a reasonable alternative, including the yield, NAV multiple or other suitable valuation multiples of the financial instrument implied by the third-party valuation. For example, for a fixed income security the implied yield would be the rate of return which discounts the security's contractual cash flows to equal the third-party valuation.

Valuation uncertainty on assets which rely either on unobservable long-term assumptions or comparable market transactions as valuation inputs was impacted by the economic disruption resulting from the COVID-19 pandemic during 2020. During 2021 the level of comparable market evidence available has increased and market views around long-term economic assumptions such as residential and commercial property growth rate assumptions have stabilised, reducing the impacts on valuation uncertainty caused by the pandemic. Material uncertainty declarations previously included in valuation reports on certain of the Group's properties have now been removed.

The tables below show the sensitivity of the fair value of Level 3 assets and liabilities to changes in unobservable inputs to a reasonable alternative:

				Sensitivities	
2021	Fair value £bn	Most significant unobservable input	Reasonable alternative	Positive impact £bn	Negative impact £bn
Investment property	**7.0**	Equivalent rental yields	+/-5-10%	**0.4**	**(0.4)**
Loans					
Commercial mortgage loans and Primary Healthcare loans	**11.7**	Illiquidity premium	+/-20 bps	**0.1**	**(0.1)**
		Base property growth rate	+/-100 bps p.a.	**0.1**	**(0.1)**
Equity release mortgage loans	**11.9**	Base property growth rate	+/-40 bps p.a.	**0.2**	**(0.2)**
		Current property market values	+/-10%	**0.3**	**(0.3)**
Infrastructure and Private Finance Initiative (PFI) loans	**6.1**	Illiquidity premium	+/-25 bps[1]	**0.2**	**(0.2)**
Other	**0.3**	Illiquidity premium	+/-25 bps[1]	**—**	**—**
Fixed maturity securities					
Structured bond-type and non-standard debt products[3]	**0.5**	Market spread (credit, liquidity and other)	+/-25 bps	**—**	**—**
Privately placed notes[3]	**3.7**	Credit spreads	+/-25 bps[1]	**0.1**	**(0.1)**
Other debt securities[3]	**4.3**	Credit and liquidity spreads	+/-20-25 bps	**0.1**	**(0.1)**
Equity securities	**0.3**	Market spread (credit, liquidity and other)	+/-25 bps	**0.1**	**(0.1)**
Other investments					
Property Funds	**0.2**	Market multiples applied to net asset values	+/-15-20%	**—**	**—**
Other investments (including derivatives)	**1.3**	Market multiples applied to net asset values	+/-10-40%[2]	**0.2**	**(0.2)**
Liabilities					
Borrowings	**(1.1)**	Illiquidity premium	+/-50 bps	**0.1**	**(0.1)**
Other liabilities (including derivatives)	**(0.5)**	Independent valuation vs counterparty	N/A	**—**	**—**
Total Level 3 investments	**45.7**			**1.9**	**(1.9)**

1 On discount rate spreads.
2 Dependent on investment category.
3 Following a review of the Group's fixed maturity security portfolio, at 31 December 2021 £0.5 billion of securities previously included in other debt securities have been reclassified to structured bond-type and non-standard debt products and £1.9 billion of securities previously included in other debt securities have been reclassified to privately placed notes.

23 – Fair value methodology continued

2020	Fair value £bn	Most significant unobservable input	Reasonable alternative	Sensitivities Positive impact £bn	Sensitivities 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					
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.

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.

2021	Notes	As recognised in the consolidated statement of financial position line item	Fair value hierarchy Level 1 £m	Fair value hierarchy Level 2 £m	Fair value hierarchy Level 3 £m	Total fair value £m
Liabilities not carried at fair value						
Borrowings	50(a)	**6,204**	**7,012**	**204**	**19**	**7,235**

2020	Notes	As recognised in the consolidated statement of financial position line item	Fair value hierarchy Level 1 £m	Fair value hierarchy Level 2 £m	Fair value hierarchy Level 3 £m	Total fair value £m
Liabilities not carried at fair value						
Borrowings	50(a)	8,561	9,558	204	213	9,975

24 – 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:

	2021			2020		
	At fair value through profit or loss other than trading £m	**At amortised cost £m**	**Total £m**	At fair value through profit or loss other than trading £m	At amortised cost £m	Total £m
Policy loans	**1**	**13**	**14**	2	635	637
Loans to banks	**301**	**7,996**	**8,297**	481	11,849	12,330
Healthcare, infrastructure & PFI other loans	**7,994**	**—**	**7,994**	7,283	—	7,283
UK securitised mortgage loans (see note 25)	**2,231**	**—**	**2,231**	2,391	—	2,391
Non-securitised mortgage loans	**19,453**	**—**	**19,453**	19,682	—	19,682
Other loans	**—**	**635**	**635**	—	1,356	1,356
Total	**29,980**	**8,644**	**38,624**	29,839	13,840	43,679

Of the above total loans, £29,783 million (2020: £29,629 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 23 (g).

The cumulative change in fair value of loans attributable to changes in credit risk to 31 December 2021 was a £475 million loss (2020: £1,302 million loss).

Healthcare, infrastructure and PFI other loans of £7,994 million (2020: £7,283 million) are secured against the income from healthcare and educational premises.

Non-securitised mortgage loans include £9,699 million (2020: £9,360 million) of residential equity release mortgages, £7,245 million (2020: £7,518 million) of commercial mortgages and £2,508 million (2020: £2,804 million) relating to UK primary healthcare and PFI businesses. The healthcare and PFI mortgage loans are secured against General Practitioner premises, other primary health-related premises or other emergency services related premises. For all such loans, government support is provided through either direct funding or reimbursement of rental payments to the tenants to meet income service and provide for the debt to be reduced substantially over the term of the loan. Although the loan principal is not government-guaranteed, the nature of these businesses and premises provides considerable comfort of an ongoing business model and low risk of default.

The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of financial assets mentioned above.

Loans at amortised cost

The carrying amount of these loans at both 31 December 2021 and 31 December 2020 was a reasonable approximation for their fair value.

(b) Analysis of loans carried at amortised cost

	2021			2020		
	Amortised Cost £m	**Impairment £m**	**Carrying Value £m**	Amortised Cost £m	Impairment £m	Carrying Value £m
Policy loans	**13**	**—**	**13**	635	—	635
Loans to banks	**7,996**	**—**	**7,996**	11,849	—	11,849
Non-securitised mortgage loans	**—**	**—**	**—**	15	(15)	—
Other loans	**635**	**—**	**635**	1,357	(1)	1,356
Total	**8,644**	**—**	**8,644**	13,856	(16)	13,840

The movements in the impairment provisions on these loans were as follows:

	2021 £m	2020 £m
At 1 January	**(16)**	(13)
Increase during the year	**(2)**	(2)
Foreign exchange rate movements	**1**	(1)
Write back following sale or reimbursement	**17**	—
At 31 December	**—**	(16)

24 – Loans continued

(c) Collateral

Loans to banks include cash collateral received under stock lending arrangements (see note 59 for further discussion regarding these collateral positions). The obligation to repay this collateral is included in payables and other financial liabilities (see note 51).

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.

25 – 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 £213 million (2020: £230 million) in loan notes issued by the ERF companies. These have been eliminated on consolidation through offset against the borrowings of the ERF companies in the statement of financial position.

In all of the above transactions, the Company and its subsidiaries are not obliged to support any losses that may be suffered by the note holders and do not intend to provide such support. Additionally, the notes were issued on the basis that note holders are only entitled to obtain payment, of both principal and interest, to the extent that the available resources of the respective special purpose securitisation companies, including funds due from customers in respect of the securitised loans, are sufficient and that note holders have no recourse whatsoever to other companies in the Aviva Group.

(b) Carrying values

The following table summarises the securitisation arrangements:

		2021		2020
	Securitised assets £m	**Securitised liabilities £m**	Securitised assets £m	Securitised liabilities £m
Securitised mortgage loans (note 24) and loan notes issued	**2,231**	**(1,353)**	2,391	(1,396)
Other securitisation assets/(liabilities)	**302**	**(1,180)**	300	(1,295)
	2,533	**(2,533)**	2,691	(2,691)

Loan notes held by third parties are as follows:

	2021 £m	2020 £m
Total loan notes issued, as above	**1,353**	1,396
Less: Loan notes held by Group companies	**(213)**	(230)
Loan notes held by third parties (note 50(c)(i))	**1,140**	1,166

26 – 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 2021 the Group has granted loans to consolidated PLPs for a total of £77 million (2020: £61 million). The purpose of these loans is to assist the consolidated PLPs to purchase or construct properties. The Group has also provided support, without having a contractual obligation to do so, to certain consolidated PLPs via letters of support amounting to £73 million (2020: £68 million). The Group has commitments to provide funding to consolidated structured entities of £372 million (2020: £4 million), primarily relating to a commitment to provide funding to the Aviva Investors Climate Transition Real Assets fund. This investment in green assets represents part of the Group's commitment to meet its climate targets.

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 25 , at the inception of the securitisation vehicles, the UK subsidiary, Aviva Equity Release UK Limited (AER), has granted subordinated loan facilities to some of the ERF companies. AER receives various fees in return for the services provided to the entities. AER receives cash management fees based on the outstanding loan balance at the start of each quarter for the administration of the loan note liabilities. AER receives portfolio administration fees as compensation for managing the mortgage assets. See note 25 for details of securitised mortgages and related assets as at 31 December 2021.

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 2021, the Group's total interest in unconsolidated structured entities was £45,511 million (2020: £55,961 million) on the Group's statement of financial position. The Group's total interest in unconsolidated structured entities is classified as 'Interests in and loans to joint ventures and associates' and 'financial investments held at fair value through profit or loss'. The Group does not sponsor any of the unconsolidated structured entities.

As at 31 December 2021, a summary of the Group's interest in unconsolidated structured entities is as follows:

	2021					2020				
	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]	—	—	4,454	—	4,454	—	—	4,504	—	4,504
Other investments and equity securities	916	55	30,627	—	31,598	807	173	41,594	—	42,574
Analysed as:										
Unit trust and other investment vehicles	—	—	30,380	—	30,380	—	—	37,945	—	37,945
PLPs and property funds	916	55	246	—	1,217	807	173	3,647	—	4,627
Other (Including other funds and equity securities)[2]	—	—	1	—	1	—	—	2	—	2
Loans[2]	—	—	—	9,459	9,459	—	—	—	8,883	8,883
Total	916	55	35,081	9,459	45,511	807	173	46,098	8,883	55,961

1 Primarily reported within 'other debt securities' in note 27(a).
2 Loans include Healthcare, Infrastructure & PFI other loans along with certain non-securitised mortgage loans.

The Group's maximum exposure to loss related to the interests in unconsolidated structured entities is £45,511 million (2020: £55,961 million).

26 – Interests in structured entities continued

The majority of debt securities above are investment grade securities held by the UK business. In some cases, the Group may be required to absorb losses from an unconsolidated structured entity before other parties when and if Aviva's interest is more subordinated with respect to other owners of the same security.

For commitments to property management joint ventures and associates, please see notes 18 and 19, 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 57(b) 'Risk management'. In relation to other guarantees and commitments that the Group provides in the course of its business, please see note 53(f) 'Contingent liabilities and other risk factors'.

Aviva's interest in unconsolidated structured entities that it also manages at 31 December 2021 is £1,502 million (2020: £1,803 million) and the total funds under management relating to these investments at 31 December 2021 is £16,843 million (2020: £16,012 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.

	2021		2020	
	Assets under management £m	**Investment management fees £m**	Assets under management £m	Investment management fees £m
Investment funds[1]	**—**	**—**	6,690	30
Specialised investment vehicles:	**6,036**	**24**	3,658	23
Analysed as:				
OEICs	**253**	**2**	410	10
PLPs	**4,257**	**16**	3,248	13
SICAVs	**1,526**	**6**	—	—
Total	**6,036**	**24**	10,348	53

1 Investment funds in 2020 related to pension funds formerly held by the Group's Polish business.

27 – 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:

	2021				2020			
	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	—	32,547	—	32,547	—	30,249	—	30,249
UK local authorities	—	194	—	194	—	214	—	214
Non-UK government (note 27(d))	—	25,144	—	25,144	—	64,508	1,257	65,765
Corporate bonds								
Public utilities	—	7,563	—	7,563	—	10,403	10	10,413
Other corporate	—	44,886	—	44,886	—	84,398	305	84,703
Convertibles and bonds with warrants attached	—	—	—	—	—	6	7	13
Other	—	3,115	—	3,115	—	7,787	—	7,787
	—	113,449	—	113,449	—	197,565	1,579	199,144
Certificates of deposit	—	19,802	—	19,802	—	17,010	—	17,010
	—	133,251	—	133,251	—	214,575	1,579	216,154
Equity securities								
Ordinary shares								
Public utilities	—	3,240	—	3,240	—	3,098	1	3,099
Banks, trusts and insurance companies	—	17,380	—	17,380	—	17,835	—	17,835
Industrial miscellaneous and all other	—	74,330	—	74,330	—	79,313	6	79,319
	—	94,950	—	94,950	—	100,246	7	100,253
Non-redeemable preference shares	—	219	—	219	—	251	—	251
	—	95,169	—	95,169	—	100,497	7	100,504
Other investments								
Unit trusts and other investment vehicles	—	30,380	—	30,380	—	37,944	1	37,945
Derivative financial instruments (note 58)	5,734	—	—	5,734	9,722	—	—	9,722
Deposits with credit institutions	—	84	—	84	—	211	—	211
Minority holdings in property management undertakings	—	246	—	246	—	3,647	—	3,647
Other investments – long-term	—	96	—	96	—	101	—	101
Other investments – short-term	—	1	—	1	—	1	—	1
	5,734	30,807	—	36,541	9,722	41,904	1	51,627
Total financial investments	5,734	259,227	—	264,961	9,722	356,976	1,587	368,285
Less: Assets classified as held for sale								
Fixed maturity securities	—	—	—	—	—	(13,317)	—	(13,317)
Equity securities	—	—	—	—	—	(100)	—	(100)
Other investments	—	—	—	—	—	(3,490)	—	(3,490)
	—	—	—	—	—	(16,907)	—	(16,907)
Total (excluding assets classified as held for sale)	5,734	259,227	—	264,961	9,722	340,069	1,587	351,378

Financial investments of £119,099 million were disposed of in 2021 as part of the disposal of operations in France, Italy, Poland and Vietnam (see note 3).

Of the above total financial investments balance, £95,373 million (2020: £185,544 million) is due to be recovered in more than one year after the statement of financial position date.

Other debt securities of £3,115 million (2020: £7,787 million) include residential and commercial mortgage-backed securities, as well as other structured credit securities.

Financial investments include £832 million (2020: £1,306 million, included within Receivables (note 28)) in respect of non-cash collateral pledged to third parties where the economic rights are retained by the Group.

27 – 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:

	2021				2020			
	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	**122,852**	**12,920**	**(2,521)**	**133,251**	197,789	24,814	(6,449)	216,154
Equity securities	**74,371**	**26,381**	**(5,583)**	**95,169**	87,181	20,669	(7,346)	100,504
Other investments								
Unit trusts and other investment vehicles	**23,152**	**7,623**	**(395)**	**30,380**	30,691	8,188	(934)	37,945
Derivative financial instruments	**4,966**	**2,651**	**(1,883)**	**5,734**	4,634	5,258	(170)	9,722
Deposits with credit institutions	**84**	**—**	**—**	**84**	211	—	—	211
Minority holdings in property management undertakings	**242**	**34**	**(30)**	**246**	3,557	263	(173)	3,647
Other investments – long-term	**101**	**—**	**(5)**	**96**	102	—	(1)	101
Other investments – short-term	**1**	**—**	**—**	**1**	1	—	—	1
	225,769	**49,609**	**(10,417)**	**264,961**	324,166	59,192	(15,073)	368,285
These are further analysed as follows:								
At fair value through profit or loss	**225,769**	**49,609**	**(10,417)**	**264,961**	322,704	59,066	(15,072)	366,698
Available for sale	**—**	**—**	**—**	**—**	1,462	126	(1)	1,587
	225,769	**49,609**	**(10,417)**	**264,961**	324,166	59,192	(15,073)	368,285

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 gain of £4,381 million (2020: £4,233 million net gain). Of this net gain, £6,862 million net gain (2020: £2,895 million net gain) related to investments designated as other than trading and £2,481 million net loss (2020: £1,338 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 59 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 2021, £2,425 million (2020: £2,621 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.

27 – 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 2021, analysed by policyholder, participating and shareholder funds.

Non-UK Government Debt Securities	Policyholder		Participating		Shareholder		Total	
	2021 £m	2020 £m	2021 £m	2020 £m	2021 £m	2020 £m	2021 £m	2020 £m
Austria	**29**	106	**61**	772	**128**	170	**218**	1,048
Belgium	**74**	158	**41**	1,021	**301**	270	**416**	1,449
France	**441**	866	**420**	15,662	**783**	1,956	**1,644**	18,484
Germany	**265**	420	**358**	1,864	**443**	765	**1,066**	3,049
Norway	**—**	1	**4**	—	**392**	426	**396**	427
Ireland	**17**	108	**241**	892	**141**	301	**399**	1,301
Italy	**277**	952	**72**	11,428	**14**	28	**363**	12,408
Netherlands	**83**	99	**65**	493	**327**	376	**475**	968
Poland	**52**	722	**18**	465	**—**	555	**70**	1,742
Portugal	**17**	117	**6**	596	**—**	119	**23**	832
Spain	**153**	582	**53**	1,117	**23**	176	**229**	1,875
European supranational debt	**682**	671	**273**	1,509	**2,217**	2,435	**3,172**	4,615
Other European countries	**414**	631	**487**	1,607	**362**	560	**1,263**	2,798
Europe	**2,504**	5,433	**2,099**	37,426	**5,131**	8,137	**9,734**	50,996
Canada	**130**	88	**33**	164	**3,679**	3,366	**3,842**	3,618
United States	**1,810**	1,064	**433**	787	**1,484**	1,424	**3,727**	3,275
North America	**1,940**	1,152	**466**	951	**5,163**	4,790	**7,569**	6,893
Singapore	**8**	4	**16**	14	**66**	74	**90**	92
Australia	**107**	84	**20**	79	**22**	24	**149**	187
Other	**3,648**	2,381	**2,822**	4,169	**1,132**	1,047	**7,602**	7,597
Asia Pacific and other	**3,763**	2,469	**2,858**	4,262	**1,220**	1,145	**7,841**	7,876
Total	**8,207**	9,054	**5,423**	42,639	**11,514**	14,072	**25,144**	65,765
Less: Assets classified as held for sale	**—**	(285)	**—**	(8,252)	**—**	(247)	**—**	(8,784)
Total (excluding assets classified as held for sale)	**8,207**	8,769	**5,423**	34,387	**11,514**	13,825	**25,144**	56,981

At 31 December 2021, the Group's total government (non-UK) debt securities stood at £25,144 million (2020: £65,765 million). The majority of these holdings are within our shareholder funds.

Our direct shareholder asset exposure to government (non-UK) debt securities amounts to £11,514 million (2020: £14,072 million). The primary exposures, relative to total shareholder (non-UK) government debt exposure, are to Canadian (32%), US (13%), French (7%), German (4%), Norwegian (3%) and Dutch (3%) government debt securities.

28 – Receivables

This note analyses our total receivables.

	2021 £m	2020 £m
Amounts owed by contract holders	**2,053**	2,126
Amounts owed by intermediaries	**982**	1,504
Deposits with ceding undertakings	**—**	38
Amounts due from reinsurers	**438**	432
Amounts due from brokers for investment sales	**149**	156
Amounts receivable for collateral pledged	**1,083**	3,170
Amounts due from government, social security and taxes	**430**	976
Finance lease receivables	**129**	—
Other receivables	**824**	1,323
Total	**6,088**	9,725
Less: Assets classified as held for sale	**—**	(373)
	6,088	9,352
Expected to be recovered in less than one year	**5,945**	9,701
Expected to be recovered in more than one year	**143**	24
	6,088	9,725

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.

Non-cash collateral pledged to third parties where the economic rights are retained by the Group of £832 million (2020: £1,306 million, included within Amounts receivable for collateral pledged above) has been included within Financial investments (note 27).

28 – Receivables continued

Receivables of £2,100 million were disposed of in 2021 as part of the disposal of operations in France, Italy, Poland and Vietnam (see note 3).

Finance lease receivables consist of long income finance leases on property which were incepted during the year.

29 – Deferred acquisition costs

(a) Deferred acquisition costs – carrying amount

The carrying amount of deferred acquisition costs was as follows:

	2021 £m	2020 £m
Deferred acquisition costs in respect of:		
Insurance contracts – Long-term business	**710**	1,075
Insurance contracts – General insurance and health business	**1,078**	1,146
Participating investment contracts – Long-term business	**41**	118
Non-participating investment contracts – Long-term business	**892**	950
Total	**2,721**	3,289
Less: Classified as held for sale	**—**	(25)
	2,721	3,264

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, £1,524 million (2020: £1,707 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:

2021	Long-term business: Insurance contracts £m	Long-term business: Participating investment contracts £m	Long-term business: Non-participating investment contracts £m	General insurance and health business £m	Total £m
Carrying amount at 1 January	**1,075**	**118**	**950**	**1,146**	**3,289**
Acquisition costs deferred during the year	**244**	**13**	**72**	**2,613**	**2,942**
Amortisation	**(224)**	**(3)**	**(87)**	**(2,514)**	**(2,828)**
Impact of assumption changes	**41**	**—**	**(1)**	**—**	**40**
Effect of portfolio transfers, acquisitions and disposals[1]	**(401)**	**(84)**	**(32)**	**(166)**	**(683)**
Foreign exchange rate movements	**(25)**	**(3)**	**(10)**	**(1)**	**(39)**
Carrying amount at 31 December	**710**	**41**	**892**	**1,078**	**2,721**
Less: Classified as held for sale	**—**	**—**	**—**	**—**	**—**
	710	**41**	**892**	**1,078**	**2,721**

1 The movement during 2021 includes the disposal of operations in France, Italy and Poland including a £341 million remeasurement loss recognised at 30 June 2021 on reclassification of Aviva France to held for sale (see note 3).

2020	Long-term business: Insurance contracts £m	Long-term business: Participating investment contracts £m	Long-term business: Non-participating investment contracts £m	General insurance and health 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
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.

29 – Deferred acquisition costs continued

DAC for long-term business decreased overall over 2021 as increases from new business sales across the UK and Ireland markets are more than offset by the decrease arising from the disposals of European businesses. DAC for general insurance and health business also decreased over 2021 as a result of the disposals.

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 £69 million (2020: £116 million) if market yields on fixed income investments were to increase by 1% and increase profit by £68 million (2020: £135 million) if yields were to reduce by 1%.

At both 31 December 2021 and 31 December 2020 the DAC balance has been restricted by the value of projected future profits.

30 – Pension surpluses, other assets, prepayments and accrued income

(a) Pension surpluses and other assets – carrying amount

The carrying amount comprises:

	2021 £m	2020 £m
Surpluses in the staff pension schemes (note 49(a))	**2,754**	2,780
Other assets	**15**	55
Total	**2,769**	2,835
Less: Assets classified as held for sale	**—**	(1)
	2,769	2,834

Surpluses in the staff pension schemes and £1 million (2020: £2 million) of other assets are recoverable more than one year after the statement of financial position date. Other assets of £16 million were disposed of in 2021 as part of the disposal of Aviva Italy (see note 3).

(b) Prepayments and accrued income

Prepayments and accrued income of £2,391 million (2020: £2,865 million) include assets classified as held for sale of £nil (2020: £123 million) and £17 million (2020: £62 million) that is expected to be recovered more than one year after the statement of financial position date.

31 – 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.

	2021 £m	2020 £m
Loans	**1,777**	2,334
Fixed maturity securities	**42,407**	45,781
Equity securities	**85,186**	86,957
Reinsurance assets	**5,132**	3,860
Cash and cash equivalents	**5,474**	6,555
Units trusts and other investment vehicles	**28,521**	34,577
Other	**6,012**	7,921
Total	**174,509**	187,985
Less: Assets classified as held for sale	**—**	(3,194)
Total (excluding assets classified as held for sale)	**174,509**	184,791

The reinsurance assets balance in the table above includes £5,132 million (2020: £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.

32 – 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:

	2021 £m	2020 £m
The allotted, called up and fully paid share capital of the Company at 31 December 2021 was: 3,766,095,426 (2020: 3,928,490,420) ordinary shares of 25 pence each	**941**	982

At the 2021 Annual General Meeting, the Company was authorised to allot up to a further maximum nominal amount of:
- £654,787,408 of which £327,392,204 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 2021, a total of 2,842,866 were allotted and issued by the Company as follows:

	2021				2020			
	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	**3,928,490,420**	**982**	**44**	**1,242**	3,921,129,145	980	44	1,239
Shares issued under the Group's Employee and Executive Share Option Schemes	**2,842,866**	**1**	**—**	**6**	7,361,275	2	—	3
Shares cancelled through buyback	**(165,237,860)**	**(42)**	**42**	**—**	—	—	—	—
At 31 December	**3,766,095,426**	**941**	**86**	**1,248**	3,928,490,420	982	44	1,242

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.

On 12 August 2021, Aviva announced a share buyback of ordinary shares for an aggregate purchase price of up to £750 million. On 16 December 2021, Aviva announced the increase and extension of the share buyback programme to £1 billion. In the year ended 31 December 2021, £663 million of shares had been purchased and shares with a nominal value of £42 million have been cancelled, giving rise to an additional capital redemption reserve of an equivalent amount. The number of shares in issue has reduced by 198 million as at 25 February 2022 in respect of shares acquired and cancelled under the buyback programme. Net of new shares issued during the period from 13 August 2021 to 25 February 2022, the number of shares in issue reduced by 196 million.

33 – Group's share plans

This note describes various equity compensation plans operated by the Group, and shows how the Group values the options and awards of shares in the Company.

(a) Description of the plans

The Group maintains a number of active share option and award plans and schemes (the Group's share plans). These are as follows:

(i) Savings-related options

These are options granted under the tax-advantaged Save As You Earn (SAYE) share option scheme in the UK and prior to 2021 the Irish revenue-approved SAYE share option scheme in Ireland. From 2021 options in Ireland are granted under the Irish non-revenue approved SAYE share option scheme. The SAYE allows eligible employees to acquire options over the Company's shares at a discount of up to 20% of their market value at the date of grant.

Options are normally exercisable during the six month period following either the third or fifth anniversary of the start of the relevant savings contract. Savings contracts are subject to the statutory savings limits of £500 per month in the UK and €500 per month in Ireland. A limit of £250 per month was applied to contracts in the UK prior to 2016.

(ii) Aviva long-term incentive plan awards

These awards have been made under the Aviva Long-Term Incentive Plan 2011 (LTIP), and are described in section (b) below and in the Directors' Remuneration Report (DRR).

(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 DRR.

(iv) Aviva recruitment and retention share plan awards

These are conditional awards granted under the Aviva Recruitment and Retention Share Award plan (RRSAP) in relation to the recruitment or retention of senior managers excluding executive directors. The awards vest in tranches on various dates and vesting is conditional upon the participant being employed by the Group on the vesting date and not having served notice of resignation. Some awards can be subject to performance conditions. If a participant's employment is terminated due to resignation or dismissal, any tranche of the award which has vested within the 12 months prior to the termination date 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.

33 – Group's share plans continued

(vi) 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

No new Aviva plc ordinary shares will be issued to satisfy awards made under plans iv and v.

(b) Outstanding options

The following table summarises information about options outstanding at 31 December 2020 and 2021:

			2021			2020
Range of exercise prices	Outstanding options Number	Weighted average remaining contractual life Years	Weighted average exercise price p	Outstanding options Number	Weighted average remaining contractual life Years	Weighted average exercise price p
£2.20 – £3.16	**40,415,471**	**3**	**233.88**	44,735,905	4	234.65
£3.17 – £3.67	**5,743,442**	**4**	**331.53**	873,773	1	351.00
£3.68 – £4.19	**1,642,237**	**1**	**390.83**	4,528,106	1	394.94

(c) Movements in the year

A summary of the status of the option and share plans as at 31 December 2020 and 2021, and changes during the years ended on those dates, is shown below.

			2021			2020
	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	**50,137,784**	**251.31**	**45,946,328**	39,290,294	314.36	35,442,035
Granted during the year	**5,438,302**	**330.00**	**18,767,398**	34,852,776	220.00	26,293,467
Exercised during the year	**(1,888,154)**	**357.55**	**(13,192,824)**	(1,126,489)	348.71	(11,829,285)
Forfeited during the year	**(3,375,371)**	**252.12**	**(11,216,939)**	(19,149,479)	299.36	(3,959,889)
Cancelled during the year	**(564,984)**	**244.48**	**—**	(202,718)	300.97	—
Expired during the year	**(1,946,427)**	**372.26**	**—**	(3,526,600)	351.07	—
Outstanding at 31 December	**47,801,150**	**251.00**	**40,303,963**	50,137,784	251.16	45,946,328
Exercisable at 31 December	**1,383,467**	**376.17**	**—**	1,910,895	401.98	—

The weighted average share price at the date of exercise for share options exercised during the year ended 31 December 2021 was £4.00 (2020: £4.04).

(d) Expense charged to the income statement

The total expense recognised for the year arising from equity compensation plans was as follows:

	2021 £m	2020 £m
Equity-settled expense	**47**	50
Total	**47**	50

(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 £0.80 and £3.57 (2020: £0.64 and £1.96) 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	2021	2020
Share price	**404 p**	291 p
Exercise price	**330 p**	220 p
Expected volatility	**30.52 %**	29.50 %
Expected life	**3.70 years**	3.91 years
Expected dividend yield	**5.28 %**	5.32 %
Risk-free interest rate	**0.54 %**	(0.10)%

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. 1,888,154 options granted after 7 November 2002 were exercised during the year (2020: 1,126,489).

33 – Group's share plans continued

(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	2021	2020
Share price	**386 p**	222 p
Expected volatility[1]	**34 %**	29 %
Expected volatility of comparator companies' share price[1]	**34 %**	30 %
Correlation between Aviva and comparator competitors' share price[1]	**63 %**	54 %
Expected life[1]	**3.00 years**	2.77 years
Expected dividend yield	**0.00 %**	0.00 %
Risk-free interest rate[1]	**0.13 %**	0.08 %

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.

34 – Treasury shares

The following table summarises information about treasury shares at 31 December 2021:

	2021		2020	
	Number	£m	Number	£m
Shares held by employee trusts	**12,363,684**	**51**	1,737,038	6
	12,363,684	**51**	1,737,038	6

(a) Shares held by employee trusts

Prior to 2021 we primarily issued new shares, except where it is necessary to use shares held by an employee share trust, to satisfy any options granted under the Group's share plans. From 2021, we satisfied awards primarily through shares purchased in the market and held by employee share trusts. This note gives details of the shares held in these trusts. Movements in the carrying value of shares held by employee trusts comprise:

	2021		2020	
	Number	£m	Number	£m
Cost debited to shareholders' funds				
At 1 January	**1,737,038**	**6**	1,714,288	7
Acquired in the year	**17,164,538**	**69**	687,326	2
Distributed in the year	**(6,537,892)**	**(24)**	(664,576)	(3)
Balance at 31 December	**12,363,684**	**51**	1,737,038	6

The shares are owned by employee share trusts with an undertaking to satisfy awards of shares in the Company under the Company's share plans and schemes. Details of the features of the plans can be found in the DRR and/or in note 33.

These shares were purchased in the market. At 31 December 2021, they had an aggregate nominal value of £3,090,921 (2020: £434,260) and a market value of £50,740,559 (2020: £5,648,848). The trustees have waived their rights to dividends on the shares held in the trusts.

35 – 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:

	2021 £m	2020 £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 2021, the fair value of Aviva plc's preference share capital was £304.5 million *(*2020: £303.6 million*)*.

36 – 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 2020	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/(loss) 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)**
Arising in the year through other comprehensive income:						
Fair value losses	—	—	**(62)**	—	—	**(62)**
Fair value gains transferred to profit on disposals	—	—	**(16)**	—	—	**(16)**
Share of other comprehensive income of joint ventures and associates	—	—	**5**	—	—	**5**
Foreign exchange rate movements	**(222)**	—	—	**39**	—	**39**
Aggregate tax effect – shareholders' tax	**1**	—	**19**	**(8)**	—	**11**
Total other comprehensive (loss)/ income for the year	**(221)**	—	**(54)**	**31**	—	**(23)**
Fair value gains transferred to retained earnings on disposals	—	**(9)**	—	—	—	**(9)**
Transfer to profit on disposal of subsidiaries, joint ventures and associates	**(327)**	—	**(19)**	**202**	—	**183**
Reserves credit for equity compensation plans	—	—	—	—	**24**	**24**
Shares issued under equity compensation plans	—	—	—	—	**(29)**	**(29)**
Balance at 31 December 2021	**314**	**22**	**35**	**(224)**	**101**	**(66)**

Foreign exchange rate movements recorded in the consolidated statement of comprehensive income of £(34) million for continuing operations (2020: £(51) million) and £(182) million (2020: £186 million) for discontinued operations (see note 3(c)) relate to foreign exchange rate movements on the currency translation reserve of £(222) million (2020: £230 million), the hedging instrument reserve of £39 million 2020: £(129) million) and non-controlling interests (see note 38) of £(33) million (2020: £34 million).

The transfer to profit on disposal of subsidiaries, joint ventures and associates relates to discontinued operations and is the result of the recycling of reserves to the income statement (see note 3(a)).

37 – Retained earnings

This note analyses the movements in the consolidated retained earnings during the year.

	2021 £m	2020 £m
Balance at 1 January	**7,468**	5,065
Profit for the year attributable to equity shareholders	**1,966**	2,798
Remeasurements of pension schemes[1] (note 49)	**59**	(150)
Dividends and appropriations (note 15)	**(1,127)**	(280)
Shares purchased in buyback (note 32)	**(663)**	—
Net shares issued under equity compensation plans	**3**	46
Effect of changes in non-controlling interests in existing subsidiaries	—	7
Forfeited dividend income[2]	—	2
Reclassification of tier 1 notes to financial liabilities	—	1
Fair value gains realised from other reserves (note 36)	**9**	—
Aggregate tax effect	**(159)**	(21)
Balance at 31 December	**7,556**	7,468

1 Net remeasurements of pension schemes recorded in the consolidated statement of comprehensive income of £59 million (2020: £150 million loss) includes £59 million of remeasurement gains (2020: £148 million losses) on the main pension schemes (see note 49).
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.

38 – 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:

	2021 £m	2020 £m
Equity shares in subsidiaries	—	261
Share of earnings	2	479
Share of other reserves	—	16
	2	756
Preference shares in General Accident plc	250	250
	252	1,006

Movements in the year comprised:

	2021 £m	2020 £m
Balance at 1 January	1,006	977
Profit for the year attributable to non-controlling interests	70	112
Foreign exchange rate movements	(33)	34
Total comprehensive income attributable to non-controlling interests	37	146
Non-controlling interests share of dividends declared in the year	(60)	(30)
Disposals of non-controlling interests in subsidiaries[1]	(722)	(26)
Changes in non-controlling interests in subsidiaries	(9)	(61)
Balance at 31 December	252	1,006

1 The disposals of non-controlling interests includes £(717)m related to discontinued operations (see note 3(a)).

The Group has no subsidiaries whose non-controlling interest is material on the basis of their share of profit or loss.

39 – 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 40 covers insurance liabilities;
- Note 41 covers the methodology and assumptions used in calculating the insurance liabilities;
- Note 42 covers liabilities for investment contracts;
- Note 43 details the financial guarantees and options on certain contracts;
- Note 44 details the associated reinsurance assets on these liabilities; and
- Note 45 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.

	2021 Gross provisions £m	2021 Reinsurance assets £m	2021 Net £m	2020 Gross provisions £m	2020 Reinsurance assets £m	2020 Net £m
Long-term business						
Insurance liabilities	(105,783)	7,887	(97,896)	(135,409)	7,176	(128,233)
Liabilities for participating investment contracts	(21,337)	—	(21,337)	(97,073)	1	(97,072)
Liabilities for non-participating investment contracts	(151,115)	5,132	(145,983)	(138,183)	3,860	(134,323)
	(278,235)	13,019	(265,216)	(370,665)	11,037	(359,628)
Outstanding claims provisions	(1,288)	61	(1,227)	(2,643)	87	(2,556)
	(279,523)	13,080	(266,443)	(373,308)	11,124	(362,184)
General insurance and health						
Outstanding claims provisions	(7,304)	637	(6,667)	(9,017)	794	(8,223)
Provisions for claims incurred but not reported	(3,156)	999	(2,157)	(3,367)	1,139	(2,228)
	(10,460)	1,636	(8,824)	(12,384)	1,933	(10,451)
Provision for unearned premiums	(4,718)	316	(4,402)	(5,210)	299	(4,911)
Provision arising from liability adequacy tests[1]	(1)	—	(1)	(2)	—	(2)
	(15,179)	1,952	(13,227)	(17,596)	2,232	(15,364)
Total	(294,702)	15,032	(279,670)	(390,904)	13,356	(377,548)
Less: Classified as held for sale	—	—	—	15,591	(18)	15,573
	(294,702)	15,032	(279,670)	(375,313)	13,338	(361,975)

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 2021 this provision for life operations is £nil (2020: £8 million)

39 – 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 consolidated income statement, to the change in insurance liabilities recognised as an expense in the relevant movement tables in the following notes. The components of the reconciliation are the change in provision for outstanding claims on long-term business (which is not included in a separate movement table), and the unwind of discounting on general insurance reserves (which is included within finance costs in the income statement). For general insurance and health, the change in the provision for unearned premiums is not included in the reconciliation as, within the income statement, this is included within earned premiums.

2021	Gross £m	Reinsurance £m	Net £m
Long-term business			
Change in insurance liabilities (note 40(b)(iii))	**2,521**	**(951)**	**1,570**
Change in provision for outstanding claims	**(291)**	**1**	**(290)**
	2,230	**(950)**	**1,280**
General insurance and health			
Change in insurance liabilities (note 40(c)(iv) and 44(c)(ii))	**641**	**114**	**755**
Change in provision arising from liability adequacy tests	**(1)**	**—**	**(1)**
Less: Unwind of discount	**(2)**	**1**	**(1)**
	638	**115**	**753**
Total change in insurance liabilities	**2,868**	**(835)**	**2,033**
Less: Change in insurance liabilities from discontinued operations	**(3,736)**	**4**	**(3,732)**
Total change in insurance liabilities from continued operations (note 6)	**(868)**	**(831)**	**(1,699)**

2020[1]	Gross £m	Reinsurance £m	Net £m
Long-term business			
Change in insurance liabilities (note 40(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 40(c)(iv) and 44(c)(ii))	852	(259)	593
Change in provision arising from liability adequacy	(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	(2,196)	282	(1,914)
Total change in insurance liabilities from continued operations (note 6)	6,440	(1,449)	4,991

1. The 2020 comparative amounts have been re-presented from those previously published to reclassify the amounts relating to certain operations as discontinued operations as described in note 1.

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.

40 – 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:

	2021 £m	2020 £m
Long-term business		
Participating insurance liabilities	**21,570**	44,725
Unit-linked non-participating insurance liabilities	**8,703**	14,061
Other non-participating insurance liabilities	**75,510**	76,623
	105,783	135,409
Outstanding claims provisions	**1,288**	2,643
	107,071	138,052
General insurance and health		
Outstanding claims provisions	**7,304**	9,017
Provision for claims incurred but not reported	**3,156**	3,367
	10,460	12,384
Provision for unearned premiums	**4,718**	5,210
Provision arising from liability adequacy tests[1]	**1**	2
	15,179	17,596
Total	**122,250**	155,648
Less: Classified as held for sale	**—**	(3,166)
	122,250	152,482

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 2021 this provision is £nil (2020: £8 million) for the life operations.

(b) Long-term business liabilities

(i) Business description

Following the disposals in 2021, the Group underwrites long-term business primarily in the UK and Ireland. This is mainly written in the 'Non-Profit' funds and in a number of 'With-Profits' sub-funds. In the 'Non-Profit' funds shareholders are entitled to 100% of the distributed profits. In the 'With-Profits' sub-funds the with-profits policyholders are entitled to between 40% and 100% of distributed profits, depending on the fund rules. There is also the Reattributed Inherited Estate External Support Account (RIEESA) in the UK, which does not itself underwrite any business, but provides capital support to one of the 'With-Profits' sub-funds and receives any surplus or deficit emerging from it. In the RIEESA, shareholders are entitled to 100% of the distributed profits, but these can only be distributed in line with the criteria set by the Reattribution Scheme.

(ii) Group practice

The long-term business liabilities are calculated separately for each of the Group's life operations. The provisions for overseas subsidiaries have generally been included on the basis of local regulatory requirements, modified where necessary to reflect the requirements of the Companies Act 2006.

Material judgement is required in calculating the liabilities and is exercised particularly through the choice of assumptions where discretion is permitted. In turn, the assumptions used depend on the circumstances prevailing in each of the life operations. Provisions are most sensitive to assumptions regarding discount rates, mortality and morbidity rates. Where discount rate assumptions are based on current market yields on fixed interest securities, allowance is made for default risk implicit in the yields on the underlying assets.

Bonuses paid during the year are reflected in claims paid, whereas those allocated as part of the bonus declaration are included in the movements in the long-term business liabilities.

A description of the main methodology and most material valuation assumptions has been provided (see note 41).

40 – Insurance liabilities continued

(iii) Movements in long-term business liabilities

The following movements have occurred in the gross long-term business liabilities during the year:

	2021 £m	2020 £m
Carrying amount at 1 January	**135,409**	131,182
Liabilities in respect of new business	**10,420**	8,982
Expected change in existing business	**(6,884)**	(6,293)
Variance between actual and expected experience	**2,209**	(378)
Impact of operating assumption changes	**(898)**	(783)
Impact of economic assumption changes	**(2,427)**	5,531
Other movements recognised as an expense[1]	**101**	277
Change in liability recognised as an expense (note 39(b))	**2,521**	7,336
Effect of portfolio transfers, acquisitions and disposals[2]	**(30,570)**	(4,707)
Foreign exchange rate movements	**(1,565)**	1,510
Other movements[3]	**(12)**	88
Carrying amount at 31 December	**105,783**	135,409

1 Other movements recognised as an expense in 2021 relate primarily to provisions for bonus distribution to with-profits policyholders and legacy unclaimed assets. The movement during 2020 relates primarily to recognition of additional reserves related to with-profits legacy guarantees. Additional contributions in 2020 were 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.
2 The movement in 2021 relates to the disposal of the France, Italy, Poland and Vietnam businesses while 2020 includes the disposal of FPI, Hong Kong and Singapore businesses.
3 Other movements during 2020 includes the reclassification in the UK from participating investment contracts to insurance contracts of £97 million.

For many types of long-term business, including unit-linked and participating insurance liabilities, movements in asset values are offset by corresponding changes in liabilities, limiting the net impact on profit. The gross long-term business liabilities decreased by £29.6 billion during 2021 (2020: £4.2 billion increase) mainly driven by £30.6 billion from the disposal of the France, Italy, Poland and Vietnam businesses. Changes in the gross long-term business liabilities during the year are also due to:
- New business net of the expected change on existing business of £3.5 billion, primarily due to bulk purchase annuities sales in the UK and recovery of Italy market sales following a subdued 2020 during pandemic peak;
- Variance between actual and expected experience of £2.2 billion, which was mainly due to higher than expected equity returns for the UK partially offset by rising yields;
- Impact of operating assumption changes of £(0.9) billion mainly due to updates to lapse assumption changes on with-profits business, impacts on mortality for protection business and longevity assumptions on annuity business in the UK; and
- Economic assumption changes of £(2.4) billion, which reflects an increase in valuation interest rates in response to increasing interest rates partially offset by rising inflation primarily in respect of annuity contracts and narrowing of credit spreads 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 45), together with the impact of movements in related non-financial assets.

(c) General insurance and health liabilities

(i) Business description

Following the disposals in 2021, 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.

(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. A separate asset is recorded for expected future recoveries from reinsurers after considering their collectability.

40 – Insurance liabilities continued

(iii) Provisions for Outstanding Claims

The table below shows the total general insurance and health liabilities split by outstanding claim provisions and provision for claims incurred but not reported (IBNR provisions), gross of reinsurance, by major line of business.

	As at 31 December 2021			As at 31 December 2020		
	Outstanding claim provisions £m	IBNR provisions £m	Total claim provisions £m	Outstanding claim provisions £m	IBNR provisions £m	Total claim provisions £m
Motor	**4,012**	**1,232**	**5,244**	4,678	1,298	5,976
Property	**1,336**	**336**	**1,672**	2,117	430	2,547
Liability	**1,756**	**1,434**	**3,190**	1,940	1,440	3,380
Creditor	**2**	**3**	**5**	2	1	3
Other	**198**	**151**	**349**	280	198	478
	7,304	**3,156**	**10,460**	9,017	3,367	12,384

The gross outstanding claims provision before discounting was £10,711 million (2020: £12,546 million). Details of the range of discount rates used along with other material assumptions are available (see note 41(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:

	2021 £m	2020 £m
Carrying amount at 1 January	**12,384**	11,503
Impact of changes in assumptions	**39**	184
Claim losses and expenses incurred in the current year	**6,333**	6,909
Increase/(decrease) in estimated claim losses and expenses incurred in prior periods	**(41)**	(122)
Incurred claims losses and expenses	**6,331**	6,971
Less:		
Payments made on claims incurred in the current year	**(3,029)**	(3,315)
Payments made on claims incurred in prior periods	**(2,980)**	(3,137)
Recoveries on claim payments	**317**	322
Claims payments made in the period, net of recoveries	**(5,692)**	(6,130)
Unwind of discounting	**2**	11
Changes in claims reserve recognised as an expense (note 39(b))	**641**	852
Effect of portfolio transfers, acquisitions and disposals[1]	**(2,476)**	(72)
Foreign exchange rate movements	**(89)**	101
Carrying amount at 31 December	**10,460**	12,384

1 The movement in 2021 relates to disposal of the France, Italy and Poland businesses and includes the termination of reinsurance accepted from the former France general insurance entity. The disposal in 2020 related to the Singapore business.

(v) Movements in general insurance and health unearned premiums

The following changes have occurred in the liabilities for unearned premiums (UPR) during the year:

	2021 £m	2020 £m
Carrying amount at 1 January	**5,210**	5,138
Premiums written during the year	**11,044**	10,956
Less: Premiums earned during the year	**(10,661)**	(10,807)
Changes in UPR recognised as an expense	**383**	149
Gross portfolio transfers and acquisitions[1]	**(861)**	(104)
Foreign exchange rate movements	**(14)**	27
Carrying amount at 31 December	**4,718**	5,210

1 The movement in 2021 relates to disposals of the France, Italy and Poland businesses and includes the termination of reinsurance accepted from the former France general insurance entity. Movement in 2020 related to the disposal of the Singapore business.

40 – 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 2012 to 2021. 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 2021 were:

- £51 million release from the UK and Ireland primarily due to releases across motor due to favourable large claims experience partially offset by adverse experience with commercial liability and personal property;
- £52 million release from Canada primarily due to favourable experience in commercial property and commercial motor, partially offset by commercial liability strengthening from large loss development and adverse latent claims; and
- £54 million strengthening from discontinued markets mainly from adverse claims development in France.

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; and
- £20 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	2012 £m	2013 £m	2014 £m	2015 £m	2016 £m	2017 £m	2018 £m	2019 £m	2020 £m	**2021 £m**	**Total £m**
Gross cumulative claim payments												
At end of accident year		(3,055)	(3,068)	(3,102)	(2,991)	(3,534)	(3,517)	(3,769)	(3,617)	(3,240)	(3,350)	
One year later		(4,373)	(4,476)	(4,295)	(4,285)	(4,972)	(4,952)	(5,239)	(4,986)	(4,968)		
Two years later		(4,812)	(4,916)	(4,681)	(4,710)	(5,435)	(5,388)	(5,681)	(5,646)			
Three years later		(5,118)	(5,221)	(4,974)	(4,997)	(5,781)	(5,699)	(6,240)				
Four years later		(5,376)	(5,467)	(5,244)	(5,198)	(6,020)	(6,150)					
Five years later		(5,556)	(5,645)	(5,406)	(5,364)	(6,375)						
Six years later		(5,635)	(5,739)	(5,507)	(5,570)							
Seven years later		(5,718)	(5,785)	(5,630)								
Eight years later		(5,756)	(5,881)									
Nine years later		(5,842)										
Estimate of gross ultimate claims												
At end of accident year		6,201	6,122	5,896	5,851	6,947	6,894	7,185	6,979	6,896	6,310	
One year later		6,028	6,039	5,833	5,930	6,931	6,796	7,175	6,935	6,925		
Two years later		6,002	6,029	5,865	5,912	6,864	6,756	7,220	6,956			
Three years later		5,952	6,067	5,842	5,814	6,817	6,751	7,250				
Four years later		6,002	6,034	5,772	5,785	6,836	6,741					
Five years later		5,979	5,996	5,756	5,760	6,821						
Six years later		5,910	5,956	5,735	5,759							
Seven years later		5,902	5,950	5,732								
Eight years later		5,895	5,949									
Nine years later		5,905										
Estimate of gross ultimate claims		5,905	5,949	5,732	5,759	6,821	6,741	7,250	6,956	6,925	6,310	
Cumulative payments		(5,842)	(5,881)	(5,630)	(5,570)	(6,375)	(6,150)	(6,240)	(5,646)	(4,968)	(3,350)	
	1,936	63	68	102	189	446	591	1,010	1,310	1,957	2,960	**10,632**
Effect of discounting	(251)	—	—	—	—	—	—	—	—	—	—	**(251)**
Present value	1,685	63	68	102	189	446	591	1,010	1,310	1,957	2,960	**10,381**
Cumulative effect of foreign exchange movements	—	(1)	1	5	26	(8)	(7)	—	1	4	—	**21**
Effect of acquisitions	1	4	5	9	21	18	—	—	—	—	—	**58**
Present value recognised in the statement of financial position	**1,686**	**66**	**74**	**116**	**236**	**456**	**584**	**1,010**	**1,311**	**1,961**	**2,960**	**10,460**

40 – Insurance liabilities continued

Net of reinsurance

After the effect of reinsurance, the loss development table is:

Accident year	All prior years £m	2012 £m	2013 £m	2014 £m	2015 £m	2016 £m	2017 £m	2018 £m	2019 £m	2020 £m	**2021 £m**	**Total £m**
Net cumulative claim payments												
At end of accident year		(2,925)	(2,905)	(2,972)	(2,867)	(3,309)	(3,483)	(3,718)	(3,565)	(3,090)	(3,308)	
One year later		(4,166)	(4,240)	(4,079)	(4,061)	(4,591)	(4,843)	(5,117)	(4,873)	(4,673)		
Two years later		(4,575)	(4,649)	(4,432)	(4,452)	(5,012)	(5,255)	(5,514)	(5,506)			
Three years later		(4,870)	(4,918)	(4,720)	(4,725)	(5,329)	(5,560)	(6,044)				
Four years later		(5,110)	(5,159)	(4,973)	(4,919)	(5,564)	(5,980)					
Five years later		(5,289)	(5,324)	(5,132)	(5,085)	(5,900)						
Six years later		(5,371)	(5,417)	(5,222)	(5,268)							
Seven years later		(5,439)	(5,459)	(5,343)								
Eight years later		(5,488)	(5,553)									
Nine years later		(5,568)										
Estimate of net ultimate claims												
At end of accident year		5,941	5,838	5,613	5,548	6,489	6,714	6,997	6,774	6,378	6,119	
One year later		5,765	5,745	5,575	5,635	6,458	6,591	6,944	6,729	6,321		
Two years later		5,728	5,752	5,591	5,608	6,377	6,569	6,983	6,764			
Three years later		5,683	5,733	5,559	5,517	6,334	6,560	7,018				
Four years later		5,717	5,689	5,490	5,495	6,335	6,552					
Five years later		5,680	5,653	5,472	5,469	6,323						
Six years later		5,631	5,612	5,449	5,456							
Seven years later		5,600	5,612	5,440								
Eight years later		5,607	5,611									
Nine years later		5,611										
Estimate of net ultimate claims		5,611	5,611	5,440	5,456	6,323	6,552	7,018	6,764	6,321	6,119	
Cumulative payments		(5,568)	(5,553)	(5,343)	(5,268)	(5,900)	(5,980)	(6,044)	(5,506)	(4,673)	(3,308)	
	798	43	58	97	188	423	572	974	1,258	1,648	2,811	**8,870**
Effect of discounting	(130)	—	4	—	—	—	—	—	—	—	—	**(126)**
Present value	668	43	62	97	188	423	572	974	1,258	1,648	2,811	**8,744**
Cumulative effect of foreign exchange movements	—	(1)	1	5	26	(8)	(7)	—	1	3	—	**20**
Effect of acquisitions	3	4	5	9	21	18	—	—	—	—	—	**60**
Present value recognised in the statement of financial position	**671**	**46**	**68**	**111**	**235**	**433**	**565**	**974**	**1,259**	**1,651**	**2,811**	**8,824**

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 2021 were £87 million (2020: £87 million). The movement in asbestos and environmental pollution liabilities in the year reflects an increase of £6 million due to adverse large claims experience and claims development offset by claims payments net of reinsurance recoveries.

41 – Insurance liabilities methodology and assumptions

(a) Long-term business

i) UK

The main method used for the actuarial valuation of long-term insurance liabilities is the gross premium method which involves the discounting of projected future cash flows. The cash flows are calculated using the contractual premiums payable together with explicit assumptions for investment returns, discount rates, inflation, mortality, morbidity, persistency and future expenses. These assumptions can vary by contract type and reflect current and expected future experience with an allowance for prudence.

Non-profit business

The valuation of non-profit business is based on grandfathered regulatory requirements under IFRS 4 prior to the adoption of Solvency II, adjusted to remove certain regulatory reserves and margins in assumptions, notably for annuity business. Conventional non-profit contracts, including those written in the with-profits funds, are valued using the gross premium method. For 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 swap 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 23). A further margin for risk is then deducted for all asset classes.

Valuation discount rates for business in the non-profit funds are as follows:

Valuation discount rates (Gross of investment expenses)	2021	2020
Assurances		
Life conventional non-profit	**1.1 %**	0.5%
Pensions conventional non-profit	**1.1 %**	0.5%
Annuities		
Conventional immediate and deferred annuities	**1.1% to 2%**	0.5% to 1.5%
Non-unit reserves on unit-linked business		
Life	**0.9 %**	0.4%
Pensions	**1.1 %**	0.5%
Income Protection		
Active lives	**1.1 %**	0.5%
Claims in payment (level and index linked)	**1.1 %**	0.5%

The valuation discount rates are after a reduction for risk, but before allowance for investment expenses. For conventional immediate annuity business, the allowance for risk comprises long-term assumptions on a prudent basis for defaults or, in the case of equity release assets, expected losses arising from the No-Negative-Equity Guarantee. These allowances vary by asset category and for some asset classes by rating.

The risk allowances made for corporate bonds (including overseas government bonds and structured finance assets), mortgages (including healthcare mortgages, commercial mortgages and infrastructure assets), and equity release equated to 44 bps, 30 bps, and 91 bps respectively at 31 December 2021 (2020: 46 bps, 35 bps, and 118 bps respectively).

The total valuation allowance in respect of corporate bonds was £1.4 billion (2020: £1.4 billion) over the remaining term of the portfolio at 31 December 2021. The total valuation allowance in respect of mortgages (including healthcare mortgages but excluding equity release) was £0.5 billion at 31 December 2021 (2020: £0.6 billion). The total valuation allowance in respect of equity release mortgages was £1.2 billion at 31 December 2021 (2020: £1.7 billion). Total liabilities for the annuity business were £63.0 billion at 31 December 2021 (2020: £62.9 billion).

Expenses

Maintenance expense assumptions for non-profit business are generally expressed as a per policy charge set with regards to an allocation of current year expense levels by broad category of business and using the policy counts for in-force business. The assumptions also include an allowance for prudence and increase by future expense inflation over the lifetime of each contract. Expense inflation is assumed to be in line with RPI. An additional liability is held if projected per policy expenses in future years are expected to exceed current assumptions. A further allowance is made for non-discretionary project costs that typically relate to mandatory requirements. Expense-related liabilities are not held where expenses are covered by anticipated future profits in the liability methodology, notably for unit-linked contracts. Investment expense assumptions are generally expressed as a proportion of the assets backing the liabilities.

41 – Insurance liabilities methodology and assumptions continued

Mortality

Mortality assumptions for non-profit business are set with regard to recent Company experience and general industry trends. The mortality tables used in the valuation are summarised below:

Mortality tables used	2021	2020
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	**PMA16_IND/PFA16_IND or PMA16_IND_INT/PFA16_IND_INT 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 102.0% of PMA16_IND with base year 2016 (2020: 105.2% of PMA08 HAMWP adjusted with base year 2008); for females the underlying mortality assumptions are 98.3% of PFA16_IND with base year 2016 (2020: 102.7% of PFA08 HAMWP adjusted with base year 2008).

Improvements are based on 'CMI_2019 (S=7.25) Advanced with adjustments' (2020: 'CMI_2019 (S=7.25) Advanced with adjustments') with a long-term improvement rate of 1.5% (2020: 1.5%) for males and 1.5% (2020: 1.5%) for females, both with an additional improvement for prudence of 0.5% (2020: 0.5%) to all future annual improvement adjustments. An allowance has been made to allow for greater mortality improvements in the annuitant population relative to the general population on which CMI_2019 is based using 'Parameter A', which is set to 0.15% for males and 0.20% for females (for 2020 the CMI_19 tables were instead adjusted by increasing the initial rate of mortality improvements (which has a similar effect to using 'Parameter A') by 0.25% and 0.35% for males and females respectively). Advanced parameters are used 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 2020. 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.

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 2021 of 0.95% (2020: 0.40%) 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	2021	2020
Equity returns	**19.4%**	19.0%
Property returns	**15.4%**	15.4%

The equity volatility used depends on term, moneyness and region. The figure shown is for a sample UK equity, at the money, with a ten-year term.

Future regular bonuses

Annual bonus assumptions for 2022 have been set consistently with the year-end 2021 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.

41 – Insurance liabilities methodology and assumptions continued

Mortality

Mortality assumptions for with-profits business are set with regard to recent Company experience and general industry trends. The mortality tables used in the valuation are summarised below:

Mortality table used	2021	2020
Assurances, pure endowments and deferred annuities before vesting	**Nil or Axx00 adjusted**	Nil or Axx00 adjusted
Pensions business after vesting and pensions annuities in payment	**PMA16_IND/PFA16_IND or PMA16_IND_INT/PFA16_IND_INT plus allowance for future mortality improvement**	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 43.

ii) Ireland Life

Non linked business is valued using a Gross Premium Valuation method. Mortality assumptions for non-profit business are set with regard to recent Company experience and general industry trends. The mortality tables used in the valuation are summarised below. The valuation discount rates are after a reduction for risk of default and an allowance for investment expenses. These credit default allowances vary by asset category and rating.

	Discount rates used		Mortality tables used
Mortality table used	2021	2020	2020 & 2021
Assurances			
Life	**-0.9% to-0.3%**	-1.4% to 0.2%	**TMS08/TMN08/TFS08/TFN08 adjusted**
Pensions	**-0.8% to 0.7%**	-1.3% to -0.3%	
Annuities	**-0.3% to 0.8%**	-0.3% to 0.2%	**PMA08/PFA08 (conventional) adjusted plus allowance for future mortality improvement**
Non unit reserves for unit-linked	**-0.3% to -0.2%**	-0.3% to -0.2%	**AMN00/AMS00/AFN00/AFS00 adjusted**
Income protection			
Active lives	**-0.3% to -0.2%**	-0.3% to 0.0%	**AM80 / AF80**
Claims in payment	**-0.3% to -0.2%**	-0.3% to -0.2%	**A67/70**

(b) General insurance and health

Outstanding claims provisions are estimated based on known facts at the date of estimation. Case estimates are set by skilled claims technicians and established case setting procedures. Claims above certain limits are referred to senior claims handlers for estimate authorisation.

No adjustments are made to the claims technicians' case estimates included in booked claim provisions, except for rare occasions when the estimated ultimate cost of individual large or unusual claims may be adjusted, subject to internal reserve committee approval, to allow for uncertainty regarding, for example, the outcome of a court case. The ultimate cost of outstanding claims is then estimated by using a range of standard actuarial claims projection techniques, such as the Chain Ladder and Bornhuetter-Ferguson methods. Historical claims development is mainly analysed by accident period, although underwriting or notification period is also used where this is considered appropriate.

The assumptions used in most non-life actuarial projection techniques, including future rates of claims inflation or loss ratio assumptions, are implicit in the historical claims development data on which the projections are based. Additional qualitative judgement is used to assess the extent to which past trends may not apply in the future in order to arrive at a point estimate for the ultimate cost of claims that represents the likely outcome, from a range of possible outcomes, taking account of all the uncertainties involved. The range of possible outcomes does not, however, result in the quantification of a reserve range.

The following explicit assumptions are made which could materially impact the level of booked net reserves:

41 – Insurance liabilities methodology and assumptions continued

Discounting

Outstanding claims provisions are based on undiscounted estimates of future claim payments, except for the following classes of business for which discounted provisions are held. Note assumptions below are for continuing markets only so comparatives have been updated to exclude disposed markets :

	Discount rate		Mean term of liabilities	
Class	2021	2020	2021	2020
Reinsured London Market business	**0.5% to 1.8%**	0.0% to 1.5%	**8 years**	9 years
Latent claims	**0.7% to 1.9%**	0.0% to 1.2%	**8 to 11 years**	9 to 11 years
Structured settlements	**0.9% to 2.3%**	0.2% to 2.3%	**35 years**	35 years

The period of time which will elapse before the liabilities are settled has been estimated by modelling the settlement patterns of the underlying claims.

The discount rate that has been applied to latent claims reserves, structured settlements and reinsured London Market business is based on the swap curve in the relevant currency at the reporting date, having regard to the duration of the expected settlement dates of the claims. The range of discount rates used depends on the duration of the claims and is given in the table above. The duration of the claims range up to 35 years.

At 31 December 2021, it is estimated that a 1% fall in the discount rates used would increase net claim reserves by approximately £80 million (2020: £103 million), excluding the offsetting effect on asset values as assets are not hypothecated across classes of business.

UK mesothelioma claims

The level of uncertainty associated with latent claims is considerable due to the relatively small number of claims and the long-tail nature of the liabilities. UK mesothelioma claims account for a large proportion of the Group's latent claims. The key assumptions underlying the estimation of these claims include claim numbers, the base average cost per claim, future inflation in the average cost of claims and legal fees. The best estimate of the liabilities considers the latest available market information and studies and how these might impact Aviva's liabilities.

Allowance for risk and uncertainty

The uncertainties involved in estimating loss reserves are allowed for in the reserving process and by the estimation of explicit reserve uncertainty distributions. The reserve estimation basis requires all non-life businesses to calculate booked claim provisions as the best estimate of the cost of future claim payments, plus an explicit allowance for risk and uncertainty. The allowance for risk and uncertainty is calculated by each business unit in accordance with the requirements of the Group non-life reserving policy, taking into account the risks and uncertainties specific to each line of business and type of claim in that territory. The requirements of the Group non-life reserving policy also seek to ensure that the allowance for risk and uncertainty is set consistently across both business units and reporting periods.

Lump sum payments in settlement of bodily injury claims that are decided by the UK courts are calculated in accordance with the Ogden Tables and discount rate. The Ogden discount rate is set by the Lord Chancellor and is applied when calculating the present value of future care costs and loss of earnings for claims settlement purposes. The balance sheet reserves in the UK have been calculated using the current Ogden discount rate of -0.25%, as this is the enacted legislative rate that was announced by the Lord Chancellor in August 2019. The Ogden discount rate is expected to be reviewed by the Lord Chancellor by summer 2024.

42 – 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 2021 comprised:

	2021 £m	2020 £m
Long-term business		
Liabilities for participating investment contracts	**21,337**	97,073
Liabilities for non-participating investment contracts	**151,115**	138,183
Total	**172,452**	235,256
Less: Liabilities classified as held for sale	**—**	(12,425)
	172,452	222,831

(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 41). 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.

42 – Liabilities for investment contracts continued

For participating business, the discretionary participation feature is recognised separately from the guaranteed element and is classified as a liability, referred to as unallocated divisible surplus, except for the with-profits sub-fund supported by the RIEESA. Guarantees on long-term investment products are discussed in note 43.

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, £151,016 million at 31 December 2021 (2020: £138,044 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 29 and the deferred income liability is shown in note 52.

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 17, which relates primarily to the acquisition of Friends Life in 2015 and Friends First in 2018.

(c) Movements in the year

The following movements have occurred in the gross provisions for investment contracts in the year:

(i) Participating investment contracts

	2021 £m	2020 £m
Carrying amount at 1 January	**97,073**	92,762
Liabilities in respect of new business	**3,621**	4,691
Expected change in existing business	**(4,196)**	(5,127)
Variance between actual and expected experience	**2,499**	343
Impact of operating assumption changes	**(31)**	92
Impact of economic assumption changes	**(132)**	330
Other movements recognised as an expense[1]	**(49)**	76
Change in liability recognised as an expense[2]	**1,712**	405
Effect of portfolio transfers, acquisitions and disposals[3]	**(74,179)**	—
Foreign exchange rate movements	**(3,269)**	4,003
Other movements[4]	**—**	(97)
Carrying amount at 31 December	**21,337**	97,073

1 Other movements recognised as an expense in 2021 and 2020 relate to changes in liabilities for special bonus distributions to with-profits policyholders in UK Life.
2 Total interest expense for participating investment contracts recognised in profit or loss is £2,362 million (2020: £1,311 million).
3 This relates to disposal of the France and Italy businesses.
4 Other movements in 2020 included reclassification in the UK from participating investment contracts to insurance contracts of £(97) 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 2021 of £2.5 billion is primarily due to increases in global equity markets; partially offset by lower bond and gilt values as a result of increasing interest rates.

The impact of assumption changes in the analysis shows the resulting movement in the carrying value of participating investment contract liabilities. For participating business, a movement in liabilities is generally offset by a corresponding adjustment to the unallocated divisible surplus and does not impact profit. Where assumption changes do impact profit, these are included in the effect of changes in assumptions and estimates during the year shown in note 45, together with the impact of movements in related non-financial assets.

42 – Liabilities for investment contracts continued

(ii) Non-participating investment contracts

	2021 £m	2020 £m
Carrying amount at 1 January	**138,183**	137,689
Liabilities in respect of new business	**5,089**	4,187
Expected change in existing business	**(3,436)**	(3,231)
Variance between actual and expected experience	**15,786**	6,970
Impact of operating assumption changes	**(57)**	19
Impact of economic assumption changes	**33**	6
Other movements recognised as an expense	**1**	—
Change in liability	**17,416**	7,951
Effect of portfolio transfers, acquisitions and disposals[1]	**(3,862)**	(8,038)
Foreign exchange rate movements	**(622)**	583
Other movements	**—**	(2)
Carrying amount at 31 December	**151,115**	138,183

1 The movement relates to disposal of the France, Italy and Poland businesses in 2021 while movement during 2020 relates to the disposal of FPI.

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 2021 of £15.8 billion is due to increases in global equity markets; partially offset by lower bond and gilt values as a result of increasing interest rates. 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 45, which combines participating and non-participating investment contracts together with the impact of movements in related non-financial assets.

43 – Financial guarantees and options

This note details the financial guarantees and options inherent in some of our insurance and investment contracts.

(a) UK non-profit business

The Group's UK non-profit funds are evaluated by reference to statutory reserving rules, which are based on the UK regulatory requirements (grandfathered under IFRS 4), prior to the adoption of Solvency II, adjusted to remove certain regulatory reserves and margins in assumptions, notably for annuity business.

(i) Guaranteed annuity options

The Group's UK non-profit funds have 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 £63 million at 31 December 2021 (2020: £76 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 £164 million at 31 December 2021 (2020: £223 million).

(b) UK with-profits business

The Group's UK with-profits liabilities are evaluated by reference to FRS 27, which was grandfathered under IFRS 4, prior to the adoption of Solvency II. Under the PRA's rules, provisions for guarantees and options within realistic liabilities are measured using market-consistent stochastic models. A stochastic approach includes measuring the time value of guarantees and options, which represents the additional cost arising from uncertainty surrounding future economic conditions.

The material guarantees and options relating to this provision are:

(i) Maturity value and death benefit guarantees

Significant conventional and unitised with-profits business have minimum maturity (and in some cases death benefit) values reflecting the sum assured plus declared annual bonus. For some unitised with-profits life contracts the amount paid after the fifth policy anniversary is guaranteed to be at least as high as the premium paid increased in line with the rise in retail price index (RPI) or consumer price index (CPI).

(ii) No market valuation reduction (MVR) guarantees

For unitised business, there are circumstances where a 'no MVR' guarantee is applied, for example on certain policy anniversaries, guaranteeing that no market value reduction will be applied to reflect the difference between the accumulated value of units and the market value of the underlying assets.

43 – Financial guarantees and options continued

(iii) Guaranteed annuity options

The Group's UK with-profits funds have written individual and group pension contracts which contain GAOs, where the policyholder has the option to take the benefits from a policy in the form of an annuity based on guaranteed conversion rates. The Group also has exposure to GAOs and similar options on deferred annuities.

Realistic liabilities for GAOs in the UK with-profits funds were £1,293 million at 31 December 2021 (2020: £1,587 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 £109 million at 31 December 2021 (2020: £137 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.

44 – 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:

	2021 £m	2020 £m
Long-term business		
Insurance contracts	**7,887**	7,176
Participating investment contracts	**—**	1
Non-participating investment contracts[1]	**5,132**	3,860
	13,019	11,037
Outstanding claims provisions	**61**	87
	13,080	11,124
General insurance and health		
Outstanding claims provisions	**637**	794
Provisions for claims incurred but not reported	**999**	1,139
	1,636	1,933
Provisions for unearned premiums	**316**	299
	1,952	2,232
	15,032	13,356
Less: Assets classified as held for sale	**—**	(18)
Total	**15,032**	13,338

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, £13,701 million (2020: £12,048 million) is expected to be recovered more than one year after this statement of financial position.

(b) Assumptions

The assumptions, including discount rates, used for reinsurance contracts follow those used for insurance liabilities. Reinsurance assets are valued net of an allowance for recoverability.

(c) Movements

The following movements have occurred in the reinsurance assets during the year:

44 – Reinsurance assets continued

(i) Long-term business liabilities

	2021 £m	2020 £m
Carrying amount at 1 January	**11,037**	10,376
Assets in respect of new business	**1,987**	1,539
Expected change in existing business assets	**(411)**	(335)
Variance between actual and expected experience	**920**	763
Impact of non-economic assumption changes	**(517)**	(150)
Impact of economic assumption changes	**(367)**	503
Other movements recognised as an expense[1]	**183**	(998)
Change in assets[2]	**1,795**	1,322
Effect of portfolio transfers, acquisitions and disposals[3]	**(158)**	(731)
Foreign exchange rate movements	**(62)**	63
Other movements[4]	**407**	7
Carrying amount at 31 December	**13,019**	11,037

1 Other movements recognised as an expense during 2021 relates to reinsurance ceded for annuity business in Ireland life while 2020 primarily related to the reclassification of 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 39(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 Movement in 2021 relates to the disposal of the France, Italy and Poland businesses while 2020 relates to the disposals of the FPI, Hong Kong and Singapore businesses.
4 Following a review in 2021 £407 million of assets have been reclassified from financial investments to reinsurance assets.

The impact of assumption changes in the above analysis shows the resulting movement in the carrying value of reinsurance assets, with corresponding movements in gross insurance contract liabilities. For participating businesses, a movement in reinsurance assets is generally offset by a corresponding adjustment to the unallocated divisible surplus and does not impact profit. Where assumption changes impact profit, these are included in the effect of changes in assumptions and estimates during the year (see note 45), together with the impact of movements in related liabilities and other non-financial assets.

(ii) General insurance and health claims liabilities

	2021 £m	2020 £m
Carrying amount at 1 January	**1,933**	1,687
Impact of changes in assumptions	**(46)**	81
Reinsurers' share of claim losses and expenses		
Incurred in current year	**191**	521
Incurred in prior years	**6**	(43)
Reinsurers' share of incurred claim losses and expenses	**197**	478
Less:		
Reinsurance recoveries received on claims		
Incurred in current year	**(24)**	(145)
Incurred in prior years	**(242)**	(163)
Reinsurance recoveries received in the year	**(266)**	(308)
Unwind of discounting	**1**	8
Change in reinsurance asset recognised as (expense)/ income (note 39(b))	**(114)**	259
Effect of portfolio transfers, acquisitions and disposals[1]	**(181)**	(9)
Foreign exchange rate movements	**(2)**	(4)
Carrying amount at 31 December	**1,636**	1,933

1 The movement in 2021 relates to disposal of the France, Italy and Poland businesses and the termination of reinsurance treaty accepted from the former Aviva France general insurance entity. The 2020 movement relates to the disposal of the Singapore business.

(iii) General insurance and health unearned premiums

	2021 £m	2020 £m
Carrying amount at 1 January	**300**	275
Premiums ceded to reinsurers in the year	**725**	725
Less: Reinsurers' share of premiums earned during the year	**(691)**	(696)
Changes in reinsurance asset recognised as income	**34**	29
Reinsurers' share of portfolio transfers and acquisitions[1]	**(18)**	(4)
Foreign exchange rate movements	**—**	—
Carrying amount at 31 December	**316**	300

1 The movement during 2021 relates to disposal of the France, Italy and Poland businesses while movement during 2020 relates to the disposal of the Singapore business.

45 – Effect of changes in assumptions and estimates during the year

This note analyses the impact of changes in estimates and assumptions from 2020 to 2021, 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 2021 £m	Effect on profit 2020 £m
Assumptions		
Long-term insurance business		
Interest rates and inflation	**1,264**	(3,831)
Expenses	**31**	111
Persistency rates	**9**	(31)
Mortality and morbidity for assurance contracts	**45**	81
Mortality for annuity contracts	**269**	384
Tax and other assumptions	**20**	14
Long-term investment business		
Expenses	**2**	3
General insurance and health business		
Change in discount rate assumptions (including inflation)	**(85)**	(104)
Total	**1,555**	(3,373)

The impact of interest rates on long-term insurance business relates primarily to annuities in the UK (including any change in credit default and reinvestment risk provisions), where an increase in the valuation interest rate, in response to increasing interest rates, has decreased liabilities. This is partially offset by an increase in inflation rates increasing liabilities in respect of annuity contracts linked to inflation.

The impact of expense assumption changes on long-term insurance business relates to the UK and Ireland, where reserves have decreased by £31 million following a review of recent experience including the expense allocations.

The impact of change in mortality and morbidity assumptions for assurance contracts relates mainly to the UK following a review of recent experience and increased granularity of protection assumptions.

The impact of mortality for annuitant contracts on long-term business relates primarily to the UK. In 2021, there has been a reduction in reserves due to longevity assumptions arising from:

- Updates to base mortality to reflect experience and updated assumptions for anti-selection on individual annuities totalling £112 million; and
- Updates to the rate of mortality improvements, consisting of a change to the allowance for differences in mortality improvements in the annuitant population compared to the general population on which CMI_2019 is based of £195 million and other adjustments of £(41) million.

In 2020 the impact of mortality for annuitant contracts on long-term business related primarily to a to a reduction in reserves of £390 million in the UK. This was 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; and
- Net impacts arising from COVID-19 of £24 million.

In the general insurance and health business, an impact of £(85) million (2020: £(104) million) has arisen primarily as a result of an increase in the estimated future inflation rate used to value periodic payment orders (PPOs), partly offset by an increase in the interest rates used to discount claim reserves for both PPOs and latent claims.

46 – 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.

	2021 £m	2020 £m
Carrying amount at 1 January	**10,970**	9,597
Change in participating fund assets	**(2,591)**	2,925
Change in participating fund liabilities	**700**	(1,244)
Other movements[1]	**(8)**	8
Change in liability recognised as an expense	**(1,899)**	1,689
Effect of portfolio transfers, acquisition and disposals[2]	**(6,724)**	(730)
Foreign exchange rate movements	**(387)**	414
	1,960	10,970
Less: Classified as held for sale	**—**	(1,234)
Carrying amount at 31 December	**1,960**	9,736

1 Other movements relates to the release of liabilities arising from the liability adequacy test for France that was established in 2020 (2020: £8 million).
2 The movement in 2021 relates to disposal of the France, Italy and Poland businesses while 2020 relates to the disposal of the Singapore business.

The amount of UDS at 31 December 2021 has decreased to £2.0 billion (2020: £9.7 billion) primarily due to the France, Italy and Poland disposals. The residual movement in UDS is mainly due to market movements as a result of increasing interest rates.

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 (2020: no material negative UDS).

47 – Tax assets and liabilities

This note analyses the tax assets and liabilities that appear in the statement of financial position and explains the movements in these balances in the year.

(a) Current tax

Current tax assets recoverable and liabilities payable in more than one year are £116 million and £1 million (2020: £121 million and £3 million), respectively.

The Group is party to the CFC & Dividend Group Litigation, which challenged the tax treatment of dividends received from non-UK entities before 2009. The Group is attempting to recover claims from HMRC covered by this judgement. A recoverable balance of £108 million is included within current tax assets.

(b) Deferred tax

(i) The balances at 31 December comprise:

	2021 £m	2020 £m
Deferred tax assets	**138**	128
Deferred tax liabilities	**(1,983)**	(1,889)
Net deferred tax liability	**(1,845)**	(1,761)
Less: Classified as held for sale	**—**	52
	(1,845)	(1,709)

There are no amounts classified as held for sale in 2021. In 2020, amounts classified as held for sale included £9 million of deferred tax assets and £61 million of deferred tax liabilities.

(ii) The net deferred tax liability arises on the following items:

	2021 £m	2020 £m
Long-term business technical provisions and other insurance items	**(351)**	2,523
Deferred acquisition costs	**(100)**	(211)
Unrealised gains on investments	**(486)**	(3,354)
Pensions and other post-retirement obligations	**(641)**	(477)
Unused losses and tax credits	**118**	121
Subsidiaries, associates and joint ventures	**(27)**	(19)
Intangibles and additional value of in-force long-term business	**(433)**	(397)
Provisions and other temporary differences	**75**	53
Net deferred tax liability	**(1,845)**	(1,761)
Less: Classified as held for sale	**—**	52
	(1,845)	(1,709)

47 – Tax assets and liabilities continued

(iii) The movement in the net deferred tax liability was as follows:

	2021 £m	2020 £m
Net liability at 1 January	**(1,761)**	(1,993)
Acquisition and disposal of subsidiaries	**305**	362
Amounts charged to income statement (note 13(a))	**(247)**	(57)
Amounts charged to other comprehensive income	**(157)**	(58)
Foreign exchange rate movements	**11**	(14)
Other movements	**4**	(1)
Net liability at 31 December	**(1,845)**	(1,761)

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 £819 million (2020: £920 million) to carry forward against future taxable income of the necessary category in the companies concerned. Of these, trading losses of £11 million (2020: £11 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 £575 million (2020: £581 million). These have no expiry date.

At 31 December 2021, a potential deferred tax liability of £26 million (2020: £nil) is not recognised on temporary differences relating to reserves of overseas subsidiaries which are not expected to be distributed.

48 – 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

	2021 £m	2020 £m
Total IAS 19 obligations to main staff pension schemes (note 49(a))	**485**	746
Deficits in other staff pension schemes[1]	**—**	77
Total IAS 19 obligations to staff pension schemes	**485**	823
Restructuring provisions	**119**	48
Other provisions	**397**	565
	1,001	1,436
Less: Liabilities classified as held for sale	**—**	(1)
Total provisions	**1,001**	1,435

[1]Deficits in other staff pension schemes have been disposed as part of the disposal of Aviva France.

Total other provisions primarily include amounts set aside throughout the Group relating to product governance rectification and staff entitlements.

(b) Movements in restructuring and other provisions

	2021			2020		
	Restructuring provisions £m	Other provisions £m	Total £m	Restructuring provisions £m	Other provisions £m	Total £m
At 1 January	**48**	**565**	**613**	29	700	729
Additional provisions	**79**	**235**	**314**	24	127	151
Provisions released during the year	**—**	**(193)**	**(193)**	—	(53)	(53)
Charge to income statement	**79**	**42**	**121**	24	74	98
Utilised during the year	**(8)**	**(147)**	**(155)**	(5)	(200)	(205)
Disposal of subsidiaries	**—**	**(60)**	**(60)**	—	(11)	(11)
Foreign exchange rate movements	**—**	**(3)**	**(3)**	—	2	2
At 31 December	**119**	**397**	**516**	48	565	613

Of the total restructuring and other provisions, £43 million (2020: £175 million) is expected to be settled more than one year after the statement of financial position date.

Restructuring provisions include amounts for separation costs and onerous contracts arising as a result of the disposal transactions set out in note 3.

48 – Pension deficits and other provisions continued

Other provisions include:

- A £42 million provision (2020: £173 million) in respect of past communications to a specific sub-set of pension policyholders, that may not have been adequately informed of switching options into with-profit funds that were available to them. 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. The reduction in the value of the provision during 2021 of £131 million is due to utilisation in the period of £35 million and a release of £96 million.
- A £2 million provision (2020: £45 million) relating 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 total cost of this issue to the Group, going back to its identification in 2018, is £235 million, the vast majority of which has been settled in 2021. 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, but it is not currently practicable to estimate the value of the recovery.

49 – 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 2021 are shown below.

				2021				2020
	UK £m	Ireland £m	Canada £m	Total £m	UK £m	Ireland £m	Canada £m	Total £m
Total fair value of scheme assets (see b(ii) below)	**18,195**	**898**	**244**	**19,337**	18,915	941	269	20,125
Present value of defined benefit obligation	**(15,764)**	**(988)**	**(316)**	**(17,068)**	(16,623)	(1,123)	(345)	(18,091)
Net IAS 19 surpluses/(deficits) in the schemes	**2,431**	**(90)**	**(72)**	**2,269**	2,292	(182)	(76)	2,034
Surpluses included in other assets (note 30)	**2,754**	**—**	**—**	**2,754**	2,780	—	—	2,780
Deficits included in provisions (note 48)	**(323)**	**(90)**	**(72)**	**(485)**	(488)	(182)	(76)	(746)
Net IAS 19 surpluses/(deficits) in the schemes	**2,431**	**(90)**	**(72)**	**2,269**	2,292	(182)	(76)	2,034

This note relates to the defined benefit pension schemes included in the table above. There were a number of smaller schemes relating to discontinued operations that were also measured under IAS 19. These were included as a total within Deficits in other staff pension schemes (see note 48 (a)). 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 DC members, which could theoretically be paid from the surplus funds in the ASPS. In the RAC (2003) Pension Scheme and Friends Provident Pension Scheme (FPPS), the Group has determined that the rules set out in the schemes' governing documentation provide for an unconditional right to a refund from any future surplus funds in the schemes.

The assets of the UK, Irish and Canadian schemes are held in separate trustee-administered funds to meet long-term pension liabilities to past and present employees. In all schemes, the appointment of trustees of the funds is determined by their trust documentation and they are required to act in the best interests of the schemes' beneficiaries. The long-term investment objectives of the trustees and the employers are to limit the risk of the assets failing to meet the liabilities of the schemes over the long term, and to maximise returns consistent with an acceptable level of risk so as to control the long-term costs of these schemes.

A funding actuarial valuation of each of the defined benefit schemes is carried out at least every three years for the benefit of scheme trustees and members. Actuarial reports have been submitted for each scheme within this period, using appropriate methods for the respective countries on local funding bases.

The number of scheme members was as follows:

	United Kingdom		Ireland		Canada	
	2021 Number	2020 Number	**2021 Number**	2020 Number	**2021 Number**	2020 Number
Deferred members	**41,816**	43,698	**2,402**	2,458	**382**	428
Pensioners	**39,907**	39,447	**861**	882	**1,276**	1,291
Total members	**81,723**	83,145	**3,263**	3,340	**1,658**	1,719

All schemes are closed to future accrual. Closure of the schemes has removed the volatility associated with additional future accrual for active members.

49 – Pension obligations continued

(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:

			2021			2020
	Fair Value of Scheme Assets £m	Present Value of defined benefit obligation £m	IAS 19 Pensions net surplus/ (deficits) £m	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	**20,125**	**(18,091)**	**2,034**	18,768	(16,792)	1,976
Past service costs – amendments[1]	**—**	**—**	**—**	—	(18)	(18)
Administrative expenses	**—**	**(19)**	**(19)**	—	(17)	(17)
Total pension cost charged to net operating expenses	**—**	**(19)**	**(19)**	—	(35)	(35)
Net interest credited/(charged) to investment income/(finance costs)[2]	**260**	**(233)**	**27**	350	(309)	41
Total recognised in income	**260**	**(252)**	**8**	350	(344)	6
Remeasurements:						
Actual return on these assets	**(315)**	**—**	**(315)**	1,746	—	1,746
Less: Interest income on scheme assets	**(260)**	**—**	**(260)**	(350)	—	(350)
Return on scheme assets excluding amounts in interest income	**(575)**	**—**	**(575)**	1,396	—	1,396
Gains/(losses) from change in financial assumptions	**—**	**549**	**549**	—	(1,769)	(1,769)
Gains from change in demographic assumptions	**—**	**235**	**235**	—	43	43
Experience (losses)/gains	**—**	**(150)**	**(150)**	—	182	182
Total recognised in other comprehensive income[3]	**(575)**	**634**	**59**	1,396	(1,544)	(148)
Employer contributions	**161**	**—**	**161**	211	—	211
Plan participant contributions	**3**	**(3)**	**—**	2	(2)	—
Benefits paid	**(564)**	**564**	**—**	(631)	631	—
Administrative expenses paid from scheme assets	**(19)**	**19**	**—**	(17)	17	—
Foreign exchange rate movements	**(54)**	**61**	**7**	46	(57)	(11)
Net IAS 19 surplus in the schemes at 31 December	**19,337**	**(17,068)**	**2,269**	20,125	(18,091)	2,034

1 Past service costs in 2020 include 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 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 Net interest income of £40 million (2020: £58 million) has been credited to investment income and net interest expense of £13 million (2020: £17 million) has been charged to finance costs (see note 7).
3 Net remeasurements of pension schemes recorded in the consolidated statement of comprehensive income is a gain of £59 million (2020: loss of £150 million) includes £59 million of remeasurement gains (2020: loss of £148 million) on the main pension schemes and losses of £nil in relation to other schemes (2020: loss of £2 million).

The present value of unfunded post-retirement benefit obligations included in the table above is £110 million at 31 December 2021 (2020: £120 million).

During the period the ASPS completed further bulk annuity buy-in transactions with Aviva Life & Pensions UK Limited, a Group Company. Due to different measurement bases applying for accounting purposes, the premiums paid by the scheme exceeded the valuation of the plan assets recognised. This has been recognised as a loss in the actual return on assets within other comprehensive income (see note 60 Related party transactions for further information). The plan assets recognised are transferable and so have not been subject to consolidation within the Group's financial statements.

The remeasurements recognised are also a result of economic movements over the period, including rising interest rates and increasing inflation. The remeasurements also reflect actuarial gains relating to updated demographic assumptions (including longevity assumptions), partly offset by experience losses on the pension schemes' liabilities including the impact of higher than expected inflation increases.

49 – Pension obligations continued

(ii) Scheme assets

Scheme assets are stated at their fair values at 31 December 2021.

Total scheme assets are comprised by country as follows:

	2021				2020			
	UK £m	Ireland £m	Canada £m	Total £m	UK £m	Ireland £m	Canada £m	Total £m
Bonds	**17,503**	**842**	**97**	**18,442**	19,702	921	119	20,742
Equities	**—**	**25**	**—**	**25**	—	31	—	31
Property	**153**	**—**	**—**	**153**	352	—	—	352
Pooled investment vehicles	**4,153**	**347**	**145**	**4,645**	4,182	272	146	4,600
Derivatives	**46**	**17**	**—**	**63**	—	13	—	13
Insurance policies	**4,343**	**—**	**—**	**4,343**	2,714	—	—	2,714
Repurchase agreements	**(4,376)**	**(331)**	**—**	**(4,707)**	(4,866)	(302)	—	(5,168)
Cash and other[1]	**(3,002)**	**(2)**	**2**	**(3,002)**	(2,502)	6	4	(2,492)
Total fair value of scheme assets	**18,820**	**898**	**244**	**19,962**	19,582	941	269	20,792
Less: consolidation elimination for non-transferable Group insurance policy[2]	**(625)**	**—**	**—**	**(625)**	(667)	—	—	(667)
Total IAS 19 fair value of scheme assets	**18,195**	**898**	**244**	**19,337**	18,915	941	269	20,125

1 Cash and other assets comprise cash at bank, receivables, payables, and longevity swaps. At 31 December 2021, cash and other assets primarily consist of short positions of £3,098 million (2020: £2,772 million).
2 As at 31 December 2021, the FPPS asset includes an insurance policy of £625 million (2020: £667 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 £3,718 million as at 31 December 2021 (2020: £2,047 million) included in the ASPS assets are transferable and so are not subject to consolidation.

Total scheme assets are analysed by those that have a quoted market price in an active market and other as follows:

	2021			2020		
	Quoted in an active market £m	Other £m	Total £m	Quoted in an active market £m	Other £m	Total £m
Bonds	**14,633**	**3,809**	**18,442**	16,770	3,972	20,742
Equities	**25**	**—**	**25**	31	—	31
Property	**—**	**153**	**153**	—	352	352
Pooled investment vehicles	**207**	**4,438**	**4,645**	128	4,472	4,600
Derivatives	**15**	**48**	**63**	12	1	13
Insurance policies	**—**	**4,343**	**4,343**	—	2,714	2,714
Repurchase agreements	**—**	**(4,707)**	**(4,707)**	—	(5,168)	(5,168)
Cash and other[1]	**(2,354)**	**(648)**	**(3,002)**	(2,021)	(471)	(2,492)
Total fair value of scheme assets	**12,526**	**7,436**	**19,962**	14,920	5,872	20,792
Less: consolidation elimination for non-transferable Group insurance policy[2]	**—**	**(625)**	**(625)**	—	(667)	(667)
Total IAS 19 fair value of scheme assets	**12,526**	**6,811**	**19,337**	14,920	5,205	20,125

1. Cash and other assets comprise cash at bank, receivables, payables, and longevity swaps. At 31 December 2021, cash and other assets primarily consist of short positions of £3,098 million (2020: £2,772 million).
2. As at 31 December 2021, the FPPS asset includes an insurance policy of £625 million (2020: £667 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 £3,718 million as at 31 December 2021 (2020: £2,047 million) included in the ASPS asset are transferable and so are not subject to consolidation.

IAS 19 plan assets include investments in Group-managed funds in the consolidated statement of financial position of £2,351 million (2020: £2,530 million) and transferable insurance policies with other Group companies of £3,718 million (2020: £2,047 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 2021.

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.

49 – Pension obligations continued

Financial assumptions

The main financial assumptions used to calculate scheme liabilities under IAS 19 are:

	UK		Ireland		Canada	
	2021	2020	**2021**	2020	**2021**	2020
Inflation rate[1]	**3.5 %**	3.0 %	**2.0 %**	1.4 %	**2.0 %**	2.0 %
General salary increases[2]	**5.3 %**	4.75 %	**3.5 %**	2.9 %	**2.5 %**	2.5 %
Pension increases[3]	**3.5 %**	3.0 %	**0.55 %**	0.3 %	**1.25 %**	1.25 %
Deferred pension increases[3]	**3.3 %**	2.4 %	**2.0 %**	1.4 %	**—**	—
Discount rate[4, 5]	**1.84 %/1.86 %/1.89 % (non-insured members) 1.87 %/1.80 % (insured members)**	1.31 %/1.37 %(non-insured members) 1.34 %/1.22 % (insured members)	**1.2 %/1.25 %**	0.75 %/0.85 %	**2.85 %**	2.375 %
Basis of discount rate		AA-rated corporate bonds		AA-rated corporate bonds		AA-rated corporate bonds

1 For the UK schemes relevant RPI/CPI swap curves are used; equivalent to the single RPI rate shown for ASPS. In 2021, CPI is derived as RPI less 80 bps pre 2030 and RPI less 0bps post 2030 (2020: RPI less 80 bps pre 2030 and RPI less 0bps post 2030).
2 In the UK, the only remaining linkage between pension benefits and general salary increases is in respect of a small amount of Guaranteed Minimum Pension benefits, in line with National Average Earnings.
3 For the UK schemes relevant RPI/CPI swap curves are used, adjusted to reflect the appropriate caps/floors and the inflation volatility. The rates shown are the single equivalent rates for the biggest groups of pensions in payment and deferment respectively in the ASPS.
4 To calculate scheme liabilities in the UK, a discount rate of 1.84 % is used for ASPS, 1.86 % for RAC and 1.89 % for FPPS members not included in annuity policies held by the scheme. A discount rate of 1.87 % is used for ASPS members and 1.80 % 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 1.2 % and 1.25 % is used for AISPF and FFPS respectively, reflecting the differences in the duration of the liabilities between the two schemes.

The discount rate and pension increase rate are the two assumptions that have the largest impact on the value of the liabilities, with the difference between them being known as the net discount rate. For each country, the discount rate is based on current average yields of high-quality debt instruments taking account of the maturities of the defined benefit obligations.

Mortality assumptions

Mortality assumptions are material in measuring the Group's obligations under its defined benefit schemes. The assumptions used are summarised in the table below and have been selected to reflect the characteristics and experience of the membership of these schemes.

The mortality tables, average life expectancy and pension duration used at 31 December 2021 for scheme members are as follows:

			Life expectancy/(pension duration) at NRA of a male		Life expectancy/(pension duration) at NRA of a female	
Mortality table		Normal retirement age (NRA)	Currently aged NRA	20 years younger than NRA	Currently aged NRA	20 years younger than NRA
UK						
– ASPS	SAPS tables as a proxy for Club Vita pooled experience, including an allowance for future improvements	60	88.0	89.6	89.7	91.8
			28.0	29.6	29.7	31.8
– RAC	SAPS, including allowances for future improvement	65	87.1	88.9	89.6	91.6
			22.1	23.9	24.6	26.6
– FPPS	SAPS, including allowances for future improvement	60	87.9	90.0	90.3	92.2
			27.9	30.0	30.3	32.2
Ireland						
– AISPF	73%/81% PNA00 with allowance for future improvements	61	90.0	93.0	91.7	94.5
			29.0	32.0	30.7	33.5
– FFPS	88%/91% ILT15 with allowance for future improvements	65	86.8	89.1	89.2	91.2
			21.8	24.1	24.2	26.2
Canada	Canadian Pensioners' Mortality 2014 Private Table, including allowance for future improvements	65	87.2	88.6	89.7	91.0
			22.2	23.6	24.7	26.0

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 (2020: CMI_2019 (S=7.25) Advanced with adjustments), with a long-term improvement rate of 1.50% (2020: 1.50%) for males and 1.50% (2020: 1.50%) for females. The CMI_2019 tables have been adjusted to allow for greater mortality improvements in the annuitant population relative to the general population on which CMI_2019 is based by setting 'Parameter A' to 0.15% per annum for males and 0.20% per annum for females (2020: an increase was made to initial rate of mortality improvements of 0.25% per annum for males and 0.35% per annum for females), and uses the advanced parameters to taper the long-term improvement rates to zero between ages 90 and 115 (2020: 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).

49 – Pension obligations continued

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 2021	**(2,650)**	**3,465**	**2,337**	**(1,895)**	**680**
Impact on present value of defined benefit obligation at 31 December 2020	(2,976)	3,950	2,647	(2,067)	714

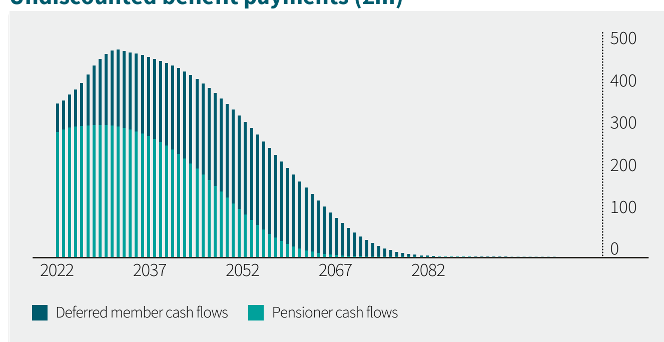
1 The effect of assuming all members in the schemes were one year younger.

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.

Maturity profile of the defined benefit obligation

The discounted scheme liabilities have an average duration of 17 years in ASPS, 19 years in FPPS, 18 years in the RAC scheme, 19 years in AISPF, 26 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 been reducing over time and credit risk is managed within risk appetite. Currency risk is relatively small and is largely hedged. The other principal risk is longevity risk. This risk has reduced due to the ASPS entering into a longevity swap in 2014 covering approximately £5 billion of pensioner in payment scheme liabilities.

Since October 2019 the ASPS has completed five bulk annuity buy-in transactions with Aviva Life & Pensions UK Limited, a Group Company. These transactions have covered approximately £3.5 billion of liabilities related to deferred pensioners and current pensioners, removing the investment and longevity risk for these members from the scheme.

Other schemes

The other schemes are considerably less material but their risks are managed in a similar way to those in the main UK scheme. In 2015, the RAC pension scheme entered into a longevity swap covering approximately £0.6 billion of pensioner in payment scheme liabilities.

49 – Pension obligations continued

(v) Funding

Formal actuarial valuations normally take place every three years and where there is a deficit, the Group and the trustees would agree a deficit recovery plan. The assumptions adopted for triennial actuarial valuations are determined by the trustees and agreed with the Group and are normally more prudent than the assumptions adopted for IAS 19 purposes, which are best estimate.

For the ASPS, 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. The ASPS is currently undergoing a triennial actuarial valuation as at 31 March 2021.

Total employer contributions for all defined benefit schemes in 2022 are currently expected to be £0.1 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.

(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:

	2021 £m	2020 £m
Continuing operations		
UK defined benefit schemes	**20**	17
Overseas defined benefit schemes	**1**	1
Total defined benefit schemes from continuing operations (note 10(b))	**21**	18
UK defined contribution schemes	**150**	147
Overseas defined contribution schemes	**19**	18
Total defined contribution schemes from continuing operations (note 10(b))	**169**	165
Charge for pension schemes from discontinued operations	**1**	3
Total charge for pension schemes	**191**	186

There were no significant contributions payable or prepaid in the consolidated statement of financial position as at either 31 December 2021 or 2020.

50 – Borrowings

Our borrowings are classified as either core structural borrowings, which are included within the Group's capital employed, or operational borrowings drawn by operating subsidiaries. This note shows the carrying values of each type.

(a) Analysis of total borrowings

Total borrowings comprise:

	2021 £m	2020 £m
Core structural borrowings, at amortised cost	**6,133**	8,253
Operational borrowings, at amortised cost	**71**	308
Operational borrowings, at fair value	**1,140**	1,166
	1,211	1,474
	7,344	9,727
Less: Liabilities classified as held for sale	**—**	(43)
	7,344	9,684

50 – Borrowings continued

(b) Core structural borrowings

(i) The carrying amounts of these borrowings are:

	2021 £m	2020 £m
Subordinated debt		
6.125% £700 million subordinated notes 2036	**696**	695
6.125% £800 million undated subordinated notes	**502**	798
6.875% £600 million subordinated notes 2058	**595**	595
12.000% £162 million subordinated notes 2021	**—**	166
8.250% £500 million subordinated notes 2022	**506**	526
6.625% £450 million subordinated notes 2041	**—**	450
6.125% €650 million subordinated notes 2043	**252**	581
3.875% €700 million subordinated notes 2044	**586**	624
5.125% £400 million subordinated notes 2050	**396**	396
3.375% €900 million subordinated notes 2045	**751**	799
4.500% C$450 million subordinated notes 2021	**—**	258
4.375% £400 million subordinated notes 2049	**395**	395
4.000% £500 million subordinated notes 2055	**493**	493
4.000% C$450 million subordinated notes 2030	**260**	257
	5,432	7,033
Senior notes		
0.625% €500 million senior notes 2023	**264**	446
1.875% €750 million senior notes 2027	**387**	666
	651	1,112
Commercial paper	**50**	108
Total	**6,133**	8,253

The Group has redeemed £1.9 billion of subordinated debt and senior notes during the year 2021.

- On 16 March 2021 the Group completed a £1.0 billion tender offer and redeemed the following:
  - €185 million of the Group's 0.625% €500 million senior notes
  - €286 million of the Group's 1.875% €750 million senior notes
  - €349 million of the Group's 6.125% €650 million Tier 2 subordinated debt
  - £298 million of the Group's 6.125% £800 million restricted Tier 1 subordinated debt
- On 10 May 2021 the Group's 4.500% C$450 million Tier 3 subordinated notes reached their final maturity and were redeemed.
- On 21 May 2021 the Group's 12.000% £162 million Tier 2 subordinated notes reached their final maturity and were redeemed.
- On 3 June 2021 the Group redeemed its 6.625% £450 million Tier 2 subordinated notes in full at the first call date.

All borrowings are stated at amortised cost.

(ii) The contractual maturity dates of undiscounted cash flows for these borrowings are:

	2021			2020		
	Principal £m	Interest £m	Total £m	Principal £m	Interest £m	Total £m
Within one year	**550**	**269**	**819**	528	387	915
1 to 5 years	**265**	**1,020**	**1,285**	948	1,342	2,290
5 to 10 years	**652**	**1,229**	**1,881**	930	1,613	2,543
10 to 15 years	**700**	**1,178**	**1,878**	—	1,540	1,540
Over 15 years	**4,000**	**2,274**	**6,274**	5,864	2,831	8,695
Total contractual undiscounted cash flows	**6,167**	**5,970**	**12,137**	8,270	7,713	15,983

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 £31 million (2020: £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.

50 – Borrowings continued

(c) Operational borrowings

(i) The carrying amounts of these borrowings are:

	2021 £m	2020 £m
Amounts owed to financial institutions		
Loans	**71**	308
Securitised mortgage loan notes		
UK lifetime mortgage business (note 25(b))	**1,140**	1,166
Total	**1,211**	1,474

All the above borrowings are stated at amortised cost, except for the loan notes issued in connection with the UK lifetime mortgage business of £1,140 million (2020: £1,166 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 23. 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 25.

(ii) The contractual maturity dates of undiscounted cash flows for these borrowings are:

			2021			2020
	Principal £m	Interest £m	Total £m	Principal £m	Interest £m	Total £m
Within one year	**104**	**48**	**152**	298	41	339
1 to 5 years	**418**	**144**	**562**	431	149	580
5 to 10 years	**374**	**157**	**531**	448	143	591
10 to 15 years	**197**	**117**	**314**	198	111	309
Over 15 years	**69**	**36**	**105**	72	60	132
Total contractual undiscounted cash flows	**1,162**	**502**	**1,664**	1,447	504	1,951

Contractual undiscounted interest payments are calculated based on underlying fixed interest rates or prevailing market floating rates as applicable. Year-end exchange rates have been used for interest projections on loans in foreign currencies.

(d) Description and features

(i) Subordinated debt

A description of each of the subordinated notes is set out in the table below:

Notional amount	Issue date	Redemption date	Callable at par at option of the Company from	In the event the Company does not call the notes, the coupon will reset at each applicable reset date to
£700 million	14 Nov 2001	14 Nov 2036	16 Nov 2026	5 year Benchmark Gilt + 2.85%
£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	Daily Compounded SONIA + 0.1193% + 3.26%
£500 million	21 April 2011	21 April 2022	N/A	N/A
€650 million	5 July 2013	5 July 2043	5 July 2023	5 year EUR mid-swaps + 5.13%
€700 million	3 July 2014	3 July 2044	3 July 2024	5 year EUR mid-swaps + 3.48%
£400 million	4 June 2015	4 June 2050	4 December 2030	Daily Compounded SONIA + 0.1193% + 4.022%
€900 million	4 June 2015	4 December 2045	4 December 2025	3 month Euribor + 3.55%
£400 million	12 September 2016	12 September 2049	12 September 2029	Daily Compounded SONIA + 0.1193% + 4.721%
£500 million	3 June 2020	3 June 2055	3 March 2035	Benchmark Gilt Rate + 4.70%
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 2021 was £6,262 million (2020: £8,233 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 2021 was £698 million (2020: £1,217 million).

(iii) Commercial paper

The commercial paper consists of £50 million issued by the Company (2020: £108 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.

50 – Borrowings continued

(iv) Loans

Loans owed to financial institutions comprise:

	2021 £m	2020 £m
Non-recourse		
Loans to property partnerships	**19**	22
Other non-recourse loans	**52**	52
	71	74
Other loans	**—**	234
	71	308

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 £19 million (2020: £22 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 2021 was £52 million (2020: £52 million).

Following the sale of our businesses in France and Italy, there were no other loans to report at 31 December 2021 (2020: £234 million).

(v) Securitised mortgage loan notes

Loan notes have been issued by special purpose securitisation companies in the UK. Details are given in note 25.

(e) Movements during the year

Movements in borrowings during the year were:

	2021			2020		
	Core Structural £m	Operational £m	Total £m	Core Structural £m	Operational £m	Total £m
New borrowings drawn down, excluding commercial paper, net of expenses	**—**	**24**	**24**	754	(2)	752
Repayment of borrowings, excluding commercial paper	**(1,878)**	**(60)**	**(1,938)**	(499)	(69)	(568)
Movement in commercial paper[1]	**(54)**	**—**	**(54)**	(150)	—	(150)
Net cash outflow	**(1,932)**	**(36)**	**(1,968)**	105	(71)	34
Foreign exchange rate movements	**(177)**	**(2)**	**(179)**	177	36	213
Borrowings reclassified/(loans repaid) for non-cash consideration[2]	**—**	**(259)**	**(259)**	499	(26)	473
Fair value movements	**—**	**34**	**34**	—	(11)	(11)
Amortisation of discounts and other non-cash items	**(11)**	**—**	**(11)**	(24)	—	(24)
Movements in debt held by Group companies[3]	**—**	**—**	**—**	—	(25)	(25)
Movements in the year	**(2,120)**	**(263)**	**(2,383)**	757	(97)	660
Balance at 1 January	**8,253**	**1,474**	**9,727**	7,496	1,571	9,067
Balance at 31 December	**6,133**	**1,211**	**7,344**	8,253	1,474	9,727

1 Gross issuances of commercial paper were £205 million in 2021 (2020: £214 million), offset by repayments of £258 million (2020: £364 million).
2 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 has been charged to retained earnings.
3 In 2020 certain subsidiary companies had purchased subordinated notes and securitised loan notes 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 2020 and 2021 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:

	2021 £m	2020 £m
Expiring within one year	**—**	—
Expiring beyond one year	**1,700**	1,700
	1,700	1,700

51 – Payables and other financial liabilities

This note analyses our payables and other financial liabilities at the end of the year.

	2021 £m	2020 £m
Payables arising out of direct insurance	**1,220**	1,317
Payables arising out of reinsurance operations	**322**	331
Deposits and advances received from reinsurers	**18**	95
Bank overdrafts (see below)	**607**	908
Derivative liabilities (note 58)	**5,763**	7,659
Amounts due to brokers for investment purchases	**150**	207
Obligations for repayment of cash collateral received	**2,963**	7,468
Lease liabilities (note 22)	**472**	533
Other financial liabilities	**1,094**	2,335
Total	**12,609**	20,853
Less: Liabilities classified as held for sale	**—**	(186)
	12,609	20,667
Expected to be settled within one year	**7,974**	14,361
Expected to be settled in more than one year	**4,635**	6,492
	12,609	20,853

Bank overdrafts amount to £204 million (2020: £541 million) in life business operations and £403 million (2020: £367 million) in general insurance business and other operations.

Payables and other financial liabilities of £4,017 million were disposed of in 2021 as part of the disposal of operations in France, Italy and Poland (see note 3).

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.

52 – Other liabilities

This note analyses our other liabilities at the end of the year.

	2021 £m	2020 £m
Deferred income	**76**	108
Reinsurers' share of deferred acquisition costs	**28**	28
Accruals	**1,249**	1,346
Other liabilities	**1,606**	1,625
Total	**2,959**	3,107
Less: Liabilities classified as held for sale	**—**	(64)
	2,959	3,043
Expected to be settled within one year	**2,641**	2,721
Expected to be settled in more than one year	**318**	386
	2,959	3,107

53 – 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 41 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, which may affect the ultimate settlement value of the Group's insurance liabilities presented in note 40(c(iv)).

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 57(f).

53 – Contingent liabilities and other risk factors continued

(b) Asbestos, pollution and social environmental hazards

In the course of conducting insurance business, various companies within the Group receive general insurance liability claims, and become involved in actual or threatened related litigation arising therefrom, including claims in respect of pollution and other environmental hazards. Amongst these are claims in respect of asbestos production and handling in the UK, Ireland and Canada. Given the significant delays that are experienced in the notification of these claims, the potential number of incidents they cover and the uncertainties associated with establishing liability, the ultimate cost cannot be determined with certainty. However, on the basis of current information having regard to the level of provisions made for general insurance claims and substantial reinsurance cover now in place, the directors consider that any additional costs arising are not likely to have a material impact on the financial position of the Group.

(c) Guarantees on long-term savings products

As a normal part of their operating activities, various Group companies have given guarantees and options, including interest rate guarantees, in respect of certain long-term insurance and investment products. Note 43 gives details of these guarantees and options. Interest rate guaranteed returns, such as those available on guaranteed annuity options, are sensitive to interest rates falling below the guaranteed level. The directors continue to believe that the existing provisions for such guarantees and options are sufficient.

(d) Regulatory compliance

The Group's insurance and investment business is subject to local regulation in each of the countries in which it operates. A number of the Group's UK subsidiaries are dual regulated (directly authorised by both the PRA (for prudential regulation) and the FCA (for conduct regulation)) while others are solo regulated (regulated solely by the FCA for both prudential and conduct regulation). Between them, the PRA and FCA have broad powers including the authority to grant, vary the terms of, or cancel a regulated firm's authorisation; to investigate marketing and sales practices; and to require the maintenance of adequate financial resources.

The Group's regulated businesses have compliance resources to respond to regulatory enquiries in a constructive way, and take corrective action when warranted. However, all regulated financial services companies face the risk that their regulator could find that they have failed to comply with applicable regulations or have not undertaken corrective action as required.

The impact of any such finding (whether in the UK or overseas) could have a negative impact on the Group's reported results or on its relations with current and potential customers. Regulatory action against a member of the Group could result in adverse publicity for, or negative perceptions regarding, the Group, or could have a material adverse effect on the business of the Group, its results, operations and/or financial condition and divert management's attention from the day-to-day management of the business.

(e) Structured settlements

The Group has purchased annuities from licensed Canadian life insurers to provide for fixed and recurring payments to claimants. As a result of these arrangements, the Group is exposed to credit risk to the extent that any of the life insurers fail to fulfil their obligations. The Group's maximum exposure to credit risk for these types of arrangements is approximately £807 million as at 31 December 2021 (2020: £742 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 2021, no information has come to the Group's attention that would suggest any weakness or failure in life insurers from which it has purchased annuities and consequently no provision for credit risk is required.

(f) Other

In the course of conducting insurance and investment business, various Group companies receive liability claims, and become involved in actual or threatened related litigation. In the opinion of the directors, adequate provisions have been established for such claims and no material loss will arise in this respect.

In addition, in line with standard business practice, various Group companies have given guarantees, indemnities and warranties in connection with disposals in recent years of subsidiaries and associates to parties outside the Aviva Group. In the opinion of the directors, no material unprovisioned loss will arise in respect of these guarantees, indemnities and warranties.

There are a number of charges registered over the assets of Group companies in favour of other Group companies or third parties. In addition, certain of the Company's assets are charged in favour of certain of its subsidiaries as security for intra-Group loans.

54 – Commitments

This note gives details of our commitments to capital expenditure. See note 22 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:

	2021 £m	2020 £m
Infrastructure loan advances	**628**	833
Investment property	**507**	167
Property and equipment	**45**	46
Other investment vehicles[1]	**138**	123
	1,318	1,169

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 18 and 19 set out the commitments the Group has to its joint ventures and associates.

55 – Group capital management

(a) Group capital

The Group is required to measure and monitor its capital resources on a regulatory basis and to comply with minimum capital requirements of regulators in each territory it operates in. At a Group level, we have to comply with the requirements established by the PRA.

The Group Solvency II capital requirements are calculated using a Partial Internal Model (PIM) which assesses the risks on an Internal Model basis approved by the PRA. The Solvency II capital regime requires insurers to calculate regulatory capital adequacy at both individual regulated subsidiaries and an aggregate Group level. Non-UK entities have been included in Group solvency in line with Solvency II requirements. Other financial sector entities (including fund management) are included at their proportional share of the capital requirement according to the relevant sectoral values. In addition, non-UK businesses including Canada, are subject to the locally applicable capital requirements in the jurisdictions in which they operate.

Group capital is represented by Solvency II own funds. The Solvency II position disclosed is based on a ‘shareholder view’. The shareholder view is considered by management to be more representative of the shareholders’ risk exposure and the Group’s ability to cover the solvency capital requirement (SCR) with eligible own funds and aligns with management’s approach to dynamically manage its capital position.

In arriving at the shareholder position, the following adjustments are typically made to the regulatory Solvency II own funds:
- The contribution to the Group’s SCR and own funds of the most material fully ring fenced with-profits funds of £2,205 million at 31 December 2021 (2020: £2,492 million) and staff pension schemes in surplus of £1,218 million at 31 December 2021 (2020: £1,179 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 2021 position is based on a formal reset of the TMTP, in line with the requirement to reset the TMTP at least every two years and hence no adjustment was required.

	2021 £m	2020 £m
Estimated Solvency II regulatory own funds as at 31 December	**25,573**	29,262
Adjustments for:		
Fully ring-fenced with-profits funds	**(2,205)**	(2,492)
Staff pension schemes in surplus	**(1,218)**	(1,179)
Notional reset of TMTP	**—**	564
PPE[1]	**—**	(385)
Estimated Solvency II shareholder own funds at 31 December	**22,150**	25,770

1. French insurers are permitted to place a part of the Provision pour Participation aux Excédents (PPE) into Solvency II own funds. At 31 December 2020 PPE of £0.4 billion is included within Group regulatory own funds but remains excluded from the shareholder position as agreed with the regulator. At 31 December 2021 this is no longer included following the disposal of France.

Solvency II own funds are comprised of a combination of shareholders’ funds, preference share capital, subordinated debt, and deferred tax assets measured on a Solvency II basis. During the year, the Group redeemed £1.9 billion of subordinated debt and senior notes (see note 50).

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 2021. 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.

55 – Group capital management continued

(b) Risks and capital management objectives

The primary objective of capital management is to maintain an efficient capital structure, in a manner consistent with our risk profile and the regulatory and market requirements of our business. Capital is a primary consideration across a wide range of business activities, including product development, pricing, business planning, merger and acquisition transactions and asset and liability management. A Capital Management Standard, applicable Group-wide, sets out minimum standards and guidelines over responsibility for capital management including considerations for capital management decisions and requirements for management information, capital monitoring, reporting, forecasting, planning and overall governance.

The Group manages capital in conjunction with solvency capital requirements and in line with the dividend policy and capital framework announced in March 2022.

The Group seeks to, on a consistent basis:
- 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 our businesses;
- 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 57 for more information about the Group's risk management approach;
- Maintain a Solvency II debt leverage ratio below 30%;
- To the extent that there is excess capital above the top of the working capital range of 160%-180% and excess centre cash not used for investment in the business, consider additional returns to shareholders;
- Retain financial flexibility by maintaining strong liquidity, access to a range of capital markets and significant unutilised committed credit lines; and
- Allocate capital rigorously to support value adding growth and repatriate excess capital where appropriate.

Intra-group capital arrangements

Consistent with our capital management framework, the Group has in place intra-group arrangements to provide additional capital support to its regulated subsidiaries. In the normal course of business, the Group will provide additional capital support to its regulated subsidiaries in certain circumstances. While the Group considers it unlikely that such support will be required, the arrangements are intended to provide additional comfort to its regulated subsidiaries and its policyholders.

56 – Statement of cash flows

This note gives further detail behind the figures in the statement of cash flows.

(a) The reconciliation of profit before tax to the net cash inflow from operating activities is:

Continuing operations	2021 £m	2020[1] £m
Profit before tax	**801**	1,812
Adjustments for:		
Share of (profit)/loss of joint ventures and associates	**(146)**	3
Dividends received from joint ventures and associates	**32**	37
(Profit)/loss on sale of:		
Investment property	**32**	—
Property and equipment	**—**	1
Subsidiaries, joint ventures and associates	**(22)**	(12)
Investments	**(3,233)**	(3,354)
	(3,223)	(3,365)
Fair value (gains)/losses on:		
Investment property	**(1,069)**	324
Investments	**(4,416)**	(4,222)
Borrowings	**34**	(11)
	(5,451)	(3,909)
Depreciation of property and equipment	**74**	91
Equity compensation plans, equity settled expense	**24**	37
Impairment and expensing of:		
Goodwill on subsidiaries	**—**	16
Acquired value of in-force business and intangibles	**—**	22
Non-financial assets	**7**	47
	7	85
Amortisation of:		
Premium/discount on debt securities	**64**	148
Premium/discount on borrowings	**(11)**	(24)
Premium/discount on non-participating investment contracts	**75**	85
Financial instruments	**130**	86
Acquired value of in-force business and intangibles	**259**	305
	517	600
Change in unallocated divisible surplus	**175**	(505)
Interest expense on borrowings	**490**	532
Net finance income on pension schemes	**(27)**	(41)
Foreign currency exchange (gains)/losses	**(11)**	185
Changes in working capital		
Increase in reinsurance assets	**(1,709)**	(1,347)
Increase in deferred acquisition costs	**(90)**	(76)
Decrease in insurance liabilities and investment contracts	**16,333**	13,943
(Increase)/decrease in other assets	**(3,701)**	2,353
	10,833	14,873
Net purchases of operating assets		
Net purchases of investment property	**(717)**	(175)
Net proceeds on sale of investment property	**1,047**	668
Net sales of financial investments	**(6,979)**	(13,056)
	(6,649)	(12,563)
Total cash used in operating activities from continuing operations	**(2,554)**	(2,128)

1 The 2020 comparative amounts have been re-presented from those previously published to reclassify the amounts relating to certain operations as discontinued operations as described in note 1.

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.

56 – Statement of cash flows continued

(b) Cash flows in respect of the acquisition of, and additions to, subsidiaries, joint ventures and associates comprised:

Continuing operations	2021 £m	2020 £m
Cash consideration for subsidiaries, joint ventures and associates acquired and additions	—	(11)
Total cash flow on acquisitions and additions from continuing operations	—	(11)

(c) Cash flows in respect of the disposal of subsidiaries, joint ventures and associates comprised:

	2021 £m	2020 £m
Continuing operations		
Cash proceeds from disposal of subsidiaries, joint ventures and associates	**24**	14
Less: Net cash and cash equivalents divested with subsidiaries	**(1)**	(2)
Cash flow on disposals from continuing operations	**23**	12
Discontinued operations		
Cash proceeds from disposal of subsidiaries, joint ventures and associates[1]	**6,136**	1,208
Less: Net cash and cash equivalents divested with subsidiaries	**(2,772)**	(1,065)
Cash flow on disposals from discontinued operations	**3,364**	143
Total cash flow on disposals	**3,387**	155

1 Cash proceeds from disposal of subsidiaries, joint ventures and associates are net of £19 million (2020: £45 million) transaction costs paid during the year.

The above figures in (b) and (c) form part of cash flows from investing activities.

(d) Cash and cash equivalents in the statement of cash flows at 31 December comprised:

	2021 £m	2020 £m
Cash at bank and in hand	**4,833**	6,495
Cash equivalents	**7,652**	10,595
	12,485	17,090
Bank overdrafts	**(607)**	(908)
	11,878	16,182

Cash and cash equivalents reconciles to the statement of financial position as follows:

	2021 £m	2020 £m
Cash and cash equivalents (excluding bank overdrafts)	**12,485**	17,090
Less: Assets classified as held for sale	—	(190)
	12,485	16,900

57 – Risk management

Risk management is key to Aviva's success. We accept the risks inherent to our core business lines of life, general insurance and health, and asset management. We diversify these risks through our scale, geographic spread, the variety of the products and services we offer and the channels through which we sell them. We receive premiums which we invest to maximise risk-adjusted returns, so that we can fulfil our promises to customers while providing a return to our shareholders. In doing so we have a preference for retaining those risks we believe we are capable of managing to generate a return.

Our sustainability and financial strength are underpinned by an effective risk management process 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 continues to respond to COVID-19 developments and remains intact. We are focused on ensuring that the control environment remains robust in the current operating environment.

57 – Risk management continued

Risk Environment

During the year, economies have experienced recovery support by fiscal measures, robust economic activity, vaccine roll-out and accommodating central bank policies. The follow-on effects of the financial stimulus measures to cope with the pandemic are now coming more into focus including the impact of interest rate rises, the risks of a deflating asset bubble and the risk of inflation (potentially impacting credit quality of counterparties, as well as squeezing real wages adversely impacting discretionary saving, insurance new business and renewals and lapse risk). Rising geo-political tensions, specifically conflict in the Ukraine, and the potential for disruption to energy supplies are an additional source of uncertainty for financial and commodity markets and trigger for inflation. The Group has been impacted by the COVID-19 pandemic through its operations, insurance products and asset holdings. General insurance products can be impacted as a result of disruption to businesses and travel insured by the Group, as well as changes in customer behaviour as a result of government restrictions; life protection products as a result of changes in 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.

The Group continues to maintain strong solvency and liquidity positions through a range of scenarios and stress testing. The immediate threats to the Group's capital and liquidity position remain the macroeconomic implications of the COVID-19 pandemic, albeit this has become less likely in the year. Particular areas of uncertainty include credit downgrades where a specific focus has been our commercial mortgage portfolio which we continue to monitor closely and have taken a number of actions including debt restructuring. The Group's balance sheet exposure has been reviewed and actions taken to reduce the sensitivity to economic shocks, including placing hedges to mitigate these risks.

Aviva has completed the sale of a number of our businesses as part of the rationalisation of the Group. We agreed an approach that ensured all operational risks were managed effectively up to the point of completion and continue to track all transitional service agreements. We also carefully monitored and managed the risks associated with this divestment programme itself. In June 2021 the Group unwound a series of macro equity hedges to reflect the changing risk profile of our business through our divestment programme. As a result of these disposals, we have seen our currency risk exposures fall due to our reduced global footprint and a reduction in interest rate risk driven by the sale of our France business which was exposed to through the Eurofonds guaranteed life insurance product.

We have seen an increased threat of malware/ransomware attacks across the world. In response we have increased the protection level of anti-malware security controls. We continue to monitor threat intelligence data and update our security controls to maintain protection against new and emerging ransomware variants.

Aviva remains committed to supporting a low carbon economy that will improve the resilience of our economy, society and the financial system in line with the 2015 Paris Agreement target on climate change. In March 2021, we set an ambition to become a Net Zero carbon company by 2040 and we are acting now to mitigate and manage the impact of climate change on our business. We calculate a Climate 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 on track to implement the new international accounting standards for insurance contracts, IFRS 17 Insurance Contracts. On adoption IFRS 17 will significantly impact 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. Regarding the transition to alternative risk-free rates from LIBOR settings, in the year we transitioned to a new risk-free rate ahead of the December 2021 deadline set by the Bank of England for the discontinuation of LIBOR.

(a) Risk management framework

Aviva's risk management framework is at the heart of every business decision and is key to ensuring a robust control environment and the Group's sustainable success. The key elements of our risk management framework comprise risk appetite; risk governance, including risk policies and business standards, risk oversight committees and roles and responsibilities; and the processes we use to identify, measure, manage, monitor and report risks, including the use of our risk models and stress and scenario testing. A risk taxonomy is maintained to ensure a consistent approach to risk identification, measurement and reporting, and to determine application of the Group Risk Appetite Framework and the risks for which a Risk Policy is required. The taxonomy is arranged in a hierarchy with more granular risk types grouped into the following principal risk categories: credit & market, liquidity, life insurance, general insurance (including health), operational and strategic risk. Risks falling within these types may affect a number of outcomes including those relating to solvency, liquidity, profit, reputation and conduct.

To promote a consistent and rigorous approach to risk management across all businesses we have a set of risk policies and business standards which set out the risk strategy, appetite, framework and minimum requirements for the Group's worldwide operations. The business unit chief executive officers make an annual declaration supported by an opinion from the business unit chief risk officers that the system of governance and internal controls was effective and fit for purpose for their business throughout the year.
The Group's Risk Appetite Framework was refreshed during the year, with revised and new risk appetites, preferences and tolerances considered and approved by the Risk Committee. Climate Risk was integrated and defined within the risk appetite framework to be incorporated into risk-based decision-making.

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.

57 – Risk management continued

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 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 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 management framework and internal control processes.

Board oversight of risk and its management across the Group is maintained on a regular basis through its Risk Committee and Customer, Conduct and Reputation Committee. The Board has overall responsibility for determining risk appetite, which is an expression of the risk the business is willing to take. Three Group-level management committees (Group Executive Risk Committee, Group Asset Liability Committee and Disclosure Committee) exist to assist members of the Aviva Executive Committee in the discharge of their delegated authorities and their accountabilities within the Aviva Governance Framework and in relation to their defined regulatory responsibilities.

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 insurance, general insurance and health, asset management and operational risks. These risks are described below.

(b) Credit risk

Credit risk is the risk of financial loss as a result of the default or failure of third parties to meet their payment obligations to Aviva, or variations in market values as a result of changes in expectations related to these risks. Credit risk is taken so that 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.

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 economies recover, we have seen credit upgrades outpacing downgrades, a fall in default rates and credit outlooks stabilising to pre-pandemic limits. We continue to monitor the UK Life commercial mortgage portfolio, actions include debt restructuring, and any events that could be indicative of systemic faults in the global market (e.g. Chinese property sector and municipal debt).

The business unit divestments in the year have resulted in shift to a higher credit quality distribution within the portfolio.

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 2021	AAA	AA	A	BBB	Below BBB	Not rated	Carrying value including held for sale £m	Less: Assets classified as held for sale £m	Carrying value £m
Fixed maturity securities	13.3 %	43.2 %	22.2 %	12.1 %	3.7 %	5.5 %	133,251	—	133,251
Reinsurance assets	— %	76.7 %	18.9 %	3.8 %	— %	0.6 %	15,032	—	15,032
Other investments	— %	0.1 %	— %	— %	— %	99.9 %	36,541	—	36,541
Loans	16.4 %	4.3 %	— %	0.5 %	— %	78.8 %	38,624	—	38,624
Total							**223,448**	**—**	**223,448**

57 – Risk management continued

As at 31 December 2020	AAA	AA	A	BBB	Below BBB	Not rated	Carrying value including held for sale £m	Less: Assets classified as held for sale £m	Carrying value £m
Fixed maturity securities	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

The majority of non-rated fixed maturity securities within shareholder assets are held by our businesses in the UK. Of these securities most are allocated an internal rating using a methodology largely consistent with that adopted by an external rating agency, and are considered to be of investment grade credit quality; these include £4.3 billion (2020: £4.6 billion) of debt securities held in our UK Life business, predominantly made up of private placements and other corporate bonds, which have been internally rated as investment grade.

The following table provides information on the Group's exposure by credit ratings to financial assets that meet the definition of 'solely payment of principal and interest' (SPPI).

As at 31 December 2021	**AAA £m**	**AA £m**	**A £m**	**BBB £m**	**Below BBB £m**	**Not rated £m**
Loans	**6,318**	**1,678**	**—**	**—**	**—**	**648**
Receivables	**—**	**165**	**670**	**89**	**—**	**3,715**
Accrued income & interest	**—**	**—**	**—**	**—**	**—**	**284**
Other investments	**—**	**—**	**—**	**—**	**—**	**—**
Total	**6,318**	**1,843**	**670**	**89**	**—**	**4,647**

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 investments	—	—	—	—	—	12
Total	3,920	4,965	3,992	459	2	5,003

At the period end, the Group held cash and cash equivalents of £10,100 million (2020: £12,576 million) that met the SPPI criteria, of which all is placed with financial institutions with issuer ratings within the range of AAA to BBB. Further information on the extent to which unrated receivables, including those that meet the SPPI criteria, are past due may be found in section (ix) of this note.

The Group continues to hold a series of macro credit hedges to reduce the overall credit risk exposure. The Group's maximum exposure to credit risk of financial assets, without taking collateral or these hedges into account, is represented by the carrying value of the financial instruments in the statement of financial position. These comprise debt securities, reinsurance assets, derivative assets, loans and receivables. The carrying values of these assets are disclosed in the relevant notes: financial investments (note 27), reinsurance assets (note 44), loans (note 24) and receivables (note 28). The collateral in place for these credit exposures is disclosed in note 59 Financial assets and liabilities subject to offsetting, enforceable master netting agreements and similar agreements.

(ii) Other investments

Other investments include unit trusts and other investment vehicles; derivative financial instruments, representing positions to mitigate the impact of adverse market movements; and other assets, including deposits with credit institutions and minority holdings in property management undertakings.

The credit quality of the underlying debt securities within investment vehicles is managed by the safeguards built into the investment mandates for these funds which determine the funds' risk profiles. At the Group level, we also monitor the asset quality of unit trusts and other investment vehicles against Group set limits.

A proportion of the assets underlying these investments are represented by equities and so credit ratings are not generally applicable. Equity exposures are managed against agreed benchmarks that are set with reference to overall appetite for market risk.

(iii) Loans

The Group loan portfolio principally comprises:

- Policy loans which are generally collateralised by a lien or charge over the underlying policy;
- Loans and advances to banks which primarily relate to loans of cash collateral received in stock lending transactions. These loans are fully collateralised by other securities;
- Healthcare, infrastructure and PFI loans secured against healthcare, education, social housing and emergency services related premises; and
- Mortgage loans collateralised by property assets.

We use loan to value, interest and debt service cover, and diversity and quality of the tenant base metrics to internally monitor our exposures to mortgage loans. We use credit quality, based on dynamic market measures, and collateralisation rules to manage our stock lending activities. Policy loans are loans and advances made to policyholders, and are collateralised by the underlying policies.

57 – Risk management continued

(iv) Credit concentration risk

The long-term and general insurance businesses are generally not individually exposed to significant concentrations of credit risk due to the regulations applicable in most markets and the Group credit policy and limits framework, which limit investments in individual assets and asset classes. Credit concentrations are monitored as part of the regular credit monitoring process and are reported to the Group Asset Liability Committee (ALCO). With the exception of government bonds the largest aggregated counterparty exposure within shareholder assets is to the Swiss Reinsurance Company Ltd (including subsidiaries), representing approximately 2.0% 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 2021, the reinsurance asset recoverable, including debtor balances, from Swiss Reinsurance Company Ltd was £2,633 million (2020: £2,399 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.

(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 2021	**Neither past due nor impaired £m**	**0–3 months £m**	**3–6 months £m**	**6 months–1 year £m**	**Greater than 1 year £m**	**Financial assets that have been impaired £m**	**Carrying value £m**
Fixed maturity securities	—	—	—	—	—	—	—
Reinsurance assets	**9,924**	—	—	—	—	—	**9,924**
Other investments	—	—	—	—	—	—	—
Loans	**8,644**	—	—	—	—	—	**8,644**
Receivables and other financial assets	**6,073**	**15**	—	—	—	—	**6,088**

		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

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: £113.4 billion of fixed maturity securities (2020: £214.6 billion), £30.8 billion of other investments (2020 : £42.3 billion), £30.0 billion of loans (2020: £29.8 billion) and £5.1 billion of reinsurance assets (2020: £3.9 billion).

Where assets have been classed as 'past due and impaired', an analysis is made of the risk of default and a decision is made whether to seek to mitigate the risk. There were no material financial assets that would have been past due or impaired had the terms not been renegotiated.

57 – Risk management continued

(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 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, primarily in the UK. The shareholders' exposure to market risk on this business is limited to the extent that income arising from asset management charges is based on the value of assets in the fund.

The most material types of market risk that the Group is exposed to are described below.

(i) Equity price risk

The Group is subject to direct equity price risk arising from changes in the market values of its equity securities portfolio. Our most material indirect equity price risk exposures are to policyholder unit-linked funds, which are exposed to a fall in the value of the fund thereby reducing the fees we earn on those funds, and participating contracts, which are exposed to a fall in the value of the funds thereby increasing our costs for policyholder guarantees. We also have some equity exposure in shareholder funds through equities held to match inflation-linked liabilities.

We continue to limit our direct equity exposure in line with our risk preferences. At a business unit level, investment limits and local investment regulations require that business units hold diversified portfolios of assets thereby reducing exposure to individual equities. The Group does not have material holdings of unquoted equity securities.

Equity risk is also managed using a variety of derivative instruments, including futures and options. Businesses actively model the performance of equities through the use of risk models, in particular to understand the impact of equity performance on guarantees, options and bonus rates. An equity hedging strategy remains in place to help control the Group's overall direct and indirect exposure to equities. In June 2021 the Group unwound a series of macro equity hedges to reflect the changing risk profile of our business through our divestment programme.

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 2021, 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 43.

Aviva launched a formal Group-wide programme of change activity in 2019 to manage the transition to alternative risk-free rates from LIBOR settings. Three sub programmes were established covering the UK insurance business, Aviva Investors and other Group activities, reporting into a Group Steering Committee. The majority of Aviva's exposure to LIBOR rates existed within the UK insurance business and Aviva Investors, where Aviva has reviewed all financial instruments, engaged with counterparties to either transition to alternative risk-free rates or have exited positions where required. Aviva has adhered to the ISDA Fallback Protocol. Significant progress has been made, with a substantive majority of Aviva's original GBP LIBOR exposure already resolved. A small number of exposures remain which are expected to transition in the first half of 2022 before they are impacted by LIBOR cessation. Aviva has worked closely with UK regulators, impacted clients, industry experts and industry associations to ensure a smooth and transparent transition of the exposures. The programme continues to address all risks posed by the transition, including the risk of non-transition of outstanding exposures. No change to the Company's risk management strategy has been required in response to the transition.

At 31 December 2021, £837 million of non-derivative financial assets, £213 million of derivative financial assets, £984 million of non-derivative financial liabilities and £296 million of derivative financial liabilities had yet to transition to an alternative risk-free rate.

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.

57 – Risk management continued

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.

Historic low interest rates in our core markets are expected to increase with the Bank of England already raising interest rates in the UK. Our interest rate exposure reduced in 2021 as a result of our disposal programme, this was primarily driven by the sale of our France business which was exposed to interest rate risk from the Eurofonds guaranteed life insurance product.

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.

Some of the Group's products in UK and Ireland, principally participating contracts, expose us to the risk that changes in interest rates will impact on profits through a change in the interest spread (the difference between the amounts that we are required to pay under the contracts and the investment income we are able to earn on the investments supporting our obligations under those contracts). The UK participating business includes contracts with features such as guaranteed surrender values, guaranteed annuity options, and minimum surrender and maturity values. These liabilities are managed through duration matching of assets and liabilities and the use of derivatives, including swaptions. As a result, the Group's exposure to sustained low interest rates on this portfolio is not material. The Group's exposures to low interest rates arising through its other participating contracts has reduced in the year principally due to the divestment of Italy and France. Details of material guarantees and options are given in note 43.

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
2019	2.21 %	14,350
2020	1.88 %	15,024
2021	**1.88 %**	**14,390**

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. Inflation risk is a rising concern and we are monitoring the potential impact on the profits and margins of the Group and our counterparties which could impact their credit quality.

(v) Currency risk

The Group has minimal exposure to currency risk from financial instruments held by business units in currencies other than their functional currencies, as nearly all such holdings are backing either unit-linked or with-profits contract liabilities or are hedged. As a result the foreign exchange gains and losses on investments are largely offset by changes in unit-linked and with-profits liabilities and fair value changes in derivatives attributable to changes in foreign exchange rates recognised in the income statement.

57 – Risk management continued

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 21% of the Group's gross written premium income from continuing operations arises in currencies other than sterling and this has decreased in the year due to our disposal programme. Our Euro net liability exposure reflects the sale of our France and Italy businesses and our Euro denominated external debt. The Group's net assets are denominated in a variety of currencies, of which the largest are sterling, euro and Canadian dollars (CAD$). The Group does not hedge foreign currency revenues as these are substantially retained locally to support the growth of the Group's business and meet local regulatory and market requirements. However, the Group does use foreign currency forward contracts to hedge planned dividends from its subsidiaries.

Businesses aim to maintain sufficient assets in local currency to meet local currency liabilities, however movements may impact the value of the Group's consolidated shareholders' equity which is expressed in sterling. This aspect of foreign exchange risk is monitored and managed centrally, against pre-determined limits. These exposures are managed by aligning the deployment of regulatory capital by currency with the Group's regulatory capital requirements by currency. Currency borrowings and derivatives are used to manage exposures within the limits that have been set. Except where the Group has applied net investment hedge accounting (see note 58(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 2021 and 2020, the Group's total equity deployment by currency including assets held for sale was:

	Sterling £m	Euro £m	CAD$ £m	Other £m	Total £m
Net Assets at 31 December 2021	**19,300**	**(769)**	**222**	**701**	**19,454**
Net Assets at 31 December 2020	16,438	2,374	635	1,113	20,560

A 10% change in sterling to euro/CAD$ period-end foreign exchange rates would have had the following impact on total equity.

	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 2021	**77**	**(77)**	**(22)**	**22**
Net assets at 31 December 2020	(237)	237	(64)	64

A 10% change in sterling to euro/$ average foreign exchange rates applied to translate foreign currency profits would have had the following impact on profit before tax, including resulting gains and losses on foreign exchange hedges.

	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 2021	**206**	**(252)**	**(23)**	**28**
Impact on profit before tax 31 December 2020	(48)	59	(31)	37

The balance sheet changes arise from retranslation of business unit statements of financial position from their functional currencies into sterling, with above movements being taken through the currency translation reserve. These balance sheet movements in exchange rates therefore have no impact on profit. Net asset and profit before tax figures are stated after taking account of the effect of currency hedging activities.

(vi) Derivatives risk

Derivatives are used by a number of the businesses. Derivatives are primarily used for efficient investment management, risk hedging purposes, or to structure specific retail savings products. Activity is overseen by the Group Capital and Group Risk teams, which monitor exposure levels and approve large or complex transactions.

The Group applies strict requirements to the administration and valuation processes it uses, and has a control framework that is consistent with market and industry practice for the activity that is undertaken.

(vii) Correlation risk

The Group recognises that lapse behaviour and potential increases in consumer expectations are sensitive to and interdependent with market movements and interest rates. These interdependencies are taken into consideration in the internal capital model and in scenario analysis.

(d) Liquidity risk

Liquidity risk is the risk of not being able to make payments as they become due because there are insufficient assets in cash form. The relatively illiquid nature of insurance liabilities is a potential source of additional investment return by allowing us to invest in higher yielding, 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.

57 – Risk management continued

Maturity analysis

The following tables show the maturities of our insurance and investment contract liabilities, and of the financial and reinsurance assets held to meet them. A maturity analysis of the contractual amounts payable for borrowings and non-hedge derivatives is given in notes 50 and 58, respectively. Contractual obligations under leases and capital commitments are given in note 22 and note 54.

(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 2021 and 2020 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.

As at 31 December 2021	Total £m	On demand or within 1 year £m	1-5 years £m	5-15 years £m	Over 15 years £m
Long-term business					
Insurance contracts – non-linked	**98,412**	**7,382**	**22,148**	**37,916**	**30,966**
Investment contracts – non-linked	**16,893**	**1,645**	**5,367**	**7,654**	**2,227**
Linked business	**164,218**	**5,359**	**19,197**	**51,443**	**88,219**
General insurance and health	**15,179**	**6,010**	**6,716**	**1,908**	**545**
Total contract liabilities	**294,702**	**20,396**	**53,428**	**98,921**	**121,957**

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

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 2021	Total £m	On demand or within 1 year £m	1-5 years £m	Over 5 years £m	No fixed term £m
Fixed maturity securities	**133,251**	**43,432**	**27,187**	**62,632**	**—**
Equity securities	**95,169**	**—**	**—**	**—**	**95,169**
Other investments	**36,541**	**30,949**	**489**	**4,748**	**355**
Loans	**38,624**	**8,840**	**4,636**	**25,148**	**—**
Cash and cash equivalents	**12,485**	**12,485**	**—**	**—**	**—**
	316,070	**95,706**	**32,312**	**92,528**	**95,524**

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	—	—	—
Total	411,957	121,118	50,382	139,191	101,266

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.

57 – 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 insurance risk provided that the relevant business has the appropriate core skills to assess and price the risk and adequate returns are available. The Group's underwriting strategy and appetite is communicated via specific policy statements, related business standards and guidelines. Life insurance risk is managed primarily at business unit level with oversight at the Group level.

The overall impact of COVID-19 on the profile of our life insurance risks, primarily longevity, persistency, mortality, morbidity and expense risk, has been limited in 2021. In particular, increased protection claims as a result of COVID-19 have been materially offset by technical provision releases due to additional mortality in our annuity portfolio. In all of our markets, underwriting procedures on Individual Life Protection products limit our exposure to cohorts of the population at the highest risk of COVID-19. In UK Individual Protection we have also introduced a number of additional underwriting questions, adjusted pricing and have referred more cases to manual underwriting. In the future, as the expected mortality threat from the UK outbreak subsides, steps will be taken to relax these additional underwriting measures in a controlled way.

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 we use surplus reinsurance for very large individual claims. While we have greater potential net exposure to COVID-19 through Group Life Protection, we have also taken pricing actions to limit, and appropriately cost for, our potential exposure from new business and existing business at renewal.

The Group's life insurance risk continues to be dominated by exposure from our UK business. As a result, and despite disposals in the year, the underlying risk profile of our life insurance risks, primarily longevity, persistency, mortality, morbidity and expense risk, has remained reasonably stable during 2021. COVID-19 has continued to present additional uncertainty to the risk profile of our life insurance risks and in the shorter term we are seeing some modest changes in morbidity, through changes in working patterns and increased NHS waiting lists. Mortality rates have also continued to run slightly higher than normal. However, the long-term impact of COVID-19 is not currently expected to be material. Longevity risk remains the Group's most significant life insurance risk due to the Group's annuity portfolio and is amplified by the current low level of interest rates.

We are exposed to longevity risk through the Aviva Staff Pension Scheme, to which our economic exposure has been reduced since 2014 by entering into a longevity swap covering approximately £5 billion of pensioner in payment scheme liabilities. 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 49). Group has continued to write considerable volumes of life protection business, and to utilise reinsurance to reduce exposure to potential losses. More generally, life insurance risks are believed to provide a significant diversification against other risks in the portfolio. Life insurance risks are modelled within the internal capital model and are subject to sensitivity and stress and scenario testing.

The assumption setting and management of life insurance risks is governed by the Group-wide business standards covering underwriting, pricing, product design and management, in-force management, claims handling, and reinsurance. The individual life insurance risks are managed as follows:

- Mortality and morbidity risks are managed through comprehensive medical underwriting, input and advice from medical experts, as well as frequent monitoring and analysis of company experience. Reinsurance treaties are in place to provide further mitigation. 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 benchmarking 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.

57 – Risk management continued

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. The Group's exposures to low interest rates arising through its participating contracts has reduced in the year principally due to the divestment of Italy and France.

Examples of each type of embedded derivative affecting the Group are:

- Options: call, put, surrender and maturity options, guaranteed annuity options, options to cease premium payment, options for withdrawals free of market value adjustment, annuity options, and guaranteed insurability options.
- Guarantees: embedded floor (guaranteed return), maturity guarantee, guaranteed death benefit, guaranteed minimum rate of annuity payment and the 'no negative equity' associated with the Equity Release business; and
- Other: indexed interest or principal payments, maturity value, loyalty bonus.

The impact of these is reflected in the capital model and managed as part of the asset liability framework. Further disclosure on financial guarantees and options embedded in contracts and their inclusion in insurance and investment contract liabilities is provided in note 42.

(f) General insurance risk and health risk

The Group writes a balanced portfolio of general insurance risk (including personal motor; household; commercial motor; property and liability), as well as global exposure to corporate specialty risks. Although our geographical footprint has reduced following the divestment programme, we remain diversified through the different lines of business we write and our exposure to life insurance risk. 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 COVID-19 outbreak are therefore not covered under the significant majority of policies. The FCA test case sought to provide legal clarity in terms of the events and the cover provided by a variety of policy wordings, including broker determined policy wordings where we are the lead or follow insurer. Following the judgement received on 15 September 2020 and the subsequent Supreme Court appeal on 15 January 2021, 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 were added to relevant policy wordings at renewal in our UK, Canadian and Irish businesses. In Canada, we are party to a number of litigation proceedings, including class actions that challenge coverage under our commercial property policies; however, we believe we have a strong argument that there is no pandemic coverage under these policies. In Ireland, the vast majority of commercial insurance products do not respond to business interruption losses arising from the COVID-19 pandemic. The Group purchases reinsurance protection on its property portfolio that includes coverage for business interruption and is collecting or seeking reinsurance recoveries of business interruption losses that are covered by reinsurance.
- 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 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 was a reduction in claims frequency and a change in the severity of claims on motor insurance as a result of changes in customer behaviour in response to government restrictions, although claims frequency has increased during 2021 as restrictions have eased. The disruption to global supply chains as a result of COVID-19 has also led to upwards pressure on claims severity. Private health insurance claims have also continued to be lower than expected 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.

57 – Risk management continued

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. Our reinsurance strategy purchases are consistent with our exposures across the globe and our Group divestment programme.

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. 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.

(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.

(h) Operational risk (including conduct risk)

Operational risk is the risk of direct or indirect loss, arising from inadequate or failed internal processes, people and systems, or external events including changes in the regulatory environment. We have limited appetite for operational risk and aim to reduce these risks as far as is commercially sensible.

The Group continues to operate, validate and enhance its key operational controls and purchase insurance to minimise losses arising from inadequate or ineffective internal processes, people and systems or from external events. The Group maintains constructive relationships with its regulators around the world and responds appropriately to developments in relation to key regulatory changes. The Operational Risk Appetite framework enables management and the Board to assess the overall quality of the operational risk environment relative to risk appetite and, where a Business Unit (or the Group) are outside of appetite, require clear and robust plans to be put in place in order to return to appetite. We are also currently investing in a risk improvement programme which will further simplify and strengthen the risk management capabilities across the organisation, allowing us to operate a stronger control environment, better support the business to understand and embed risk accountabilities, reduce the complexity of how the business thinks about and manages risks and create greater collaboration across the first and second lines of defence to provide higher quality advice and challenge. Actions from the programme will be embedded throughout 2022.

Since the onset of the COVID-19 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 we are there to support our customers when they need us most. Aviva has continued to strengthen its processes and controls to ensure that operational risks relating to continued extensive working from home remain at an acceptable level. While there continues to be high profile cyber security incidents for corporates in the UK and globally, Aviva has seen no material increase in the volume of cyber incidents/attacks as a result of the pandemic but has seen external threat actors exploit the global situation through COVID-19 inspired phishing emails, 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 its employees and their families.

Aviva completed the sale of a number of our businesses as part of the rationalisation of the Group. We agreed an approach that ensured all operational risks were managed effectively up until the point of completion and continue to track all transitional service agreements. We also carefully monitored and managed the risks associated with this divestment programme itself. These risks included:

- Execution risk including failure to achieve necessary regulatory approvals, other legal obligations and clean and appropriate separation of the business in the required time
- Data leakage or loss as a result of ongoing access to Aviva information by divested entities post-sale, or the security of email communications with divested markets and
- Impact on our ongoing operational risk profile including disruption to customer services, external reporting requirements, loss of key staff/expertise.

57 – Risk management continued

The importance of digital interaction with our customers, together with the conduct, data protection and financial crime agenda of 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. Aviva has continued to monitor the threat environment and enhance its IT infrastructure and Cyber controls to identify, detect and prevent attacks. Aviva's Cyber defences are regularly tested using our own 'ethical hacking' team.

We have implemented measures to improve the Group's operational resilience and be ready for new PRA and FCA regulations on operational resilience and outsourcing and third-party risk management which take effect on 31 March 2022. This includes undertaking resilience and crisis response exercises to test our ability to deliver important business services within impact tolerances in severe but plausible scenarios.

We are exposed to the risk that litigation, employee misconduct, operational failures, the outcome of regulatory investigations, media speculation and negative publicity, disclosure of confidential client information, inadequate services, whether or not founded, could impact our brands or reputation. Any of our brands or our reputation could also be affected if products or services recommended by us (or any of our intermediaries) do not perform as expected (whether or not the expectations are founded) or customers' expectations of the product change.

We have designed our products and business processes to ensure we treat our customers fairly and we make use of various metrics to assess our own performance, including customer advocacy, retention and complaints. Failure to treat our customers fairly could result in regulatory action and penalties and could also impact our brands or reputation.

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.

(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. The test allows for any consequential impact on liability valuations.
Equity/property market values	The impact of a change in equity/property market values by ± 10%.
Expenses	The impact of an increase in maintenance expenses by 10%.
Assurance mortality/morbidity (life insurance only)	The impact of an increase in mortality/morbidity rates for assurance contracts by 5%.
Annuitant mortality (long-term insurance only)	The impact of a reduction in mortality rates for annuity contracts by 5%.
Gross loss ratios (non-long-term insurance only)	The impact of an increase in gross loss ratios for general insurance and health business by 5%.

57 – Risk management continued

Long-term business sensitivities as at 31 December 2021

31 December 2021 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	(115)	135	(10)	(65)	40	(35)	10	(5)
Insurance non-participating	(1,175)	1,410	(640)	(155)	135	(220)	(145)	(900)
Investment participating	(50)	65	—	(25)	25	(40)	—	—
Investment non-participating	—	—	—	5	(10)	—	—	—
Assets backing life shareholders' funds	(50)	55	(45)	—	—	—	—	—
Total	(1,390)	1,665	(695)	(240)	190	(295)	(135)	(905)

31 December 2021 Impact on shareholders' equity before tax £m	Interest rates +1%	Interest rates -1%	Credit spreads +0.5%	Equity/ property +10%	Equity/ property -10%	Expenses +10%	Assurance mortality +5%	Annuitant mortality -5%
Insurance participating	(115)	135	(10)	(65)	40	(35)	10	(5)
Insurance non-participating	(1,175)	1,410	(640)	(155)	135	(220)	(145)	(900)
Investment participating	(50)	65	—	(25)	25	(40)	—	—
Investment non-participating	—	—	—	5	(10)	—	—	—
Assets backing life shareholders' funds	(40)	40	(30)	5	(5)	—	—	—
Total	(1,380)	1,650	(680)	(235)	185	(295)	(135)	(905)

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)

Changes in sensitivities between 2021 and 2020 reflect underlying movements in the value of assets and liabilities, including the impact of disposals, 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 2021

31 December 2021 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	(400)	480	(80)	105	(105)	(120)	(230)
Net of reinsurance	(415)	470	(80)	105	(105)	(120)	(225)

31 December 2021 Impact on shareholders' equity before tax £m	Interest rates +1%	Interest rates -1%	Credit spreads +0.5%	Equity/ property +10%	Equity/ property -10%	Expenses +10%	Gross loss ratios +5%
Gross of reinsurance	(400)	480	(80)	105	(105)	(20)	(230)
Net of reinsurance	(415)	470	(80)	105	(105)	(20)	(225)

57 – Risk management continued

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)

For general insurance and health, changes in the sensitivities between 2020 and 2021 are impacted by the disposals. 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 2021

31 December 2021 Impact on profit before tax £m	**Interest rates +1%**	**Interest rates -1%**	**Credit spreads +0.5%**	**Equity/ property +10%**	**Equity/ property -10%**
Total	—	—	**35**	—	—

31 December 2021 Impact on shareholders' equity before tax £m	**Interest rates +1%**	**Interest rates -1%**	**Credit spreads +0.5%**	**Equity/ property +10%**	**Equity/ property -10%**
Total	—	—	**35**	—	—

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

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.

For general insurance business, interest rate sensitivities impact the assets but only those liabilities 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.

58 – 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.

58 – Derivative financial instruments and hedging continued

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 59 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 hedging instruments to hedge the net investment in its overseas subsidiaries. The net investment hedge was terminated as at 31 December 2020 due to the announcement of the disposals of Aviva France and Aviva Italy, and the amounts previously recognised in the hedging instruments reserve were recycled to the income statement on completion of the disposals (see note 36). During the year, hedge accounting was reapplied to the net investments in the Irish and Canadian subsidiaries.

The carrying value of the debt designated in net investment hedges at 31 December 2021 was £917 million (2020: £2,460 million). The fair value of the debt at that date was £984 million (2020: £2,732 million).

Foreign exchange gains of £31 million (2020: losses of £129 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.

Cash flow hedges

The Group applied cash flow hedging during the year to the derivatives used to hedge the currency risk arising from the disposals of its European subsidiaries. All of these cash flow hedges were terminated prior to 31 December 2021 following the completion of the disposals.

(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.

(i) The Group's non-hedge derivatives at 31 December 2021 and 2020 were as follows:

	2021			2020		
	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	41,999	334	(266)	51,342	1,359	(394)
Interest rate and currency swaps	9,503	494	(357)	9,338	488	(464)
Total	51,502	828	(623)	60,680	1,847	(858)
Interest rate contracts						
OTC						
Forwards	—	—	—	3,345	254	(69)
Swaps	63,457	3,811	(2,346)	49,114	6,420	(3,245)
Options	162	1	—	212	1	(8)
Swaptions	147	66	(1)	259	126	(1)
Exchange traded						
Futures	7,934	19	(57)	11,744	35	(17)
Total	71,700	3,897	(2,404)	64,674	6,836	(3,340)
Equity/Index contracts						
OTC						
Options	12,884	87	(48)	10,201	138	(70)
Exchange traded						
Futures	11,424	102	(97)	8,388	42	(112)
Options	1,627	207	(11)	2,329	259	(12)
Total	25,935	396	(156)	20,918	439	(194)
Credit contracts	8,919	11	(307)	9,492	56	(340)
Other	11,548	602	(2,273)	11,848	544	(2,927)
Total at 31 December	169,604	5,734	(5,763)	167,612	9,722	(7,659)

Fair value assets of £5,734 million (2020 : £9,722 million) are recognised as 'Derivative financial instruments' in note 27(a), while fair value liabilities of £5,763 million (2020 : £7,659 million) are recognised as 'Derivative liabilities' in note 51.

The Group's derivative risk management policies are outlined in note 57.

58 – Derivative financial instruments and hedging continued

(ii) The contractual undiscounted cash flows in relation to non-hedge derivative liabilities have the following maturities:

	2021 £m	2020 £m
Within 1 year	**1,136**	1,261
Between 1 and 2 years	**496**	639
Between 2 and 3 years	**406**	550
Between 3 and 4 years	**373**	493
Between 4 and 5 years	**333**	386
After 5 years	**3,326**	4,495
	6,070	7,824

(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 28 and 51 respectively. Collateral received and pledged by the Group is detailed in note 59.

59 – 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 58.

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 24. 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 51.

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			
2021	Gross amounts £m	Amounts offset £m	Net amounts reported in the statement of financial position £m	Financial instruments £m	Cash collateral £m	Securities collateral received/ pledged £m	Net amount £m
Financial assets							
Derivative financial assets	**4,593**	**—**	**4,593**	**(2,839)**	**(1,053)**	**(177)**	**524**
Loans to banks and repurchase arrangements	**8,297**	**—**	**8,297**	**—**	**(300)**	**(5,285)**	**2,712**
Total financial assets	**12,890**	**—**	**12,890**	**(2,839)**	**(1,353)**	**(5,462)**	**3,236**
Financial liabilities							
Derivative financial liabilities	**(4,521)**	**—**	**(4,521)**	**3,060**	**117**	**821**	**(523)**
Other financial liabilities	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Total financial liabilities	**(4,521)**	**—**	**(4,521)**	**3,060**	**117**	**821**	**(523)**

59 – Financial assets and liabilities subject to offsetting, enforceable master netting agreements and similar arrangements continued

2020	Offset under IAS 32 Gross amounts £m	Amounts offset £m	Net amounts reported in the statement of financial position £m	Amounts subject to enforceable netting arrangements – Amounts under a master netting agreement but not offset under IAS 32: 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)

Derivative assets are recognised as 'Derivative financial instruments' in note 27(a), while fair value liabilities are recognised as 'Derivative liabilities' in note 51. £1,141 million (2020 : £1,443 million) of derivative assets and £1,242 million (2020 : £1,026 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 £8,297 million (2020 : £12,330 million) are recognised within 'Loans to banks' in note 24.

Other financial liabilities presented above represent liabilities related to repurchase arrangements recognised within 'Obligations for repayment of cash collateral received' in note 51.

(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 24, was £13,385 million (2020 : £19,550 million), all of which other than £1,190 million (2020 : £7,505 million) is related to securities lending arrangements. Collateral of £1,318 million (2020: £1,633 million) has been received related to balances recognised within 'Loans to banks' in note 24. The value of collateral that was actually sold or repledged in the absence of default was £nil (2020: £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.

60 – 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

	2021 Income earned in the year £m	2021 Expenses incurred in the year £m	2021 Payable at year end £m	2021 Receivable at year end £m	2020 Income earned in the year £m	2020 Expenses incurred in the year £m	2020 Payable at year end £m	2020 Receivable at year end £m
Associates	**36**	**—**	**—**	**9**	12	(1)	—	6
Joint ventures	**36**	**—**	**—**	**1**	27	—	—	1
Employee pension schemes	**12**	**—**	**—**	**6**	11	—	—	6
	84	**—**	**—**	**16**	50	(1)	—	13

Transactions with joint ventures in the UK relate to the property management undertakings, the most material of which are listed in note 18(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 2021, other transactions with key management personnel were not deemed to be significant either by size or in the context of their individual financial positions.

60 – Related party transactions continued

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 49(b)(ii). As at 31 December 2021, the Friends Provident Pension Scheme ('FPPS'), acquired in 2015 as part of the acquisition of the Friends Life business, held an insurance policy of £625 million (2020: £667 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 year, the Aviva Staff Pension Scheme (ASPS) completed three (2020: one) bulk annuity buy-in transactions with Aviva Life & Pensions UK Limited (AVLAP). Total premiums of £2,456 million (2020: £873 million) were paid by the scheme to AVLAP, with AVLAP recognising total gross liabilities of £2,184 million (2020: £737 million). The difference between the premiums and the gross liabilities implies profit[1] of £272 million (2020: £136 million), which does not include costs incurred by the Group associated with the transactions, and is driven primarily by differences between the measurement bases used to calculate the premium and the accounting value of the associated gross liabilities. The ASPS recognised the total plan assets of £1,760 million (2020: £579 million), with the difference between the plan assets recognised and the premiums paid being recognised as an actuarial loss through Other Comprehensive Income. As at 31 December 2021, AVLAP recognised cumulative technical provisions of £4,264 million (2020: £2,147 million) in relation to buy-in transactions with the ASPS which have been included within the Group's gross liabilities, and the ASPS held a transferable plan asset of £3,543 million (2020: £1,858 million) which does not eliminate on consolidation.

1. The implied IFRS profit is not equivalent to the margin used in the calculation of our Alternative Performance Measure 'New business margin'. This is calculated as the 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. Please refer to the Other Information section for the definitions of VNB and PVNBP.

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:

	2021 £m	2020 £m
Salary and other short-term benefits	**9.0**	10.7
Post-employment benefits	**1.1**	1.4
Equity compensation plans	**14.9**	12.8
Termination benefits	**1.5**	0.6
Total	**26.5**	25.5

Information concerning individual directors' emoluments, interests and transactions is given in the Directors' Remuneration Report.

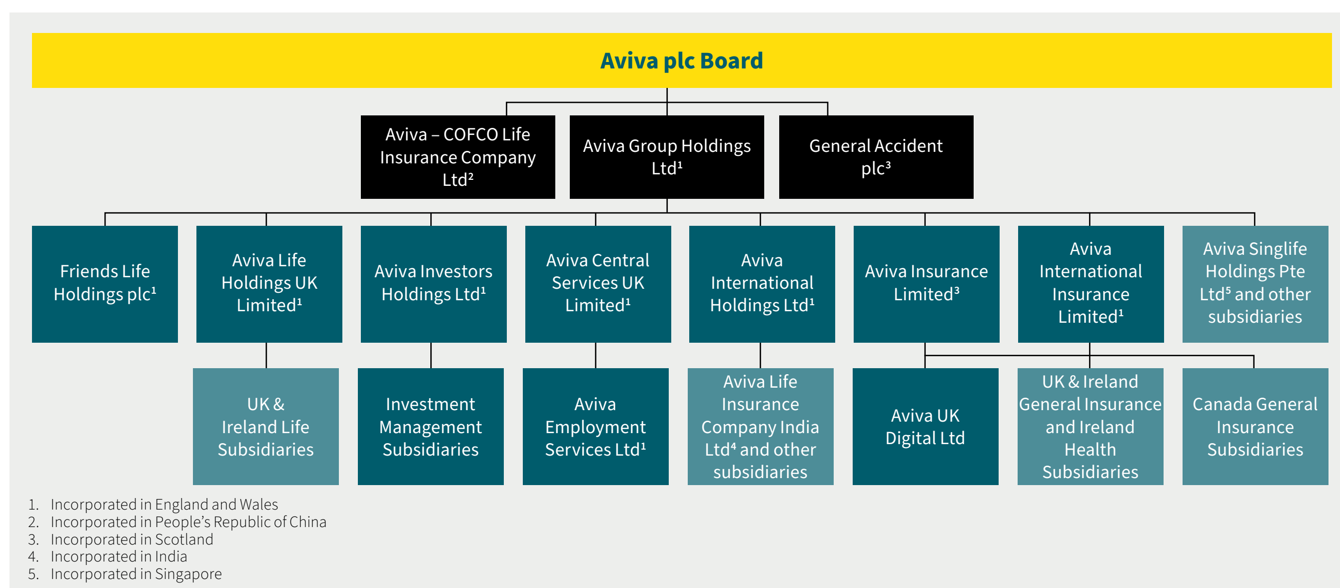
61 – Organisational structure

The following chart shows, in simplified form, the organisational structure of the Group as at 31 December 2021. Aviva plc is the holding company of the Group.

Parent company
Aviva plc

Subsidiaries
The principal subsidiaries of the Company at 31 December 2021 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 62.



United Kingdom
Aviva Administration Limited
Aviva Central Services UK Limited
Aviva Employment Services Limited
Aviva Equity Release UK Limited
Aviva Health UK Limited
Aviva Insurance Limited
Aviva International Insurance Limited
Aviva Investors Global Services Limited
Aviva Investors Pensions Limited
Aviva Investors UK Fund Services Limited
Aviva Life & Pensions UK Limited
Aviva Life Services UK Limited
Aviva Management Services UK Limited
Aviva Pension Trustees UK Limited
Aviva UK Digital Limited
Aviva Wrap UK Limited
Gresham Insurance Company Limited
The Ocean Marine Insurance Company Limited

Ireland
Aviva Life and Pensions Ireland Designated Activity Company
Aviva Insurance Ireland Designated Activity Company

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

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 2021 are set out in notes 18 and 19 to the financial statements.

China
Aviva-COFCO Life Insurance Company Limited (50%)

India
Aviva Life Insurance Company India Limited (49%)

Singapore
Aviva Singlife Holdings Pte. Ltd. (26%)

United Kingdom
The Group has interests in several property limited partnerships. Further details are provided in notes 18, 19 and 26 to the financial statements.

62 – 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 2021 are disclosed below.

The direct related undertakings of the Company as at 31 December 2021 are listed below:

Name of undertaking	Country of incorporation	Registered address	Share class	% held
Aviva-COFCO Life Insurance Company Limited	China	12/F,Block A,Landgent Centre, 20 East Third Ring Middle Road, Beijing, 100022	Ordinary shares	50
General Accident plc	United Kingdom	Pitheavlis, Perth, Perthshire, PH2 0NH	Ordinary shares	100
Aviva Group Holdings Limited	United Kingdom	St Helen's, 1 Undershaft, London, EC3P 3DQ	Ordinary shares	100

The indirect related undertakings of the Company as at 31 December 2021 are listed below:

Company name	Share Class[1]	% held
Australia		
c/o TMF Corporate Services (Aust) Pty Limited, L16, 201 Elizabeth Street, Sydney 2000, Australia		
Aviva Investors Pacific Pty Limited	Ordinary	100
Barbados		
c/o USA Risk Group (Barbados) Limited., 6th Floor, CGI Tower, Warrens, St. Michael, BB22026, Barbados		
Victoria Reinsurance Company Limited.	Common Shares	100
Canada		
10 Aviva Way, Markham ON L6G0G1, Canada		
2161605 Ontario Inc	Common Shares	100
9543864 Canada Inc.	Common Shares	100
Aviva Canada Inc.	Common Shares	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
Nautimax Limited	Ordinary 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 Shares	100
150 King Street West, Suite #2401, P.O. Box 16, Toronto ON M5H 1J9, Canada		
Prolink Insurance Inc.	Common Shares	34
555 Chabanel Ouest, Bureau 900, Montreal, QC H2N 2H8, Canada		
Aviva Agency Services Inc.	Common Shares	100
Suite 1600, 925 W Georgia St, Vancouver BC V6C 3L2, Canada		
Westmount West Services Inc	Ordinary Shares	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. Limited	Ordinary	50
Units 1805-1807, 18th Floor, Block H Office Building, Phoenix Land Plaza, No. A5 Yard, Shuguangxili, Chaoyang District, Beijing, China		
Aviva-Cofco Yi Li Asset Management Co Limited	Ordinary	21
Czech Republic		
5/482, Ve Svahu, Prague 4, 147 00, Czech Republic		
AIEREF Renewable Energy s.r.o.	Ordinary	100
Denmark		
Gammel Køge Landevej 57,3. DK-2500 Valby, Denmark		
Galleri K Retail ApS	Unit Trust	100
France		
20 PL Vendôme, Paris 75001, France		
AXA LBO Fund IV Feeder	Private Equity Fund	38
47 Rue du Faubourg Saint-Honoré ,75008, France		
CGU Equilibre	FCP	99
Tour Société Générale 17, Cours Valmy, F- 92987 Paris-La Défense, France		
Lyxor Net Zero 2050 S&P World Climate PAB	UCITS	71
Germany		
Ferdinandstraße 75 · 20095 Hamburg, Germany		
Warburg Global Fixed Income Fund	OEIC	21
Thurn-und-Taxis-Platz 6, 60313, Frankfurt am Main, Germany		
Reschop Carré Hattingen GmbH	Ordinary	95
Reschop Carré Marketing GmbH	Ordinary	100
Guernsey		
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	20
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		
33/34 Sir John Rogerson's Quay, Dublin 2, DO2 HD32, Ireland		
Legal & General ICAV - L&G World Equity Index Fund	OEIC	61
78 Sir John Rogerson's Quay Dublin 2, DO2 HD32, Ireland		
Russell Investment Company plc - Acadian Multi-Asset Absolute Return UCITS	UCITS	44
SPDR FTSE EPRA Europe ex UK Real Estate UCITS ETF	UCITS	21
SSgA GRU Euro Index Equity Fund	Unit Trust	36
State Street IUT Balanced Fund S30	IUT	24
Charlotte House, Charlemont Street, Dublin 2, Ireland		
Mercer Diversified Retirement Fund	OEIC	28
Mercer Multi Asset Defensive Fund	OEIC	21
Mercer Multi Asset Growth Fund	OEIC	34
MGI UK Equity	OEIC	21
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, Ireland		
FPPE Fund Public Limited Company	Ordinary	100

Company name	Share Class[1]	% held
FPPE Private Equity	Private Equity Fund	100
IFSC House, International Financial Services Centre, Dublin, Ireland		
Aviva Investors Euro Liquidity Fund	Liquidity Fund	75
Aviva Investors Sterling Government Liquidity Fund	Liquidity Fund	98
Aviva Investors Sterling Liquidity Fund	Liquidity Fund	82
Aviva Investors Sterling Liquidity Plus Fund	Liquidity Fund	82
Aviva Investors US Dollar Liquidity Fund	Liquidity Fund	100
International House, 3 Harbourmaster Place, D01 K8F1, Dublin 1, Ireland		
Merrion Managed Fund	Unit Trust	59
Merrion Multi-Asset 30 Fund	Unit Trust	94
Merrion Multi-Asset 50 Fund	Unit Trust	94
One Park Place, Hatch Street, Dublin 2, Ireland		
Aviva DB Trustee Company Ireland Designated Activity Company	Ordinary	100
Aviva DC Trustee Company Ireland Designated Activity Company	Ordinary	100
Aviva Direct Ireland Limited	Ordinary	100
Aviva Driving School Ireland Limited	Ordinary	100
Aviva Europe Services	EEIG	100
Aviva Group Services Ireland Limited	Ordinary	100
Aviva Insurance Ireland Designated Activity Company	Ordinary	100
Aviva Life & Pensions Ireland Designated Activity Company	Ordinary	100
Peak Re Designated Activity Company	Ordinary	100

Italy

Company name	Share Class[1]	% held
Via Scarsellini 14, 20161, Milan, Italy		
Aviva Italia Holding S.p.A	Ordinary	100

Jersey

Company name	Share Class[1]	% held
3rd Floor, One The Esplanade, St Helier, JE2 3QA, Jersey		
Crieff Road Limited	Ordinary	100
FF UK Select Limited	Ordinary	100
22 Grenville Street, St. Helier, JE4 8PX, Jersey		
Axa Sun Life Private Equity	Unit Trust	100
Slas Axa Private Equity	Private Equity Fund	100
Gaspé House, 66-72 Esplanade, St Helier, JE1 3PB, Jersey		
1 Fitzroy Place Jersey Unit Trust	Fund	50
2 Fitzroy Place Jersey Unit Trust	Fund	50
10 Station Road Unit Trust	Fund	50
11-12 Hanover Square Unit Trust	Fund	50
20 Gracechurch Unit Trust	Fund	25
20 Station Road Unit Trust	Fund	50
30 Station Road Unit Trust	Fund	50
30-31 Golden Square Unit Trust	Fund	50
50-60 Station Road Unit Trust	Fund	50
Aviva Investors Jersey Unit Trusts Management Limited	Ordinary	100
Barratt House Unit Trust	Fund	50
Bermondsey Yards Unit Trust	Fund	100
CCPF No.4 Unit Trust	Fund	100
Hams Hall Unit Trust	Fund	100
Irongate House Unit Trust	Unit Trust	50
Lime Mayfair Unit Trust	Unit Trust	100
Longcross Jersey Unit Trust	Fund	100
New Broad Street House Unit Trust	Fund	50
Pegasus House and Nuffield House Unit Trust	Fund	50
Southgate Property Unit Trust	Fund	50
The Designer Retail Outlet Centres (Mansfield) Unit Trust	Fund	100
The Designer Retail Outlet Centres Unit Trust	Fund	100
The Designer Retail Outlet Centres (York) Unit Trust	Fund	100
International Financial Centre 5, St Helier, JF1 1ST, Jersey		
Cannock Designer Outlet Unit Trust	Unit Trust	37

Luxembourg

Company name	Share Class[1]	% held
1c, Rue Gabriel Lippmann, L5365, Luxembourg		
Patriarch Classic B&W Global Freestyle	FCP	38
2 Rue du Fort Bourbon, L1249, Luxembourg		
Aviva Investors Alternative Income Solutions SCSP	Fund	100
Aviva Investors Alternative Income Solutions Investments S.A.	Ordinary	100
Aviva Investors Asian Equity Income Fund	SICAV	97
Aviva Investors Climate Transition EUR Infrastructure Fund	SICAV	100
Aviva Investors Climate Transition EUR Real Estate Fund	SICAV	100
Aviva Investors Climate Transition GBP Infrastructure Fund	SICAV	100
Aviva Investors Climate Transition GBP Real Estate Fund	SICAV	100
Aviva Investors Climate Transition Global Credit Fund	SICAV	69
Aviva Investors Climate Transition Global Equity Fund	SICAV	31
Aviva Investors Climate Transition Global Equity Fund	OEIC	75
Aviva Investors E-RELI Danone Sarl	Ordinary	100
Aviva Investors E-RELI Duisburg Sarl	Ordinary	100
Aviva Investors E-RELI Holding Sarl	Ordinary	100
Aviva Investors E-RELI SCSp	Ordinary	100
Aviva Investors E-RELI Stern Sarl	Ordinary	100
Aviva Investors Emerging Markets Bond Fund	SICAV	61
Aviva Investors Emerging Markets Corporate Bond Fund	SICAV	48
Aviva Investors Emerging Markets Equity Income Fund	SICAV	99
Aviva Investors Emerging Markets Equity Small Cap Fund	SICAV	75
Aviva Investors Emerging Markets Local Currency Bond Fund	SICAV	92

Company name	Share Class[1]	% held
Aviva Investors European Corporate Bond Fund	SICAV	31
Aviva Investors European Equity Income Fund	SICAV	96
Aviva Investors Global EUR ReturnPlus Fund	SICAV	62
Aviva Investors Global GBP ReturnPlus Fund	SICAV	93
Aviva Investors Global Convertibles Absolute Return Fund	SICAV	77
Aviva Investors Global Emerging Markets Equity Unconstrained Fund	SICAV	31
Aviva Investors Global Emerging Markets Index Fund	SICAV	78
Aviva Investors Global Equity Endurance Fund	SICAV	29
Aviva Investors Global Equity Unconstrained Fund	SICAV	31
Aviva Investors Global High Yield Bond Fund	SICAV	58
Aviva Investors Global Investment Grade Corporate Bond Fund	SICAV	82
Aviva Investors Luxembourg	Ordinary	100
Aviva Investors Multi-Strategy Target Return Fund	SICAV	49
Aviva Investors Perpetual Capital SCSp SICAV RAIF	Fund	100
Aviva Investors Real Assets Climate Transition Fund	SICAV	100
Galleri K (GP) Sarl	Unit Trust	100
UK Listed Equity High Alpha Fund	SICAV	94
2, Boulevard Konrad Adenauer, L1115 Luxembourg		
Xtrackers II Eurozone Government Bond 15-30 UCITS ETF	SICAV	38
AIDE-Aviva Infrastructure Debt Europe I S.A.	Fund	100
AIESIC - Aviva Investors European Secondary Infrastructure Credit SV S.A	Fund	67
3 rue des Labours, L-1912 Luxembourg		
HASPA TRENDKONZEPT-V (HASTRDV)	Ordinary	53
4, Rue Albert Borschette, L-1246, Luxembourg		
MFS Meridian Funds - Continental European Equity Fund	SICAV	32
5, Rue Heienhaff, L1736 Senningerberg, Luxembourg		
Robeco QI Global Multi-Factor Bonds	SICAV	69
16 Avenue de la Gare, L1610, Luxembourg		
AFRP Sarl	Ordinary	100
AIEREF Holding 1	Ordinary	100
AIEREF Holding 2	Ordinary	100
Aviva Investors Alternative Income Solutions General Partner S.à r.l.	Ordinary	100
Aviva Investors EBC S.à r.l.	Ordinary	100
Aviva Investors E-RELI (GP) SARL	Ordinary	100
Aviva Investors European Renewable Energy S.A.	Ordinary	100
Aviva Investors Luxembourg Services S.à r.l.	Ordinary	100
Aviva Investors Perpetual Capital (GP) SARL	Ordinary	100
Hexagone S.à r.l.	Ordinary	100
Sapphire Ile de France 1 S.à.r.l.	Ordinary	100

Company name	Share Class[1]	% held
Sapphire Ile de France 2 S.à r.l.	Ordinary	100
Victor Hugo 1 S.à r.l.	Ordinary	100
24-26, Avenue de la Liberte, L1930 Luxembourg		
Greenman Open Fund	SICAV	64
28 Boulevard D'Avranches, L1160, Luxembourg		
Goodman European Business Park Fund (Lux) S.àr.l.	Ordinary	50
46a Avenue John F Kennedy, L1855, Luxembourg		
Aviva Investors Polish Retail S.à r.l.	Ordinary	100
Centaurus CER (Aviva Investors) Sarl	Ordinary	100
Allspring Asset Management Luxembourg S.A., 19, rue de Bitbourg L-1273, Luxembourg		
Allspring (Lux) Worldwide Fund - Global Small Cap Equity Fund	SICAV	66
Schenkkade 65, 2595 AS, Den Haag, Luxembourg		
NN (L) Alternative Beta	SICAV	21
Netherlands		
Archimedeslaan 10, 3584 BA Utrecht, Netherlands		
ASR Separate Account Mortgage Fund Open Ended	OEIC	98
Norway		
1383 Asker, C/O TMF Norway AS Hagaløkkveien 26, Norway		
Aviva Investors E-RELI Norway Holding AS	Ordinary	100
Kongsgard Alle 20 AS	Ordinary	100
Poland		
Al Jana Pawla II 25, 00-854, Warsaw, Poland		
Wroclaw BC sp. z.o.o	Ordinary	100
Inflancka 4b, 00-189, Warsaw, Poland		
Aviva Services Spółka z ograniczoną odpowiedzialnością	Ordinary	100
Plac Piłsudskiego 1 Warszawa, MAZOWIECKIE, 00-078 Poland		
Focus Mall Zielona Gora Sp zoo	Unit Trust	100
Focus Park Piotrkow Trybunalski Sp zoo	Unit Trust	100
PBC Lodz SP zoo	Unit Trust	100
PBC Wroclaw Sp zoo	Unit Trust	100
Singapore		
1 Raffles Quay, #27-13, South Tower, 048583, Singapore		
Aviva Investors Asia Pte. Limited	Ordinary	100
4 Shenton Way, 01 SGX Centre 2, 068807, Singapore		
Aviva Limited	Ordinary	26
Aviva SingLife Pte. Limited	Ordinary	26
6 Temasek Boulevard, #29-00 Suntec Tower Four, 038986, Singapore		
Aviva Asia Management Pte. Limited	Ordinary	100
Aviva Global Services (Management Services) Private Limited	Ordinary	100
83 Clemenceau Avenue, #11-01 UE Square, 239920, Singapore		
Aviva Singlife Holdings Pte. Limited	Ordinary	26
Spain		
1D, 13 Edificio América Av. de Bruselas, 28108, Alcobendas, Madrid, Spain		
Eólica Almatret S.L.	Ordinary	50

Company name	Share Class[1]	% held
Switzerland		
Leutschenbachstrasse 45, 8050 Zurich, Switzerland		
Aviva Investors Schweiz GmbH	Ordinary	100
United Kingdom		
1 Filament Walk, Suite 203, London, SW18 4GQ, United Kingdom		
Freetricity South East Limited	Ordinary	100
1 London Wall Place, London EC2Y 5AU		
Schroder QEP US Core Fund	Unit Trust	45
5 Lister Hill, Horsforth, Leeds, LS18 5AZ		
Aspire Financial Management Limited	Ordinary	47
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
Tenet Mortgage Solutions	Ordinary	47
TenetConnect Limited	Ordinary	47
TenetLime Limited	Ordinary	47
TenetConnect Services Limited	Ordinary	47
4th Floor, New London House, 6 London Street, London, EC3R 7LP, United Kingdom		
Polaris U.K. Limited	Ordinary	39
6th Floor Quartermile 4, 7a Nightingale Way, Edinburgh, EH3 9EG, United Kingdom		
F C European Capital Partners	Fund	29
7 Lochside View, Edinburgh, EH12 9DH, United Kingdom		
Criterion Tec Holdings Limited	Ordinary	23
Criterion Tec Limited	Ordinary	23
Origo Services Limited	Ordinary	22
8 Surrey Street, Norwich, Norfolk, NR1 3NG, United Kingdom		
Aviva Central Services UK Limited	Ordinary	100
Aviva Health UK Limited	Ordinary	100
Aviva Insurance UK Limited	Ordinary	100
Aviva UKGI Investments Limited	Ordinary	100
Gresham Insurance Company Limited	Ordinary	100
Healthcare Purchasing Alliance Limited	Ordinary	50
London and Edinburgh Insurance Company Limited	Ordinary	100
RAC Pension Trustees Limited	Ordinary	100
Solus (London) Limited	Ordinary	100
Synergy Sunrise (Broadlands) Limited	Ordinary	100
12 Throgmorton Avenue, London EC2N 2DL, United Kingdom		
BlackRock Market Advantage Fund	Unit Trust	55
BlackRock Sterling Short Duration Credit Fund	Unit Trust	100
ACS WLD ESG INSIGHTS EQ-X1GA	OEIC	89

Company name	Share Class[1]	% held
22 Bishopsgate, London, EC3A 6HX, United Kingdom		
AXA Ethical Distribution Fund	OEIC	33
AXA Rosenberg American Fund	OEIC	97
AXA Rosenberg Asia Pacific ex Japan Fund	OEIC	95
AXA Rosenberg Global Fund	OEIC	93
AXA Rosenberg Japan Fund	OEIC	95
2nd Floor, 36 Broadway, London, SW1H 0BH, United Kingdom		
Fred. Olsen CBH Limited	Ordinary	49
50 Lothian Road, Festival Square, Edinburgh, EH3 9WJ1, United Kingdom		
Asl Infrastructure Equity Npv	Private Equity Fund	100
50 Stratton Street, London W1J , United Kingdom		
Lazard Multicap UK Income Fund	OEIC	49
57-59 St James's Street, London SW1A 1LD, United Kingdom		
Artemis UK Special Situations Fund	Unit Trust	25
15th Floor, 140 London Wall, EC2Y 5DN, United Kingdom		
Houghton Regis Management Company Limited	Ordinary	33
180 Great Portland Street, London, W1W 5QZ, United Kingdom		
Quantum Property Partnership (General Partner) Limited	Ordinary	50
Quantum Property Partnership (Nominee) Limited	Ordinary	50
BMO Fund Management Limited, PO Box 9040, Chelmsford, Essex, CM99 2XH, United Kingdom		
BMO Emerging Markets Equity Fund	OEIC	45
BMO Global Total Return Bond (GBP Hdg) Fund	OEIC	31
c/o Harper MacLeod LLP, The Cadoro, 45 Gordon Street, Glasgow, G1 3PE, United Kingdom		
Brockloch Rig Windfarm Limited	Ordinary	49
Crystal Rig III Limited	Ordinary	49
c/o James Fletcher, Mainstay, Whittington Hall, Whittington Road, Worcester, England, WR5 2ZX, United Kingdom		
Aviva Investors GR SPV 1 Limited	Ordinary	100
Aviva Investors GR SPV 2 Limited	Ordinary	100
Aviva Investors GR SPV 3 Limited	Ordinary	100
Aviva Investors GR SPV 4 Limited	Ordinary	100
Aviva Investors GR SPV 5 Limited	Ordinary	100
Aviva Investors GR SPV 6 Limited	Ordinary	100
Aviva Investors GR SPV 7 Limited	Ordinary	100
Aviva Investors GR SPV 8 Limited	Ordinary	100
Aviva Investors GR SPV 9 Limited	Ordinary	100
Aviva Investors GR SPV 10 Limited	Ordinary	100
Aviva Investors GR SPV 11 Limited	Ordinary	100
Aviva Investors GR SPV 12 Limited	Ordinary	100
Aviva Investors GR SPV 13 Limited	Ordinary	100
Aviva Investors GR SPV 14 Limited	Ordinary	100
Aviva Investors GR SPV 15 Limited	Ordinary	100
Aviva Investors GR SPV 16 Limited	Ordinary	100
Aviva Investors GR SPV 17 Limited	Ordinary	100

Company name	Share Class[1]	% held
Calton Square, 1 Greenside Row, Edinburgh EH1 3AN, United Kingdom		
Baillie Gifford UK Equity Core Fund	OEIC	22
Baillie Gifford International Fund	OEIC	22
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	50
Exchange House, Primrose Street, London EC2A 2NY, United Kingdom		
BMO Diversified Growth Fund	SICAV	94
BMO European Growth & Income Fund	SICAV	99
BMO Global Total Return Bond Fund	SICAV	74
BMO Multi-Strategy Global Equity Fund	OEIC	96
BMO North American Equity Fund	OEIC	29
Legal & General (Unit Trust Managers) Limited PO Box 6080 Wolverhampton WV1 9RB, United Kingdom		
L&G MULTI-INDEX EUR III-NEA	OEIC	100
L&G MULTI-INDEX EUR IV-NEA	OEIC	100
L&G MULTI-INDEX EUR V-NEA	OEIC	100
Liontrust Fund Partners LLP, 2 Savoy Court, London WC2R 0EZ, United Kingdom		
Liontrust Sustainable Future Corporate Bond Fund	OEIC	27
Liontrust Sustainable Future European Growth Fund	OEIC	30
Liontrust Sustainable Future Global Growth Fund	OEIC	20
Liontrust Sustainable Future Managed Fund	OEIC	40
Liontrust Sustainable Future Managed Growth Fund	OEIC	27
Liontrust Sustainable Future UK Growth Fund	OEIC	24
Liontrust UK Ethical Fund	OEIC	48
Nations House 3rd Floor, 103 Wigmore Street, London W1U 1QS, United Kingdom		
Cannock Consortium LLP	Fund	43
Cannock Designer Outlet (GP Holdings) Limited	Ordinary	43
Cannock Designer Outlet (GP) Limited	Ordinary	43
Cannock Designer Outlet LP	Fund	37
Cannock Designer Outlet (Nominee 1) Limited	Ordinary	43
Cannock Designer Outlet (Nominee 2) Limited	Ordinary	43
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		
AICT Real Estate (Curtain House) General Partner Limited	Ordinary	100

Company name	Share Class[1]	% held
AICT Real Estate (Curtain House) Limited Partnership	Fund	100
Aviva (Peak No.1) UK Limited	Ordinary	100
Aviva Insurance Limited	Ordinary	100
Aviva Investors (FP) Limited	Ordinary	100
Aviva Investors (GP) Scotland Limited	Ordinary	100
Aviva Investors Climate Transition GBP Real Estate General Partner Limited	Ordinary	100
Aviva Investors Climate Transition GBP Real Estate Limited Partnership	Fund	100
General Accident plc	Ordinary	100
Medium Scale Wind No.2 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		
1 Fitzroy Place Limited Partnership	Fund	50
1 Liverpool Street GP Limited	Ordinary	100
1 Liverpool Street Nominee 1 Limited	Ordinary	100
1 Liverpool Street Nominee 2 Limited	Ordinary	100
2 Fitzroy Place Limited Partnership	Fund	50
2-10 Mortimer Street (GP No 1) Limited	Ordinary	50
2-10 Mortimer Street GP Limited	Ordinary	50
2-10 Mortimer Street Limited Partnership	Fund	50
10 Station Road LP	Fund	50
10 Station Road Nominee 1 Limited	Ordinary	100
10 Station Road Nominee 2 Limited	Ordinary	100
10-11 GNS Limited	Ordinary	100
11-12 Hanover Square LP	Fund	50
11-12 Hanover Square Nominee 1 Limited	Ordinary	50
11-12 Hanover Square Nominee 2 Limited	Ordinary	50
20 Gracechurch (General Partner) Limited	Ordinary	50
20 Gracechurch Limited Partnership	Fund	50
20 Station Road LP	Fund	50
20 Station Road Nominee 1 Limited	Ordinary	100
20 Station Road Nominee 2 Limited	Ordinary	100
30 Station Road LP	Fund	50
30 Station Road Nominee 1 Limited	Ordinary	100
30 Station Road Nominee 2 Limited	Ordinary	100
30-31 Golden Square Limited Partnership	Fund	50
30-31 Golden Square Nominee 1 Limited	Ordinary	50
30-31 Golden Square Nominee 2 Limited	Ordinary	50
41-42 Lowndes Square Management Company Limited	Ordinary	75
50-60 Station Road LP	Fund	50
50-60 Station Road Nominee 1 Limited	Ordinary	100
50-60 Station Road Nominee 2 Limited	Ordinary	100

Company name	Share Class[1]	% held
130 Fenchurch Street General Partner Limited	Ordinary	100
130 Fenchurch Street LP	Fund	100
130 Fenchurch Street Nominee 1 Limited	Ordinary	100
130 Fenchurch Street Nominee 2 Limited	Ordinary	100
101 Moorgate GP Limited	Ordinary	100
101 Moorgate Nominee 1 Limited	Ordinary	100
101 Moorgate Nominee 2 Limited	Ordinary	100
2015 Sunbeam Limited	Ordinary	100
AICT GBP Real Estate (Telford) Limited	Ordinary	100
Ascot Real Estate Investments GP LLP	Fund	50
Ascot Real Estate Investments LP	Fund	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 UK Societas	Ordinary	100
Aviva Group Holdings Limited	Ordinary	100
Aviva Insurance Services UK Limited	Ordinary	100
Aviva International Holdings Limited	Ordinary	100
Aviva International Insurance Limited	Ordinary	100
Aviva Investors 30 70 Global Eq Ccy Hedged Ind Fund	OEIC	100
Aviva Investors 40 Spring Gardens (General Partner) Limited	Ordinary	100
Aviva Investors Climate Transition Global Equity Fund	OEIC	76
Aviva Investors Climate Transition Real Assets Fund	OEIC	100
Aviva Investors Commercial Assets GP Limited	Ordinary	100
Aviva Investors Commercial Assets Nominee Limited	Ordinary	100
Aviva Investors Continental Euro Equity Index Fund	OEIC	100
Aviva Investors Developed World Ex UK Equity Index Fund	OEIC	100
Aviva Investors EBC GP Limited	Ordinary	100
Aviva Investors Energy Centres No.1 GP Limited	Ordinary	100
Aviva Investors Energy Centres No.1 Limited Partnership	Fund	100
Aviva Investors Funds ACS AI ASIA PACIFIC EX JAPAN FUND	OEIC	100
Aviva Investors Funds ACS AI BALANCED LIFE FUND	OEIC	100
Aviva Investors Funds ACS AI BALANCED PENSION FUND	OEIC	100
Aviva Investors Funds ACS AI CAUTIOUS PENSION FUND	OEIC	100
Aviva Investors Funds ACS AI Continental European Equity Alpha Fund	OEIC	100

Company name	Share Class[1]	% held
Aviva Investors Funds ACS AI DISTRIBUTION LIFE FUND	OEIC	100
Aviva Investors Funds ACS AI EUROPE EQUITY EX UK FUND	OEIC	100
Aviva Investors Funds ACS AI GLOBAL EQUITY ALPHA FUND	OEIC	100
Aviva Investors Funds ACS AI GLOBAL EQUITY FUND	OEIC	100
Aviva Investors Funds ACS AI Index Linked Gilt Fund	OEIC	100
Aviva Investors Funds ACS AI Japan Equity Alpha Fund	OEIC	100
Aviva Investors Funds ACS AI JAPAN EQUITY FUND	OEIC	89
Aviva Investors Funds ACS AI MONEY MARKET VNAV FUND	OEIC	99
Aviva Investors Funds ACS AI NORTH AMERICAN EQUITY FUND	OEIC	100
Aviva Investors Funds ACS AI Pre-Annuity Fixed Interest Fund	OEIC	100
Aviva Investors Funds ACS AI STERLING CORPORATE BOND FUND	OEIC	100
Aviva Investors Funds ACS AI STERLING GILT FUND	OEIC	100
Aviva Investors Funds ACS AI STEWARDSHIP FIXED INTEREST FUND	OEIC	99
Aviva Investors Funds ACS AI STEWARDSHIP INTERNATIONAL EQUITY FUND	OEIC	99
Aviva Investors Funds ACS AI STEWARDSHIP UK EQUITY FUND	OEIC	99
Aviva Investors Funds ACS AI STEWARDSHIP UK EQUITY INCOME FUND	OEIC	96
Aviva Investors Funds ACS AI STRATEGIC GLOBAL EQUITY FUND	OEIC	100
Aviva Investors Funds ACS AI UK Equity Alpha Fund	OEIC	92
Aviva Investors Funds ACS AI UK Equity Dividend Fund	OEIC	100
Aviva Investors Funds ACS AI UK EQUITY FUND	OEIC	100
Aviva Investors Funds ACS AI UK EQUITY INCOME FUND	OEIC	100
Aviva Investors Funds ACS AI US LARGE CAP EQUITY FUND	OEIC	100
Aviva Investors Global Emerging Markets Equity Unconstrained Fund	OEIC	79
Aviva Investors Global Equity Endurance Fund	OEIC	98
Aviva Investors Global Equity Unconstrained Fund	OEIC	93
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 High Yield Bond Fund	OEIC	54
Aviva Investors Holdings Limited	Ordinary	100
Aviva Investors Infrastructure GP Limited	Ordinary	100
Aviva Investors Infrastructure Income B Limited	Ordinary	100

Company name	Share Class[1]	% held
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
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.6a1 Limited	Ordinary	100
Aviva Investors Infrastructure Income No.6B Limited	Ordinary	32
Aviva Investors Infrastructure Income No.6c Limited	Ordinary	100
Aviva Investors Infrastructure Income No.6c1 Limited	Ordinary	59
Aviva Investors Infrastructure Income No.7 Limited	Ordinary	64
Aviva Investors Infrastructure Income No.8 Limited	Ordinary	100
Aviva Investors Investment Funds ICVC Aviva Investors Corporate Bond Fund	OEIC	96
Aviva Investors Investment Funds ICVC Aviva Investors Global Equity Income Fund	OEIC	70
Aviva Investors Investment Funds ICVC Aviva Investors International Index Tracking Fund	OEIC	76
Aviva Investors Investment Funds ICVC Aviva Investors Managed High Income Fund	OEIC	64
Aviva Investors Investment Funds ICVC Aviva Investors Strategic Bond Fund	OEIC	41
Aviva Investors Investment Funds ICVC Aviva Investors UK Equity Income Fund	OEIC	50
Aviva Investors Investment Funds ICVC Aviva Investors UK Index Tracking Fund	OEIC	69
Aviva Investors Manager of Manager ICVC (ICVC2) Aviva Investors Japan Equity MoM 1 Fund	OEIC	100
Aviva Investors Multi-asset Plus II Fund	OEIC	31
Aviva Investors Multi-asset Plus V Fund	OEIC	34
Aviva Investors Multi-Strategy Target Return Fund	OEIC	56
Aviva Investors Non-Gilt Bond Up to 5 Yrs Index Fund	OEIC	100
Aviva Investors North American Equity Index Fund	OEIC	94
Aviva Investors Pacific Ex Japan Equity Index Fund	OEIC	100
Aviva Investors Passive Funds ACS AI 40 60 GLOBAL EQUITY INDEX FUND	OEIC	100
Aviva Investors Passive Funds ACS AI 50 50 GLOBAL EQUITY INDEX FUND	OEIC	100

Company name	Share Class[1]	% held
Aviva Investors Passive Funds ACS AI 60 40 GLOBAL EQUITY INDEX FUND	OEIC	100
Aviva Investors Passive Funds ACS AI DEVELOPED ASIA PACIFIC EX JAPAN EQUITY INDEX FUND	OEIC	100
Aviva Investors Passive Funds ACS AI DEVELOPED EUROPEAN EX UK EQUITY INDEX FUND	OEIC	100
Aviva Investors Passive Funds ACS AI DEVELOPED OVERSEAS GOVERNMENT BOND (EX UK) INDEX FUND	OEIC	100
Aviva Investors Passive Funds ACS AI INDEX-LINKED GILTS OVER 5 YEARS INDEX FUND	OEIC	100
Aviva Investors Passive Funds ACS AI JAPANESE EQUITY INDEX FUND	OEIC	95
Aviva Investors Passive Funds ACS AI MULTI-ASSET (40-85% SHARES) INDEX FUND	OEIC	100
Aviva Investors Passive Funds ACS AI NON-GILT BOND ALL STOCKS INDEX FUND	OEIC	100
Aviva Investors Passive Funds ACS AI NON-GILT BOND OVER 15 YEARS INDEX FUND	OEIC	100
Aviva Investors Passive Funds ACS AI UK GILTS ALL STOCKS INDEX FUND	OEIC	100
Aviva Investors Passive Funds ACS AI UK GILTS OVER 15 YEARS INDEX FUND	OEIC	100
Aviva Investors Pensions Limited	Ordinary	100
AVIVA INVESTORS PIP SOLAR PV (GENERAL PARTNER) LIMITED	Ordinary	100
Aviva Investors PIP Solar PV Limited Partnership	Fund	100
AVIVA INVESTORS PIP SOLAR PV NO.1 LIMITED	Ordinary	100
AVIVA INVESTORS POLISH RETAIL GP LIMITED	Ordinary	100
Aviva Investors Polish EBC LP	Fund	100
Aviva Investors Polish Retail LP	Fund	100
Aviva Investors Portfolio Funds ICVC Aviva Investors Multi-asset Fund III	OEIC	48
Aviva Investors Portfolio Funds ICVC Aviva Investors Multi-asset Fund IV	OEIC	33
Aviva Investors Portfolio Funds ICVC Aviva Investors Multi-Manager 20-60% Shares Fund	OEIC	81
Aviva Investors Portfolio Funds ICVC Aviva Investors Multi-Manager 40-85% Shares Fund	OEIC	79
Aviva Investors Portfolio Funds ICVC Aviva Investors Multi-Manager Flexible Fund	OEIC	80
Aviva Investors Property Funds ICVC Aviva Investors European Property Fund	OEIC	73
Aviva Investors Property Fund Management Limited	Ordinary	100
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	Ordinary	100
Aviva Investors Stewardship FixedInt Feeder Fund	OEIC	95

Company name	Share Class[1]	% held
Aviva Investors Stewardship Int'l Eq Feeder Fund	OEIC	99
Aviva Investors Stewardship UK Eq Feeder Fund	OEIC	99
Aviva Investors Stewardship UK EqInc Feeder Fund	OEIC	99
Aviva Investors Sustainable Income & Growth Fund	OEIC	84
Aviva Investors UK CRESD GP Limited	Ordinary	100
Aviva Investors UK Eq Ex Aviva Inv Trusts Index Fund	OEIC	100
Aviva Investors UK Fund Services Limited	Ordinary	100
Aviva Investors UK Gilts Up to 5 Years Index Fund	OEIC	100
Aviva Investors UK Listed Equity Ex Tobacco Fund	OEIC	100
Aviva Investors UK Listed Equity Fund	OEIC	100
Aviva Investors UK Listed Equity Income Fund	OEIC	51
Aviva Investors UK Listed High Alpha Fund	OEIC	87
Aviva Overseas Holdings Limited	Ordinary	100
Aviva Public Private Finance Limited	Ordinary	100
Aviva Special PFI GP Limited	Ordinary	100
Aviva Special PFI Limited Partnership	Fund	100
Aviva Staff Pension Trustee Limited	Ordinary	100
Aviva UK Digital Limited	Ordinary	100
Aviva UKLAP De-risking Limited	Ordinary	100
Axcess 10 Management Company Limited	Company Limited by Guarantee	100
Barratt House LP	Fund	50
Barratt House Nominee 1 Limited	Ordinary	50
Barratt House Nominee 2 Limited	Ordinary	50
Barwell Business Park Nominee Limited	Ordinary	100
Bermondsey Yards General Partner Limited	Ordinary	100
Bermondsey Yards Limited Partnership	Fund	100
Bermondsey Yards Nominee 1 Limited	Ordinary	100
Bermondsey Yards Nominee 2 Limited	Ordinary	100
Bersey Warehouse Nominee 1 Limited	Ordinary	100
Bersey Warehouse 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	100
Biomass UK No.4 Limited	Ordinary	100
Boston Biomass Limited	Ordinary	100
Boston Wood Recovery Limited	Ordinary	100
Building a Future (Newham Schools) Limited	Ordinary	100
Cara Renewables Limited	Ordinary	100
CCPF No.4 LP	Fund	100
CGU International Holdings BV	Ordinary	100
Chesterford Park (General Partner) Limited	Ordinary	100

Company name	Share Class[1]	% held
Chesterford Park (Nominee) Limited	Ordinary	100
Chesterford Park Limited Partnership	Fund	50
Commercial Union Corporate Member Limited	Ordinary	100
Commercial Union Life Assurance Company Limited	Ordinary	100
Den Brook Energy Limited	Ordinary	100
Digital Garage Nominee 1 Limited	Ordinary	100
Digital Garage Nominee 2 Limited	Ordinary	100
EES Operations 1 Limited	Ordinary	100
Electric Avenue Limited	Ordinary	100
Fitzroy Place GP 2 Limited	Ordinary	50
Fitzroy Place Management Co Limited	Ordinary	50
Fitzroy Place Residential Limited	Ordinary	50
Free Solar (Stage 2) Limited	Ordinary	100
GES Solar2 Limited	Ordinary	100
GES Solar3 Limited	Ordinary	100
Gobafoss General Partner Limited	Ordinary	100
Gobafoss Partnership Nominee No 1 Limited	Ordinary	100
Heath Farm Energy Limited	Ordinary	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
Igloo Regeneration Developments LP	Fund	20
Igloo Regeneration LP	Fund	20
Igloo Regeneration Property Unit Trust	Unit Trust	50
Irongate House LP	Fund	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	Fund	100
Lime Property Fund (Nominee) Limited	Ordinary	100
Lombard (London) 1 Limited	Ordinary	100
Lombard (London) 2 Limited	Ordinary	100
Longcross General Partner Limited	Ordinary	100
Longcross Limited Partnership	Fund	100
Longcross Nominee 1 Limited	Ordinary	100
Longcross Nominee 2 Limited	Ordinary	100
Mamhilad Solar Limited	Ordinary	100
Medium Scale Wind No.1 Limited	Ordinary	100
Minnygap Energy Limited	Ordinary	100
Mortimer Street Associated Co 1 Limited	Ordinary	50
Mortimer Street Associated Co 2 Limited	Ordinary	50
Mortimer Street Nominee 1 Limited	Ordinary	50
Mortimer Street Nominee 2 Limited	Ordinary	50

Company name	Share Class[1]	% held
Mortimer Street Nominee 3 Limited	Ordinary	50
NCH Solar1 Limited	Ordinary	100
New Broad Street House LP	Fund	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 Public Private Partnership Fund	Fund	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
Pegasus House and Nuffield House LP	Fund	50
Pegasus House and Nuffield House Nominee 1 Limited	Ordinary	50
Pegasus House and Nuffield House Nominee 2 Limited	Ordinary	50
Porth Teigr Management Company Limited	Ordinary	50
Quarryvale One Limited	Ordinary	100
RDF Energy No.1 Limited	Ordinary	57
Renewable Clean Energy 3 Limited	Ordinary	100
RENEWABLE CLEAN ENERGY LIMITED	Ordinary	100
Riley Factory Nominee 1 Limited	Ordinary	100
Riley Factory Nominee 2 Limited	Ordinary	100
Rugby Radio Station (General Partner) Limited	Ordinary	50
Rugby Radio Station Limited Partnership	Fund	50
Rugby Radio Station (Nominee) Limited	Ordinary	50
Solar Clean Energy Limited	Ordinary	100
Southgate General Partner Limited	Ordinary	50

Company name	Share Class[1]	% held
Southgate LP (Nominee 1) Limited	Ordinary	50
Southgate LP (Nominee 2) Limited	Ordinary	50
Spire Energy Limited	Ordinary	100
Station Road Cambridge LP	Fund	55
Station Road General Partner LLP	LLP	100
Stonebridge Cross Management Limited	Company Limited by Guarantee	100
SUE Developments Limited Partnership	Fund	50
SUE GP LLP	LLP	50
SUE GP Nominee Limited	Ordinary	50
Swan Valley Management Limited	Ordinary	100
The Designer Retail Outlet Centres (Mansfield) General Partner Limited	Ordinary	100
The Designer Retail Outlet Centres (Mansfield) Limited Partnership	Fund	97
The Designer Retail Outlet Centres (York) General Partner Limited	Ordinary	100
The Designer Retail Outlet Centres (York) Limited Partnership	Fund	97
The Ocean Marine Insurance Company Limited	Ordinary	100
The Rutherford Nominee 1 Limited	Ordinary	100
The Rutherford Nominee 2 Limited	Ordinary	100
The Southgate Property Limited Partnership	Fund	50
The Square Brighton Limited	Ordinary	100
Turncole Wind Farm Limited	Ordinary	100
Tyne Assets (No 2) Limited	Ordinary	100
Tyne Assets Limited	Ordinary	100
Undershaft Limited	Ordinary	100
Welsh Insurance Corporation Limited/The	Ordinary	100
Westcountry Solar Solutions Limited	Ordinary	100
Woolley Hill Electrical Energy Limited	Ordinary	100
WR 11 Solar Limited	Ordinary	100
Yorkshire Insurance Company Limited /The	Ordinary	100
Swan Court Waterman's Business Park, Kingsbury Crescent, Staines, Surrey, TW18 3BA, United Kingdom		
Healthcode Limited	Ordinary	20
Tec Marina Terra Nova Way, Penarth, Cardiff, Wales, CF64 1SA, United Kingdom		
Wealthify Group Limited	Ordinary	100
Wealthify Limited	Ordinary	100
The Green, Easter Park, Benyon Road, Reading, RG7 2P, United Kingdom		
ANESCO Mid Devon Limited	Ordinary	100
ANESCO South West Limited	Ordinary	100
Free Solar (Stage 1) Limited	Ordinary	100
Homesun 2 Limited	Ordinary	100
Homesun 3 Limited	Ordinary	100
Homesun 4 Limited	Ordinary	100
Homesun 5 Limited	Ordinary	100
Homesun Limited	Ordinary	100

Company name	Share Class[1]	% held
New Energy Residential Solar Limited	Ordinary	100
Norton Energy SLS Limited	Ordinary	100
TGHC Limited	Ordinary	100
Wellington Row, York, YO90 1WR, United Kingdom		
Aviva (Peak No.2) UK Limited	Ordinary	100
Aviva Administration Limited	Ordinary	100
Aviva Client Nominees UK Limited	Ordinary	100
Aviva Equity Release UK Limited	Ordinary	100
Aviva ERFA 15 UK Limited	Ordinary	100
Aviva Investment Solutions UK Limited	Ordinary	100
Aviva Life & Pensions UK Limited	Ordinary	100
Aviva Life Holdings UK Limited	Ordinary	100
Aviva Life Investments International (General Partner) Limited	Ordinary	100
Aviva Life Investments International (Recovery) Limited	Ordinary	100
Aviva Life Services UK Limited	Ordinary	100
Aviva Management Services UK Limited	Ordinary	100
Aviva Pension Trustees UK Limited	Ordinary	100
Aviva Savings Limited	Ordinary	100
Aviva Trustees UK Limited	Ordinary	100
Aviva Wrap UK Limited	Ordinary	100
Bankhall Support Services Limited	Ordinary	100
CGNU Life Assurance Limited	Ordinary	100
Friends AELRIS Limited	Ordinary	100
Friends AEL Trustees Limited	Ordinary	100
Friends AELLAS Limited	Ordinary	100
Friends Provident Pension Scheme Trustees 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
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

Company name	Share Class[1]	% held
Friends SL Nominees Limited	Ordinary	100
Friends SLUA Limited	Ordinary	100
Gateway Specialist Advice Services Limited	Ordinary	100
Lancashire and Yorkshire Reversionary Interest Company Limited /The	Ordinary	100
London and Manchester Group Limited	Ordinary	100
Premier Mortgage Service Limited	Ordinary	100
Sesame Bankhall Group Limited	Ordinary	100
Sesame Bankhall Valuation Services Limited	Ordinary	75
Sesame General Insurance Services Limited	Ordinary	100
Sesame Limited	Ordinary	100
Sesame Regulatory Services Limited	Ordinary	100
Sesame Services Limited	Ordinary	100
Suntrust Limited	Ordinary	100
Undershaft (NULLA) Limited	Ordinary	100
Undershaft FAL Limited	Ordinary	100
Undershaft FPLLA Limited	Ordinary	100
Undershaft SLPM Limited	Ordinary	100
Voyager Park South Management Company Limited	Ordinary	52
Wealth Limited	Ordinary	100
United States		
1209 Orange Street, Wilmington DE 19801, United States		
Aviva Investors Americas LLC	Sole Member	100
2222 Grand Avenue, Des Moines IA 50312, United States		
Aviva Investors North America Holdings, Inc	Common	100
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		
Exeter Properties Inc.	Common Stock	95
Winslade Investments Inc.	Common Stock	100

1 Definitions:
- 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')

2 Please see accounting policies (D) Consolidation principles, for further details on Joint Ventures and the factors on which joint management is based.

63 – Subsequent events

On 1 March 2022, Aviva plc approved a proposed capital return of £3.75 billion to the holders of its ordinary shares by way of a B share scheme, subject to approval at a general meeting of the Shareholders which is expected to be held on 9 May 2022 and customary conditions including no material deterioration in market conditions or the financial position of the Company[1]. The B share scheme involves the bonus issue of new B shares to holders of ordinary shares at the record time which the Company will subsequently redeem for cash. To maintain comparability between the market price for Aviva ordinary shares before and after implementation of the B share scheme, it is proposed that the B share scheme will be accompanied by a share consolidation. Full details of the B share scheme and the share consolidation will be set out in the circular which the Company expects to publish on or about 4 April 2022. The proposed capital return will reduce IFRS net asset value and Solvency II own funds by £3.75 billion.

For details of subsequent events relating to acquisitions see note 3(f).

1 There are important notices relating to the B Share Scheme set out in the Chief Financial Officer's report within the Strategic Report. Please read those notices in full in order to obtain a comprehensive understanding of the Company's proposals.

Financial statements of the company

Income statement

For the year ended 31 December 2021

	Note	2021 £m	2020 £m
Income			
Net investment income	A	**7,875**	192
		7,875	192
Expenses			
Operating expenses	B	**(379)**	(251)
Finance costs	C	**(492)**	(500)
		(871)	(751)
Profit/(loss) for the year before tax		**7,004**	(559)
Tax credit	D	**136**	116
Profit/(loss) for the year after tax		**7,140**	(443)

Statement of comprehensive income

For the year ended 31 December 2021

	2021 £m	2020 £m
Profit/(loss) for the year	**7,140**	(443)
Remeasurements of pension schemes	**3**	(1)
Other comprehensive income/(expense), net of tax	**3**	(1)
Total comprehensive income/(expense) for the year	**7,143**	(444)

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 2021

	Note	Ordinary share capital £m	Preference share capital £m	Share premium £m	Capital redemption reserve £m	Merger reserve £m	Equity compensation reserve £m	Retained earnings £m	Direct capital instrument £m	Total equity £m
Balance at 1 January		**982**	**200**	**1,242**	**44**	**6,438**	**106**	**3,235**	**—**	**12,247**
Profit for the year		—	—	—	—	—	—	7,140	—	7,140
Other comprehensive income		—	—	—	—	—	—	3	—	3
Total comprehensive income for the year		—	—	—	—	—	—	7,143	—	7,143
Dividends and appropriations	15	—	—	—	—	—	—	(1,127)	—	(1,127)
Reserves credit for equity compensation plans	33	—	—	—	—	—	24	—	—	24
Shares issued under equity compensation plans	32	1	—	6	—	—	(29)	3	—	(19)
Shares purchased in buyback	32	(42)	—	—	42	—	—	(663)	—	(663)
Balance at 31 December		**941**	**200**	**1,248**	**86**	**6,438**	**101**	**8,591**	**—**	**17,605**

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	15	—	—	—	—	—	—	(280)	—	(280)
Reserves credit for equity compensation plans	33	—	—	—	—	—	37	—	—	37
Shares issued under equity compensation plans	32	2	—	3	—	—	(51)	46	—	—
Reclassification of DCI to financial liabilities[1]	32	—	—	—	—	—	—	1	(500)	(499)
Forfeited dividend income	H	—	—	—	—	—	—	2	—	2
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.

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 2021

	Note	2021 £m	2020 £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	**4,461**	3,791
Deferred tax assets	G	**12**	9
Current tax assets	G	**137**	108
		36,521	35,819
Current assets			
Receivables and other financial assets	F	**245**	812
Prepayments and accrued income		**54**	20
Cash and cash equivalents		**702**	191
Total assets		**37,522**	36,842
Equity			
Ordinary share capital	32	**941**	982
Preference share capital	35	**200**	200
Called up capital		**1,141**	1,182
Share premium	32(b)	**1,248**	1,242
Capital redemption reserve	32(b)	**86**	44
Merger reserve	H	**6,438**	6,438
Equity compensation reserve	H	**101**	106
Retained earnings	H	**8,591**	3,235
Total equity		**17,605**	12,247
Liabilities			
Non-current liabilities			
Borrowings	J	**5,577**	7,195
Payables and other financial liabilities	K	**9,632**	12,430
Pension deficits and other provisions	I	**46**	48
		15,255	19,673
Current liabilities			
Borrowings	J	**50**	366
Payables and other financial liabilities	K	**4,532**	4,456
Other liabilities		**80**	100
Total liabilities		**19,917**	24,595
Total equity and liabilities		**37,522**	36,842

Approved by the Board on 1 March 2022

Jason Windsor
Chief Financial Officer

Company number: 2468686

Where applicable, the accounting policies of the Company are the same as those of the Group. The Company notes identified alphabetically are an integral part of these separate financial statements. Where the same items appear in the Group financial statements, reference is made to the Group notes identified numerically.

Statement of cash flows

For the year ended 31 December 2021

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.

	2021 £m	2020 £m
Cash flows from investing activities		
Dividends received from joint venture	**17**	—
Net disposal of financial investments	**2**	2
Net cash from investing activities	**19**	2
Cash flows from financing activities		
Shares purchased in buy-back	**(663)**	—
Proceeds from issue of ordinary shares	**6**	3
Treasury shares purchased for employee trusts	**(69)**	(2)
New borrowings drawn down, net of expenses	**206**	967
Repayment of borrowings	**(1,975)**	(862)
Net (repayment)/draw down of borrowings[1]	**(1,769)**	105
Interest paid on borrowings	**(401)**	(330)
Preference dividends paid	**(17)**	(17)
Ordinary dividends paid	**(1,110)**	(236)
Forfeited dividend income	**—**	2
Coupon payments on tier 1 notes	**—**	(27)
Funding provided from subsidiaries	**4,540**	632
Other[2]	**(25)**	(15)
Net cash generated from financing activities	**492**	115
Net increase in cash and cash equivalents	**511**	117
Cash and cash equivalents at 1 January	**191**	74
Cash and cash equivalents at 31 December	**702**	191

1 2020 includes redemption of the £500 million DCI.
2 2021 includes £23 million (2020: £13 million) in respect of payments relating to equity compensation plans and £nil (2020: £2 million) donation of forfeited dividend income to a charitable foundation.

Where applicable, the accounting policies of the Company are the same as those of the Group. The Company notes identified alphabetically are an integral part of these separate financial statements. Where the same items appear in the Group financial statements, reference is made to the Group notes identified numerically.

A – Net investment income

	2021 £m	2020 £m
Dividends received from subsidiaries[1]	**7,795**	101
Dividends received from joint venture	**11**	6
Interest receivable from group company loans held at amortised cost	**66**	89
Unrealised gain/(loss) on FX contracts	**3**	(4)
Total	**7,875**	192

1 2021 includes £7,750 million (2020: £nil) dividend income from Aviva Group Holdings Limited.

B – Operating expenses

(i) Operating expenses

Operating expenses comprise:

	2021 £m	2020 £m
Equity compensation plans (see (ii) below)	**18**	15
Other operating costs	**342**	236
Net foreign exchange losses	**19**	—
Total	**379**	251

(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 33. 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	2021 £m	2020 £m
Interest payable on borrowings		**295**	342
Interest payable on group loans held at amortised cost	N(ii)	**92**	158
Stamp duty charge on share buyback		**3**	—
Realised loss on external debt redemption		**51**	—
Premium payments on external borrowings		**51**	—
Total		**492**	500

D – Tax

(i) Tax credited to the income statement

The total tax credit comprises:

	2021 £m	2020 £m
Current tax		
For this year	**136**	108
Prior year adjustments	**—**	9
Total current tax	**136**	117
Deferred tax		
Origination and reversal of temporary differences	**—**	(1)
Total deferred tax	**—**	(1)
Total tax credited to income statement	**136**	116

(ii) Tax credited to other comprehensive income

Tax credited to other comprehensive income in the year amounted to £3 million (2020: £1 million) in respect of obligations under pension and post-retirement benefit schemes.

D – Tax continued

(iii) Tax reconciliation

The tax on the Company's profit before tax differs from the theoretical amount that would arise using the tax rate of the home country of the Company as follows:

	2021 £m	2020 £m
Profit/(loss) before tax	**7,004**	(562)
Tax calculated at standard UK corporation tax rate of 19.00% (2020: 19.00%)	**(1,331)**	107
Reconciling items		
Adjustment to tax charge in respect of prior years	**—**	9
Non-assessable dividend income	**1,483**	20
Disallowable expenses	**(1)**	—
Different local basis of tax on overseas profits	**(1)**	—
Losses surrendered intra-group for nil value	**(14)**	(25)
Tax on interest amounts charged directly to equity	**—**	5
Total tax credited to income statement	**136**	116

During 2021 the UK Government enacted an increase in the UK corporation tax rate to 25% from 1 April 2023. This revised rate has been used in the calculation of the Company's deferred tax assets as at 31 December 2021 and increased the Company's deferred tax assets by £3 million. The resulting credit of £3 million is recognised in other comprehensive income.

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 2021 the Company has two wholly owned subsidiaries, both incorporated in the UK. These are General Accident plc and Aviva Group Holdings Limited. Aviva Group Holdings Limited is an intermediate holding company, while General Accident plc has preference shares listed on the London Stock Exchange. At 31 December 2021 the Company's investments in subsidiaries have a cost of £31,788 million (2020: £31,788 million). The principal subsidiaries of the Aviva Group at 31 December 2021 are set out in note 61 to the Group consolidated financial statements.

(ii) Joint venture

At 31 December 2021 the Company's investment in the joint venture, Aviva-COFCO Life Insurance Co. Limited has a cost of £123 million (2020: £123 million).

F – Receivables and other financial assets

	Note	2021 £m	2020 £m
Loans due from subsidiaries held at amortised cost	N(i)	**4,461**	4,346
Amounts due from subsidiaries held at amortised cost	N(iii)	**245**	257
Total		**4,706**	4,603
Expected to be recovered in less than one year		**245**	812
Expected to be recovered in more than one year		**4,461**	3,791
		4,706	4,603

Fair value of these assets approximate to their carrying amounts.

G – Tax assets and liabilities

(i) Current tax

Current tax assets recoverable in more than one year are £137 million (2020: £108 million).

Assets for prior years' tax settled by group relief of £108 million (2020: £94 million) are included within Receivables and other financial assets (note F), of which £108 million are recoverable in less than one year.

(ii) Deferred tax

(a) The balance at 31 December comprises:

	2021 £m	2020 £m
Pensions and other post retirement obligations	**12**	9
Net deferred tax assets	**12**	9

G – Tax assets and liabilities continued

(b) The net deferred tax asset arises on the following items:

	2021 £m	2020 £m
Net asset at 1 January	**9**	9
Amounts charged to profit	**—**	(1)
Amounts credited to other comprehensive income	**3**	1
Net deferred tax assets	**12**	9

H – Reserves

	Merger reserve £m	Equity compensation reserve[1] £m	Retained earnings £m
Balance at 1 January 2020	6,438	120	3,910
Arising in the year:			
Loss for the year	—	—	(443)
Remeasurement of pension schemes	—	—	(1)
Forfeited dividend income[2]	—	—	2
Dividends and appropriations	—	—	(280)
Reserves credit for equity compensation plans	—	37	—
Issue of share capital under equity compensation scheme	—	(51)	46
Reclassification of tier 1 notes to financial liabilities[3]	—	—	1
Balance at 31 December 2020	**6,438**	**106**	**3,235**
Arising in the year:			
Profit for the year	**—**	**—**	**7,140**
Remeasurements	**—**	**—**	**3**
Dividends and appropriations	**—**	**—**	**(1,127)**
Share buy-back	**—**	**—**	**(663)**
Reserves credit for equity compensation plans	**—**	**24**	**—**
Issue of share capital under equity compensation scheme	**—**	**(29)**	**3**
Balance at 31 December 2021	**6,438**	**101**	**8,591**

1 See notes 33(d) and 37 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 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.

I – Pension deficits and other provisions

	2021 £m	2020 £m
Total IAS 19 obligations to staff pension schemes	**46**	48
Total provisions	**46**	48

J – Borrowings

The Company's borrowings comprise:

	2021 £m	2020 £m
Subordinated debt	**4,926**	6,341
Senior notes	**651**	1,112
Commercial paper	**50**	108
Total	**5,627**	7,561

All the above borrowings are stated at amortised cost.

Maturity analysis of contractual undiscounted cash flows:

	2021			2020		
	Principal £m	Interest £m	Total £m	Principal £m	Interest £m	Total £m
Within 1 year	**50**	**256**	**306**	366	338	704
1 – 5 years	**265**	**1,020**	**1,285**	448	1,330	1,778
5 – 10 years	**652**	**1,229**	**1,881**	930	1,613	2,543
10 – 15 years	**700**	**1,178**	**1,878**	—	1,540	1,540
Over 15 years	**4,000**	**2,274**	**6,274**	5,864	2,831	8,695
Total contractual undiscounted cash flows	**5,667**	**5,957**	**11,624**	7,608	7,652	15,260

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 £31 million (2020: £49 million).

J – Borrowings continued

The fair value of the subordinated debt at 31 December 2021 was £5,752 million (2020: £7,514 million), calculated with reference to quoted prices. The fair value of the senior debt at 31 December 2021 was £698 million (2020: £1,217 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 50, with details of the fair value hierarchy in relation to these borrowings in note 23.

K – Payables and other financial liabilities

	Note	2021 £m	2020 £m
Loans due to subsidiaries	N(ii)	**9,632**	12,430
Amount due to subsidiaries	N(iii)	**4,532**	4,456
Total		**14,164**	16,886
Expected to be recovered in less than one year		**4,532**	4,456
Expected to be recovered in more than one year		**9,632**	12,430
		14,164	16,886

L – Contingent liabilities

Details of the Company's contingent liabilities are given in the Group consolidated financial statements, note 53.

M – Risk and capital management

Risk and capital management in the context of the Group is considered in the Group consolidated financial statements, notes 55 and 57.

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 57. 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 50) and loans owed to subsidiaries. Loans owed to subsidiaries were within agreed credit terms as at the balance sheet date.

Interest rate risk

Loans to and from subsidiaries are at either fixed or floating rates of interest, with the latter being exposed to fluctuations in these rates. The choice of rates is designed to match the characteristics of financial investments (which are also exposed to interest rate fluctuations) held in both the Company and the relevant subsidiary, to mitigate as far as possible each company's net exposure.

All of the Company's long-term external borrowings are at fixed rates of interest and are therefore not exposed to changes in these rates. However, for short-term commercial paper, the Company is affected by changes in these rates to the extent the redemption of these borrowings is funded by the issuance of new commercial paper or other borrowings. Further details of the Company's borrowings are provided in note J and the Group consolidated financial statements, note 50.

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 £22 million (2020: decrease/increase of £114 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 57(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 58(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.

M – Risk and capital management continued

Intra-group capital arrangement

Consistent with our capital management framework, the Group has in place intra-group arrangements to provide additional capital support to its regulated subsidiaries. In the normal course of business, the Group will provide additional capital support to its regulated subsidiaries in certain circumstances. While the Group considers it unlikely that such support will be required, the arrangements are intended to provide additional comfort to its regulated subsidiaries and its policyholders. See Note 55b for more detail on Risks and Capital Management Objectives.

N – Related party transactions

The Company had the following related party transactions.

Loans to and from subsidiaries are made on normal arm's-length commercial terms. The maturity analysis of the related party loans is as follows:

(i) Loans owed by subsidiaries

Maturity analysis	2021 £m	2020 £m
Within 1 year	—	555
1 – 5 years	**3,992**	3,311
Over 5 years	**469**	480
Total	**4,461**	4,346

The interest received on these loans is £66 million (2020: £89 million). See note A.

On 1 January 2013, Aviva International Holdings Limited, an indirect subsidiary, transferred an unsecured loan with the Company of €250 million to Aviva Group Holdings Limited, its direct subsidiary. The loan, originally entered into on 7 May 2003, accrues interest at a fixed rate of 5.5% with settlement to be paid at maturity in May 2033. As at the statement of financial position date, the total amount drawn down on the loan was £210 million (2020: £224 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. Effective from 1 January 2021 the loan accrues interest at a fixed rate of 0.895% (previously 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 £1,935 million (2020: £849 million).

On 27 June 2016, the Company provided an unsecured loan of $CAD446 million to Aviva Group Holdings Limited, its subsidiary, with a maturity date of 27 June 2046. The loan accrues interest at 348 basis points above 6 month CORRA with a basis compensation adjustment of 49 basis points. As at the statement of financial position date, the total amount drawn on the loan was £259 million (2020: £256 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 which was subsequently extended to 30 September 2026. The loan accrues interest at 115 basis points above 12 month EURIBOR with settlement to be paid at maturity. As at the statement of financial position date, the total amount drawn on the loan was £196 million (2020: £555 million).
- An unsecured loan of €650 million with a maturity date of 5 July 2023. The loan accrues interest at a fixed rate of 1.54% with settlement to be paid at maturity. As at the statement of financial position date, the total amount drawn down on the loan was £253 million (2020: £582 million).
- An unsecured loan of €700 million with a maturity date of 3 July 2024. The loan accrues interest at a fixed rate of 1.64% with settlement to be paid at maturity. As at the statement of financial position date, the total amount drawn down on the loan was £588 million (2020: £627 million).
- An unsecured loan of €900 million with a maturity date of 4 December 2025. The loan accrues interest at a fixed rate of 1.74% with settlement to be paid at maturity. As at the statement of financial position date, the total amount drawn down on the loan was £756 million (2020: £805 million).

On 21 November 2016, the Company provided an unsecured loan of €500 million to Aviva Group Holdings Limited, its subsidiary, with a maturity date of 27 October 2023. The loan accrues interest at a fixed rate of 1.75% with settlement to be paid at maturity. As at the statement of financial position date, the total amount drawn on the loan was £264 million (2020: £448 million).

(ii) Loans owed to subsidiaries

			2021			2020
Maturity analysis of contractual undiscounted cash flows:	Principal £m	Interest £m	Total £m	Principal £m	Interest £m	Total £m
Within 1 year	—	**67**	**67**	—	93	93
1 – 5 years	**147**	**330**	**477**	12,430	178	12,608
Over 5 years	**9,485**	**66**	**9,551**	—	—	—
Total	**9,632**	**463**	**10,095**	12,430	271	12,701

The interest paid on these loans is £92 million (2020: £158 million). See note C.

On 3 September 2013 Aviva Group Holdings Limited, its subsidiary, provided an unsecured rolling credit facility of £1,000 million to the Company, with an initial maturity date of 3 September 2018, which was subsequently extended to 31 December 2023. On 6 October 2016, the facility increased to £5,000 million. Effective from 1 January 2021, the loan accrues interest at a fixed rate of 0.895% (previously 75 basis points above 6 month LIBOR). The total amount drawn down on the facility at 31 December 2021 was £147 million (2020: £2,900 million).

N – Related party transactions continued

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. Effective from 1 January 2021, the loan accrues interest at a fixed rate of 0.695% (previously the interest was accrued at 65 basis points above 3 month LIBOR and in the event that the LIBOR rate is less than zero, the rate was deemed to be zero). As at 31 December 2021, the loan balance outstanding was £9,484 million (2020: £9,530 million). This loan is secured against the ordinary share capital of Aviva Group Holdings Limited. This loan has a maturity date of 31 December 2022, however it is the intention of both parties that this will be renewed in full upon maturity and has been presented within over 5 years maturity in the table above.

(iii) Other transactions

Services provided to related parties

	2021		2020	
	Income earned in year £m	**Receivable at year end £m**	Income earned in year £m	Receivable at year end £m
Subsidiaries and joint ventures	**7,806**	**245**	107	257

Income earned relates to dividends. The Company incurred expenses in the year of £0.7 million (2020: £0.7 million) representing audit fees paid by the Company on behalf of subsidiaries. The Company did not recharge subsidiaries for these expenses.

The related parties' receivables are not secured and no guarantees were received in respect thereof. The receivables will be settled in accordance with normal credit terms.

Services provided by related parties

	2021		2020	
	Expense incurred in year £m	**Payable at year end £m**	Expense incurred in year £m	Payable at year end £m
Subsidiaries	**342**	**4,532**	239	4,456

Expenses incurred relates to operating expenses. All the Company's operating cash requirements are met by subsidiary companies and settled through intercompany loans.

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 54(f).

Key management

The directors and key management of the Company are considered to be the same as for the Group. Information on both the Company and Group key management compensation can be found in note 60.

O – Subsequent events

For details of subsequent events please see note 63.

It takes 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.

4. Other Information

In this section

Alternative Performance Measures 4.03
Shareholder services 4.16

Alternative Performance Measures

In order to fully explain the performance of our business, we discuss and analyse our results in terms of financial measures which include a number of Alternative Performance Measures (APMs). APMs are non-GAAP measures which are used to supplement the disclosures prepared in accordance with other regulations, such as International Financial Reporting Standards (IFRS) and Solvency II. We believe these measures provide useful information to enhance the understanding of our financial performance. However, APMs should be viewed as complementary to, rather than as a substitute for, the amounts determined according to other regulations.

The APMs utilised by Aviva may not be the same as those used by other insurers and may change over time. The calculation of APMs is consistent with previous periods unless otherwise stated.

At 31 December 2021, the Solvency II Return on Equity (Solvency II RoE) and Solvency II Return on Capital (Solvency II RoC) APMs have been amended following a review of the basis of preparation. In the numerator, Transitional Measures on Technical Provisions (TMTP) run-off has been replaced with the economic cost of holding equivalent capital to the opening value of TMTP on a shareholder basis. This change in approach is considered more relevant because it enables a better comparison of Solvency II return across Life and General Insurance business. In addition, for Solvency II RoE only, the denominator has been adjusted to exclude excess capital above the Group's target Solvency II shareholder cover ratio (the return on excess capital has also been removed from the numerator for consistency), thus removing distortions that would arise from temporarily holding excess capital. Comparative amounts have been restated to reflect these changes.

In addition, 2020 comparative amounts have been re-presented from those previously published to reclassify the amounts relating to Aviva France, Italy, Poland and Turkey as discontinued operations.

On 4 March 2021, as part of our annual results we announced a new metric to measure our profitable growth in Aviva Investors (AI) to meet our key strategic initiatives. Consequently, we have added a new APM in 2021: cost income ratio (CIR). This measure provides useful information as it gives a simple view of how efficiently the business is being run, allowing management to clearly see how costs are moving in relation to income.

Following the review of the measures used to assess the trading performance of our investment management business, Value of new business on an adjusted Solvency II basis (VNB) and Present value of new business premiums (PVNBP) are no longer reported for Aviva Investors as these measures are more relevant to the Group's life insurance business. Comparative amounts have been amended to exclude the contribution of Aviva Investors to VNB and PVNBP.

Further details on APMs derived from IFRS measures and APMs derived from Solvency II measures are provided in the following sections. A further section describes Other APMs.

APMs derived from IFRS measures

A number of APMs relating to IFRS are utilised to measure and monitor the Group's performance

- Group adjusted operating profit
- Combined operating ratio
- Claims, commission, and expense ratios
- Operating earnings per share
- Controllable costs
- IFRS return on equity
- IFRS net asset value per share
- Assets Under Management and Assets Under Administration
- Net flows
- Aviva Investors revenue
- Cost income ratio

Definitions and additional information, including reconciliation to the relevant amounts in the IFRS Financial Statements and, where appropriate, commentary on the material reconciling items are included within this section.

Group adjusted operating profit

Group operating profit is an APM that supports decision making and internal performance management of the Group's operating segments that incorporates an expected return on investments supporting the life and non-life insurance businesses. The Group considers this measure meaningful to stakeholders as it enhances the understanding of the Group's operating performance over time by separately identifying non-operating items. The various items excluded from Group adjusted operating profit, but included in IFRS profit before tax, are:

Investment variances, economic assumption changes and short-term fluctuation in return on investments

Group adjusted operating profit for the life insurance business is based on expected investment returns on financial investments backing shareholder and policyholder funds over the reporting period, with allowance for the corresponding expected movements in liabilities. The expected rate of return is determined using consistent assumptions between operations, having regard to local economic and market forecasts of investment return and asset classification.

For fixed interest securities classified as fair value through profit or loss, the expected investment returns are based on average prospective yields for the actual assets held less an adjustment for credit risk. Where such securities are classified as available for sale the expected return comprises interest or dividend payments and amortisation of the premium or discount at purchase. The expected return on equities and properties is calculated by reference to the opening 10-year swap rate in the relevant currency plus an appropriate risk margin.

Group adjusted operating profit includes the effect of variances in experience for non-economic items, such as mortality, persistency and expenses, and the effect of changes in non-economic assumptions. Changes due to economic items, such as market value movement and interest rate changes, which give rise to variances between actual and expected investment returns, and the impact of changes in economic assumptions on liabilities, are disclosed separately outside Group adjusted operating profit.

Group adjusted operating profit for the non-life insurance business is based on expected investment returns on financial investments backing shareholder funds over the period. Expected investment returns are calculated for equities and properties by multiplying the opening market value of the investments, adjusted for sales and purchases during the year, by the long-term rate of return. This rate of return is the same as that applied for the long-term business expected returns. The long-term return for other investments (including debt securities) is the actual income receivable for the period. Actual income and long-term investment return both contain the amortisation of the discounts/premium arising on the acquisition of fixed income securities.

Changes due to market value movements and interest rate changes, which give rise to variances between actual and expected investment returns, are disclosed separately outside Group adjusted operating profit. The impact of changes in the discount rate applied to claims provisions is also disclosed outside Group adjusted operating profit.

The exclusion of short-term investment variances from this APM reflects the long-term nature of much of our business. The Group adjusted operating profit, which is used in managing the performance of our operating segments, excludes the impact of economic variances, to provide a comparable measure year-on-year.

Impairment, amortisation and profit or loss on disposal

Group adjusted operating profit also excludes impairment of goodwill, associates and joint ventures; amortisation and impairment of other intangible assets acquired in business combinations; amortisation and impairment of acquired value of in-force business; and the profit or loss on disposal and remeasurement of subsidiaries, joint ventures and associates. These items principally relate to merger and acquisition activity which we view as strategic in nature, hence they are excluded from the Group adjusted operating profit APM as this is principally used to manage the performance of our operating segments when reporting to the Group chief operating decision maker.

Other items

These items are, in the directors' view, required to be separately disclosed by virtue of their nature or incidence to enable a full understanding of the Group's financial performance. Other items at 2021 comprise:

- The following items are disclosed outside of Group adjusted operating profit as they relate to acquisition and disposal activity that we consider to be strategic in nature:
  - A charge of £76 million arising from third party reinsurance, accepted by Aviva from the former Aviva France general insurance entity, which was terminated on 31 December 2021;
  - A charge of £45 million relating to costs associated with the disposals of France, Italy, Aviva Vita, Poland, Singapore, Turkey and Vietnam, comprising IT contracts that have become onerous, severance costs associated with senior management and relocation costs;
  - Net charges of £22 million relating to provisions for indemnities entered into through acquisition and disposal activity.
- A charge of £51 million relating to the redemption payment in excess of the market value of debt repaid as part of the Group's deleveraging strategy. This is disclosed outside of Group adjusted operating profit as the costs arise from a strategic decision relating to the financing of the Group as a whole and not to the operating performance of the Group or its operating segments;
- A charge of £7 million relating to the cost of voluntary amendments to a small proportion of ground rent leases held by the Aviva Investors REaLM Ground Rent Fund; and
- A charge of £3 million relating to stamp duty costs on share buybacks.

Other items at 2020 comprised:

- A charge of £16 million relating to costs on contracts that became onerous following the disposals of Friends Provident International Limited (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.

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.

	2021 £m	2020[1] £m
UK & Ireland Life	**1,428**	1,907
UK & Ireland General Insurance	**356**	213
Canada	**406**	287
Aviva Investors	**41**	25
UK, Ireland, Canada and Aviva Investors	**2,231**	2,432
International investments	**97**	26
	2,328	2,458
Corporate centre costs and Other operations	**(379)**	(282)
Group debt costs and other interest	**(315)**	(370)
Group adjusted operating profit before tax attributable to shareholders' profits from continuing operations	**1,634**	1,806
Group adjusted operating profit before tax attributable to shareholders' profits from discontinued operations	**631**	1,355
Group adjusted operating profit before tax attributable to shareholders' profits	**2,265**	3,161
Adjusted for the following:		
Life business: Investment variances and economic assumption changes	**(805)**	174
Non-life business: Short-term fluctuation in return on investments	**(149)**	(64)
General insurance and health business: Economic assumption changes	**(85)**	(104)
Impairment of goodwill, associates and joint ventures and other amounts expensed	**—**	(30)
Amortisation and impairment of intangibles acquired in business combinations	**(66)**	(76)
Amortisation and impairment of acquired value of in-force business	**(199)**	(278)
Profit on the disposal and remeasurement of subsidiaries, joint ventures and associates	**1,572**	725
Other	**(204)**	(34)
Adjusting items before tax	**64**	313
IFRS profit before tax attributable to shareholders' profits	**2,329**	3,474
Tax on Group adjusted operating profit	**(470)**	(634)
Tax on other activities	**177**	70
	(293)	(564)
IFRS profit for the year	**2,036**	2,910

1 The 2020 comparative amounts have been re-presented from those previously published to reclassify the amounts relating to certain operations as discontinued operations as described in note 1.

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.

	2021 £m	2020[1] £m
Continuing operations		
Incurred claims – GI & Health[2]	**(4,954)**	(5,044)
Adjusted for the following:		
Incurred claims – Health	**338**	278
Change in discount rate assumptions	**77**	84
Total incurred claims (included in COR)[3]	**(4,539)**	(4,682)
Commission and expenses – GI & Health[4]	**(2,869)**	(3,016)
Adjusted for the following:		
Amortisation and impairment of intangibles acquired in business combinations	**10**	19
Foreign exchange (losses)/gains	**(48)**	47
Commission income	**16**	14
Other	**22**	16
Commission and expenses – Health & Other Non GI	**199**	211
Total commission and expenses (included in COR)[5]	**(2,670)**	(2,709)
Total underwriting costs from continuing operations	**(7,209)**	(7,391)
Total underwriting costs from discontinued operations	**(1,448)**	(1,549)
Total underwriting costs	**(8,657)**	(8,940)
Net earned premiums – GI & Health	**8,253**	8,062
Adjusted for:		
Net earned premiums – Health	**(490)**	(430)
Net earned premiums (included in COR) from continuing operations	**7,763**	7,632
Net earned premiums (included in COR) from discontinued operations	**1,430**	1,656
Net earned premiums (included in COR)	**9,193**	9,288
Combined operating ratio - continuing operations	**92.9%**	96.8 %
Combined operating ratio	**94.1%**	96.2 %

1 The 2020 comparative amounts have been re-presented from those previously published to reclassify the amounts relating to certain operations as discontinued operations as described in note 1.
2 Incurred claims - GI & Health corresponds to the sum of claims and benefits paid, net of recoveries from reinsurers and the change in insurance liabilities, net of reinsurance per note 4b(i).
3 Incurred claims (included in COR) includes Aviva Re amounts in 2020.
4 Commission and expenses - GI & Health corresponds to the sum of fee and commission expense and other expenses per note 4b(i).
5 Commission and expenses (included in COR) is comprised of £1,706 million earned commission (2020: £1,703 million) and £964 million earned expenses (2020: £1,006 million).

Claims, commission, and expense ratios

Financial measures of the performance of our general insurance business which are calculated as incurred claims, earned commissions or earned expenses expressed as a percentage of net earned premiums, which can be derived from the COR table above. The ratios are meaningful to stakeholders because they enhance understanding of the profitability of the business sold.

Operating earnings per share (Operating EPS)

Operating EPS is calculated based on the Group adjusted operating profit attributable to ordinary shareholders net of tax, deducting non-controlling interests, preference dividends and direct capital instrument coupons divided by the weighted average number of ordinary shares in issue, after deducting treasury shares. Operating EPS is considered meaningful to stakeholders because it enhances the understanding of the Group's operating performance over time by adjusting for the effects of non-operating items. A reconciliation between operating EPS and basic EPS can be found in note 14.

Controllable costs

Controllable costs is a useful measure of the controllable operational overheads associated with maintaining our businesses. These predominantly consist of staff costs, central costs, property and IT related costs and other expenses. Controllable costs also include indirect acquisition costs, such as underwriting overheads, and claims handling costs. These are considered to be controllable by the operating segments.

Controllable costs excludes:

- Impairment of goodwill, associates and joint ventures; amortisation and impairment of other intangible assets acquired in business combinations; and amortisation and impairment of acquired value of in-force business. These items relate to merger, acquisition and disposal activity which we view as strategic in nature, hence they are excluded from controllable costs which is principally used to manage the performance of our operating segments;
- Costs in relation to product governance and mis-selling. These costs represent compensation and redress payments made to policyholders and are excluded from controllable costs because they have characteristics of claims payments;
- Premium based taxes, fees and levies that vary directly with premiums. These costs are by their nature a direct cost incurred as a result of generating premium income, and therefore not a controllable operational overhead; and
- Other amounts that, in management's view, are not representative of underlying day-to-day expenses involved in running the business, and that would distort the year-on-year controllable costs trend such as GI instalment income and charges reported as 'Other' outside of Group adjusted operating profit.

A reconciliation of other expenses in the IFRS condensed consolidated income statement to controllable costs is set out below:

	2021 £m	2020[1] £m
Continuing operations		
Other expenses (IFRS income statement)	**2,211**	2,530
Add: other acquisition costs	**895**	836
Add: claims handling costs	**272**	297
Less: impairment of goodwill, associates and joint ventures and other amounts expensed	**—**	(16)
Less: amortisation and impairment of intangibles acquired in business combinations	**(54)**	(62)
Less: amortisation and impairment of acquired value of in-force business	**(189)**	(212)
Add/(less): foreign exchange gains/(losses)	**201**	(107)
Less: product governance and mis-selling costs	**(12)**	(38)
Less: premium based income taxes, fees and levies	**(195)**	(192)
Less: other costs	**(33)**	(5)
Controllable costs from continuing operations	**3,096**	3,031
Controllable costs from discontinued operations	**590**	904
Controllable costs	**3,686**	3,935

1 The 2020 comparative amounts have been re-presented from those previously published to reclassify the amounts relating to discontinued operations as described in note 1.

Controllable costs from continuing operations of £3,096 million (2020: £3,031 million) includes £240 million (2020: £107 million) relating to cost reduction implementation and IFRS 17 costs.

IFRS Return on Equity (RoE)

The IFRS RoE calculation is based on Group adjusted operating profit after tax attributable to ordinary shareholders expressed as a percentage of weighted average ordinary shareholders' equity (excluding non-controlling interests and preference share capital). IFRS RoE is a useful measure of growth and performance of the business on an IFRS basis.

IFRS net asset value (NAV) per share

IFRS NAV per share is calculated as the equity attributable to shareholders of Aviva plc, less preference share capital (both within the consolidated statement of financial position), divided by the actual number of shares in issue at the balance sheet date. IFRS NAV per share is meaningful as a measure of the value generated by the Group in terms of the equity shareholders' face value per share investment.

	2021	2020
Equity attributable to shareholders of Aviva plc at 31 December[1] (£m)	**19,002**	19,354
Number of shares in issue at 31 December (in millions)	**3,766**	3,928
IFRS NAV per share	**505p**	493p

1 Excluding preference shares of £200 million (2020: £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's subsidiaries, including those assets managed by Aviva Investors and by third parties. AUM include managed assets that are reported within the Group's statement of financial position and those assets belonging to external clients outside the Aviva Group which are therefore not included in the Group's statement of financial position.

Consistent with previous years, Aviva Investors AUA comprises AUM plus £43,582 million (2020: £40,166 million) of assets managed by third parties on platforms administered by Aviva Investors. Both AUM and AUA are monitored as they reflect the potential earnings arising from investment returns and fee and commission income and measure the size and scale of the Group's fund management business.

A reconciliation of amounts appearing in the Group's statement of financial position to AUM is shown below:

	2021 £m	2020 £m
Assets managed on behalf of the Group's subsidiaries		
Assets included in statement of financial position[1]		
Financial investments	**264,961**	368,285
Investment properties	**7,003**	11,369
Loans	**38,624**	43,679
Cash and cash equivalents	**12,485**	17,090
Other	**6,192**	5,201
	329,265	445,624
Less: third-party funds and UK Platform included above	**(22,836)**	(26,614)
	306,429	419,010
Assets managed on behalf of third parties[2]		
Aviva Investors	**51,332**	74,086
UK Platform[3]	**43,101**	34,432
Other	**544**	7,162
	94,977	115,680
Total AUM[4]	**401,406**	534,690

1 2020 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 Savings & Retirement business.
4 Includes AUM of £267,780 million (2020: £365,772 million) managed by Aviva Investors.

Net flows

Net flows is used by management as a key measure of growth in AUM, from which income is generated through asset management charges (AMCs). This measure is predominantly used in Aviva Investors and the Savings & Retirement business within UK & Ireland Life.

It is the net position of inflows and outflows. Inflows include IFRS net written premiums, deposits made under investment contracts, and other funds received from customers into AUM which are not included in the Group's statement of financial position. Outflows include IFRS net claims paid, redemptions and surrenders under investment contracts, and other funds withdrawn by customers from AUM which are not included in the Group's statement of financial position.

Aviva Investors net flows includes flows on internal assets which are managed on behalf of Group companies, and external flows on assets belonging to clients outside the Group which are not included in the Group's statement of financial position.

Net flows excludes market and other movements. Net flows when positive in the period can be referred to as net inflows and when negative as net outflows.

Aviva Investors revenue

Aviva Investors revenue includes AMCs received, plus transaction fees and other related income, and is stated net of fees and commissions paid. It is a useful measure of revenue earned from fund management activities. Aviva Investors recognises fee income in the segmental income statement within both fee and commission income and inter-segment revenue. Fees and commissions paid are classified in fee and commission expense.

Cost income ratio (CIR)

Cost income ratio is used to monitor profitable growth in Aviva Investors and is useful as it gives a simple view of how efficiently the business is being run, allowing management to clearly see how costs are moving in relation to income.

Cost income ratio is calculated as Aviva Investors' controllable costs excluding cost reduction implementation and IFRS 17 costs divided by Aviva Investors revenue.

	Aviva Investors	
	2021 £m	2020 £m
Aviva Investors revenue	**403**	381
Controllable costs excluding cost reduction implementation and IFRS 17 costs	**345**	356
Cost income ratio	**86%**	93%

APMs derived from Solvency II measures

The Group is a regulated entity under the Solvency II regulatory framework and therefore uses a number of APMs that are derived from Solvency II measures in addition to those that are derived from IFRS based measures.

A number of key performance measures relating to Solvency II are utilised to measure and monitor the Group's performance and financial strength
- Solvency II shareholder cover ratio
- Value of new business on an adjusted Solvency II basis (VNB)
- Solvency II operating own funds generation (Solvency II OFG)
- Solvency II operating capital generation (Solvency II OCG)
- Solvency II future surplus emergence
- Solvency II return on capital (Solvency II RoC)
- Solvency II return on equity (Solvency II RoE)
- Solvency II net asset value per share (Solvency II NAV per share)
- Solvency II debt leverage ratio

The Solvency II regulatory framework requires insurers to hold own funds in excess of the Solvency Capital Requirement (SCR). Own funds are available capital resources determined under Solvency II. This includes the excess of assets over liabilities in the Solvency II balance sheet, calculated on best estimate, market consistent assumptions and includes transitional measures on technical provisions (TMTP), subordinated liabilities that qualify as capital under Solvency II, and off-balance sheet own funds.

The SCR is calculated at Group level using a risk-based capital model which is calibrated to reflect the cost of mitigating the risk of insolvency to a 99.5% confidence level over a one-year time horizon – equivalent to a 1 in 200 year event – against financial and non-financial shocks. As a number of subsidiaries utilise the standard formula rather than a risk-based capital model to assess capital requirements, the overall Group SCR is calculated using a partial internal model, and it is shown after the impact of diversification benefit.

The 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 below which are shown gross of tax
- Recognition of subordinated debt capital, non-controlling interests and adjustments for ring-fenced funds restrictions

The reconciliation from total Group equity on an IFRS basis to Solvency II regulatory own funds is presented below.

	2021 £m	2020 £m
Total Group equity on an IFRS basis	**19,454**	20,560
Elimination of goodwill and other intangible assets		
Goodwill	**(1,741)**	(1,805)
Acquired value of in-force business	**(1,544)**	(1,742)
Deferred acquisition costs (net of deferred income)	**(2,617)**	(3,154)
Other intangibles	**(406)**	(704)
Liability valuation differences (net of transitional deductions)	**11,625**	16,159
Inclusion of risk margin (net of transitional deductions)	**(1,601)**	(3,245)
Revaluation of subordinated liabilities	**(449)**	(795)
Other accounting differences	**155**	(69)
Net deferred tax	**(597)**	(1,191)
Estimated Solvency II net assets (gross of non-controlling interests)	**22,279**	24,014
Difference between Solvency II net assets and regulatory own funds	**3,294**	5,248
Estimated Solvency II regulatory own funds	**25,573**	29,262

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 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 2021 position includes a formal, rather than notional, reset of the TMTP in line with the regulatory requirement to reset the TMTP at least every two years. The 31 December 2020 position included a notional reset;
- Adjustments are made if the Solvency II shareholder cover ratio does not fully reflect the effect of future regulatory changes that are known as at each reporting date. These adjustments are made in order to show a more representative view of the Group's solvency position. No adjustments for future regulatory changes were made at 31 December 2021 or 31 December 2020.

A reconciliation of the Solvency II regulatory surplus to the Solvency II shareholder surplus is provided below:

	31 December 2021			31 December 2020		
	Own funds £m	**SCR £m**	**Surplus £m**	Own funds £m	SCR £m	Surplus £m
Estimated Solvency II regulatory surplus	**25,573**	**(12,499)**	**13,074**	29,262	(16,441)	12,821
Adjustments for:						
Fully ring-fenced with-profit funds	**(2,205)**	**2,205**	**—**	(2,492)	2,492	—
Staff pension schemes in surplus	**(1,218)**	**1,218**	**—**	(1,179)	1,179	—
Notional reset of TMTP	**—**	**—**	**—**	564	—	564
PPE[1]	**—**	**—**	**—**	(385)	—	(385)
Estimated Solvency II shareholder surplus	**22,150**	**(9,076)**	**13,074**	25,770	(12,770)	13,000

1 French insurers are permitted to place a part of the Provision pour Participation aux Excédents (PPE) into Solvency II own funds. At 31 December 2020 PPE of £0.4 billion is included within Group regulatory own funds but remains excluded from the shareholder position as agreed with the regulator. At 31 December 2021 this is no longer included following the disposal of France.

A summary of the shareholder view of the Group's Solvency II position is shown in the table below:

	2021 £m	2020 £m
Own Funds	**22,150**	25,770
Solvency Capital Requirement	**(9,076)**	(12,770)
Estimated Solvency II Surplus	**13,074**	13,000
Estimated Shareholder Cover Ratio	**244%**	202%

Given the disposals in 2021 and the plans for deployment of the capital, an estimated Solvency II shareholder cover ratio that allows for the announced uses of capital has also been provided. This has been reconciled to the reported Solvency II shareholder cover ratio. See the Capital Management section of the Group's 2021 Annual Report & Accounts for the Solvency II shareholder cover ratio post capital deployment.

Value of new business on an adjusted Solvency II basis (VNB)

VNB measures the additional value to shareholders created through the writing of new life business in the period. It reflects Solvency II assumptions and allowance for risk, and is defined as the increase in Solvency II own funds resulting from life business written in the period, including the impact of interactions between in-force and new business, adjusted to:

- Remove the impact of the contract boundary restrictions under Solvency II;
- Include businesses which are not within the scope of Solvency II own funds (e.g. UK non-life Retail business and UK Equity Release); and
- Reflect a gross of tax and non-controlling interests basis, and other differences as set out in the footnote to the table below.

A reconciliation between VNB and the Solvency II own funds impact of new business is provided below:

	2021				2020			
	UK & Ireland Life £m	**International investments £m**	**Discontinued operations £m**	**Group £m**	UK & Ireland Life £m	International investments £m	Discontinued operations[3] £m	Group[2] £m
VNB (gross of tax and non-controlling interests)	**668**	**78**	**328**	**1,074**	675	29	547	1,251
Solvency II contract boundary restrictions – new business	**(91)**	**—**	**(151)**	**(242)**	(108)	(1)	(208)	(317)
Solvency II contract boundary restrictions – increments / renewals on in-force business	**101**	**—**	**58**	**159**	113	—	96	209
Businesses which are not in the scope of Solvency II own funds	**(204)**	**—**	**(1)**	**(205)**	(106)	(1)	(4)	(111)
Tax and Other[1]	**(114)**	**(15)**	**(144)**	**(273)**	(125)	(7)	(202)	(334)
(net of tax and non-controlling interests)	**360**	**63**	**90**	**513**	449	20	229	698

1 Other includes the impact of 'look-through profits' in service companies (where not included in Solvency II) of £(39) million (2020: £(69) million), the reduction in value when moving to a net of non-controlling interests basis of £(20) million (2020: £(37) 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 £(22) million (2020: £(47) million) and the assumed take up of tax-free lump sum payments at retirement (not included in Solvency II Own Funds) on BPAs of £(2) million (2020: £(4) million).

2 VNB for Aviva Investors is no longer reported as this is not an APM used to assess the trading performance of our investment business. Comparative amounts have been amended to exclude the contribution of Aviva Investors to VNB (2020: £9 million).

3 The 2020 comparative amounts have been re-presented from those previously published to reclassify the amounts relating to certain operations as discontinued operations as described in note 1.

VNB is calculated using economic assumptions as at the point of sale, taken as those appropriate to the start of each quarter. For contracts that are repriced more frequently, weekly or monthly economic assumptions have been used. The economic assumptions follow Solvency II rules for risk-free rates, volatility adjustment and matching adjustment.

The operating assumptions are consistent with the Solvency II balance sheet. When these assumptions are updated, the year-to-date VNB will capture the impact of the assumption change on all business sold that year.

Matching Adjustment (MA)

The MA is an addition to the rate used to discount Solvency II best-estimate liabilities, to reflect the return on the matching assets used. An MA is applied to certain obligations based on the allocation of assets backing new business at each year-end date. This allocation may be different to the MA applied at the portfolio level. Aviva applies an MA to certain obligations in UK Life, using methodology which is set out in the Solvency and Financial Condition Report (SFCR).

The MA used for 2021 UK new business (where applicable) was 85 bps (2020: 98 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:

	2021 £m	2020[1] £m
Present value of new business premiums[2]	**46,202**	42,092
General insurance and health net written premiums	**10,207**	10,232
Long-term health and collectives business[2]	**(3,274)**	(2,381)
Effect of capitalisation factor on regular premium long-term business[3]	**(15,555)**	(14,686)
Joint ventures and associates[4]	**(625)**	(226)
Annualisation impact of regular premium long-term business[5]	**(361)**	(399)
Deposits[6]	**(11,561)**	(9,936)
IFRS gross written premiums from existing long-term business[7]	**3,722**	5,066
Long-term insurance and savings business premiums ceded to reinsurers	**(3,979)**	(3,101)
Total IFRS net written premiums	**24,776**	26,661
Analysed as:		
IFRS net written premiums from continuing business	**14,697**	15,090
IFRS net written premiums from discontinued operations	**10,079**	11,571
	24,776	26,661
Analysed as:		
Long-term insurance and savings net written premiums	**14,569**	16,429
General insurance and health net written premiums	**10,207**	10,232
	24,776	26,661

1 The 2020 comparative amounts have been re-presented from those previously published to reclassify the amounts relating to certain operations as discontinued operations as described in note 1.
2 PVNBP for Aviva Investors is no longer reported as this is not an APM used to assess the trading performance of our investment business. Comparative amounts have been amended to exclude the contribution of Aviva Investors to PVNBP (2020: £1,266 million). £35,625 million (2020: £29,259 million) relates to UK & Ireland Life, £1,121 million (2020: £663 million) relates to International investments and £9,456 (2020: £12,170 million) relates to discontinued operations.
3 Discounted value of regular premiums expected to be received over the term of the new contract, adjusted for expected levels of persistency.
4 Total long-term new business sales include our share of sales from joint ventures and associates. Under IFRS, premiums from these sales are excluded.
5 The impact of annualisation is removed in order to reconcile the non-GAAP new business sales to IFRS premiums.
6 Under IFRS, only the margin earned from non-participating investment contracts is recognised in the IFRS income statement.
7 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 own funds generation (Solvency II OFG)

Solvency II operating own funds generation measures the amount of Solvency II own funds generated from operating activities and incorporates an expected return on investments supporting the life and non-life insurance businesses. Solvency II operating own funds generation is used to assess sustainable growth. The Group considers this measure meaningful to stakeholders as it enhances the understanding of the Group's operating performance over time by separately identifying non-operating items.

The expected investment returns assumed within Solvency II OFG are consistent with the returns used for Group adjusted operating profit. Solvency II OFG includes the effect of variances in experience for non-economic items, such as mortality, persistency and expenses, the effect of changes in non-economic assumptions (for example, longevity) and model changes that are non-economic in nature.

Consistent with the Group adjusted operating profit APM, Solvency II OFG is determined on start of period economic assumptions and therefore excludes economic variances and economic assumption changes.

Solvency II operating own funds generation is the own funds component of Solvency II OCG (see below).

Solvency II operating capital generation (Solvency II OCG)

Solvency II operating capital generation (Solvency II OCG) measures the amount of Solvency II capital the Group generates from operating activities. Capital generated enhances Solvency II surplus which can be used to support sustainable cash remittances from our businesses, which in turn, supports the Group's dividend as well as funding further investment to provide sustainable growth.

Solvency II OCG reflects Solvency II OFG and operating movements in the SCR including the impact of capital actions, for example, strategic changes in asset mix including changes in hedging exposure.

An analysis of the components of Solvency II OCG is presented below:

	2021 £m	2020 £m
Solvency II own funds impact of new business (net of tax and non-controlling interests)	**513**	698
Operating own funds generation from life existing business	**694**	721
Operating own funds generation from non-life	**397**	562
Management actions and other operating own funds generation[1]	**296**	6
Group debt costs	**(255)**	(296)
Solvency II operating own funds generation	**1,645**	1,691
Solvency II operating SCR impact	**(84)**	241
Solvency II OCG	**1,561**	1,932

1 Management actions and other includes the impact of capital actions, non-economic assumption changes and other non-recurring items.

Solvency II OCG is a key component of the movement in Solvency II shareholder surplus. The tables below provide an analysis of the change in Solvency II shareholder surplus.

Shareholder view movement	2021 Own funds £m	2021 SCR £m	2021 Surplus £m	2020 Own funds £m	2020 SCR £m	2020 Surplus £m
Group Solvency II shareholder surplus at 1 January	**25,770**	**(12,770)**	**13,000**	24,548	(11,910)	12,638
Opening restatements[1]	**—**	**—**	**—**	78	(202)	(124)
Operating capital generation	**1,645**	**(84)**	**1,561**	1,691	241	1,932
Non-operating capital generation	**(1,310)**	**1,156**	**(154)**	(741)	(963)	(1,704)
Dividends[2]	**(874)**	**—**	**(874)**	(549)	—	(549)
(Repayment)/issue of debt	**(1,506)**	**—**	**(1,506)**	257	—	257
Share buyback[3]	**(1,000)**	**—**	**(1,000)**	—	—	—
Disposals completed	**(575)**	**2,622**	**2,047**	486	64	550
Estimated Solvency II shareholder surplus at 31 December	**22,150**	**(9,076)**	**13,074**	25,770	(12,770)	13,000

1 Opening restatements allows for adjustments to the estimated position presented in the 2020 preliminary announcement and the final position in the 2020 Solvency and Financial Condition Report (SFCR).
2 Dividends includes £17 million of Aviva plc preference dividends (2020: £17 million) and £21 million of General Accident plc preference dividends (2020: £21 million), and £549 million for the final dividend in respect of the 2020 financial year and £286 million for the interim dividends in respect of the 2021 financial year (2020: £511 million for the interim dividends in respect of the 2019 and 2020 financial years).
3 For Solvency II purposes, the total £1 billion share buyback is derecognised from regulatory capital following its approval by the Board. As at 31 December 2021, £663 million of this buyback had been completed.

Solvency II future surplus emergence

Solvency II future surplus emergence is a projection of the capital generation from existing long-term in-force life business and provides an indication of our expected Solvency II OCG from this business in future periods.

The projection is a static analysis as at a point in time and hence it does not include the potential impact of future new business or the potential impact of active management of the business (for example, active management of market, demographic and expense risk through investment, hedging, risk transfer, operational risk and expense management). It is also based on a linear run-off of the TMTP. These items may affect the actual amount of Solvency II OCG earned from existing business in future periods.

For business subject to short contract boundaries under Solvency II, allowance has been made for the impact of renewal premiums as and when they are expected to occur.

The projected surplus, which is primarily expected to arise from the release of risk margin (including transitional measures) and solvency capital requirement as the business runs off over time, is expected to emerge through Solvency II OCG in future years. For 2021 the scope of business included within Solvency II future surplus emergence has been expanded to include Platform business in UK Life. The comparative for 2020 has not been restated on materiality grounds.

The cash flows are real-world cash flows, i.e. they are based on best estimate non-economic assumptions used in the Solvency II valuation and real-world investment returns rather than risk-free. The expected investment returns are consistent with the methodology used in the Group adjusted operating profit.

Solvency II return on equity (Solvency II RoE)

At 31 December 2021, the Solvency II RoE APM has been amended following a review of the basis of preparation. In the numerator, Transitional Measures on Technical Provisions (TMTP) run-off has been replaced with the economic cost of holding equivalent capital to the opening value of TMTP on a shareholder basis and the return on excess capital has been removed. The denominator has been adjusted to exclude excess capital above the Group's target Solvency II shareholder cover ratio. This change in approach is considered more relevant because:

- The economic cost of holding equivalent capital to the opening value of TMTP (on a shareholder basis) enables a better comparison of Solvency II return across Life and General Insurance business, the impact of TMTP is incorporated using a more economic approach; and
- The denominator better reflects the long-term target Solvency II shareholder cover ratio which removes distortions in the evaluation of growth and performance that would otherwise arise where the Group is temporarily holding excess capital. The return on excess capital has also been removed from the numerator for consistency.

Comparative amounts have been restated to reflect these changes. Remuneration targets and performance outcomes will be updated to reflect the revised basis of preparation. Solvency II RoE continues to provide useful information as it is used as an economic value measure by the Group to assess growth and performance.

Solvency II RoE is now calculated as:

- Operating own funds generation less preference dividends, Direct Capital Instrument (DCI) coupons and excluding the return on excess capital above target capital, adjusted to replace the run-off of TMTP with the economic cost of holding TMTP (calculated as Group Weighted Average Cost of Capital plus 1-yr swap rate, multiplied by the opening TMTP on a shareholder basis), divided by:
- Opening Unrestricted tier 1 shareholder Solvency II own funds adjusted to exclude excess capital. Excess capital is derived as Solvency II shareholder own funds in excess of those needed to meet our target shareholder cover ratio (currently 180%).

Solvency II RoE is calculated on an annualised basis.

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	2021 £m	2020 £m
Unrestricted regulatory tier 1 own funds	**19,120**	20,850
Restricted Tier 1	**967**	1,317
Tier 2	**5,363**	6,740
Tier 3[1]	**123**	355
Estimated Solvency II regulatory own funds	**25,573**	29,262

1. Tier 3 regulatory own funds at 31 December 2021 consists of £123 million net deferred tax assets (2020: £259 million subordinated debt plus £96 million net deferred tax assets).

Shareholder view	2021 £m	2020 £m
Unrestricted regulatory tier 1 own funds	**19,120**	20,850
Adjustments for:		
Fully ring-fenced with-profit funds	**(2,205)**	(2,492)
Staff pension schemes in surplus	**(1,218)**	(1,179)
Notional reset of TMTP	**—**	564
PPE	**—**	(385)
Unrestricted shareholder tier 1 own funds	**15,697**	17,358

The Solvency II return on equity is shown below:

	2021 £m	Restated 2020 £m
Solvency II operating own funds generation	**1,645**	1,691
Adjustment to replace TMTP run-off with economic cost of TMTP	**43**	44
Adjustment to remove return on excess capital	**(2)**	(7)
Adjusted Solvency II operating own funds generation	**1,686**	1,728
Less preference share dividends	**(38)**	(38)
Less DCI coupons	**—**	(27)
	1,648	1,663
Opening Unrestricted tier 1 shareholder Solvency II own funds	**17,358**	16,578
Adjustment to remove excess capital above target Solvency II shareholder cover ratio	**(2,784)**	(3,110)
Adjusted opening unrestricted tier 1 shareholder Solvency II own funds	**14,574**	13,468
Solvency II return on equity	**11.3 %**	12.3 %

Group Solvency II RoE on a continuing basis has been disclosed as at 31 December 2020 and 31 December 2021.

Group Solvency II RoE on a continuing basis excludes the contribution from our discontinued operations and is therefore more representative of the Group's performance going forward. It has been calculated on a consistent basis to Group Solvency II RoE except that an adjustment is made to remove the contribution of discontinued operations from the numerator and the denominator.

Given all disposals have completed by 31 December 2021, Group Solvency II RoE on a continuing basis will not be required from 2022 onwards.

The table below provides a reconciliation between Group Solvency II RoE and Group Solvency II RoE on a continuing basis:

	2021			Restated 2020		
	Solvency II OFG (post TMTP adjustment) £m	Opening own funds £m	Solvency II return on equity %	Solvency II OFG (post TMTP adjustment) £m	Opening own funds £m	Solvency II return on equity %
Group Solvency II return on equity at 31 December	**1,648**	**14,574**	**11.3 %**	1,663	13,468	12.3 %
Adjustment to remove impacts of discontinued operations[1]	**(433)**	**(3,254)**	**N/A**	(410)	(2,747)	N/A
Group Solvency II return on equity at 31 December on a continuing basis	**1,215**	**11,320**	**10.7 %**	1,253	10,721	11.7 %

1 When calculating opening unrestricted tier 1 shareholder Solvency II own funds attributable to discontinued operations, adjusted to exclude excess capital, restricted tier 1, tier 2 and tier 3 capital repaid during 2021 is assumed to be attributable to discontinued operations.

Solvency II return on capital (Solvency II RoC)

At 31 December 2021, the Solvency II RoC APM has been amended following a review of the basis of preparation. In the numerator, Transitional Measures on Technical Provisions (TMTP) run-off has been replaced with the economic cost of holding equivalent capital to the opening value of TMTP on a shareholder basis. This change in approach is considered more relevant because it enables a better comparison of Solvency II return across Life and General Insurance business, the impact of TMTP is incorporated using a more economic approach. This amendment to Solvency II RoC is consistent with the corresponding change to Solvency II RoE. Comparative amounts have been restated to reflect these changes.

Solvency II RoC is now calculated as:

- Operating own funds generation adjusted to replace the run-off of TMTP with the economic cost of holding TMTP (calculated as Group Weighted Average Cost of Capital plus 1-yr swap rate) multiplied by the opening TMTP on a shareholder basis), divided by:
- Opening shareholder Solvency II own funds.

For UK general insurance only, capital held for internal risk appetite purposes is used instead of opening shareholder Solvency II own funds. This removes any distortions arising from our general insurance legal entity structure and therefore ensures consistency in measuring performance across markets. This is only applicable to UK general insurance Solvency II return on capital and not to the aggregated Group Solvency II return on equity measure.

Solvency II return on capital is an unlevered economic value measure as it is used to assess growth and performance in our markets before taking debt into account. It is calculated on an annualised basis. A reconciliation of Solvency II return on capital by market to Group return on equity is provided below.

2021	Solvency II OFG (post TMTP adjustment) £m	Opening shareholder own funds £m	Solvency II return on capital/equity %
Market Solvency II return on capital			
UK & Ireland Life	**996**	**15,073**	**6.6 %**
UK & Ireland General Insurance[1]	**339**	**2,401**	**14.1 %**
Canada	**332**	**1,534**	**21.6 %**
Aviva Investors	**36**	**385**	**9.3 %**
UK, Ireland, Canada and Aviva Investors	**1,703**	**19,393**	**8.8 %**
International investments	**124**	**909**	**13.6 %**
Discontinued operations	**458**	**6,362**	**7.2 %**
Reconciliation to Group Solvency II return on equity			
Corporate centre costs and Other[1]	**(342)**	**(894)**	**N/A**
Less: Senior and subordinated debt	**(255)**	**(7,866)**	**— %**
Less: Adjustment to remove excess capital above target Solvency II shareholder cover ratio	**(2)**	**(2,784)**	**— %**
Less: Direct capital instrument and Preference shares[2]	**(38)**	**(450)**	**— %**
Less: Net deferred tax assets	**—**	**(96)**	**— %**
Solvency II return on equity at 31 December	**1,648**	**14,574**	**11.3 %**

1 For UK general insurance only, capital held for internal risk appetite purposes is used instead of opening shareholder Solvency II own funds to ensure consistency in measuring performance across markets. This is only applicable to UK general insurance Solvency II return on capital and not to the aggregated Group Solvency II return on equity measure, with the reversal of the impact included in Corporate centre costs and Other opening own funds.
2 Preference shares includes £21 million of dividends and £250 million of capital in respect of General Accident plc.

2020	Restated Solvency II OFG (post TMTP adjustment) £m	Opening shareholder own funds £m	Restated Solvency II return on capital/equity %
Market Solvency II return on capital			
UK & Ireland Life	1,101	14,241	7.7 %
UK & Ireland General Insurance[1]	329	2,509	13.1 %
Canada	287	1,442	19.9 %
Aviva Investors	26	413	6.3 %
UK, Ireland, Canada and Aviva Investors	1,743	18,605	9.4 %
International investments	63	643	9.8 %
Discontinued operations[3]	503	7,422	6.8 %
Reconciliation to Group Solvency II return on equity			
Corporate centre costs and Other[1,3]	(278)	(2,122)	N/A
Less: Senior and subordinated debt	(296)	(6,942)	— %
Less: Adjustment to remove excess capital above target Solvency II shareholder cover ratio	(7)	(3,110)	— %
Less: Direct capital instrument and Preference shares[2]	(65)	(950)	— %
Net deferred tax assets	—	(78)	— %
Solvency II return on equity at 31 December	**1,663**	**13,468**	**12.3 %**

1 For UK general insurance only, capital held for internal risk appetite purposes is used instead of opening shareholder Solvency II own funds to ensure consistency in measuring performance across markets. This is only applicable to UK general insurance Solvency II return on capital and not to the aggregated Group Solvency II return on equity measure, with the reversal of the impact included in Corporate centre costs and Other opening own funds.
2 Preference shares includes £21 million of dividends and £250 million of capital in respect of General Accident plc.
3 Following a review of Group adjustments in respect of discontinued operations, comparative amounts for the 12 months ended 31 December 2020 have been amended to reclassify these as Discontinued operations from Corporate centre costs and Other. The change has no impact on the Group's Solvency II return on equity.

Solvency II net asset value per share (Solvency II NAV per share)

Solvency II NAV per share is used to monitor the value generated by the Group in terms of the equity shareholders' face value per share investment. This is calculated as the closing unrestricted tier 1 Solvency II shareholder own funds, divided by the actual number of shares in issue as at the balance sheet date. Consistent with Solvency II RoE, it is an economic value measure used by the Group to assess growth.

The Solvency II NAV per share is shown below:

	2021	2020
Unrestricted tier 1 shareholder Solvency II own funds (£m)	**15,697**	17,358
Number of shares in issue (in millions)	**3,766**	3,928
Solvency II NAV per share	**417p**	442p

Solvency II debt leverage ratio

Solvency II debt leverage ratio is calculated as total debt expressed as a percentage of Solvency II regulatory own funds plus senior debt and commercial paper. Solvency II regulatory debt includes subordinated debt and preference share capital. The Solvency II debt leverage ratio provides a measure of the Group's financial strength.

	2021 £m	2020 £m
Solvency II regulatory debt	**6,330**	8,316
Senior notes	**651**	1,112
Commercial paper	**50**	108
Total debt	**7,031**	9,536
Estimated Solvency II regulatory own funds, senior debt and commercial paper	**26,274**	30,482
Solvency II debt leverage ratio	**27 %**	31 %

A reconciliation from IFRS subordinated debt to Solvency II regulatory debt is provided below:

	2021 £m	2020 £m
IFRS borrowings	**7,344**	9,727
Less: Borrowings not classified as Solvency II regulatory debt		
Senior notes	**(651)**	(1,112)
Commercial paper	**(50)**	(108)
Operational borrowings	**(1,211)**	(1,474)
IFRS subordinated debt	**5,432**	7,033
Revaluation of subordinated liabilities	**449**	795
Other movements	**(1)**	38
Solvency II subordinated debt	**5,880**	7,866
Preference share capital	**450**	450
Solvency II regulatory debt	**6,330**	8,316

Other APMs

Cash remittances

Cash paid by our operating businesses to the Group, for the period between March 2021 and the end of the month preceding the results announcement comprised of dividends and interest on internal loans. Dividend payments by operating businesses may be subject to insurance regulations that restrict the amount that can be paid. The business monitors total cash remittances at a Group level and in each of its 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.

Excess centre cash flow

This represents the cash remitted by business units to the Group centre less central operating expenses and debt financing costs. Excess centre cash flow is a measure of the cash available to pay dividends, reduce debt or invest back into our business. Excess centre cash flow does not include cash movements such as disposal proceeds or capital injections. Excess centre cash flow when positive in the period can be referred to as excess centre cash inflows and when negative as excess centre cash outflows.

Centre liquidity

Centre liquidity comprises cash and liquid assets and represents amounts as at the end of the month preceding results announcements. It provides meaningful information because it shows the liquidity at the Group centre available to meet debt interest and central costs and to pay dividends to shareholders.

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.

Shareholder services

2022 Financial Calendar

Ordinary dividend timetable:	Final	Interim**
Ordinary ex-dividend date	7 April 2022	18 August 2022
Dividend record date	8 April 2022	19 August 2022
Last day for Dividend Reinvestment Plan and currency election	26 April 2022	7 September 2022
Dividend payment date*	19 May 2022	28 September 2022

Other key dates:	
Annual General Meeting	1pm on 9 May 2022
General Meeting	3:30pm on 9 May 2022
Quarter one market update**	18 May 2022
2022 interim results announcement**	10 August 2022
Quarter three market update**	9 November 2022

* 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 (ordinary shareholders only)
- 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 (ordinary shareholders only)

You can find further details regarding these payment options at www.aviva.com/dividends and register your choice by contacting Computershare using the contact details opposite, online at www.computershare.com/AvivaInvestorCentre or by returning a dividend mandate form. You must register for one of these payment options to receive any dividend payments from Aviva.

Manage your shareholding online

www.aviva.com/shareholders:

General information for shareholders.

www.computershare.com/AvivaInvestorCentre:

- Change your address
- Change payment options
- Switch to electronic communications
- View your shareholding
- View any outstanding payments

Annual General Meeting (AGM)

The 2022 AGM will be held at The Queen Elizabeth II Centre (QEII Centre), Broad Sanctuary, Westminster, London SW1P 3EE, on Monday, 9 May 2022, at 1pm with facilities to attend electronically.

Details of each resolution to be considered at the meeting and voting instructions are provided in the Notice of AGM, will be made available on the Company's website at www.aviva.com/agm in April 2022.

The voting results of the 2022 AGM will be accessible on the Company's website at www.aviva.com/agm shortly after the meeting.

General Meeting (GM)

A GM relating to the proposed Return of Capital will be held at The Queen Elizabeth II Centre (QEII Centre), Broad Sanctuary, Westminster, London SW1P 3EE, on Monday, 9 May 2022, at 3:30pm with facilities to attend electronically.

Details of each resolution to be considered at the meeting and voting instructions are provided in the Circular and Notice of GM, which will be made available on the Company's website at www.aviva.com/return-of-capital in April 2022.

The voting results of the GM will be accessible on the Company's website at www.aviva.com/agm shortly after the meeting.

Shareholder contacts:

Ordinary and preference shares:

For any queries regarding your shareholding, please contact Computershare:

- **By telephone:** 0371 495 0105
  We're open Monday to Friday, 8.30am to 5.30pm UK time, excluding public holidays. Please call +44 117 378 8361 if calling from outside of the UK
- **By email:** AvivaSHARES@computershare.co.uk
- **In writing:** Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol, BS99 6ZZ

American Depositary Receipts (ADRs):

For any queries regarding Aviva ADRs, please contact Citibank Shareholder Services (Citibank):

- **By telephone:** 1 877 248 4237 (1 877-CITI-ADR)
  We are open Monday to Friday, 8.30am to 6pm US Eastern Standard Time, excluding public holidays. Please call +1 781 575 4555 if calling from outside of the US
- **By email:** Citibank@shareholders-online.com
- **In writing:** Citibank Shareholder Services, PO Box 43077, Providence, Rhode Island, 02940-3077 USA

Group Company Secretary

Shareholders may contact the Group Company Secretary:

- **By email:** Aviva.shareholders@aviva.com
- **In writing:** Kirstine Cooper, Group Company Secretary, St Helen's, 1 Undershaft, London, EC3P 3DQ
- **By telephone:** +44 (0)20 7283 2000

Cautionary statement

This document should be read in conjunction with the documents distributed by Aviva plc (the 'Company' or 'Aviva') through The Regulatory News Service (RNS). This announcement contains, and we may make other verbal or written 'forward-looking statements' with respect to certain of Aviva's plans and current goals and expectations relating to future financial condition, performance, results, strategic initiatives and objectives. 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 uncertain conditions in the global financial markets and the local and international political and economic situation generally (including those arising from the Russia-Ukraine conflict); market developments and government actions (including those arising from the evolving relationship between the UK and the EU); the effect of credit spread volatility on the net unrealised value of the investment portfolio; the effect of losses due to defaults by counterparties, including potential sovereign debt defaults or restructurings, on the value of our investments; changes in interest rates that may cause policyholders to surrender their contracts, reduce the value or yield of our investment portfolio and impact our asset and liability matching; the unpredictable consequences of reforms to reference rates, including LIBOR; 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, litigation and physical risks associated with climate change; our reliance on information and technology and third-party service providers for our operations and systems; the impact of the Group's risk mitigation strategies proving less effective than anticipated, including the inability of reinsurers to meet obligations or unavailability of reinsurance coverage; poor investment performance of the Group's asset management business; the withdrawal by customer's at short notice of assets under the Group's management; failure to manage risks in operating securities lending of Group and third-party client assets; increased competition in the UK and in other countries where we have significant operations; regulatory approval of changes to the Group's internal model for calculation of regulatory capital under the UK's version of Solvency II rules; the impact of actual experience differing from estimates used in valuing and amortising deferred acquisition costs (DAC) and acquired value of in-force business (AVIF); the impact of recognising an impairment of our goodwill or intangibles with indefinite lives; changes in valuation methodologies, estimates and assumptions used in the valuation of investment securities; the effect of legal proceedings and regulatory investigations; the impact of operational risks, including inadequate or failed internal and external processes, systems and human error or from external events and malicious acts (including cyber attack and theft, loss or misuse of customer data); risks associated with arrangements with third parties, including joint ventures; our reliance on third-party distribution channels to deliver our products; funding risks associated with our participation in defined benefit staff pension schemes; the failure to attract or retain the necessary key personnel; the effect of systems errors or regulatory changes on the calculation of unit prices or deduction of charges for our unit-linked products that may require retrospective compensation to our customers; the effect of simplifying our operating structure and activities; the effect of a decline in any of our ratings by rating agencies on our standing among customers, broker-dealers, agents, wholesalers and other distributors of our products and services; changes to our brand and reputation; changes in tax laws and interpretation of existing tax laws in jurisdictions where we conduct business; changes to International Financial Reporting Standards relevant to insurance companies and their interpretation (for example, IFRS 17); the inability to protect our intellectual property; the effect of undisclosed liabilities, separation issues and other risks associated with our business disposals; and other uncertainties, such as diversion of management attention and other resources, relating to future acquisitions, combinations or disposals within relevant industries; the policies, decisions and actions of government or regulatory authorities in the UK, the EU, the US, Canada or elsewhere, including changes to and the implementation of key legislation and regulation. Please see Aviva's most recent Annual Report for further details of risks, uncertainties and other factors relevant to the business and its securities.

Aviva undertakes no obligation to update the forward looking statements in this announcement or any other forward-looking statements we may make. Forward-looking statements in this report are current only as of the date on which such statements are made.

This report has been prepared for, and only for, the members of the Company, as a body, and no other persons. The Company, its directors, employees, agents or advisers do not accept or assume responsibility to any other person to who this document is shown or into whose hands it may come, and any such responsibility or liability is expressly disclaimed.

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