Delivering on our promises

It takes Aviva

Aviva plc
Annual Report and
Accounts 2023
Part 1

It all starts with our customers

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

It takes Aviva.

How to navigate this report

Throughout the Strategic report we use a colour coding system for our four strategic pillars: Growth, Customer, Efficiency and Sustainability:

Growth
Accelerating growth in capital-light businesses

Efficiency
Top-quartile efficiency, synergies from our model, and technology at the core

Customer
Digitally-led customer experience and serving more needs

Sustainability
Committed to social action, climate action and being a sustainable business

Throughout the Strategic report we use a colour coding system for the three areas of our business: Insurance, Wealth and Retirement

Insurance | Wealth | Retirement

Use your browser's bookmarks and tools to navigate
To search this document: PC use Ctrl+F; MAC use Command+F

Our reporting suite

This report forms part of our reporting suite.

Find out more on www.aviva.com

Results Presentation 2023
Presentation of our full year results.

Results Announcement 2023
Includes our news release and analysis of the financial results.

Climate-related Financial Disclosure 2023
Our report in compliance with the Taskforce on Climate-related Financial Disclosure (TCFD).

Reporting Criteria 2023
Sets out the principles and definitions used to report the Group's key sustainability performance indicators and selected data points.

Sustainability Datasheet 2023
All sustainability metrics are included in our datasheet.

Contents

Foreword

The Strategic report and Governance pages form part 1 of the Annual Report and Accounts. The IFRS Financial Statements and Other Information form part 2 of the Annual Report and Accounts. Parts 1 and 2 together comprise the Aviva plc Annual Report and Accounts 2023.

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 2023, which was approved by the Board on 6 March 2024 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 and Accounts 2023.

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

As a reminder

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

Explanations of key terms used in this report are available on:

www.aviva.com/glossary
www.aviva.com/climate-goals-glossary

The Company's registered office:

80 Fenchurch Street
London, EC3M 4AE

Alternative Performance Measures:

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

This guidance includes definitions and, where possible, reconciliations to relevant line items or sub-totals in the financial statements.

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

Aviva on a page

Aviva is the UK's leading diversified insurer across Insurance, Wealth and Retirement, with 19.2 million customers in the UK, Ireland and Canada

Our purpose is to be with you today for a better tomorrow

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

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

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

We have a clear strategy to achieve this vision based on four pillars:

Growth
Accelerating growth in capital-light businesses

Customer
Digitally-led customer experience and serving more needs

Efficiency
Top quartile efficiency, synergies from our model and technology at the core

Sustainability
Committed to social action, climate action and being a sustainable business

Read more on our strategy

We are guided by our values:

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

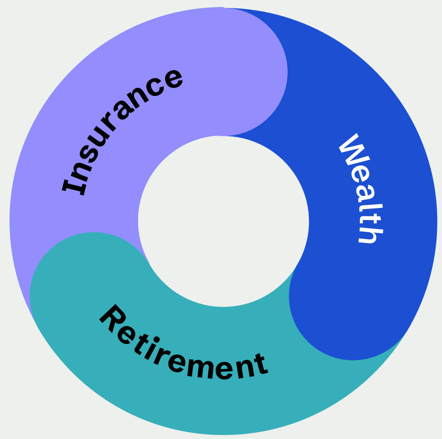
Care
We care deeply about the positive difference we can make in our customers' lives

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

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

Read more on our people

Offering customers a range of products and services across:



Read more on our business model

2023 highlights

We have made significant progress in 2023

Our position as the UK's leading diversified insurer, with major businesses in Canada and Ireland, is clearly delivering. We are building a clear track record of strong and consistent performance. In each of the last three years we have grown sales[1], operating profit[2] and our dividend. This momentum gives us increased confidence for the future for Aviva, and so we are announcing a new £300 million share buyback programme, and upgrading our dividend guidance to mid-single digit growth in the cash cost.

Financial

£1,467m
Group adjusted operating profit[‡,2]

£1,106m
IFRS profit for the year[3]

£2,734m
Baseline controllable costs[‡]

£1,729m
Solvency II operating own funds generation[‡]

£1,892m
Cash remittances[‡]

33.4p
2023 total dividend per share

Growth

£10,888m
Gross written premiums (GWP)[‡]

£781m
Insurance, Wealth & Retirement (IWR) value of new business[‡]

£8,307m
Wealth net flows[‡]

‡ Denotes Alternative Performance Measures (APMs) and further information can be found in the 'Other information' section.

1. Reference to sales represents Annual Premium Equivalent (APE) for Protection & Health, Present Value of New Business Premiums (PVNBP) for Annuities and Equity Release and Gross Written Premiums (GWP) for General Insurance. APE, PVNBP and GWP are APMs and further information can be found in 'Other Information' section.
2. Group adjusted operating profit is an APM which is used by the Group to supplement the required disclosures under IFRS. See the 'Other Information' section for further information.
3. IFRS Profit for the year represents IFRS profit for the year after tax

Delivering for customers and shareholders

Our strategy is centred around our customers. And we're only getting started. The better we understand what customers need, the better we can help them make things click.

Life is complicated, the economy uncertain and the world is changing fast. Our customers look to us to help make sense of the financial puzzles in their lives; we take that responsibility to heart and always want to do better.

This year, some of those customers across Canada, Ireland and the UK again faced wildfires and hail, storms and flood. With homes damaged, and lives turned upside down, our teams were on hand to help. Our people worked extra shifts and teams were on the ground in the worst hit communities arranging temporary accommodation, emergency payments and repairs. This is Aviva at its best.

We're all working hard to make sure we keep our word to all our customers and live up to their expectations, today and long into the future. That's the reason we exist after all, to be 'with you today, for a better tomorrow'.

By getting that right and delivering on our purpose as well as we can, we will deliver on our full potential for shareholders too.

Unique model

The UK's leading diversified insurer

Our customer base and market-leading positions across Insurance, Wealth and Retirement set us apart

Insurance
Wealth
Retirement

Making it click

At those moments that matter in life, we're uniquely placed with an extensive range of products and services our customers can rely on.

Read more in our business review

Congratulations, it's a girl
- Junior ISA

Passed first time, now she's going places
- Car insurance

Step on to that career ladder
- Workplace pension

Ouch! Need some physio, fast
- Employee private medical cover

New home, new responsibilities
- Life insurance
- Home insurance

Set-up her own start-up
- SME cyber cover

Put something away for a rainy day
- Financial advice

Make the most of retirement
- Annuities
- Equity release

Consistent performance

Strong growth

We're taking advantage of opportunities to grow in our chosen markets, and accelerating our progress through M&A

Growing organically

2023 has been another year of strong and consistent performance.

General insurance gross written premiums (GWP)[1] have grown by 12% overall. Our Insurance, Wealth and Retirement business increased overall new business value (VNB) by 4%, with health insurance and protection sales[1] both growing. Our workplace business continues to progress with a record £6.9 billion of net flows, winning 477 new schemes during the year. In our retirement business, we transacted on 56 BPA deals, for total sales[1] of £5.5 billion.

Accelerating through acquisitions

In 2023, we announced two acquisitions that will accelerate growth of our capital-light[2] businesses, which now make up over half our portfolio.

In September, we announced the acquisition of AIG's UK protection business for £460 million[3]. We already have strong organic growth and an award-winning protection business and this transaction, due to complete in 2024, will add further scale.

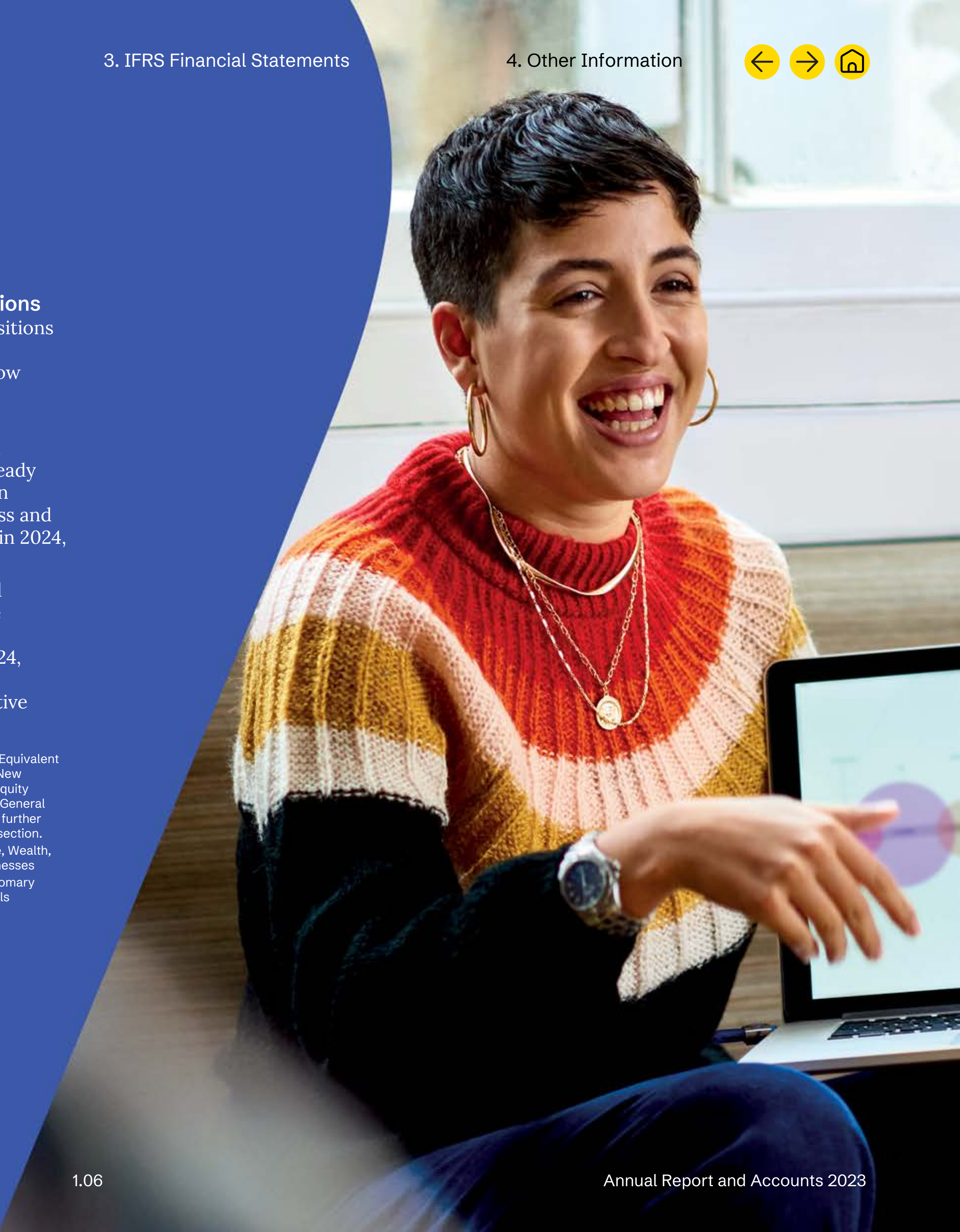
In November 2023, we announced a deal to acquire Canadian vehicle replacement insurance business Optiom. Completed in January 2024, the deal will improve our offering and distribution in a highly attractive segment of the Canadian market.

1. Reference to sales represents Annual Premium Equivalent (APE) for Protection & Health, Present Value of New Business Premiums (PVNBP) for Annuities and Equity Release and Gross Written Premiums (GWP) for General Insurance. APE, PVNBP and GWP are APMs and further information can be found in 'Other Information' section.
2. Capital-light refers to Aviva's General Insurance, Wealth, Protection and Health and Aviva Investors businesses
3. Completion of this transaction is subject to customary closing conditions, including regulatory approvals

Read more in the CFO report

39%

of all new UK sales to existing customers



Growing confidence

Investing for the future

Our consistent performance gives us the confidence to invest in our customers, our business and our communities

Improving experience

We continue investing to make meaningful improvements to the way we serve our customers.

For example, new pricing analysis and models for our Global Corporate and Speciality team means quotes that used to take over an hour to load can now be ready in under ten minutes. In Ireland's wealth business, a new digital anti-money laundering solution cuts delays, allowing brokers to enter data themselves and make that data live within 30 minutes. Aviva Canada opened its first AutoCare Centres, to offer extra capacity, more convenient service and quicker claims handling, which has led to an improvement in its customer satisfaction scores.

Investing in the UK

Aviva Capital Partners (ACP), develops and invests in infrastructure assets with Aviva group capital. These investments will help grow the economy, create jobs and support community facilities. They also generate assets for our Insurance, Wealth & Retirement business to invest in, and for Aviva Investors to manage.

In October 2023, ACP was selected as preferred bidder, along with our partner the mixed-use developer Socius, to develop a district for cancer research and treatment at the London Cancer Hub.

The Hub will deliver major social and economic benefits, including 13,000 highly skilled jobs in health, science, education and construction.

Innovating solutions

Aviva Ventures, our corporate venture capital fund, has helped Tembo Money develop an innovative mortgage advice service since it was founded.

Through our partnership with the Founders Factory, we helped this start-up design and launch a way to help more people afford their own home, and we started to introduce their service at a reduced cost to some of our existing workplace customers and our employees in 2023.

Read more in our business review

Superior returns

Delivering for our shareholders

Sustainable cash generation underpins our ongoing commitment to shareholders. It supports our dividend and allows us to make regular capital returns.

In March 2024 we announced a new share buyback programme of £300 million.

We have declared a final dividend of 22.3 pence, bringing our total dividend for the year to 33.4 pence.

In recognition of the group's strong prospects we have upgraded our dividend guidance to mid-single digit growth in the cash cost.

Read more about our investment case

Cash remittances 2021-2023

£5,636m

2023	£1,892
2022	£1,845
2021	£1,899

Total capital and dividend returned to shareholders over last 3 years:

£9bn

33.4p

2023 total dividend per share

Our investment case

Delivering on our promise to shareholders

1. The UK's leading diversified insurer
Majority capital-light, with material international earnings

2. Consistent strategy
With investment for the future

3. Strong organic growth
Accelerated through bolt-on M&A

4. Track record of delivery
With strong performance momentum

5. Superior returns for shareholders
With growing dividends and regular capital returns

Our Group targets

We have confidence in medium-term financial targets

Operating profit[1] by 2026	Cumulative cash remittances 2024-26	Solvency II OFG by 2026
£2bn	>£5.8bn	£1.8bn

Our strategic priorities

Clear strategy with a focus on execution in four priority areas

Growth
Accelerating growth in capital-light businesses

Customer
Digitally-led customer experience and serving more needs

Efficiency
Top-quartile efficiency, synergies from our model, and technology at the core

Sustainability
Committed to social action, climate action and being a sustainable business

Read more on our strategy

1. Reference to operating profit represents Group adjusted operating profit. Group adjusted operating profit is an APM which is used by the Group to supplement the required disclosures under IFRS. See the 'Other Information' section for further information.

Chair's statement

> Across the UK, Ireland and Canada we've been living up to our purpose to be with people in their moments of need and thinking about what's needed for tomorrow.

George Culmer
Chair

It's more important than ever that Aviva delivers on our promises

There for our customers

This year, our customers and communities have continued to face tough times and real uncertainty: worries about the cost of living and broader economic anxieties set against a backdrop of continuing geopolitical tensions.

And amidst this uncertainty, Aviva has continued to be there for them. Across the UK, Ireland and Canada, we've been living up to our purpose to be with people in their moments of need and thinking about what's needed for tomorrow.

Delivering strongly

In contrast to the volatile external environment, our own performance has been dependably consistent and strong.

You will read in the following pages that we've delivered another 12 months of excellent momentum in our financial results and another 12 months of good strategic progress.

This means we have been able to deliver on our other commitments, including investing in and contributing to our communities more widely.

We've also continued to deliver good returns for our shareholders, including a dividend of 33.4 pence.

Leading to growth

None of this happens by accident. Our progress this year is the tangible consequence of our strategy and the deliberate choices and actions of Amanda Blanc, our Group CEO, and her team.

Thanks to that clear direction and strong execution, we are now well positioned and taking advantage of the growth opportunities we have identified in our chosen markets. And thanks to our scale and diversity, we've shown yet again that we are also resilient to the ups and downs of external conditions.

Such a strong performance is also the direct result of the excellent work from Aviva's people over the past 12 months. I'd like to thank everyone for their efforts throughout the year. It is, after all, the culture of any organisation, what we value and the way we choose to behave together, that underpins long-term sustainable success.

High-performance culture

One challenge for any board is to get under the skin of presentations and beyond first impressions, to really get a sense of how people in the business are feeling.

You can see in this report some of the ways we've gone about that this year. What we've seen and heard all points to Aviva taking great strides towards a high performing, highly engaged, truly customer-focused culture.

Confidence

We are confident that with our clear strategy, our trading momentum and the commitment of our people, that Aviva's prospects are excellent. That does not mean we always get everything right, of course, but a key element of any performing organisation is to rectify any mistakes quickly and learn from them as we always look to improve.

Delivering our promise

The way our customers are living their lives is changing as fast as the society around us. Our commitments to them, whether that is protecting their home or business, their health and their family, or offering the means to a secure, fulfilling retirement, matter today more than ever.

By living up to our promises, we will continue on our path to delivering the full promise of this business for our customers, colleagues, and shareholders.

George Culmer
Chair
6 March 2024

Chief Executive Officer's report

2023 was another year of strong, consistent performance for Aviva. We once again extended our track-record of growth and have now achieved our Solvency II OFG and cost targets a year early and are firmly on track to exceed our cash remittance target.

We have made significant progress in 2023. Sales are up, costs are down, and operating profit is 9% higher. Our position as the UK's leading diversified insurer, with major businesses in Canada and Ireland, is clearly delivering.

Amanda Blanc DBE
Group Chief Executive Officer

Find out more:
Our strategy
2023 highlights
Our business model
Our people

Overview

Our consistent strategy has allowed us to deliver precisely what we said we would: strong momentum in both growth and performance. This has been further bolstered by significant investment across the business and bolt-on M&A, enabling us to continue to capitalise on market growth opportunities. As a result, we have upgraded our targets and dividend guidance and announced a new £300 million share buyback.

Credit for this year's strong performance goes to my Aviva colleagues for everything they do to support our customers every day - be that sorting a claim, or consolidating someone's pension pot, resolving a query or developing a new, better service. Our people work tirelessly to help solve our customers' financial puzzles, so a very big thank you to the whole Aviva team.

Strong consistent performance

In 2023 we have shown continued momentum, growing Group adjusted operating profit by 9%. This reflects strong trading performances right across our businesses, the advantages of our scale and market positions, the benefits of our investment programme, and our continued focus on costs and efficiency.

General insurance gross written premiums (GWP) have grown by 12% overall and the group undiscounted combined ratio (COR) was 96.2%. This is a good performance considering adverse weather in Canada, storms in the UK and the impacts of inflation, reinsurance costs and higher claims frequency.

Our UK & Ireland general insurance business had another strong year with GWP up 16% and healthy profitability. In Canada, where we are the number two player, we grew GWP by 10% on a constant currency basis with a strong COR of 95.3%. Across our general insurance businesses, we remain focused on extending our best-in-class technical capabilities and the outlook is positive as rate continues to earn through the portfolio.

Chief Executive Officer's report

In our Insurance, Wealth & Retirement (IWR) business we increased operating value added by 13%. Health insurance annual premium equivalent (APE) remained very strong and grew by 41%, driven by increased demand across retail and business customers, while Individual Protection APE grew 13% as a result of strong growth in IFA and direct channels.

In Wealth, our workplace business continues to thrive with a record £6.9 billion of net flows, boosted by winning 477 new schemes during the year. Our platform business continues to see positive net flows, at £2.1 billion, and is positioned to benefit when market conditions improve. Overall, Wealth net flows were 6% of opening Assets Under Management (AUM), while total AUM grew 15% to £170 billion.

In our Retirement business, we transacted on 56 BPA deals in 2023, for total present value of new business premiums (PVNBP) of £5.5 billion. Improved margins have been supported by the launch of our new streamlined service for smaller schemes. The higher rate environment supported individual annuity PVNBP, which grew by 17%, and conversely impacted equity release sales, which were 48% lower.

Solvency II Own Funds Generation (Solvency II OFG) – an important measure of our dividend paying capacity – grew 12% to £1,729 million driven by improved underlying performance across all businesses, whilst also benefiting from the extension of two key partnerships in IWR, which will deliver better customer service, efficiency and systems rationalisation.

Cash remittances were also up 3% to £1,892 million. The Group remains in a very strong financial position with a robust balance sheet and a Solvency II shareholder cover ratio of 207% at the end of the year.

These results are testament to the work we have been doing to improve the underlying performance of our businesses over the last three years and give us high expectations as we look forward into 2024 and beyond.

The UK's leading diversified insurer

These results were also made possible by our unique model, which is a major competitive strength. Our portfolio is diversified across the UK, Ireland and Canada, where we have market leading positions and tangible opportunities for growth. We are also the only major player in the UK which can look after a wide range of customer needs across insurance, wealth and retirement. These multiple lines of business give Aviva's earnings clear resilience and provides advantages to our customers. We now have 4.8 million customers with two or more products with us and we want to grow this number each year.

All elements of Aviva work together to our mutual advantage. Our general insurance, protection, health and wealth businesses are key customer acquisition and growth engines. Our retirement business underpins our cash generation, and Aviva Investors is a critical enabler of growth in Wealth and Retirement.

Taken together they give us scale, in particular an unrivalled franchise of more than 19 million customers that is and always will be at the heart of our success.

We're determined to further enhance our customers' experience with Aviva and service more of their needs, to seize those growth opportunities and deliver more value to shareholders.

Strong organic growth

A big part of our growth story comes from that customer base. Our number one brand position is matched by strong sales to existing customers, with 39% of all new UK sales in the year to existing product holders.

Nor are we positioned where we are by accident. For example, with more people looking after their own retirements, and more inter-generational wealth transfer, we've deliberately designed our wealth business to help. An ageing population can look to us to be there for their retirement. As customer expectations and needs evolve, we can be there for them at the key moments in life, helping them protect what matters, build wealth and look after their health and wellbeing.

Accelerating through M&A

On top of the organic growth we see flowing from societal trends, we're also investing to accelerate our advantage.

We made important and deliberate investments in capital-light areas, investing c.£100 million to acquire Optiom in Canada, which will improve our offering and distribution in a highly attractive segment of the market, and £460 million to acquire AIG's UK protection business which has over 2.5 million customers, adding further scale to our award-winning protection business.

Most recently, on 4 March 2024, we announced the £242 million acquisition of Probitas, a high quality, fully-integrated platform in the Lloyd's market, which will expand the market opportunity for Aviva's Global Corporate & Specialty (GCS) business.

Investment for the future

We are making significant investment across our business, to make customer service quicker, simpler and slicker; to develop new products and services which make customers' lives easier; and to accelerate the growth of our capital-light businesses. And this investment is paying off. For example, in our protection business, SME customer journeys are now digital, supporting a 5% growth in sales. In Health, we have enhanced our direct quote and buy customer journey leading to increased conversion rates.

We continue to innovate to improve our offering to customers. Aviva Zero, our next generation personal lines proposition is going from strength to strength, while our AI driven pensions tracing service Fabric has seen an over 50% increase in transfer-in flows. Digital-led improvements are enhancing the way our customers can interact with us too. This year saw us add 600,000 more MyAviva app users, bringing the total up to 6.3 million. We have also continued to support customers who have struggled with the high cost of living, for example by offering payment deferrals and lower cost, no-frills general insurance products.

Chief Executive Officer's report

We are running Aviva more efficiently and we've exceeded our £750 million cost reduction target and delivered it one year early, reaching £757 million of savings by the end of 2023. We are making the business simpler too, and have reduced our IT applications by approximately 30% since 2020.

Being efficient also means setting ourselves up for the future, making things easier for our people and smoother for our customers – that is why we have extended our strategic partnerships with FNZ and Diligenta to simplify and strengthen our operations and technology in our heritage and wealth businesses.

And finally, on sustainability, as well as our continued commitment to climate action, we're focusing on social action too. That includes investing in our communities and the UK economy, such as Aviva Investors' recent investment of £50 million in Hightown Housing Association, supporting them in providing affordable, energy-efficient homes or Aviva Capital Partners' work to develop the London Cancer Hub, creating a life-science district dedicated to cancer treatment and research.

Superior returns for shareholders

Our strong performance, profitable growth and financial strength gives us increasing confidence for the future. We are committed to delivering superior returns to our shareholders, year in, year out.

That means we can deliver on our regular, sustainable returns of surplus capital, by announcing a new share buyback programme of £300 million.

We have also declared a final dividend of 22.3 pence, bringing our total dividend for the year to 33.4 pence. In total, over the last three years, we have now returned £9 billion of capital and dividends to shareholders.

We know the importance of a sustainable dividend for shareholders, and in recognition of the group's strong prospects, we have also upgraded our dividend guidance to mid-single digit growth in the cash cost (from low-to-mid single digit previously).

Confidence in Aviva's future

Our confidence also underpins the new Group targets, representing consistent progression from our existing targets.

On Group adjusted operating profit, we have set a target to reach £2 billion by 2026. We are upgrading our Solvency II operating own funds generation target to £1.8 billion by 2026. And we are targeting over £5.8 billion in cumulative cash remittances over 2024-26.

We have transformed the performance of Aviva over the last three years. We've grown quarter-on-quarter, year-on-year, and by operating more efficiently, we are turning that into improvements in profitability. Through our dividend growth and regular share buybacks, we are sustainably delivering superior returns to our investors. With our strong momentum and continued investment in the business, I have real confidence in our ability to extend this track record.

Amanda Blanc DBE
Group Chief Executive Officer
6 March 2024

Chief Financial Officer's report

Find out more:

Our key performance indicators
Our business review
Capital management
Our risks and risk management

> 2023 has been another year of strong and profitable growth. We have built a strong track record of delivery and effective deployment of resources across the Group, maximising the value of our diversified business model. All of this gives me confidence in the positive outlook for Aviva.

Charlotte Jones
Chief Financial Officer

Overview

Our capital framework gives us a firm grip over how we deploy resources and manage performance across the Group. This has been instrumental to the delivery of our excellent results in 2023 and supports the growth in capital-light areas.

This strong performance culture is delivering sustainable growth in earnings and cash while maintaining a robust balance sheet, enabling us to grow the regular dividend.

Surplus capital is available for reinvestment in the business, bolt-on M&A and returns to shareholders.

We have now exceeded our existing Solvency II operating own funds generation target of £1.5 billion by 2024, and we have delivered our £750 million cost reduction target. Both of these have been achieved a year early. We remain on track to exceed our cash remittance target of >£5.4 billion cumulative (2022-2024).

Therefore, we are establishing new, upgraded targets for the Group:

- Group adjusted operating profit[1]: £2 billion by 2026. A new target following the implementation of IFRS 17.
- Solvency II own funds generation: £1.8 billion by 2026. A key driver of value and cash remittances. Upgraded from £1.5 billion by 2024.
- Cash remittances: >£5.8 billion cumulative 2024-2026. Underpinning our sustainable dividend policy. Upgraded from >£5.4 billion 2022-2024.

We are committed to delivering for our shareholders. The upgraded targets set out here support our sustainable dividend policy.

In light of the significant progress made and confidence in Aviva's future, we are upgrading our dividend guidance. We now expect to grow the cash cost of the dividend by mid-single digits[2].

Combined with our intention for regular and sustainable capital returns which reduce the share count further, this dividend policy drives even greater dividend per share growth.

Our capital position remains extremely strong at 207%, with a balance sheet that is well placed to withstand market movements.

Given this strong capital position and our confident outlook for the Group, we are announcing the launch of a £300 million share buyback programme, commencing immediately. This is the second regular and sustainable capital return, building on the £300 million buyback programme completed in 2023 and takes the total amount of capital returns and dividends to more than £9 billion over the last three years.

Our preference remains to return surplus capital regularly and sustainably.

Chief Financial Officer's report

New upgraded targets

£2bn
Group adjusted operating profit[1] by 2026

£1.8bn
Solvency II operating own funds generation by 2026

>£5.8bn
Cash remittances cumulative 2024-2026

Our complimentary portfolio is majority capital-light, and we have continued to accelerate capital-light growth with double-digit growth in our General Insurance businesses and acquisitions such as AIG and Optiom.

The changing dynamics of the external environment throughout 2023 demonstrate the importance of our diversified model. Our business is carefully positioned, and our results demonstrate that we continue to successfully navigate these dynamics.

Group financial headlines

We have shown continued momentum, with disciplined profitable growth and tight cost control.

Operating results

Cash remittances

Cash remittances were up 3% to £1,892 million (2022: £1,845 million).

Performance

Group adjusted operating profit[1] increased by 9% to £1,467 million (2022[3]: £1,350 million). Our General Insurance results in the UK, Ireland and Canada were a strong contributor to this.

General Insurance adjusted operating profit[1] increased by 35% to £851 million (2022[3]: £630 million), reflecting improved investment income and a strong underwriting result.

IWR adjusted operating profit[1] was lower at £994 million (2022[3]: £1,199 million). IWR operating value added, an important measure of value creation under IFRS 17, increased 13% to £1,849 million (2022: £1,635 million).

Aviva Investors adjusted profit[1] of £21 million (2022: £25 million) was lower in the year as a result of challenging market conditions.

Group debt and other interest expense was flat while Group centre and other operations benefitted from improved investment returns and lower centre costs.

IFRS profit for the year[4] was £1,106 million (2022[3]: loss of £(1,030) million) as a result of higher operating profit and the positive impact of investment variances and economic assumption changes, partly offset by increased tax.

Cost reduction

Baseline controllable costs[5] were 1% lower in the year at £2,734 million (2022: £2,771 million) which more than offset inflation. We have delivered £757 million of cost savings since 2018, beating our target of £750 million gross cost reduction, one year early.

We remain laser focused on costs and continued to seek further operational efficiencies going forwards.

Solvency II operating own funds generation (Solvency II OFG)

Solvency II OFG increased 12% to £1,729 million (2022[6]: £1,540 million)

Excluding management actions and other, Solvency II OFG was up 28% to £1,278 million (2022[6]: £998 million).

Solvency II operating capital generation (Solvency II OCG)

Solvency II OCG increased 8% to £1,455 million (2022[6]: £1,352 million). Excluding management actions and other, Solvency II OCG was up 44% to £1,063 million (2022[6]: £740 million).

Solvency II return on equity (Solvency II RoE)

Solvency II RoE increased by 4.8pp to 14.7% (2022[6]: 9.9%), primarily reflecting lower opening capital following the B share capital return and an increase in Solvency II OFG. Solvency II RoE (adjusted for excess capital) has increased by 2.7pp to 18.3% (2022[6]: 15.6%).

Business performance

Insurance, Wealth and Retirement (IWR)

Protection & Health (Insurance) annual premium equivalent (APE) increased by 16% to £415 million (2022: £359 million), driven by strong growth in Health (up 41%) and Individual Protection (up 13%).

Wealth net flows remained a resilient 6% of opening assets under management (AUM) at £8.3 billion (2022: £9.1 billion) driven by strong performance in Workplace, partly offset by Platform which remained robust in the face of market volatility. In Retirement, BPA volumes were up 24% to £5.5 billion (2022: £4.4 billion) across 56 transactions.

Baseline controllable costs[5] fell 1% to £1,085 million (2022: £1,093 million) as a result of our cost reduction initiatives.

Chief Financial Officer's report

Cash remittances‡

£1,892m

2023	£1,892m
2022	£1,845m

Baseline controllable costs‡,5

£2,734m

2023	£2,734m
2022	£2,771m

Solvency II operating own funds generation‡

£1,729m

2023	£1,729m
2022[6]	£1,540m

Group adjusted operating profit‡,1

£1,467m

2023	£1,467m
2022[3]	£1,350m

Estimated Solvency II shareholder cover ratio‡

207%

2023	207%
2022	212%

IFRS profit for the year[5]

£1,106m

2023	£1,106m
2022[3]	£(1,035)m

‡ 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.

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

IWR operating value added increased by 13% in the year to £1,849 million (2022: £1,635 million).

IWR adjusted operating profit[1] was 17% lower at £994 million (2022[3]: £1,199 million) primarily due to the impact of the different interest rates used to value assumption changes in the CSM and the reduction in best estimate liabilities. This more than offset higher releases to profit from a growing stock of future profit as the portfolio grows and improved investment returns in a higher interest rate environment.

Solvency II OFG of £1,297 million (2022[6]: £1,368 million) was 5% lower as management actions and other, which includes the initial benefit of extending two key partnerships (further details below), were less beneficial than the prior year.

Cash remittances were £1,369 million (2022: £780 million) as remittances have now caught up from the deferral in 2022, a precautionary measure amid market volatility following the UK mini-budget.

We have extended two key partnerships with Diligenta and FNZ in order to drive further efficiencies within our IWR business. Diligenta service many of our existing customers and a new 15 year agreement will reduce the number of legacy IT platforms and increase the number of policies serviced.

With FNZ, our existing strategic partner for Wealth, the new 15 year agreement will introduce more products onto the FNZ platform and benefit customers with a contemporary IT platform.

- The key benefits of these partnership extensions are improved customer service with an expected uplift in policies on MyAviva, consolidation of providers and platforms, a reduction in IWR IT applications and operational efficiencies leading to a more streamlined cost-base.
- IWR IFRS profit for the year includes £61 million of non-operating impact from the associated restructuring costs and a £95 million non-operating CSM cost. We expect a further c.£300 million of non-operating restructuring costs to be incurred over the next five years which will drive an operating profit benefit rising to >£100 million per annum by 2033.
- Solvency II OFG includes an initial operating benefit in 2023 of £208 million reflecting lower expenses. Non-operating includes £356 million of one-off integration and restructuring costs. We expect an uplift of >£1 billion of Solvency II OFG and >£0.7 billion in cash remittance capacity, cumulative over the next ten years.

Chief Financial Officer's report

UK & Ireland General Insurance
Gross written premiums (GWP) increased 16% to £6,640 million (2022: £5,740 million) with double digit growth in both personal lines and commercial lines. UK personal lines GWP grew to £2,956 million (2022: £2,386 million) as we continued to rate ahead of inflation and made progress in our ambition to grow Retail business, which now makes up 51% of total personal lines, up from 45% a year ago. UK commercial lines GWP reached £3,231 million (2022: £2,931 million) driven by both rate and new business growth across SME and specialty lines.

Baseline controllable costs[5] reduced 4% to £674 million (2022: £703 million) despite the inflationary environment, and while continuing to grow the business.

UK & Ireland General Insurance adjusted operating profit[1] was 63% higher at £452 million (2022[3]: £278 million) supported by improved investment returns.

UK & Ireland undiscounted combined operating ratio (COR) of 96.8% (2022[3]: 96.4%), reflecting an increase in claims frequency, increased reinsurance costs and inflationary pressures. Discounted COR was 93.6% (2022: 96.1%).

Solvency II OFG was 21% higher at £315 million (2022[6]: £261 million). Cash remittances were 55% lower, in line with previous guidance, at £326 million (2022: £731 million) as the prior year had elevated remittances as part of our precautionary measures to manage liquidity across our Group in the last quarter of 2022 following the UK mini-budget.

Canada General Insurance
GWP of £4,248 million (2022: £4,009 million) was up 10% on a constant currency basis. Personal lines was up 9% in constant currency reflecting strong new business in RBC and direct, and inflationary rating actions across the portfolio. Commercial lines was up 13% in constant currency driven by the favourable rate environment and strong new business in large corporate and mid-market.

Baseline controllable costs[5] increased 1% on a constant currency basis to £415 million (2022: £410 million) reflecting growth in the business partly offset by lower claims handling costs.

Canada General Insurance adjusted operating profit[1] increased 13% to £399 million (2022[3]: £352 million), or 18% in constant currency, driven by improved investment income and favourable prior-year development, partly offset by increased claim frequency and severity, wildfires and other catastrophe events and heightened car theft in Ontario.

The undiscounted COR was 95.3% (2022[3]: 93.7%)

Solvency II OFG was 24% higher at £339 million (2022[6]: £274 million). Cash remittances were 45% lower, in line with previous guidance, at £158 million (2022: £287 million) as, similar to the UK & Ireland, the prior year had elevated remittances following the UK mini-budget.

Aviva Investors
External net flows (excluding strategic actions) remained positive at £0.7 billion (2022: £1.3 billion).

Baseline controllable costs[5] were 6% lower at £311 million (2022: £331 million).

Revenues were 9% lower at £346 million (2022: £379 million) reflecting the impact of weak investment markets on AUM.

Aviva Investors adjusted operating profit[1] decreased to £21 million (2022: £25 million) or £35 million (2022: £48 million) excluding cost reduction implementation costs, strategic investment costs and foreign exchange movements.

Solvency II OFG was £19 million (2022: £24 million). Cash remittances in the year were £25 million (2022: £28 million).

International investments (India, China and Singapore)
Present value of new business premiums were 80% higher in constant currency at £2,048 million (2022: £1,172 million) and up 75% at reported FX, reflecting strong growth in India and China.

Adjusted operating profit[1] was up 62% to £63 million (2022[3]: £63 million) and Solvency II OFG was up to £156 million (2022: £106 million). Cash remittances in the year were £14 million (2022: £19 million).

Capital and cash

Solvency II capital
At 31 December 2023, Group Solvency II shareholder surplus was £8.8 billion and estimated Solvency II shareholder cover ratio was 207% (2022: £8.7 billion and 212% respectively).

The increase in surplus since 31 December 2022 is mainly due to Solvency II operating capital generation and net issuance of debt which is largely offset by dividend payments, £300 million share buyback and non-operating capital generation.

The solvency capital requirement of £8.2 billion includes a £2.2 billion benefit from Group diversification.

Centre liquidity
At end February 2024, centre liquidity was £1.9 billion (end February 2023: £2.2 billion) reflecting the payment of dividends, the share buyback programme, debt interest and centre costs, offset by cash remittances received from the business units.

Solvency II debt leverage
Solvency II debt leverage remained flat at 30.7% (2022: 31.4%) as regulatory own funds and total debt remained broadly stable year on year. Excluding the November 2023 Tier 2 issuance of £500 million, Solvency II debt leverage was 28.9%. We have plenty of further opportunities to manage leverage in line with our preference to be under 30% over time.

Chief Financial Officer's report

Dividend

We have announced a final dividend per share for 2023 of 22.3 pence (2022: 20.7 pence). Together with an interim dividend of 11.1 pence (2022: 10.3 pence) this brings total dividends for the year to 33.4 pence (2022: 31.0 pence), up 8%, with a cash cost of c.£915 million.

Shareholder asset portfolio

Aviva's high quality shareholder asset portfolio of £84.6 billion at 31 December 2023 (31 December 2022: £78.4 billion) continues to perform well and is defensively positioned.

Corporate bonds represent £23.9 billion or 28% of the portfolio. Of this, 83% is externally rated investment grade and 17% internally rated. Aviva has a long history in private debt, with a robust internal rating model, and these internally rated assets have an average rating of 'single A' quality.

The corporate bond portfolio continues to perform well with c.£400 million of upgrades and <£100 million of downgrades to a lower letter in 2023. No corporate bonds were downgraded below investment grade.

Our commercial mortgage portfolio of £5.6 billion comprises largely long-duration fixed rate contracts with low average loan-to-value (LTV) ratios of 53% using the nominal value of the loan.

Our securitised mortgage loans and equity release portfolio of £9.8 billion is mostly internally securitised with a low average LTV of 27%.

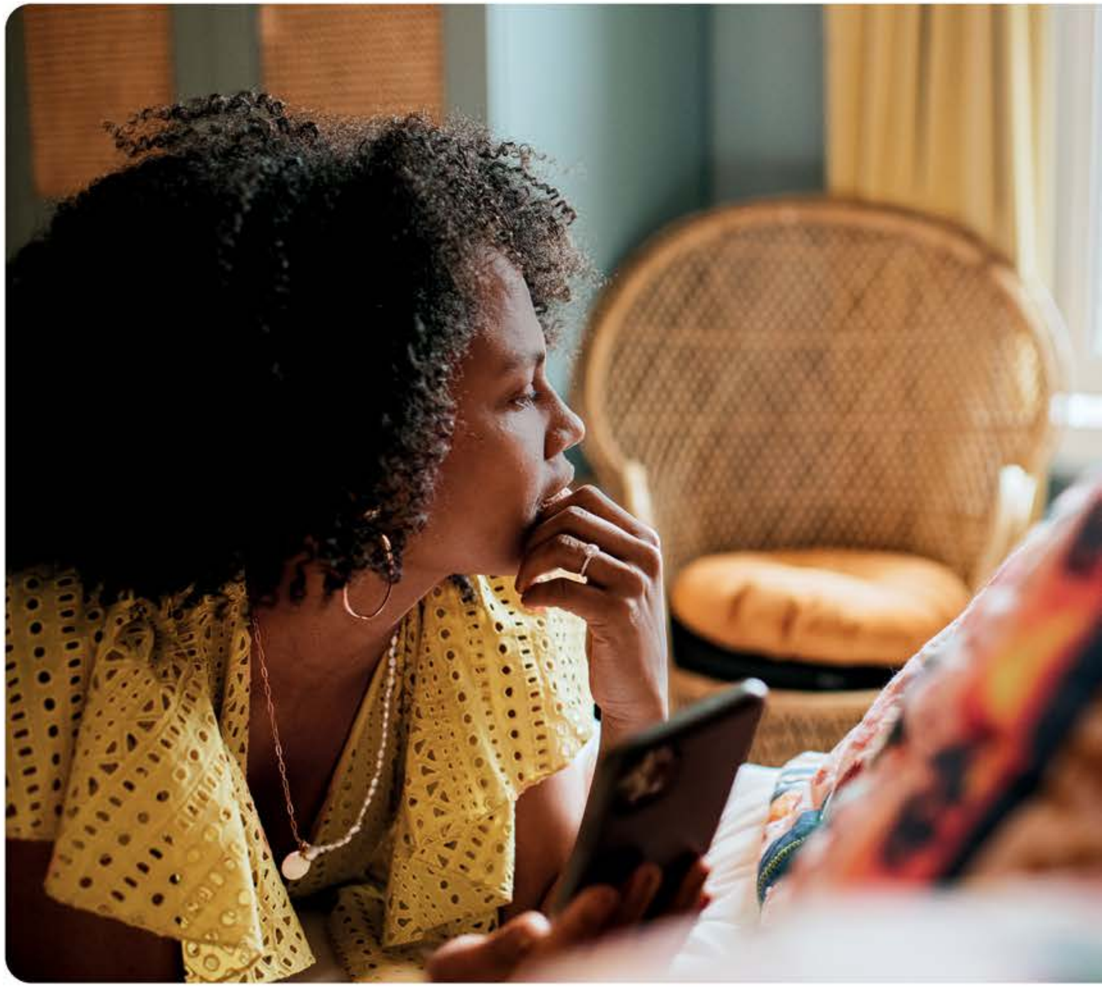
Confident outlook

Our positive momentum continued in 2023 with a strong set of results, and our diversified business model positions us well to navigate the volatile macroeconomic environment. This reinforces our confidence in the prospects, financial targets and outlook for the Group.

In General Insurance we remain focused on pricing appropriately for the ongoing inflationary environment. Overall, we expect the rating environment to remain favourable in personal lines with some moderation of rate increases in commercial lines. We expect the underlying COR[7] to benefit from the earn through of rating actions taken in 2023.

In IWR we expect to see continued growth. We expect further strong demand in Protection & Health products given supportive market dynamics. Wealth is central to our strategy, and as we set out at our 'In Focus' briefing in October 2023, the market presents a significant opportunity for Aviva to continue to generate sustainable, capital-light growth. We expect to continue our disciplined approach to BPAs, where the market is expected to continue to benefit from more pension schemes looking to de-risk.

Charlotte Jones
Chief Financial Officer
6 March 2024



1. Group adjusted operating profit is an APM which is used by the Group to supplement the required disclosures under IFRS. See the 'Other Information' section for further information.
2. Estimated dividends are for guidance and are subject to change. The Board has not approved or made any decision to pay any dividend in respect of any future period.
3. The 2022 comparative results, which were previously prepared under IFRS 4, have been restated following the adoption of IFRS 17 from 1 January 2023, as described in note 1 of the Financial Statements
4. IFRS profit/(loss) for the year represents IFRS profit/(loss) after tax.
5. Baseline controllable costs exclude strategic investment, cost reduction implementation, IFRS 17 and other costs not included in the 2018 costs savings target baseline
6. The 2022 comparative amounts have been restated for methodology changes described in the Other Information - overview section
7. Undiscounted COR excluding the impacts of prior-year development and weather versus long term average

Our business model

The UK's leading diversified insurer

Customer franchise advantage

19.2m

Customers in UK, Ireland and Canada

(2022: 18.7m)

Serving the lifetime needs of the largest customer franchise in UK Insurance, Wealth and Retirement, and our customers in Ireland and Canada.

Scale efficiency

£376bn

Group assets under management

(2022: £352bn)

Driving operating leverage from cost and investment scale, synergies from our in-house asset manager, and benefitting from shared talent and know how.

Diversification benefit

£2.2bn

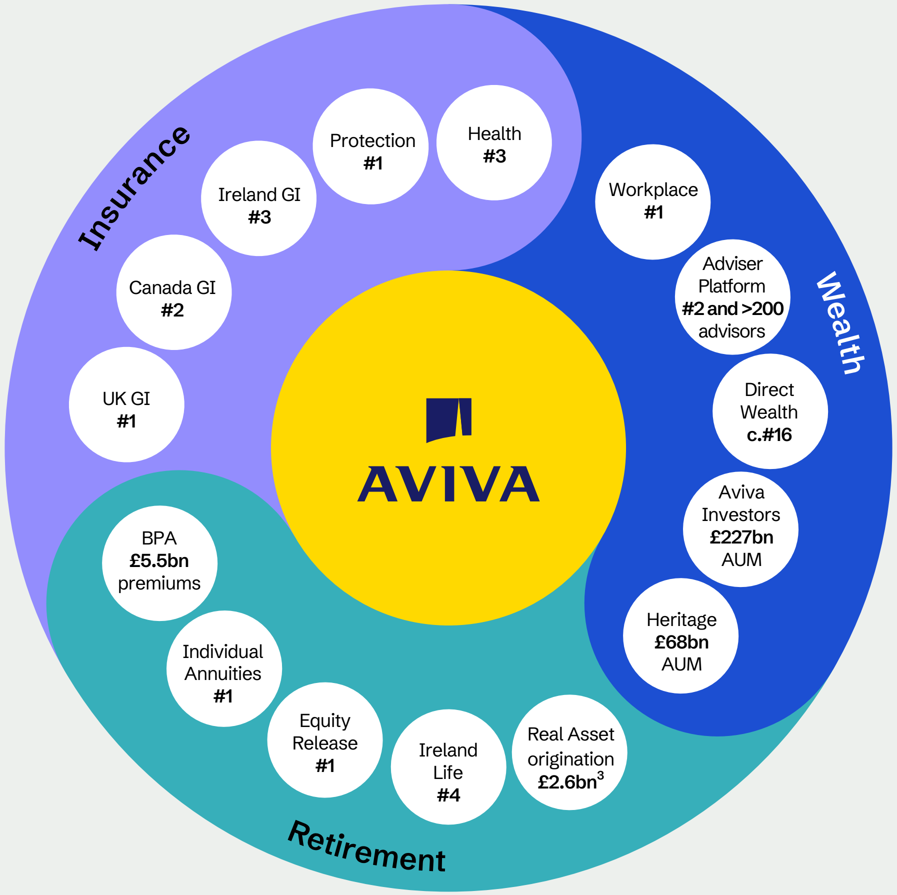
Capital diversification benefit[1]

(2022: £2.1bn)

Benefitting from composite nature of our business and resilient performance from our diversified portfolio.

1. The Group diversification between markets is the diversified Solvency Capital Requirement (SCR) arising from the sum of the SCR for each business unit (e.g. IWR, UK & Ireland GI, Canada GI, Aviva Investors, International investments (India, China and Singapore)) being higher than the SCR at Group
2. Aviva's analysis using latest information available including company reporting, Fundscape, Boring Money, Corporate Advisor, ABI, Insurance Ireland, UK Finance, Swiss Re Group Watch, Milliman
3. Originated in support of our annuities businesses, with a total of £4.6 billion (including origination for external & internal clients)

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



Our business model

Meeting all our customers' Insurance, Wealth and Retirement needs

Insurance

Protecting our customers against risks

Customers pay us a premium to insure against a specific risk and our scale enables us to pool these risks so that we are able to pay customers' claims. We meet the full breadth of customer needs with our products, for example Aviva Zero for those who want the opportunity to purchase offsets for their car's carbon emissions, or our Essentials range for those who want only essential coverage, at the right price.

Read more at zero.aviva.co.uk

Wealth

Helping our customers to save for the future

Customers save with us to generate a return on their investments. We manage and administer investments for a fee, offering guidance and financial advice for our customers' more complex needs. We cater to the lifetime wealth needs of our customers with our Connected Wealth proposition across Workplace, Direct Wealth and Advice.

Retirement

Helping our customers to manage their retirement

Customers pay us premiums which we invest over time to provide them with income in their retirement. We are developing a full suite of options supporting customers in their retirement, with advised and non-advised pathways, and a range of flexible drawdown products, annuities for regular payments and equity release.

Delivering for all our stakeholders

Our customers

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

£25.6bn

paid out in benefits and claims to our customers in 2023

Our people

Enabling our people to thrive as individuals while delivering great outcomes for our customers

88%

employee engagement score in 2023

Our communities

Committed to social action, climate action and being a sustainable business

87,599

hours volunteered by our colleagues to support local communities in 2023

Our suppliers

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

95%

of small business invoices are paid within 30 days

1. <50 employees

Our shareholders

delivering consistent performance, an attractive and growing dividend and regular capital returns

c.£915m

2023 dividend cash cost

£300m

2023 share buy-back

Read more in our stakeholders

Our external environment

Growth opportunities in all our markets across Insurance, Wealth and Retirement

New risks to protect against

50%

estimated renewables share of global electricity by 2030, up from 30% today

As the global economy develops, new risks are emerging, requiring new risk management solutions.

For example, as countries look to decarbonise over the coming decades, the transition towards renewable energy will create new risk needs such as coverage for offshore wind farms and car insurance for electric vehicles.

Cyber security is another rapidly advancing risk, where increases in the rate and sophistication of cyber attacks is driving increased demand for protection.

As these emerging risks grow, insurers will need to build their underwriting and claims capabilities and have an opportunity to extend their offerings into broader risk management and prevention services.

Expanding our insurance offerings
Positioning for growth in attractive new market segments, and continuing to monitor for new opportunities on the horizon.

Source: International Energy Agency World Energy Outlook (2023)

Rapidly evolving wealth needs

£4.3 trillion

estimated size of UK wealth market in 2032

The global wealth market continues to grow at a rapid pace, more than doubling since 2012.

In the UK, the wealth market has a unique set of structural growth drivers, in particular the shift from defined-benefit into defined-contribution (DB to DC) and the introduction of auto-enrolment.

Customer's need for support and guidance is also evolving, with advances in technology enabling new digital guidance & advice solutions to start closing some of the "advice gap".

As customer needs and behaviours change, wealth providers will need to evolve their offerings, including embedding the use of digital and artificial intelligence technologies.

Creating a connected wealth proposition
Connecting our Workplace, Advice and Direct Wealth offerings to cater to the lifetime needs of our customers.

Source: Aviva estimate, UBS Global Wealth Report (2012, 2023)

Changing nature of retirement

1 in 4

people who reach 65+ in the UK are expected to live to at least 90 years old

Across the world, people are living longer. There are currently over 11 million people over 65 in the UK, with this number expected to rise to over 15 million by 2040.

With continuing pressure on public finances, individuals have increasing responsibility to save enough for retirement against a backdrop of a substantial and growing pensions savings gap of £6 trillion, which is expected to grow to an estimated £25 trillion by the 2050s.

There will also be increased responsibility and complexity for individuals in retirement, due to pension freedoms and the shift from DB to DC.

As the nature of retirement changes, the need to develop non-traditional and flexible retirement products and services and guide customers through their options will grow.

Providing broader retirement solutions
Supporting customers with planning their retirement with advised and non-advised pathways, flexible drawdown, annuities and equity release.

Source: Office for National Statistics (2023), World Health Organisation (2022), World Economic Forum (2019)

Our external environment

Responding to external trends

Continued economic volatility

5.25%

Bank of England base rate at February 2024, the highest level since 2008

While the global economy has been recovering from the effects of the COVID-19 pandemic, the growth outlook remains relatively weak and volatile.

At the same time, increased geo-political fragmentation and tensions with the conflict in Gaza and the continued Russian invasion of Ukraine, are affecting global trade and co-operation.

In the UK, the headline rate of inflation has fallen significantly over 2023. Declining inflation should, we expect, open the door for the Bank of England to start cutting interest rates and ease the burden on customers' disposable income over the course of 2024.

Leveraging our diversified model
Continuing to drive consistent performance across our businesses and maintaining a strong balance sheet.

Source: Bank of England (2024)

Changing customer behaviours

93%

average level of digital adoption in the UK

Digital adoption is becoming near universal following the rapid increase during COVID-19 pandemic restrictions, with the vast majority of people using their smartphones daily in the UK.

People are on average spending over 3.75 hours per day on their smartphones and as a result increasingly expect personalised, convenient and frictionless experiences throughout their journeys with 53% indicating that the experience a company offers matters as much as the products and services it provides.

It will be critical for organisations to deliver seamless digital journeys and customer service interactions to engage customers and meet their rising expectations.

Delivering for our customers
Delivering value for our customers and building engaging digital-led experience.

Source: McKinsey (2020,2023), Deloitte (2023), Forbes Advisor Survey (2023)

Emergence of GenAI

$4.4 trillion

estimated value generative artificial intelligence (GenAI) could add to the global economy

ChatGPT has woken up the world to the transformative potential of GenAI, with 100 million users reached in the two months post launch.

We are already seeing applications applying recent advances in GenAI's ability to understand language complexity, with the use of large language and foundation models, and then generate text, images and other media. It has enormous potential to transform everything from science and healthcare to society itself.

Organisations are already looking to capitalise on opportunities to apply GenAI to better meet customer needs and better drive efficiency and productivity.

Putting technology at our core
Building our GenAI capabilities and seeking to harness its potential across our businesses.

Source: McKinsey (2023), Accenture (2023)

More extreme weather events

+1.48°C

warmer, 2023's global temperature was than pre-industrial average

The impacts of climate change are driving extreme weather events across the globe.

The summer of 2023 was the Northern Hemisphere's hottest in recorded history. Canada experienced its worst ever wildfire season doubling its record for carbon emissions from wildfires and torrential rains in Libya destroyed one quarter of the city of Derna.

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

Committing to climate action
Continuing to advocate and pursuing commercial opportunities which also reduce emissions.

Source: EU's Copernicus Climate Change & Atmosphere Monitoring Services (2023), Reuters (2023)

Our strategy

Growth

Accelerating growth in capital-light businesses

Customer

Digitally-led customer experience and serving more needs

Efficiency

Top-quartile efficiency, synergies from our model, and technology at the core

Sustainability

Committed to social action, climate action and being a sustainable business

Our strategy

Growth

Accelerating growth in capital-light businesses

2023 progress

Our diversified and complementary portfolio provides us with resilience and opportunities.

Our General Insurance, Protection & Health, and Wealth businesses drive customer acquisition, growth and higher returns. Our Retirement and Heritage businesses deliver cash generation, underpinning current and future dividends. Our portfolio today already has 55% of operating profit from capital-light[1] businesses, and we are investing to accelerate capital-light growth.

Insurance

We have driven double digit growth in UK&I General Insurance. In Personal Lines, we have grown Aviva Zero, our Motor proposition offering customers the opportunity to purchase offsets for their car emissions, selling over 500,000 policies since launch in 2022.

We have also driven strong growth in Canada acquiring Canadian vehicle replacement insurance business, Optiom, completed in January 2024, to further accelerate our growth in the attractive specialty risk segment.

Building on our leading position in the protection market, we announced the acquisition of AIG's UK Protection business[2]. In Health, we have increased our APE by 41% driven by growth in our corporate offering.

Wealth

We continue to make good progress on our Connected Wealth proposition which remains critical to our strategy. In Workplace, we reached £109 billion AUM for the first time, with a record £6.9 billion of net flows, winning 477 new corporate pension schemes.

Amongst a challenging retail savings market, we have demonstrated our resilience, with £2.1 billion Platform net flows, despite cost of living pressures. We have also generated over 9,000 leads into Succession Wealth and launched our direct to consumer Wealth app in September 2023.

Retirement

Our BPA business has remained disciplined, writing profitable business on £5.5 billion volumes. We have driven double digit growth in our Individual Annuity business, supporting increased customer demand, and have displayed strong performance in Equity Release.

Read more in our business review

Focus for 2024

We remain focused on delivering above market growth in Insurance and Wealth, while also ensuring our Retirement and Heritage business continues to play a key role in delivering future cash generation.

Highlights

£10.9bn
General insurance gross written premiums
(2022: £9.7bn)

£8.3bn
Wealth net flows
(2022: £9.1bn)

55%
Operating profit from capital-light businesses[1]
(2022: 47%)

1. Capital-light refers to Aviva's General Insurance, Wealth, Protection and Health and Aviva Investors businesses, excluding International Investments and IWR Other.
2. Completion of this transaction is subject to customary closing conditions including regulatory approvals

Our strategy

Customer

Digitally-led customer experience and serving more needs

2023 progress

Helping our customers to navigate the challenges of today's world is central to our strategy. We are there for our customers when they need us, supporting them through the cost of living crisis, building engaging digital-led customer experience and serving more of their needs.

Supporting our customers

We have supported our customers throughout the year, for example in Health, fulfilling our COVID-19 Customer Value Pledge Rebate payments with over £128 million paid in total and offering Quotemehappy Essentials car insurance to give greater flexibility to more cost-conscious customers.

Our Transactional Net Promoter Score (TNPS) remained strong in 2023, however it has reduced slightly versus 2022. This has largely been driven by significantly increased customer service volumes as a result of the cost of living crisis and increasing private health demand. We continue to work hard to provide additional customer service support to be there for our customers when they need us.

Building engaging digital-led customer experience

We have prioritised improvements to our digital customer journeys, making it easier and more convenient for customers to interact with us, supporting more customers to self-serve across their products, and expanded our digital support opening LiveChat to all UK customers using MyAviva.

Serving more of our customers' needs

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

We have 4.8 million UK multi-product holding customers with more than one Aviva policy[1], an increase of c.150k in 2023 and 39% of our new sales are to existing customers. We are deepening our customer relationships, for example in Health, where over 45% of new corporate schemes are with existing Aviva customers.

Focus for 2024

We will continue to deliver value for our customers, including supporting them through the cost of living crisis across our markets.

We will further enhance our digital customer journeys as we aim to engage more customers through launching a next generation MyAviva app and will continue to serve more of our customer needs.

Highlights

19.2m
Number of customers
(2022: 18.7m)

36.3
Transactional Net Promoter Score (TNPS)
(2022: 40.5)

4.8m
Multi-product holding customers (UK only)[1]
(2022[2]: 4.7m)

1. Multi-product holding customers captures the total number of UK customers with two or more Aviva policies, e.g. health and car policies, or two or more products within a single policy e.g. multi-car policies. It also includes individuals who have consolidated multiple pension policies with Aviva.
2. The 2022 comparative has been re-presented as the scope of this metric has been expanded to include pension consolidation and health spouses

Read more in our business review

Our strategy

Efficiency

Top-quartile efficiency, synergies from our model, and technology at the core

2023 progress
We are delivering on our cost commitments, by transforming our operations, extracting cost synergies from our model and putting technology at the core. We have delivered £757 million of gross savings, beating our £750 million target one year early.

Transforming our operations
We have simplified our IT estate, removing several legacy systems and applications, delivering a 29% reduction in UK IT applications, exceeding our ambition of 25%[1] by the end of 2023.

We have also simplified our UK Personal Lines product portfolio, rationalising the number of product variations we offer by 77%, exceeding our ambition of 65%[1].

In January 2024 we announced a 15 year extension to our strategic partnerships with Diligenta and FNZ enabling us to further simplify our IT estate, enhance customer journeys and improve customer experience across our IWR business.

Extracting cost synergies from our model
Maximising the benefits of our scale has been a key focus through 2023. We continue to use our scale to drive efficiency, generating over £300 million cost synergies per annum from shared services, technology and purchasing power.

Putting technology at the core
Artificial Intelligence (AI) is an established capability for Aviva delivering efficiency across our business. An example of this is our AI-led pension tracing and consolidation service, Fabric, which has driven an over 90% reduction in pension tracing & checking time.

We are also building our Generative AI capabilities, partnering with Microsoft in the Early Access Program launching Microsoft 365 Copilot pilot with over 200 employees and deploying it on use cases in General Insurance and Protection.

Focus for 2024
We will continue to transform our operations and drive scale efficiencies as we grow the business. Putting technology at the core will continue to be a key priority and we remain committed to delivering top quartile efficiency across our businesses.

Highlights

£757m
Cumulative gross costs savings (vs. 2018 baseline[2]) (2022: £575m)

29%
Reduction in UK IT applications[1] (2022: 22%)

60%
UK application estate that is cloud-hosted (2022: 58%)

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

Read more in KPIs

Our strategy

Sustainability

Committed to social action, climate action and being a sustainable business

2023 progress

We are actively working with stakeholders to get ready for the sustainability challenges and opportunities of the future.

Social action

Our partnership with Citizens Advice has helped to fund up to 50 frontline advisors and support digital services. During 2023 our support has enabled Citizens Advice to help more than 14,000 people across 31 UK locations.

In October Aviva and developer Socius were selected as the preferred bidder to advance the development of a world-leading cancer research and treatment facility at the London Cancer Hub, delivering social and economic benefits including c.13,000 highly skilled jobs.

Climate action

We remain committed to making progress on our Net Zero by 2040 ambition, whilst also recognising that we do not have full control over the delivery of this ambition. Government action on policy and development of new technologies are of fundamental importance to create the conditions for success.

In 2023 we have made progress on making Aviva's operations Net Zero by 2030. A key step in this journey was completing our move to our new London Headquarters "80Fen", meeting the latest efficiency standards with an EPC A rating.

We continue to help enable the transition to a lower carbon future. Between 2020 and 2023 we allocated £1.7 billion of financing for renewable energy infrastructure projects and invested in the development of electric vehicle (EV) charging networks in both Ireland and the UK.

Sustainable business

We have made tangible progress on diversity, equity and inclusion, further increasing the percentage of women in senior leadership roles by 3.3% to 40.6% this year.

Focus for 2024

We will build stronger communities through our place based strategy, invest in the UK economy and will reinvest at least 2% of our annual Group adjusted operating profit into communities and social innovation.

We plan to focus our climate action activity on powering the green transition and helping people and businesses to become climate ready.

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

Highlights

50%
Operational carbon emissions reduction[1] (2022: 43%)

£9.5bn
Amount invested in UK infrastructure and real estate from 2020-2023 (2020-2022: £6.9bn)

40.6%
Women in senior leadership roles (2022: 37.3%)

1. Percentage reduction in Scope 1 and Scope 2 Aviva operational CO_2e emissions against 2019 baseline

Read more in social action
Read more in climate action
Read more in sustainable business
Read more in our people

Our key performance indicators

We use certain metrics to assess how we serve our customers, the engagement of our employees, how we are performing against our sustainability ambition 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). APMs are non-GAAP measures, which are not bound by the requirements of IFRS or Solvency II. A complete list of the APMs used by the Group, and further guidance in respect of their use, can be found in the Other information section. This guidance includes definitions and, where possible, reconciliations to relevant line items or sub-totals in the financial statements.

- Growth
- Customer
- Efficiency
- Sustainability
- REM – Linked to remuneration
- APM – Alternative performance measure
- AR – Data subject to independent reasonable assurance by PwC[3]
- AL – Data subject to independent limited assurance by PwC[3]
- RC – Definition in Aviva plc Reporting Criteria 2023

Financial KPIs

REM APM

Cash remittances

£1,892m

2023	£1,892m
2022	£1,845m

Measure of the cash remitted from businesses to the Group.

REM APM

Solvency II operating own funds generation

£1,729m

2023	£1,729m
2022[1]	£1,540m

Measures the amount of own funds the Group generates from operating activities, a key indicator of cash generation.

APM

Baseline controllable costs

£2,734m

2023	£2,734m
2022	£2,771m

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

REM APM

Group adjusted operating profit

£1,467m

2023	£1,467m
2022[2]	£1,350m

Measures the Group's operating performance over time by excluding non-operating items.

IFRS profit for the year is shown on the next page.

1. The 2022 comparatives have been restated for methodology changes described in the Other information overview section
2. The 2022 comparative results, which were previously prepared under IFRS 4, have been restated following the adoption of IFRS 17 from 1 January 2023, as described in note 1 of the Financial Statements
3. For non-financial measures only. This indicates that the data was subject to external independent limited/reasonable assurance by PricewaterhouseCoopers LLP ('PwC'). For the results of that assurance, see Aviva plc Climate-related Financial Disclosure 2023 Independent Assurance section and Aviva plc 2023 Reporting Criteria Independent Assurance section.

Financial KPIs

IFRS profit/(loss) for the year

£1,106m

2023		£1,106m
2022[2]	£(1,030)m	

Measures the profit/(loss) after tax, attributable to shareholders, generated by the Group.

Further detail is included within the consolidated income statement.

Combined operating ratio

APM

96.2%

2023	96.2%
2022[2]	95.2%

A measure of general insurance profitability. A COR below 100% indicates profitable underwriting. COR shown above is on an undiscounted basis to align to the way in which the business is managed.

Solvency II debt leverage ratio

APM

30.7%

2023	30.7%
2022	31.4%

A measure of financial strength. Our preference is to be below 30% over time.

Value of new business on an adjusted Solvency II basis

APM

£874m

2023	£874m
2022[1]	£834m

Measures growth and is a key source of future cash flows in our IWR business.

Solvency II return on equity (RoE)

REM APM

14.7%

2023	14.7%
2022[1]	9.9%

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

Solvency II RoE above excludes any adjustment for excess capital.

Estimated Solvency II Shareholder cover ratio

REM APM

207%

2023	207%
2022	212%

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

1. The 2022 comparatives have been restated for methodology changes described in the Other information overview section
2. The 2022 comparative results, which were previously prepared under IFRS 4, have been restated following the adoption of IFRS 17 from 1 January 2023, as described in note 1 of the Financial Statements
3. For non-financial measures only. This indicates that the data was subject to external independent limited/reasonable assurance by PricewaterhouseCoopers LLP ('PwC'). For the results of that assurance, see Aviva plc Climate-related Financial Disclosure 2023 Independent Assurance section and Aviva plc 2023 Reporting Criteria Independent Assurance section.

Non-financial KPIs

AL RC

Number of customers

19.2m

2023	19.2m
2022	18.7m

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

AL RC

Multi product holding customers[1]

4.8m

2023	4.8m
2022[2]	4.7m

Measures number of UK customers who hold more than one policy with Aviva or a single policy meeting multiple separate needs.

AL RC

People saving or retiring with Aviva

14.0%

2023	14.0%
2022	13.9%

Measures the percentage of UK adult population who have a savings or investment policy in the UK.

REM AL RC

Employee engagement

88%

2023	88%
2022	86%

Measures how engaged our employees feel and their perceptions of Aviva.

REM AR RC

Women in senior leadership roles

40.6%

2023	40.6%
2022	37.3%

Measures the percentage of women in senior leadership roles in UK, Ireland and Canada.

REM AR RC

Ethnic diversity in senior leadership roles in the UK

10.8%

2023	10.8%
2022[3]	10.4%

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

APM AL RC

Operational carbon emissions reduction

50%

2023	50%
2022	43%

Measures the percentage reduction in absolute Scope 1 and 2 (market-based) emissions from 2019 baseline.

AR RC

Amount invested in UK infrastructure and real estate

£9.5bn

2020-2023	£9.5bn
2020-2022	£6.9bn

Measures the cumulative amount invested in UK infrastructure and real estate since 2020.

1. Multi-product holding customers captures the total number of UK customers with two or more Aviva policies, e.g. health and car policies, or two or more products within a single policy e.g. multi-car policies. It also includes individuals who have consolidated multiple pension policies with Aviva.
2. The 2022 comparative has been re-presented as the scope of this metric has been expanded to include pension consolidation and health spouses
3. The 2022 comparative has been re-presented to align to a change in definition to exclude those who have responded 'Prefer not to say' and those who have not completed their diversity data

Our business review

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

- **Insurance, Wealth & Retirement (IWR)**: offering insurance (protection and health), wealth and retirement (annuities and equity release) products.
- **UK & Ireland General Insurance**: protecting homes, cars, holidays and businesses.
- **Canada General Insurance**: protecting homes, cars, lifestyles and businesses.
- **Aviva Investors**: global asset manager with expertise in real assets, multi assets, equities and credit.

We also have international investments in India, China and Singapore. We have received regulatory approvals to complete the exit from our joint venture in Singapore. The transaction received its final regulatory approval on 4 March 2024. We expect the transaction to complete in March 2024.

Insurance, Wealth & Retirement

2023 was another great year for the Insurance, Wealth & Retirement business. We have continued to deliver for our customers, resulting in a strong performance in the face of market turbulence. We are transforming to become more customer-centric and to future-proof our operating model.

Doug Brown
CEO of Insurance, Wealth & Retirement

Insurance
Wealth
Retirement

Protection and Health APE

£415m

2023 £415m
2022 £359m

Annuities & Equity Release PVNBP

£7.1bn

2023 £7.1bn
2022 £6.2bn

Wealth net flows

£8.3bn

2023 £8.3bn
2022 £9.1bn

Value of new business (VNB)[a]

£781m

2023 £781m
2022 £750m

Key financial indicators

	2023	2022
Protection and Health APE	**£415m**	£359m
Wealth net flows	**£8.3bn**	£9.1bn
Annuities and Equity Release PVNBP	**£7.1bn**	£6.2bn
Value of new business (VNB)[a]	**£781m**	£750m
Adjusted operating profit[b]	**£994m**	£1,199m
Profit/(loss) before tax[b]	**£1,145m**	£(1,199)m
Solvency II operating own funds generation	**£1,297m**	£1,368m
Cash remittances to the Group	**£1,369m**	£780m
Cost asset ratio	**41.4 bps**	40.2 bps

a. The 2022 comparative results for VNB have been restated for BPAs and Individual Annuities following a VNB methodology change in 2023 to use pricing target asset mix and target reinsurance (where actual reinsurance is not in place) rather than the actual asset mix and reinsurance

b. The 2022 comparative results, which were previously prepared under IFRS 4, have been restated following the adoption of IFRS 17 from 1 January 2023, as described in note 1 of the Financial Statements

Overview

Business strategy overview

Aviva is the largest life insurer in the UK, holding a 23% share[1] of the UK market. Our unique position in the market enables us to support over 11 million customers with products spanning Insurance, Wealth and Retirement (IWR).

More importantly than ever, we continue to help our customers protect themselves and their families. We have strengthened our capabilities to provide customers with advice, supporting them to save for their future and are connecting our propositions to better coordinate our offering to clients. During 2023, c.42%[2] of IWR sales were made to existing customers.

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

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

1. Association of British Insurers (ABI) - 9 months to 30 September 2023 based on share of new business
2. Calculated by dividing the number of policies sold to existing customers by the total number of policies sold. The measure includes sales in Direct, Corporate Partner and Intermediary sales channels.

Our business review: Insurance, Wealth & Retirement

Operational highlights

Throughout 2023, we have successfully delivered numerous initiatives to improve the experience for our customers, including:

- Improved the Health digital new claims journey to increase customer satisfaction and reduce the time and effort required to make a claim.
- Individual Protection achieved a market-leading c.83% STP (straight through processing) for new business applications.
- Opened LiveChat to all customers across Workplace and MyAviva.
- Rolled out a "Pension Snapshot" feature for Workplace customers.
- Enhanced our Direct Wealth Pension Consolidation Service by expanding it to existing Retail customers.

Sustainability remains a core part of our strategy, and during 2023 we made further progress in this area, contributing to the Aviva Sustainability Ambition:

- By September we had exceeded our 2023 stretch goal of 14,000 volunteering hours.
- Invested over £25 billion in carbon intensity optimised funds.
- We won 'Best Default ESG Strategy' at the Corporate Adviser 2023 Awards.

2023 also saw excellent progress being made to simplify our business so we can better serve, engage and deliver good outcomes for our customers.

Extending our key strategic partnerships with Diligenta and FNZ will improve how we serve our customers, further simplify our operations and support our growth ambitions. It will allow us to rationalise our systems and improve efficiency, bringing significant benefits for our customers and the business.

Products and customers

Insurance

We are the UK's only provider of scale, offering protection and health for both individual and corporate clients. Structural trends have continued to drive a buoyant market across private healthcare and group protection, and we have strengthened our positions in all our business lines.

We are the leading individual protection provider in the UK and were the number one writer of new business in 2023[1], with a market share of 18.7%[2]. In September, we won the 'Best Protection Provider' at the 2023 Money Marketing Awards, which is a testament to the strength of our proposition and to our commitment to customers.

In group protection, our portfolio has grown by 8%[3] versus 2022, driven by strong retention and existing scheme growth. We now insure 2.8 million lives, an increase of 100k lives versus 2022.

In September, we announced the acquisition of AIG UK Life for £460 million (subject to customary closing conditions, including regulatory approvals) which will further develop our Protection business.

In Health, we provide access to private medical services and treatment to 1.2 million people in the UK. This is an increase of more than 100k customers compared to 2022, with growth in each of our consumer, SME and large corporate segments.

In June, we won Corporate Adviser's 'Best Healthcare Provider' award for product development in areas like cancer assistance and diversity, equity and inclusion.

We also demonstrated our customer commitment by completing our final COVID-19 Customer Value Pledge Rebate payment of £47 million. This brings the total COVID-19 rebate payment to £128 million.

In 2023, we saw over 250,000 registrations for our Digicare+ and Aviva Digital GP services. We delivered more than 190,000 appointments across digital GP, mental health, nutrition, menopause and other in-house app health and wellbeing consultations. This supported our customers at a time of need and overall, we saw a 71% increase in usage since 2022.

Wealth

We are a market leader in Wealth by assets and flows, with the number one[4] position in workplace, a leading adviser platform business and we are investing in growth opportunities across Advice and Direct Wealth. We work closely with Aviva Investors, with over 60% of workplace net flows going into Aviva Investors solutions.

Aviva is the largest workplace provider in the market[4], recently reaching over £100 billion of AUM underpinned by strong regular contributions. We won over 470 new corporate pension schemes in 2023, surpassing the previous year's total. Workplace propositions received numerous Corporate Adviser Awards including 'Best Group Pensions Provider', 'Best Provider: Decumulation Proposition' and 'Ultimate Default Fund'.

Our Adviser platform attracted the second highest net flows in the market[5], maintaining our position in a subdued adviser market in which net flows were down 64% compared to 2022, driven by the impact of challenging macroeconomic conditions.

Our Adviser platform won awards for 'Leading Platform for Model Portfolio Services' (Schroders), Best ESG Provider' (Money Marketing) and 'Best Stocks & Share ISA provider' (Moneyfacts).

In Succession Wealth, we have added new advisers and additional assets from further acquisitions, seen new flows onto Aviva's platform to help customers secure their financial future and grown restricted advice proposition. New business productivity has improved significantly, with total gross new money in 2023 increasing by 17% versus 2022.

Succession Wealth was also awarded 'Medium to Large Wealth Management Firm of the Year' by MoneyAge.

1. Aviva analysis of 2023 company reporting
2. Association of British Insurers (ABI) - 12 months to 31 December 2023 based on share of new business
3. As measured by in-force annual premium income
4. Corporate Adviser (Master Trust & GPP Defaults report, April 2023)
5. Fundscape Q3 2023

Our business review: Insurance, Wealth & Retirement

We have enhanced our customer journeys by launching the direct to customer Direct Wealth app in September 2023, helping our customers to keep track of their investments. Direct Wealth won 'Best Buy – Pension' at the Boring Money awards along with 'Best Pension Platform – Large Portfolio' and 'Best Investment Platform for Beginners' at the Your Money awards.

Retirement

Our Retirement business consists of bulk purchase annuities (BPA), individual annuities and equity release.

BPA is a key focus area; we retain a top four[1] share in a rapidly growing BPA market and have developed a market-leading small scheme capability alongside our wider product offering to medium and large schemes. Our BPA proposition enables pension trustees to secure future obligations to defined benefit (DB) scheme members by de-risking their pension schemes. We expect the 2024 BPA market to be the largest on record and, with DB liabilities of c.£1.5 trillion yet to transact, leading market experts predict the BPA market to continue to grow in the short term.

We saw strong growth in external Individual Annuities during the year (up c.67% compared to prior year). This was driven by strong market demand for annuities, leading to a 35% increase in the market at September 2023.

We displayed a strong performance in the equity release market in 2023. The market contracted c.50% in 2023, though Aviva's share grew to 17% by the end of the year.

We have delivered a new well-received Equity Release platform, providing a market leading experience for customers and advisers and winning 'Best Equity Release Lender' and 'Best Equity Release Lender Customer Service' at the 2023 What Mortgage Awards.

Ireland

In Ireland, we are number four[2] in the market. We offer a wide range of products across protection, savings, pensions and annuities and are committed to making it easier for intermediaries to do business with Aviva.

In 2023, we released new features as part of our Digital Transformation & Automation programme which enhances how we interact with our customers and advisers.

We released a number of key initiatives, including a new Personal Retirement Savings Account product which has been well received in the market, as well as a fixed deposit fund, of which the first three tranches were oversubscribed.

We were awarded three Sustainability awards in 2023, including the ESG award at the prestigious Business & Finance Irish Business Awards. Aviva Ireland also signed up as a signatory to the Women in Finance Charter which requires us to publicly communicate on progress against diversity, equity and inclusion targets annually.

1. Hymans Robertson H1 2023 analysis, October 2023
2. Aviva calculation derived from the Milliman Life and Pensions New Business 2023 HY Report, which is based on responses from a number of key companies within the Irish Life market

Key priorities for 2024

Delivering good outcomes and experience for our customers is a priority and a thread through all of our strategic ambitions. With a complimentary portfolio, we continue to make further progress towards making our business capital-light and our key priorities for 2024 are as follows:

- Continue to deliver customer-centric propositions and innovate for our customers, partners and clients across Insurance, Wealth and Retirement.
- Drive further efficiency through automation and digitisation, and simplify our business to better serve and engage our customers.
- Integrate AIG's UK protection business into our Individual and Group Protection business lines (following completion of the transaction, which is subject to customary closing conditions, including regulatory approvals), continuing to demonstrate our commitment to the market and customers.
- Modernise our IT infrastructure with a focus on Health and Individual Annuities to fully leverage market opportunities.
- Establish Aviva's leadership in the Wealth market, with a focus on our Direct Wealth proposition and advice capabilities.
- Continue to optimise capital and pricing within our BPA business and assess value-adding opportunities.

UK & Ireland General Insurance

"In 2023 we delivered a strong performance against our profitable growth ambitions. In a challenging market, we demonstrated resilience and delivered good outcomes for our customers. Looking ahead, we have significant transformation planned to continue to outperform against our peers, to maintain great customer outcomes and to become the clear UK market leader."

Jason Storah
CEO of UK & Ireland General Insurance

Insurance

Total GWP
£6,640m

2023	£6,640m
2022	£5,740m

Personal lines GWP
£3,155m

2023	£3,155m
2022	£2,578m

Undiscounted COR[a]
96.8%

2023	96.8%
2022	96.4%

Commercial lines GWP
£3,485m

2023	£3,485m
2022	£3,162m

Key financial indicators	2023	2022
Gross written premiums	£6,640m	£5,740m
Undiscounted COR[a]	96.8%	96.4%
Adjusted operating profit[a]	£452m	£278m
IFRS profit before tax[a]	£544m	£10m
Solvency II operating own funds generation[b]	£315m	£261m
Cash remittances to the Group	£326m	£731m
Distribution ratio	32.6%	33.6%

a. The 2022 comparative results, which were previously prepared under IFRS 4, have been restated following the adoption of IFRS 17 from 1 January 2023, as described in note 1 of the Financial Statements

b. The 2022 comparatives have been restated for methodology changes, as described in the Other information overview section of the Financial Statements

Overview

Business strategy overview

Aviva is a leading insurer in both the UK and Ireland market, providing insurance solutions to over six million customers, having maintained its position as number one in the UK[1] and number three in Ireland[2].

The market for general insurance (GI) in 2023 has been particularly impacted by increased reinsurance costs, supply chain constraints and inflationary headwinds, combined with the continued return to more normal claims frequency following impacts of the COVID-19 pandemic. Despite this, we continue to grow by winning new business, while maintaining pricing and portfolio discipline and a continued focus on our cost base.

Our strategy remains investing for profitable, diversified growth, and to deliver on our ambition to be the clear market leader, outperforming over the cycle. We are pursuing this by delivering across four priorities:

- Becoming a diversified growth engine;
- Being a trusted customer champion;
- Forging first class operational foundations to drive efficiency; and
- Progressing on climate and social action.

1. Source: ABI General Insurance Company Rankings 2022, by GWP
2. Source: Insurance Ireland Non-life Members ranking 2022, by GWP

Our business review: UK & Ireland General Insurance

Operational highlights

- We purchased Barclays' home insurance book and in Q3 migrated over 350,000 policies to the Aviva brand with strong retention, adding to our customer franchise and enhancing our position as the leading home player.
- Quotemehappy (QMH) Motor Essentials, launched in 2022, has helped over 100,000 customers access insurance through the cost-of-living crisis by providing quality cover that gives customers choice and our QMH Connect proposition enables customers to save money by driving more safely.
- We have grown our renewables insurance book by 79% in 2023, having expanded our propositions to include offshore wind and broader renewable technologies.
- We have expanded our cyber offering, including a corporate primary proposition, a new product for micro-customers and a broker training programme. We have also partnered with risk analytics firm, CyberCube, to support underwriters with risk selection and accumulation.
- Our Risk Management Solutions team, ARMS, provided prevention advice and risk management assistance, virtually and on-site, with over 51,000 client engagements in 2023. The team was recognised at the Insurance Times Awards, winning 'Excellence in Risk Management'.
- We have continued to build capabilities and capacity in our commercial lines business, with over 900 underwriting licence upgrades, over 180 promotions and over 100 new hires.
- Our GCS business has embedded hx Renew, a next generation pricing platform, significantly cutting build time for models and enhancing underwriting productivity via improving performance and reliability of the models, access to data and ability to perform portfolio analysis.
- Our Aviva Zero motor proposition, offering customers the opportunity to offset car emissions, uses next generation pricing models and has sold over 500,000 policies since launch in 2022, including 150,000 policies sold to existing customers.
- Our wholly owned subsidiary garage network, Solus, continues to deliver award-winning customer service and control costs in a volatile industry. Solus has achieved strong colleague engagement of 85% and it received high-profile recognition for its work on diversity, equity and inclusion.
- The positive sentiment we receive from brokers was validated with our 'best-in-class' ranking across all surveyed categories in the GlobalData 2023 Commercial Lines Broker Survey. We were also winner of 'General insurer of the year' at the British Insurance Awards in July and the Insurance Times Awards in December.
- Our Claims Counter-Fraud Team saved c.£100 million in 2023, using a combination of expertise and Artificial Intelligence (AI) to detect, deny and deter fraudulent activity. The team have been awarded four industry awards this year, including 'Claims Team of the Year' at The Insurance Times Claims Excellence Awards in May and 'Excellence in Fraud Mitigation' at The Insurance Times Awards in December.
- We continue to invest heavily in technology to support our Irish business, with our Direct Digitisation initiative off to a great start on Motor new business; resulting in a 12% increase in quote conversion and a 17% increase in end to end online journey fulfilment, reflecting the enhanced customer experience.

Products and customers: Personal lines

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

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

Our UK personal lines business grew 24% in 2023, with Retail growing at 41% and now representing over half of our portfolio GWP. We balanced growth with the maintenance of pricing and underwriting discipline. This helped us mitigate the headwinds of inflation and increased claims frequency. 37% of sales were to existing Aviva customers, demonstrating the value of Aviva's leading UK insurance customer franchise.

We continue to enjoy a leading position in the UK home insurance market, and are now a leading high net worth (HNW) insurer, following the acquisitions of Azur Underwriting's HNW personal lines business and the transfer of the Axa XL Private Clients team and business. We are a leading provider of travel insurance and we expect to grow significantly in 2024 as we launch our new partnership with Nationwide Building Society, announced in May 2023.

As a result of our claims re-engineering programme, motor claims Transactional Net Promoter Score (TNPS) has improved significantly, reaching +45 by the end of 2023. We also continue to cut complexity from our business and refocus our personal lines product portfolio into target segments. We have reduced our products by 77% since the end of 2020, including 19 products exited in 2023.

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

Our business review: UK & Ireland General Insurance

Products and customers: Commercial lines

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

Our strategy is to leverage our broad distribution network and leading broker sentiment to accelerate profitable growth and we continually review our underwriting appetite to create new growth opportunities.

We have invested in our commercial lines talent to deliver strong broker service. This includes making licence progressions to enhance technical capability, re-designing our operating model across commercial lines and distribution to allow quicker access to decision-makers and making specific leadership appointments to strengthen capability. 98% of mid-market renewals are now supported by AI and we have decommissioned legacy IT platforms to improve efficiency for our people, freeing up time to underwrite and tailor service to customer needs. Continued investment in digital distribution plays a key role in creating new opportunities to distribute our broad product offering and our broker claims portal was used to track over 120,000 claims in 2023. We continue to build our analytical and catastrophe modelling capabilities to allow us to better support our customers where there is exposure to natural perils or catastrophes.

Demonstrating the value of Aviva's diversified model, in the fourth quarter 2023, we enhanced our accident & health proposition by including a complimentary wellbeing service to help businesses invest in their people. The offering of advice for line managers, discounts on fitness and free counselling calls for employees is particularly valuable to SME customers who do not benefit from the Human Resources infrastructure of large corporates.

In 2023, we have grown our SME business by 13%, enabled by process efficiencies and improvements across our Mid-Market business, disciplined trading and acceleration of underwriting, digital, automation and data capability with a focus on delivering excellent customer and broker outcomes.

Our Global Corporate and Speciality business (GCS) has grown 7%, largely driven by corporate property, the favourable property market conditions, and growth in specialty following the expansion of our proposition.

Key priorities for 2024

- Delivering as a diversified growth engine, accelerating Retail growth in personal lines through new propositions and building on our strong commercial lines position by seeking to grow our share of digital, mid-market and GCS business, and entering the Lloyd's market via acquisition of Probitas[1].
- Continuing our ambition of being a trusted customer champion, by delivering great customer outcomes and tangible improvements to customer experience, as well as being the go-to insurance partner for intermediaries with leading sentiment.
- Forging first class foundations, through further investment in claims transformation and enhancing data-led pricing & underwriting and continuing to execute our simplification agenda.
- Progressing on climate and social action via insuring the low-carbon transition and working towards a more sustainable business.

1. Completion of the acquisition of Probitas Holdings (Bermuda) Limited and its subsidiaries (Probitas) is subject to customary closing conditions including regulatory approvals

Canada General Insurance

Aviva Canada delivered another strong year in 2023 with a combined operating ratio of 95.3% and GWP growth of 10%[1], despite the impact of adverse weather events and heightened auto theft. Heading into 2024, our focus remains on maintaining underwriting discipline and improving customer, broker and partnership experiences through targeted investment.

Tracy Garrad
CEO of Canada General Insurance

Insurance

Total GWP

£4,248m

2023	£4,248m
2022	£4,009m

Personal lines GWP

£2,574m

2023	£2,574m
2022	£2,466m

Undiscounted COR[a]

95.3%

2023	95.3%
2022	93.7%

Commercial lines GWP

£1,674m

2023	£1,674m
2022	£1,543m

Key financial indicators

	2023	2022
Gross written premiums	**£4,248m**	£4,009m
Undiscounted COR[a]	**95.3%**	93.7%
Adjusted operating profit[a]	**£399m**	£352m
IFRS profit before tax[a]	**£443m**	£226m
Solvency II operating own funds generation[b]	**£339m**	£274m
Cash remittances to the Group	**£158m**	£287m
Distribution ratio	**31.5%**	32.5%

a. The 2022 comparative results, which were previously prepared under IFRS 4, have been restated following the adoption of IFRS 17 from 1 January 2023, as described in note 1 of the Financial Statements

b. The 2022 comparatives have been restated for methodology changes, as described in the Other information overview section of the Financial Statements

Overview

Business strategy overview

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

in 2023, we have made continued progress against our priorities to become the insurer of choice in Canada for our customers and brokers. Our strategic pillars align with Group as follows:

- Growing at top-decile profitability by diversifying further into commercial lines, focusing on capitalising on our partnership value proposition and pursuing diversified earning streams.
- Persistent focus on customer experience and delivering fast and fair claims settlement.
- Continuously investing in capabilities for enhanced operational efficiency to drive better customer outcomes.
- Committed to supporting the transition to a sustainability focused economy.

1. On a constant currency basis
2. Canadian insurance market position source: swissre.com
3. Canadian market share source: FY2022 MSA Research Results. Includes: Lloyds, excludes: ICBC, SAF, SGI and Genworth.

Our business review: Canada General Insurance

Operational highlights

- Strong growth in personal lines, driven by our Royal Bank of Canada (RBC) partnership.
- Strong growth in commercial lines, driven by Mid-Market and Medium-Sized Enterprise opportunities in Aviva Business (ABI) and with large corporate and non-traditional property and casualty opportunities in Global Corporate & Specialty (GCS).
- Launch of two Aviva-branded AutoCare centres to drive better customer outcomes and significant indemnity savings with an ambition to grow further in 2024.
- Continued investment in digitisation to deliver ease of experience for brokers and customers while driving operational efficiency.

Inflation and supply chain disruption continued to pose significant challenges to insurers through 2023. Aviva Canada maintained resilience through this inflationary environment by placing significant focus on monitoring the macro trends and acting swiftly as a business, implementing rate and underwriting actions to mitigate their impact. Auto theft also took the country by storm, significantly impacting results for all insurers. Aviva Canada implemented measures to soften this impact through the introduction of anti-theft devices as part of our insurance offering, along with diligent monitoring, pro-active fraud investigations and consistent lobbying to create awareness.

As we have returned to normal levels of frequency prior to COVID-19, we have seen a continued shift towards digital customer interactions for their insurance needs. While this trend has existed for some time, this was accelerated by the pandemic, further changing customer behaviour. As such, Aviva Canada is committed to building the digital capabilities required for meaningful interactions with brokers and customers to make the insurance sale and service process as seamless as possible.

Products and customers: Personal lines

Our Personal insurance portfolio makes up the majority of our total book at 61%, and is predominantly made up of mass-market propositions, particularly concentrated in the highly populated province of Ontario, in the personal auto product.

Despite the high growth experienced in 2023, the focus remains on price adequacy, especially in Personal Motor, given the highly regulated market.

We will continue to focus on rate actions along with growing our specialty portfolio (Group, High Net Worth and Lifestyle). Improving the speed to market of our pricing is paramount to success, and this will be developed through the adoption of a new industry leading Pricing platform to be implemented in early 2024. In Personal Property, our focus continues to be on exposure management, given the weather-related catastrophic events.

With auto theft impacting the personal lines results of many insurers in the market, a cross-functional task force was created. To bring solutions more proximate to the customer, we launched an initiative, partnering with Tag to install free anti-theft devices in all high risk vehicles, decreasing the likelihood of theft and bolstering the value proposition of our auto product.

As cyber risk becomes an increasing part of the corporate world, so too does the risk for individuals. It is seven times more likely for an individual to fall victim to cybercrime than a house fire[1]. Seeing this gap in the market, we completed our launch of a new industry-leading cyber product across all channels and regions.

Products and customers: Commercial lines

Commercial lines is split between ABI (19% of the book) and GCS (20% of the book). Given the delivery and profitable results seen in these areas, our ambition is to continue the same trajectory while accelerating growth.

For ABI, we continue to grow in the profitable medium and mid-market segments through premium. For GCS, the ambition is to grow the corporate risk segments into an industry-leading size, matching our industry presence in this segment to that which exists in other GCS segments. In order to achieve these growth aspirations, we are expanding our suite of products to sell more to existing clients, specifically in specialty financial lines. We will continue to deliver through our diverse commercial lines product offerings.

The acquisition of Optiom O2 Holdings Inc (Optiom) will strengthen Aviva's current market position and accelerate the diversification of our earnings profile. Optiom focuses on supplementing amounts paid by traditional auto insurance policies and the cost to replace vehicles where there are deficit amounts. This move will put us significantly ahead of the curve with new auto replacement coverage. There are also opportunities to leverage Optiom's flexible payment opportunities for existing Aviva Canada customers, increasing the ease of doing business with us.

Our focus going into 2024 continues to be maintaining rate adequacy and strong underwriting discipline across our portfolio. This, coupled with our focus on continues improvement, will lead to better customer outcomes.

Customers

As was the case last year, claims TNPS performance was impacted by macroeconomic trends that created delays in parts and limited repair shop capacity. In response, we are becoming more vertically integrated with our supply chain, opening two Aviva-branded AutoCare shops in Ontario. These enhanced shops have already delivered 16% indemnity savings and two-day reduction in claims cycle time on average.

1. Cyber crime statistic source: Canadian Underwriter

Our business review: Canada General Insurance

In 2024, we intend to continue strengthening vertical integration with more shops across the country, and creating new opportunities in the Home Restoration space with similar aspirations to drive better customer outcomes and cost savings.

In continuing to improve ease of doing business with our customers, we launched our Buy-Online proposition for RBC customers this year. This allows customers direct access to our products and the ability to bind policies through an entirely digital experience.

Lastly, in order to help lower costs and boost affordability for residential tenants, Aviva Canada has partnered with RentHaven Inc. to create a financing alternative to large rental deposits through Surety bonds.

Distribution channels

In Canada, we have a strong, long-standing relationship with our network of over 650 independent brokers and a partnership with RBC, the largest bank and most valuable brand in Canada[1].

In 2024, we will continue to invest in our capabilities and the modernisation of our platforms to create a seamless experience with our partners and ultimately our customers.

Our commercial lines business remains intermediated by our broker network and via Managing General Agents, whose expertise helps us write unique products for a specific groups of customers.

1. RBC market position based on brand rank source: Kantar

Key priorities for 2024

- Maintaining focus on pricing and underwriting fundamentals.
- Strengthening our foothold in the partnership space, given our strong relationship with RBC.
- Expanding our suite of products in commercial lines.
- Increasing our distribution income for 2024 and beyond by leveraging strategic acquisitions such as Optiom.
- Continuously transforming the business through targeted investments in capability throughout the organisation.
- Continued implementation of claims vertical integration.
- Continued delivery and expansion of tangible outcomes across our sustainability and diversity, equity and inclusion ambitions.

Aviva Investors

Aviva Investors continues to deliver for our clients, society and our people. In a difficult year for financial markets, we have continued to focus on what we can control including investment performance, origination of private market investments, improving our operational efficiency and costs. Looking forwards we will benefit from operational leverage as the market recovers.

Mark Versey
CEO of Aviva Investors

Wealth

Assets under Management

£227bn

2023	£227bn
2022	£223bn

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

£9.5bn

2023	£9.5bn
2022	£6.9bn

External net flows[b]

£0.7bn

2023	£0.7bn
2022	£1.3bn

Climate transition funds (cumulative)[c]

£1.9bn

2023	£1.9bn
2022	£1.5bn

Key Financial indicators

	2023	2022
Aviva Investors revenue	**£346m**	£379m
Adjusted operating profit[d]	**£21m**	£25m
Cost income ratio	**90%**	87%
IFRS profit before tax	**£21m**	£25m
External net flows	**£716m**	£1,306m
Assets Under Management	**£227bn**	£223bn
Cost asset ratio	**14.5 bps**	14.4 bps
Solvency II operating own funds generation	**£19m**	£24m
Cash remittances to the Group	**£25m**	£28m

a. Cumulative amount invested in UK infrastructure and real estate from 1 October 2020 to 31 December 2023 (2022: 1 October 2020 to 31 December 2022)
b. Net flows from external assets excluding net flows from strategic actions. Strategic actions include outflows from clients previously part of the Group and corporate actions.
c. Cumulative amount invested from 1 January 2020 to 31 December 2023 (2022: 1 January 2020 to 31 December 2022)
d. Excluding cost reduction implementation, strategic investment costs and foreign exchange movements this is £35 million (2022: £48 million)

Overview

Business strategy overview

Aviva Investors is an asset manager that combines multi asset solutions, active investment specialisms and sustainability expertise to deliver investment outcomes that matter most to clients. Aviva Investors manages £227 billion (2022: £223 billion) of assets, with £189 billion (2022: £185 billion) managed on behalf of Aviva Group. We continue to deliver for clients and investors by meeting their investment needs. By utilising our skills and experience in asset allocation, portfolio construction and risk management, we provide a range of asset management solutions to Aviva and our institutional, insurance and wealth clients. Our focus on sustainability continues to be demonstrated by our investment strategy and actions in 2023.

Operational highlights

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

The key drivers of our strategy are:

- Client: deliver investment needs through strong investment performance, sustainability impacts and maintaining a rigorous risk and control culture. In 2023, we welcomed the FCA's Consumer Duty Regulation focussing on good outcomes for our customers.

Our business review: Aviva Investors

- Simplification: reduce the number of suppliers and enhance the use of data and technology to drive operational efficiency and better customer outcomes.
- Growth: continue to grow Aviva's IWR business, supporting its growth in annuities, workplace pensions and wealth, and our external business, through our multi asset solutions, active specialisms and sustainable product offering.
- People: embed a high-performance culture promoting diversity, equity and inclusion, with focused learning and upskilling, talent management and career development.

We have a highly diversified range of capabilities, with active specialisms across private and public markets including real estate, infrastructure, private credit, listed equities and a range of fixed income offerings.

Key operational highlights in 2023 are:

- Originated £4.6 billion of real assets for IWR and external clients.
- Strong brand impact — ranked 21st globally for our integrated marketing[1].

Market overview

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

Our sustainable investment approach and capabilities have been designed to deliver enhanced outcomes for our clients in a rapidly changing world.

We seek to deliver this through four key mechanisms:

- Integration of sustainability insights into investment processes to understand and capitalise on sustainability megatrends and related opportunities, to generate superior risk adjusted returns;
- Proactive management of real estate and infrastructure assets to improve sustainability credentials, including decarbonisation, capturing increasingly material green premiums;
- Engagement with issuers, borrowers and government entities on sustainability practices to protect the long-term value of our investments while aiming to deliver positive real world outcomes; and
- Management of a suite of sustainability products and solutions that enable clients to pursue investment objectives alongside targeted sustainability goals such as tackling climate change, supporting nature restoration and social inclusion.

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

- Winner of the 'Climate Mitigation Investment Initiative of the Year' by the Insurance Asset Risk Awards 2023;
- Voted 'Best Default ESG Strategy' at Corporate Adviser Award 2023;
- Winner of 'Instinet Positive Change — Sustainability' at the European Markets Choices awards; and
- Ranked in the top three asset managers globally for responsible investment by ShareAction and rated as a leader on climate voting by Majority Action.

Products and Customers

Consistent delivery of investment performance is key to meeting our clients' investment needs and remains a key priority. Our investment performance relative to benchmark in 2023 was negatively impacted by the difficult market environment with 44% (2022: 51%) of AUM exceeding benchmark over one year and 44% (2022: 50%) over three years. The weaker investment performance reflected the challenge of asset allocation in volatile markets across our multi-asset funds, however performance was strong across real assets and credit, with marked improvement in equities over shorter time horizons.

Net flows excluding strategic actions[2] and liquidity were £(0.8) billion outflow (2022: £42 million inflow). Positive external net flows were resilient in light of difficult market conditions but reduced to £0.7 billion (2022: £1.3 billion), reflecting the diversity of our business with strong demand for our real assets capabilities more than offsetting a weak market for liquid strategies.

Internal outflows increased to £(1.6) billion (2022: £(1.3) billion) as Heritage run off was partially offset by strong workplace and annuity flows in 2023 and one-off transfers into ESG Enhanced in 2022.

Our Aviva client distribution channels mainly comprise:

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

Our external client distribution channels include:

- Global Institutional clients: Large asset owners, consultants, pension funds and sovereign wealth funds;
- Global Insurance companies: From large to small who wish to benefit from our expertise in managing insurance company assets; and
- Global wealth, financial institutions such as large private banks and wholesale intermediaries to retail customers, such as independent financial advisers and wealth managers.

1. Per Peregrine Communications The Global 100 2022 report
2. Strategic actions include outflows from clients previously part of the Group and corporate actions

Key priorities for 2024

- 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 multi-assets solutions, our active specialisms and sustainable investing.
- Ongoing focus on simplifying our business to deliver efficiency benefits.

Capital management

Our Group capital management policy
Capital and liquidity management supports strategic decision making, such as capital returns i.e. additional return to shareholders, capital allocation, pricing, hedging, reinsurance, asset allocation, mergers and acquisitions and transformation projects.

Dividend policy
Our policy is to deliver a sustainable dividend at a level that is resilient in times of stress and is covered by capital and cash generated from our businesses. From 2024 onwards we expect to grow the cash cost of the dividend by mid-single digits[1].

Capital framework
At the core of our capital framework is financial strength and efficient deployment of capital. Key elements of our capital framework are as follows:

- Solvency II shareholder cover ratio working range of 160%-180%.
- Centre liquid assets of at least £1 billion.
- Solvency II debt leverage ratio below 30%.
- To maintain our AA credit rating metrics.

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.

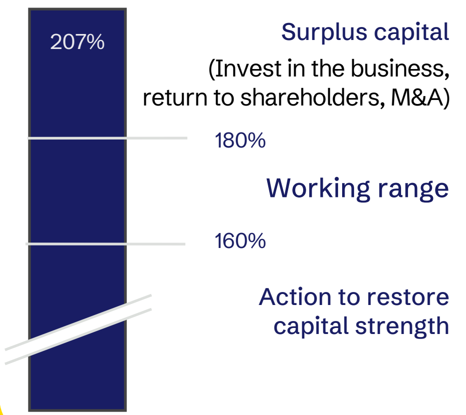
The Group's solvency risk appetite is set in terms of our Solvency II shareholder cover ratio. Our Solvency II shareholder cover ratio working range is 160%-180%.

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

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

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

Solvency II capital



Our Solvency II alternative performance measures

Solvency II performance
- Solvency II OFG and Solvency II return on capital / equity 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.

Read more on Solvency II performance on page 1.45

Solvency II 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.

Read more on Solvency II capital generation on page 1.46

Cash remittance and centre liquidity
- Driven by our capital and liquidity risk appetite.

Read more on cash and liquidity on page 1.44

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

Capital management

Cash and liquidity

Cash remittances

Cash remittances increased by 3% to £1,892 million (2022: £1,845 million). We have upgraded our cash remittance target to be >£5.8 billion cumulative 2024-26 and remain on track to exceed our previous target of >£5.4 billion cumulative 2022-24.

During the last quarter of 2022, in response to the market volatility following the Autumn 2022 mini-budget, as a proactive liquidity management measure the timing of cash remittances from IWR and UK & Ireland General Insurance was rebalanced leading to an acceleration of remittances from UK & Ireland General Insurance while IWR remittances were reduced.

Cash remittances

£1,892m

2023	£1,892m
2022	£1,845m

Cumulative cash remittances were £3.7bn for 2022-2023

In 2023 these measures have been unwound resulting in decreased remittances from UK & Ireland General Insurance and an increase from IWR.

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.

Excess centre cash inflow in 2023 (from March 2023 to February 2024) was £1,243 million, which after payment of ordinary dividends, the share buyback, net debt repayments and non-operating cash flows over the year, resulted in central liquidity of £1,891 million as at the end of February 2024 (February 2023: £2,220 million).

Centre liquidity

£1,891m

Feb 2024	£1,891m
Feb 2023	£2,220m

Cash remittances from business units	2023 £m	2022 £m
Insurance, Wealth & Retirement (IWR)[1]	**1,369**	780
UK & Ireland General Insurance[1]	**326**	731
Canada General Insurance[1]	**158**	287
Aviva Investors	**25**	28
International investments (India, China and Singapore)	**14**	19
Total cash remittances	**1,892**	1,845

1. We use a wholly-owned, UK domiciled reinsurance subsidiary for internal capital and cash management purposes. Some remittances attributable to the operating businesses arise from this internal reinsurance vehicle.

Centre liquidity	2023[1] £m	2022[1] £m
Cash remittances	**1,892**	1,845
External interest paid	**(304)**	(355)
Internal interest paid	**(48)**	(30)
Central spend	**(433)**	(397)
Other operating cash flows[2]	**136**	88
Excess centre cash inflow	**1,243**	1,151
Ordinary dividend	**(878)**	(828)
Net reduction in external borrowings	**(122)**	(419)
Share buyback	**(300)**	(147)
Capital return via B share scheme	**—**	(3,750)
Net reduction in internal borrowings	**4**	500
Other non-operating cash flows[3]	**(276)**	(931)
Movement in centre liquidity	**(329)**	(4,424)
Centre liquidity as at end of February 2024 and end of February 2023	**1,891**	2,220

1. Cashflows reflect those in the 12 month period from March to February of the subsequent year
2. Other operating cash flows include group tax relief receipts
3. Other non-operating cash flows includes £194 million paid to subsidiaries of which £100 million is for the acquisition of Optiom and £74 million into Aviva Capital Partners to fund investment activities (2022: £914 million) and a £92 million payment to the noteholders of the Group's £600 million Tier 2 Fixed to Floating Rate Notes due 2058 (paid in July 2023)

Capital management

Solvency II performance

Solvency II operating own funds generation

Group Solvency II OFG has increased by £189 million to £1,729 million (2022: £1,540 million).

IWR Solvency II OFG has decreased by £71 million to £1,297 million (2022: £1,368 million). Excluding management actions Solvency II OFG has increased by £59 million primarily due to an increase in earnings from existing business driven by a higher interest rate environment. 2023 management actions of £448 million (2022: £578 million) include beneficial impacts from longevity assumption changes and an initial £208 million benefit reflecting a reduction in future costs from the extension of two key strategic partnerships. This will simplify our operations and improve efficiency, bringing significant benefits to our customers and the business.

General Insurance Solvency II OFG has increased by £119 million to £654 million (2022: £535 million).

Solvency II operating own funds generation 2023:

£1,729m

2023	£1,729m
2022	£1,540m

The general insurance businesses benefitted from profitable growth, higher expected investment returns, cost efficiencies and favourable prior year development in Canada, partly offset by higher claims frequency and adverse weather claims experience in Canada.

Group Solvency II OFG has benefitted from a reduction in corporate centre costs and other to £(219) million (2022: £(279) million) and Group external debt costs to £(178) million (2022: £(214) million).

Solvency II return on equity

Solvency II RoE measures return generated on shareholder capital and 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 calculated as:

- Operating own funds generation less preference dividends, equity RT1 note coupons, adjusted to replace the run-off of transitional measures on technical provisions (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.

Solvency II return on equity has increased by 4.8pp to 14.7% (2022: 9.9%) reflecting the increase in Solvency II operating own funds generation over the year and lower 2023 opening own funds due to the £3.75 billion capital return in 2022.

Solvency II return on equity 2023:

14.7%

2023	14.7%
2022	9.9%

Solvency II return on equity (adjusted for excess capital) has increased by 2.7pp to 18.3% (2022: 15.6%). Solvency II operating own funds generation by business and Solvency II RoE is summarised in the tables below.

Solvency II operating own funds generation	2023 £m	Restated[1] 2022 £m
Insurance, Wealth & Retirement (IWR)	**1,297**	1,368
UK & Ireland General Insurance	**315**	261
Canada General Insurance	**339**	274
Aviva Investors	**19**	24
International investments (India, China and Singapore)	**156**	106
Business unit Solvency II OFG	**2,126**	2,033
Corporate centre costs and Other	**(219)**	(279)
Group external debt costs	**(178)**	(214)
Group Solvency II OFG	**1,729**	1,540

1. The 2022 comparatives have been restated for methodology changes described in the Other information overview section

Solvency II return on capital/equity	2023 %	Restated[1] 2022 %
Insurance, Wealth & Retirement (IWR)	**10.0%**	10.4%
UK & Ireland General Insurance[1]	**12.6%**	11.2%
Canada General Insurance	**18.8%**	15.7%
Aviva Investors	**4.9%**	6.0%
International investments (India, China and Singapore)	**13.1%**	10.8%
Group Solvency II return on equity	**14.7%**	**9.9%**

1. The 2022 comparatives have been restated for methodology changes described in the Other information overview section

Capital management

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.

Group Solvency II OCG has increased by £103 million to £1,455 million (2022: £1,352 million).

The increase is primarily from our general insurance business due to higher operating own funds generation and beneficial SCR impact from the 1 January 2024 reinsurance renewal compared to an adverse impact in the prior period.

Solvency II operating capital generation 2023:

£1,455m

2023	£1,455m
2022	£1,352m

IWR Solvency II OCG was £1,102 million (2022: £1,494 million) primarily reflecting lower own funds generation and lower SCR run-off following interest rate rises in 2022 which reduced the SCR.

Solvency II future surplus emergence

The chart shows the expected future emergence of Solvency II surplus from our existing long-term in-force IWR business. The projection does not include future new business or the potential impact of active management of the business (for example hedging, risk transfer and expense management).

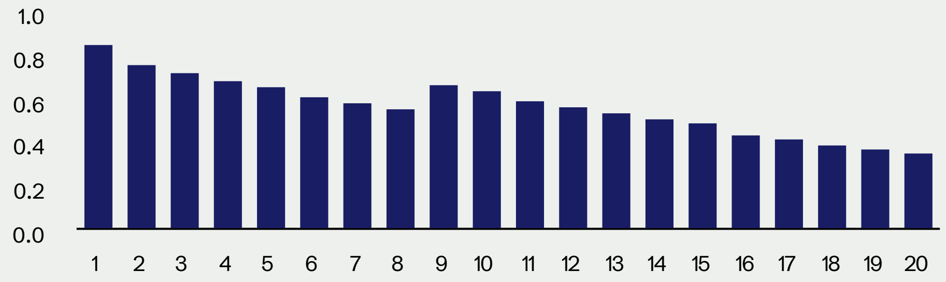
Years 1 - 8 include a linear run-off of Transitional Measures on Technical Provisions (TMTP) hence there is an uplift from year nine onwards.

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

Solvency II operating capital generation	2023 £m	Restated[1] 2022 £m
Insurance, Wealth & Retirement (IWR)	1,102	1,494
UK & Ireland General Insurance	291	(50)
Canada General Insurance	311	157
Aviva Investors	—	26
International investments (India, China and Singapore)	23	34
Business unit Solvency II OCG	**1,727**	1,661
Corporate centre costs and Other	(94)	(95)
Group external debt costs	(178)	(214)
Group Solvency II OCG	**1,455**	1,352

1. The 2022 comparative amounts have been restated for methodology changes described in the 'Other Information - overview' section.

Solvency II Future surplus emergence – Insurance, Wealth & Retirement (IWR) (undiscounted) (£bn)



Capital management

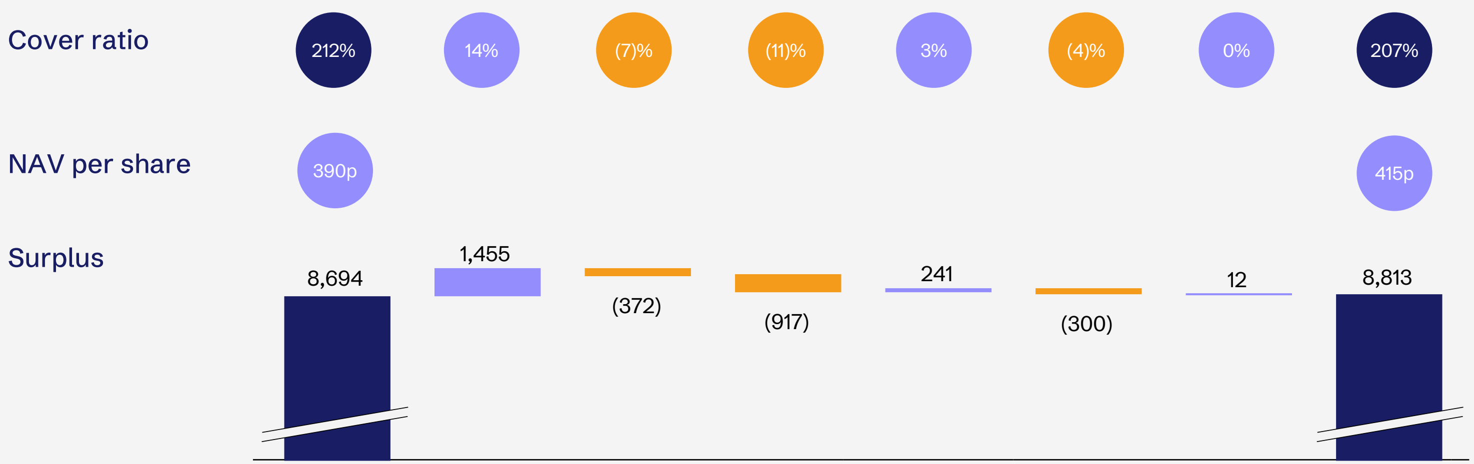
Solvency II capital position

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

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

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

As part of Solvency II reform in the UK, modifications were made to the calculation of the Solvency II risk margin. This regulation replaces the 6% cost of capital rate with a 4% rate and introduces a tapering factor for life insurance business, effective from 31 December 2023. The impact of this risk margin reduction is partly offset by a corresponding reduction in the TMTP. This reform increased the Group Solvency II Shareholder cover ratio by six percentage points as at 31 December 2023.



£m	31 December 2022	Operating capital generation	Non-operating generation[1,2]	Dividends[3]	Net debt issuance	Share buyback	Acquisitions	31 December 2023
Own funds	16,468	1,729	(214)	(917)	241	(300)	12	17,019
SCR	(7,774)	(274)	(158)	—	—	—	—	(8,206)
Surplus	8,694	1,455	(372)	(917)	241	(300)	12	8,813

1. Non-operating capital generation includes integration and restructuring costs (net of tax) of £(356) million (2022: £nil) of which £(47) million was incurred during the year, with the remaining £(309) million representing the present value of the costs expected to be incurred over the period 2024-2028 in relation to the extension of two key strategic partnerships. £208 million has been recognised in operating own funds generation in the year reflecting lower expense assumptions. Additional benefits significantly in excess of the costs are expected to be recognised in future years as contracts are migrated and the programme delivers the expected efficiencies.
2. Non-operating capital generation also includes £(241) million (2022: £nil) in relation to the correction of the historical allocation of policyholder benefit costs between the shareholder funds and the with-profit funds (see note 1 of the Financial Statements for further details)
3. Dividends includes £17 million (2022: £17 million) of Aviva plc preference dividends and £21 million (2022: £21 million) of General Accident plc preference dividends

Further changes to Solvency II regulation are expected to take effect during 2024, including changes to internal model governance, simplification of the TMTP and changes to the Matching Adjustment conditions to provide more investment flexibility, to remove the Matching Adjustment cap on sub-investment grade assets, to apply the Fundamental Spread by notched credit rating, and to allow companies to apply an increase in the Fundamental Spread if needed to reflect underlying risks. These future changes remain subject to further policy development and while the impacts are therefore uncertain, they are not currently expected to have a material overall impact on the Group's capital position.

The Group Solvency II position disclosed is based on a 'shareholder view'. The shareholder view is considered by management to be more representative of the shareholders' risk exposure and the Group's ability to cover the SCR with eligible own funds. It also aligns with management's approach to dynamically manage its capital position. In arriving at the shareholder position, adjustments are 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 207% at 31 December 2023 (2022: 212%) and surplus is £8.8 billion (2022: £8.7 billion). The increase in surplus is mainly due to operating capital generation and net issuance of subordinated debt which is largely offset by dividend payments, £300 million share buyback and non-operating capital generation.

Capital management

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 207% to 209%.

Limitations of sensitivity analysis

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

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

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

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

Specific examples:

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

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

Stress and scenario testing

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

The results of this testing demonstrates that through the use of key management actions (e.g. expense and volume management, hedging, de-risking and debt 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.

Sensitivities 31 December 2023	Impact on surplus	Impact on shareholder cover ratio
Group Solvency II cover ratio	8.8	207%
	£bn	pp
Changes in economic assumptions		
50 bps increase in interest rate	0.1	4 pp
50 bps decrease in interest rate	(0.1)	(6)pp
100 bps increase in interest rate	0.1	8 pp
100 bps decrease in interest rate	(0.3)	(13)pp
50 bps increase in corporate bond spread[1]	0.1	4 pp
50 bps decrease in corporate bond spread[1]	(0.2)	(6)pp
100 bps increase in corporate bond spread[1]	0.1	7 pp
Credit downgrade on annuity portfolio[2]	(0.4)	(7)pp
10% increase in market value of equity	0.0	(1)pp
10% decrease in market value of equity	(0.1)	— pp
25% increase in market value of equity	0.1	(2)pp
25% decrease in market value of equity	(0.3)	(1)pp
20% increase in value of commercial property	0.3	6 pp
20% decrease in value of commercial property	(0.4)	(8)pp
20% increase in value of residential property	0.3	6 pp
20% decrease in value of residential property	(0.6)	(9)pp
Changes in non-economic assumptions		
10% increase in maintenance and investment expenses	(0.7)	(9)pp
10% increase in lapse rates	(0.3)	(4)pp
2% increase in mortality/morbidity rates – life assurance	(0.1)	(1)pp
2% decrease in mortality rates – annuity business	(0.3)	(5)pp
5% increase in gross loss ratios	(0.3)	(3)pp

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

Capital management

Diversified Solvency Capital Requirement (SCR) analysis

The SCR has increased by £0.4 billion to £8.2 billion since 31 December 2022 primarily due to business growth and a reduction in interest rates over the year.

The Group diversification between businesses is the SCR diversification arising from the sum of the SCR for each market being higher than the SCR at Group and arises primarily because of the composite nature of our business.

The benefit from Group diversification is £2.2 billion at 31 December 2023 (2022: £2.1 billion).

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.

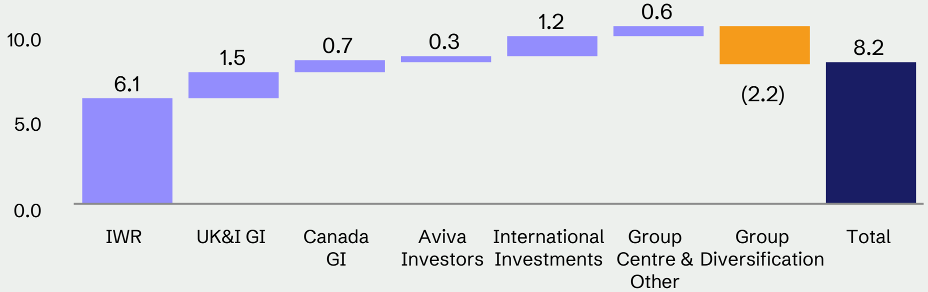
Solvency II regulatory own funds by Tier and Solvency II debt leverage ratio

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.

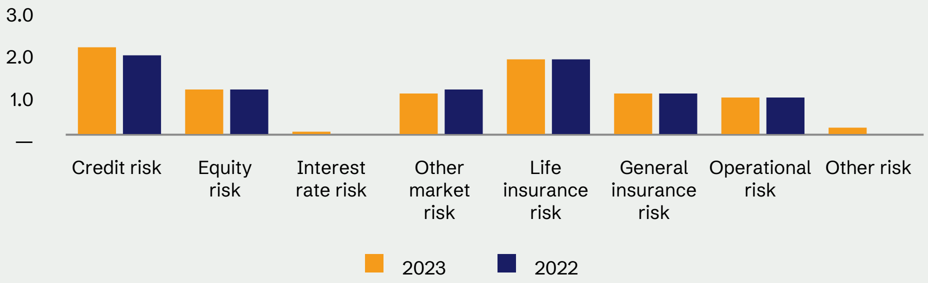
Solvency II debt leverage ratio is 30.7% (2022: 31.4%). During 2023 debt has reduced due to maturing senior debt and lower commercial paper borrowings, partly offset by net issuance of subordinated debt. Excluding the £500 million November debt issuance, which gives the Group flexibility to redeem debt over time, Solvency II debt leverage ratio would be 28.9%.

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

SCR by Business (£bn)



SCR by Risk (£bn)



Regulatory view	2023 £m	% of own funds 2023	2022 £m	% of own funds 2022
Solvency II regulatory debt[1]	**5,472**		5,210	
Senior notes	**401**		687	
Commercial paper	**51**		252	
Total debt	**5,924**		6,149	
Unrestricted Tier 1[2]	**13,179**	**70%**	13,162	70%
Restricted Tier 1[3]	**946**	**5%**	946	5%
Tier 2[4]	**4,526**	**24%**	4,264	23%
Tier 3[5]	**173**	**1%**	296	2%
Estimated total regulatory own funds[6]	**18,824**		18,668	
Solvency II debt leverage ratio[7]	**30.7%**		31.4%	

1. Solvency II regulatory debt consists of Restricted Tier 1 and Tier 2 subordinated debt
2. Unrestricted Tier 1 capital, 70% of own funds, includes Aviva's ordinary share capital and share premium which are high quality instruments with principal loss absorbing features such as permanence, subordination, undated, and absence of redemption incentives, mandatory costs and encumbrances
3. Restricted Tier 1, 5% of own funds, includes subordinated debt and preference shares. Restricted Tier 1 subordinated debt includes principal loss absorbing features such as permanence, subordination, undated, and absence of redemption incentives and encumbrances. All of Aviva's preference shares qualify as restricted Tier 1 capital under transitional provisions.
4. Tier 2 capital, 23% of own funds, consists of dated subordinated debt. The features of Tier 2 capital include subordination, a minimum duration of 10 years with no contractual opportunity to redeem within 5 years, and absence of redemption incentives, mandatory costs and encumbrances.
5. Tier 3 capital consists of subordinated debt and net deferred tax assets. Tier 3 regulatory own funds at 31 December 2023 consisted of £173 million net deferred tax assets, after taking into account the ability to offset assets against deferred tax liabilities (2022: £296 million). There is currently no outstanding Tier 3 subordinated debt.
6. A reconciliation between Group equity on an IFRS basis, Solvency II shareholder unrestricted tier 1 own fund and Solvency II regulatory own funds is included in the 'Other Information – APMs derived from Solvency II measures' section
7. Solvency II debt leverage is calculated as total debt as a proportion of total regulatory own funds plus commercial paper and senior notes

Our stakeholders

This section provides insight into how the Board engages with our stakeholders. The Board recognises that stakeholders have diverse interests and that these interests need to be heard.

Engaging with our stakeholders is essential to understand what matters most to them and the likely impact of any key decisions.

The Board receives updates from the Executive Directors which detail any substantial engagement with our stakeholders. There are also regular agenda items to ensure that the Board receive relevant updates on all of our key stakeholders, such as reports from investor relations, our people function, customer service and our businesses.

The Board held a strategy offsite in June 2023 to consider the long-term strategic direction of the Group. As part of these strategic discussions, the Board considered the industry and market and the potential impact to stakeholders.

Our Section 172(1) Statement sets out our approach on how our directors have performed their statutory duty.

Our Board's activities section provides further information on key decisions taken in 2023, including how stakeholder views and inputs have been factored into the Board's decision making.

Details of how we engaged with our different groups of stakeholders during 2023 can be found on the following pages.

Our stakeholders

Our people

Our people's wellbeing and commitment to serving our customers are the foundations of our performance.

How we have engaged

- Our employee-shareholders were given the opportunity to meet the Board and submit questions at the Annual General Meeting (AGM).
- The Group CEO hosted interactive sessions with colleagues throughout the year to answer questions and receive feedback.
- The Board engaged with representatives of the Aviva community at offsite visits to Norwich and Canada and attended the Values in Action award ceremony in Canada.
- The Board, together with the Audit Committee, reviewed reports on the Speak Up service.
- The Chair of the Remuneration Committee attended a meeting of the employee representative group 'Your Forum'.
- The Evolution Council (a diverse group of high calibre leaders from across the business) provides a forum for employee engagement and feedback to the Chair and Board. Several Non-Executive Directors and the members of the Group Executive Committee, including the Group CEO and Group CFO, attended during the year and discussed their career journeys.

Focus during the year

- The Board focused on succession planning, culture and the talent pipeline to ensure they were attracting and retaining the best leaders in the industry.
- The Board monitored and responded to the impact that inflationary pressures exerted on our people.
- The Board were given corporate culture updates with a focus on the culture diagnostic and embedding diversity, equity and inclusion.
- The outcome of the Voice of Aviva survey was used to assess employee comfort and confidence in the whistleblowing process (Speak Up).

Outcomes and actions during the year

- Our Board and senior leaders attended offsite visits, meeting with a diverse range of colleagues.
- Launch of our 2023 early career programme, with over 200 graduates and apprentices attending and engaging with senior leaders.
- Launch of Workvivo, our new internal colleague communication and engagement platform. Our leaders are now able to engage with over 19,500 colleagues who are active on Workvivo.
- Launch of Aviva's health proposition, Digital GP, available to our employees.
- In March 2023, Aviva became one of the first UK employers to be awarded the Living Pension accreditation.

Our customers

Understanding what's important to our 19.2 million customers is key to our long-term success.

How we have engaged

- The Board, and the Customer and Sustainability Committee, received regular reporting on customer experience, customer journeys, customer service levels and outcomes and customer related strategic initiatives.
- The Board supported the delivery of our customer strategy and reviewed its progress as part of the strategic delivery updates to the May and November 2023 Board meetings.
- The Board engaged with customer-shareholders and answered questions that were submitted in advance of and at our AGM.
- The Board attended showcases in UK General Insurance Personal Lines (customer help and support strategy with virtual assistants) and on Motor Claims during the Board offsite visits.
- The Board attended showcases in IWR during the Board Strategy offsite meeting focusing on the Wealth and Health apps.

Focus during the year

- The Board together with the Customer and Sustainability Committee focused on the implementation of the FCA's Consumer Duty Regulations.
- The Board monitored and responded to the impact that inflationary pressures exerted on our customers.
- The Board focused on our digital customer journeys, making it easier and more convenient for customers to interact with us.
- The Board reviewed reputation updates with a focus on measuring Aviva's reputation with stakeholders for future reporting.

Outcomes and actions during the year

- The Board, together with the Customer and Sustainability Committee and Risk Committee, monitored and received regular updates on the progress of phase 1 of the implementation of the FCA's Consumer Duty regulation.
- Aviva fulfilled its COVID-19 pledge payments and offered QuoteMeHappy essential care insurance to give greater flexibility to more cost conscious customers.

Our stakeholders

Our shareholders

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

How we have engaged

- The Board engaged with shareholders at the AGM.
- The Board received regular updates on management interaction with institutional shareholders.
- A shareholder newsletter was published on aviva.com every quarter and provided information on recent Board changes, financial or strategic updates, and information about our Aviva Foundation projects.
- The Chair of the Board engaged and attended meetings with major shareholders of the Group.
- The Chair of the Remuneration Committee together with the Executive Directors met with institutional shareholders to discuss proposed changes to the Directors' Remuneration Policy.

Focus during the year

- Ensuring shareholders understand our strategy and business model.
- Engaging with different groups of retail shareholders.
- The Board have continued to focus on meeting all our customers' Insurance, Wealth and Retirement needs, to support long-term delivery of future shareholder returns through value appreciation and dividends.

Outcomes and actions during the year

- The 2023 AGM took place in Norwich. This was the first time the location was outside of London and gave the Board an opportunity to meet local retail shareholders.
- The 2024 AGM will be held in York giving the Board another opportunity to meet local retail shareholders.
- On 9 March 2023, the Company announced a buyback of its ordinary shares for a maximum aggregate consideration of £300 million which commenced on 10 March 2023 and completed on 2 June 2023. As a result, the Company acquired 72,797,191 ordinary shares of 32 17/19 pence each at an average price of 412 pence per share. For further details see note 32 of the financial statements.
- The Board approved the redemption of 0.625% €315 million dated Senior Notes, fulfilling our commitment to delivering £500 million in debt deleveraging, in conjunction with approval of the redemption of 6.125% €301 million Dated Tier 2 Reset Notes.

Regulators

As an insurance company, we are subject to financial services regulation and approvals in all the markets we operate in.

How we have engaged

- We have maintained a constructive and open relationship with our regulators and the Board has regular meetings with our UK regulators.
- Regulators engaged with us to discuss their objectives, priorities and concerns, and how they affect our business.
- Both the Prudential Regulation Authority (PRA) and the Financial Conduct Authority (FCA) attended a Board meeting during the year and discussed regulatory issues with board members.
- The Group CEO led the Group annual strategy meeting with the PRA and the FCA, supported by the Group CFO and Interim Chief Risk Officer.

Focus during the year

- Continued focus on Consumer Duty with training provided to the Group and subsidiary Boards.

Outcomes and actions during the year

- Regulatory priorities were regularly discussed at Board, Audit and Risk Committee meetings.
- The Board, together with the Customer and Sustainability Committee and Risk Committee, monitored and received regular updates on the implementation of the FCA's Consumer Duty regulation.

Our stakeholders

Our communities

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

How we have engaged

- The Board received updates on the Aviva Foundation and Aviva partnerships with third sector organisations including Citizens Advice, and our community programmes including the Aviva Community Fund where we support community investment projects aligned to our values.
- The Customer and Sustainability Committee received regular updates on the progress of Aviva's Sustainability Ambition throughout 2023 with the Committee Chair providing an update on matters discussed at each Board meeting.

Focus during the year

- The Board continued to focus and monitor progress on initiatives that it believes will have a positive impact on the communities in which Aviva operates.
- Sustainability and inclusive behaviours training was provided for the Group and subsidiary Boards.

Outcomes and actions during the year

- Employees across the Group were offered the opportunity to volunteer their time to support charities and organisations, with over 87,599 volunteering hours recorded.
- During the year, Aviva pledged £2.7 million funding to Citizens Advice and £0.75 million to the Money Advice Trust to help build their capacity to tackle the cost of living crisis. This is part of an overall pledge of £7 million to Citizens Advice and £2 million to Money Advice Trust (the majority of which was distributed in 2022).
- The Aviva Foundation pledged just under £2 million funding to organisations delivering public benefit focused on financial resilience.

Our suppliers

We operate in conjunction with a wide range of suppliers to deliver services to our customers. It is important that we build strong working relationships with our intermediaries.

How we have engaged

- The Board delegates engagement with suppliers and oversight to senior management.
- All supplier related activity is managed in line with the group procurement and outsourcing business standards. This ensures that supplier risk is managed appropriately in relation to customer outcomes, data security, corporate responsibility, and financial, operational and contractual issues.
- The Board, via reporting from the Risk Committee, was kept updated on the development of any key supplier risk.
- The annual Club 110 Broker Conference was held and our Key Partner Conference was attended by the Group CEO and senior management.
- The Risk Committee and senior management on behalf of the Board engaged with key suppliers about Aviva's Sustainability Ambition.

Focus during the year

- Understanding and highlighting risk across the whole supply chain.
- Simplification of products and platforms.
- The Risk Committee on behalf of the Board reviewed the Group's cyber risk and control environment including the threat posed by the risk of ransomware attacks on both the group and our material third party suppliers.

Outcomes and actions during the year

- An update on supplier risk and relations was presented to the Board, as part of the Board's continuing programme of supplier oversight.
- To ensure continued efforts to strengthen controls, the procurement and outsourcing (P&O) business standard was refreshed for 2023.
- The Board reviewed the Company's engagement with its broader supply chain as part of its annual approval of the Modern Slavery Act Statement.
- Aviva held its first Net Zero supplier summit which included speakers from Microsoft, Paragon and Aviva Investors.
- Aviva remains a signatory to the Prompt Payment Code.

Our section 172(1) statement

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

S.172 sets out a series of matters which the directors must have regard to when performing their duty to promote the success of the Company for the benefit of its shareholders, including having regard to other stakeholders.

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

The Board requires stakeholder implications to be considered within all proposals submitted to it from across the organisation. Stakeholder interests are identified in proposals, both within papers to the Board and as part of accompanying presentations.

Our Board is also focused on the wider social context in which our businesses operate. Examples of how stakeholder engagement and s.172 matters have influenced Board discussion and decision making during the year can be found in Our Board's activities.

This section sets out where key disclosures in respect of each of the s.172 matters can be found.

(A) The likely consequences of any decision in the long term

- Strategic report
- Our sustainability ambition
- Our Board's activities

(B) The interest of the Company's employees

- Our people
- Our stakeholders
- Governance
- Remuneration report
- Non-financial and sustainability information statement

(C) The need to foster the Company's business relationships with suppliers, customers and others

- Our stakeholders
- Our sustainability ambition
- Non-financial and sustainability information statement

(D) The Impact of our operations on communities and the environment

- Our People
- Our sustainability ambition
- Non-financial and sustainability information statement

(E) The desirability in maintaining a reputation for high standards of business conduct

- Non-financial and sustainability information statement
- Our risks and risk management

(F) The need to act fairly as between members of the Company

- Our stakeholders
- Directors' report
- Governance

Our people

> It's our amazing people that make Aviva a great place to work. Our priority is continuing to equip our people with the skills and career opportunities to deliver the current and future needs of our customers and the business.

Danny Harmer
Chief People Officer

Over 23,000 colleagues working together, for our customers, across the UK, Ireland and Canada

Our approach

The performance of Aviva is made up of the performance of our people. So, we are focused on enabling every one of our colleagues to be brilliant at what they do now, and may do in the future as our business evolves.

Brilliant leaders, learning and careers

Investing in the skills and development of our people is, therefore, critical.

In 2023, we delivered our 'Courage to Lead' programme to c.1,000 leaders and added 'Courage to Drive Performance' to our leadership development offerings. Over 100 of our top leaders have already participated in this new course. The 'Courage' programmes are designed to help leaders take accountability, make bold decisions and boost team performance. And we now provide further bite size learning opportunities to all leaders and aspiring leaders through our new Leadership Academy.

We invested an average of almost three days of learning per colleague this year and launched The Foundry. And we developed new academies for Change, Claims and Underwriting.

The Foundry was launched in January 2023

The Aviva Foundry is our flagship programme accelerating our strategic priority of building the workforce of the future. Its purpose is to strengthen both the internal and external digital, data and technology skills we need now and for tomorrow.

'Digital for all' immersion workshops aim to increase the digital literacy of our colleagues and externally in our local communities. To date over 3,000 colleagues have participated, and this is available to all our colleagues across UK, Ireland and Canada.

Our 'Digital Bootcamps' were launched in May and our reskilling 'Digital Mastery Academies' in September.

The Foundry is on track to re-skill more than 200 colleagues by June 2024 and we have already transitioned a number of colleagues from customer telephony roles into new digital careers.

Our apprenticeship levy utilisation increased from 33% to 55% in 2023 and we now have over 330 apprentices. We gifted c.£240,000 of our levy to local businesses and worked closely with local colleges in Norfolk offering spaces in the Foundry to T Level students (a two year qualification for 16-19 year olds designed in collaboration with employers).

We also launched the 'My Skills' tool which tells our people how their current skills align to other roles they may wish to pursue in the future.

All of our people have access to a wide curriculum of learning through Aviva University.

Our people

Engaging our people

Aviva is a people-centred business, where everyone has a voice. In 2023, we achieved an exceptional set of results in our annual Voice of Aviva survey, with 88% of colleagues saying they would recommend Aviva as a great place to work. Our high levels of engagement are down to our wonderful people and the environment they create where everyone is supported to perform at their best.

Our colleagues clearly understand our strategy and understand how what they do contributes to the organisation's goals around growth, customer, efficiency and sustainability. We keep our people engaged and informed via regular Aviva wide leadership and employee communications and broadcasts and this year launched our new employee communication platform Workvivo.

We can also see from our survey data how participation in our 'Courage' leadership programmes is improving leadership effectiveness.

Our annual culture diagnostic focuses on six dimensions of culture and tracks colleague perception data from the Voice of Aviva survey, as well as customer and people metrics. In 2023, we saw strong improvements across all dimensions of culture. Leadership effectiveness has increased and a greater number of colleagues report feeling motivated by our strategy.

Our Customer Focus Index increased over the last year, with 95% of colleagues understanding how their work impacts customer outcomes. In response to the diagnostic, we will focus on our ability to adapt to new ways of working and improving visible representation in leadership.

The diagnostic is also used as the basis for the Board to monitor our organisational culture.

More diverse, inclusive & sustainable

We want Aviva colleagues to feel they belong, and for our people to reflect the customers and communities we serve. It's the right thing to do for our business and for society.

Diversity, equity and inclusion is central to what we do and we have six thriving communities led by our colleagues. Inclusion across all these communities is vital, and within that we have had a particular focus on gender and ethnicity.

We achieved 40.6% (397 female) gender diversity in senior leadership, up 6.9 percentage points since the start of 2022. We continue to offer market-leading equal parental leave and this year launched 'Confident Comebacks', coaching support for all colleagues going on, and returning from, parental leave. We've made our hiring processes more accessible for all candidates by reducing the number of criteria, using more inclusive language and publishing salary bands.

The Culture Diagnostic

The six dimensions used to assess Aviva's culture reflect regulatory expectations and frame discussion with the Group Executive Committee and Board on how we measure and monitor our culture.

Data sources

The data used to inform the analysis against the six dimensions is based on three key sources:

- **Colleague perspectives** on, and experiences of, our culture captured in Voice of Aviva.
- **Colleague behaviours** across the employee lifecycle captured via HR data (such as senior leadership diversity, absence rates etc.).
- **Colleague and customer metrics and feedback** on their experiences of Aviva's service.

Leadership & direction

Leadership and tone from the top has the greatest influence on the culture of an organisation.

Accountability

Accountability is a critical driver of colleague performance metrics – higher accountability tends to drive better productivity and lower absence.

Safe to speak up

A culture where it is safe to speak up enables colleagues to feel they can ask questions and raise issues without worrying about the consequences.

Values

Values are drivers of habitual behaviours and mindsets that characterise an organisation, and impact customer and colleague experience.

Diversity of thinking

Where a culture of diverse thinking exists, customers feel we are better able to meet their needs and there are higher levels of innovation and organisational agility.

Customer focus

A culture where the customer is front of mind and colleagues feel able to challenge decisions and quickly resolve customer issues.

Our people

At the 31 December 2023 we had the following gender split

Board Membership

42%

Female (5) Male (7)

Senior Leaders

40.6%

Female (397) Male (580)

Aviva Group Employees

52.5%

Female (12,209) Male (11,038)

+21%
in leadership engagement scores, to 98% for leaders who have been through Courage to Lead since 2021

87%
feel that they 'can be themselves at work'

83%
'feel like they belong' at Aviva

c86,000
free lunches provided to our colleagues and their families during school holidays in 2023

83%
believe Aviva values their health and wellbeing

For Ethnicity we hit 12.8% in UK, Canada and Ireland (10.8% in the UK) ethnically diverse senior leadership. We're committed to our ethnicity ambitions and offer programmes including Ethnically Diverse Leadership, Reverse Mentoring and Sponsorship.

Our Executive Long-Term Incentive Plans are linked to performance against our diversity, equity and inclusion targets, reinforcing our commitment to action and driving sustainable change.

We partner and support organisations that encourage and drive DE&I, for example the Social Mobility Index, Change the Race Ratio as a Founder Member and Employers for Carers - achieving Carer Confident Ambassador status. Several people were also recognised on the Heroes, Outstanding and Empower Role Model lists.

As a Disability Confident Employer, we interview every disabled applicant who meets the minimum criteria for the job and as part of our Smart Working approach, offer workplace adjustment passports for colleagues. Our training, development and career paths are accessible to all.

Great people are fundamental to the success of Aviva and this year we established our new colleague value proposition which captures the experience our people can expect at Aviva. This includes the quality and clarity of our roles and development, as well as the broader benefits and career opportunities available.

It starts, before joining, with a fabulous welcome and continues through the colleague lifecycle as we support our people's career progression and development, their physical, mental, social and financial wellbeing and encourage everyone to make the most of everything available to them at Aviva.

All of our people also have the opportunity to share in Aviva's success as shareholders through membership of our global share plans.

We're doing all of this to make sure our colleagues can be the best, brightest version of themselves.

Our plans for 2024

Continue to build and enable our workforce by growing The Foundry and our Aviva University curriculum and focus on future skills development with learning for all that is relevant to our customers and our strategy.

Develop courageous leaders who are confident to drive performance to grow Aviva.

Maintain momentum on building a workforce that reflects our customers and communities.

Embed our new colleague value proposition and use our recent accreditation with Great Place to Work to attract and retain the best talent.

Our sustainability ambition

Aviva can only prosper alongside the societies where we live and work, and of course as insurers we are directly exposed to the consequences of climate change.

We are committed to do our part, working with other businesses, governments, regulators and communities, to help get ready for the challenges and opportunities of the future; and to help enable the transition to a low-carbon world.

Stephen Doherty
Group Chief Brand and Corporate Affairs Officer

Social Action
We aim to help build stronger communities.

Read more on social action

Climate Action
We have an ambition to be Net Zero by 2040.

Read more on climate action

Sustainable Business
We act to embed sustainability into the way we run our business.

Read more on sustainable business

Our sustainability ambition

Social Action

For over 300 years Aviva has played a part in the lives of our customers, forming long-standing connections with communities.

Whether it's helping people prepare for retirement, protect their belongings or look after their health, we help customers look forward with financial confidence. We want to play a part in making more people financially secure.

Investing for the future benefits our customers, and the communities we operate in. The scale of our investments gives us ability to invest in community infrastructure – everything from the regeneration of towns and cities and social housing through to investment in green energy.

Sustainable Business

We are embedding sustainability into our leadership decisions and day-to-day business activities. We have clear policies and a robust governance structure in place to ensure high standards across fundamental issues of diversity, equity and inclusion, wellbeing, upholding human rights, business ethics, responsible use of data and ensuring our supply chain is responsible and sustainable.

Climate Action

Climate change represents one of our planet's biggest risks. The ways in which the insurance sector could be affected by the climate crisis are diverse and are interconnected with other sustainability issues. So we're taking an active role in tackling it.

As a major investor and underwriter we can help to enable the transition to a low-carbon future.

As we move towards our ambition to become Net Zero by 2040 we continue to reduce the impact of Aviva's operations. We're also helping communities start to become more climate-ready by offering our customers some choices in terms of climate-friendly products, influencing our suppliers and the companies we invest in, helping the broader transition to a more climate resilient economy, and being part of shaping a response to the twin crises of climate breakdown and biodiversity.

We set out our ambition in March 2021. At the time, and indeed today, the pathways to Net Zero were not well understood. Furthermore, government action on policy and development of new technologies were and still remain of fundamental importance to create the conditions for success.

Without good progress on these issues, achieving our climate ambitions will become increasingly challenging. We recognise that while we have control over Aviva's operations and influence on its supply chain, when it comes to decarbonising the economy in which we operate and invest, Aviva is one part of a far larger global ecosystem.

We have learnt a lot, and the complexities and challenges are coming into sharper focus. There remain difficulties over measurement and data reliability, in particular the emissions from Aviva's investments and underwriting captured as part of Scope 3 reporting which is not an area where we can achieve our goals in isolation.

There are also limits to our ability to influence other organisations and governments. Nevertheless we remain focused on the task and are committed to playing our part in the collective effort to enable the global transition.

Progress across our ambition

Highlights in 2023 include developing a new focused approach to help to deliver social action in the communities where we live and work across the UK. We became the Founding Place Partner with Business In The Community (BITC) and will support BITC's ambition to help transform 50 places in the UK over the next ten years, working collaboratively with other businesses towards a shared aim.

We've continued to support the regeneration of communities, Aviva Investors have invested £9.5 billion in UK infrastructure and real estate between 2020 and 2023; and during 2023 Aviva Capital Partners also invested in projects that provide benefits to society. From social housing to charging networks for electric vehicles, ultra-low carbon homes to development of a world-leading cancer research and treatment hub, Net Zero carbon schools to windfarms, we are helping the UK and other economies we operate in to get ready for the future.

We contribute annually to community investment across a variety of programmes aimed at helping people in the communities where we live and work. In 2023 the amount we contributed to this work was £32.5 million.

We've pledged £87 million to nature based solutions projects. These projects will run for between 17 and 60 years, working to capture carbon, contributing towards flood resilience and helping to restore natural habitats.

During 2023 we achieved 100% renewable electricity for Aviva's operations.

Our sustainability ambition

Sustainability at a glance

AR Data subject to independent reasonable assurance by PwC[1]

AL Data subject to independent limited assurance by PwC[1]

RC Definition in Aviva plc Reporting Criteria 2023

1. This indicates that the data was subject to external independent limited/reasonable assurance by PricewaterhouseCoopers LLP ('PwC'). For the results of that assurance, see Aviva plc Climate-related Financial Disclosure 2023 Independent Assurance section and Aviva plc 2023 Reporting Criteria Independent Assurance.

Social Action

RC AL

Amount of community investment

Aim: 2% average Group adjusted operating profit invested in the community annually

2.2% invested in 2023

RC

Estimated number of people benefitting from community investment programmes

819k people benefitted in 2023

RC AL

% of UK adult population saving or retiring with Aviva

Aim: >13% saving or retiring

14% saving or retiring with Aviva in 2023

RC AR

Investment in UK infrastructure and real estate

Aim: £10bn by 2023 from end 2020

£9.5bn invested by 2023

Our sustainability ambition

Climate Action

RC AL

Aviva's Scope 1 and Scope 2 operational emissions reduction

Aim: 90% by end of 2030 from a 2019 baseline

50% reduction since 2019

RC

Reduction in the Scope 1 and Scope 2 weighted average carbon intensity of our credit and equity investments for shareholder and with-profit funds

57% reduction since 2019

RC

% of suppliers by spend signed up to science-based targets

Aim: 70% by 2025

35% suppliers by end 2023

Sustainable Business

RC AR

% of women in senior management

Aim: 40% by 2024

40.6% women in senior management positions

RC AL

% of employees who would recommend Aviva as a great place to work

88% employees recommend Aviva

RC AR

% of ethnic diversity in senior leadership roles in the UK

Aim: 12.5% by 2023

10.8% ethnic diversity in senior management positions

The ambition of 12.5% is yet to be reached due to challenges with recruitment and market competition for the same talent.

Social action

We aim to help build stronger communities

Helping customers and communities

We are focused on helping people get ready for climate, financial and health shocks. This is not only through the 14% of the UK adult population who save or retire with Aviva but also in other ways such as the support we give to customers who may be struggling to pay their premiums.

Our customers and communities faced significant challenges in 2023, such as the cost of living crisis, so we have focused community investment on helping households build their financial resilience. We continue to offer customers the flexibility to reduce their cover and monthly payments through our payment-deferral. We also offer a range of affordable motor and home propositions through QuoteMeHappy Essentials - helping people save money while maintaining peace of mind.

Community Investment

As part of our focus upon building stronger communities we contribute an average of 2% of our Group adjusted operating profit to community investment. In 2023 the amount we contributed to communities was £32.5 million which represented 2.2% of our Group adjusted operating profit.

In 2023 over 800,000 people have benefitted from our community investment programmes across the UK, Ireland and Canada.

Our Aviva Community Fund has formed a key part of our approach since it was launched in 2015. In 2023 the Fund helped 531 inspirational community projects across the UK raise £7 million. This was made up of match-funding donations of £2.7 million from Aviva in addition to partner donations and crowdfunding.

Citizens Advice

In 2022, during the UK cost of living crisis, Aviva partnered with Citizens Advice. We've contributed £7 million to help deliver vital front line services that are seeing unprecedented levels of demand.

During 2023 our partnership has:

- Delivered support to 31 offices, funded 50 telephone based advisors and digital services
- Identified £1.2 million of additional income for individuals - including over £800,000 in new benefit claims
- Supported 14,000 people with 26,000 complex issues

Aviva Foundation

Aviva's independent charity provided £1.1 million of funding focused on building financial resilience for underserved groups.

In 2023 the Foundation:

- Supported neurodiverse people and their families via a hub giving resources and tools to help develop financial skills
- Helped Moneyline deliver financial services to some of the lowest income households in the UK
- Worked with the Living Wage Foundation to tackle in-work poverty

We learn from this work to help us consider how we can serve our customers better, particularly our vulnerable customers.

Social action through volunteering

All Aviva colleagues can take three days volunteering leave every year - helping to engage our people with our purpose to be 'with you today for a better tomorrow'.

In 2023 our people volunteered for 87,599 hours, more than double the hours in 2022. A total of 159,863 hours between 2020 and 2023, moving us closer to our goal of delivering 300,000 hours of volunteering between 2020 and 2025.

Discover thousands of the amazing causes we've supported on the interactive Aviva Community Fund map

Aviva Community Fund Map
An **interactive map** enabling exploration of some of the projects supported by Aviva Community Fund across the UK.

Social action

Investing in the UK

We are committed to making investments in UK infrastructure and real estate that play a role in building stronger communities and generate income for our customers

Aviva Investors, our global asset management business has invested in UK infrastructure and real estate projects between 2020 and 2023. These investments, on behalf of savers and investors, have helped support job creation across the UK. .

We've invested £9.5 billion over that period, against our ambition of £10 billion by the end of 2023, reflecting good progress despite challenging market backdrop.

Funding family homes through real estate investment

In February 2023 Aviva Investors acquired a site in Ipswich with planning for over 160 family homes. The site covers more than seven acres and will provide almost 160,000 square feet of housing once complete, delivering a community of two-bed, three-bed and four-bed homes. The site is part of a growing single-family rental platform in partnership with specialist Build-to-Rent developer Packaged Living.

It is one of several residential developments currently being undertaken by Aviva Investors as it continues to increase the supply of affordable homes across the UK and Europe, including the construction of 195 affordable, energy-efficient homes in the West Midlands.

Aviva Investors and Packaged Living will place environmental credentials at the forefront of the scheme's design, with homes using air source heat pumps for heating needs, rather than gas or electric boilers, and electric vehicle (EV) charging infrastructure to be fitted on each house.

Investing in future mobility

Outside of the UK, in October 2023 Aviva Investors completed a €30 million investment with EV charging specialist Erapid in Ireland. (Trading in Ireland as CarCharger EV Limited) and EasyGo – Ireland's largest private car charging network provider. Erapid will use the funds to develop further sites across its growing EV charger network as it continues to scale its business.

This follows Aviva's investment in Connected Kerb to support the delivery of 190,000 on-street EV chargers across the UK by 2030.

Image: CGI, Merchants Yard, Ipswich

Social action

Investing in the UK's energy transition

In August 2023 we agreed to provide financing for the acquisition of offshore transmission assets at the Hornsea Two offshore wind farm. The investment, completed on behalf of Aviva's Insurance, Wealth and Retirement business, cemented Aviva Investors' position as the second-largest non-bank provider of infrastructure debt financing in Europe[1].

Located 90km off the Yorkshire coast, Hornsea Two wind farm consists of 165 eight megawatt turbines. This is the third transaction where Aviva has provided debt financing to support the purchase of offshore transmission operator assets (OFTOs) following investments in the Hornsea One and Galloper windfarms.

Between 2020 and 2023 Aviva provided approximately £1.7 billion of financing for renewable energy infrastructure projects.

£1.7 billion
of financing provided for renewable energy infrastructure projects from 2020 to 2023

Investing in cancer research

In October 2023 we announced that Aviva Capital Partners[2] and Socius would partner with the London Borough of Sutton and work with the Institute for Cancer Research, the Royal Marsden NHS Foundation Trust and Epsom & St Helier University Hospitals NHS Trust on the development of a world-leading district for cancer research and treatment - the London Cancer Hub.

The multi-phase development, which consists of a one million square foot life sciences district on a five hectare site, will create a state-of-the-art life science district dedicated to research and treatment of cancer.

The London Cancer Hub aims to deliver major social and economic benefits including c.13,000 highly skilled jobs in health, science, education and construction.

1. Inframation Lenders League Table, July 2023
2. Outside of the £10 billion investment in Infrastructure & Real Estate KPI. Investment in the London Cancer Hub is via Aviva Capital Partners.

Image:
Hornsea wind farm

Social action

Community regeneration

We are committed to supporting the regeneration of the communities we live and work in through strategic partnerships

Taking action in our communities

Aviva is partnering with BITC and other organisations with the aim to improve fifty communities in the UK in the next ten years. Aviva will have particular involvement in the Sheffield and Norwich projects where we have a major presence and long standing commitment to the community.

Aviva's involvement includes providing skilled volunteering and secondment opportunities for colleagues to help build the programmes. This includes working with schools in these areas to bridge the gap between school and employment and supporting parents with reading, writing and digital literacy.

WWF Partnership

Our partnership with World Wide Fund for Nature (WWF), now in its third year, continues working to build stronger communities by restoring landscapes, improving flood resilience and helping to realign the financial system to help in the fight against climate change.

The focus in 2023 was on funding community focused, nature-based projects to help habitats thrive and supporting research on how UK habitats can play a role in fighting climate change and removing carbon emissions from the atmosphere. We continued to support projects in communities across the UK including restoration of woodland and peatland in the Yorkshire Dales, natural flood management in East Anglia and in Leicestershire and marine restoration in the Firth of Forth.

Save Our Wild Isles Community Fund

The UK is one of the most nature-depleted countries in the world[1]. Working with WWF and the Royal Society for the Protection of Birds (RSPB), Aviva donated £1 million to the Save Our Wild Isles Community Fund in 2023 to help community groups across the UK to protect and restore nature in their local area. The fund focused on supporting communities in areas where the need is greatest, specifically those that are ranked 1-5 according to the Index of Multiple Deprivation (IMD), and was open to community groups who were working towards achieving the following outcomes:

- Nature restoration – activities that aim to boost local biodiversity by protecting or restoring habitats, creating space for nature, connecting green spaces and addressing activities that directly impact biodiversity.
- Nature connectedness and pro-environmental behaviours – action that supports greater connection to nature and promotes pro-environmental behaviours at the community level that will benefit nature.
- Community cohesion and connection – nature-positive activities that encourage collaboration in the local community by connecting people of diverse backgrounds, generations and abilities to nature and to one another.

During 2023 the projects raised over £2.5 million (including the £1 million from Aviva) across 249 community groups to protect and restore nature in the UK.

1. State of Nature 2023 - report on the UK's current biodiversity, September 2023

£2.5 million
raised by the Save Our Wild Isles Community Fund across

249
community groups supported in protecting and restoring nature in the UK.

Discover projects supported by the Save Our Wild Isles Community Fund

Image: The Cotswolds, Oxfordshire, UK

Climate action

The ways the insurance industry will be affected by the climate crisis are diverse and are interconnected with other sustainability issues

Our strategic response focuses on the transition, physical and litigation risks and related opportunities as they relate to our work as an asset manager, asset owner, savings and pensions provider, and for our insurance business. We seek to minimise our exposure to the downside risks arising from the transition to a low carbon future (e.g. new climate policies) and physical effects (e.g. flood, windstorms and heavy precipitation).

We also consider the impact of global geopolitical environment on both current and emerging risks for the potential second and third order impacts, for example the impact of climate policies on the global supply chain.

We assess climate risks and opportunities over short, medium and long term time horizons. Climate change and the risks associated with it are core to a business like Aviva.

We believe Aviva becoming Net Zero is in the best interests of our customers and clients, as well as the long-term continuity of our business model and the wider environment in which we operate.

We aim to protect and restore biodiversity and understand the impact of climate change on our investments and underwriting.

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

Towards this journey, we have near term ambitions to reduce emissions:

- We have a validated SBTi target to reduce Aviva's Scope 1 and Scope 2 operational emissions by 90% from a 2019 baseline by end of 2030.
- We are also aiming to reduce the carbon intensity of Aviva's Scope 3, category 15 investments (currently investee Scope 1 and Scope 2 emissions from credit and equities, direct real estate and sovereigns for shareholder and policyholder assets) by 60% from a 2019 baseline.

We recognise that while we have control over Aviva's operations and influence on its supply chain, when it comes to decarbonising the economy in which we operate and invest and the risks we underwrite, Aviva is one part of a far larger global ecosystem.

As the wider society make choices towards their own Net Zero journey, this could impact business models and decarbonisation cost.

As such we depend on governments and regulators working together to create the right conditions for success. That's why we aim to use our influence to advocate for systemic changes to the international financial architecture, collaborating across industry through partnership and alliances.

We are also grappling with the challenge of understanding and measuring Scope 3 emissions, in other words the emissions arising from the value chain of our customers, investees and suppliers.

There are continued challenges towards measurement of Scope 3 emissions and associated complexity, due to limited and unsophisticated data and methodologies. This includes the risk of significant double counting or worse if multiple organisations are reporting on the same emissions. We want to target emissions which we can reliably measure.

Read more on our Climate-related Financial Disclosure

Climate action

Climate action highlights

We have made progress towards our climate ambitions in 2023, across our climate focus areas

Addressing climate change isn't just about adapting to new realities; its an opportunity to invest in a sustainable future and a pathway to resilience, innovation and long term value creation.

Claudine Blamey
Group Director of Sustainability

Reducing Aviva's operational emissions

- We have achieved a 50% reduction in Aviva's operational carbon emissions Scope 1 and 2 against our 2019 baseline.
- During 2023, we confirmed that 100% of our 2022 electricity used by Aviva's operations was from certified renewable sources and therefore we have achieved RE100[1] and this is earlier than previously planned.

Influencing our supply chain

- We hosted our second supplier summit in November 2023 which was attended by over 100 of our supply chain partners to update on our Net Zero agenda and to provide opportunities for education and collaboration.

Providing finance for renewables

- We are providing investment financing to help connect offshore windfarms to the national grid, including Hornsea Two, located 90km off the Yorkshire coast in the UK.

Working with investee companies

- Aviva Investors have engaged with the the 30 most systemically important carbon emitters in our portfolio, to work together on the challenges of transitioning to a low-carbon economy.
- Supported the installation of 190,000 on-street electric vehicle (EV) chargers across the UK by providing £110 million to Connected Kerb and €30 million to Erapid in Ireland.

Reducing the carbon intensity of our investments

- We achieved our sustainable assets target of £6 billion of origination compared to a 2019 baseline, a year early.
- Our Scope 1 and Scope 2 weighted average carbon intensity for credit and equities has reduced since 2022 by 22%.
- Our temperature alignment score was 2.4°C at 31 December, tracking the global implied temperature rise aligned with the Paris Agreement target of limiting global warming to well below 2°C, and preferably 1.5°C above pre-industrial levels by end of 2100. The methodology to estimate temperature alignment is nascent and is expected to develop as more robust data becomes available.

Insuring the transition

- Extended our renewable energy insurance offering to include offshore wind.
- Started insuring engineered timber in commercial property developments.
- Launched our EV content hub which provides users with EV guidance. We also introduced stand alone insurance cover for EV charging points.
- Our Aviva Zero motor product, offering customers the opportunity to offset car emissions, was launched in 2022, and continues to grow with over 500,000 policies sold since launch.

1. RE100 is the global corporate renewable energy initiative bringing together hundreds of large and ambitious businesses committed to 100% renewable electricity

50%
Aviva's operational Scope 1 and Scope 2 emissions reduction from a 2019 baseline

Read more within our Climate-related Financial Disclosure

Climate action

Supply chain and investments emissions

GHG emissions are split into three scopes:

- Scope 1 - direct emissions from company sources;
- Scope 2 - indirect emissions released in production of energy used by the company; and
- All 'other emissions' that are a consequence of a company's activities across its value chain, referred to as Scope 3 (over 90% of the total).

Reducing Scope 3 carbon emissions

Reducing Scope 3 emissions relies on us working with others to achieve carbon reduction.

In line with many other organisations we are working to influence the reduction of emissions not in our direct control but also to better understand and measure our Scope 3 emissions through improving our data capabilities in line with industry developments and standards.

Reduction in supplier emissions

Supply chain contributes to indirect emissions that occur in our value chain. We are engaging with our suppliers and working to align them to our Net Zero ambitions.

Our near-term goal is for 70% of Aviva's suppliers (by spend) to set science-based targets by 2025.

To deliver this we implemented a number of initiatives in 2023:

- We are supporting new and existing suppliers with clear sustainability guidance as part of the contracting process.
- Sustainability and carbon questions are included in all our Request For Proposal (RFP) and Request For Information (RFI) processes and form part of our consideration for purchasing decisions.
- Sustainability and carbon questions are a part of our supplier onboarding process.
- We introduced incentives for suppliers that meet our sustainability requirements.
- Sustainable sourcing training will be conducted annually to upskill all our buyers to equip them with the knowledge required to engage suppliers on sustainability.

By the end of 2023, 35% of suppliers by spend had already signed up to Science-based targets.

Reduction in the carbon intensity of our investments

Measuring and reducing the carbon intensity of our investments will contribute to a significant reduction in our indirect emissions.

We are aiming to reduce the carbon intensity of Aviva's Scope 3 category 15 investments (currently includes investee Scope 1 and Scope 2 emissions from credit, equities, direct real estate and sovereigns for shareholder and policyholder assets) by 60% by 2030 from a 2019 baseline. Investment emissions are the portion of investees' emissions attributed to Aviva based on its share of investment or level of funding.

Our metrics include investee Scope 1 and 2 emissions. There are concerns with Scope 3 of investee emissions including double counting, data quality and level of estimation.

Our investment exclusion policy (launched in November 2022) came into operation and a number of divestments that were completed in 2022 removed carbon intensive investments. We can also expect to see carbon intensity reduce as the companies that we invest in and those that we engage with continue on their own carbon reduction journeys.

By the end of 2023, we had reduced the Scope 1 and Scope 2 weighted average carbon intensity of our credit and equities (shareholder and with-profits) by 57% against a 2019 baseline.

We also provide a temperature alignment score to show our level of alignment to a 1.5°C global warming pathway.

Read more within our Climate-related Financial Disclosure

Restoring rare native British rainforests

We're partnering with The Wildlife Trusts to help restore the UK's temperate rainforests. This partnership is part of our nature based solutions programme.

In February 2023 Aviva announced a £38 million partnership with The Wildlife Trusts to restore Britain's lost temperate rainforests in the UK over the next 60 years. Native to the British Isles, temperate rainforest is an incredibly rare and biodiverse habitat that now covers less than 1%[1] of the UK. It is thought to be more rare than tropical rainforests.

The pledged donation aims to support work to re-establish temperate rainforest by planting a combination of native species including oak, birch, holly and rowan across c.5,200 acres.

Work is already well underway connecting existing temperate rainforest sites in the Isle of Man, North Wales and Devon.

The restored rainforests aim to remove c.800,000 tonnes of carbon dioxide from the atmosphere over the next 100 years, equivalent to the emissions created by one person taking over 740,000 transatlantic flights[2]. Restoring these rainforests isn't just about meeting environmental targets. It's also about providing a better tomorrow by protecting and restoring biodiversity, providing increasing flood protection, and addressing the ongoing nature crisis by adding to the natural beauty and cultural heritage of each site[3].

1. NERC EDS Centre for Environmental Data Analysis, 2021
2. Calculated using BEIS GHG conversion factors of 0.19kg/CO_2e per passenger km
3. Projects include creation of verified carbon removals credits

Climate action

Nature based solutions

Protecting and restoring the planet's precious biodiversity through nature based solutions is an integral part of Aviva's commitment to sustainability

Nature based solutions work to remove carbon from the atmosphere by improving habitats and biodiversity. A priority set out in our Climate-related Financial Disclosure 2022 was to launch further Aviva nature based carbon removal partnerships in the British Isles, as well as similar projects in Canada.

During 2023 we announced a number of partnerships as part of our plan to remove carbon from the atmosphere in this way. We have donated money to a number of partners with the aim of developing the market for investment in nature-based carbon sequestration projects. The projects our partners are undertaking with our funding will demonstrate the co-benefits of carbon sequestration, nature restoration, flood resilience and social and community benefit. Creation of verified carbon removals credits from projects to support Aviva's Net Zero ambition is a key part of demonstrating the long-term investment potential of nature based solutions.

To monitor our projects a carbon measuring framework is in place for each partnership. This is monitored regularly for the duration of the partnership. We also regularly visit the project sites for all partnerships to validate progress.

The Woodland Trust

In February 2023 we announced a £10 million partnership with the Woodland Trust to support its Woodland Carbon Scheme over the next 18 years. The funding aims to deliver carbon removal as well as improving air quality and biodiversity through a combination of woodland creation and peat restoration. Through the partnership Aviva will fund projects that aim to remove approximately 330,000 tonnes of carbon from the atmosphere over the next 100 years.

The projects are spread across the UK at a number of Woodland Trust sites including three 'Hero' sites:

- Green Farm, Norfolk – close to Aviva's Norwich offices, the plan is for the site to be a mosaic of broadleaf woodland, wood pasture, grassland and hedgerows.
- Snaizeholme, the Yorkshire Dales – aiming to create one of England's biggest new native woodlands.
- Smithills, Lancashire – The project aims to rewet peat bogs at the Trust's largest site in England.

It is planned that these sites will create new reserves that people can enjoy for free.

Climate action

Image:
Suffolk marshland, UK

Wildfowl and Wetlands Trust (WWT)

In June 2023 we partnered with the WWT, the charity for wetlands and wildlife, on an innovative saltmarsh creation project, one of the largest in the UK. Aviva has pledged to donate £21 million to the WWT aiming to help restore up to 250 hectares of saltmarsh over the next 17 years.

It is thought that saltmarsh has a significant role to play in fighting climate change and reversing nature loss by providing a long-term, natural store of carbon and creating a rich and unique habitat for plants and animals specially adapted to the conditions. Saltmarsh has also been estimated to protect more than c.90,000 properties and more than c.£2 billion of assets[1] through reducing flooding in the UK. It is estimated that c.85% of English saltmarsh has been lost in the last c.200 years.

1. ONS. Saltmarsh flood mitigation in England and Wales, natural capital: 2022. Released 15 July 2022.

Wild + Pine

In December 2023, as part of Aviva's first nature based carbon-removal partnership in Canada, we pledged donations of c.$CAD6.2 million to our work with Wild + Pine, who develop verified carbon removal assets through afforestation to achieve climate goals. The partnership will run for 12 years and aims to restore landscapes and improve biodiversity in the region.

The partnership will work on a project called StoneWoods Forest Carbon which covers c.520 hectares of land in Alberta. It is estimated by Wild + Pine that the project aims to sequester nearly c.275,000 tonnes of carbon over c.60 years while supporting regional biodiversity, including enhancing valuable habitat for many local species including moose, elk, whitetail and mule deer, black bears, and great grey owls.

Sustainable business

Sustainable business - good governance

We act to embed sustainability into the way we run our business

The high standards of ethical behaviour we expect are outlined in the Aviva Business Ethics Code. We require all our people, at every level, to read and sign-up to our Code every year (99.4% of our employees did so in 2023).

We conduct due diligence when recruiting and engaging external partners. At the end of 2023, 99.8% of our UK, Canada, Ireland and India registered suppliers have agreed to abide by our Third Party Business Code of Behaviour (or provided a satisfactory reason why they didn't do so, for example, because they have their own existing code of behaviour). Our Third Party Business Code of Behaviour outlines the way in which we commit to behave and includes guidance on financial crime laws and regulations.

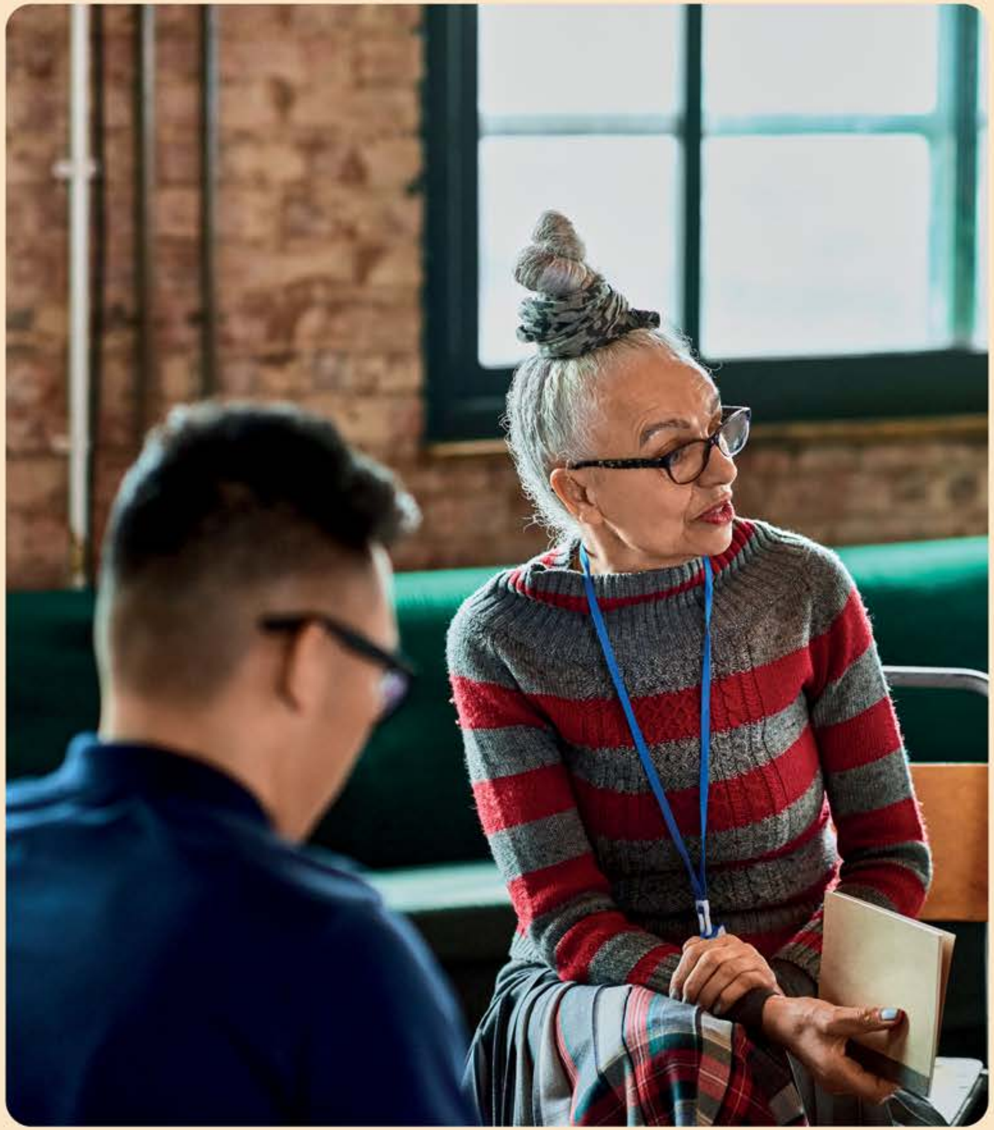
Our overarching Sustainability Business Standard includes how we manage our material operational and core business environmental and climate impacts, and our community impacts.

Aviva plc is subject to the UK Corporate Governance Code (the Code), which we comply with fully. Where appropriate, specific teams and committees exist to drive action on particular material issues, including data protection, climate change and diversity, equity and inclusion, among others. Governance information required in accordance with recommendations of the Taskforce for Climate-related Financial Disclosure can be found in the Climate-related Financial Disclosure.

Sustainability governance

We have a clear and robust governance structure in place. Aviva's Sustainability Ambition Steering Committee drives and monitors the delivery of our plan - with delegated authority from the Group Executive Committee. A Sustainability function reports to Stephen Doherty, Chief Brand and Corporate Affairs Officer who chairs the steering committee and is the Aviva senior executive responsible for sustainability. The team provides expertise to enable delivery and coordination of local activity across Aviva's businesses. Crucially, there is clear individual executive accountability for all sustainability KPIs. Sustainability factors are included in senior executive long term incentive plans.

Our progress and key performance metrics are reviewed regularly and overseen by the Customer & Sustainability Committee.



Sustainable business

Data privacy and security

At Aviva our customers, colleagues and other stakeholders trust us to process their personal data responsibly and keep it secure. In order to do this we comply with laws and regulations and key regulators' requirements in the countries and markets in which we operate. We have a dedicated section on this in our Business Ethics Code as well as a standalone Data Privacy Statement which details our specific commitments and practices.

Bribery, corruption and our Financial Crime Standard

Preventing and tackling bribery and corruption is anchored in Aviva's values with a clear message from senior management around a zero-tolerance approach to financial crime. We have a dedicated section on this in our Business Ethics Code as well as a standalone Prevention of Bribery and Corruption Statement which details our commitments and practices.

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

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

Living Wage, Pensions and Hours

In addition to paying the Living Wage and Living Pension in the UK we also support the Living Hours campaign to ensure that workers have sufficient, predictable hours.

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.

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

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

Speak Up

Our malpractice helpline, Speak Up, makes it easy to report any concerns in confidence, with all reports referred to an independent investigation team. In 2023, 150 cases were reported through Speak Up (2022: 131), with none related to modern slavery.

Additional information

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

Sustainable business

Sustainable customer outcomes

Running ourselves as a sustainable business requires focus on positive customer outcomes

Providing customers with sustainability focused insurance options

In 2022 Aviva Zero car insurance was launched. This innovative proposition meant that Aviva covered the cost of offsetting at least 1,000 miles of customers' carbon emissions from driving or charging their car for the policy year. In addition customers could also choose to pay to offset 50% of their remaining miles, which Aviva would match. This meant that customers could offset up to 100% of their carbon emissions, from driving or charging their car based on the mileage they will drive. Over 500,000 Aviva Zero policies have been sold since launch.

In August 2023 we expanded our underwriting appetite to include engineered timber[1] in commercial developments. As one of the first UK insurers to commit dedicated underwriting resource to the development of more sustainable buildings, we aim to help enable the UK as it moves to become climate-ready.

Support is also available for SME businesses through Aviva's Risk Management Solutions service which provides guidance for SMEs on reducing their risk across a range of sustainability related issues including electric vehicles, flood mitigation, solar panels and supply chain risk.

Providing customers with sustainability focused investment options

Our adviser platform provides an ESG profiler tool supporting financial advisers reviewing customers' investments from an ESG perspective. It improves the transparency of funds, enabling customers to understand if a fund meets their investment appetite and ESG objectives. This supports advisers in their conversations with clients on ESG, allowing them to show the scale and quantifiable impact of investments - in terms they understand.

Supporting brokers in building a more resilient business

To help brokers understand the impact their business has on the environment and wider society Aviva launched a "Sustainable Business Coach", a new, free-to-use digital tool to support brokers in building a more resilient business. Created with brokers, for brokers, the tool was developed in partnership with the non-profit organisation, Future-Fit, and digital coaching business, Life Moments, to help brokers develop their sustainability capabilities.

The programme provides brokers with a personalised report on how they can improve their sustainability goals and approach, helping them become more efficient while measuring improvement over time and providing the opportunity to increase their knowledge and understanding with free learning modules.

1. Engineered timber, also called Mass timber, Cross Laminated Timber (CLT) and Glulam, are wood products that have been manufactured and bonded together to form a composite material, panel or building system

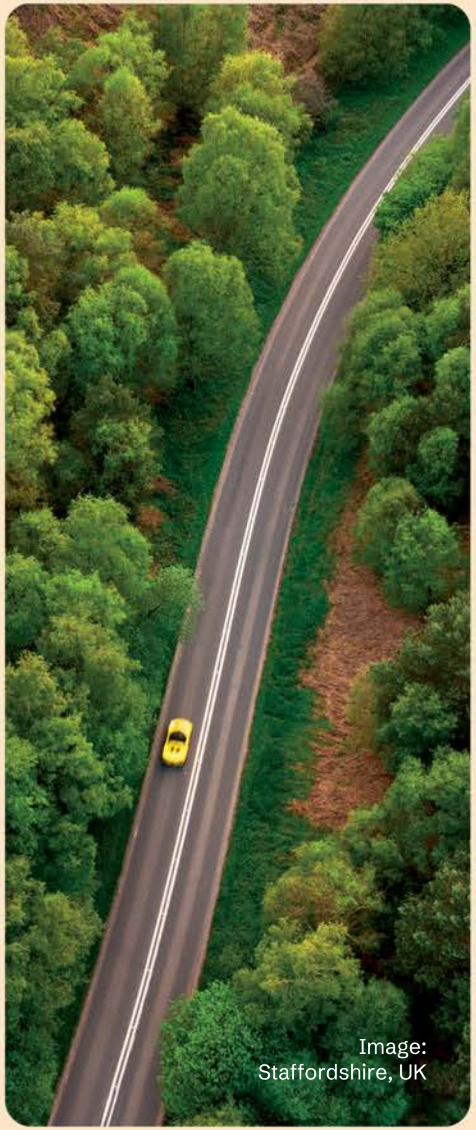


Image: Staffordshire, UK

Sustainable business

Diversity, equity and inclusion

We are proud to be a diverse and inclusive organisation

We're determined to keep challenging ourselves to build a workforce that can deliver the best outcomes for our diverse customer base, and to attract and keep the best talent to help us deliver our strategy. Our Executive Long Term Incentive plan includes two diversity, equity and inclusion measures:

- 40% of senior management being women by 2024[1]. In 2023 we achieved 40.6%, up 6.9 percentage points since the start of 2022.
- 12.5% of senior management to be ethnically diverse by 2024[2]. In 2023 we had achieved 10.8%.

Gender equality: % of women in senior management

To improve gender equality we set the example from the top down. Our female leaders act as role models for future talent, sharing their insights and experiences. We are active members of Moving Ahead and the Women in Finance Charter. Our CEO, Amanda Blanc, is HM Treasury's Women in Finance Champion and our Women's Sponsorship Programme works to accelerate the pipeline of women into senior roles.

The Aviva Investors "Return to Work" programme has extended into the wider business, supporting people looking to return to work after a break in their career of 18 months or more. Since launch an average of 71% of participants have taken permanent roles helping build a pipeline of experienced talent through the programme.

Ethnic equality: % of ethnic diversity in senior management

The ambition of 12.5% is yet to be reached due to challenges on recruitment given our existing location footprint and market competition for the same talent.

Our reverse mentoring programme continues, partnering senior leaders with ethnically diverse colleagues. Our Board, Group Executive and top 1,200 leaders have completed 'anti racism' training to embed the practice of challenging racial bias whenever they see it. We continued our Group-wide Ethnically Diverse Leadership Programme (EDLP) focusing on ethnically diverse colleagues. Since launch, 58% of those on the programme have had a promotion or a lateral move to build their career.

Our Origins Community – focused on race and ethnicity, culture, faith and social mobility – continues to provide safe spaces for people, raising awareness and educating colleagues and promoting cultural diversity at Aviva. Origins also has 11 sub-networks supporting specific communities within Aviva. Additionally we encourage ethnically diverse talent through networks such as iCAN, the Insurance Cultural Awareness Network, and are Founder Members of CBI's Change the Race Ratio and a signatory to the Race Equality Charter.

Pipeline talent

Our graduate and apprentice programmes which attract new talent and develop existing colleagues continued to demonstrate good gender and ethnicity balance. In 2023:

- 55% of our graduate intake was female and 11% were ethnically diverse.
- 40% of our apprenticeship programme were female and 12% ethnically diverse.

1. Calculated as the percentage of colleagues in senior leadership roles in the UK, Ireland, Canada and Group functions who are female
2. Calculated as the percentage of colleagues in senior leadership roles in the UK who identify their ethnicity as anything other than 'white'

Sustainable business

Advocacy and influence

We recognise that our impact can be bigger than Aviva's operations and continue to use our influence to advocate for change wherever we can

Macro stewardship

Macro stewardship refers to engaging with regulators, governments, and other entities to influence "the rules of the game" of the global economy to support the transition to a sustainable future.

We take seriously our duty to act in the best interests of clients and the integrity of the market. Part of this involves looking to identify potential market-wide and systemic risks and seeking to mitigate them through engagement with policymakers.

Business alone, as participants in the market, cannot correct system-wide issues such as market failures. We can, however, help identify such risks through our research and in our engagement with corporates as an asset owner. This informs our approach to market reform so our actions for change have practical application.

Where market failures exist we engage with policymakers to advocate for reforms.

We use our voice to raise awareness and encourage interventions so that our financial system is better able to serve the needs of the present without prejudicing those of generations to come.

Using our vote

As part of our approach Aviva undertakes stewardship at a micro level too, by identifying risks, opportunities and impacts through investment research and acting on these insights through corporate engagement. In 2023 as part of our stewardship approach Aviva:

- Exercised our voting rights on 68,177 resolutions at AGMs and EGMs
- Voted against 25% of company management recommendations that did not align with our sustainable investment strategy
- Achieved 281 sustainability engagement objectives through Aviva Investors, resulting in changes in investee companies' strategies, actions or behaviours
- Conducted 1,694 substantive sustainability engagement meetings through Aviva Investors

Transition Plan Taskforce

An increasing number of corporates are setting Net Zero ambitions and publishing transition plans. We believe these plans should be consistent, comparable and credible.

Our Group CEO co-chairs the UK Transition Plan Taskforce (TPT) with HM Treasury aimed at creating a common approach in this area.

The TPT was set up by the UK Government in April 2022 to develop the gold standard for private sector climate transition plans in the UK. The TPT built on the work done by the Glasgow Financial Alliance for Net Zero (GFANZ), the Task Force on Climate Related Financial Disclosures (TCFD) and the International Sustainability Standards Board (ISSB).

The TPT published a consultation in 2023 on the TPT disclosure framework, as well as implementation guidance. The final framework was published later in the year, with final sector guidance due in 2024.

We will review the final guidance and incorporate it in our next climate transition plan, as well as continuing to advocate for clearer transition plan standards around the world.

Aviva Investor Responsible Investment Report

Aviva Climate-Ready Index Report

Sustainable business

Our tax contribution

As one of the UK's largest companies, the tax we pay helps support a sustainable economy

£3.3 billion of taxes contributed globally in 2023

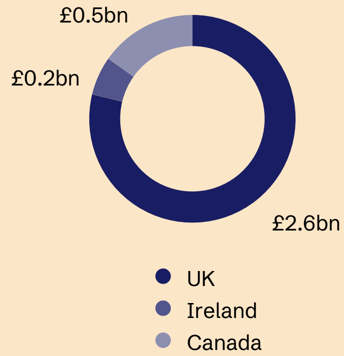
In 2022/2023 we were the 11th largest tax contributor in the UK[1], contributing £2.6 billion in 2023, made up of £0.4 billion of tax paid and £2.2 billion of tax collected.

Furthermore, we pay additional amounts of tax to governments around the world.

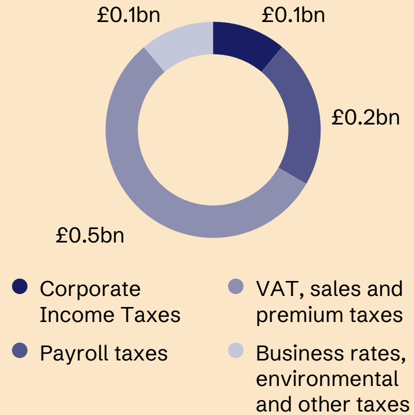
We consider our total tax contribution in two ways. Firstly, the tax paid by Aviva Group, which is a cost to our shareholders. Secondly, we collect and pay amounts to tax authorities on behalf of customers, suppliers and employees.

1. Based on PwC analysis of the 100 Group Total Tax Contribution Survey, published December 2023

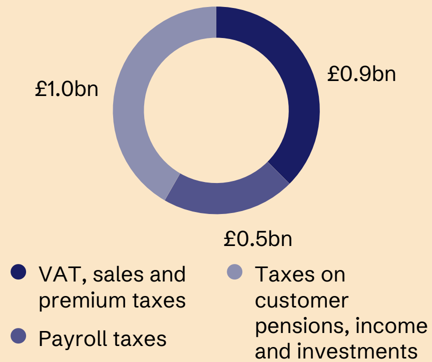
Our global total tax contribution of £3.3 billion is focused in our core businesses



£0.9 billion of tax paid globally by the Aviva Group



£2.4 billion of tax collected globally on behalf of customers, suppliers and employees



Sustainable business

Our Tax Strategy[1]

Our tax strategy is to pay the right amount of tax at the right time in each of the countries in which we operate.

We act with honesty and integrity, engaging with HMRC and other relevant tax authorities on a transparent and cooperative basis. We conduct our business dealings in accordance with both the letter and spirit of all tax law, with our core values underpinning our approach to taxation.

This approach is consistent with the Group's appetite to manage its operational risk to as low a level as is commercially sensible, taking account of the financial impact and the value placed by the Group on maintaining a reputation for upholding the highest standard of corporate ethics.

With a low appetite for litigation, we prefer to seek clarity through timely discussion and prompt disclosure of all relevant information, to enable tax authorities to form an accurate assessment of the tax implications of our activities, and assess the current, future, and past tax risks.

We engage proactively in external developments on tax policy and engage with national governments, the European Union, The Organisation for Economic Co-operation and Development, and others where appropriate.

Ensuring that we pay the right amount of tax in each country

We pay tax on the profits earned in each country and require all our businesses to comply with the tax laws in their markets and not enter into schemes or structures which result in an abusive tax result. When we undertake tax planning, we only do so in the context of wider business activity with a real and commercial basis.

Annual reviews are carried out to ensure that appropriate prices have been used for services provided cross border. These prices are subject to regular benchmarking to external markets to ensure the prices charged are consistent with arm's length transfer pricing principles and that profits arising in each company reflect the activity undertaken by that business.

Cross border reinsurance

Our UK resident reinsurance company has quota share reinsurance arrangements with Aviva subsidiaries from the UK, Ireland and Canada. The terms of our reinsurance treaties are consistent with arm's length principles.

Aviva also has a captive reinsurance company in Barbados, which supports the Canadian business. This was put in place to provide capital efficient pooling of risk in a traditional reinsurance location with a supportive regulatory regime and significant local experience. The company is now in run-off.

Offshore Investment Funds

As is common practice in the investment management industry, investment funds are structured to facilitate pooling of capital from different investors.

Aviva Investors manages various investment fund vehicles which are resident in low tax jurisdictions, including Luxembourg, Guernsey and Jersey.

These market standard offshore investment fund vehicles are cost efficient and mitigate tax arising within the fund, ensuring that income and gains are predominantly taxed in the hands of the investor. This allows investors with different tax profiles (e.g. tax exempt UK pension funds) to pool capital without increasing the amount of tax they would otherwise pay.

Managing our tax risks

All tax returns and correspondence are prepared and reviewed by qualified and trained colleagues, acting under appropriate delegated authorities. Where the Group outsources activities, the outsourcing partner must be able to meet all relevant tax compliance responsibilities.

External advice will be sought where the risk, complexity and size of the decision requires an opinion from a third party.

The tax strategy is supported by the Tax Business Standard and our Operational Risk & Control Management (ORCM) framework. All our businesses are required to manage the tax risks in their jurisdiction, considering both proximate and long-term risks. Regular updates detailing the Group's tax position are provided to the Group Audit Committee.

The management of tax risks is overseen by the risk and audit functions.

The tax strategy is aligned with the Aviva Business Ethics code. It is owned by the Group Chief Financial Officer and is approved and overseen by the Board.

1. This document has been prepared and published on 7 March 2024 in accordance with paragraph 16(2), Schedule 19, Finance Act 2016, on behalf of Aviva plc and all the UK tax resident companies in the Aviva plc group for the year ended 31 December 2024

Sustainable business

Sustainability ratings and indices

Benchmarking companies[1] rate Aviva based on independently gathered ESG insight and data

AAA

MSCI

MSCI provides ESG Ratings on companies on a scale of AAA (leader) to CCC (laggard), according to exposure to industry specific ESG risks and the ability to manage those risks relative to peers. As of August 2023, Aviva received an MSCI ESG Rating of AAA.

A-

Carbon Disclosure Project

CDP runs the global environmental disclosure system. Each year, CDP takes the information supplied in its annual reporting process and awards companies and cities based on their journey through disclosure and towards environmental leadership. Ratings range from D/D- for companies who have disclosed data to A/A- for those showing leadership. As of 2023, Aviva received an A- rating.

96th percentile

S&P Global

S&P Global ESG Scores provide a depth and breadth of ESG insight, built upon multiple layers of ESG data, and underpinned by a rich bedrock of underlying data intelligence captured by the S&P Global Corporate Sustainability Assessment (CSA). As of December 2023, Aviva scores within the 96th percentile for the insurance industry achieving inclusion in the Dow Jones Sustainability Indices.

14.2 low risk

Sustainalytics

Sustainalytics' ESG Risk Ratings measure a company's exposure to industry specific material ESG risks and how well a company is managing those risks. They provide a quantitative measure of unmanaged ESG risk and distinguish between five levels: negligible, low, medium, high and severe. As of August 2023, Aviva received an ESG Risk Rating of 14.2 and was assessed to be at low risk of experiencing material financial impacts from ESG factors.

1. Aviva discloses performance against the most material ESG ratings

Non-financial and sustainability information statement

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

We aim to be the leading UK provider and go-to customer brand for all insurance, wealth and retirement solutions. In Canada and Ireland we continue to build strong businesses.

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

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

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

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

Climate and environment	Employees	Social matters	Human rights	Anti-corruption
We've been a carbon neutral company since 2006 and our ambition is to be Net Zero by 2040. In March 2022 we published our climate transition plan setting out our approach. We can impact the carbon emissions of Aviva's operations and have some influence through our assets under management that we have stewardship over, alongside the innovations and customers we support via our insurance. To deliver on our climate ambition, and reduce our exposure to climate-related risk, we focus on the following key areas: influencing, decarbonising our investments, insuring the transition and decarbonising our operations and supply chain.	Our focus is on unleashing the power of our people to deliver our strategy. We believe in a high-performance culture and expect the highest standards of behaviour and integrity of our people consistent with our values. Our Conduct and Performance Policy sets out the standards for all colleagues at work. Our mandatory learning covers all the important things employees need to know about working at Aviva so we can protect our business, customers and colleagues. We also want our people to feel comfortable sharing their insights and experiences so we can work together to understand the needs of all customers and find solutions to problems together. Our Fairness and Equality at Work policy and its supporting procedures help colleagues understand what it means to work in a way that's fair, equal and within the law – and also how to raise concerns. We do not tolerate discrimination of any description on any grounds.	We are aiming to build stronger communities by allocating an average of 2% of our Group adjusted operating profit a year to community investment; helping people with financial, climate and health challenges. Through our fund management operations, we seek to invest in assets that can be put to positive social use, where we can. We finance many social infrastructure developments, including healthcare, education, transport, housing, water and renewable energy. Through our life insurance companies we have a goal to help at least 13% of adults in the UK to save or retire with Aviva. Across Aviva we work with our customers, communities and partners to help more people get the insurance protection and income in retirement they need for a better tomorrow.	Our approach is to be committed to respecting the human rights of others. This includes preventing, addressing and remediating any potential adverse human rights impacts in our operations, our business activities and relationships, and our investments. We continue to pursue our anti-modern slavery agenda within our operations and supply chain, and through our partnerships. In 2023 we refreshed our wider human rights approach following our last biennial, Group-wide human rights due diligence assessment. In addition we widened the scope of our supplier assessments and selected a new Sustainability partner – Business for Social Responsibility (BSR). BSR will specifically support the ongoing development of our Human Rights and Anti-modern slavery agendas, aiming to identify the most salient issues across our operations and value chain.	We will always seek to protect our customers, shareholders, employees and communities from financial crime. We have a zero-tolerance approach to acts of bribery and corruption. All Group offices must comply with our Financial Crime Business Standard and associated Minimum Compliance Standards, which include robust anti-bribery and corruption requirements based on the UK Bribery Act. Our Business Ethics Code strictly prohibits any person associated with the Group from doing anything that supports, encourages or facilitates bribery and corruption.
Read more in our sustainability ambition and our Climate-related Financial Disclosure	**Read more in our people**	**Read more in our sustainability ambition**	**Read more in this report under our support for human rights. Also see our modern slavery statement on aviva.com**	**Read more about our Business Ethics Code on aviva.com**

Non-financial and sustainability information statement

	Climate and environment	Employees	Social matters	Human rights	Anti-corruption
Due diligence processes	• Climate governance structure in place involving the Board and its committees. • Sustainability Ambition Steering Committee monitors the climate-related risks and opportunities and evaluates progress against targets set. • Sustainability Business Standard includes how we manage material operational, climate, environmental and community impacts.	• Annual all colleague Voice of Aviva engagement survey and pulse surveys. • People Risk dashboard and regular tracking of HR metrics and trends. • Global People Business Standard and Remuneration Standard. • Inclusion Council and executive-sponsored diversity, equity and inclusion communities.	• Customer and Sustainability Committee – oversees the execution of the Aviva Sustainability Ambition.	• In 2023 we conducted our most recent biennial Group-wide human rights due diligence assessment across all our businesses, guided by the UN Guiding Principles on Business and Human Rights (UNGPs). • Updated our Human Rights policy in 2023.	• Financial Crime Business Standard oversight and governance structure. • Ongoing group-wide bribery and corruption risk assessment. • Risk-based training for those acting on Aviva's behalf. • Due diligence and risk rating of all third-party relationships. • Gifts and Entertainment and Conflicts of Interest procedures. • Speak Up malpractice helpline.
Policy outcomes	• Taking climate action and making progress towards our ambitions.	• A great place to work, where colleagues can build fantastic careers, feel included and be fairly rewarded.	• Use of Aviva's community investment and asset investments as a force for good.	• We have conducted modern slavery threat assessments on a range of key suppliers using a risk based approach.	• Maintaining a culture of the highest ethics and compliance with our Business Ethics Code. • Seeking to prevent, detect and report financial crime, including any instances of bribery and corruption.
Principal risks	• Reduction in returns from investments not compatible with transition to low-carbon economy. • Disruption to Life or General Insurance businesses e.g. extreme weather, see our Risk Framework.	• Talent recruitment, retention and reskilling. • Creating a diverse and inclusive workplace.	• Reduction in returns from investments in real estate and social infrastructure. • Macroeconomic conditions impacting customers' capacity to invest in our insurance, wealth or retirement products.	• Talent recruitment, retention and reskilling.	• Failure to prevent, detect and report financial crime, including instances of bribery and corruption. • Cyber criminals: attempting to access our IT systems to steal or utilise company and customer data.
Non-financial KPIs	• Operational Scope 1 and Scope 2 emissions reduction. • Carbon intensity reduction. • Number of suppliers with validated science-based targets.	• Employee engagement. • Women in senior leadership. • Ethnic diversity in senior leadership roles.	• Investment in communities. • People saving or retiring with Aviva.	• % of registered suppliers that have agreed to Supplier Codes of Behaviour. • % of businesses which have completed a human rights due diligence review. • Specialist colleagues trained on business human rights and modern slavery issues.	• Number of cases reported through Speak Up. • % of registered suppliers that have agreed to Supplier Codes of Behaviour. • Employees who have read, understood and accepted the Business Ethics Code.

Read more about climate and environment | **Read more about our employees** | **Read more about social matters** | **Read more about human rights** | **Read more about anti-corruption**

Non-financial and sustainability information statement

This section includes our Climate-related Financial Disclosure.

We have influence through the £376 billion in AUM that we have stewardship over, alongside the innovations and customers we support via our insurance.

Governance

Our governance framework and a clear division of responsibilities enables the Board to operate effectively, fulfil its responsibilities and provide valuable oversight. It allows the Board to integrate climate-related risks and opportunities into our strategy, decision making and business processes. The Board's Customer and Sustainability Committee is responsible for assisting the Board in its oversight of Aviva's Sustainability Ambition. The impact of climate change is considered by the Risk Committee and climate disclosures by the Group Audit Committee.

See the Governance section for further information including the consideration of climate-related matters by our Board and Committees during 2023.

Read more in governance

Strategy

We have an ambition to be Net Zero by 2040. Our current approach is focused on reducing carbon emissions, protecting and restoring biodiversity and understanding the impact of investments. This is set out in Our sustainability ambition section.

We have committed to do everything within our power to create the right conditions to become a Net Zero carbon emissions company by 2040, whilst also recognising that we do not have full control over the delivery of this ambition. Government action on policy and development of new technologies are of fundamental importance to create the conditions for success. Without good progress on these issues, achieving our climate ambition becomes increasingly challenging.

Read more in sustainability ambition

Risk management

Aviva's risk management framework sets out how we identify, measure, monitor, manage and report on the risks to which our business, customers' and wider society are, or could be, exposed to (including climate and sustainability related risks).

We use our risk identification process to identify potential exposure to climate-related risks via the associated physical risk (for example flood, wind storm and tropical cyclones and heavy precipitation), transition risk (for example new climate policies) and litigation risk (including greenwashing).

We have identified climate-related risks covering investment returns, disruption to the life and general insurance markets.

There are also climate-related opportunities related to our investments and insurance product offerings.

We use the following time horizons to classify climate-related opportunities and risks, aligned to our strategy and business plans:

- **Short term -** 0 to 3 years: risks and opportunities deemed material to our three year business and financial planning cycle are viewed as short term.
- **Medium term -** 3 to 10 years: Risks and opportunities deemed material to our 2030 ambitions are viewed as medium term.
- **Long term > 10 years** - aligned with the SBT guidance for financial institutions.

We then conduct exposure analysis to understand how these risks will impact our most material exposures. The principal risks impacted by climate change are credit risk, market risk, general insurance risk and life insurance risk.

In 2023, through effective collaboration across Aviva as well as clear roles and responsibilities, we continued to build our climate and other sustainability related risk capability and methodology.

This has supported further integration of these risks into our governance, strategy, risk management, and disclosure as well as to develop our associated metrics and targets, to support better understanding, monitoring and reporting, ensuring these risks and opportunities are embedded in our day-to-day decision making in line with our climate risk appetite and risk profile.

Read more in our risks and risk management

Metrics and targets

We have expanded our financed emissions metric to include additional asset classes this year: infrastructure debt, commercial real estate mortgages, equity release mortgages and direct real estate.

We use scenario analysis as a tool to assist to identify the potential impact of climate change on our organisation. Our analysis shows that Aviva's strategy remains resilient to climate-related risks and opportunities in all scenarios when taking into account the availability of future management actions. There remains a clear benefit to Aviva in terms of keeping temperature rises below 2°C. We continue to work towards limiting global warming to under 1.5°C in line with the Paris Agreement.

As to be expected, the proportion of transition risk generally reduces as we move to higher temperature pathways. Aviva is most exposed to the 4°C scenario where physical risk dominates, negatively impacting long-term investment returns and exacerbating insurance-related costs.

The following table sets out the assets included in our climate metrics compared to the AUM on the IFRS consolidated statement of the financial position of assets managed on behalf of the Group:

	2023	Re-presented 2022[1]
Total AUM for climate metrics (£bn)	**213**	189
AUM included in the IFRS consolidated statement of financial position (£bn)	**307**	289
Coverage (%)	**69%**	65%

Financed emissions

Financed emissions represent the carbon emissions of our investment portfolio (i.e. Aviva's emissions for Scope 3 category 15 from the GHG Protocol). We monitor the emissions of our investment portfolio for shareholder and policyholder funds and our progress towards our climate ambitions.

Operational emissions

We have set out below our GHG emissions on an absolute CO_2e basis in accordance with the Streamlined Energy and Carbon Reporting (SECR).

1. AUM coverage has been re-presented to include additional asset classes

Non-financial and sustainability information statement

Operational emissions

	2023 (AR) UK	2023 Overseas	2023 Total	2022 (re-presented)[1] UK	2022 Overseas	2022 Total
Emissions (market-based)[2]						
Scope 1 (tCO_2e)[3]	6,082	1,421	7,503	6,550	1,976	8,526
Scope 2 (tCO_2e)[4]	—	429	429	—	563	563
Scope 3 (tCO_2e)[5]	6,045	3,409	9,454	3,172	1,697	4,869
Total market-based emissions (tCO_2e)	12,127	5,259	17,386	9,722	4,236	13,958
Carbon offsets for which credits have been purchased and retired during the year (tCO_2e)[6]	(12,127)	(5,259)	(17,386)	(9,722)	(4,236)	(13,958)
Total net market-based emissions (tCO_2e)	—	—	—	—	—	—
Intensity ratios (market-based)[2]						
Scope 1 and 2 - market-based emissions (tCO_2e) / £ million Total income[1,3,4]	0.4	0.4	0.4	0.5	0.5	0.5
Total market-based emissions (tCO_2e) / £ million Total income[1]	0.8	1.1	0.9	0.7	0.9	0.8
Total market-based emissions (tCO_2e) / employee	0.6	0.6	0.6	0.6	0.6	0.6
Emissions (location-based)[7]						
Scope 1 (tCO_2e)[3]	6,082	1,421	7,503	6,550	1,976	8,526
Scope 2 (tCO_2e)[4]	5,204	2,669	7,873	5,024	2,813	7,837
Scope 3 (tCO_2e)[5]	6,045	3,409	9,454	3,172	1,697	4,869
Total location-based (tCO_2e)	17,331	7,499	24,830	14,746	6,486	21,232
Intensity ratios (location-based)						
Scope 1 and 2 - location-based emissions (tCO_2e) / £ million Total income[1,3,4]	0.8	0.8	0.8	0.9	1.0	0.9
Total location-based emissions (tCO_2e) / £ million Total income[1]	1.2	1.5	1.3	1.1	1.4	1.2
Total location-based emissions (tCO_2e) / employee	0.9	0.9	0.9	0.9	0.9	0.9
Energy consumption						
Energy consumption (MWh)[8]	55,146	13,199	68,345	57,233	14,537	71,770

Footnotes:
1. Following the adoption of IFRS 17 Insurance Contracts (see note 1 of the Financial Statements for further details), the Group's revenue-based operational intensity measure has been updated to use Insurance revenue and Fee and commission income instead of GWP
2. Market-based: A market-based method reflects emissions from electricity that companies have purposefully chosen
3. Scope 1: Natural gas, fugitive emissions (leakage of gases from air conditioning and refrigeration systems), oil, and company-owned car
4. Scope 2: Electricity
5. Scope 3: Includes certain Scope 3 categories for business travel (category 6) and grey fleet (private cars used for business) (category 6), waste (category 5) and water. Scope 3 emissions have increased compared to 2022 principally as a result of business travel increasing.
6. All residual emissions have been offset. In 2023 and 2022 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. As at 16 February 2024, the 17,386 credits purchased in relation to the 2023 market-based emissions footprint were retired.
7. Location-based: A location-based method reflects the average emissions intensity of grids on which energy consumption occurs
8. Includes Scopes 1 and 2 energy MWh used within our occupied buildings

(AR) Indicates that the data was subject to external independent reasonable assurance by PricewaterhouseCoopers LLP ('PwC'). For the results of that assurance, see Aviva plc Climate-related Financial Disclosure 2023 Independent Assurance section and Aviva plc 2023 Reporting Criteria Independent Assurance section.

Operational and financed emissions

Scope 1 emissions relate to Aviva's operations excluding electricity usage. Scope 2 emissions relate to electricity usage of Aviva's operations.

Scope 3 emissions in the table on the left includes emissions related to category 1, 3, 5, 6 and 7, as outlined below. For these categories the emissions do not include the counterparties' Scope 3 emissions. For category 15 financed emissions, Scope 1 and Scope 2 emissions are included and do not include investee Scope 3 emissions (Scope 3 of Scope 3).

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

Non-financial and sustainability information statement

Task Force on Climate-related Financial Disclosures (TCFD) Compliance Summary

The TCFD outlines 11 recommendations for organisations to include in their climate-related reporting. Consistent with the requirements of section 414CB of the Companies Act, climate-related financial disclosures are embedded within the Strategic report. The Group's general purpose financial reports include a Climate-related Financial Disclosure report, which provides more detailed information. The table below outlines how the 11 recommendations have been addressed both within the Strategic report, and with greater granularity within the Climate-related Financial Disclosure.

TCFD pillars	TCFD recommended disclosures	Section of the Strategic report, that disclosures are included in, in compliance with the Companies Act	Section of the Climate-related Financial Disclosure with further details, in compliance with the Listing Rules
Governance Disclose the organisation's governance around climate-related issues and opportunities.	a. Describe the Board's oversight of climate-related risks and opportunities.	• Sustainable business, Sustainability governance (1.72) • Non-financial sustainability information statement (1.81)	• Governance - Our management's climate roles and responsibilities (see page 35)
	b. Describe management's role in assessing and managing climate-related risks and opportunities.	• Our risks and risk management (1.85-1.88)	• Governance - Our management's climate roles and responsibilities (see page 35)
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.	• Non-financial sustainability information statement (1.81) • Our principal risks (1.89)	• Our climate strategy, risks and opportunities (see page 12)
	b. Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning.	• Climate action (1.66-1.67)	• Our climate strategy (see page 10) • Our strategic focus (see page 15)
	c. Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	• Climate-related Financial Disclosure (1.82)	• Scenario analysis - Our Climate VaR measure (see page 13)
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 risks and risk management (1.85-1.88)	• Risk management - Our process for identifying and assessing climate-related risks (see page 30)
	b. Describe the organisation's processes for managing climate-related risks.	• Our risks and risk management (1.85-1.88)	• Risk management - Our process for monitoring and managing climate-related risks (see page 30)
	c. Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk	• Our risks and risk management (1.85-1.88)	• Risk management - Our process for integrating climate-related risks into risk management (see page 29)
Metrics and Targets Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.	a. Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.	• Our Non-financial KPIs (1.30) • Sustainability at a glance - Climate action (1.61) • Non-financial sustainability information statement (1.80)	• Metrics and targets - Overview of our metrics (see page 38)
	b. Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas emissions (GHG), and the related risks.	• Climate-related Financial Disclosure - Operational emissions (1.83)	• Metrics and targets - Operational emissions (see page 43) • Metrics and targets - Financed emissions (see page 48) • Metrics and targets - Monitoring sovereign holdings (see page 52)
	c. Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.	• Sustainability at a glance - Climate action (1.63) • Climate action highlights (1.67)	• Strategy - Our climate strategy (see page 3 and page 10) • Strategy - Our science based targets (see page 27) • Metrics and targets - Financed emissions: NZAOA reporting (see page 51)

Our risks and risk management

Effective risk management leadership, capability and culture are fundamental to the sustainable success of Aviva.

James Hillman
Group Chief Risk Officer

We enable confident, risk-based decision making through the identification, acceptance and active management of risk. We diversify the risks inherent in our business lines through our scale, the variety of the products and services we offer, and the channels through which we sell our products and services.

Year in review

Aviva has effectively mitigated the impact of significant risk events throughout 2023, with proactive and successful management response. Notably, this includes resilience to entrenched high UK inflation and interest rates, alongside other market-wide risks and issues that have had the potential to harm Aviva's customers or cause material financial strain on the business and operations.

2023 also saw a positive outcome in conclusion to the Risk Improvement Delivery Programme (RIDP). Aviva's Groupwide Risk Function and Risk Management were independently assessed as moving from Industry Standard to Good Practice, and in several areas ahead of our competitors, such as in 'risk measurement and the quality of risk opinions'.

Our strategy for risk

Effective risk management leadership, capability and culture are fundamental to the sustainable success of Aviva.

We receive premiums which we invest to maximise risk-adjusted returns, so that we can fulfil our promises to customers while providing a return to our shareholders. In doing so, we prefer retaining risks we believe we are capable of managing to generate a return.

The risks inherent to our business model, along with broader risk trends impacting the business are set out below, in the Principal Risks section, and longer term emerging risks in the Emerging Risks section of this report.

Types of inherent risks

The types of risks to which the Group is exposed have not changed significantly over the year. The inherent risks to our business are described below and, in particular with operational risks, may have an adverse impact on our brand and reputation.

Our exposure to these risks and mitigating actions are set out in detail in note 54 of the financial statements.

Risks customers transfer to us:

- Life insurance risk includes longevity risk (annuity customers living longer than we expect), mortality risk (customer lifespans are shorter than expected), 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 (for example, fire, flooding, windstorms, accidents) and inflation (on expenses and claims). Health insurance exposes the Group to morbidity risk (the proportion of our customers falling sick) and medical expense inflation.
- Asset management risk is the risk of customers redeeming funds, not investing with us, or switching funds, resulting in reduced fee income.

Risks arising from investments:

- Credit risks (actual defaults and expected 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.

Our risks and risk management

Our risk management framework

Risks from our operations and other business risks:

- Operational risk is the risk of direct or indirect loss, arising from inadequate or failed internal processes, (including those outsourced to third parties), people and systems, or external events including changes in the regulatory environment.
- Conduct risk is the risk of causing harm to our customers, the markets in which we operate and/or our regulatory relationships.

Our risk management framework

Our risk management framework (RMF) sets out our all-encompassing approach to risk management throughout Aviva, designed to identify, measure, manage, monitor and report the principal risks to the achievement of the Group's business objectives. As illustrated on the figure to the left, our RMF is made up of several key components, including sub-frameworks for risk appetite and key risk categories, as well as our risk policy, governance, processes, procedures, systems and desired behaviours and attitudes for risk management.

It is codified through risk policies, business standards and frameworks which set out the approach to risk management, risk appetite and the minimum requirements and key controls for the Group's operations.

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

Our risk appetite framework

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

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

Our people, processes and systems

Our people and culture underpin all aspects of Aviva's risk management. We encourage diversity of thought and a culture of curiosity to ensure a broad range of risks are identified and considered. We continuously develop the skills and capabilities of our people to drive better business decisions that appropriately balance risk and reward.

The processes and systems we use to identify, measure, manage, monitor and report risks are designed to enable dynamic risk-based decision-making and effective day-to-day risk management. These include the use of our risk models, Operational Risk and Control Management System (ORCM) and stress and scenario testing (SST).

Our risks and risk management

Having identified the risks to our business and measured their impact, depending on our risk appetite, we either accept these risks or take action to reduce, transfer or mitigate them.

The systems for risk management and internal control play a key role in the management of risks that may impact the fulfilment of the Board's objectives.

In line with the RMF, they are designed to identify and manage, rather than eliminate, the risk of the Group failing to achieve its business objectives and can only provide reasonable and not absolute assurance against material misstatement or losses. The systems are regularly reviewed for ongoing appropriateness.

Risk and capital management

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

For robust and reliable reporting throughout the Group, we have Group manuals in relation to International Financial Reporting Standards (IFRS), Solvency II, Non-financial, and Climate reporting.

We have a Financial Reporting Control Framework (FRCF) in place, and a Non-Financial Reporting Control Framework (NFRCF) relating to the preparation of our climate and non-financial reporting disclosures.

Risk Strategy: An overarching expression of how Aviva plc thinks about risk

Risk Appetite: Primary metrics

Financial			**Non-Financial**		
Solvency	Liquidity	Climate	Reputation	Operational	Conduct

Risk Types: Secondary metrics driving the primary metrics

Risk Preferences – defined as qualitative statements by individual risk type that express where the business 'prefers' to take risks or 'accepts' or 'avoids' and why.

Risk Tolerances – defined as qualitative or quantitative boundaries that may constrain specific risk-taking activities. Risk tolerances are in place for some of the most material risk types driving solvency and liquidity.

Currency(FX)	Interest Rate	Macro-economic (combined stress on equity, credit spreads, property)	Longevity	GI catastrophe (1 in 10 annual)	GI catastrophe (1 in 250 single event)

Risk Triggers – defined as thresholds to monitor capital exposure, there is a corridor set around the expected capital exposure as set out in the business or capital plans.

Lapse/ Persistency	Mortality and Morbidity	Expense	Inflation	Credit	Equity	GI Reserving (incl. latent claims)	GI non-catastrophe	Direct Property	Other Financial Risks

Our risks and risk management

Our risk governance approach

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

Our suite of risk policies sets out the Board's expectations for the management of risk throughout the Group.

The Group's suite of business standards sets out Aviva's required control objectives and minimum control requirements for effective internal control throughout the Group.

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

Integration of Consumer Duty into our Framework

The Financial Conduct Authority Consumer Duty requires firms to 'act to deliver good customer outcomes' by managing the risks posed to those good outcomes; these are our Customer Conduct risks.

Achieving the expectations of the Duty aligns with our Strategic Priority of becoming the go-to customer brand for Insurance, Wealth and Retirement.

To meet the 31 July 2023 deadline, we enhanced our Groupwide Conduct Risk Policy to strengthen the definition and scope to reflect the Duty. We refreshed the Conduct Risk appetite and sharpened guidance around good customer outcomes and foreseeable harm.

We have appointed Non-Executive Director Consumer Duty Champions across all of our UK businesses. The champions support the chairs and Chief Executives in raising the Duty in all relevant discussions, and challenge how we are embedding the Duty and focusing on consumer outcomes.

We have also updated our Policies and Business Standards (including those relating to people and reward).

Activity is underway in relation to closed products and the second implementation deadline on 31 July 2024.

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

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

Oversight and challenge

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

Three lines of defence

1. Line management

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

2. Risk function

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

3. Internal audit

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

Our principal risks

Our principal risks are a subset of those found in our comprehensive Risk Taxonomy. They are not intended to be exhaustive but have been identified as those most likely to seriously affect the strategic objectives, future performance, solvency, liquidity, or reputation of the business over the next twelve months. The risks are assessed by their likelihood to impact the business and the potential severity of this impact (post-current mitigation).

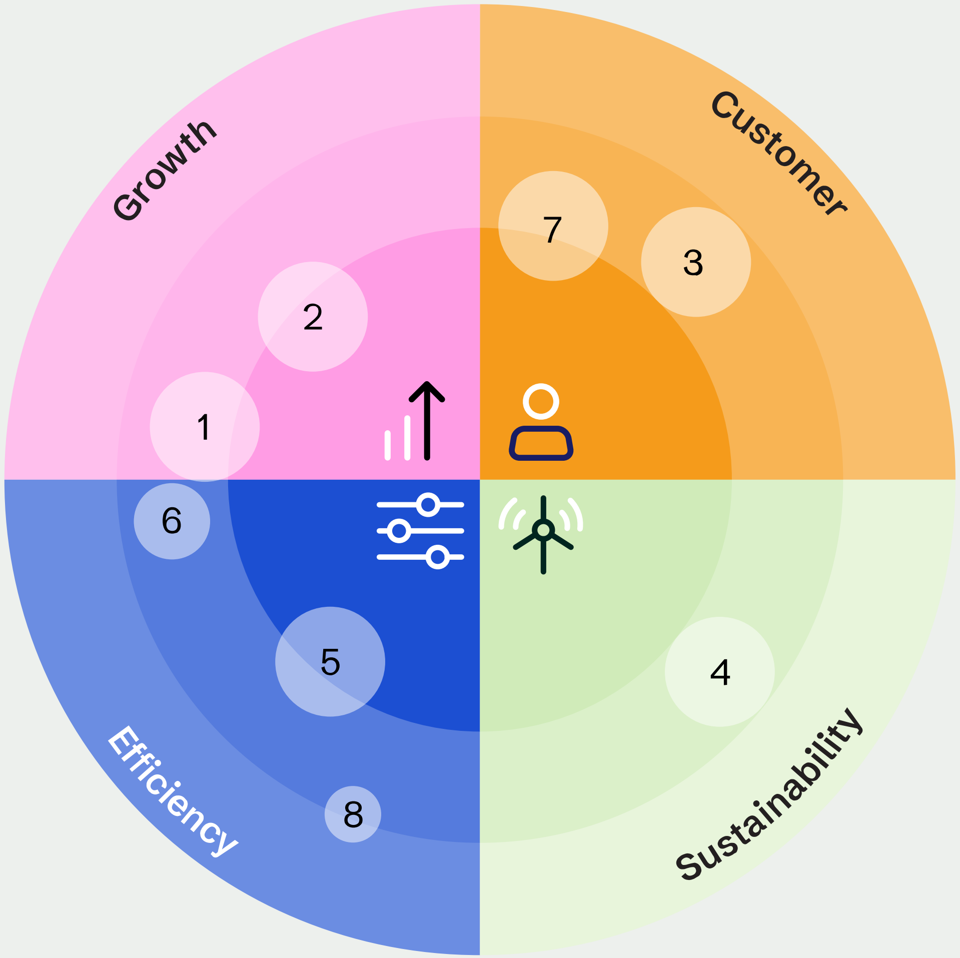
We have updated our approach to the presentation of our principal risks for 2023 to align to our internal risk reporting processes. The top risk themes presented are broadly consistent with previous disclosures, with the addition of 'Geopolitical instability' and 'Strategic change' for 2023, and removal of 'Pandemic'.

The principal risks presented here are consistent with those reported to the Group Executive Risk Committee and Board Risk Committee on a quarterly basis for review and discussion. The view is dynamic and reflects ongoing prioritisation of risk management activity across the business.

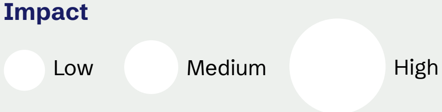
Current view

Risk

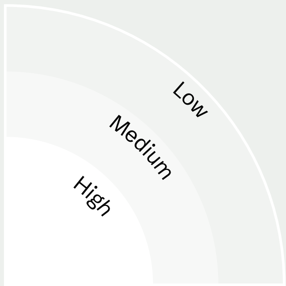
1. Geopolitical instability
2. Economic and credit
3. Regulatory change
4. Climate change
5. Strategic change
6. People risk
7. Third parties
8. Control environment



Impact



Likelihood to impact business



Principal risks

Geopolitical instability

Focus level Increasing

Description

Major regional conflicts, an uncertain political landscape and increased global economic fragmentation drive this risk, with potential for second and third order impacts on global trade and financial markets.

While direct risk exposure is very low, ongoing conflicts in the Middle East and Ukraine continue to destabilise and threaten the global geopolitical environment. This risk is both current and emerging, with further comment on the medium to long term risk covered in the emerging risks section below.

Key mitigation actions

Increased stress and scenario testing to understand potential downside impacts.

Active monitoring of economic environment through our Financial Event Response Plan.

Perform exercises of plausible scenarios, including identification of triggers and early warning signs, developing potential actions in response.

Strategic pillar

Economic and credit

Focus level Increasing

Description

Macroeconomic growth prospects are uncertain and continue to be reflected in cost-of-living challenges. Entrenched high inflation, higher interest rates and Sterling weakness may impact our customers' savings behaviours, the returns we can offer to customers, and our ability to profitably meet our promises of the past.

Key mitigation actions

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 for market risks, and we protect our capital with a variety of hedging strategies to reduce our sensitivity to market shocks.

We regularly monitor our exposures and employ both structured and ad-hoc processes to evaluate changing market conditions.

Strategic pillar

Regulatory change

Focus level Increasing

Description

The Group is subject to extensive regulatory and disclosure requirements, with multiple regulators operating across different markets. Failure to comply with mandatory change could result in adverse customer outcomes, reputational damage, and financial sanctions.

There is an elevated risk, both now and in the future, driven by increasing complexity in regulatory expectations with regards to facilitating good customer outcomes.

Key mitigation actions

Ongoing local compliance monitoring and reporting against regulatory change requirements.

Group oversight of Consumer Duty embedding and monitoring against customer outcomes, including for phase two implementation on closed-book business (for more detail on Consumer Duty embedding see Our risk framework section).

Strategic pillar

Climate change

Focus level Maintaining

Description

We consider climate change to be a significant risk to our customers, strategy, business model and wider society.

We seek to minimise our exposure to the downside risks arising from the transition to a low carbon future (e.g. new climate policies), physical effects (e.g. flood, windstorms and heavy precipitation) and climate litigation (e.g. greenwashing risk).

Key mitigation actions

Our risk policies and business standards explicitly cover these risks and integrate them in our risk and control management activities.

We monitor our exposure using a variety of metrics and consider the rapidly evolving regulatory requirements along with changes to, and dependencies with, the macroeconomic environment.

We have built the possibility of extreme weather events into our general insurance pricing, reinsurance programme design and monitor actual weather-related losses versus expected weather losses by business.

Strategic pillar

Principal risks

Strategic change

Focus level Increasing

Description
The delivery of ambitious strategic change activity is essential to our financial plan, our ability to be Market leading, and to continue delivering great customer outcomes.

Multiple multi-year transformation programmes are underway or planned across major markets with management focus on maintaining capability and capacity to underpin our ability to deliver change safely and sustainably.

Key mitigation actions
Management are taking appropriate moderation activity through do-ability assessments and prioritisation as part of the Groupwide plan process.

Work continues to refresh the Aviva Change Framework, performance metrics and underlying data quality, with second-line support, review and challenge throughout.

Strategic pillar

People risk

Focus level Maintaining

Description
Our people are critical to the delivery of our strategy and business plan. A failure to recruit, retain and develop diverse, inclusive and engaged talent could mean we are not able to achieve our strategic goals.

Key mitigation actions
To attract and retain top talent we have various internal talent development programmes, a broad variety of graduate and apprentice schemes and a range of diversity, equity and inclusion initiatives, including gender and sponsorship programmes.

The Aviva Foundry was launched in January 2023 and is our flagship programme for accelerating our strategic priority of building the workforce of the future; strengthening the digital, data and technology skills needed for now and for tomorrow.

Our retention measures include innovative policies such as flexible working and equal parenting leave, as well as providing great leadership and career progression for our people.

Strategic pillar

Third parties

Focus level Increasing

Description
Aviva has reliance on third parties for a number of essential services and for the successful delivery of strategic change projects. Lack of appropriate risk management oversight could pose a risk to business performance, operational resilience, customer outcomes and our reputation.

Key mitigation actions
We work closely with third and fourth party suppliers to ensure greater visibility and alignment of their risk management, particularly in relation to IT, cyber security, and customer and employee data protection and retention.

We continue to implement measures to improve and embed the Group's operational resilience regarding outsourcing and critical third-party risk management. This includes a programme of resilience and crisis response testing to ensure customer harm is minimised and the continued financial safety and soundness of Aviva's business.

Strategic pillar

Control environment

Focus level Maintaining

Description
New and rapidly advancing technologies such as generative AI threaten to out-pace regulations, and governance and control frameworks. Failure to understand and react to their impacts on customer behaviours, pricing and distribution models could pose a risk to our strategy, competitive advantage and reputation.

Key mitigation actions
Our operational risk and control management framework provides us with the tools and techniques to reduce future losses, protect good customer outcomes, and protect against adverse reputational and regulatory impact.

We carefully design, assess and regularly test our controls to ensure they are effectively mitigating the key causes and consequences of risks inherent to the business. We have specific controls in place to manage the increasingly volatile IT, Cyber, and Data threat landscape.

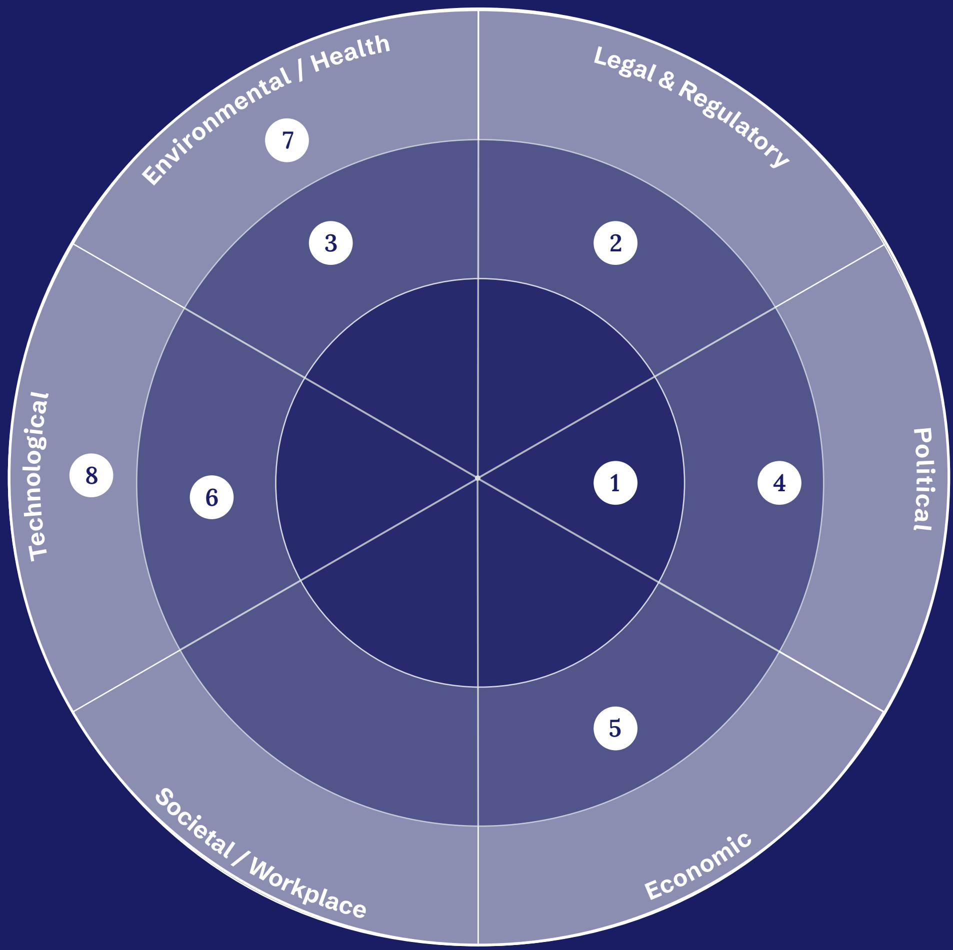
Strategic pillar

Emerging risks

Framework, processes, and management

We maintain a comprehensive library of emerging risks, which are distinguished from current risks by the high degree of uncertainty as to how and when the risk will crystallise and its impact on Aviva. In order to prioritise emerging risks for management action and reporting, we articulate scenarios as to how these emerging risks could crystallise and assess these scenarios according to their impact on the Group's strategy, capital and liquidity, operational resilience and reputation or franchise.

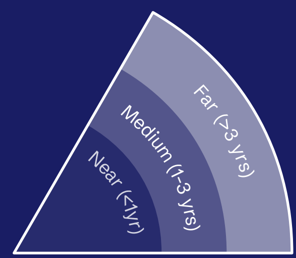
Current view



Risk

1. Public policy uncertainty (2024 UK General Election)
2. Climate litigation risk (Increasing regulation)
3. Changes in population health (Mortality and morbidity)
4. Escalating geopolitical tensions (Escalation of conflicts)
5. Growth of leverage (Next financial crisis)
6. GenAI (Artificial general intelligence)
7. Climate change (Tipping point reached)
8. Mobility and future of motor insurance (Autonomous vehicles)

Proximity



1 Public policy uncertainty

Scenario: UK General Election due in 2024 may result in a change in UK Government

Impact: Changes in fiscal policy and public policy could impact demand for our products and investment opportunities and returns.

Mitigation: Active engagement with UK government (and opposition), opinion formers and regulators in the development of public policy and regulation.

2 Climate litigation risk

Scenario: Greenwashing - Increasing regulation, supervisory enforcement actions and consumer lawsuits driven by fragmented reporting, regulatory requirements or incentives to profit from the strong consumer demand for sustainable products.

Impact: Damage to our reputation / franchise if we are seen to be failing to deliver on our Sustainability Ambition and the sustainability claims of our products and funds. Financial loss from litigation against Aviva or companies we insure, or from regulatory fines.

Mitigation: Action in hand to strengthen the control framework for communications, product-labelling, procurement, propositions and investment / underwriting exclusions for greenwashing risk.

3 Changes in population health

Scenario: Changes in standards of health and developments in medical techniques lead to unexpected mortality and morbidity experience.

Impact: Movements in mortality and morbidity result in deviations from expected claim patterns and annuity payments, leading to a requirement to strengthen reserves.

Mitigation: Detailed analysis of experience and factors that influence mortality informs our pricing and reserving policies. We buy longevity and mortality reinsurance to protect against adverse trends.

4 Escalating geopolitical tensions

Scenario: Escalation of the current Israel-Gaza conflict to the wider Middle East, a China-Taiwan blockade or conflict and spread of Ukraine conflict to NATO neighbours.

Impact: Major supply chain disruption (e.g. auto parts). Increased cyber risk to operations. Global macroeconomic shock impacting solvency / new business.

Mitigation: Policy wording (war exclusions), Underwriting boundaries (impacted regions), Investment in cyber security controls, Supply Chain diversification, Financial Event Response Plan and Operational Resilience framework.

5 Growth of leverage

Scenario: Next financial crisis with multiple potential triggers (China property / municipal debt, US Debt ceiling). Exacerbated by high-levels of sovereign, corporate and mortgage debt issued at low interest rates requiring refinancing 2024 to 2030.

Impact: Credit defaults / downgrades impacting Aviva's solvency, Macroeconomic recessionary shock impacting new business.

Mitigation: Credit limit framework and credit hedging. Financial Event Response Plan.

6 GenAI

Scenario: The emergence and adoption of artificial general intelligence (AGI).

Impact: Rapid changes to finance and insurance sectors, with impacts on and opportunity for the workforce. Current value propositions may be diminished with the availability of tools that 'level the playing field', impacting profitability and competitive advantage. Use of AGI may polarise sentiment and impact existing and future customer base.

Mitigation: Action in hand to strengthen the control framework for the current risks Gen AI presents as well as exploit the opportunities for process efficiency, better pricing and/ or underwriting, product personalisation and improved customer service.

7 Climate change

Scenario: Tipping point reached resulting in a rapid acceleration to a 4°C warming scenario quicker than expected and with limited time for climate mitigation.

Impact: Increased frequency and severity of weather-related insurance claims, more property risks becoming uninsurable. Macroeconomic contagion impacting investment returns. This scenario could result in wider societal change and social fragmentation.

Mitigation: Our Sustainability Ambition supported by our Climate Transition Plan. Engagement with government, investees, customers and supply chain to support delivery of our ambition.

8 Mobility and future of motor insurance

Scenario: The widespread adoption of fully autonomous vehicles and car-sharing.

Impact: Without action, could result in the elimination of our customer base / franchise if the 'insured' (i.e. where liability resides) shifts from individuals to manufacturers.

Mitigation: Dedicated strategy team focused on market trends, developing relationships with mobility manufacturers and reimagining regulatory and legal framework.

Going concern

Going concern and longer-term viability

A detailed going concern and longer-term viability review has been undertaken as part of the 2023 reporting process. The Group's business activities, together with the factors likely to affect its future development, performance and capital and liquidity positions 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 47); its contingent liabilities and other risk factors (note 50); its capital management (note 52); management of its risks including market, climate, credit and liquidity risk (note 54); and derivative financial instruments (note 55).

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 2024-2026 business plan and evaluates the results of stress and scenario testing. Stress and scenario testing (including reverse stress testing) is used to test the resilience of business plans and to inform decision-making.

These tests are driven by the Group's risk profile at a range of severities, as well as a range of other scenarios as part of the Group solvency and liquidity management processes.

The Group continues to maintain strong solvency and liquidity positions through a range of scenarios and stress testing. Particular areas of uncertainty include credit downgrades where a specific focus has been our commercial mortgage portfolio which we continue to monitor closely and have taken several actions including debt restructuring. The Group's balance sheet exposure has been reviewed and actions taken to reduce the sensitivity to economic shocks.

Even in severe downside scenarios, no material uncertainty in relation to going concern and longer-term viability has been identified, due to the Group's strong solvency and liquidity positions providing considerable resilience to external shocks, underpinned by the Group's approach to risk management (see note 54).

It is fundamental to the Group's longer-term strategy that the directors manage and monitor risk, considering all key risks the Group faces, including longer-term insurance risks, so that it can continue to meet its obligations to policyholders. The Group is also subject to extensive regulation and supervision under the UK Solvency II regulatory framework.

Going concern

After making enquiries, the directors have a reasonable expectation that the Company and the Group as a whole have adequate resources to continue in operational existence for a period of at least 12 months from the date of approval of the financial statements. For this reason, they continue to adopt, and to consider appropriate, the going concern basis in preparing the financial statements.

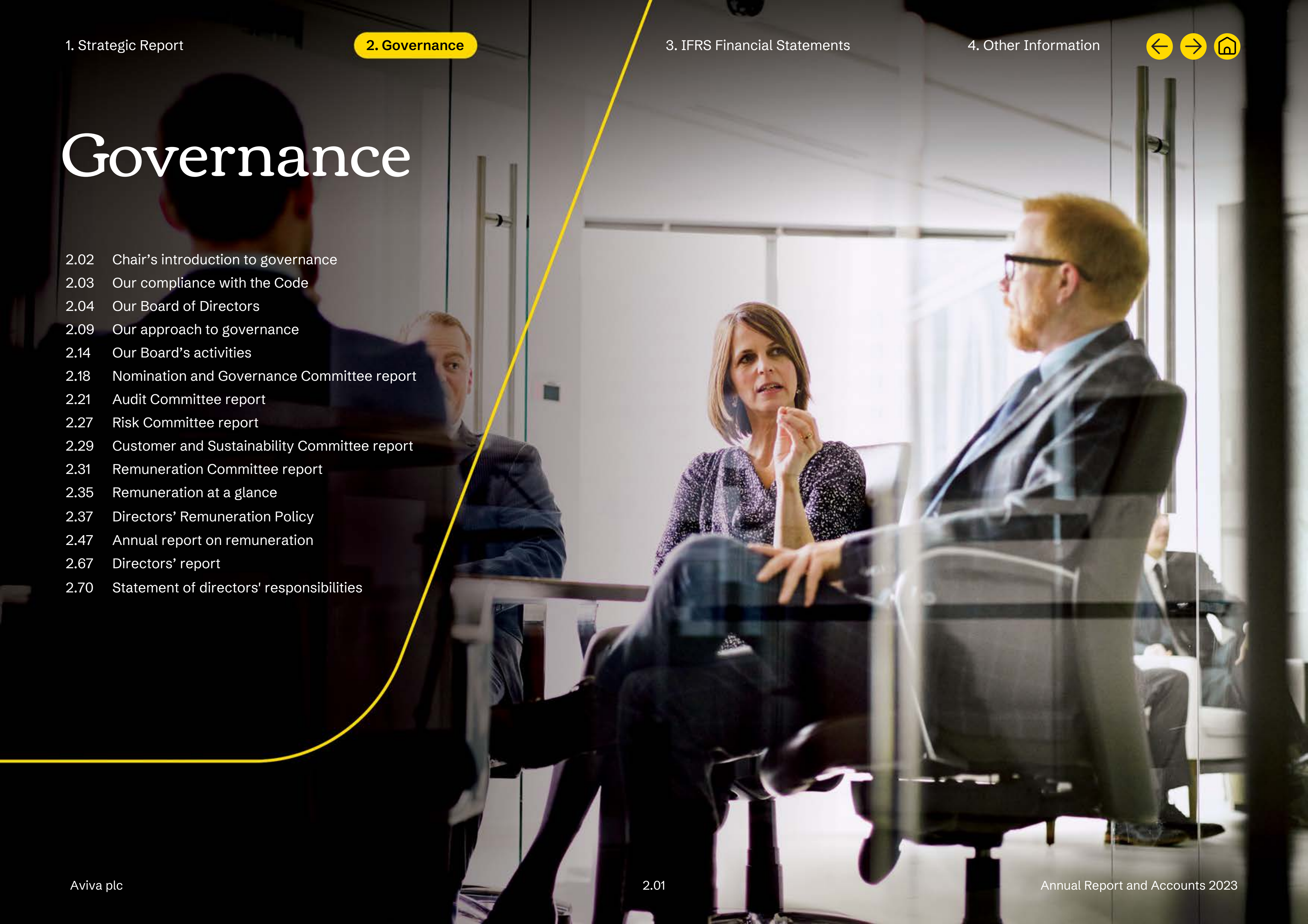
Longer-term viability statement

The directors have assessed the prospects of the Group in accordance with Provision 31 of the 2018 UK Corporate Governance Code, with reference to the Group's current position and prospects, its strategy, risk appetite, and the potential impact of the principal risks and how these are managed. Based on this assessment, the directors have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the three-year assessment period to 31 December 2026.

Strategic Report

By order of the Board on 6 March 2024.

Amanda Blanc DBE
Group Chief Executive Officer



Governance

Chair's introduction to governance

> The Board considers the views and interests of the Group's stakeholders in all our decision making.

George Culmer
Chair

Good governance is central to making good decisions.

Governance at Aviva

The following pages set out our approach to governance and how the Board and its Committees operated during 2023.

As I wrote in my Chair's statement, we have delivered both strong financial results and good strategic progress this year. I firmly believe that strong corporate governance practices sit behind and enable both those outcomes.

As a Board, we are responsible for promoting the success of the Company and generating value for shareholders while also fulfilling responsibilities to all our stakeholders.

To execute that function, we provide leadership, set the Group's strategic aims and risk appetite and uphold the purpose, culture, values and ethics of the company.

We believe that our clear governance framework enables the Board to operate effectively.

Our Board

The way we operate also depends on having the right balance of skill, knowledge and experience. As part of that, we're committed to ensuring we have diversity of perspective and we are proud to meet the gender and ethnicity targets set by the Financial Conduct Authority and The Parker Review.

In January 2024, the Board appointed a new Group Company Secretary, Susan Adams. Susan takes on the role from Kirstine Cooper who stepped down as Group General Counsel and Company Secretary in December and I'd like to thank Kirstine for her enormous contribution to the Board over her 13 years in the role.

Board effectiveness

The Board is determined to maintain the highest standards in the way we work, just as in the way the wider business operates. As part of our process for self-reflection and improvement, we undertook our annual assessment of effectiveness and conducted an internal Board and Committee evaluation. The evaluation was positive across all areas and the individual results had improved on the prior year.

Following the evaluation, the Board agreed key areas of focus which included delivering our growth agenda, focusing on the customer and sustainability.

Read more about our governance activities:

- Our approach to governance
- Our Board's activities
- Board and Committee evaluation
- Stakeholder engagement
- Annual General Meeting

Chair's introduction to governance

Our Board's activities

It has been another busy year for us all. Highlights of the year for me included a productive annual strategy session in June and an illuminating visit to Aviva Canada in September. You can read more about this in Our Board's activities.

Stakeholder engagement

The Board considers the views and interests of the Group's stakeholders in all decision making. You can read about how the Board has engaged with each of our stakeholder groups in the Strategic report.

One critical group for our success is, of course, our people. During the year, I have continued to chair our Evolution Council and particularly value the opportunity it gives to speak to and hear directly from colleagues and understand their perspectives of the business.

Communication with shareholders

It is also very important to me that the Board engages with the owners of our company – our retail and institutional shareholders.

In May, we held our first Annual General Meeting outside of London in Norwich, a place where Aviva has deep roots.

This year's AGM will be in York, a key location for our Insurance, Wealth and Retirement business. We look forward to meeting shareholders, hearing your views and answering your questions. You will find more detail about the meeting in Shareholder Services.

UK Corporate Governance Code

As a UK Premium Listed company, Aviva is subject to the 2018 UK Corporate Governance Code (the Code), which is publicly available at www.frc.org.uk.

In January 2024, the Financial Reporting Council (FRC) announced the publication of the 2024 Code which will apply to the financial year beginning on 1 January 2025, with the exception of the changes to Provision 29, which relate to the effectiveness of the risk management and internal control framework. The changes to Provision 29 will apply to the financial year beginning on 1 January 2026. The Board and its Committees will oversee the application of the revised Code.

George Culmer
Chair
6 March 2024

Our compliance with the Code

The Board can confirm that the Company was compliant with the Code throughout the financial year ended 31 December 2023.

Our Board of Directors

Committee membership key

- Nomination and Governance Committee
- Audit Committee
- Risk Committee
- Customer and Sustainability Committee
- Remuneration Committee
- (C) Chair

C

George Culmer
Chair

Appointed
Non-Executive Director – Sep 2019
Senior Independent Director – Jan 2020
Chair – May 2020

Experience and competencies
George brings significant Board-level exposure with 15 years' experience as a FTSE 100 Chief Financial Officer as CFO of Lloyds Banking Group plc and, prior to that, CFO of RSA Insurance Group plc. George has also worked at Zurich Financial Services and Prudential plc.

George has a deep understanding of insurance and wider financial services and insight into the challenges that affect Aviva's businesses and the implications for shareholders, which make him well placed to lead the Board in driving the strategy, culture, and values of the Group.

External appointments
- Senior Independent Director of Rolls-Royce Holdings plc

Dame Amanda Blanc
Group Chief Executive Officer (CEO)

Appointed
Non-Executive Director - Jan 2020
Group CEO - Jul 2020

Experience and competencies
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 as Group CEO at AXA UK PPP & Ireland, and CEO, EMEA & Global Banking at Zurich Insurance Group. She has also served as Chair of the Insurance Fraud Bureau, President of the Chartered Insurance Institute and a member of the Prime Minister's Business Council.

Amanda's broad executive experience in the insurance industry makes her well qualified to lead Aviva. Amanda has greatly simplified Aviva and overseen a significant strengthening of Aviva's financial position.

External appointments
- Non-Executive Director of BP plc
- Women in Finance Champion for HM Treasury
- Co-Chair of UK Transition Taskforce

Charlotte Jones
Group Chief Financial Officer (CFO)

Appointed
Group CFO - Sep 2022

Experience and competencies
Charlotte is a a director of Aviva Life Holdings UK Limited and its subsidiary Aviva Life & Pensions UK Limited. She has held a number of executive positions during her career, including CFO of RSA Insurance plc, Interim CEO of the RSA UK & International business, and CFO of Jupiter Fund Management plc. Before that, Charlotte was Head of Group Finance at Credit Suisse Group, Deputy Group CFO at Deutsche Bank Group, and an audit partner at EY.

Charlotte is a highly experienced CFO with an impressive track record across the insurance, banking and asset management industries. Charlotte's financial expertise and strategic decision-making skills play a fundamental role in driving Aviva towards its strategic goals.

External appointments
- Member of the Sheffield University Management School Advisory Board

Our Board of Directors

C

Andrea Blance
Independent Non-Executive Director

Appointed
Non-Executive Director – Feb 2022

Experience and competencies
Andrea is an experienced financial services leader and board member who has deep understanding of governance, the regulatory environment and risk management, making her a strong Chair of the Risk Committee.

Andrea spent her executive career at Legal & General Group plc where she held a range of senior leadership roles including Group Chief Risk Officer and Strategy & Marketing Director. More recently, Andrea has been Senior Independent Director and Remuneration Committee Chair of Vanquis Banking Group plc, Senior Independent Director and Audit Committee Chair of ReAssure plc, and Risk Committee Chair of Scottish Widows plc and Lloyds Banking Group Insurance.

External appointments
- Non-Executive Director and Risk Committee Chair of Hargreaves Lansdown plc

Mike Craston
Independent Non-Executive Director

Appointed
Non-Executive Director – May 2022

Experience and competencies
Mike is Chair of Aviva Investors Holdings Limited, having been appointed in September 2017. He is also Chair of Aviva Investors Pensions Limited, Aviva Investors Canada Inc and a Non-Executive Director of Aviva Investors UK Fund Services Limited and Aviva Investors North America Holdings Inc.

Mike joined Aviva Investors in 2016 as a member of the Global Executive Committee responsible for leading the global business development function. Prior to this he held a number of roles at Legal & General including that of CEO America and Asia, and senior positions at Aegon Asset Management, Scottish Equitable and Schroders, making him well positioned to serve the Board.

External appointments
- Chair of Railpen Limited
- Chair of London LGPS CIV Ltd
- Member of the Pension Defined Contribution Schemes Governance Committee of Tesco plc

C

Patrick Flynn
Senior Independent Director

Appointed
Non-Executive Director - Jul 2019
Senior Independent Director - Sep 2020

Experience and competencies
Patrick is an experienced finance executive and has significant experience in retail, financial and insurance services.

Patrick was previously CFO of ING, a European banking group. Prior to that, Patrick was CFO of HSBC Insurance. He also served as a Non-Executive Director of the Boards of two listed former ING insurance companies. His experience thoroughly equips Patrick to chair the Audit Committee and to support the Chair as Senior Independent Director.

External appointments
- Non-Executive Director and Audit Committee Chair of NatWest Group plc

C

Shonaid Jemmett-Page
Independent Non-Executive Director

Appointed
Non-Executive Director - Dec 2021

Experience and competencies
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 and Chair of the Customer and Sustainability Committee.

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. More recently, Shonaid chaired Greencoat UK Wind PLC.

External appointments
- Chair of ClearBank Ltd
- Chair of Cordiant Digital Infrastructure Limited
- Non-Executive Director of QinetiQ Group plc

Our Board of Directors

C

Mohit Joshi
Independent Non-Executive Director

Appointed
Non-Executive Director – Dec 2020

Experience and competencies
Mohit is Managing Director and CEO of Tech Mahindra, a leading provider of digital transformation, consulting and business re-engineering services and solutions. Prior to that he was President of Infosys Limited, where he led the financial services, healthcare and life sciences business verticals for the company and was Chair of 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, adding significantly to the skills and expertise of the Board.

External appointments
- Managing Director and CEO of Tech Mahindra

Pippa Lambert
Independent Non-Executive Director

Appointed
Non-Executive Director – Jan 2021

Experience and competencies
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, equity and inclusion and digital agendas.

Prior to that, Pippa was Group Head of Reward at the Royal Bank of Scotland plc (now NatWest Group plc) where she worked closely with the Board on the redevelopment and restructure of the bank's compensation and benefits programme. Pippa's experience contributes significantly to the Board discussions in areas relating to people and reward matters.

External appointments
- Board Member and Remuneration Committee Chair of Zopa Bank Limited
- Chair of the Government's Senior Salaries Review Body
- Trustee of Future Dreams Trust Limited

Jim McConville
Independent Non-Executive Director

Appointed
Non-Executive Director – Dec 2020

Experience and competencies
Jim was previously Group Finance Director of The Phoenix Group, where he was responsible for all aspects of the Group's financial strategy and management and led the transition programme bringing Phoenix and Standard Life Assurance together. Prior to that he was CFO of Northern Rock from 2010 to 2012, and for many years worked for Lloyds TSB Group (now Lloyds Banking Group plc) in a number of senior finance and strategy related roles.

Jim's expertise makes him a strong Chair of the Aviva Life Holdings UK Board and its subsidiary Aviva Life & Pensions UK Limited. Jim's experience also significantly adds to the knowledge and expertise of the Board and its Committees.

External appointments
- Trustee of the National Galleries of Scotland

Michael Mire
Non-Executive Director

Appointed
Non-Executive Director – Sep 2013

Experience and competencies
Michael was most recently senior partner at McKinsey & Company where he worked for more than 30 years, and through his governmental experience, he brings a unique perspective and insight to the Board. His experience with Department of Health and Social Care and Care Quality Commission gives additional insight into Aviva's Health and Protection business.

Michael has a detailed understanding of the financial services sector, and a wealth of experience in business transformation and developing strategies for retail and financial services companies. This makes Michael a valuable member of the Nomination and Governance and Customer and Sustainability Committees.

External appointments
- Chairman of Luther Systems Ltd
- Senior Independent Director of Realty Income Corporation International
- Senior Adviser to Lazard

Our Board of Directors

Martin Strobel
Independent Non-Executive Director

Appointed
Non-Executive Director – Oct 2021

Experience and competencies
Martin was most recently Senior Independent Director of RSA Insurance plc. Prior to this he held a number of senior roles during his career including Group CEO of Baloise-Holding AG, Operating Partner of Advent International and a strategy consultant with Boston Consulting Group.

Martin is an accomplished director in insurance and private equity, and his business leadership and non-executive experience in both the insurance and technology sectors make him a valuable addition to the Aviva plc Board, and Chair of the Aviva Insurance Limited Board, a wholly owned subsidiary of Aviva plc.

External appointments
- Vice Chair and Lead Independent Director of Partners Group Holding AG
- Deputy Chair of MSG Life AG

Susan Adams
Group Company Secretary

Appointed
Group Company Secretary – Jan 2024

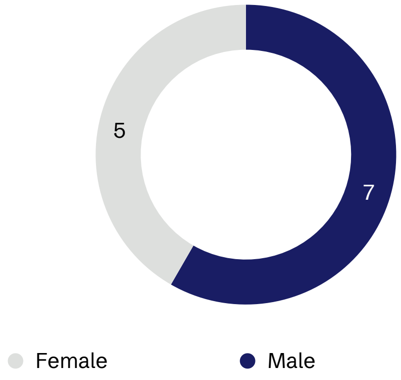
Experience and competencies
Before joining Aviva, Susan was the Corporate Governance Director for Lloyds Banking Group plc, having previously been the Group Company Secretary and a member of the executive committee for challenger bank Monzo. Susan qualified as a lawyer in 1994. After working for several years in the financial services practice at international law firm Hogan Lovells, Susan moved to Standard Chartered Bank where she held a number of senior executive roles including responsibility for Legal, Western Hemisphere.

External appointments
- Chair of Climate Outreach

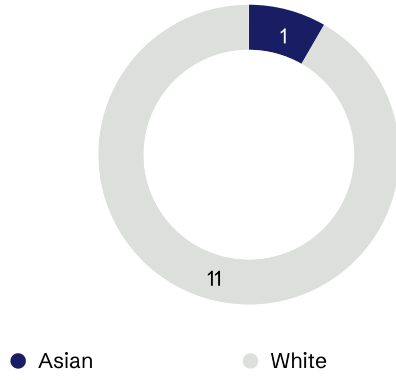
Biographies for our Board and Group Executive Committee can be found at aviva.com

Board composition as at 6 March 2024

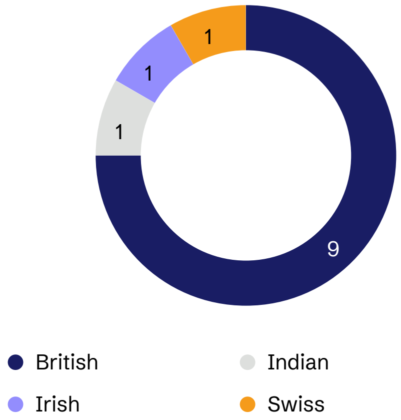
Gender



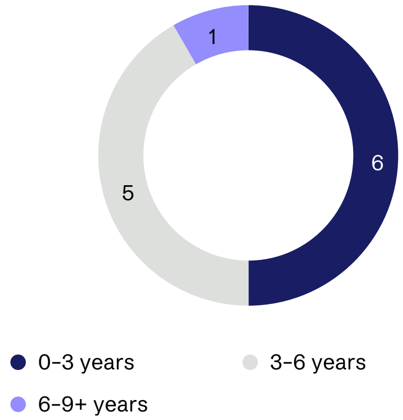
Ethnicity



Nationality



Non-Executive Director Tenure



Read more in the Nomination and Governance Committee report

Read more in the Directors report

Our Board of Directors

Board skills and experience as at 6 March 2024

The Code recommends that the Board and its committees should have a combination of skills, experience and knowledge. The Nomination and Governance Committee, on behalf of the Board, evaluates Board composition with these factors in mind.

To assist the Board and Nomination and Governance Committee, a skills and experience matrix for our Board is maintained. The matrix is assessed at least annually by the directors, as well as the Chair and Group Company Secretary.

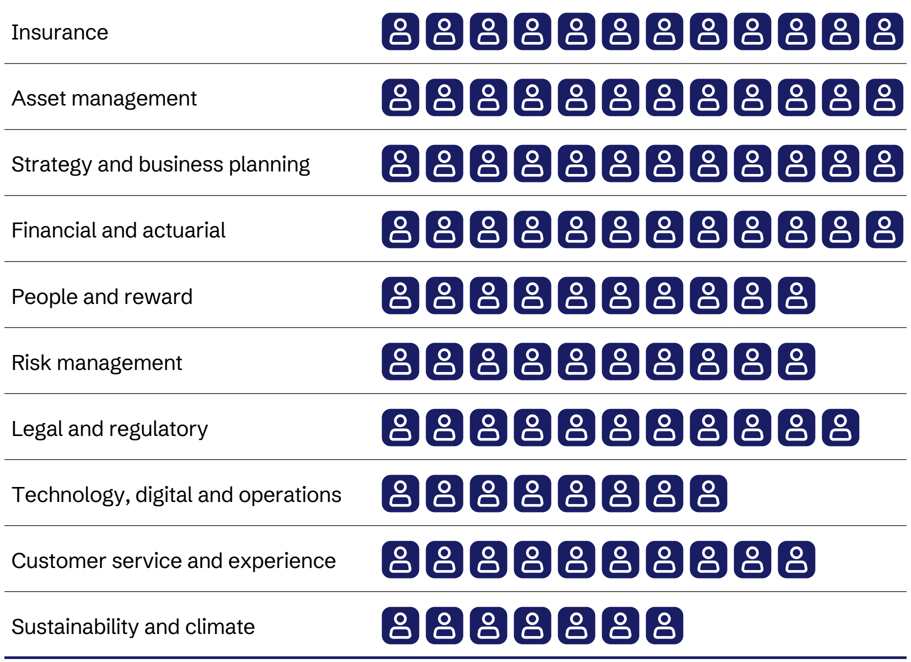
Board and Committee meeting attendance in 2023

During 2023, ten Board meetings were held, of which eight were scheduled meetings and two were additional meetings called to approve certain strategic matters.

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 Non-Executive Directors met without the Executive Directors or members of the Group Executive Committee present before every Audit Committee and Remuneration Committee meeting.

Skills and experience



Board and Committee meetings attendance

	Board	Nomination and Governance Committee	Audit Committee	Risk Committee	Customer and Sustainability Committee	Remuneration Committee
Meetings held	10	3	7	5	6	7
George Culmer	10/10	3/3				
Amanda Blanc	10/10					
Charlotte Jones	10/10					
Andrea Blance	10/10	3/3	7/7	5/5		7/7
Mike Craston	10/10	3/3			6/6	
Patrick Flynn[1]	9/10	3/3	7/7	5/5		6/7
Shonaid Jemmett-Page[1]	10/10	3/3	6/7	4/5	6/6	
Mohit Joshi[1]	10/10	2/3		4/5		
Pippa Lambert[1]	9/10	3/3			6/6	7/7
Jim McConville[2]	10/10	3/3	7/7	5/5	6/6	6/6
Michael Mire[1]	7/10	3/3			6/6	
Martin Strobel	10/10	3/3	7/7	5/5		

1. Meetings were not attended due to prior commitments
2. Jim McConville was appointed to the Remuneration Committee on 1 February 2023

Our approach to governance

A strong system of governance throughout the Group is essential to achieving our purpose and delivering our strategy. Our governance framework and a clear division of responsibilities enables the Board to operate effectively, fulfil its responsibilities and provide valuable oversight.

Whilst the Board reserves certain responsibilities, day-to-day management of the Group has been delegated to the Group Chief Executive Officer, who is supported by the Group Executive Committee.

The Board has established five Board Committees which operate under Terms of Reference, available online at www.aviva.com/committees.

The Board Committees work closely together in particular areas. For example, the Audit and Risk Committees work together on risk and control matters and both Committee Chairs are members of the other Committee to ensure a co-ordinated approach.

Governance framework

Board
Collectively responsible for promoting the long-term, sustainable success of the Company through seeking to generate value for shareholders while fulfilling responsibilities to all our stakeholders. This includes setting the Group's strategic priorities and monitoring management's performance against those priorities, setting the Group's risk appetite and ensuring effective controls are in place, monitoring compliance with corporate governance principles and upholding the purpose, culture, values, and ethics of the Company.

Chair
The Chair is tasked with the 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 the effective communication with shareholders and working with the Board to establish our culture, purpose, and values.

Senior Independent Director
The Senior Independent Director's principal duties are to provide a sounding board for the Chair and serve as an intermediary to other directors and shareholders where necessary. The Senior Independent Director also leads on reviewing the performance of the Chair.

Non-Executive Directors
Non-Executive Directors are expected to exercise independent judgement through constructive challenge and scrutiny of management's performance. They assist in the development of strategy and must satisfy themselves that financial controls and systems of risk management are robust. Non-Executive Directors are central in determining appropriate levels of remuneration for Executive Directors, as well as succession planning.

Our approach to governance

Nomination and Governance Committee
Oversees Board composition, Board and senior executive succession and Group corporate governance.

Read more in the Nomination and Governance Committee report

Audit Committee
Responsible for assessing the integrity of financial and non-financial reporting and monitoring the effectiveness of internal controls, internal and external auditors and whistleblowing.

Read more in the Audit Committee report

Risk Committee
Assesses the Group's risk management framework, risk strategy, risk appetite and profile, the Group's non-financial reporting controls and compliance with regulatory requirements.

Read more in the Risk Committee report

Customer and Sustainability Committee
Oversees the Group's customer strategy and Aviva's Sustainability Ambition.

Read more in the Customer and Sustainability Committee report

Remuneration Committee
Reviews the Group Remuneration Policy, determines the remuneration of the Chair of the Board and members of the Group Executive Committee and reviews the structure of senior management remuneration.

Read more in the Remuneration Committee report

Group Chief Executive Officer
The Group CEO has overall accountability for the development and execution of the Group's strategy in line with the policies and objectives agreed by the Board, as well as the operational effectiveness and profitability of the Group. The Group CEO leads the Group Executive Committee.

Group Chief Financial Officer
The Group CFO is responsible for the financial affairs of the Group whilst supporting the Group CEO in the development and execution of the Group's strategy.

The Group Executive Committee
The Group Executive Committee is made up of senior executives who have accountability for their own business area or function, as delegated by the CEO.

Group Company Secretary
The Group Company Secretary is responsible for advising the Board on all governance matters and ensuring compliance with applicable rules and regulations. They ensure good information flows within the Board and its committees and between senior management and Non-Executive Directors. All directors have access to the advice of the Group Company Secretary.

Our approach to governance

Board independence

The independence of the Board is fundamental in ensuring that Non-Executive Directors can properly fulfil their responsibility to provide constructive challenge and scrutiny of management's performance.

The Nomination and Governance Committee assess the independence of each Non-Executive Director upon appointment and on an annual basis, against the criteria set out in the Code, and make recommendations to the Board.

In January 2024, the Board determined that all Non-Executive Directors were independent, except for Michael Mire. However, the Nomination and Governance Committee considered that Michael contributed strongly to the discussions at the Board and brought significant experience of strategy, transformation and asset management and recommended that Michael remain on the Board.

In the 2022 Annual Report and Accounts, we disclosed that Mike Craston was not considered to be independent at that time in relation to the assessment criteria set out in Provision 10 of the Code. This was due to Mike having held an executive role with Aviva Investors within the previous five years, between 14 January 2016 and 30 September 2017.

In January 2024, following the expiry of the five-year period, the Nomination and Governance Committee carefully re-considered Mike's status and assessed that Mike's previous employment does not affect his independence at this time and that he should therefore be considered as an Independent Non-Executive Director.

Time commitment

Another factor that is vital to the effective operation of the Board is our directors having sufficient time to meet their responsibilities.

When appointing new directors to the Board, the Nomination and Governance Committee consider prospective directors' external appointments to ensure that they have sufficient time to dedicate to Aviva.

The Committee also considers existing directors' time commitments if they wish to take on additional external appointments and, recognising the importance of keeping directors' time commitments under review, the Committee assesses each director's external appointments and demand on their time annually and make recommendations to the Board.

In January 2024, the Board determined that all directors continued to demonstrate that they have sufficient time to devote to their role with Aviva.

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 Board continues to monitor and note any actual or potential conflicts of interest that each director may have and decides whether these should be authorised.

Directors are required to disclose potential conflicts of interest as and when they arise and to confirm the information held by the Company is correct on a bi-annual basis.

Read more in the Nomination and Governance Committee report

Independent advice

All directors have access to the advice 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.

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 2023, the directors participated in internal training sessions on subjects including Consumer Duty, sustainability and inclusive behaviours.

Further training sessions have been incorporated into the Board and Committee plans for 2024.

The Board also receives regular briefings on a range of strategically important matters to ensure they are informed of developments in these areas.

All newly appointed directors are provided with a structured and tailored induction programme. This covers, 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 includes meeting key members of senior management and the external and internal auditors.

Any knowledge or skill enhancements identified during the directors' regulatory application process are also addressed through the induction programme.

Our approach to governance

Culture

The Board is responsible for establishing the Company's cultural direction and monitoring behavioural patterns and standards across the Group.

In December 2023, the Board discussed the findings from the Voice of Aviva (VoA) engagement survey and our cultural diagnostic in great detail.

Although 2023 delivered an exceptional set of results, the Board carefully scrutinised the scores and challenged management to make year-on-year improvements, which led to actions including targeted communications where appropriate.

The Board also monitors culture through regular site visits, Your Forum and the Evolution Council.

You can read about the Company's approach to investing in and rewarding our people in the Our People section of the Strategic report.

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 the Group's major shareholders. At those meetings a range of issues is discussed to understand shareholders' perspectives, within the constraints of rules around confidential information. 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 Chair of the Remuneration Committee also met with major shareholders during the year.

The Senior Independent Director is also available to meet with major shareholders to discuss any concerns that cannot be resolved through normal channels.

Read more in our stakeholders

Shareholders are also given the opportunity to communicate with the Board at the Annual General Meeting.

Read more in shareholder services

Risk management and internal control

The Board is responsible for setting the Group's risk appetite and ensuring that there is an appropriate system of risk governance in place.

To discharge this responsibility, the Board has established frameworks for risk management and internal control using a 'three lines of defence' risk governance model, which help the Group comply with the FRC guidance on risk management, internal control and related financial and business reporting.

In-depth monitoring of the establishment and operation of prudent and effective key controls for assessing and managing the key risks associated with the Group's operations is delegated to the Audit and Risk Committees.

At the mid-year 2023, the Risk Committee, on behalf of the Board, carried out a robust assessment of the Group's emerging and principal risks. This exercise was repeated in January 2024. The outcome of these assessments was discussed at the Board.

Aviva's approach to risk management and internal controls, together with the principal and emerging risks that face the Group are explained within the Our risks and risk management section of the Strategic report.

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.

The effectiveness assessment draws on the regular cycle of assurance activity carried out during the year and is supported by the application of the Group's operational risk and control management framework whereby the details of any key failings or weaknesses are reported to the Audit and Risk Committees and to the Board on a regular basis.

Any material risks not previously identified, key control weaknesses or non-compliance with the Group's risk policies or local delegations of authority must be highlighted as part of this process. This assessment is subject to Chief Risk Officer review and challenge both at local business unit and Group-level.

The Audit and Risk Committees monitor the operation of the Group's risk management and internal controls through regular reports. In January 2024, working closely together on behalf of the Board, the Audit and Risk Committees carried out a full review of the effectiveness of the systems of risk management and internal control for the financial year ended 31 December 2023. This review covered all key controls including financial, operational and compliance controls and the risk management framework.

Read more in our risks and risk management

Our approach to governance

Board and Committee evaluation

The effectiveness of the Board is vital to the success of the Group. The Board undertakes a rigorous evaluation process each year to assess how it, its Committees and individual directors are performing. In line with the Code, the Board instructed Lintstock Limited to conduct an externally facilitated evaluation in November and December 2022. Lintstock Limited provides external board evaluation services and has no other connection with Aviva or its directors.

In 2023, the Board conducted an internal evaluation process, building on the process facilitated by Lintstock in 2022. The evaluation was conducted through a questionnaire completed by all directors and the results of the evaluation were presented and discussed at the Board in January 2024.

Following this discussion, the Board agreed the key areas of focus, and an action plan to address these specific areas as shown in the table. All actions from the 2022 Board evaluation were addressed during 2023 and the progress made on the recommendations from the 2022 Board evaluation was highly rated overall.

The evaluation also assessed the Board composition and effectiveness of each of the Board Committees. The current Board composition was rated highly and the Board was seen to be well balanced with a diverse mix of skills and experience. The Committee structure was considered effective and all Committees were considered to be working effectively.

Our Board and Committee evaluation cycle

Progress against 2022 evaluation outcomes

Focus area	Theme	Progress
Customer strategy	Becoming the go to brand for Insurance, Wealth and Retirement.	The Board's effectiveness in this area was rated positively. It was noted that there is now a deeper understanding of the customer strategy, including the customer agenda.
Drivers for growth	Continuing to achieve profitable growth.	The Board's effectiveness in reviewing and supporting management in the delivery of growth was rated very highly. The level of challenge and discussion was seen to be both appropriate and supportive.
Oversight of change	Ensuring sufficient change management capability.	The Board's effectiveness in this area was rated very highly. Although the Group is in the early stages of the growth agenda, it was noted that Board focus should shift from change management to growth.

Outcomes from the 2023 evaluation

Focus area	Theme	Actions
Delivery of strategy	Delivering the growth agenda, maintaining a capital-light business.	Identifying opportunities for capital-light growth, with an eye on sustainable multi-year growth.
Customer strategy	Focus on the customer through innovation and embedding consumer duty.	Maintaining the focus on driving the customer agenda. Driving technical and digital innovations to enhance customer journeys. Effective oversight of embedding the FCA Consumer Duty regulation.
Sustainability	Focus on embedding sustainability into the way we run our business.	Maintaining focus on the priorities and objectives across Aviva's Sustainability Ambition, including enhancements to climate and non-financial reporting.

Our Board's activities

2023

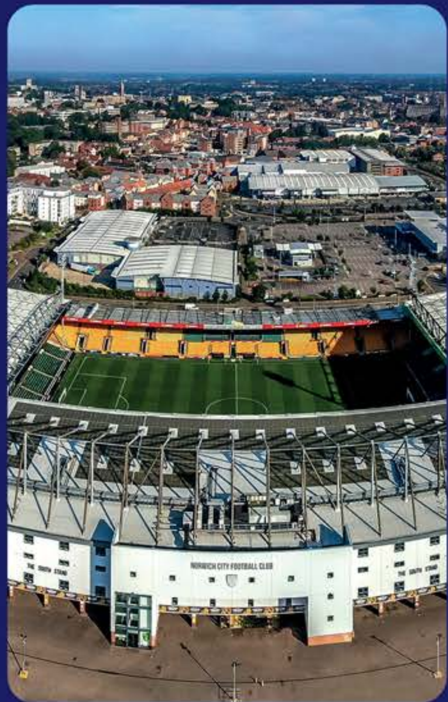
January
- Board and Committee Meetings.

March
- Approved the publication of the 2022 results, and the announcement of a further £300 million share buyback programme as part of our strategy of delivering regular and sustainable returns of surplus capital to shareholders over time.

May
- Board and Committee Meetings. Approved the release of the Q1 2023 Trading Update.
- Approved the redemption of 6.125% €301 million Dated Tier 2 Reset Notes.
- Appointed James Hillman as Group Chief Risk Officer.

Norwich AGM and BU Visit

The Board combined a visit to our Norwich offices, home to our UK General Insurance business, with our first AGM held outside of London to improve accessibility for a different segment of our shareholder base of c.500,000 individuals. The AGM was held at the Norwich Football Club stadium and shareholders were able to view exhibits from our extensive corporate archive. Whilst in Norwich, the Board attended showcases on a new platform initiative for our equity release business, on our motor claims re-engineering programme and on customer help and support strategies within our personal lines business. Directors also met with colleagues from the UK General Insurance business, including representatives of the Aviva Communities.



June

Strategy Offsite

In June 2023, 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. This provided opportunities to conduct deep dive business reviews on our key markets and on matters including customer, technology and artificial intelligence and to discuss growth opportunities including through M&A activities. This is followed by another strategy deep dive in November, where the strategy was further reviewed and refined within the context of the Group three-year business plan which was tabled to the Board in December.

Our Board activities

July

- Approved the release of 2022 comparative financial information restated for IFRS 17 and IFRS 9.

August

- Board and Committee Meetings.
- Approved the 2023 Interim Results Announcement and the issuance of £500 million Tier 2 notes under our £7 billion Euro Note Programme.

September

- Approved the divestment of our stake in Singapore Life Holdings Pte. Ltd for a total cash consideration of approximately £936 million ($SGD 1.6 billion), further simplifying the Group's geographical footprint.
- Approved the acquisition of AIG's UK protection business, AIG Life Limited, for a consideration of £460 million as part of our our strategy to further grow our 'capital-light' businesses and to deliver significant capital and expense synergies[1].
- Business unit visit – participated in a two day visit to Aviva Canada, including sessions on business line updates, diversity, equity & inclusion initiatives and our Indigenous Strategy.

1. Completion of this transaction is subject to customary closing conditions, including regulatory approvals

Aviva Canada Board Offsite

The Board travelled to the Aviva Canada offices in Toronto and Markham for a two day visit to meet colleagues and to gain a deeper understanding of our Canadian business. The directors attended sessions covering a number of customer segments and the claims and personal insurance sectors and discussed progress being made on Risk and the Transformation agendas within Aviva Canada.

The Board joined discussions on diversity, equity & inclusion, including our approach to serving indigenous communities within Canada. There were a number of opportunities for directors to meet our people, including a Town Hall meeting where Amanda Blanc, Charlotte Jones and George Culmer answered colleagues' questions, and the annual Values in Action awards to recognise the achievements of individuals and teams within the business in living our values and delivering for our customers. The Board also met with directors from Aviva Canada.

October

- Approved the redemption of 0.625% €315 million Senior Notes.

November

- Board and Committee Meetings.
- Held strategy and financial plan 'deep dive' review sessions.
- Approved the acquisition of Optiom 02 Holdings Inc, a leading provider of vehicle replacement insurance in Canada for a consideration of approximately £100 million ($CAD 170 million).

December

- Board and Committee Meetings.

Our Board activities

Our Stakeholders

The key below indicates which stakeholder groups were affected by the Board activities described on the following pages.

Our people
Our customers
Our shareholders

Delivering on our strategic priorities

In June, the Board held its annual two-day session in conjunction with the Group Executive Committee to review progress against strategic objectives and to set the future direction. The Board has been focused this year on the delivery of the strategic expansion of our capital-light business through both organic and inorganic growth. In line with the continued simplification of the Group's geographic footprint, the Board approved the exit from the Singlife joint venture for total consideration of approximately £938 million, including the sale of debt instruments.

In September 2023, Aviva agreed to acquire AIG's UK protection business for total consideration of £460 million[1], accelerating Aviva's growth in the attractive UK protection market, broadening distribution through adding 1.3 million individual protection customers and 1.4 million group protection members and delivering significant capital and expense synergies.

Three of the Aviva plc Board members are also the Chairs of Insurance, Wealth and Retirement, UK & Ireland General Insurance and Aviva Investors and their deep understanding of the strategic objectives of these businesses supports the Board in successfully shaping the Group business plan. The Board continues to focus on ensuring that the Group is resourced to deliver good customer outcomes, and agreed a technology strategy to future-proof our operations and technology, including the adoption of a measured approach to the roll-out of generative artificial intelligence. The Board has provided oversight of actions to enhance efficiency across the Group.

1. Completion of this transaction is subject to customary closing conditions, including regulatory approvals

Our Board activities

Our shareholders

Delivering shareholder returns

The Board continues to focus on ensuring that by executing on our strategy and delivering for our customers, we can deliver on our full potential for our shareholders. There is a programme of ongoing dialogue between our Executive Directors and institutional investors, fund managers and analysts. The Chair also meets with a number of the Group's major shareholders, to ensure effective two-way communication. At those meetings a range of issues is discussed to understand shareholders' perspectives, within the constraints of rules around confidential information. Shareholders' views are also regularly communicated to the Board through reports from the Group CEO and Group CFO and from briefings from our corporate brokers and the investor relations function. Communication with individual shareholders is through regular shareholder updates published on our corporate website, and directors were available for discussion with individual shareholders at the AGM in Norwich in May.

During the year, the Board remained focused on furthering our programme of capital return to shareholders, and in March 2023 approved a share buyback of £300 million, bringing the total capital return to shareholders to £9 billion since 2021. In October, the Board approved the redemption of 0.625% €315 million Aviva plc Senior Notes, The Board will continue to regularly consider dividend policy in the context of its overall strategic priorities.

Our people

Our customers

Regulators

Focus on the customer

At Aviva, our strategy starts with our 19.2 million customers, and the Board has continued to be highly focused on delivering good outcomes for our customers throughout the year. Directors benefitted from insight gained through participating in sessions delivered by front-line customer support colleagues during Board visits to Norwich, home to our UK and Ireland General Insurance business, and to Aviva Canada. The Board was able to witness at close quarters the passion and commitment of our teams for delivering great customer service and to understand how this can continue to be improved.

Every Board meeting has an update on the previous Customer and Sustainability Committee meeting. The Committee receives feedback from customer surveys which include Net Promoter Scores and Online Experience Scores, and insights driven by these scores and the associated feedback. The Group CEO also provides updates on key customer issues.

The Board received in-depth training during the year to assist in the oversight of the Group-wide programme to deliver the changes required to meet the FCA New Consumer Duty regulation. The Board reviewed updates on progress in meeting the implementation deadline for Phase 1 of its implementation, and benefits from the insights of those directors who are also Chairs of our principal UK subsidiaries as to how these changes impacted our customers.

Through 'deep dive' sessions at the annual two-day Strategy offsite meeting, the Board continued to focus on the delivery of the simplification of our IT estate to support customer experience. Ensuring appropriate focus on our cyber defence capabilities and that the opportunities and risks of Generative AI are kept under review remain key areas of focus for the Board.

Nomination and Governance Committee report

During the year, the Committee focused on Succession Planning for both the Board and Group Executive Committee and on the Company's diversity, equity and inclusion initiatives.

George Culmer
Chair of the Nomination and Governance Committee

Committee at a glance

Membership

- George Culmer (Chair)
- Andrea Blance
- Mike Craston
- Patrick Flynn
- Shonaid Jemmett-Page
- Mohit Joshi
- Pippa Lambert
- Jim McConville
- Michael Mire
- Martin Strobel

Read more in our Board of Directors

Roles and responsibilities

The Committee assists the Board in its oversight of Board composition, Board and senior executive succession and Group corporate governance by:

- Assessing the balance of skills, knowledge, experience and diversity on the Board.
- Recommending Board and Committee appointments to the Board.
- Assessing succession plans for the Executive Directors.
- Assessing diversity, equity and inclusion initiatives.
- Assessing talent development throughout the Group, ensuring there is a sufficient pipeline of diverse talent available to achieve the Company's current and future strategy.
- Assessing the operation of the Governance Framework and governance practices of the Group.
- Driving consistency in respect of governance and overseeing compliance with governance principles in line with the Group's strategic priorities.
- Assessing the Group's organisational design and the governance and controls around any proposed changes.
- Overseeing the subsidiary governance framework and regulatory control environment.

2023 highlights

- Led the process for the appointment of the Group Company Secretary.
- Reviewed the succession plans and the talent development framework for senior executives and continued to oversight the governance and effectiveness of the Group's subsidiary boards.
- Focused on strengthening the Group Executive Committee (ExCo) and business CEO succession plans throughout the business.
- Continued to focus on the initiatives to increase diversity throughout the organisation.

2024 priorities

- Continue to focus on succession planning at Board and senior executive level to ensure there is a strong and diverse pipeline.
- Continue to oversee and strengthen subsidiary governance.
- Review the Board Diversity, Equity and Inclusion Policy and continue to strengthen initiatives throughout the Group.

Nomination and Governance Committee report

I am pleased to present the Nomination and Governance Committee report for the year ended 31 December 2023.

Board composition

The Committee, on behalf of the Board, evaluates the structure, size and composition of the Board, taking into account the required balance of skills, knowledge, experience and diversity and the Company's risk appetite and strategy.

Board composition is also considered as part of the annual Board and Committee evaluation, which you can read more about in Our approach to governance.

The Committee considered the Board to have the appropriate balance of skills, experience and knowledge to enable them to effectively discharge their duties and responsibilities throughout 2022.

Board independence

During the year, the Committee assessed the independence of the Non-Executive Directors to ensure they can fulfil their roles on the Board and provide constructive challenge to the Executive Directors.

The Committee determined that all Non-Executive Directors, other than Michael Mire due to his tenure on the Board, met the independence criteria set out in the Code and were free from any relationship or circumstance that could affect, or appear to affect, their independent judgement.

The Committee's considerations and the Board's decisions are outlined in Our approach to governance.

In line with the Code, over half of the Board members, excluding the Chair, are independent non-executive directors.

Directors' external appointments

During the year, the Committee considered Directors' potential external appointments, considering time commitment and conflicts of interest, before making recommendations to the Board.

In particular the Committee carefully considered the time commitments for Shonaid Jemmett-Page, taking into account investor guidelines and voting policies and their application to Shonaid's current directorships. The Committee reviewed in detail Shonaid's portfolio, overall capacity and noted that Shonaid had retired from Greencoat UK Wind from the conclusion of their 2023 Annual General Meeting.

In March 2023, Mohit Joshi was appointed as Managing Director and CEO designate to Tech Mahindra Limited, leaving his position at Infosys. He assumed the position as Managing Director and CEO in December 2023.

On 1 February 2024, Andrea Blance retired from her role as Senior Independent Director of Vanquis Banking Group.

The Committee was satisfied that each director continued to have sufficient time to allocate to the Company to discharge their responsibilities effectively.

Succession planning

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.

An external market mapping exercise was completed for the role of the Group Company Secretary to strengthen the leadership and succession in the function following Kirstine Cooper's retirement and splitting the Group Company Secretary and General Counsel roles. As a result Susan Adams was appointed as Group Company Secretary on 8 January 2024.

The Committee also reviewed the succession plan for the Group CEO and Group CFO to ensure that internal and external talent pipeline was robust and diverse.

The development of the Group Executive Committee (ExCo) is also monitored to ensure that there is an appropriate pipeline of senior executives and potential future Executive Directors with the required skills and experience.

During 2023, the Committee received updates from the Group CEO on composition and changes to the Group ExCo and considered the development plans and talent profiles of these individuals in line with the Group's succession plans.

The development plans designed to prepare successors for ExCo roles were also considered. Internal talent development and developing a pipeline of potential future leaders remained an area of focus for the Committee during the year.

The Committee also considered initiatives to enhance, strengthen and diversify the talent pipeline across the wider Group and members of the Committee remain involved in various initiatives, including the Ethnically Diverse Leadership programme and cross-company mentoring programmes with senior leaders.

Diversity, equity and inclusion

Diversity, equity and inclusion continued to be an area of focus for the Committee. The Board is committed to having a diverse and inclusive leadership team which provides a range of perspectives and insights and the challenge needed to support good decision making. Diversity at Aviva includes, but is not limited to, gender, ethnicity, skills and experience, geographic and socio-economic and educational backgrounds, disability and sexual orientation.

The ways in which we seek to put into practice these values are set out in our Board Diversity, Equity and Inclusion Statement (the Statement), which supports the Committee's approach to succession planning. This includes our commitment to increasing the number of women in leadership roles to 40% by 2024 and to enhancing the ethnic diversity of our leadership and succession pipeline.

During the year, the Committee updated the Statement to reflect that Aviva has achieved its commitment to 40% female representation amongst our leadership cadre.

Nomination and Governance Committee report

The Statement, which aligns to the overall Group Diversity, Equity and inclusion strategy, is available on the Company's website at www.aviva.com/corporate-governance.

In accordance with Listing Rule 9.8.6(9), the representation of women on the Board as at 31 December 2023 was 42%, with both the Group CEO and Group CFO positions being held by women, as are the roles of Chair of the Risk, Customer and Sustainability and Remuneration Committees. 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 ethic minority background. Since 31 December 2023, no Board changes have occurred that have affected our ability to meet the targets above.

Numerical data on the ethnic background and gender of the Board and Group Executive Committee required by Listing Rule 9.8.6(10) can be found in the Directors' report.

In accordance with the Code, I can report that the gender balance of the Group Executive Committee and their direct reports as at 31 December 2023 was 35.7% women and 64.3% men.

Further details on diversity in the workforce and wider senior leadership population can be found in the Strategic report.

We actively support women advancing into senior roles, with the Group CEO being a member of the 30% Club and HM Treasury's Women in Finance Champion, which commits financial services companies to a range of measures to improve gender diversity amongst senior management.

Corporate governance

The Committee monitors the Group's compliance with the Code and other areas of regulation and guidance. The Group Company Secretary provides updates to the Committee on governance matters which have the potential to impact the reputation of the Group.

During 2023, the Committee focused on the implementation and embedding of the Group Governance Framework for the oversight of the Group's subsidiaries, as reported in the Subsidiary Governance dashboard. Updates were provided relating to enhancements to the Subsidiary Governance Principles, the effectiveness of the Company's subsidiary boards and the Group conflicts of interest policy and related safeguards.

Succession planning for material subsidiaries around the Group is considered and, where appropriate, changes to the composition of the material subsidiary boards are approved by the Committee. The Committee also reviews the outcomes of the evaluations completed by subsidiary boards and monitors and actions plans developed by those boards in response to those outcomes.

The Committee considers proposals for operating model simplification within the Group. The reduced geographic size of the Group provided an opportunity to optimise and simplify our operating model to drive efficiency and deliver greater value to our shareholders. The Committee reviewed the organisational design plans and the programme work-streams and considered the governance and controls around the proposed changes.

George Culmer
Chair of the Nomination and Governance Committee
6 March 2024

Audit Committee report

> The Committee monitored the implementation of IFRS 17, oversaw its impact on financial results and discussed the development and challenges to measure climate metrics.

Patrick Flynn
Chair of the Audit Committee

Committee at a glance

Membership

- Patrick Flynn (Chair)
- Andrea Blance
- Shonaid Jemmett-Page
- Jim McConville
- Martin Strobel

Read more in our Board of Directors

Roles and responsibilities

The Committee assists the Board in its oversight of financial, climate-related and non-financial reporting and related controls by:

- Overseeing the integrity of the Company's financial statements, climate-related and non-financial reporting disclosures, and related announcements.
- Together with the Risk Committee, monitoring the adequacy and effectiveness of the systems of internal control over financial, climate-related and non-financial disclosures.
- Overseeing and monitoring the Group's whistleblowing processes.
- Monitoring the effectiveness, performance and objectivity of our internal and external auditors.

2023 highlights

- Reviewed and recommended for approval the quarterly, half-year and full-year financial results.
- Reviewed developments in climate-related and non-financial reporting, in particular the developing nature of climate metrics measurement standards, particularly in relation to the estimation of Scope 3 finance emissions, the challenges of measurement of Scope 3 emissions and the controls framework in place to support preparation of information.
- Monitored the implementation of financial reporting under IFRS 17, reviewed the financial impact on transition date and oversaw the integrity of restated 2022 comparatives.
- Monitored the process for the transition of the external auditor from PwC to EY.
- Assessed the effectiveness of the work of the external auditors and the internal audit function including the outcomes of associated external reviews.
- Monitored the effectiveness of the systems of internal control over financial and non-financial reporting that support the integrity of Aviva's financial and non-financial disclosures.

2024 priorities

- Continue to monitor the embedding of the IFRS 17 controls and processes within financial accounting and reporting architecture.
- Monitor the transition of the external auditor from PwC to EY upon EY's approval, as Aviva plc auditor for year ending 31 December 2024, at the 2024 AGM.
- Review and challenge the approach developed on climate emissions calculations and oversee the progress towards measurement of Scope 3 emissions of investments.
- Consider the potential impact of the revised 2024 UK Corporate Governance Code, including the proposed directors' attestation on control environment and Aviva plc response.

Audit Committee report

I am pleased to present the Audit Committee report for the year ended 31 December 2023.

Committee member requirements

The Board annually review how members meet the experience and expertise criteria set out in the Code and the FCA Disclosure Guidance and Transparency Rules (DTRs). I, as Committee Chair, Andrea Blance, Shonaid Jemmett-Page and Jim McConville fulfilled both this Code and the DTR requirements for financial expertise, experience and independence. The Committee as a whole has competence relevant to the Insurance and broader Financial Services Industry.

Financial and non-financial reporting

The Committee reviewed the integrity and accuracy of the Company's financial, and principal non-financial reporting and related announcements. This included quarterly results announcements, the Annual Report and Accounts and the Solvency and Financial Condition Report.

The Committee monitored the implementation of IFRS 17 during 2023, including oversight over new financial reporting processes, systems and control environment.

The Committee reviewed the integrity and accuracy of the financial impact of IFRS 17 on the transition date 1 January 2022 and the publication of restated 2022 financial information and the related disclosures in the Half Year Report 2023.

Climate-related reporting

The Committee reviewed the principal climate-related disclosures made by Aviva plc in 2023 Annual Report and Accounts and Climate-related Financial Disclosure report and to ensure appropriate controls are in place to support the preparation of disclosures.

The Committee noted the developing nature of climate metrics measurement standards, particularly in relation to the estimation of Scope 3 financed emissions in context of continued challenges towards measurement of Scope 3 emissions and associated complexity, due to limited and unsophisticated data and methodologies.

Fair, balanced and understandable

To support the directors' statement that the Annual Report and Accounts, taken as a whole is fair, balanced and understandable, the Committee reviewed the process of preparing the report. There is a robust process to ensure each section of the report is signed off by an appropriate member of management and the overall production of the report is overseen by the Chief Financial Controller to ensure consistency across the document. The report is reviewed by members of the Group Executive Committee, the Disclosure Committee, the Aviva plc Board and each of its Committees. Furthermore an extensive verification process is undertaken to ensure factual accuracy.

External and internal audit effectiveness

The Committee and management have a regular and open dialogue with PwC and our audit partner regularly attends Committee meetings. The Committee also receives reports from the external auditor on the progress of its audit activities.

The Committee reviews the contents of these reports and the level of professional scepticism and challenge of management assumptions demonstrated by the external auditor, and where appropriate, requests that management respond to that challenge and tracks management response to ensure a satisfactory outcome to the challenges raised.

The 2023 external audit effectiveness review was undertaken to assist the Committee in assessing the quality of external auditor services provided to the Group through completion of a questionnaire by the Committee, subsidiary company audit committees, senior management, and members of the Group's finance teams. The review focused on the effectiveness of the external auditor team, expertise and resources and interaction with Audit Committee meetings. Overall feedback was positive and where opportunities for improvement were identified, PwC was asked to take account of that feedback in audit activity.

The Committee was provided with the FRC Audit Quality Review (AQR) report on the PwC audit of the 2021 Annual Report and Accounts and discussed the findings with PwC.

No specific actions were required as a result of the AQR. The AQR provided further external evidence to the Committee of the robustness and quality of the external audit. The Committee concluded that the external auditor continued to perform effectively.

The Committee also conducts an annual review of the internal audit function to assess its independence, effectiveness and to satisfy itself that the quality, experience and expertise of the internal audit function is appropriate for the business. This is carried out by reviewing reports issued by internal audit and the output of an annual stakeholder effectiveness survey. This formal process is supplemented by regular private discussions with executive management, the internal auditor and the external auditor. The Committee concluded that for 2023 the function performed well and remained effective.

Audit Committee report

Audit rotation

In 2021, the Committee conducted a competitive audit tender process and recommended the appointment of EY to the Board. Following Board approval, we announced on 18 November 2021 our intention to appoint EY as our auditor for the financial year ending 31 December 2024.

Shareholder approval for EY's appointment will be sought at the 2024 AGM and PwC will resign as auditor, after 12 years in position. PwC has confirmed that there are no matters that need to be brought to the attention of holders of securities of the Company.

The Company is compliant with the requirements of the Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014.

The Committee is monitoring the transition of auditor from PwC to EY. The Committee will monitor EY's effectiveness as external auditor and report on its findings for the financial year ending 31 December 2024 in next year's Annual Report and Accounts.

No Audit Committee member had a connection with EY.

Internal controls

The Committee, together with the Risk Committee, monitored the effectiveness of the systems of internal control over financial and non-financial reporting that support the integrity of Aviva's financial and non-financial disclosures.

In January 2024, the FRC announced the publication of the 2024 Code. The Committee, together with the Risk Committee, will oversee and make recommendations to the Board in relation to the changes to Provision 29. The changes will require the Board to make a disclosure relating to the effectiveness of internal controls including a declaration in relation to material internal controls as at year-end.

Whistleblowing

In my role as Committee Chair, I am the whistleblowers' champion for the Group and I am responsible for overseeing the integrity, independence and effectiveness of the Group's policies in relation to whistleblowing.

The Committee receives reports on the number of cases reported to the Speak Up service, the proportion of reports that are designated as instances of whistleblowing, the number of substantiated cases and summaries of the action taken.

The Committee continues to support the Speak Up team and review opportunities to further enhance the Speak Up service. The outcome of the Voice of Aviva survey is used to assess staff comfort and confidence in the whistleblowing processes.

FRC Minimum Standard

In May 2023, the FRC published the Audit Committees and External Audit: Minimum Standard (the Minimum Standard). The Committee can confirm that the Company is compliant with the Minimum Standard. Activities undertaken to meet the requirements of the Minimum Standard are described throughout this report.

Patrick Flynn
Chair of the Audit Committee
6 March 2024

Audit Committee report

Key matters considered during 2023

The significant matters that the Committee considered during the year are set out in the table below.

Matter considered	Context	Committee's response
IFRS and Solvency II (SII) technical provisions	The Committee reviews IFRS and SII technical provisions and the impact of those technical provisions on IFRS total equity and SII surplus used for the quarterly operating updates, and 2023 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 IFRS and SII across our life and general insurance businesses, including restatement of technical provisions on introduction of IFRS 17. The Committee reviewed and challenged the longevity, persistency, expense and residential and commercial property growth assumptions used for the quarterly operating updates, and 2023 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 IFRS and SII results. During 2023, the Committee worked closely with the Audit Committee of the Group's IWR subsidiary, Aviva Life Holdings UK Limited, to review the detailed analysis and to validate changes observed in recent mortality experience and the resulting impact on the existing longevity assumptions. The Committee reviewed the impact in the period of higher inflation and the rising interest rate environment during 2023. This included residential property assumptions, the impact on the general insurance business of current and future claims inflation and impacts on the Aviva Staff Pension Scheme. **Reserving process.** Reviewed the controls associated with the IFRS and SII reserving process. The Committee reviewed the sign off procedures and control framework for movements in IFRS reporting and SII results.
IFRS and SII key accounting judgements and disclosures	The Committee reviews and recommends to the Board Quarterly, Half Year and Full Year disclosures and the impact of accounting judgements on those disclosures. The Committee reviews and recommends to the Board the Annual Solvency and Financial Condition Report.	**Estimates and judgements for IFRS and SII reporting bases.** The Committee reviewed, challenged and recommended approval of IFRS and SII judgements, including the impact of acquisitions on the Group balance sheet and the outcome of goodwill and intangible asset impairment reviews. The Committee reviewed the Group's exposure to contingent liabilities and other risk factors, including amounts allowed for and disclosures. The Committee also considered the financial impact and disclosures stemming from the war in the Middle East and the Ukraine. Where appropriate, the Committee monitored and tracked management's response to the challenges it raised to ensure a satisfactory outcome. **Alternative Performance Measures (APMs).** The Committee reviewed and approved the clarification and treatment of certain items within the Group's APMs to further improve the transparency and consistency of reporting of APMs. **Fair, balanced and understandable.** The Committee reviewed the Quarterly Trading Update, 2023 Half Year and 2023 Full Year financial statements 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. Review, challenge and approval of the above matters took into account the impact from implementation of IFRS 17.
Implementation of IFRS 17	IFRS 17 is a new insurance accounting standard issued by the International Accounting Standards Board (IASB) effective from 1 January 2022.	The Committee monitored the implementation of new IFRS standards, but most significantly in respect of IFRS 17. IFRS 17 has a significant impact on the measurement and presentation of insurance contracts and the Committee has spent significant time monitoring the implementation of the new accounting policies and judgements. The Committee continued to regularly assess the impact on the financial reporting process, the operation of new internal financial tools used for financial forecasting and planning purposes, and the calculation of insurance liabilities under the new standard. The Committee also assessed the effectiveness of the system of controls over the new IFRS 17 reporting systems. The Committee reviewed the integrity and accuracy of the financial impact of IFRS 17 on the transition date 1 January 2022 and the publication of restated 2022 financial information in July 2023 and related disclosures in 2023 Half Year report.

Audit Committee report

Matter considered	Context	Committee's response
Climate-related reporting	The Committee review the principal climate-related disclosures made by Aviva plc in 2023 Annual Report and Accounts and Climate-related Financial Disclosure report, consider the significant inherent challenges in the measurement of climate emissions and ensure the disclosures of these challenges are addressed and given appropriate priority.	The Committee reviewed and challenged the application of critical climate-related policies, practices, methods and judgements to calculate the metrics. The Committee focused on the continued development of the climate reporting control environment which supports non-financial disclosures. The Committee discussed and provided feedback on Net Zero ambition and climate disclosures in Aviva plc 2023 Annual Report and Accounts and Climate-related Financial Disclosure report. A significant area of discussion on Net Zero ambition related to Aviva's dependency on the external factors and whether they continued to support achievement of Aviva's Net Zero ambition. The Committee noted the developing nature of climate measurement standards, particularly in relation to the estimation of Scope 3 financed emissions, which has an inherent potential for double counting across entities in the same value chain. The Committee noted that emissions estimates and other climate metrics should be read acknowledging these are in initial stages of development and subject to change as standards emerge and underlying data sources become more complete and developed. The Committee recognised that climate measurement standards are not at the same level of maturity as financial accounting standards. In addition, enhancements to availability of data and control frameworks will be required to align with IFRS financial statements. Currently, industry wide, the attestation provided by an auditor is to a weaker level than applies to IFRS financial statements.
Internal Controls	The Committee provides oversight of the system of internal control over financial and non-financial reporting.	**Review of the effectiveness of the Operational Risk and Control Management (ORCM) system.** The Committee regularly reviewed a number of reports to allow the evaluation of the effectiveness of controls and any failings or weaknesses. The Committee continued to challenge and support developments to the risk aware culture of our people and strong internal control framework. **Review of internal controls.** The Committee reviewed reports on the effectiveness of the internal controls over financial and non-financial reporting to gain assurance that these remained in tolerance with no control weaknesses which could have a material impact on the financial results and non-financial metrics. As referenced in 'Our approach to governance' section, the Committee received reports on the assessment of financial reporting controls deficiencies and the detailed findings of the testing undertaken for their remediation. **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.
Internal Audit	The Committee has responsibility for overseeing the work, effectiveness and independence of the internal audit function.	**Annual plan, budget and reports.** The Committee reviewed and approved the internal audit plan and budget and monitored progress against this plan to ensure completion of the plan by year end. The Committee received an annual report where internal audit provided an assessment of the control environment of the areas on which work had not been undertaken. The Committee reviewed the output of the external quality assessment and actions to further enhance the effectiveness of the internal audit function. **Internal Audit Charter.** Reviewed and approved the Internal Audit Charter. **Quarterly reports.** The Committee also received quarterly control reports from the internal audit function, including monitoring the quantum and trend in internal report findings, and challenged management on the actions being taken to improve the effectiveness of the governance and risk and control framework of the organisation. The quarterly internal audit reports contain control environment metrics including: the status of internal audit opinions that are rated as unsatisfactory or where major improvement is needed; key issues identified, emerging trends and their impacts on the organisation's risk profile; and the status of management actions to resolve issues identified.

Audit Committee report

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.	**External auditor independence.** The Committee reviewed the auditors compliance with the independence criteria in the UK Corporate Governance Code and monitored compliance with our External Auditor Business Standard. The Committee meets with external auditor without management present to provide a forum for any issues to be raised. **External audit plan and budget.** The Committee reviewed and approved the 2023 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 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 2023. In 2023 the Group paid PwC £26.4 million (2022: £30.4 million) for audit and audit-related assurance services. PwC were paid £1.3 million (2022: £1.7 million) for other assurance services, giving a total fee to PwC of £27.7 million (2022: £32.1 million). Further information on auditors' remuneration is set out in note 13. **Implementation of IFRS 17.** The Committee reviewed reports from PwC on Aviva's progress in implementing IFRS 17. PwC reviewed and provided commentary to the Committee on key accounting policies and judgements which supported the Committee's oversight of IFRS 17. The Committee did not request any specific areas of review from the external auditor beyond the normal cycle of audit activity.
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 2023 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 the Statement and going concern assessment to the Board. More information on these statements can be found in the Directors' report. The Committee continues to consider it appropriate that the Statement covers a three-year period.

Risk Committee report

Strong risk management remains vital in the continuing challenging macroeconomic and political environment. The Committee has focused on key areas of financial and non-financial risk and on overseeing the continued evolution of the Risk function.

Andrea Blance
Chair of the Risk Committee

Committee at a glance

Membership

- Andrea Blance (Chair)
- Patrick Flynn
- Shonaid Jemmett-Page
- Mohit Joshi
- Jim McConville
- Martin Strobel

Read more in our Board of Directors

Roles and responsibilities

The Committee assists the Board in its oversight of risk by:

- Assessing the effectiveness of the Group's risk management framework, risk strategy, risk appetite and profile.
- Assessing the methodology used in determining the Group's capital requirements and stress testing these requirements.
- Providing oversight and advice to the Board in relation to current and emerging risk exposures of the Group and the strategic approach to managing risk.

The Company's approach to risk and risk management is set out in the Our Risks and Risk Management section of the Strategic report.

2023 highlights

- Monitored risk appetite, risk management and reporting, including approving the Group's Solvency II capital risk tolerances by risk type.
- Reviewed and approved the longevity internal model major change application, and the internal model validation plan.
- Reviewed management actions in response to the Group's increased exposure to general insurance property catastrophic risk as a result of hardening reinsurance markets.
- Monitored reporting on the Group's capital and liquidity requirements, particularly in light of changing macroeconomic conditions, and related risks to the financial plan.
- Approved the scenarios for Group-wide stress testing to support the financial plan and the Group recovery plan.
- Oversighted the implementation of Phase 1 of the New Consumer Duty regulations throughout the Group.
- Reviewed operational risks to the financial plan, including people, cyber, AI, operational resilience, sustainability, conduct, reputation and transformation risks.
- Monitored external risk factors, and assessed the most significant emerging risk scenarios with the potential to affect the implementation of the Group's strategy.
- Supported the appointment of James Hillman as Group CRO.

2024 priorities

- Monitor the impacts and associated risks arising from changes to the macroeconomic and political environment, regulatory landscape, and from global climate change.
- Oversee the current and projected future risk exposures of the Group, including determination of risk appetites and tolerances.
- Provide effective oversight of the management of key areas of financial and non-financial risk, including cyber, data, AI, operational resilience, reputation and people risks.
- Review action taken in relation to the implementation of Phase 2 of the New Consumer Duty regulations.
- Oversee the implementation of the 2024 Co-ordinated Assurance Plan.
- Continue to support the newly-appointed Group CRO in the implementation of an effective target operating model for the Group Risk function.

Risk Committee report

I am pleased to present the Risk Committee report for the year ended 31 December 2023.

Oversight of risk management

The Committee plays a vital role in supporting the Board in the oversight and management of risk throughout the Group. The main purpose of the Committee in assisting the Board in its oversight of risk within the Group is to review the Group's risk appetite and risk profile in relation to solvency, liquidity, climate, operational, conduct and reputational risks and to review the effectiveness of the Group's risk management framework (RMF), making recommendations to the Board as required.

The Committee reviews the methodology and oversees the governance of the internal model used in determining the Group's capital requirements and associated stress testing, including the key assumptions, methodologies and areas of expert judgement, activities undertaken to validate the outputs of the model and the development required to ensure that it continues to reflect the risk profile of the group.

The Group Own Risk and Solvency Assessment (ORSA) is an ongoing assessment of the risks the Group is exposed to, and of the capital resources available to ensure that the Group is able to sustain its business over the plan horizon.

The Committee's review of the Group's ORSA process included proposed stress tests and scenarios to be used in the evaluation of capital adequacy, the profile of risks within the Group's strategic plan and how they may change over the planning period and the Group's overall capacity for the risks identified.

Group CRO Report

The Committee receives and reviews a report from the Group CRO at each meeting which highlights key information impacting the Group-wide risk profile, as well as an assessment of the current and forward-looking Group risk exposures. The report includes analysis of risks arising from the macroeconomic outlook and conditions in financial markets, together with geopolitical, legislative and regulatory change risks that may impact the Group's business and the Groupwide top risk themes. It includes updates on key activities undertaken by the Risk function to deliver on its vision and purpose in supporting the Group's strategic objectives, outputs of regular risk monitoring activities and, details of any current and specific financial, non-financial or regulatory and compliance risk matters.

Alongside the Group CRO report, the Committee is provided with information on risk appetites and tolerances, assessing actual positions relative to the Group's risk appetite statements, and quantitative analysis of the Group's exposures to financial and operational risks, including risk-based capital requirements in relation to the core risks within the Group's businesses.

In November 2023, we welcomed James Hillman as Group Chief Risk Officer, and the Committee looks forward to working closely with him over the coming years.

Macroeconomic environment

A number of risk events crystallised during 2023, including the Israel- Palestine conflict, the continuing impact of the Russian invasion of Ukraine, strong inflationary pressures and sustained higher interest rates, and a significant hardening of property reinsurance market. During the year the Committee monitored the potential impacts of macroeconomic risks in a number of areas including widening credit spreads and downgrades, interest rate movements and the risk of property price volatility on the commercial mortgage portfolio.

The Committee conducted a deep dive into conduct and financial crime risks, including the impacts of the continuing cost of living crisis. The Committee reviewed the Group's cyber risk and control environment, including the threat posed by the risk of ransomware attacks on both the Group and our material third party suppliers

Employee wellbeing remained an area of focus and the Committee people risk, including resource stretch and cost of living pressures.

Conduct Risk

In addition to those matters set out above, the Committee approved updates to the conduct risk policy to reflect the requirements of the FCA New Consumer Duty regulations and monitored the progress of measures taken within the UK subsidiaries to achieve compliance.

Data and AI

The Committee carried out a deep dive review of the Group's data risk environment, including our data ethics framework, to facilitate the responsible deployment of Artificial Intelligence (including Generative AI) capabilities.

Operational Resilience

The Committee received regular updates and challenged the progress made by management on operational resilience and change management related risk management appetites and tolerances. The Committee reviewed the Group transformation risk profile and the associated change execution and delivery risks, including the material Groupwide thematic drivers to our delivery risk.

Co-ordinated Assurance Plan

The Committee reviewed the 2024 Co-ordinated Assurance Plan which will provide a more connected approach to assurance, aligned to the Group's strategic priorities.

Andrea Blance
Chair of the Risk Committee
6 March 2024

Customer and Sustainability Committee report

The Committee focuses on two of the four strategic priorities for Aviva: Customer and Sustainability. Monitoring progress against both these agendas is significantly important, and a duty the Committee takes extremely seriously.

Shonaid Jemmett-Page
Chair of the Customer and Sustainability Committee

Committee at a glance

Membership

- Shonaid Jemmett-Page (Chair)
- Mike Craston
- Jim McConville
- Pippa Lambert
- Michael Mire

Read more in our Board of Directors

Roles and Responsibilities

The Committee assists the Board in its oversight of our customer agenda and sustainability ambition by:

- Evaluating progress on Aviva's ambition to be a leading customer service-oriented company, including in our investments and innovation in customer experience.
- Reviewing customer experience, customer journeys, service levels, customer trends and the use of customer data.
- Evaluating progress on the priorities and objectives across Aviva's Sustainability Ambition, including our Nature and Biodiversity policy, Climate Transition plan and our overall contribution to, impact on, and role in society in the countries in which we operate.
- Reviewing Group sustainability reporting, including the Sustainability section of the Annual Report and the Climate-related Financial Disclosure Report.

2023 highlights

- Reviewed the impact of the FCA's Consumer Duty Regulations on customers.
- Undertook deep dives in relation to various aspects of customer journeys.
- Monitored the progress in building an enhanced customer experience.
- Monitored the progress of Aviva's Sustainability Ambition, including tracking performance against key metrics and targets.
- Reviewed our Sustainability reporting, Climate-related Financial Disclosure report and non-financial metrics.
- Reviewed the Group's Modern Slavery Statement and approved Aviva's Human Right's Policy and Business Ethics Code.

2024 priorities

- Continue to focus on the customer agenda and the progress of the customer strategy, including further developments to enable us to gain a deeper understanding of our customers, be more relevant to them, easier for them to interact with and able to meet more of their needs.
- Continue to monitor the impact the implementation of the FCA's Consumer Duty regulations.
- Continue to oversee progress against our sustainability ambition, including our work on social action and our place-based approach to maximising the impact for our communities.
- Oversee progress against our Climate Transition Plan and Nature and Biodiversity Policy.

Customer and Sustainability Committee report

I am pleased to present the Customer and Sustainability Committee report for the year ended 31 December 2023.

Customer

During 2023, the Committee provided oversight of our customer strategy and operations. This included regular reviews of the customer dashboard which provides insight into key customer metrics, material customer trends, customer growth, experience and engagement.

The Committee monitored progress in building an enhanced customer experience, including through improvements to our digital capability such as better transactional functionality and digital support.

The impact of the FCA's Consumer Duty Regulation was closely monitored by the Committee during the year and reports from management relating to the customer considered Consumer Duty. We received regular updates on the implementation of the regulation and Aviva's approach to actively engage and support customers.

The Committee undertook deep-dives in relation to customer communications, digital customer journeys and customer complaints, all with a focus on the application of the Consumer Duty regulation.

The Committee reviewed the progress of our brand campaign, "Making it Click" which recognises that taking financial action can be difficult for customers and was aimed at helping customers make positive decisions in relation to their finances.

Sustainability

The Committee tracked progress against Aviva's Sustainability Ambition, including Key Performance Indicators and the Sustainability Ambition scorecard. The Committee reviewed and agreed the non-financial metrics, which demonstrate Aviva's sustainability performance and monitored progress against the sustainability ambitions. The Committee also provided input into the governance model for external reporting.

The Committee discussed pathways to Aviva's Net Zero ambitions, whilst recognising that Aviva do not have full control over the delivery of this ambition. The Committee noted that government action on policy and development of new technologies were and still remain of fundamental importance to create the conditions for success. Without good progress on these issues, achieving Aviva's climate ambition becomes increasingly challenging.

The Committee discussed and provided feedback on our Net Zero ambition in our 2023 Annual Report and Accounts and Climate-related Financial Disclosure report. A significant area of discussion related to Aviva's dependency on the external factors and whether they continued to support achievement of Aviva's Net Zero ambition.

The Committee noted the developing nature of climate metrics measurement standards, particularly in relation to the estimation of Scope 3 financed emissions in context of continued challenges towards measurement of Scope 3 emissions and associated complexity, due to limited and unsophisticated data and methodologies.

The Committee reviewed Group sustainability and climate reporting, including the Climate-related Financial Disclosure report in preparation for the climate disclosures summary being voted on (on an advisory basis) at the 2024 Annual General Meeting. In addition the Committee reviewed the Sustainability section of the Annual Report.

The Committee reviewed Aviva's social action strategy, which focuses on the difference we make to society.

The Committee also received updates on the progress of Aviva's sustainability governance activity, including reviewing the refreshed Aviva Human Rights Policy, our Business Ethics code, Sustainability Business Standard and our performance in external sustainability benchmarks and indices.

Further information on our integrated responsibility and sustainable business approach can be found on the Company's website at: www.aviva.com/sustainability.

Aviva Canada and Aviva Ireland

During the year, Aviva Canada and Aviva Ireland presented to the Committee updates on their customer strategies including customer journeys and experience, and on the sustainability scorecards for their markets. The presentations provided the Committee with information on how Aviva Canada and Ireland contributed to the overall Group performance in both respect.

Shonaid Jemmett-Page
Chair of the Customer and Sustainability Committee
6 March 2024

Remuneration Committee report

> Our 2023 remuneration outcomes reflect another year of strong performance for Aviva. The limited proposed changes to our 2024 Remuneration Policy ensure continued alignment to our purpose and strategy.

Pippa Lambert
Chair of the Remuneration Committee

Committee at a glance

Membership
- Pippa Lambert (Chair)
- Andrea Blance
- Patrick Flynn
- Jim McConville (from 1 February 2023)

Read more in our Board of Directors

Roles and responsibilities
The Remuneration Committee (the Committee) assists the Board in its oversight of remuneration by:

- Reviewing the Directors' Remuneration Policy (the Policy) and Directors' Remuneration Report.
- Approving remuneration packages for the Non-Executive Chair and Executive Committee (ExCo).
- Approving the remuneration framework for regulated employees and reviewing wider workforce remuneration and policies.
- Working with the Risk Committee to ensure that risk management is considered in setting the Policy through the alignment of incentive and rewards with risk management.

2023 highlights
- Review of the Policy.
- Senior management objectives, pay decisions, bonus and Long Term Incentive Plan (LTIP) target setting.
- Monitoring the impact on colleagues as a result of the continued cost of living challenges.
- Progressing our ambitious diversity, equity and inclusion (DE&I) agenda.
- Share plan operations and performance testing.
- Governance and regulatory matters.

More details are provided in the Annual report on remuneration.

The Committee's decisions are taken in the context of the Reward Governance Framework, which sets out the key policies, guidelines and internal controls and is summarised in the Annual report on remuneration.

Read more in Annual report on remuneration

2024 priorities
- Implementation of the new Policy.
- Ensuring the broader colleague reward proposition remains competitive.

More details about our 2024 focus areas are provided in the letter below.

Remuneration Committee report

On behalf of the Committee, I am pleased to present the Directors' Remuneration Report (DRR), for the year ended 31 December 2023.

The DRR is presented in three parts in addition to this letter:

- **Remuneration at a glance** - key aspects of interest to shareholders.

Read more in remuneration at a glance

- **The Policy**, outlines the remuneration framework that will apply to our Executive Directors (EDs) and Non-Executive Directors (NEDs) following approval. The new Policy will be presented to shareholders for approval at our Annual General Meeting (AGM) in May 2024.

Read more in Remuneration Policy

- **Annual report on remuneration** - further detail on how the Policy has been applied and remuneration outcomes in respect of 2023, and how the new Policy will be implemented in 2024.

Read more in Annual report on remuneration

2023 Company performance

2023 was another year of strong performance, reflecting our market leading positions, customer focus and the benefits of our diversified business. We have continued capital-light growth momentum and delivery across our diversified Group, and are in a strong and resilient capital position.

Performance against the annual bonus financial measures was strong, exceeding the targets set for the majority of measures.

- Growth in the value created by our businesses was seen in the increase in Solvency II operating own funds generation (Solvency II OFG) and gross cash remittances, both exceeding target levels.
- Growth and expense discipline saw increased Group adjusted operating profit and we have exceeded our £750 million gross cost reduction target, one year early.
- Solvency II shareholder cover ratio remains strong at 207%, underpinned by robust capital generation.

In terms of non-financial performance, the Committee welcomed the continued improvement evident in our risk and control environment, as reflected in an above target assessment against the qualitative and quantitative measures within the Risk scorecard. Our employee engagement levels saw a two point increase to 88%, a figure well ahead of market norms. This reflects the focus on leadership development and visibility, and actions to support our people through a difficult economic environment.

Performance against our customer measures was more challenging, given the continued impact of inflation on product pricing and supply chain issues. Our investment in improving digital customer journeys resulted in online experience targets being achieved.

Supporting our people

Oversight of remuneration across the wider colleague population remains a focus area for the Committee.

- We are proud to pay all of our UK colleagues at least the Real Living Wage, plus an additional 8% to enable colleagues to benefit from our 14% matching pension contribution and save for their retirement.
- In addition, in March 2023, we were one of the first UK employers to be awarded the Living Pension accreditation. This signifies that we provide a Living Pension savings level which equates to 12% of a full-time real Living Wage salary, of which at least 7% comes from Aviva as an employer.
- Further actions taken to support our colleagues in 2023 included an extension to our financial education programmes, improved communication of our overall reward package and improvements to our UK health and wellbeing proposition.

For 2024, the UK salary budget was 6%. Recognising the cost of living challenges, a higher budget was targeted at more junior colleagues offset by a significantly lower budget for senior management.

Policy Review and Shareholder Consultation

In line with the usual three-year cycle, we are required to submit our Policy to shareholders for approval at our AGM in May 2024. The Committee has therefore completed a review of the Policy to ensure it remains aligned to our purpose and strategy and continues to drive and reward strong performance.

Our review concluded that, overall, our framework continues to achieve these aims and remains fit for purpose. As such, we are proposing only modest changes to the Policy, ensuring that it remains market aligned and that our incentive measures reflect business priorities.

I would like to thank our major shareholders and their representative bodies for their level of engagement and overall positive feedback received as part of our consultation process.

Proposed changes to our Policy are outlined below and in the "Directors' Remuneration Policy" section of this report.

Policy Changes

To better align with market practice and ensure our approach remains competitive and fair, the level of bonus deferral will reduce from two-thirds to half. This change will increase alignment with FTSE 100 practice and that of close peers, while continuing to ensure that a meaningful proportion of any bonus award is deferred into Aviva shares.

As part of a broader improvement to our wider workforce health proposition, Company-provided wellbeing services such as health assessments will be provided for NEDs.

Remuneration Committee report

Non-Policy Changes - Annual Bonus Plan Measures

Following the achievement of the previously communicated cost reduction target and reflecting our growing businesses, the Cost Reduction measure will be replaced by efficiency measures. Recognising the diversified nature of Aviva, each of our core businesses will have targeted efficiency measures, which we will use to measure progress against our overall efficiency ambition. The weighting will remain at 10%.

Non-Policy Changes - LTIP

The current LTIP measures and weightings remain appropriate as key drivers of our long-term success. Therefore, changes are limited to refining the methodology and operation of 3 of the 7 measures:

Solvency II Return on Equity (Solvency II RoE)

The Solvency II RoE calculation basis will move to a total capital basis, rather than a target 180% basis. This will simplify the calculation methodology whilst continuing to provide a clear incentive for management to actively deploy excess capital. We continue to report and monitor target capital basis for in-flight LTIPs.

Relative Total Shareholder Return (rTSR)

Consistent with prior years, we continue to review the comparator group for rTSR purposes. To ensure the group represents our geographic footprint and those companies we compete with directly, we will remove AXA, Allianz and Zurich.

Our current approach provides for 20% of award value vesting when threshold performance is achieved. Market practice is mixed, with threshold vesting being set at 25% in many cases, and numerous recent examples of companies increasing their threshold vesting level. However, the Committee concluded that, aligned with our view that incentive arrangements should drive and reward strong performance, it was not appropriate to propose a change to our approach in this regard. We are though, proposing a small change to the operation of the rTSR element of the LTIP such that maximum vesting will be triggered by upper quartile performance, rather than upper quintile performance. This approach will ensure we incentivise and reward strong performance, bringing us more into line with market practice and improving the overall competitiveness of the LTIP's operation.

Customer – Relationship Net Promoter Score (RNPS)

Reflecting our strategy being centred around our customers, a customer measure with a 7.5% weighting, will be retained. In place of a standalone RNPS measure, we will introduce a Customer Scorecard that better reflects our strategic ambitions to grow our customer franchise and serve more customer needs. The measures within the scorecard will be simple in design and operation, more aligned to growth, and easier for stakeholders to understand and scrutinise. The measures will not overlap with the customer measures within the ABP, which are shorter term measures focused on the active management of customer experience and continue to work well.

Remuneration outcomes for 2023

Our remuneration outcomes reflect the continued strong performance of Aviva in 2023, as set out below.

2023 annual bonus

The formulaic outcome from the annual bonus scorecard was 70.6% of maximum (at 141.1%). The Committee carefully considered this outcome in the context of broader performance and a quality of earnings assessment, noting input from the Audit and Risk Committees, to ensure the scorecard outcome was reflective of overall performance and aligned with the experience of shareholders. The Committee determined that no adjustments were required to the formulaic bonus scorecard outcome.

In line with the Policy the Committee also considered the individual performance of the Group Chief Executive Officer (CEO) and Group Chief Financial Officer (CFO) to determine whether individual adjustments to the scorecard outcome were required.

Amanda Blanc's performance as Group CEO continues to be exceptional. Successful progression of the strategy, which Amanda set out, has resulted in Aviva pivoting to capital-light and outperforming the competition in the growth of General Insurance, Workplace, Protection and Health, alongside strategic bolt-on acquisitions. Our strategy continues to engage colleagues at record levels.

Throughout the year Amanda has also continued to strengthen the senior leadership team including three ExCo appointments.

From an external perspective, Amanda has continued to enhance Aviva's profile across multiple industry and public forums such as the Prime Minister's Business Council and the Association of British Insurers (ABI) Board.

This performance is reflected in Amanda's annual bonus for 2023 of 88.1% of maximum (at 176.1% of salary).

Charlotte Jones has demonstrated strong performance in 2023, driving the effective performance management processes across the Group that support the delivery of our financial results. Maintaining our balance sheet strength and effective capital management has enabled investment for growth and efficiency as well as delivery of regular and sustainable capital returns. Charlotte has successfully executed M&A activity and led the delivery of the transition to IFRS 17. The £300 million share buyback has been effectively executed and Charlotte has led extensive market, investor and analyst engagement. Internally, Charlotte has strengthened her leadership team and re-shaped our approach to transformation activity.

Charlotte's annual bonus for 2023 was 85.4% of maximum (at 128.1% of salary).

2021-23 LTIP

The formulaic vesting outcome was 91.8%, reflecting very strong performance against the Solvency II RoE target and maximum vesting of the rTSR element (performance exceeding upper quintile of the peer group).

Remuneration Committee report

Shareholder consultation

The Chair and EDs met with institutional shareholders during the year. Topics raised during 2023 included Aviva's dividend policy, capital returns, climate risk and progress against our strategic plan. A shareholder newsletter is published quarterly on aviva.com.

I look forward to continued constructive engagement with shareholders this year as we present our revised Policy for approval at the 2024 AGM.

Remuneration in 2024

Salary

Amanda will receive a salary increase of 3.7%. Charlotte will receive a salary increase of 3.9%.

The percentage increases for our EDs are below the overall increase in the UK salary budget of 6%.

2024 Annual Bonus and 2024-26 LTIP

For Amanda and Charlotte, the opportunities are unchanged from the awards made for the prior year.

	Annual bonus		
	Target opportunity	Maximum opportunity	LTIP opportunity
Group CEO	100%	200%	350%
Group CFO	100%	150%	225%

Opportunities are in line with the Policy.

2024 focus areas

The Committee will continue to focus on ensuring that remuneration fairly rewards, and is aligned with, business performance, particularly in the context of the changes being made to incentive measures following the review of the Policy.

In addition we will ensure that the broader colleague reward proposition remains competitive.

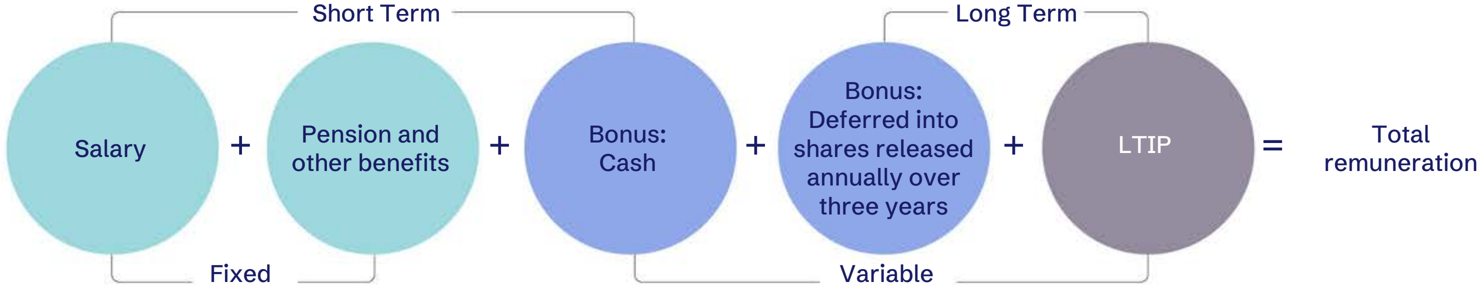
Conclusion

We have again delivered very strong results in a challenging and volatile economic environment, demonstrating the benefits of our diversified business. As a Committee, we have sought to make decisions which effectively drive and reward results, while continuing to align with UK best practice remuneration and governance expectations. I hope that this report is clear and informative and I look forward to seeing shareholders at the forthcoming AGM.

Pippa Lambert
Chair of the Remuneration Committee
6 March 2024

Remuneration at a glance

1. What are the elements of our EDs' remuneration?



2. How did we determine performance-based pay in 2023?

Component: 2023 Annual bonus

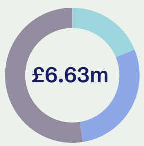
Measure	Outcome	Maximum
Cash remittances	32.7%	50%
Solvency II OFG	40.0%	
Group adjusted operating profit	13.9%	30%
Risk scorecard	19.0%	30%
Cost reduction	20.0%	
Employee engagement	10.0%	
Online experience score	5.5%	10%
Transactional Net Promoter Score (TNPS)	0.0%	10%
Total	141.1%	200%

Component: 2021-2023 LTIP

Measure	Outcome	Maximum
rTSR	45.0%	
Cumulative cash remittances	15.3%	22.5%
Solvency II RoE (adjusted for excess capital)	22.5%	
Reduction in CO_2 intensity of shareholder assets	5.0%	
Ethnically diverse employees in senior leadership roles	1.5%	2.5%
Females in senior leadership roles	2.5%	
2021 LTIP vesting outcome	91.8%	100%

3. How much did we pay our EDs in 2023?

Chief Executive Officer
Amanda Blanc



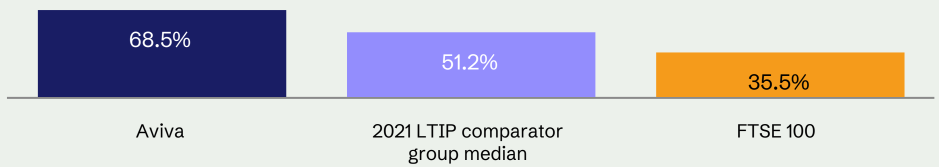
Chief Financial Officer
Charlotte Jones

Salary, pension and other benefits · Bonus · LTIP[1]

1. No LTIP vested for Charlotte Jones due to her starting in 2022 thus was not awarded a 2021 LTIP

4. Performance against our peer group and the FTSE 100 - rTSR

3 year rTSR Performance



Remuneration at a glance

5. Remuneration policy and implementation for 2024

Fixed pay

Group CEO
£1,120k (3.7% increase)

Group CFO
£735k (3.9% increase)

Pension contribution rate aligned to wider workforce (14% of basic salary)

Benefits are in line with the Policy

Annual Bonus

- Group CEO - maximum of 200% of salary
- Group CFO - maximum of 150% of salary

Operation:

1/2 paid in cash | 1/2 deferred into shares

Shares released in equal tranches after years 1, 2 and 3

1 year | 2 years | 3 years

Measures
Financial measures (70% of total):

- 25% Cash remittances
- 20% Solvency II OFG
- 15% Group adjusted operating profit
- 10% Efficiency measures

Strategic measures (30% of total):

- 15% Risk scorecard
- 5% Employee engagement
- 5% Online experience score
- 5% TNPS

LTIP

- Group CEO - maximum of 350% of salary
- Group CFO - maximum of 225% of salary

Operation:
3 year performance period followed by 2 year holding period

2024 | 2026 | 2027 | 2028 | 2029

Performance period → 2-year holding period → Released

Measures
Financial measures (80 % of total):

- 40% rTSR
- 25% Cumulative cash remittances
- 15% Solvency II RoE

Strategic measures (20% of total):

- 7.5% Reduction in weighted average carbon intensity of shareholder and with-profits credit and equity assets
- 7.5% Customer scorecard
- 2.5% Females in senior leadership roles
- 2.5% Ethnically diverse employees in senior leadership roles

Shareholding requirements

Group CEO - 300% of salary

Group CFO - 225% of salary

Post-cessation shareholding requirements apply for two years

6. How remuneration is linked to our strategy

Our strategic priorities

Our incentives are aligned to our strategic priorities as set out below

- **Growth**
- **Efficiency**
- **Customer**
- **Sustainability**

2024 Annual Bonus Plan (ABP)	Priorities	2024-2026 LTIP	Priorities
Gross cash remittances	Growth, Efficiency	rTSR	Growth
Solvency II OFG	Growth, Efficiency	Cumulative cash remittances	Growth, Efficiency
Group adjusted operating profit	Growth, Efficiency	Solvency II RoE	Growth, Efficiency
Efficiency measures	Growth, Efficiency	Reduction in weighted average carbon intensity of shareholder and with-profits credit and equity assets	Sustainability
Risk scorecard	Growth, Sustainability	Customer scorecard	Customer
TNPS	Customer	Females in senior leadership roles	Sustainability
Online experience score	Customer	Ethnically diverse employees in senior leadership roles	Sustainability
Employee engagement	Sustainability		

7. Wider workforce remuneration

Salary	Pension	Health and wellbeing
6% salary increase budget for 2024 with a higher budget targeted at more junior colleagues offset by a lower budget for senior management	**Aviva pays all UK colleagues at least the Real Living Wage, plus 8%** enabling colleagues to benefit from our 14% matching pension contribution and save for their retirement. **Living pension accreditation** achieved in March 2023	**Competitive provision for all UK colleagues** includes Digital GP services, and either full Private Medical Benefit, or access to physio support and critical illness cover (all company funded)

More detail can be found in Table 23

Directors' Remuneration Policy

The proposed Remuneration Policy for directors is set out in accordance with the requirements of the Companies Act 2006 (as amended) and the Large and Medium Sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended) and is subject to shareholder approval at the 2024 AGM on 2 May 2024. If approved, it will apply immediately, for up to three years.

The key changes between this Policy and the current Policy as approved at the 2021 AGM are detailed below and noted in the tables that follow:

- Annual bonus - The current Policy requires two-thirds of any bonus award to be deferred. To better align with market practice and ensure our approach remains competitive and fair, we are proposing to reduce the level of deferral to 50%.
- NED benefits – The proposed policy allows flexibility to introduce health assessments for our NEDs. This change follows broader wellbeing improvements that we have made for our wider workforce in the UK.

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 longer-term strategic objectives of the Group. Significant levels of deferral, and within and post-employment shareholding requirements, align EDs' interests with those of shareholders and aid retention of key personnel. As well as rewarding the achievement of objectives, variable remuneration can be zero if performance thresholds are not met. Remuneration payments to Directors can only be made if they are consistent with the approved Policy.

Table 1 provides an overview of the Policy for EDs. The Policy for NEDs is in table 3.

Table 1 Key aspects of the Policy for Executive Directors

Element		
Basic salary	**Purpose** To provide core market related pay to attract and retain the required level of talent. **Operation** Annual review, with changes normally taking effect from 1 April each year. The review is informed by: • Individual and business performance. • Levels of increase for the broader employee population. • Relevant pay data including market practice among relevant FTSE listed companies of comparable size to Aviva in terms of market capitalisation, large European and global insurers, and UK financial services companies.	**Maximum opportunity** There is no maximum increase within the Policy. However, basic salary increases take account of the average basic salary increase awarded to the broader employee population. Different levels of increase may be agreed in certain circumstances at the Committee's discretion, such as: • An increase in job scope and responsibility. • Development of the individual in the role. • A significant increase in the size, value or complexity of the Group. **Assessment of performance** Any movement in basic salary takes account of the performance of the individual and the Group. **Note:** No changes proposed over current Policy.

Directors' Remuneration Policy

Element		
Annual bonus	**Purpose** To reward EDs for achievement against the Company's strategic objectives and for demonstrating the Aviva values and behaviours. Deferral provides alignment with shareholder interests and aids retention of key personnel. **Operation** Awards are based on performance in the year. Targets are normally set annually and pay-out levels are determined by the Committee based on performance against those targets and a quality of earnings assessment and risk review. **Form and timing of payment** • 50% of any bonus is payable in cash at the end of the year. • 50% 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. **Note:** Proposed revised Policy reduces deferral from two-thirds to half to better align with competitive practice.

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, rTSR and strategic performance measures.
		The Policy provides for a minimum aggregate weighting of 80% for financial measures and rTSR 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 2024 awards the measures and weightings will be:
		• 40% rTSR
		• 25% Cumulative cash remittances
		• 15% Solvency II RoE
		• 20% Strategic measures:
		  • 7.5% Carbon intensity
		  • 7.5% Customer scorecard
		  • 2.5% Ethnicity
		  • 2.5% Gender
		Vesting at threshold
		Threshold vesting for all measures is 20%.
		Discretion
		See notes to this table.
		Note:
		No changes proposed over current Policy.

Directors' Remuneration Policy

Element		
Pension	**Purpose** To give a market competitive level of provision for post-retirement income. **Operation** EDs are eligible to participate in a defined contribution plan up to the annual limit. Any amounts above annual or lifetime limits are paid in cash.	**Maximum opportunity** If suitable employee contributions are made, the Company contributes 14% of basic salary for all EDs, aligned to the rate available to the majority of the UK workforce. **Note:** No changes proposed over current Policy.
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. **Note:** No changes proposed over current Policy.

Element		
Relocation and mobility	**Purpose** To assist with mobility across the Group to ensure the appropriate talent is available to execute strategy locally. **Operation** EDs who are relocated or reassigned from one location to another receive relevant benefits to assist them and their dependants in moving home and settling into the new location.	**Maximum opportunity** Dependent on location and family size, benefits are market related and time bound. They are not compensated for performing the role but to defray costs of a relocation or residence outside the home country. The Committee would reward no more than it judged reasonably necessary, in the light of all applicable circumstances. **Note:** No changes proposed over current Policy.
Shareholding requirements	**Purpose** To align EDs' interests with those of shareholders. **Operation** A requirement to build a shareholding in the Company equivalent to 300% of basic salary for the Group CEO and 225% for other EDs. This shareholding is normally to be built up over a period not exceeding five years (subject to the Committee's discretion where personal circumstances dictate).	Post-cessation shareholding requirements also apply to EDs being the lower of 300% of basic salary for the Group CEO and 225% for other EDs, or the holding on termination of employment, for two years post-cessation. **Note:** No changes proposed over current Policy.

Directors' Remuneration Policy

Notes to the table:

Performance measures

For the annual bonus, performance measures are chosen to align to the Group's key performance indicators and include financial, strategic, risk, employee and customer measures. Achievement against individual strategic objectives is also taken into account.

LTIP performance measures are chosen to provide an indication of both absolute and relative return generated for shareholders. In terms of target setting, a number of reference points are taken into account each year including, but not limited to, the Group's business plan and external market expectations of the Company. Maximum payouts require performance that significantly exceeds expected performance under both the annual bonus and the LTIP.

Quality of earnings assessments

Throughout the year, the Committee engages in a regular quality of earnings assessment. A quality of earnings assessment sign-off is the final step in determining annual bonus scorecard outcomes, and is performed before vesting is determined against financial measures under the LTIP.

As a minimum, at any Committee meeting where LTIP vesting or annual bonus scorecard decisions are considered, the Financial Controller or equivalent 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 Financial Controller or equivalent 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 strategic measure used to determine the outcome of variable pay, or any other error or material misstatement that results in overpayment to employees;
- Any circumstances determined by the Board that mean the underlying financial health of the Group or member of the Group has significantly deteriorated, resulting in severe financial constraints which preclude or limit the ability to fund variable pay; and
- Any other circumstance required by local regulatory obligations or that, in the Board's opinion, justifies the reduction or repayment of variable pay.

The clawback period runs for two years from the date of payment in the case of the cash element of any annual bonus award.

For deferred bonus elements and LTIP awards, the overall malus and clawback period is five years from the date of grant.

Discretions

The discretions the Committee has in relation to the operation of the ABP and LTIP are set out in the plan rules. In relation to the outcomes under these plans, the Committee has unfettered discretion to adjust upward or downward (including to nil) the mechanical outcome where it considers that:

- The outcome does not reflect the underlying financial or strategic 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.

Directors' Remuneration Policy

Other discretions include, but are not limited to, the ability to set additional conditions and the discretion to change or waive those conditions. Such discretions would only be applied in exceptional circumstances, to ensure that awards properly reflect underlying business performance. Any use of the discretions and how they were exercised will be disclosed, where relevant, in the DRR and, where appropriate, be subject to consultation with Aviva's shareholders.

Change in control

In the event of a change in control, unless a new award is granted in exchange for an existing award, or if there is a significant corporate event like a demerger, awards under the LTIP would normally vest to the extent that the performance conditions have been satisfied as at the date of the change in control, and unless the Committee decides otherwise, would be pro-rated to reflect the time between the date of grant and the change in control event. Awards under the ABP would normally vest on the date of the change in control and may vest if there is a significant corporate event.

Consistency of executive Policy across the Group

The Policy for our EDs is designed as part of the remuneration philosophy and principles that underpin remuneration for the wider Group. Remuneration arrangements for colleagues 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 colleagues 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.

Directors' Remuneration Policy

Buyout awards would be awarded on a 'like for like' basis compared to remuneration being forfeited, and would be capped to reflect the value being forfeited. The Committee considers that a buyout award is a significant investment in human capital by Aviva, and any buyout decision will involve careful consideration of the contribution that is expected from the individual.

The maximum level of variable pay which could be awarded to a new ED, excluding any buyouts, would be in line with the Policy set out above and would therefore be no more than 550% of basic salary for the Group CEO (200% of basic salary annual bonus opportunity and 350% of basic salary as the face value of a LTIP grant) and 500% of basic salary for other EDs (150% of basic salary annual bonus opportunity and 350% of basic salary as the face value of a LTIP grant).

All other elements of remuneration will also be in line with the Policy set out above.

Should the Company have any prior commitments outside of this Policy in respect of an employee promoted internally to an ED position, the Committee may continue to honour these for a period of time. Where an ED is appointed from within the organisation, the normal policy of the Company is that any legacy arrangements would be honoured in line with the original terms and conditions. Similarly, if an ED is appointed following Aviva's acquisition of, or merger with, another company, legacy terms and conditions may be honoured.

On appointing a new NED, the Committee would align the remuneration package with the Policy for NEDs, outlined in table 3, including fees and travel benefits.

Directors' Remuneration Policy

Illustration of the Policy

The charts below illustrate how much EDs could earn under different performance scenarios in one financial year:

- **Minimum** – basic salary, pension or cash in lieu of pension and benefits, no bonus and no vesting of the LTIP.

- **Target** – basic salary, pension or cash in lieu of pension, benefits, and:
  - A bonus of 100% and a LTIP of 350% of basic salary (with notional LTIP vesting at 50% of maximum) for the Group CEO.
  - A bonus of 100% and a LTIP of 225% of basic salary (with notional LTIP vesting at 50% of maximum) for the Group CFO.

- **Maximum** – basic salary, pension or cash in lieu of pension, benefits, and:
  - A bonus of 200% and a LTIP of 350% of basic salary (with notional LTIP vesting at maximum) for the Group CEO.
  - A bonus of 150% and a LTIP of 225% of basic salary (with notional LTIP vesting at maximum) for the Group CFO.

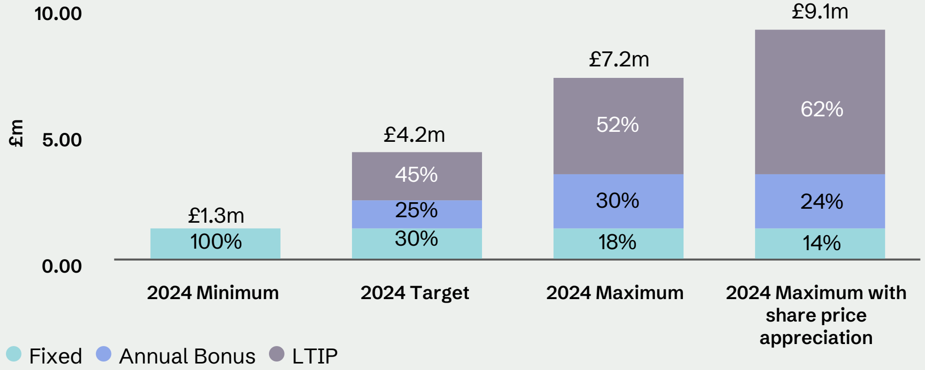
- **Maximum with share price appreciation** – indicative maximum remuneration, assuming a notional LTIP vesting at maximum and share price appreciation of 50% on the LTIP.

Employment contracts and letters of appointment

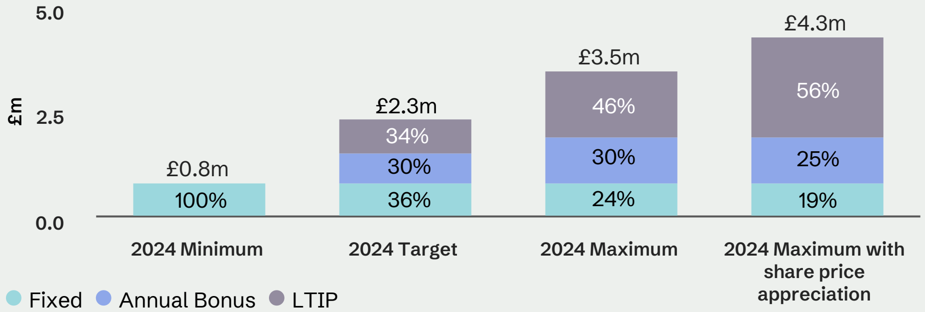
ED employment contracts and NED letters of appointment are available for inspection at the Company's registered office during normal hours of business, and at the place of the Company's 2024 AGM on 2 May 2024 from 10.15am until the close of the meeting.

The key employment terms and conditions of the current EDs, and those who served during the year, as stipulated in their employment contracts, are set out in the table below.

Potential earnings by pay element - Amanda Blanc



Potential earnings by pay element - Charlotte Jones



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 5, and estimated value of benefits provided under the Policy, excluding any one-offs. Actual figures may vary in future years.
3. The value of the deferred element of the annual bonus assumes a constant share price and does not include additional shares awarded in lieu of dividends that may accrue during the vesting period
4. The value of the LTIP assumes a constant share price (with the exception of the maximum with share price increase scenario) and does not include additional shares awarded in lieu of dividends that may accrue during the vesting period
5. The LTIP is as proposed to be awarded in 2024, which would vest in 2027, subject to the satisfaction of performance conditions. The shares would then be subject to a further two-year holding period.

Directors' Remuneration Policy

Table 2 Executive Directors' key conditions of employment

Provision	Policy	
Notice period **By the ED** **By the Company**	6 months. 12 months, rolling. No notice or payment in lieu of notice to be paid where the Company terminates for cause.	
Termination payment	Pay in lieu of notice up to a maximum of 12 months' basic salary. Any payment is subject to phasing and mitigation requirements. An ED would be expected to mitigate the loss of office by seeking alternative employment. Any payments in lieu of notice would be reduced, potentially to zero, by any salary received from such employment.	
Remuneration and benefits	The operation of the annual bonus and LTIP is at the Company's discretion.	
Expenses	Reimbursement of expenses reasonably incurred in accordance with their duties.	
Holiday entitlement	30 working days plus public holidays.	
Private medical insurance	Private medical insurance is provided for the ED and their family. The ED can choose to opt out of this benefit or take a lower level of cover. However, no payments are made in lieu of reduced or no cover.	
Other benefits	Other benefits include participation in the Company's staff pension scheme, life insurance and, where applicable, access to a Company car and driver for business related use.	
Sickness	100% of salary for the first 52 weeks and up to £150,000 per annum for a further 5 years.	
Non-compete	During employment and for nine months after leaving (less any period of garden leave) without the prior written consent of the Company.	
Contract dates	**Director** Amanda Blanc Charlotte Jones	**Date current contract commenced** 6 July 2020 5 September 2022

Policy on payment for loss of office

There are no pre-determined ED special provisions for compensation for loss of office. The Committee has the ability to exercise its discretion on the final amount actually paid. Any compensation would be based on basic salary, pension entitlement and other contractual benefits during the notice period, or a payment made in lieu of notice, depending on whether the notice is worked.

Where notice of termination of a contract is given, payments to the ED would continue for the period worked during the notice period. Alternatively, the contract may be terminated, and phased monthly payments made in lieu of notice for, or for the balance of, the 12 months' notice period. During this period, EDs would be expected to mitigate their loss by seeking alternative employment. Payments in lieu of notice would be reduced by the salary received from any alternative employment, potentially to zero. The Company would typically make a reasonable contribution towards an ED's legal fees in connection with advice on the terms of their departure.

There is no automatic entitlement to an annual bonus for the year in which loss of office occurs. The Committee may determine that an ED may receive a pro rata bonus in respect of the period of employment during the year loss of office occurs based on an assessment of performance. Where an ED leaves the Company by reason of death, disability or ill health, or any other reason determined by the Committee, there may be a payment of a pro rata bonus for the relevant year at the discretion of the Committee.

The treatment of leavers under the ABP and LTIP is determined by the rules of the relevant plans. Good leaver status under these plans would be granted in the event of, for example, the death of an ED. Good leaver status for other leaving reasons is at the discretion of the Committee, taking into account the circumstances of the individual's departure, but would typically include planned retirement, or their departure on ill health grounds.

In circumstances where good leaver status has been granted, awards may still be subject to malus and clawback in the event that inappropriate conduct of the ED is subsequently discovered post departure, and retirees are subject to post-activity restrictions which allow the Committee to reduce or recover awards if certain employment is taken elsewhere. If good leaver status is not granted, all outstanding awards will lapse.

In the case of LTIP awards, where the Committee determines an ED to be a good leaver, vesting is normally based on the extent to which performance conditions have been met at the end of the relevant performance period, and the proportion of the award that vests is pro-rated for the time from the date of grant to final date of service (unless the Committee decides otherwise). Any decision not to apply this would only be made in exceptional circumstances and would be fully disclosed. It is not the practice to allow such treatment.

Directors' Remuneration Policy

Consideration of wider employee pay and shareholder views

When determining the Policy and arrangements for our EDs, the Committee considers:

- Pay and employment conditions elsewhere in the Group to ensure that pay structures are suitably aligned and that levels of remuneration remain appropriate. The Committee reviews levels of basic salary increases for other employees and executives based on their respective locations. It reviews changes in overall bonus pool funding and long-term incentive grants. The Committee considers feedback on pay matters from sources including the employee opinion survey and employee forums. The Committee also takes into account information provided by the people function and external advisers and the Committee Chair has in place a programme of consultation and meetings with employee forums including trade unions, Your Forum and the Evolution Council to discuss remuneration.
- In its ongoing dialogue with shareholders, the Committee seeks shareholder views and takes them into account when any significant changes are being proposed to remuneration arrangements and when formulating and implementing the Policy. For example, there was detailed engagement with our largest shareholders regarding the proposed Policy during 2023.

Non-Executive Directors

The table below sets out details of our Policy for NEDs.

Table 3 Key aspects of the Policy for Non-Executive Directors

Element		
Chair and NEDs' fees	**Purpose** To attract individuals with the required range of skills and experience to serve as a Chair or as a NED. **Operation** NEDs receive a basic annual fee in respect of their Board duties. Further fees are paid for membership and, where appropriate, chairing Board committees. The Chair receives a fixed annual fee. Fees are reviewed annually taking into account market data and trends and the scope of specific Board duties. NEDs are able to use up to 100 % 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. NEDs may be provided with benefits, if deemed appropriate including health and wellbeing benefits.	**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. **Note:** Proposed revised Policy includes addition of health and wellbeing benefits.
Chair's travel benefits	**Purpose** To provide the Chair with suitable travel arrangements for them to discharge their duties effectively.	The Chair has access to a company car and driver for business use. Where these are deemed a taxable benefit, the tax is paid by the Company.

Directors' Remuneration Policy

Element		
NED travel and accommodation	**Purpose** To reimburse NEDs for appropriate business travel and accommodation, including attending Board and committee meetings.	**Operation** Reasonable costs of travel and accommodation for business purposes are reimbursed to NEDs. On the limited occasions when it is appropriate for a NED's spouse or partner to attend, such as a business event, the Company will meet these costs. The Company will meet any tax liabilities that may arise on such expenses.

The NEDs, including the Chair of the Company, have letters of appointment which set out their duties and responsibilities. The key terms of the appointments are set out in the table below.

Table 4 Non-Executive Directors' key terms of appointment

Provision	Policy
Period	In line with the requirement of the Code, all NEDs, including the Chair, are subject to annual re-election by shareholders at each AGM.
Termination	By the director or the Company at their discretion without compensation upon giving one month's written notice for NEDs and three months written notice for the Chair of the Company.
Fees	As set out in table 22.
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 responsibilities effectively.

Director	Appointment date[1]	Appointment end date[2]	Committee				
George Culmer	25 September 2019	AGM 2024	C				
Andrea Blance	21 February 2022	AGM 2024	●	●	C		●
Mike Craston	17 May 2022	AGM 2024	●			●	
Patrick Flynn	16 July 2019	AGM 2024	●	C	●		●
Shonaid Jemmett-Page	20 December 2021	AGM 2024	●	●	●	C	
Mohit Joshi	1 December 2020	AGM 2024	●		●		
Pippa Lambert	1 January 2021	AGM 2024	●			●	C
Jim McConville	1 December 2020	AGM 2024	●	●	●	●	●
Michael Mire	12 September 2013	AGM 2024	●			●	
Martin Strobel	22 October 2021	AGM 2024	●	●	●		

1. The dates shown reflect the date the individual was appointed to the Aviva plc Board
2. All appointment end dates are the 2024 AGM, in accordance with the NEDs' letters of appointment

Committee membership key

- Nomination and Governance Committee
- Audit Committee
- Risk Committee
- Customer and Sustainability Committee
- Remuneration Committee
- C Chair

Annual report on remuneration

This section of the report sets out how Aviva has implemented its Policy during 2023.

This is in accordance with the requirements of the Large & Medium Sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended).

Committee membership

The members of the Committee during the year are shown below.

	Appointed	Years on the Committee
Pippa Lambert[1]	1 January 2021	3
Patrick Flynn	15 June 2020	4
Andrea Blance	21 February 2022	2
Jim McConville	1 February 2023	1

1. Became Chair of the Committee on 14 September 2021

The Committee met seven times during 2023, all of which were scheduled meetings. Details of Committee members' experience, qualifications and attendance at Committee meetings during the year are shown in the 'Our Board of Directors' section of the Governance report.

The Group Chair attended all meetings of the Committee. The Group General Counsel and Company Secretary acted as secretary to the Committee. The Chair of the Committee reported to subsequent meetings of the Board on the Committee's work and the Board received a copy of the minutes of each Committee meeting.

During the year, the Committee received assistance in considering executive remuneration from a number of senior managers, who attended certain meetings (or parts thereof) by invitation during the year, including:

- the Group CEO;
- the Group Chief People Officer;
- the Group Reward and Performance Director;
- the Chief Financial Controller;
- the Group Financial Planning Director;
- the Chief Audit Officer; and
- the Group Chief Risk Officer.

No person was present during any discussion relating to their own remuneration.

During the year, the Committee received advice on executive remuneration matters from Deloitte LLP. Deloitte LLP were approved by the Committee and appointed as their advisers in 2012 following a competitive tender process. The Committee regularly reviews and satisfies itself that the advice received from Deloitte LLP is independent and objective.

The Committee notes Deloitte LLP is a member of the Remuneration Consultants Group and adheres to its Code of Conduct. During the year, Deloitte LLP also provided advice to the Group on various taxation, risk, compliance and other consulting advisory services.

Tapestry Compliance Limited, appointed by the Company, provided legal and regulatory advice on share incentive plan related matters, including on senior executive remuneration matters and views on shareholder perspectives.

During the year, Deloitte LLP were paid fees totalling £208,300 and Tapestry Compliance Limited were paid fees totalling £46,292 for their advice to the Committee on these matters. Fees were charged on a time plus expenses basis.

Annual report on remuneration

The Committee reflects on the quality of the advice provided and whether it properly addresses the issues under consideration as part of its normal deliberations. The Committee is satisfied that the advice received during the year was objective and independent.

Committee effectiveness review

The Committee undertakes a review of its effectiveness annually as part of the Board Evaluation. More information can be found in the Our approach to governance section of the Governance report.

Committee activities during 2023

Governance, regulatory issues and reporting policy

- Reviewed and developed a new proposed Policy to be put forward for shareholder approval at the 2024 AGM, taking into account the views of shareholders.
- Reviewed updates from external advisers on the regulatory environment and on benchmarking the Group's remuneration policies and practices against industry best practice.
- Reviewed and approved the Company's annual remuneration regulatory reporting and disclosures.
- Reviewed and approved the Reward Governance Framework Policies.
- Approved the list of in scope staff in respect of the different regulatory regimes to which the Company is subject.

Senior management objectives, pay decisions and bonus and LTIP target setting

- Discussed and approved the annual bonus targets for 2024.
- Reviewed and approved the proposed individual remuneration for each member of the ExCo in relation to their performance.
- Agreed an appropriate approach to remuneration packages for incoming and outgoing ExCo members in line with policy.
- Reviewed wider workforce pay and employment terms and conditions.
- Concluded its review of 2023 performance:
  - Reviewed the Risk and Internal Audit 2022 Performance Opinion in relation to remuneration.
  - Discussed and approved the overall maximum bonus pool available to senior managers for the 2022 performance year, taking into account measures on customer, culture and risk as well as on financial performance.

Share plan operation and performance testing

- Reviewed performance testing of all existing LTIP awards, approved targets for future LTIP awards.
- Approved vesting outcomes for the 2020 LTIP and noted the interim testing for the 2021, 2022 and 2023 awards.
- Reviewed and approved any application of malus and clawback.
- Approved the terms of the SAYE, the Aviva Ireland Save as You Earn Scheme, the Ireland Profit Share Scheme, and the invitation terms for eligible employees.

The Committee's decisions were taken in the context of the Reward Governance Framework, which sets out the key policies, guidelines and internal controls and is summarised on the next page.

Annual report on remuneration

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		
	Subsidiary board remuneration committee terms of reference Sets out the subsidiary remuneration committees' scopes and responsibilities		
✓ **Overarching policy**	**Aviva Remuneration Policy** Approved by the Committee, applies to all employees in entities within Aviva Group	**Directors' Remuneration Policy** Approved by shareholders, applies to directors of Aviva Group plc	
✓ **Supporting policies**	**Identification of remuneration regulated employees**	**Variable pay and risk adjustment** (includes bonus, LTIPs, buyout, retention, recognition awards and funding)	**Malus and clawback**
Internal guidelines and non-Remuneration Committee approved policies (examples)	Benchmarking	Bonus deferral	Buyouts and guarantees
	Global mobility	Retention awards	Specialist incentive schemes

Control and assurance

✓ **Remuneration business standard** Assurance framework to attest reward operations are conducted within the Aviva Remuneration Policy, Directors' Remuneration Policy and supporting policies	✓ **Reward approvals framework** Approval requirements to ensure Reward operations are conducted within the Aviva Remuneration Policy, Directors' Remuneration Policy and supporting policies

Key

✓ Element of the Reward Governance Framework managed as part of the business of the Committee

Element of the Reward Governance Framework managed mainly under delegated authority from the Committee

Annual report on remuneration

Alignment with the UK Corporate Governance Code

The Committee is mindful of the UK Corporate Governance Code's six principles when it determines remuneration policy. The Committee's view is that the Remuneration Framework at Aviva is well-aligned with these areas.

Clarity

- Our remuneration framework is structured to support the financial and strategic objectives of the Company, aligning the interests of our EDs with those of shareholders and wider stakeholders.
- We are committed to transparent communication with all our stakeholders, including shareholders – further details of our engagement process for the Policy are set out under the consideration of wider colleague pay and shareholder views section.

Risk

Our reward structure ensures risk events are reflected in remuneration outcomes through:

- Opinion from Risk on appropriate performance measures and targets; risk, performance management and consequence management inputs are considered before awards are made.
- Overarching discretion is retained to adjust formulaic outcomes to properly reflect any risk events.
- Deferral of annual bonus (over three years) and LTIP (five years, including an additional two-year holding period for EDs), subject to malus and clawback provisions which mitigates against future risk.
- Our within- and post-employment shareholding guidelines align to the successful delivery of the company's long-term strategy.

Simplicity

- We operate a simple remuneration framework, comprising fixed pay elements, along with short- and long-term variable elements.
- This structure provides clear line of sight for both executives and shareholders.
- The annual bonus and LTIP are focused on our strategic priorities, rewarding performance against key measures of success for the business.

Proportionality

- There is clear alignment between the performance of the 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

- 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.

Alignment to culture

- We are committed to effective stakeholder and colleague engagement.
- As part of this, the Committee regularly reviews data and insights relating to pay and broader employment conditions in the workforce, and takes these into account when considering executive remuneration.

Annual report on remuneration

Views

Shareholders

In its ongoing dialogue with shareholders and proxy advisory bodies, the Committee actively seeks their views, ensuring that feedback received is discussed at Committee meetings and ultimately feeds into the development of new proposals. We consulted with major shareholders and their representatives during 2023 in preparation for presenting our Policy to shareholders at the 2024 AGM.

Our colleagues

The Committee has sight of colleague views through the colleague engagement survey (Voice of Aviva), input from the People function during Committee meetings, colleague forums and the Evolution Council, chaired by the Board Chair. Specifically for the last two channels:

- The Committee Chair met with Your Forum (a fully elected employee forum representing UK colleagues) and members of Unite the Union in April 2023. Discussion included matters of interest to colleagues and members covering areas such as Smart Working, Recruitment and Retention, the Company's ongoing response to the cost of living challenges as well as our sustainability goals and strategy for the future.
- The Evolution Council consists of a diverse group of high calibre leaders from across the business who discuss a range of topics related to the Group strategy, values, culture and performance.

When determining the Policy and arrangements for EDs, the Committee also reviews:

- Pay and employment conditions elsewhere in the Group to ensure reward structures are suitably aligned and that levels of remuneration remain appropriate, as set out below table 16. Other considerations include:
  - Changes in remuneration (salary, benefits and bonus) of UK colleagues compared with that of directors (see table 12).
  - The ratio of CEO pay to that of colleagues (see tables 15 and 16).
  - Gender and ethnicity pay gaps. We released our UK Pay Gap Report 2023 in February 2024. This was the seventh year that we published our gender pay gap and the second time we published our ethnicity pay gap. The report also included details of actions we are taking to drive change and close the gap. The report can be found at www.aviva.com/about-us/uk-pay-gap-report.
  - Any material changes to benefit and pension provision for colleagues more widely.

Single total figures of remuneration for 2023

The table below sets out the total remuneration for 2023 and 2022 for each of our EDs.

Table 5 Total 2023 remuneration – Executive Directors (audited information)

	Executive Directors				Total emoluments of Executive Directors	
	Amanda Blanc		Charlotte Jones[6]			
	2023 £000	2022 £000	**2023 £000**	2022 £000	**2023 £000**	2022 £000
Basic salary[1]	**1,068**	1,023	**699**	220	**1,767**	1,242
Benefits[2]	**48**	59	**18**	2	**66**	61
Pension[3]	**131**	125	**86**	27	**217**	152
Total fixed pay	**1,247**	1,206	**804**	249	**2,051**	1,455
Annual bonus[4]	**1,902**	2,001	**906**	283	**2,808**	2,284
LTIP[5]	**3,479**	2,242	**—**	—	**3,479**	2,242
Total variable pay	**5,381**	4,243	**906**	283	**6,287**	4,526
Total[7]	**6,628**	5,449	**1,710**	532	**8,338**	5,981

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.
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 Charlotte received cash payments equivalent to a pension contribution of 14%, reduced for the effect of employers' National Insurance contributions when paid as cash. No ED has a prospective entitlement to benefit in a defined benefit scheme.
4. Bonus payable in respect of the financial year including any deferred element at the face value at the date of award. EDs are required to defer two-thirds of any bonus awarded in 2022 and 2023 into Aviva shares. The deferred share element is granted under the ABP and will vest in equal tranches on the first, second and third anniversary of the award date, subject to continued employment.
5. The value of the LTIP awards for 2023 relate to the 2021 award, which had a three-year performance period ending 31 December 2023. 91.8% of the award will vest in March 2024 and is the first full year of LTIP vesting Amanda is receiving (2020 award that vested in 2023 was prorated for service in 2020 and there was a 10% downward adjustment to reflect potential windfall gains). An assumed share price of 413.49 pence has been used to determine the value of the award based on the average share price over the final quarter of the 2023 financial year. The amount of the value of the LTIP that is attributable to share price appreciation (the appreciation being the difference between the face value at the date of award and the vested value of the award) is £156k. The LTIP amounts shown in last year's report in respect of the LTIPs awarded in 2020 were calculated with an assumed vesting share price of 429.65 pence. The actual share price at vesting was 416.00 pence, and the table has been updated to reflect this change. The estimated value of the award was £2,315k; the actual value was £2,242k (decrease of £73k).
6. Charlotte Jones was appointed as Group CFO on 5 September 2022; the figures for 2022 reflect the period since her appointment. Year-on-year increase in total fixed pay is primarily due to 2022 figures only reflecting part-year remuneration. The 2023 nil LTIP amount reflects the fact that Charlotte was not employed by Aviva at the time the LTIP was awarded in 2021.
7. The EDs have not received any items in the nature of remuneration other than those disclosed in table 5. Due to rounding the totals above may be higher than the sum of individual elements.

Annual report on remuneration

2023 Annual bonus outcomes

The chart below summarises how our annual bonus[1] operated for 2023.

Step I

Financial measures:
- **25% Cash remittances**
- **20% Solvency II OFG**
- **15% Group adjusted operating profit**
- **10% Cost reduction**

Performance against financial measures subject to a quality of earnings assessment.

Strategic measures:
- **15% Risk scorecard**
- **5% Employee engagement**
- **5% Online experience score**
- **5% TNPS**

Performance is assessed against defined minimum, target and maximum targets

Step II - Individual performance

The bonus scorecard outcome from step I may then be modified based on:

- Individual contribution and achievements;
- Individual contribution in driving progress against Group strategic objectives;
- The leadership they have exhibited; and
- How the individual has demonstrated Aviva's values.

Individual adjustments are not determined in a formulaic manner. The Committee reviews overall performance against each individual's objectives and applies judgement as to whether any adjustment is warranted. In recent years adjustments have ranged from -17.5% to +35%.

1. This approach also used as the basis for determining bonuses for colleagues across the Group. For Aviva Investors, bonus funding is primarily based on profitability.

Step I - Bonus scorecard

The table below sets out performance against financial and strategic measures under the bonus scorecard. The overall scorecard outcome percentage applies to all EDs.

Table 6 2023 performance against bonus scorecard for Executive Directors' bonuses (audited information)

Measure	Weighting	Minimum (50%)	Target (100%)	Maximum (200%)	Actual	Outcome
Financial measures (70% of total)						
Cash remittances	25.0%	£1,820m	£1,875m	£1,930m	£1,892m	32.7%
Solvency II OFG	20.0%	£1,335m	£1,445m	£1,555m	£1,729m	40.0%
Group adjusted operating profit	15.0%	£1,340m	£1,490m	£1,640m	£1,467m	13.9%
Cost reduction[1]	10.0%	£700m	£725m	£750m	£757m	20.0%
Total financial measures	70.0%					106.6%
Strategic measures (30% of total)						
Risk scorecard[2]	15.0%	7.5%	15.0%	30.0%	19.0%	19.0%
Employee engagement	5.0%	79.0%	82.0%	87.0%	88.0%	10.0%
Online experience score	5.0%	54.0%	57.0%	60.0%	57.3%	5.5%
TNPS	5.0%	39.0	42.0	45.0	36.3	0.0%
Total strategic measures	30.0%					34.5%
Scorecard outcome	100.0%					141.1%

1. Cumulative gross of inflation savings versus 2018 baseline
2. The risk scorecard objectively assesses and reports on how effectively first line Aviva employees and senior management manage risk and controls. The risk scorecard considered risk behaviours, outcomes and a second line check and challenge. The Group outturn rating reflects ongoing progress with strengthening the risk and control environment and desired risk culture throughout Aviva.

Annual report on remuneration

Step II – Individual performance

The Committee assessed Amanda and Charlotte on their individual performance in the year which is set out below.

Amanda Blanc

Amanda's exceptional leadership has delivered another strong year for Aviva.
Key achievements include:

- A strong set of financial results with 12% growth in Solvency II OFG, 9% growth in Group adjusted operating profit, £1.9 billion of cash remittances and delivery of in excess of £750 million expense savings one year earlier than planned.
- Successfully progressing the strategy of pivoting Aviva to capital-light; this includes outperforming the competition in the growth of General Insurance, Workplace, Protection and Health, as well as the acquisitions of AIG's UK protection business (subject to regulatory approvals) and Optiom in Canada.
- £300 million share buyback – bringing the return to shareholders, including dividends, over the last three years to £9 billion and upgraded forward dividend guidance announced in March 2023.
- Announcing the divestment of Aviva's Singapore business realising c.£930 million of total consideration.
- Working with industry, government, and regulators to shape relevant legislation - for example Solvency II and the Mansion House Compact.
- Phase 1 of implementation of New Consumer Duty deadline met for active products with minimal disruption to customers and to operations.
- Employee engagement at an all-time high of 88% and 7% above Financial Services (FS) norms[1]. Colleagues feeling motivated by the strategy up 9% across the Group. Aviva also achieved Great Place to Work accreditation.
- Continued strengthening of the senior leadership team through the appointment of James Hillman as Group Chief Risk Officer, Tracy Garrad as CEO Aviva Canada and Jason Storah as CEO of UK&I General Insurance.
- Successfully negotiated new long-term contracts with two strategic partners in Insurance, Wealth & Retirement (IWR) delivering material benefits for customers and shareholders.
- Substantial progress in foundations for customer digital journeys including Direct Wealth app, Health Quote & Buy journey and a step change in self-serve for Pension customers.
- Implementation of IFRS 17 – performing well against peers.
- Continued to represent Aviva through external activity. Participation in a number of industry and public forums such as the Prime Minister's Business Council and the ABI Board. Voted City AM Personality of the Year, also received The Insurance Times Industry Achiever Award and Insurance Post's BIA Achievement Award.

1. FS norms are provided by Perceptyx. The benchmark is composed of 53 global financial services organisations.

Charlotte Jones

Charlotte and the finance function supported Aviva well in a strong year.
Key achievements include:

- Supported the delivery of strong financial results while maintaining resilient balance sheet strength and effective capital management to enable investment for growth and efficiency in the business and deliver on regular and sustainable capital return.
- Driven strong effective performance management processes across the Group, ensuring Aviva exceeded the external financial targets relating to Solvency II OFG and cash remittances and exceeded the £750 million expense saving target one year earlier than planned.
- Led the delivery of the transition to IFRS 17 and communication to the market.
- Ensured execution and delivery of £300 million share buyback, updated external dividend guidance, successfully completed debt consent process and raised £500 million sub-debt at optimal rates.
- Successfully executing merger and acquisition activity including announcing the disposal of Singapore and the acquisitions of Optiom in Canada and AIG's UK protection business (subject to customary closing conditions and regulatory approvals).
- Led extensive market, investor and analyst engagement, including one to one meetings, roadshows, external conferences and leading the Personal Lines Business In Focus market presentation.
- Strengthened the Finance Leadership Team with a number of key appointments critical to both the future success of Finance and the wider business.
- Reshaped approach to Group Transformation activity with new leadership and more effective oversight across the Group.

Annual report on remuneration

The Committee considered that in light of Amanda and Charlotte's performance during the year, it was appropriate to apply an individual adjustment of 35% to Amanda's bonus outcome and 15% to Charlotte's bonus outcome.

Table 7 2023 bonus outcomes for Executive Directors (audited information)[1]

	Amanda Blanc	Charlotte Jones
Bonus scorecard (0% – 200%)	141.1%	141.1%
Committee discretion	0.0%	0.0%
Sub total		
Individual adjustment	35.0%	15.0%
Final outcome	**176.1%**	**156.1%**
Target opportunity (% of salary)	100.0%	100.0%
Maximum opportunity for 2023 (% of salary)[1]	200.0%	150.0%
Final bonus outcomes		
% of salary[2]	176.1%	128.1%
% of maximum	88.1%	85.4%
£ amount	£1,901,880	£905,954

1. The Group CEO has a maximum bonus opportunity, inclusive of any individual adjustment, of two times target (i.e. 200% of salary) while the Group CFO has a maximum opportunity, inclusive of any individual adjustment, of one and a half times target (150% of salary)
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 percentage of salary, is on a '1% for 1%' basis for the Group CEO and on a '2% for 1%' basis for other EDs; e.g. a final outcome of 140% would result in a bonus of 140% of salary for the Group CEO and 120% of salary for other EDs. When below 100%, scaling is '1% for 1%', such that a final outcome of 80% would result in a bonus of 80% of salary for all EDs, including the Group CEO.

Discretion

The Committee is conscious of the provisions of the 2018 Code, with remuneration committees being encouraged to review incentive outcomes (ABP and LTIP) against individual and company performance, together with any wider circumstances, and to exercise independent judgement and discretion in relation to remuneration outcomes. Taking into account the impact of the outcome of the quality of earnings assessment (see next page), 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.

2021 LTIP vesting in respect of performance period 2021-2023

The outcomes for the 2021 LTIP are detailed in the table below.

Table 8 2021 LTIP award – performance conditions (audited information)

Measure		Threshold (20% vest)[1]	Maximum (100% of vest)	Vesting (% of maximum)
rTSR[2] - 45%		Median	Upper Quintile	
	Aviva performance		Upper Quintile	45.0%
Cumulative cash remittances[3] - 22.5%		£5.1bn	£5.6bn	
	Aviva performance	£5.4bn		15.3%
Solvency II RoE (adjusted for excess capital)[3] - 22.5%		10%	12%	
	Aviva performance		14.9%	22.5%
Reduction in CO_2 intensity of shareholders' assets[4] - 5%		10%	15%	
	Aviva performance		54.5%	5.0%
Ethnically diverse employees in senior leadership roles[5] - 2.5%		7.5%	12.5%	
	Aviva performance	10.0%		1.5%
Females in senior leadership roles[6] - 2.5%		36%	40%	
	Aviva performance		40.6%	2.5%
Final outcome				**91.8%**

1. Threshold vesting is 20% for each performance measure independently
2. Aviva's rTSR performance was 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 rTSR performance condition was the three years beginning 1 January 2021. For the purposes of measuring the rTSR performance condition, the Company's TSR and that of the comparator group is based on the 90-day average TSR for the period immediately preceding the start and end of the performance period.
3. 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 (range: 160% to 180%)
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. A 54.5% reduction in the CO_2 intensity of shareholder credit and equities has been achieved in 2023 from our 31 December 2020 baseline with delivery underpinned by the embedding of carbon intensity into our investment strategy, including the implementation of our coal exclusions policy and divestments, stewardship actions and ongoing emission reduction activities.
5. Percentage of colleagues in senior leadership roles in the UK who identify their ethnicity as anything other than 'white'
6. Percentage of colleagues in senior leadership roles in the UK, Ireland, Canada who identify as female

Amanda was granted 759,493 conditional shares under the LTIP on 27 May 2021 for the three-year performance period from 1 January 2021 to 31 December 2023. An additional 157,044 shares have accrued as dividend equivalents.

On a formulaic basis, the 2021 LTIP award vested at 91.8% of maximum. The outcome reflects very strong performance across the measures.

Annual report on remuneration

Quality of earnings assessment – 2023 remuneration decisions

The Committee discussed those items that impacted the overall results in 2023 e.g. foreign exchange, acquisitions and disposals, life assumption and modelling changes, prior year reserve development, and other items that are non-recurring in nature. This process provides the Committee with an understanding of the core profitability of the business taking these factors into account.

Malus and clawback

As part of the annual pay review process, the Committee has considered whether any recovery or withholding under the malus and clawback provisions of Aviva's incentive plans is required by any current circumstances.

No incidents concerning the EDs are currently subject to action under Aviva's Malus and Clawback policy (2022: No incidents).

Share awards granted to EDs during the year are set out below.

Table 9 Awards granted during the year (audited information)

	Date of award	Award type[1]	Face value (% of basic salary)[2]	Face value (£)[2]	Threshold performance (% of face value)[3]	Maximum performance (% of face value)	End of performance period	End of vesting/ holding period
Amanda Blanc	20 Mar 2023	LTIP	350%	£3,605,000	20%	100%	31 Dec 2025	20 Mar 2028
	20 Mar 2023	ABP	130%	£1,334,190	N/A	N/A	N/A	20 Mar 2026
Charlotte Jones	20 Mar 2023	LTIP	225%	£1,518,997	20%	100%	31 Dec 2025	20 Mar 2028
	20 Mar 2023	ABP	28%	£188,610	N/A	N/A	N/A	20 Mar 2026

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 2022 bonus, which is deferred into shares and vests in three equal annual tranches. Shares issued in lieu of dividends accrue on ABP and LTIP awards during the ABP deferral period and the LTIP performance period.
2. Face values for the awards granted on 20 March 2023 have been calculated using the average of the middle-market closing price of an Aviva ordinary share on the three consecutive business days immediately preceding the date of the main grant for employees, 20 March 2023, of 409.00 pence
3. Threshold vesting is 20% for each performance measure independently. This means less than 20% may vest overall.

Targets for LTIP awards made in 2023

Three-year targets are set annually within the context of the Company's strategic plan. The 2023 targets are provided below.

Table 10 2023 LTIP performance targets (audited information)

		Vesting: Below threshold	Threshold		Maximum	Above maximum
Measure	Weighting	0 %	20%	20-100%	100%	100%
rTSR[1]	40%		Median		Upper quintile	
Cumulative cash remittances[1]	25%		£5.5bn		£6.0bn	
Solvency II RoE (adjusted for excess capital)[2]	15%		15%		17%	
Reduction in CO_2 intensity of shareholders' assets and with-profit funds[3]	7.5%		12.5%		17.5%	
RNPS gap to competition[4]	7.5%		8.0		11.0	
Ethnically diverse employees in senior leadership roles[5]	2.5%		12.0%		14.0%	
Females in senior leadership roles[6]	2.5%		38.0%		41.0%	

1. Aviva's rTSR performance will be assessed against that of the following companies: Admiral, Allianz, AXA, Direct Line Group, Hargreaves Lansdown, Hiscox, Intact, Legal & General, Lloyds Banking Group, M&G, Phoenix, Quilter and Zurich Insurance Group. The performance period for the TSR performance condition is the three years beginning 1 January 2023. For the purposes of measuring the TSR performance condition, the Company's TSR and that of the comparator group will be based on the 90-day average TSR for the period immediately preceding the start and end of the performance period.
2. Any vesting of the Solvency II RoE and Cumulative cash remittances elements of the LTIP are subject to a Solvency II shareholder cover ratio that meets or exceeds the minimum of the stated working range (Range: 160% to 180%)
3. Reduction in CO_2 intensity of shareholder assets and with-profit funds over the three-year performance period is aligned to Aviva Group's ambition of being Net Zero by 2040
4. RNPS is calculated on gap to competition over a three-year average
5. Percentage of colleagues in senior leadership roles in the UK, Ireland and Canada who identify their ethnicity as anything other than 'white'
6. Percentage of colleagues in senior leadership roles in the UK, Ireland and Canada who identify as female

Payments to past directors (audited information)

There were no payments made to past directors during the year.

Payments for loss of office (audited information)

There were no payments for loss of office made during the year.

Annual report on remuneration

The table below sets out the total remuneration earned by each NED who served during 2023 for Group-related activities.

Table 11 Total 2023 remuneration for Non-Executive Directors (audited information)

	Aviva plc						Subsidiaries						Group	
	Fees		Benefits[1]		Total		Fees		Benefits[1]		Total		Total	
	2023 £000	2022 £000	2023 £000	2022 £000	2023 £000	2022 £000	2023 £000	2022 £000	2023 £000	2022 £000	2023 £000	2022 £000	2023 £000	2022 £000
Chair														
George Culmer	**550**	550	**15**	14	**565**	564	**—**	—	**—**	—	**—**	—	**565**	564
NEDs														
Andrea Blance[2]	**175**	144	**9**	4	**184**	148	**—**	—	**—**	—	**—**	—	**184**	148
Mike Craston[2]	**104**	74	**11**	6	**115**	80	**205**	129	**—**	3	**205**	132	**320**	212
Patrick Flynn[3]	**210**	210	**8**	9	**218**	219	**—**	—	**—**	—	**—**	—	**218**	219
Shonaid Jemmett-Page[4]	**170**	156	**10**	4	**180**	160	**—**	—	**—**	—	**—**	—	**180**	160
Mohit Joshi	**105**	105	**4**	2	**109**	107	**—**	—	**—**	—	**—**	—	**109**	107
Pippa Lambert	**145**	145	**4**	2	**149**	147	**—**	—	**—**	—	**—**	—	**149**	147
Jim McConville[5]	**154**	151	**16**	19	**170**	170	**150**	113	**10**	12	**160**	125	**330**	295
Michael Mire[6]	**100**	125	**6**	4	**106**	129	**—**	—	**—**	—	**—**	—	**106**	129
Martin Strobel	**125**	125	**15**	16	**140**	141	**150**	84	**4**	22	**154**	106	**294**	247
Total emoluments of NEDs	**1,838**	1,785	**98**	80	**1,935**	1,864	**505**	326	**14**	37	**519**	363	**2,454**	2,228

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. Andrea Blance was appointed to the Board on 21 February 2022 and Mike Craston on 17 May 2022
3. Patrick Flynn was appointed as Senior Independent Director of Aviva plc on 7 September 2020
4. Shonaid Jemmett-Page joined the Audit Committee and the Risk Committee on 14 February 2022; she became chair of the Customer and Sustainability Committee on 17 May 2022
5. Jim McConville stood down as Chair of the Customer and Sustainability Committee, remaining a member, on 17 May 2022. He joined the Remuneration Committee on 1 February 2023.
6. Michael Mire stood down from the Risk Committee and Remuneration Committee on 14 September 2022

The Aviva plc total fees paid to NEDs in 2023 was £1,838,000, which is within the limits set in the Company's Articles of Association, as previously approved by shareholders.

Subsidiary company board memberships

During 2022, the following NEDs were appointed to subsidiary companies and received emoluments in respect of those appointments:

- Mike Craston received an additional fee of £205,000 (2022: £129,000) in respect of his duties as Chair of Aviva Investors Holdings Ltd, Chair of Aviva Investors Canada Inc. and as a director of two Aviva Investors subsidiary companies, all positions which he held before his appointment as a NED of Aviva plc. For 2022, only the fees payable during his time as a director of Aviva plc are disclosed.
- Jim McConville received an additional fee of £150,000 (2022: £112,500) in respect of his duties as Chair of both Aviva Life Holdings UK Ltd and Aviva Life & Pensions UK Ltd, positions to which he was appointed as a NED on 27 April 2022 and took on the role of Chair from 16 December 2022.
- Martin Strobel received an additional fee of £150,000 (2022: £84,462) in respect of his duties as a NED and then Chair of Aviva Insurance Ltd. He was appointed as a NED on 5 May 2022 and took on the role of Chair from 30 June 2022.

Annual report on remuneration

Percentage change in remuneration of the directors

Table 12 sets out the change in the basic salary, bonus and benefits of each of the directors and that of the wider workforce. The regulations require a comparison between the remuneration of each director and that of all employees of the parent company on a full-time equivalent basis. As Aviva plc has no direct employees, and in line with our approach in prior years, we have voluntarily disclosed for the UK employee workforce. The Group CEO and CFO are based in the UK (albeit with global responsibilities) and pay changes across the Group vary widely depending on local market conditions.

Table 12 Percentage change in remuneration of the directors

			2022-23			2021-22			2020-21			2019-20
	Salary/Fees	Bonus	Benefits	Salary/Fees	Bonus	Benefits[7,8]	Salary/Fees	Bonus	Benefits[7,8]	Salary/Fees	Bonus	Benefits
Group CEO[1]												
Amanda Blanc	**4.4%**	**(5.0)%**	**(18.3)%**	2.3%	13.3%	(51.4)%	0.0%	47.2 %	(23.9)%	—	—	—
Group CFO[1]												
Charlotte Jones	**3.6%**	**3.5%**	**141.1%**	-	—							
Chair[1]												
George Culmer	**0.0%**	**—**	**6.0%**	0.0%	—	74.8%	0.0%	—	57.7%	263.6%	—	(26.3)%
NEDs												
Andrea Blance[3]	**0.0%**	**—**	**86.3%**	-								
Mike Craston[3]	**4.5%**	**—**	**(26.4)%**	-								
Patrick Flynn[1,2]	**0.0%**	**—**	**(9.6)%**	0.0%	—	1433.4%	5.0%	—	(75.0)%	44.8%	—	(39.4)%
Shonaid Jemmett-Page[1,4]	**9.2%**	**—**	**141.8%**	83.0%	—	—	—	—	—	—	—	—
Mohit Joshi	**0.0%**	**—**	**130.4%**	0.0%	—	69.8%	—	—	—	—	—	—
Pippa Lambert[1]	**0.0%**	**—**	**90.8%**	17.0%	—	350.7%	—	—	—	—	—	—
Jim McConville[5]	**15.0%**	**—**	**(16.5)%**	55.3%	—	4997.8%	—	—	—	—	—	—
Michael Mire[6]	**(19.7)%**	**—**	**57.8%**	(7.8)%	—	484.0%	4.9%	—	10.5%	9.6%	— %	(82.8)%
Martin Strobel[1]	**31.6%**	**—**	**(51.6)%**	67.2%	—	—	—	—	—	—	—	—
All UK-based employees	**9.5%**	**9.5%**	**2.4%**	6.5%	2.1%	(14.2)%	3.8%	47.4%	34.8%	3.3%	0.5%	10.7%

1. Salary/fees, annual bonus and benefit amounts for the EDs, the Chair and the NEDs have been annualised where applicable to reflect what they would have been over a full 12-month period to aid comparison
2. Patrick Flynn was appointed as Senior Independent Director of Aviva plc and a Remuneration Committee member on 15 June and 7 September 2020 respectively
3. Andrea Blance was appointed to the Board on 21 February 2022 and Mike Craston on 17 May 2022
4. Shonaid Jemmett-Page joined the Audit Committee and the Risk Committee on 14 February 2022; she became chair of the Customer and Sustainability Committee on 17 May 2022
5. Jim McConville stood down as Chair of the Customer and Sustainability Committee, remaining a member, on 17 May 2022. He joined the Remuneration Committee on 1 February 2023.
6. Michael Mire stood down from the Risk Committee and Remuneration Committee on 14 September 2022
7. The increase in taxable benefits for UK based employees in 2021, and subsequent decrease in 2022 has been mainly driven by the one-off recognition in 2021 of colleagues for their hard work during the pandemic. The taxable benefits also increased in 2021 due to the increase in the cost of private medical insurance. Without these items, benefits would have increased by 8.4 % in 2021 reflecting greater use of our online recognition platform.
8. The increase in benefits for NEDs in 2022 compared to 2021 is largely reflective of the return of taxable travel and subsistence costs after the pandemic. The reduction in benefits in 2021 compared to 2020 is largely reflective of reduced taxable travel and subsistence costs due to the pandemic.

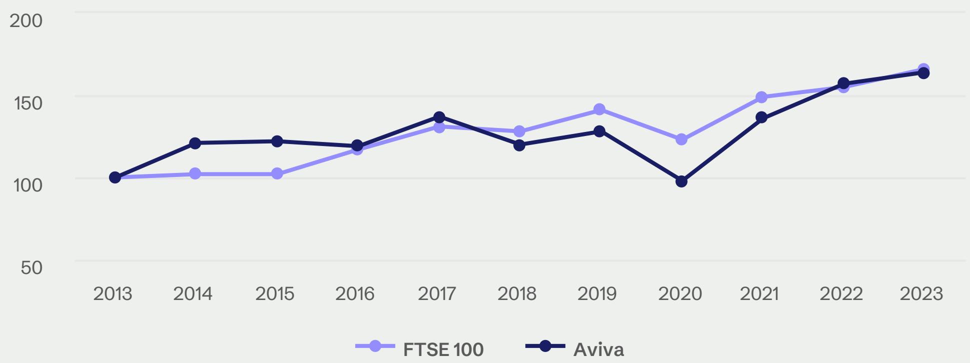
Annual report on remuneration

Historical TSR performance and Group CEO remuneration outcomes

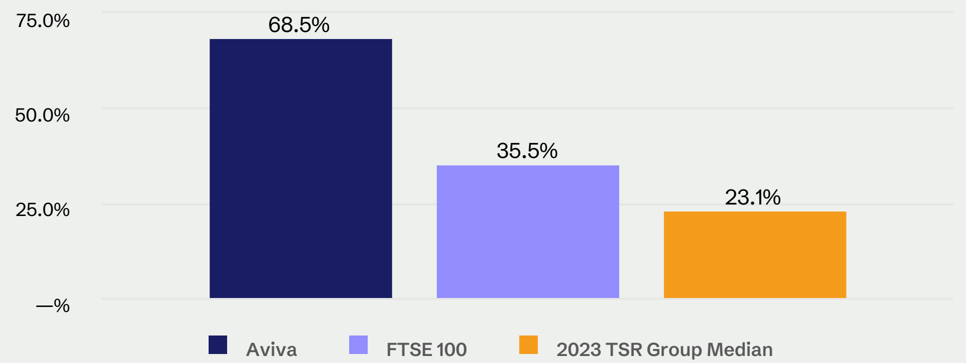
The table below compares the TSR performance of the Company over the past ten years against the TSR of the FTSE 100. This index has been chosen because it is a recognised equity market index of which Aviva plc is a member.

For additional context, the chart below also shows on a three-year basis the performance against the FTSE 100 and median TSR performance for the LTIP comparator group. The companies that comprise the 2023 LTIP group for TSR purposes are listed below table 10.

Table 13
Aviva plc ten-year TSR performance against the FTSE 100



Three-year TSR performance against the FTSE 100 and the median of the 2023 LTIP comparator group



The table below summarises the historical Group CEO single figure for total remuneration, and annual bonus and LTIP outcomes as a percentage of maximum over this period.

Table 14 Historical Group CEO remuneration outcomes

	Group CEO	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Annual bonus payout (as a % of maximum opportunity)	Amanda Blanc[1]	—	—	—	—	—	—	60.0%	88.3%	97.2%	**88.1%**
	Maurice Tulloch[2]	—	—	—	—	—	48.1%	0.0%	—	—%	—%
	Mark Wilson[3]	86.7%	91.0%	91.0%	94.0%	42.0%	—	—	—	—%	—%
LTIP vesting (as a % of maximum opportunity)	Amanda Blanc	—	—	—	—	—	—	—	—	72.2%	**91.8%**
	Maurice Tulloch	—	—	—	—	—	50.0%	0.0%	—	—	—
	Mark Wilson	—	53.0%	41.3%	36.9%	—	—	—	—	—	—
Group CEO single figure of remuneration (£000)	Amanda Blanc	—	—	—	—	—	—	1,205	3,010	5,449	**6,628**
	Maurice Tulloch	—	—	—	—	—	2,352	1,030	—	—	—
	Mark Wilson	2,600	5,438	4,523	4,318	1,836	—	—	—	—	—

1. Amanda Blanc was appointed Group CEO on 6 July 2020
2. Maurice Tulloch was appointed Group CEO on 4 March 2019. Maurice stepped down as Group CEO and retired from the Board on 6 July 2020.
3. Mark Wilson joined the Board as an ED with effect from 1 December 2012 and became Group CEO on 1 January 2013. Mark stepped down as Group CEO and left the Board on 9 October 2018.

Annual report on remuneration

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 15 CEO Pay ratio table

Year	Method	P25 (lower quartile)	P50 (median)	P75 (upper quartile)
2023	**Option A**	**203:1**	**145:1**	**88:1**
2022	Option A	181:1	127:1	76:1
2021	Option A	102:1	70:1	42:1
2020	Option A	80:1	56:1	34:1
2019	Option A	90:1	63:1	37:1

We would highlight the following in terms of the approach taken.

- In calculating the ratio for 2020, the single figure for both Amanda Blanc and Maurice Tulloch in respect of their services as Group CEO were aggregated
- In 2019, the single figure for Maurice Tulloch was aggregated with the pro rata fees for Sir Adrian Montague as Executive Chairman
- The P25, P50 and P75 employees were calculated based on full-time equivalent data as at 31 December of the relevant years
- Out of the three alternatives available for calculating the ratio, we chose to use Option A as it is considered to be the most accurate way of identifying employees at P25, P50 and P75, and is aligned with shareholder expectations. Under this approach we calculate total remuneration on a full-time equivalent basis for all of our UK employees and rank them accordingly.

The increase in the 2023 ratio reflects the first full year LTIP vesting since Amanda became Group CEO. 2022 reflects a pro-rata LTIP vesting, as well as 10% reduction for windfall gains, and 2021 reflected no LTIP vesting. Executive Directors receive a greater proportion of their remuneration in elements tied to performance, including participation in the LTIP. This means that the pay ratio will vary in large part due to incentive outcomes each year.

Although the CEO pay ratio has increased, the total remuneration for each quartile employee has also increased. This reflects the measures taken by Aviva to support our colleagues through the rising cost of living.

Table 16 provides further information on the total remuneration figure for each quartile employee, and the salary component within this.

Table 16 Salary and total remuneration used in the CEO pay ratio calculations

Year	Pay element	P25 (lower quartile)	P50 (median)	P75 (upper quartile)
2023	Salary	£26,648	£37,276	£60,042
	Total remuneration	£32,590	£45,822	£75,262

In reviewing the employee pay data, the Committee is comfortable that the P25, P50 and P75 individuals identified appropriately reflect the employee pay profile at those quartiles, and that the overall picture presented by the ratios is consistent with our pay, reward and progression policies for UK employees.

At Aviva, we are equally focused on our colleagues as we are on our customers. We recognise the individual needs of colleagues and we are proud of the reward, benefits and overall career packages that we offer our colleagues:

- In the UK, we have been an accredited Real Living Wage employer since April 2014 and a Real Living Hours employer since October 2020. Our salaries are at least 8% above Real Living Wage to allow colleagues to save for their retirement and benefit from an employer pension contribution up to 14% whilst still earning the Real Living Wage.
- In addition, in March 2023, Aviva was one of the first UK employers to be awarded the Living Pension accreditation. This signifies that we provide a Living Pension savings level which equates to 12% of a full-time real Living Wage salary, of which at least 7% comes from Aviva as an employer. We have been at the forefront of campaigning to drive proposals to abolish auto-enrolment contribution thresholds to enable more people to save into a pension for their retirement.
- We have a structured salary progression scheme for our frontline colleagues, providing salary increases to recognise colleagues as they develop and gain experience.
- We conduct regular market reviews of our salary ranges in order to maintain competitiveness to market rates, and we move everyone who is below a band to at least the minimum of that range each year.
- Our comprehensive, flexible benefits offering provides colleagues with the opportunity to select the benefits that matter most to them, and our range of inclusive colleague policies support life's big moments, including equal parental leave.
- UK colleagues are eligible to participate in our SAYE and All Employee Share Ownership Plan (AESOP) offerings with similar plans operating for many of our overseas colleagues. We are proud of the participation rates in these plans, with over 60% participating in the SAYE and over 70% in the AESOP, meaning colleagues both share in Aviva's success and benefit from tax-efficient savings.

Annual report on remuneration

Relative importance of spend on pay

Table 17 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 17 Relative importance of spend on pay

	2023 £m	2022 £m	% change between 2023 - 2022
Group adjusted operating profit[1]	**1,467**	1,350	9%
Ordinary dividends paid to shareholders	**878**	828	6%
Share buybacks[2]	**300**	336	(11%)
Capital return[3]	**—**	3,750	(100%)
Total staff costs[4]	**1,754**	1,658	6%

1. The 2022 comparative results, which were previously prepared under IFRS 4, have been restated following the adoption of IFRS 17 from 1 January 2023, as described in note 1 of the Financial Statements
2. On 2 June 2023, Aviva completed the share buyback programme originally announced on 9 March 2023 for up to a maximum aggregate consideration of £300 million. During the period £300 million (2022: £336 million) of shares were purchased and shares with a nominal value of £24 million (2022: £19 million) were cancelled, giving rise to an additional capital redemption reserve of an equivalent amount. See note 32 for further details.
3. On 2 March 2022, Aviva announced a proposed return of capital, including a £3,750 million B Share Scheme for the holders of ordinary shares. The capital return was completed on 16 May 2022. The capital return is included here as it was a material distribution to shareholders. The value stated aligns with the value attributed to the capital return in the Consolidated statement of changes in equity. See note 32 for further details.
4. Total staff costs 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 was 25,529 (2022: 23,701).

Statement of Directors' shareholdings and share interests

EDs share ownership requirements

Under our Shareholding Policy applicable to 2023, 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 18 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	Vested but not exercised	Shareholding requirement (% of salary)	Current shareholding[4] (% of salary)	Requirement met
Amanda Blanc	785,722	2,466,382	702,944	—	—	300%	316%	Yes
Charlotte Jones	12,957	729,588	46,115	—	—	225%	8%	No

1. Directors' beneficial holdings in the ordinary shares of the Company. This information includes holdings of any connected persons.
2. Awards granted under the Aviva LTIPs, which vest only if the performance conditions are achieved
3. Awards arising through the ABP. Under this plan, some of the earned bonuses are paid in the form of conditional shares which are deferred for three years and released in three equal annual tranches. The transfer of the shares to the director at the end of the period is not subject to the attainment of performance conditions but the shares can be forfeited if the ED leaves service before the end of the period.
4. Based on the closing middle-market price of an ordinary share of the Company on 29 December 2023 of 434.7 pence. The closing middle-market price of an ordinary share of the Company during the year ranged from 369.2 pence to 462.4 pence.

There were no changes to the EDs interests in Aviva shares during the period 1 January 2024 to 6 March 2024.

Table 19 Non-Executive Directors' shareholdings[1] (audited information)

	1 January 2023	31 December 2023
George Culmer	99,500	210,175
Andrea Blance	15,000	15,000
Mike Craston	30,771	30,771
Patrick Flynn	7,600	7,600
Shonaid Jemmett-Page	4,565	10,490
Mohit Joshi	5,789	65,089
Pippa Lambert	6,985	12,739
Jim McConville	14,186	14,186
Michael Mire	38,000	38,000
Martin Strobel	30,400	30,400

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 2024 to 6 March 2024.

Annual report on remuneration

Share awards and share options

Details of the EDs who were in office for any part of the 2023 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 granted to EDs under these plans are also included in tables 5, 9 and 18.

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 20 LTIP, ABP and options over Aviva shares (audited information)

	At 1 January 2023 (number)	Options/awards granted during year[1] (number)	Options/awards exercised/vesting during year[2] (number)	Options/awards lapsing during year[3] (number)	At 31 December 2023 (number)	Market price at date awards granted[4] (pence)	SAYE exercise price (options) (pence)	Market price at date awards vested/option exercised (pence)	Vesting date(s)/ exercise period(s)[5]
Amanda Blanc									
LTIP[6,7]									
2020	641,921	—	538,865	(178,583)	—	297.50	—	—	Mar-23
2021	759,493	—	—	—	759,493	412.50	—	—	Mar-24
2022	825,471	—	—	—	825,471	426.30	—	—	Mar-25
2023	—	881,418	—	—	881,418	411.60	—	—	Mar-26
ABP									
2021	66,043	—	36,824	—	33,022	412.50	—	437.80	Mar-24
2022	277,672	—	98,024	—	185,115	426.30	—	—	1/2: Mar-24 1/2: Mar-25
2023	—	326,208	—	—	326,208	411.60	—	416.00	1/3: Mar-24 1/3: Mar-25 1/3: Mar-26
Charlotte Jones									
LTIP[6,7]									
2022	358,195	—	—	—	358,195	425.30	—	—	Mar-25
2023	—	371,393	—	—	371,393	411.60	—	—	Mar-26
ABP									
2023	—	46,115	—	—	46,115	411.60	—	416.00	1/3: Mar-24 1/3: Mar-25 1/3: Mar-26

1. The aggregate net value of share awards granted to the EDs in the period was £6.7 million (2022: £6.2 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 shares comprised in these vested awards include shares issued in lieu of dividends accrued during the deferral period
3. Lapsed quantity includes the downwards adjustment of 10% to recognise the issue of windfall gains
4. The actual price used to calculate the ABP and LTIP awards is based on a three-day average closing middle-market price of an ordinary share of the Company, prior to the date of main grant to employees. These were in 2020: 229 pence, 2021: 395 pence, 2022: 424 pence and 2023: 409 pence.
5. Vesting date(s)/exercise period(s) for awards outstanding at 31 December 2023. ABP awards are deferred and released in three equal annual tranches.
6. For the 2021 LTIP, the rTSR comparator group is: Aegon, Allianz, AXA, Direct Line, Generali, Intact, Legal & General, Lloyds Banking Group, M&G, Phoenix and Zurich. For the 2022 and 2023 LTIP, the rTSR comparator group is: Admiral, Allianz, AXA, Direct Line Group, Hargreaves Lansdown, Hiscox, Intact, Legal & General, Lloyds Banking Group, M&G, Phoenix, Quilter and Zurich Insurance Group.
7. 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

Annual report on remuneration

Dilution

Awards granted under Aviva employee share plans, apart from SAYE options, have historically been satisfied primarily through shares purchased in the market. SAYE options have historically been satisfied primarily through new issue shares. In future, all awards granted under Aviva employee share plans, including SAYE options will be satisfied primarily through shares purchased in the market. Shares are held in employee trusts, details of which are set out in note 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 4.91% and 2.28% respectively on 31 December 2023.

Governance Regulatory Remuneration Code

Aviva Investors Global Services Limited (AIGSL) and a number of small 'firms' (as defined by the FCA) within the IWR Insurance business are subject to the Investment Firms Prudential Regime (IFPR) and the Markets in Financial Instruments Directive II (MiFID II).

Aviva Investors UK Funds Services Ltd and Aviva Investors Luxembourg are subject to the Alternative Investment Fund Management Directive (AIFMD) and the Undertakings for Collective Investments in Transferable Securities (UCITS V) directive.

Remuneration Code requirements include an annual disclosure. For AIFMD and UCITS V the disclosure is part of the Financial Statements and/or Annual accounts of the Alternative Investment Funds or UCITS. For IFPR the 2023 AIGSL disclosure will be found, when published, at https://www.aviva.com/investors/regulatory-returns/ along with the disclosure for the UK Insurance firms.

Solvency II remuneration

Remuneration Requirements (PRA PS22/16 & SS10/16) apply to the Aviva Group. Our remuneration structures have been designed in a way that is compliant with these requirements for all senior managers across the Group, not just those identified as being specifically covered by the requirements of the regulation. Such employees at Aviva are termed 'Covered Employees'. We are required to complete a Remuneration Policy Statement, which outlines how we have complied with each of the requirements. This document is approved annually by the Group Remuneration Committee.

The Solvency II reporting requirements for the year ended 31 December 2023 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.

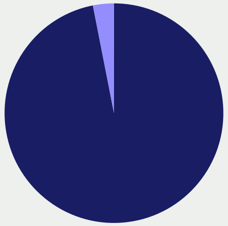
Statement of voting at AGM

The results of the shareholder votes at the Company's 2021 AGM in respect of the Policy and at the 2023 AGM in respect of the 2022 DRR are set out in the below table. The Committee was pleased with the level of support received from shareholders for the resolutions.

Table 21 Results of votes at AGM

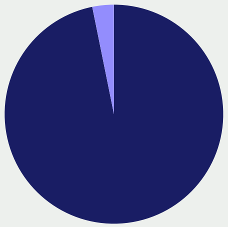
		Percentage of votes cast		Number of votes cast		
	Year of AGM	For	Against	For	Against	Votes withheld
Policy	2021	96.93%	3.07%	2,374,520,911	75,190,042	2,529,266
DRR	2023	96.82%	3.18%	1,610,649,645	52,960,504	779,149

Directors' Remuneration Policy



- For 96.93%
- Against 3.07%

Directors' Remuneration Report



- For 96.82%
- Against 3.18%

Annual report on remuneration

Approach to NED fees for 2024

NED fees are reviewed annually with a limited number of the fee arrangements increased by the Board on 5 March 2024, effective from 1 April 2024. Before this, NED fees had not been increased since 1 July 2020. The committee chair and committee membership fees of the Customer and Sustainability and Remuneration Committees were increased to bring them into parity with the current fees of the Audit and Risk Committees, in recognition that the time commitment, breadth of remit and regulatory accountabilities for these roles are broadly comparable. Following the increase, the total base fees paid to NEDs remains within the current aggregate limit of £2,000,000 per annum.

A resolution will be put to the 2024 AGM which will seek approval to increase the aggregate NED fee limit to £3,000,000 per annum. The limit has not been increased since 2012 and the increase will bring the limit in line with other large financial services groups.

Table 22 Non-Executive Directors' fees

Role	Fee from 1 April 2024	Fee from 1 January 2023
Board Chair[1]	£550,000	£550,000
Board membership	£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
Risk	£55,000	£55,000
Customer and Sustainability	£55,000	£45,000
Remuneration	£55,000	£45,000
Committee membership:		
Nomination and Governance	£10,000	£10,000
Audit	£20,000	£20,000
Risk	£20,000	£20,000
Customer and Sustainability	£20,000	£15,000
Remuneration	£20,000	£15,000

1. Inclusive of Board membership fee and any committee membership fees, and committee chair of the Nomination and Governance Committee

Annual report on remuneration

Table 23 Operation of the Remuneration policy throughout the wider workforce

	Executive Directors	Executive Committee	Senior Management	Wider workforce
Salary	Our principle is of pay equity for performing the same, or broadly similar, work, accounting for local market benchmarks and union/collective agreements, where applicable.			
	Salaries are reviewed annually and increases are typically in line with or less than the wider employee population.			Salaries are reviewed annually subject to engagement with employee representatives/unions where applicable. It is important that all colleagues enjoy a reasonable standard of living and we are proud to be both a Real Living Wage and a Living Hours employer in the UK.
Benefits	Eligible for a range of voluntary benefits and Wellbeing available to all colleagues in respective markets. Colleagues can participate in a share matching plan (Aviva matches two shares for every one bought up to £50 per month) and, in the UK, the Aviva Savings Related Share Option Scheme 2020 (SAYE). UK benefits include 8 times' salary death-in-service. In addition, flexible benefits allow colleagues to add to and/or supplement where Company provisions differ, e.g. private health benefit:			
	Private Medical insurance.			Essential health support in lieu of Private Medical insurance and online GP.
Pension	Eligible to participate in Aviva's UK defined contribution pension scheme with a 14% contribution (or where applicable receive cash in lieu). Rates in Ireland are 14%, different rates apply in Canada in line with market.			
Bonus Basis	Annual performance-related bonus based on Group, business unit (where applicable) and individual performance against goals.			
Bonus Deferral	½ into shares	½ into shares	⅓ into shares	All paid in cash
Long-Term Incentive	LTIP share awards are subject to strategic performance measures over three years.		Eligible for Restricted Share Awards aligned with shareholder interests, long-term Aviva performance and retention of key talent.	Not eligible
	Additional two-year holding period post-vesting applies to EDs.	Additional holding period post-vesting not applicable to ExCo.		

Annual report on remuneration

The implementation of the Policy will be consistent with that outlined in table 1.

Table 24 How will our Policy be implemented in 2024?

Key element	Implementation in 2024	Phasing 2024 2025 2026 2027 2028 2029
Fixed Pay	Group CEO • Salary[1]: £1,120,000 per annum Group CFO • Salary[1]: £735,000 per annum • Pension: 14% of salary in line with wider workforce • Benefits: As outlined in the Policy	2024
Annual Bonus[2]	• Group CEO – 200% of salary • Group CFO – 150% of salary • One-year performance assessed against financial and strategic performance measures • Financial measures (70% of total) - 25% – Cash Remittances - 20% – Solvency II OFG - 15% – Group Adjusted Operating Profit - 10% –Efficiency Measures • Strategic measures (30% of total) - 15% – Risk scorecard - 5% – Employee engagement - 5% – Online experience score - 5% – TNPS • A quality of earnings assessment will be undertaken by the Committee to provide assurance that bonus payouts appropriately reflect underlying performance and the shareholder experience • Individual performance during the year will be taken into account	2024: Performance period 2025: 1/2 paid in cash 2026–2028: 1/2 deferred into shares vesting in three equal tranches over three years 1/3 released after 1 year 1/3 released after 2 years 1/3 released after 3 years
LTIP	• Group CEO – 350% of salary • Group CFO – 225% of salary • Performance assessed over three years against financial (80%) and strategic (20%) performance measures • Performance measures (see LTIP measures and weightings for 2024 on next page)	2024–2026: Performance period 2027–2028: 2 year holding period 2029: Released
Share ownership guidelines	• Group CEO – 300% of salary • Group CFO – 225% of salary • To be built up over a period not exceeding five years • Post-cessation shareholding requirements also apply to EDs being the guideline or the holding on termination of employment, for two years post-cessation	

1. Group CEO and Group CFO's salaries will be effective from 1 April 2024
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 2024 DRR.

Annual report on remuneration

LTIP measures and weightings for 2024

Measure	Weighting	Vesting: Below threshold 0%	Threshold 20%	20-100%	Maximum 100%	Above maximum 100%
rTSR[1]	40.00%		Median		Upper Quartile	
Cumulative cash remittances	25.00%		£5.6bn		£6.1bn	
Solvency II RoE[2,3]	15.00%		13%		15%	
Reduction in weighted average carbon intensity of shareholder and with-profit credit and equity assets[4]	7.50%		17.5%		22.5%	
Customer Scorecard: Customer Numbers (millions)	3.75%		19.3		19.7	
Customer Scorecard: MPH (millions)	3.75%		4.95		5.20	
Ethnically diverse employees in senior leadership roles[5]	2.50%		13%		15%	
Females in senior leadership roles[6]	2.50%		41%		43%	

The Committee will continue to consider the impacts of any future acquisitions and disposals on targets.

1. Aviva's rTSR performance will be assessed against that of the following companies: Admiral, Direct Line Group, Hargreaves Lansdown, Hiscox, Intact Financial, Legal & General, Lloyds Banking Group, M&G, Phoenix and Quilter. The performance period for the rTSR performance condition is the three years beginning 1 January 2024. For the purposes of measuring the rTSR performance condition, the Company's TSR and that of the comparator group will be based on the 90-day average TSR for the period.
2. For 2024 awards, the Solvency II shareholder cover ratio is to meet or exceed the minimum of the stated working range (Range: 160% to 180%)
3. The Committee is mindful of the volatile economic environment and the impact of significant changes in key external variables such as interest rates on RoE outcomes. The Committee therefore will keep the economic assumptions and environment under review.
4. Reduction in weighted average carbon intensity of shareholder and with-profit credit and equity assets over the three-year performance period.
5. Percentage of colleagues in senior leadership in the UK, Ireland and Canada who identify their ethnicity as anything other than 'white', excluding colleagues who have not disclosed their ethnicity.
6. Percentage of colleagues in senior leadership roles in the UK, Ireland and Canada who are female

Approval by the Board

This Directors' Remuneration Report was reviewed and approved by the Board on 6 March 2024.

Pippa Lambert
Chair of the Remuneration Committee

Directors' report

In accordance with Section 415 of the Companies Act 2006 (the Act), the directors present their report for the year ended 31 December 2023. Other sections of the Annual Report and Accounts have been deemed to be incorporated into the Directors' Report by reference and the table to the left details where required disclosures can be found. In accordance with section 414C(11), some disclosures have been included in the Strategic report.

Directors

The Company's directors who served during the financial year ended 31 December 2023 were George Culmer, Amanda Blanc, Charlotte Jones, Andrea Blance, Mike Craston, Patrick Flynn, Shonaid Jemmett-Page, Mohit Joshi, Pippa Lambert, Jim McConville, Michael Mire and Martin Strobel.

Appointment and removal of directors

The rules regarding the appointment and removal of directors are contained in the Company's Articles of Association (the Articles) and all appointments are made in accordance with the UK Corporate Governance Code 2018 (the Code). All directors must submit themselves for re-election each year at the AGM. Under the Articles, the Board can appoint additional directors or appoint a director to fill a casual vacancy.

Powers of directors

The powers of directors are described in the Aviva plc Board Terms of Reference and the Articles, both of which can be found on our website. The powers of the Company's directors are subject to relevant legislation and, in certain circumstances (including in relation to the issue or buying back by the Company of its shares), are subject to authority being given to the directors by shareholders at a general meeting. At the 2024 Annual General Meeting (AGM), shareholders will be asked to renew the directors' authority to allot new securities and buy back Company shares. Details will be contained in the Notice of 2024 AGM (the Notice) due to be published at the end of March 2024.

Directors' indemnities and insurance

In accordance with the Articles, the Company has granted qualifying third-party indemnity provisions for the benefit of 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. These indemnities were in force during the financial year and remain in force. Throughout the year, the Company has also purchased and maintained directors' and officers' liability insurance in respect of itself, its directors, and others. The Company has also granted qualifying third-party indemnities to the directors of the Group's subsidiary companies. These indemnities were in force during the financial year and remain in force.

Directors' report

Director and senior management diversity

In accordance with Listing Rule 9.8.6R(10), the following tables set out numerical data on the ethnic background and the gender of the Company's directors and 'executive management', being members of the Group Executive Committee, as at 31 December 2023.

Data concerning ethnic background and gender is collected directly from individuals. Company directors are required to complete a form on an annual basis, whereas members of Group Executive Committee are required to complete a diversity declaration upon joining the Company and advise if this information changes.

(a) Table for reporting on gender

	Number of Board members	Percentage of the Board	Number of senior positions on the Board (CEO, CFO, SID and Chair)	Number in executive management	Percentage of executive management
Men	7	58 %	2	7	54 %
Women	5	42 %	2	6	46 %
Not specified/ prefer not to say	—	— %	—	—	— %

(b) Table for reporting on ethnic background

	Number of Board members	Percentage of the Board	Number of senior positions on the Board (CEO, CFO, SID and Chair)	Number in executive management	Percentage of executive management
White British or other White (including minority-white groups)	11	92%	4	13	100%
Mixed/Multiple Ethnic Groups	—	—%	—	—	—%
Asian/Asian British	1	8%	—	—	—%
Black/African/ Caribbean/Black British	—	—%	—	—	—%
Other ethnic group, including Arab	—	—%	—	—	—%
Not specified/ prefer not to say	—	—%	—	—	—%

1. Kirstine Cooper, who retired on 31 December 2023, has been included in this disclosure

Share capital

At 31 December 2023, the Company's issued share capital comprised:

Number of shares	% of total capital	Type	Nominal value
2,739,487,140	82.00%	Ordinary Shares	32 17/19 pence each
200,000,000	18.00%	Preference Shares	£1 each

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. The Company held no treasury shares during the year or up to the date of this report. Further details of the Company's issued share capital, together with information on movements in the Company's issued share capital during the year, can be found in note 32 and note 35 of the financial statements.

Share class rights

Rights and obligations attaching to the Company's shares are set out in the Articles. No person holds securities in the Company carrying special rights with regard to control of the Company.

Restrictions on transfer of securities or voting rights

With the exception of restrictions under the Company's employee share incentive plans, where the shares are subject to the plan rules, there are no restrictions on the voting rights attaching to the Company's ordinary shares or the transfer of securities in the Company. 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.

Rights attaching to shares under employee share schemes

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.

Authority to purchase own shares

At the 2023 AGM, shareholders renewed the Company's authorities to make market purchases of up to 280 million ordinary shares, up to 100 million preference shares of 8¾% each and up to 100 million preference shares of 8⅜% each. No shares have been purchased under this authority.

At the 2024 AGM, shareholders will be asked to renew the authorities to buy the Company's shares for another year and the resolution in relation to the ordinary shares will once again propose a maximum aggregate number of ordinary shares which the Company can purchase of less than 10% of the issued ordinary share capital. Details will be contained in the Notice due to be published at the end of March 2024.

Directors' report

Acquisition of own shares

On 2 June 2023, Aviva completed the share buyback programme of ordinary shares originally announced on 9 March 2023 for an aggregate purchase price of up to £300 million. In total, 72,797,191 ordinary shares of 32 17/19 pence each were repurchased for an aggregate consideration of £300 million and a nominal value of £24 million.

Overall, the number of shares in issue is reduced by c.73 million in respect of shares acquired and cancelled under the buyback programme. Net of new shares issued, in respect of the Company's employee share plans, during the period from 10 March 2023 to 1 June 2023, the number of shares in issue reduced by 65 million.

Details of shares purchased, held, or disposed by employee share plan trusts on the recommendation of the Company in 2023 for use in conjunction with the Company's employees' share plans are set out in note 33 to the financial statements.

Major shareholders

The table below shows the holdings of major shareholders in the Company's issued ordinary share capital in accordance with section 5.1.2 of the Disclosure Guidance and Transparency Rules (DTRs) notified to the Company as at 31 December 2023 and 6 March 2024. Information provided to the Company under the DTRs is publicly available via the regulatory information services and on the Company's website.

	As at 31 December 2023		As at 6 March 2024	
Shareholder	Date of change in interest	% of issued ordinary share capital	Date of change in interest	% of issued ordinary share capital
BlackRock, Inc.		5.01%	n/a	5.01%
Dodge & Cox	29 December 2023	4.99%	21 February 2024	4.99%
Norges Bank	30 June 2023	2.98%	5 January 2024	3.00%

Dividends

Dividends for ordinary shareholders of Aviva plc are as follows:

- Paid interim dividend of 11.1 pence per 32 17/19 pence ordinary share (2022: 10.3 pence per 32 17/19 pence ordinary share).
- Proposed final dividend of 22.3 pence per 32 17/19 pence ordinary share (2022: 20.7 pence per 32 17/19 pence ordinary share). Total ordinary dividend of 33.4 pence per 32 17/19 pence ordinary share (2022: 31.0 pence per 32 17/19 pence ordinary share).
- Total cost of ordinary dividends paid in 2023 was £878 million (2022: £828 million).

Information about our dividend policy and historical dividend payments can be found at www.aviva.com/investors/dividends.

Articles of association

Unless expressly stated to the contrary in the Articles, the Company's Articles may only be amended by special resolution of the shareholders. The Company's current Articles were adopted on 9 May 2022.

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. There are no agreements with employees or directors for compensation for loss of office or employment that occurs because of a takeover bid. However, 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.

Significant contacts

During the year, there were no significant contracts of the Company or a subsidiary in which a director was materially interested.

Political donations

Aviva did not make any political donations during 2023.

Information required by UK Listing Rule (LR) 9.8.4

Disclosure	More information
Shareholder waiver of dividend	Note 34 to the financial statements
Shareholder waiver of future dividends	Note 34 to the financial statements

Management report

The Strategic report, Governance section and Directors' report together are the management report for the purposes of DTR 4.1.5(2).

Corporate governance statement

The Governance section of this report, including the Directors' Remuneration Report, fulfils the requirement of a corporate governance statement under DTR 7.2.1.

By order of the Board on 6 March 2024.

Susan Adams
Group Company Secretary

Statement of directors' responsibilities

Directors' responsibilities

The directors are responsible for preparing the Annual Report and Accounts including the Directors' Remuneration Report and the Financial Statements in accordance with applicable law and regulations.

UK 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 UK 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 Company's 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 Group and Company 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 Group and Company, 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 the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for making, and continuing to make, the Company's Annual Report and Accounts available on the Company's website. The directors are responsible for the maintenance and integrity of the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' confirmations

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 confirm that, to the best of their knowledge:

- the Group and Company's 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, Governance section and the Directors' 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.

In the case of each director in office at the date the Directors' report is approved:

- so far as they are 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.

By order of the Board on 6 March 2024.

Amanda Blanc DBE
Group Chief Executive Officer

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www.brunswickgroup.com

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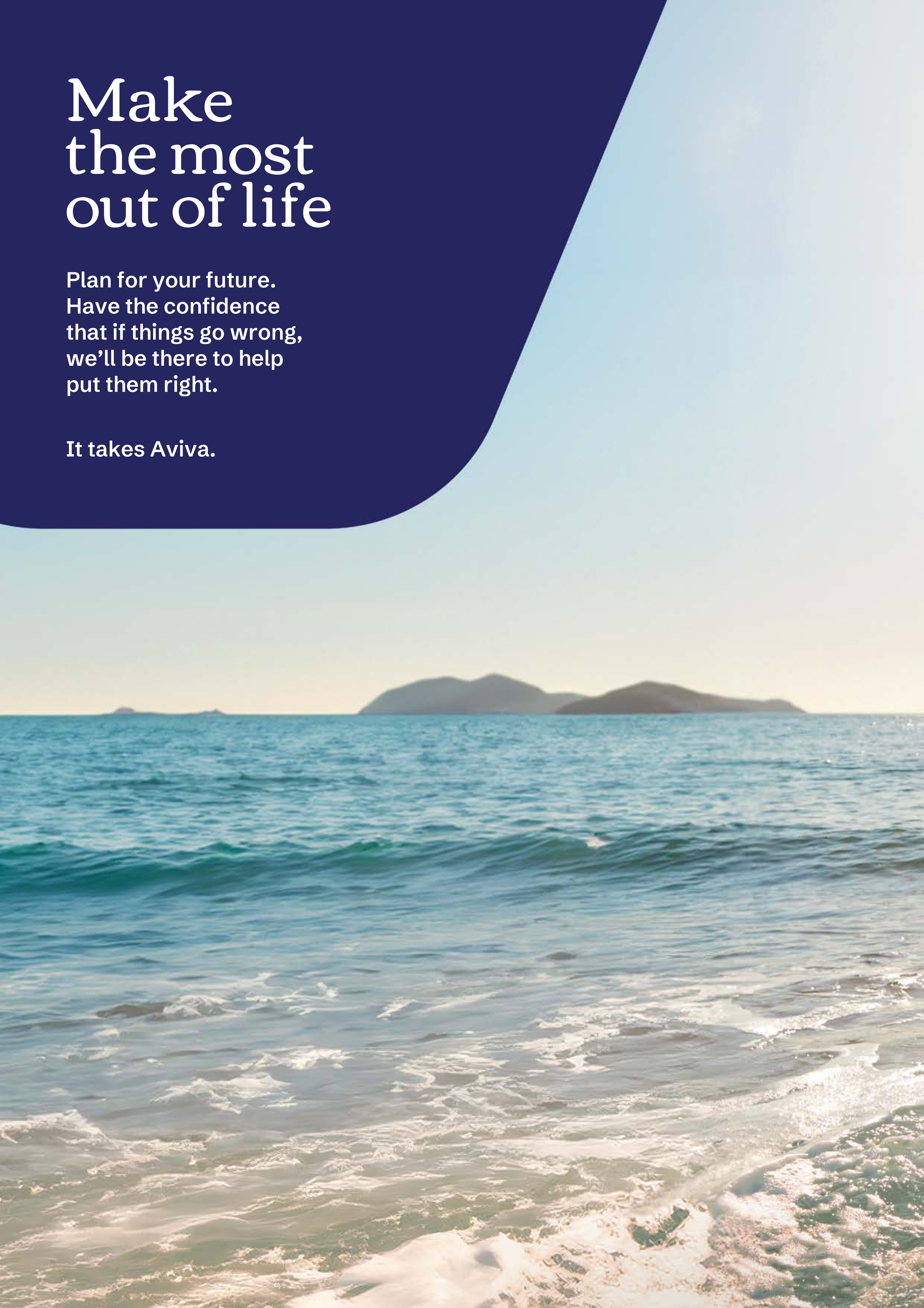
Part 2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Plan for your future. Have the confidence that if things go wrong, we'll be there to help put them right.
It takes Aviva.

Foreword

The Strategic report and Governance pages form part 1 of the Annual Report and Accounts. The IFRS Financial Statements and Other Information form part 2 of the Annual Report and Accounts. Parts 1 and 2 together comprise the Aviva plc Annual Report and Accounts 2023.

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 2023, which was approved by the Board on 6 March 2024 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 and Accounts 2023. The Strategic report should be read in conjunction with the Cautionary statement, included within the Other information section.

Alternative Performance Measures:

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

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

As a reminder Reporting currency:

We use £ sterling.

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

IFRS 17 Insurance Contracts adoption

Aviva plc has adopted International Financial Reporting Standard (IFRS) 17 Insurance Contracts (IFRS 17) from 1 January 2023 and comparatives have been retrospectively restated from the transition date of 1 January 2022. See note 1 to the consolidated financial statements for more information.

Explanations of key terms used in this report are available on:

www.aviva.com/glossary

The Company's registered office:

80 Fenchurch Street,
London, EC3M 4AE

IFRS Financial Statements

In this section

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 2023 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 2023 (the "Annual Report"), which comprise: the Consolidated and Company statements of financial position as at 31 December 2023; 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/(loss) 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 Accounting policies; 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 13, we have provided no non-audit services to the Company or its controlled undertakings in the period under audit.

Our audit approach

Context

As part of this opinion we have also provided information on how we approached the audit, including the impact of the adoption of International Financial Reporting Standard 17 - Insurance Contracts (IFRS 17) by the Group.

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
- Adoption of IFRS 17 and restatement of comparatives (Group)
- Valuation of life risk and life participating insurance contract liabilities (Group)
- Annuitant mortality assumptions (Group)
- Credit default assumptions for illiquid assets (commercial mortgages, equity release mortgages) and corporate bonds (Group)
- Expense assumptions (Group)
- Valuation of the life risk and life participating risk adjustment (Group)
- Valuation of the life risk and life participating insurance contractual service margin ("CSM") (Group)
- Valuation of general insurance contract liabilities and reinsurance assets (Group)
- Valuation of hard to value investments (Group)
- Valuation of investments in subsidiaries (Company)

Materiality
- Overall Group materiality: £142,000,000 based on 1% of equity attributable to shareholders of Aviva plc, plus CSM net of tax.
- Overall Company materiality: £75,271,000 based on 0.5% of total equity.
- Performance materiality: £106,500,000 (Group) and £56,453,250 (Company).

Independent auditors' report to the members of Aviva plc

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.

This year there are three new key audit matters:

- Adoption of IFRS 17 and restatement of comparatives (Group);
- Valuation of the life risk and life participating risk adjustment (Group); and
- Valuation of the life risk and life participating CSM (Group).

The key audit matters "Valuation of life risk and life participating insurance contract liabilities (Group)" (previously "Valuation of life insurance liabilities (Group)") and the "Valuation of general insurance and reinsurance contract liabilities (Group)" (previously "Valuation of general insurance liabilities (Group)") have been updated this year to reflect the impacts from the adoption of IFRS 17. This new standard changes the way in which life risk, life participating and general insurance contract liabilities are measured, introduces new concepts and language, and changes a range of judgements that insurers must make.

Disclosure of the impact of adopting IFRS 17, which was a key audit matter last year, is no longer included because this was a risk relevant to a specific disclosure made in the prior year financial statements. Otherwise, the key audit matters below are consistent with last year.

Independent auditors' report to the members of Aviva plc

Key audit matter	How our audit addressed the key audit matter
Adoption of IFRS 17 and restatement of comparatives (Group)	
Refer to Accounting policy A and Note 1	
IFRS 17 became effective for periods beginning on or after 1 January 2023, replacing International Financial Reporting Standard 4, 'Insurance Contracts'. As a result, Aviva has adopted IFRS 17 in these financial statements. The transition to IFRS 17 has introduced new financial statement line items and disclosures, requiring significant changes to the measurement of transactions and balances in the financial statements, including new areas of judgement and estimation. New systems, data flows, interfaces, processes and models have been developed and introduced, giving rise to increased risks of material misstatement. International Accounting Standard 8 'Accounting Policies, Changes in Accounting Estimates and Errors' ("IAS 8") requires that when the impact of adopting a new accounting standard would be material to the financial statement comparatives, these comparatives should be restated. As a result, the 2022 opening balance sheet and the 2022 comparatives have been restated. In particular, we consider the key risks in relation to the adoption of IFRS 17 and restatement of comparatives to be as follows: • The determination of the transition approach adopted for each group of insurance contracts; • The judgments involved in the determination of the measurement model to apply under the standard, in particular, management's use of the Premium Allocation Approach ('PAA') measurement model for groups of contracts that are not automatically eligible; • The methodology that has been used to determine the fair value of CSM on transition for annuity and with-profits business; • The methodology and assumptions in respect of determining the risk adjustment; • The methodology applied to the amortisation of the CSM for annuities where the fully retrospective approach is being applied; • The methodology used by management to determine discount rates, in particular those inputs that most materially impact the calculations, including the calibration of the credit risk premium for unexpected defaults for each asset class, based on an appropriate reference portfolio of assets, used to derive the discount rate applied to the initial measurement of individual and bulk purchase annuities along with the use of an adjustment made to liabilities where appropriate assets are yet to be sourced for recent contracts; • The implementation of new models to produce the IFRS 17 results, which include the CSM calculation engine; • The new data flow and interfaces arising from the implementation of IFRS 17, from new systems; and • The appropriateness of methodologies, assumptions and significant judgements applied in the calculation of relevant balances.	In performing our audit work over the transition to IFRS 17, and restatement of comparative financial statements (including the opening balance sheet), the procedures we performed included the following: • Tested the design and operating effectiveness of controls in place; • Assessed the appropriateness of the transition approach adopted for each group of insurance contracts; • Assessed whether the judgements, methodology and assumptions applied by management in determining their accounting policies are in accordance with IFRS 17; • Assessed the appropriateness of the judgements and supporting estimates used to determine use of the PAA measurement model; • Applied industry knowledge and compared the methodology, models and assumptions used in determining the risk adjustment, CSM (including its amortisation profile) and discounted IFRS 17 best estimate liabilities (including assessment of yield curves) against expected market practice. This included consideration of the reasonableness of methodologies and assumptions and the appropriateness of any judgements applied, including whether or not there was any indication of management bias; • Assessed the appropriateness of the methodology to derive the credit risk premium applied for unexpected defaults within the discount rate for annuities, considering the data used to calibrate the assumption and any judgements applied in arriving at the final assumption, and by comparing the assumption to other insurers of a similar nature; • Assessed the appropriateness of the methodology used to determine the reference portfolio of assets used to derive the discount rate for the initial measurement of individual and bulk purchase annuities and the adjustment made to liabilities where appropriate assets are yet to be sourced for recent contracts. Tested whether the adjustments made, based on new business written in prior periods, were appropriate; • Performed validation of certain new models by evaluating the testing performed by management to assess its appropriateness and, where necessary, performed independent validation testing using sample scenarios and comparing the output between our calculations and those produced by management's models and relevant IT applications; • Tested the mathematical accuracy and completeness of the supporting calculations and adjustments used to determine the 2022 comparatives; • Evaluated output controls, such as the analysis of change in the CSM, to assess the reasonableness of movements between periods and the commentary provided over these movements by management; and • Performed testing over key data flows within the IFRS 17 business processes. Based on the work performed and the evidence obtained, we consider the approaches adopted and resulting measurements and disclosures in the financial statements to be appropriate.

Independent auditors' report to the members of Aviva plc

Key audit matter	How our audit addressed the key audit matter
Valuation of life risk and life participating insurance contract liabilities (Group)	
Refer to Accounting policy (M) 'Insurance, participating investment and reinsurance contracts' and Note 40 – Insurance and Reinsurance Contracts.	
The valuation of the provision for life risk and life participating insurance contracts involves complex and subjective judgements about future events, both internal and external to the business. Small changes to these assumptions can result in material impacts to the valuation of the fulfilment cash flows, CSM and risk adjustment. Our assessment of the related audit risks is focused in the following three areas: 1. The significant assumptions that involve high levels of judgement in determining the best estimate liabilities, in particular the following assumptions: a) the mortality assumptions used in the valuation of annuity business life risk insurance contracts ("annuitant mortality"); b) credit default assumptions for illiquid assets (commercial mortgages, equity release mortgages) and corporate bonds for life risk insurance contracts; and c) expense assumptions for life risk and participating investment contracts. 2. The methodology and judgement involved in determining the valuation of the risk adjustment; and 3. The methodology and assumptions used in determining the valuation of the life CSM. We provide more detailed consideration of each of these assumptions, the valuation of the risk adjustment, and the valuation of the life CSM below.	The work to address the valuation of the life insurance liabilities included the following procedures: • Understood and evaluated the process and the design and implementation of controls in place to determine the life risk and life participating insurance contract liabilities; • Tested the design and operating effectiveness of controls in place over life risk and life participating insurance contract liabilities, including those covering the approval of assumptions, and the completeness and accuracy of the data used; • Using our actuarial specialist team members, applied industry knowledge and experience and compared the methodology, models and assumptions used against recognised actuarial practice. This included consideration of the reasonableness of assumptions against actual historical experience, and the appropriateness of any judgements applied, including if there was any indication of management bias; • Tested the key judgements over the preparation of the life risk and life participating insurance contract liabilities, including manual calculation of components focussing on the consistency in treatment and methodology year-on-year and with reference to recognised actuarial practice; and • 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. Further details on the specific procedures performed over each of the identified key assumptions are included in the below sections of our Key Audit Matters. Based on the work performed and the evidence obtained, we consider the assumptions used for valuation of life risk and life participating insurance contract liabilities to be appropriate.

Independent auditors' report to the members of Aviva plc

Key audit matter	How our audit addressed the key audit matter
a) Annuitant mortality assumptions (Group)	
Refer to Accounting policy (M) 'Insurance, participating investment and reinsurance contracts' and Note 40 – Insurance and Reinsurance Contracts.	
Annuitant mortality assumptions used to value the life risk best estimate liabilities for the UK Life insurance business require a high degree of judgement due to the number of factors which may influence mortality experience. The differing factors which affect the assumptions are underlying mortality experience (in the portfolio), industry and management's views on the future rate of mortality improvements, and external factors arising from developments in the annuity market. COVID-19 has caused additional challenges in estimating long term mortality assumptions due to the uncertainty in more recent data which is reflected, for example, in management's exclusion of 2022 experience from the Continuous Mortality Investigation ("CMI") model 2022. There are two main components to the annuitant mortality assumptions: • Mortality base assumption: this component is typically less subjective as it is derived using the external ("CMI") tables for individual annuities and Club Vita 3 ("CV3") tables for Bulk Purchase Annuities ("BPA"), adjusted for internal experience. However, judgement is required in choosing the appropriate table and fitting Aviva's own experience to this table. In setting this assumption management adopted the latest CMI model (CMI 2022), opting to exclude the 2022 experience from the analysis and allow for a flat increase to the base table as well as including an anti-selection adjustment for certain pension annuities; and • Rate of mortality improvements: this component is more subjective given the uncertainty over how life expectancy will change in the future and the lack of available data to support judgements made in respect of this. In setting this assumption, management has adopted the latest CMI model (CMI 2022) and dataset, and updated the calibration of key parameters within the model.	In respect of the annuitant mortality assumptions, our work included the following on the judgements applied: • 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 approach to the adoption of the latest CMI model (CMI 2022) particularly around the appropriateness of excluding the 2022 experience from the analysis and including a flat increase to the base table; • Assessed the reasonableness of the base mortality assumptions. This included assessing any adjustments made by management in respect of experience impacted by the COVID-19 pandemic, and the choice of anti-selection assumptions; • Considered the reasonableness of mortality improvement assumptions, including those unchanged, such as the socio-economic group adjustments, following the move to the latest CMI model. We performed this by assessing the continued appropriateness of these elements of the mortality improvement basis against the impact arising from the change in the CMI model; and • Compared annuitant mortality assumptions selected by management against those that have been used by others in the market, based on our expert actuarial experience. Based on the work performed and the evidence obtained, we consider the assumptions used for annuitant mortality to be appropriate.

Independent auditors' report to the members of Aviva plc

Key audit matter	How our audit addressed the key audit matter
b) Credit default assumptions for illiquid assets (commercial mortgages, equity release mortgages) and corporate bonds (Group)	
Refer to Accounting policy (M) 'Insurance, participating investment and reinsurance contracts' and Note 40 – Insurance and Reinsurance Contracts.	
Life risk best estimate liabilities are valued by discounting expected future cash flows at an interest rate based on the yield of assets backing the liabilities, allowing for a deduction for the credit risk associated with holding these assets. UK Life has substantial holdings in asset classes with significant credit risk. For illiquid assets, the underlying asset valuation requires a number of different assumptions. Internally developed models are then used to project the associated cash flows for the assets, using these assumptions, to calculate the asset value and associated credit risk. There is a heightened risk that corporate bond credit default assumptions may not be appropriate given the ongoing heightened economic uncertainty and high inflation environment observed in the current year. We have consequently included this asset class within this key audit matter. The calculated credit risk for illiquid assets and corporate bonds is converted into credit default assumptions for each asset type. These assumptions are then uplifted by a risk allowance to allow for unexpected credit losses and used, alongside credit default assumptions for other assets, in the calculation of the valuation interest rate used to value life insurance liabilities.	In respect of the credit default assumptions for illiquid assets, our work included the following: • Tested the methodology and the credit risk pricing models used by management to derive the assumptions for commercial and equity release mortgages. This included consideration of the relevant rules and actuarial guidance, such as the adoption of an appropriate risk allowance, and by applying our industry knowledge and experience; and • Validated the significant assumptions used by management by ensuring consistency with the assumptions used for the valuation of the illiquid assets and by considering any additional judgements applied, market observable data (to the extent available and relevant) and our experience of market practice. In respect of the credit default assumptions for corporate bonds, our work included performing the following: • Tested the appropriateness of the methodology used by management. This included consideration of the relevant rules and actuarial guidance, such as the adoption of an appropriate risk allowance, and by applying our industry knowledge and experience; and • Assessed the reasonableness of the significant assumptions used in the calculation of the credit default assumption, with a focus on recent market volatility. Based on the work performed and the evidence obtained, we consider the assumptions used for credit default risk on commercial mortgages, equity release mortgages and corporate bonds to be appropriate.

Independent auditors' report to the members of Aviva plc

Key audit matter	How our audit addressed the key audit matter
c) Expense assumptions (Group)	
Refer to Accounting policy (M) 'Insurance, participating investment and reinsurance contracts' and Note 40 – Insurance and Reinsurance Contracts.	
Future maintenance expenses and expense inflation assumptions are used in the measurement of the life risk best estimate liabilities and life participating contracts. The assumptions reflect the expected future expenses that will be required to maintain the in-force policies at the balance sheet date. The assumptions used require significant judgement which includes how expenses are allocated between maintenance and acquisition expenses as well as how expenses are split between attributable and non-attributable costs under IFRS 17. In the prior period, and over the course of the year ended 31 December 2023, inflation has been significantly higher than historical rates. As a result, there remains significant uncertainty around future inflation and how inflation will vary across the economy. This increases the materiality and risk associated with judgements applied in the calculation of expense inflation.	In respect of the expense assumptions, our work included the following: • Tested the methodology used by management to derive the assumptions with reference to relevant rules and actuarial guidance and by applying our industry knowledge and experience. This included testing the split of expenses between acquisition and maintenance expenses, and agreeing the split of attributable and non-attributable costs under IFRS 17, by agreeing a sample to supporting evidence; • 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; and • Tested that the assumptions appropriately reflect the expected future maintenance expenses for policies in force at the balance sheet date, which includes consideration of the allowance for project costs and planned controlled cost reduction as well as sufficiency of new business volume projections. In respect of the inflation assumption, we considered the reasonableness of the expense inflation assumption with respect to the market view of inflation as at 31 December 2023. This included the reasonableness of any adjustments made to market inflation to set the expense inflation assumption. Based on the work performed and the evidence obtained, we consider the expense assumptions to be appropriate.
Valuation of the life risk and life participating risk adjustment (Group)	
Refer to Accounting policy (M) 'Insurance, participating investment and reinsurance contracts' and Note 40 – Insurance and Reinsurance Contracts.	
The risk adjustment represents the compensation that the Group requires for bearing the uncertainty about the amount and timing of the cash flows that arise from non-financial risk. The method by which management determines the valuation of the risk adjustment requires them to carry out a number of calculations that involve a significant degree of judgement. As a result of our risk assessment procedures, we identified the following key risks: • The appropriateness and application of judgements applied in the execution of management's determined methodology given that the standard does not prescribe the calculation of risk adjustment and a variety of approaches can be taken to satisfy the standard's requirements; and • The appropriateness of the confidence level given the judgement involved in determining the confidence level percentile calibration and judgement involved in whether to determine a confidence level over a 1-year time horizon vs a "to-ultimate" time horizon.	In respect of the Risk Adjustment, our work included the following: • Tested the application of the methodology used to derive the risk adjustment, focussing on any key judgements applied when updating the calibration result. These include determining how to reflect the Solvency UK reforms within the calibration and removing the Solvency II transitional measures in the technical provisions ("TMTP"); • Compared management's approach to the wider market, where applicable, particularly where adjustments are applied to the calibration to reflect external events and by applying our industry knowledge and experience; and • Evaluated results of management's analysis of the change in the risk adjustment results to assess the reasonableness of movements between periods and the commentary provided over these movements by management. Based on the work performed and the evidence obtained, we consider the life risk and life participating risk adjustment to be appropriate

Independent auditors' report to the members of Aviva plc

Key audit matter	How our audit addressed the key audit matter
Valuation of the life risk and life participating CSM (Group)	
Refer to Accounting policy (M) 'Insurance, participating investment and reinsurance contracts' and Note 40 – Insurance and Reinsurance Contracts - (e) Contractual Service Margin.	
The CSM is a component of the carrying amount of the asset or liability for a group of insurance contracts measured under the General Measurement Model ("GMM") and Variable Fee Approach ("VFA"). It represents the unearned profit that the Group will recognise as it provides insurance contract services in the future. The CSM engine is driven by complex calculations and sensitive assumptions, which in combination with manual adjustments increase the risk of calculation error. In particular the key areas in which we have identified risks relate to: • The implementation of management's methodology in the CSM calculation engine; and • The appropriateness of any manual adjustments made by management to the output of their calculations.	In respect of the valuation of the life risk and life participating CSM, our work included the following: • Understood and evaluated the process and the design and implementation of controls in place. This included testing the design and operating effectiveness of the relevant controls in place, and the completeness and accuracy of data used; • Tested the accuracy of the CSM calculation engine and the application of management's judgements by comparing a sample of outputs against those produced by our own independent CSM model; • Reviewed management's testing over the accuracy of the model used for the calculation of the CSM as at 31 December 2023; • Tested manual adjustments made by management; and • Tested management's key review controls over the CSM valuation through reperformance and independent testing. Based on the work performed and the evidence obtained, we consider the life risk and life participating CSM to be appropriate.

Independent auditors' report to the members of Aviva plc

Key audit matter	How our audit addressed the key audit matter
Valuation of general insurance contract liabilities and reinsurance assets (Group)	
Refer to Accounting policy (M) 'Insurance, participating investment and reinsurance contracts' and Note 40 – Insurance and Reinsurance Contracts.	
General insurance contract liabilities and reinsurance assets are highly uncertain and require considerable judgement and interpretation to determine their valuation. We focused on the following: • The risk of inappropriate methodologies and assumptions being used to estimate the undiscounted best estimate liabilities for future claims cash flows, which now forms part of the liability for incurred claims ("LIC"), and the associated reinsurers' share, which form part of the assets for incurred claims ("AIC"); • The determination of the bottom up discount rates (including choice of illiquidity premium); • The determination of payment patterns used to derive the cash flows for incurred claims; • The appropriateness of significant judgements applied to the selection of the Premium Allocation Approach ("PAA") measurement model for groups of contracts that are not automatically eligible, including the selection of "reasonably expects" assumptions; • The appropriateness of methodologies and assumptions adopted to value reinsurance assets associated with Adverse Development Covers ("ADC") measured under the General Measurement Model ("GMM"); and • The appropriateness of methodologies and assumptions adopted to calculate the amount of the risk adjustment to reflect the entity's view of the compensation that it requires for bearing risk.	Our work included the following procedures to address the risks identified in relation to the valuation of general insurance contract liabilities and reinsurance assets: • Understood and evaluated the process and the design and implementation of controls in place. This included testing the operating effectiveness of the relevant controls; • Independently estimated the undiscounted best estimate liabilities (for the LIC) on selected classes of business, particularly focusing on the largest and most uncertain estimated cash flows. For these classes we compared our estimated cash flows to those booked by management, and understood the reasoning behind any significant differences; • Evaluated the appropriateness of the actuarial claims projection techniques and the reasonableness of the methodology and significant assumptions for the remaining lines of business; • Understood and evaluated the reasonableness of the actuarial assumptions impacting the forecast future claims cash flows. This included assumptions related to payment patterns and the rates used to discount future claims cash flows; • Assessed the appropriateness of the judgements and supporting estimates used to determine use of the PAA measurement model; • Assessed the appropriateness of the methodology and assumptions involved in the recognition of reinsurance assets associated with ADC contracts by reviewing the inputs to, and outputs from management's model including assessing any manual adjustments made to the output of the model; and • Assessed the appropriateness of the methodology and assumptions applied to determine the risk adjustment and testing of the derivation of the risk adjustment. Based on the work performed and evidence obtained, we consider the methodology and assumptions used to value the general insurance liabilities and reinsurance assets to be appropriate.

Independent auditors' report to the members of Aviva plc

Key audit matter	How our audit addressed the key audit matter
Valuation of hard to value investments (Group)	
Refer to Accounting policy (Y) Loans and Note 25 – Loans.	
The valuation of the investment portfolio involves judgement and continues to be an area of inherent risk. The valuation risk is not uniform for all investment types and is greatest for particular assets categorised as level 3 under the fair value methodology. This is because of the level of judgement required in the selection and application of significant assumptions and unobservable inputs, and the resulting sensitivities on the reported amounts. The asset classes that we consider for this risk are: • Commercial mortgage loans (UK life); • Equity release mortgage loans (UK life); and • Infrastructure loans (UK Life).	Our work over the valuation of hard to value investments included the following: • Understood and evaluated the process and the design and implementation of controls in place to determine the pricing and oversight of the process; • Evaluated the valuation methodologies and models adopted by management against expected methods, by performing independent recalculations of valuations determined by models covering each asset class; • Tested data inputs used in the valuation models to underlying documentation on a sample basis; • Evaluated assumptions used by management, including yield curves, discounted cash flows, property growth rates, house prices, longevity, credit spread and illiquidity premiums as relevant to each asset class and credit ratings through benchmarking these to market available data and engaging valuation experts; • Tested the operation of data integrity and change management controls for the commercial mortgage and equity release valuation models; • Using our property valuation experts, assessed the objectivity, independence and competency of the surveyors used by management to determine the collateral values input into the commercial mortgage valuation models; and • Using our valuation experts, performed independent valuations for a sample of loans valued by each different type of infrastructure loan model. 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 Accounting policy (D) Consolidation principles - (F) The Company's investments; and the Company Financial Statements 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 are the largest assets on the Company's statement of financial position. There is a risk that the carrying value of the investments in subsidiaries exceeds the recoverable amount and therefore an impairment loss should be recognised.	In respect of the carrying value of investments in subsidiaries we have: • Obtained management's assessment of impairment indicators in investments in subsidiaries and tested relevant key inputs; • Evaluated whether there is an impact on the carrying value of the investment based on our understanding of the business and accounting treatment; and • Tested the disclosures made by management in the financial statements. Based on the work performed and the evidence obtained, we consider the carrying value of investments in subsidiaries to be appropriate.

Independent auditors' report to the members of Aviva plc

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 (which forms part of the Insurance, Wealth and Retirement operating segment as disclosed in the financial statements), UK General Insurance, Canada General Insurance and Aviva plc.

We also performed audit procedures over the corporate centre operations and the consolidation process, as well as over certain other group activities, including specific account balances in Aviva Employment Services Limited, Aviva Central Services UK Limited, Aviva Group Holdings Limited and and Aviva Investors UK Fund Services Limited.

We completed review procedures over the other components not subject to full scope audits.

As the Group audit team, we determined the level of involvement required at those components to be able to conclude whether sufficient and appropriate audit evidence had been obtained as a basis for our opinion on the consolidated financial statements as a whole. In our role as Group auditors, we exercised oversight of the work performed by auditors of the components including performing the following procedures:

- Issued Group instructions outlining areas requiring additional audit focus, including the key audit matters above;
- Maintained an active dialogue with reporting component audit teams throughout the year;
- Attended meetings with local management;
- Reviewed reporting requested from component teams, including those areas determined to be of heightened audit risk; and
- Met with all full scope components and reviewed the detailed working papers, where relevant.

The impact of climate risk on our audit
We have made enquiries of management (both within and outside of the Group's finance functions) in order to understand the extent of the impact of climate change risks and the commitments made by the Group on the Group's financial statements. As part of this, we reviewed the Group's climate reporting framework, and 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 2023, the main audit risks are related to consistency of disclosures included within the Annual Report and 'other information' including the Task Force on Climate-related Financial Disclosure ("TCFD") report. As a result of this assessment, we concluded that there was no impact on our key audit matters.

Materiality
The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

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	£142,000,000.	£75,271,000.
How we determined it	1% of equity attributable to shareholders of Aviva plc, plus CSM net of tax.	0.5% of total equity
Rationale for benchmark applied	In determining our materiality, we considered financial metrics which we believed to be relevant and concluded that equity attributable to shareholders of Aviva plc, plus CSM net of tax was the most appropriate benchmark. CSM, net of tax, represents an estimate of locked-in future net profits to be generated from current in-force business which will ultimately increase total shareholders' equity available for distribution as dividends. Together with equity attributable to Aviva shareholders, this metric provides an expectation of the future total equity of Aviva, and is an appropriate benchmark to determine the materiality level under IFRS 17.	In determining our materiality, we considered financial metrics which we believed to be relevant and concluded, consistent with prior year, that total equity was the most appropriate benchmark. The primary use of the financial statements is to determine the entity's ability to pay dividends, and the users will therefore be focused on a total equity benchmark.

For each component in the scope of our Group audit, we allocated a materiality that is less than our overall Group materiality. The range of materiality allocated across components was between £30,000,000 and £129,000,000. Certain components were audited to a local statutory audit materiality that was also less than our overall Group materiality.

Independent auditors' report to the members of Aviva plc

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% of overall materiality, amounting to £106,500,000 for the Group financial statements and £56,453,250 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 £7,100,000 (Group audit) and £3,763,550 (Company audit) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

Our evaluation of the directors' assessment of the Group's and the Company's ability to continue to adopt the going concern basis of accounting included:

- Obtaining the directors' going concern assessment and challenging the rationale for the downside scenarios adopted and material assumptions made using our knowledge of Aviva's business performance, review of regulatory correspondence and obtaining further corroborating evidence;
- Considering the directors' assessment of the regulatory solvency coverage and liquidity position in the forward looking scenarios considered, which have been derived from Aviva's Own Risk and Solvency Assessment ("ORSA");
- Considering information obtained during the course of the audit and publicly available market information to identify any evidence that would contradict the directors' assessment of going concern; and
- Enquiring and understanding the actions taken by the directors to mitigate the risks arising from the impacts of economic uncertainty, including review of Board Risk Committee minutes and attendance of all Audit Committees.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the Group's and the Company's ability to continue as a going concern.

In relation to the directors' reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic Report and Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' report for the year ended 31 December 2023 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Group and Company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' report.

Independent auditors' report to the members of Aviva plc

Directors' Remuneration
In our opinion, the part of the Annual report on remuneration to be audited has been properly prepared in accordance with the Companies Act 2006.

Corporate governance statement
The Listing Rules require us to review the directors' statements in relation to going concern, longer-term viability and that part of the corporate governance statement relating to the Company's compliance with the provisions of the UK Corporate Governance Code specified for our review. Our additional responsibilities with respect to the corporate governance statement as other information are described in the Reporting on other information section of this report.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the financial statements and our knowledge obtained during the audit, and we have nothing material to add or draw attention to in relation to:

- The directors' confirmation that they have carried out a robust assessment of the emerging and principal risks;
- The disclosures in the Annual Report that describe those principal risks, what procedures are in place to identify emerging risks and an explanation of how these are being managed or mitigated;
- The directors' statement in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the Group's and Company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- The directors' explanation as to their assessment of the Group's and Company's prospects, the period this assessment covers and why the period is appropriate; and
- The directors' statement as to whether they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period of its assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Our review of the directors' statement regarding the longer-term viability of the Group and Company was substantially less in scope than an audit and only consisted of making inquiries and considering the directors' process supporting their statement; checking that the statement is in alignment with the relevant provisions of the UK Corporate Governance Code; and considering whether the statement is consistent with the financial statements and our knowledge and understanding of the Group and Company and their environment obtained in the course of the audit.

In addition, based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- The directors' statement that they consider the Annual Report, taken as a whole, is fair, balanced and understandable, and provides the information necessary for the members to assess the Group's and Company's position, performance, business model and strategy;
- The section of the Annual Report that describes the review of effectiveness of risk management and internal control systems; and
- The section of the Annual Report describing the work of the Audit Committee.

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 Statement of directors' responsibilities, 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.

Independent auditors' report to the members of Aviva plc

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the Group and industry, we identified that the principal risks of non-compliance with laws and regulations related to breaches of UK and European regulatory principles, such as those governed by the Prudential Regulation Authority ("PRA"), the Financial Conduct Authority ("FCA") and the UK tax authorities, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to management bias in accounting estimates and judgmental areas of the financial statements as shown in our 'Key Audit Matters'. The Group engagement team shared this risk assessment with the component auditors so that they could include appropriate audit procedures in response to such risks in their work. Audit procedures performed by the Group engagement team and/or component auditors included:

- Discussions with the Board of Directors, management, internal audit, senior management involved in the risk and compliance functions and the Group's and the 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's and the 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, 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's and the 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 Annual report on remuneration to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Independent auditors' report to the members of Aviva plc

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 12 years, covering the years ended 31 December 2012 to 31 December 2023.

Other matter

In due course, as required by the Financial Conduct Authority Disclosure Guidance and Transparency Rule 4.1.14R, these financial statements will form part of the UKSEF-prepared annual financial report filed on the National Storage Mechanism of the Financial Conduct Authority in accordance with the UKSEF Regulatory Technical Standard ("UKSEF RTS"). This auditors' report provides no assurance over whether the annual financial report will be prepared using the single electronic format specified in the UKSEF RTS.

Philip Watson (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

6 March 2024

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, India, China and Singapore.

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.

The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of land and buildings, investment property, and financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

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 restated following the implementation of IFRS 17 Insurance Contracts and IFRS 9 Financial Instruments as detailed in note 1.

New standards, interpretations and amendments to published standards that have been issued and endorsed by the UK and adopted by the Group or the Company

The Group has applied IFRS 17 Insurance Contracts and IFRS 9 Financial Instruments retrospectively from 1 January 2023. As a result, the Group has restated certain comparative amounts. IFRS 17 significantly impacts the measurement and presentation of insurance contracts, reinsurance contracts and investment contracts with discretionary participation features (participating investment contracts). Adoption of IFRS 9 has had no impact on the measurement of the Group's financial instruments, but introduces new disclosure requirements. The nature and effects of the transition to IFRS 17 and IFRS 9 are summarised in note 1, including the financial impacts on the statement of financial position as at 1 January 2022. The Group's revised accounting policies are set out in (B), (C), (H), (I), (M), (N), (O), (P), (T), (U), (W), (X), (Y), (AA) and (AF) below.

In addition, the Group and the Company has adopted the following amendments to standards which became effective for the annual reporting period beginning on 1 January 2023. The amendments do not have a significant impact on the Group's consolidated financial statements or the Company's financial statements.

(i) Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting Policies

(ii) Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates

(iii) Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction

(iv) Amendments to IAS 12 Income Taxes: International Tax Reform – Pillar Two Model Rules

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 amendments to existing standards have been issued, are not yet effective for the Group and the Company, and have not been adopted early by the Group and the Company. None of the amendments are expected to have a significant impact on the Group's consolidated financial statements or the Company's financial statements.

(i) Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current

Published by the International Accounting Standards Board (IASB) in January 2020. The amendments are effective for annual reporting beginning on or after 1 January 2024 and have been endorsed by the UK.

(ii) Amendments to IAS 1 Presentation of Financial Statements: Non-current Liabilities with Covenants

Published by the IASB in October 2022. The amendments are effective for annual reporting beginning on or after 1 January 2024 and have been endorsed by the UK.

(iii) Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback

Published by the IASB in September 2022. The amendments are effective for annual reporting beginning on or after 1 January 2024 and have been endorsed by the UK.

(iv) Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments Disclosures: Supplier Finance Arrangements

Published by the IASB in May 2023. The amendments are effective for annual reporting beginning on or after 1 January 2024 and have been endorsed by the UK.

(v) Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability

Published by the IASB in August 2023. The amendments are effective for annual reporting beginning on or after 1 January 2025 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.

Accounting policies

Group adjusted operating profit for life and non-life 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. This includes movements in the liabilities to with-profit policyholders that offset the operating result of non-profit contracts written in the with-profit funds. Group adjusted operating profit also includes the effect of the mismatch between movements in expected future insurance contract cash flows measured at current discount rates and the corresponding adjustment to the contractual service margin (CSM) measured at locked-in rates (see policy M).

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.

The exclusion of economic variances 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 note 10.

Group adjusted operating profit excludes impairment of goodwill, associates and joint ventures; amortisation and impairment of intangibles acquired in business combinations; amortisation and impairment of acquired value of in-force business; and the profit or loss on disposal and remeasurement of subsidiaries, joint ventures and associates. These items principally relate to mergers 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.

From 1 January 2023, Group adjusted operating profit excludes integration and restructuring (I&R) costs that relate to a well-defined programme that materially changes the scope of our business or the manner in which it is conducted, with the exception of I&R costs directly attributable to insurance contracts. Directly attributable I&R costs are reflected in the CSM and the impact recognised in Group adjusted operating profit as CSM is amortised. This change in accounting policy had no impact on the 2022 comparative amounts.

Group adjusted operating profit also excludes other items, which are those items that, in the Directors' view, are required to be separately disclosed by virtue of their nature or incidence to enable a full understanding of the Group's financial performance. Details of these items, including an explanation of the rationale for their exclusion, are provided in the Alternative Performance Measures section within 'Other information'.

The Group adjusted operating profit APM should be viewed as complementary to IFRS GAAP measures. It is important to consider Group adjusted operating profit and profit before tax together to understand the performance of the business in the period.

(C) Critical accounting policies and the use of estimates

The preparation of financial statements requires the Group to select accounting policies and make estimates and assumptions that affect items reported in the consolidated income statement, consolidated statement of financial position, other primary statements and notes to the consolidated financial statements.

The Audit Committee reviews the reasonableness of judgements and assumptions applied and the appropriateness of material accounting policies. The material judgements considered by the Committee in the year are included within the Audit Committee Report.

The accounting policies in the table below are those that have the most material impact on the amounts recognised in the financial statements, with those judgements involving estimation summarised thereafter.

Critical accounting judgement
Consolidation (accounting policy – D)
Assessment of whether the Group controls the underlying entities including consideration of its decision-making authority and rights to the variable returns from the entity. As part of this assessment Aviva applies a corridor approach to consolidation thresholds, where the Group's percentage ownership in certain investment vehicles fluctuates daily.
Classification of insurance and investment contract (accounting policy – G)
Assessment of the significance of insurance risk transferred to the Group and discretionary participation features in determining whether a contract should be accounted for as an insurance or investment contract. Insurance contracts are defined as those containing significant insurance risk. Contracts that transfer financial risks, but not significant insurance risk are classified as investment contracts. Judgement is required to assess whether insurance risk is significant at inception of the contract. Some insurance and investment contracts contain a discretionary participation feature which is a supplement to guaranteed benefits. Judgement is required to determine whether discretionary additional benefits are likely to be a significant portion of the total contractual payments.
Level of aggregation and measurement model for insurance, participating investment and reinsurance contracts (accounting policies – M(b) and M(c))
For measurement purposes, insurance contracts are aggregated into groups based on an assessment of risks and dividing each portfolio into annual cohorts by year of issue. Judgement is required in assessing if the contracts have similar risks that are managed together. Each annual cohort is further subdivided into three groups, and judgement is applied to determine the profitability of contracts at initial recognition. Judgement is then applied to determine if the group of contracts is eligible for either the variable fee approach (VFA) or premium allocation approach (PAA) to measurement.

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.

Accounting policies

The table 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.

Material accounting estimates	Assumptions	Carrying Values	Sensitivity
Measurement of insurance, participating investment and reinsurance contracts (accounting policy - M) The principal subjective or complex assumptions used in the calculation of life insurance and participating investment contract fulfilment cash flows include non-financial assumptions (in particular, annuitant and assurance mortality and future expenses) and the allowance for illiquidity in discount rates (in particular, top-down discount rates applied to annuity liabilities). The immediate impact of changes in these assumptions on the carrying amounts of insurance, participating investment and reinsurance contracts is reduced when there is a corresponding adjustment to the CSM, i.e. for all changes in non-financial assumptions (calculated at locked-in discount rates for GMM contracts) and for financial changes to VFA contracts, unless contracts are onerous. The principal subjective or complex assumptions used in the calculation of non-life liabilities include the allowance for illiquidity in the discount rates used to determine our latent claim and structured settlements liabilities and the assumption that past claims experience can be used as a basis to project future claims (estimated using a range of standard actuarial claims projection techniques).	note 40(g)	note 40(a)	note 54(h)
Fair value of financial instruments and investment property (accounting policies - F, R, W) Where quoted market prices are not available, valuation techniques are used to value financial instruments and investment property. These include broker quotes and models using both observable and unobservable market inputs. The valuation techniques involve judgement with regard to the valuation models used and the inputs to these models can lead to a range of plausible valuations for financial investments.	note 24(g)	note 24(g)	note 24(g)

Material accounting estimates	Assumptions	Carrying Values	Sensitivity
Deferred tax assets (accounting policy - AE) The deferred tax asset relates to UK tax losses which carry forward indefinitely and the reduction in net assets on adoption of IFRS 17, including the CSM recognition. This element of the deferred tax asset will reverse as the CSM unwinds and profits are recognised in future. The losses are recognised based on probable future taxable investment income and gains and taxable profits within five years. Assumed investment returns and profits are consistent with assumptions used in actuarial reserving and the Group Board approved Plan. Alternative assumptions modelled by the Group also show full recovery of the deferred tax asset over this period.	note 44(b)	note 44(b)	n/a

The Group has considered the impact of climate risk on the carrying value of assets and liabilities and considers that there is no significant risk of a material adjustment within the next financial year resulting from climate risk. The impact of climate risk on the valuation of financial instruments and investment property is described in note 24(g).

(D) Consolidation principles

(a) 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.

(b) 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.

Accounting policies

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 IFRS 9 Financial Instruments.

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.

(c) 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.

(d) 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.

Accounting policies

(e) 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.

(f) The Company's investments

In the Company's statement of financial position, subsidiaries, associates and joint ventures are stated at cost less impairment. Investments are reviewed annually to test whether any indicators of impairment exist.

Where there is objective evidence of such an asset being impaired the investment is impaired to its recoverable value and any unrealised loss is recorded in the income statement.

(E) Foreign currency translation

Income statements and cash flows of foreign entities are translated into the Group's presentation currency at average exchange rates for the year, while their statements of financial position are translated at the year-end exchange rates.

Exchange differences arising from the translation of the net investment in foreign subsidiaries, associates and joint ventures, and of borrowings and other currency instruments designated as hedges of such investments, are recognised in other comprehensive income and taken to the currency translation reserve within equity.

On disposal of a foreign entity, such exchange differences are transferred out of this reserve and are recognised in the income statement as part of the gain or loss on sale. The cumulative translation differences were deemed to be zero at the transition date to IFRS.

Foreign currency transactions are accounted for at the exchange rates prevailing at the date of the transactions. Gains and losses resulting from the settlement of such transactions, and from the translation of monetary assets and liabilities denominated in foreign currencies, are recognised in the income statement.

Translation differences on fixed maturity securities and other monetary financial assets measured at fair value through profit or loss (FVTPL) (see accounting policy W) are included in foreign exchange gains and losses in the income statement. 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.

(F) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. This presumes that the transaction takes place in the principal (or most advantageous) market under current market conditions. Fair value is a market-based measure and in the absence of observable market prices in an active market, it is measured using the assumptions that market participants would use when pricing the asset or liability.

The fair value of a non-financial asset is determined based on its highest and best use from a market participant's perspective. When using this approach, the Group takes into account the asset's use that is physically possible, legally permissible and financially feasible.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price i.e. the fair value of the consideration given or received. In certain circumstances, the fair value at initial recognition may differ from the transaction price.

If the fair value is evidenced by comparison with other observable current market transactions in the same instrument (i.e. without modification or repackaging), or is based on a valuation technique whose variables include only data from observable markets, then the difference between the fair value at initial recognition and the transaction price is recognised as a gain or loss in the income statement.

Accounting policies

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 17 as set out in policy (M). This includes hybrid participating investment contracts, which are a combination of unit-linked and with-profits investments for which the discretionary participation feature is a significant portion of the combined contract. Investment contracts without discretionary participation features, referred to as non-participating investment contracts, and the related reinsurance assets are accounted for as financial instruments under IFRS 9.

The classification of the Group's main contracts is summarised below:

Type of contract	Classification
Annuities	Insurance contract
Unit-linked with significant insurance risk or with a significant discretionary participation feature	Insurance contract/ Participating investment contract
Unit-linked without significant insurance risk and without significant discretionary participation features	Non-participating investment contract
Protection	Insurance contract
General insurance (motor, property, liability)	Insurance contract
With-profits	Insurance contract/ Participating investment contract

(H) Insurance service result

The insurance service result represents the Group's profit or loss recognised on insurance contracts, participating investment contracts and reinsurance contracts (measured in accordance with policy M) in the period, excluding the impact of the time value of money and financial risks related to such contracts. The insurance service result contains three components:

(a) Insurance revenue

For insurance contracts and participating investment contracts applying General Measurement Model (GMM) and Variable Fee Approach (VFA), insurance revenue is comprised of:

- The amortisation of contractual service margin (CSM);
- The release of the risk adjustment included within the liability for remaining coverage;
- Claims and expenses expected to be incurred in the period, as released from the liability for remaining coverage and adjusted for the allocation of loss Other, including revenue recognised for policyholder tax and other incurred expenses that have been charged to policyholder funds; and
- The recovery of insurance acquisition cash flows, which offsets the amortisation included in insurance service expenses.

For insurance contracts applying the premium allocation approach (PAA), insurance revenue is based upon the amount of expected premium receipts allocated to insurance contracts in the period. Premium receipts are allocated to insurance contracts based upon the passage of time or, where there is evidence that the release of risk differs from the passage of time, on the basis of the expected timing of insurance service expenses.

(b) Insurance service expenses

For insurance contracts and participating investment contracts, insurance service expenses are comprised of:

- Actual claims (excluding investment components) and non-acquisition fulfilment expenses incurred, adjusted for the allocation of loss components;
- The recognition and reversal of losses on onerous contracts;
- Non-financial assumption changes which do not adjust the CSM;

Accounting policies

- Non-financial assumption changes which affect the valuation of the liability for incurred claims;
- Any impairment of acquisition cash flows, net of reversals; and
- The amortisation of insurance acquisition cash flows.

For contracts measured under the GMM and VFA, recovery of insurance acquisition cash flows is included in insurance revenue, as described above, and an equal and opposite amount for the amortisation of insurance acquisition cash flows is included in insurance service expenses.

For contracts measured under the PAA, amortisation of insurance acquisition cash flows is based on the passage of time or, where there is evidence that the release of risk differs from the passage of time, on the basis of the expected timing of insurance service expenses.

(c) Net income and expenses from reinsurance contracts

Net income (expenses) from reinsurance contracts held represents the insurance service result for groups of reinsurance contracts held and is comprised of:

- The allocation of reinsurance premiums paid, which is calculated using the same principles as used to calculate revenue on insurance contracts;
- Amounts recoverable from reinsurers, which is calculated using the same principles as used to calculate insurance service expenses on insurance contracts;
- The recognition of, and subsequent movements in, reinsurance loss recovery components; and
- The effect of changes in the risk of reinsurers' non-performance.

(I) Insurance finance result

Insurance finance income/expenses are calculated on insurance contracts, participating investment contracts and reinsurance contracts, comprising:

- Changes in the fair value of underlying items;
- The accretion of interest on the CSM;
- The unwind of discounting on fulfilment cash flows and the risk adjustment; and
- The impact of financial assumption changes upon fulfilment cash flows and the risk adjustment.

The latter two components apply to contracts measured under the GMM and PAA, in addition to VFA contracts where the risk mitigation option is applied.

Where changes in expected future cash flows and risk adjustment on GMM contracts arise from non-financial assumption changes and experience variances, the difference between measuring the change in fulfilment cash flows using current financial assumptions and the impact which adjusts the CSM using locked in financial assumptions is recognised in the income statement in net finance expenses.

The accounting policies used to calculate amounts within the insurance finance result are discussed in greater detail in policy M.

(J) Investment contract fee revenue

Non-participating 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 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.

(K) 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 AA. All other fee and commission income is recognised over time as the services are provided.

(L) Other investment income

Investment income consists of dividends, interest and rents receivable for the year, movements in amortised cost on fixed maturity securities, realised gains and losses, and unrealised gains and losses on investments held at FVTPL (as defined in accounting policy W). 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 using a straight line method, 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.

Accounting policies

Realised gains or losses on investment property represent the difference between the net disposal proceeds and the carrying amount of the property.

(M) Insurance, participating investment and reinsurance contracts

Insurance contracts, participating investment contracts and reinsurance contracts are accounted for in accordance with IFRS 17.

The key measurement principles are outlined below.

(a) IFRS 17 measurement models

The Group applies three measurement models to insurance contracts, participating investment contracts and reinsurance contracts as follows:

Model	Applicable business
GMM	• Bulk purchase annuities • Individual immediate and deferred annuities • Individual and group protection • With-profits contracts with guaranteed annuity terms • Reinsurance contracts held, including non-life reinsurance contracts that are not eligible for PAA
VFA	• Participating investment contracts • Unit linked or with-profits contracts with significant insurance risk
PAA	• Short duration non-life insurance contracts • Longer duration non-life insurance contracts which are eligible for PAA • Reinsurance contracts held which are eligible for PAA

The Group applies judgement when determining eligibility criteria for the VFA and PAA measurement models (see Accounting policy M section (b)).

Under each measurement model insurance contract liabilities are measured as the sum of the liability for remaining coverage (LRC) and the liability for incurred claims (LIC). The LRC represents the obligation under the insurance contract for insured events that have not yet occurred i.e., the obligation that relates to the unexpired portion of the coverage period, including the contractual service margin (CSM). The LIC reflects the obligation to investigate and pay valid claims for insured events that have already occurred, including events that have already occurred but for which claims have not been reported.

The key features of each measurement model are set out below.

(i) General measurement model (GMM)

The GMM is the default IFRS 17 measurement model. The fulfilment cash flows comprise the present value of future cash flows within the boundary of the contract, discounted at current rates, and an explicit risk adjustment for non-financial risk.

At inception, a CSM liability is recognised for each new group of contracts which represents the unearned profit to be recognised over the coverage period.

Initial measurement is based on the cash flows within the boundary of the contract discounted at the rate when the contract is written. Except for reinsurance contracts held, losses on groups of contracts that are onerous at inception are recognised immediately.

For subsequent measurement, fulfilment cash flows are discounted at current rates at each balance sheet date, while the CSM is remeasured applying the discount rate when the contract is written (the locked-in rate). Other financial assumptions including inflation and foreign exchange rates are also locked in at inception for the purposes of remeasuring the CSM. The CSM is remeasured for changes in the fulfilment cash flows relating to non-financial risk only, applying these locked in financial assumptions. Interest is accreted on the CSM using the locked-in discount rate and the CSM is amortised over the coverage period of the contract.

The coverage period is determined based on the service provided to customers including both insurance and investment services. Losses on groups of contracts that are profitable at inception but subsequently become onerous are recognised immediately.

In contrast to insurance contracts, the CSM for groups of reinsurance contracts held can be an asset or liability. If reinsurance is in place when underlying groups of insurance contracts become onerous, the reinsurance CSM recognised is adjusted to offset the gross losses arising.

Where the net cost of purchasing reinsurance contracts held relates to events that occurred prior to purchase (for example adverse development cover) no CSM is recognised, and the net cost is recognised immediately in the income statement.

(ii) Variable fee approach (VFA)

The VFA is a modified approach to the GMM that is applied to groups of insurance and investment contracts with direct participating features which meet eligibility requirements that demonstrate they provide substantial investment related services to policyholders.

Fulfilment cash flows for VFA contracts comprise the obligation to pay policyholders an amount equal to the fair value of underlying items, less the variable fee for future service.

Changes in the obligation to pay policyholders the fair value of underlying items are recognised within net finance expenses from insurance contracts in the income statement.

The variable fee includes the present value of the Group's share of the fair value of underlying items, adjusted for cash flows that do not vary with those underlying items. The risk adjustment reflects the compensation for non-financial risk in relation to the variable fee only.

The CSM is subsequently remeasured for changes in the variable fee due to both financial and non-financial risks using current market discount rates.

Consistent with the GMM, the CSM is recognised in profit or loss over the coverage period in line with the insurance and investment services provided to customers.

Accounting policies

(iii) Premium allocation approach (PAA)
The PAA is a simplified measurement model which can be applied to all short duration contracts and to longer duration contracts that meet PAA eligibility criteria. It is applied to all of the Group's non-life insurance and reinsurance contracts except for contracts that reinsure adverse development of incurred claims.

The LRC is measured as the amount of premium received net of acquisition cash flows, less the amount of premiums and acquisition cash flows that have been recognised in profit or loss over the expired portion of the coverage period.

Premium receipts and acquisition cash flows are recognised in profit or loss over the life of the contract, based on the expected timing of incurred claims.

Where policyholder premiums are yet to be remitted by intermediaries, these premiums are treated as received within the LRC with a separate financial asset recognised for the amounts due from intermediaries. Commissions due to intermediaries are treated as paid within the LRC with a separate financial liability recognised. Variable commissions which are not yet due and which are dependent upon underwriting performance are measured within the liability for remaining coverage, until the coverage period expires and the liability amount is known, at which point they are reclassified as financial liabilities.

If facts and circumstances indicate that a group of contracts may be onerous, the LRC is measured using GMM principles and losses for onerous contracts are recognised immediately in the income statement.

For most contracts applying PAA, the measurement of the LIC aligns to the GMM, with an explicit risk adjustment for non-financial risk, and discounting applied to expected cash flows. For Health contracts a PAA exemption is applied to measure the LIC on an undiscounted basis, allowable because claims are settled within 12 months of their incurred date.

(b) Choice of measurement model
(i) VFA eligibility
Life business is considered to have direct participating features, and is required to be measured under the VFA model where:
- Contractual terms evidence that policyholders participate in a pool of clearly identified underlying items, for example unit-linked or with-profits funds;
- The policyholders expect to receive a substantial share of the returns on underlying items (defined by the Group as greater than 50%); and
- A substantial proportion of changes in amounts payable to policyholders varies with returns on the underlying items (defined by the Group as a correlation coefficient of greater than 50%).

Reinsurance contracts held are not eligible to apply the VFA.

(ii) PAA eligibility
The vast majority of the Group's direct non-life business has a duration of one year or less and is automatically eligible for the PAA model. For the remainder, financial modelling is performed to compare the value of the LRC measured under GMM and PAA.

Where the LRC does not materially differ between the two measurement models (over the duration of the contract and in a range of reasonably foreseeable scenarios) the contract group is PAA eligible.

The Group has multiple non-life reinsurance contracts which are greater than one year in duration. These are assessed for PAA eligibility by applying the same financial modelling approach and are all PAA eligible except for treaties reinsuring the adverse development of incurred claims.

(c) Level of aggregation
The unit of account is a group of contracts, so insurance contracts are aggregated into groups for measurement purposes. Discrete CSMs are determined for each group of insurance contracts applying GMM or VFA.

Groups of insurance contracts have been determined by identifying portfolios of insurance contracts, comprising contracts subject to similar risks that are managed together, and dividing each portfolio into annual cohorts by year of issue.

Each annual cohort is then further subdivided into three groups based on the profitability of contracts determined at initial recognition and comprising:
- Contracts that are onerous;
- Contracts that have no significant possibility of becoming onerous; (based on the probability that changes in assumptions would result in contracts becoming onerous); and
- All remaining contracts.

Reinsurance contracts held are also subdivided into three profitability groups, determined by reference to net gains/losses on initial recognition, and comprising:
- Contracts that have a net gain at initial recognition;
- Contracts that have no significant possibility of a net gain arising subsequently; and
- All remaining contracts.

The approach to profitability grouping makes use of sets. Where it can be demonstrated that all contracts within a set are sufficiently homogeneous, they are allocated to the same profitability group without performing an individual contract assessment. For Life product lines, sets of contracts usually correspond to policyholder pricing groups. The likelihood of changes in insurance, financial and other exposures resulting in contracts becoming onerous is monitored at the level of these pricing groups.

For contracts measured under the PAA, IFRS 17 permits a simplification whereby contract groups are assumed not to be onerous unless facts and circumstances indicate otherwise. The Group has used internal management information to identify facts and circumstances that may indicate that a group is onerous.

Accounting policies

(d) Recognition and derecognition
An insurance contract issued by the Group is recognised from the earliest of:

- The beginning of its coverage period (i.e. the period during which the Group provides insurance contract services in respect of any premiums within the boundary of the contract);
- The date the first payment from the policyholder becomes due or, if there is no contractual due date, when it is received from the policyholder; and
- The date when facts and circumstances indicate that the contract is onerous.

Reinsurance contracts are recognised on the following dates:

- Reinsurance contracts that provide proportionate coverage: the later of the date on which any underlying insurance contract is initially recognised and the date the reinsurance is entered into. This applies to the Group's quota share reinsurance contracts.
- Other reinsurance contracts: The beginning of the coverage period of the group of reinsurance contracts. However, if the Group recognises an onerous group of underlying insurance contracts on an earlier date and the related reinsurance contract was entered into before that earlier date, then the group of reinsurance contracts is recognised on that earlier date. This applies to the Group's excess of loss and catastrophe cover reinsurance contracts.

An insurance or reinsurance contract acquired in a transfer of contracts or a business combination is recognised on the date of acquisition.

When the contract is recognised, it is added to an existing group of contracts or, if the contract does not qualify for inclusion in an existing group, it forms a new group to which future contracts are added. Groups of contracts are established on initial recognition and their composition is not revised once all contracts have been added to the group.

Insurance contracts are derecognised when the contract is extinguished, i.e. when the specified obligations expire, are discharged, or are cancelled.

The Group also derecognises a contract if its terms are modified in a way that would have changed the accounting for the contract significantly had the new terms always existed, in which case a new contract based on the modified terms is recognised.

(e) Estimate of future cash flows
The estimate of future cash flows is assessed at the level of groups of contracts and represents the best estimate of the Group's cost to fulfil a contract incorporating current estimates of non-financial assumptions. The estimate allows for all the cash inflows and outflows expected to occur within the contract boundary. Cash flows are modelled separately for gross and reinsurance contracts.

(i) Contract boundaries
Cash flows are within the contract boundary if they arise from substantive rights and obligations that exist during the reporting period in which the Group can compel the policyholder to pay premiums or has a substantive obligation to provide insurance contract services.

A substantive obligation to provide services ends when the Group has the practical ability to reassess the risks (insurance and financial risks transferred from the policyholder, so excluding lapse and expense risks) and set a price or level of benefits that fully reflects those reassessed risks for either the particular policyholder or the portfolio that contains the contract.

Riders, representing add-on provisions to a basic insurance policy that provide additional benefits to the policyholder at additional cost, issued together with the main insurance contracts form part of a single insurance contract with all of the cash flows within its boundary.

Some insurance contracts issued by the Group provide policyholders with the option to buy additional insurance coverage. The Group assesses the practical ability to reprice such insurance contracts in their entirety to determine if the option cash flows are within or outside the insurance contract boundary. As a result of this assessment, options for which pricing is not guaranteed are not measured by the Group until they are exercised.

Cash flows are within the boundaries of participating investment contracts if they result from a substantive obligation of the Group to deliver cash at a present or future date.

Cash flows are within the contract boundary of a reinsurance contract held if they arise from substantive rights and obligations that exist during the reporting period in which the Group is compelled to pay amounts to the reinsurer or has a substantive right to receive services from the reinsurer.

The contract boundary is reassessed at each reporting date to include the effect of changes in circumstances on the Group's substantive rights and obligations and, therefore, may change over time. Cash flows outside the contract boundary relate to future insurance contracts and are recognised when those contracts meet the recognition criteria.

(ii) Principal non-financial assumptions
Principal non-financial assumptions used in the calculation of life insurance and participating investment contract fulfilment cash flows include those in respect of annuitant and assurance mortality and future expenses. Expenses must be directly attributable to fulfilling insurance contracts, including an allocation of overheads to the extent that they can be allocated to groups of contracts in a systematic and rational way.

Principal non-financial assumptions used in the calculation of the non-life LIC use past claims experience to project future claims (estimated using a range of standard actuarial claims projection techniques).

(iii) Financial assumptions
Discount rates
Discounting is applied to the estimate of future cash flows. The Group uses a bottom-up discount rate for all life and non-life insurance contracts except for annuities. A top-down discount rate is applied to annuities to reflect more appropriately the characteristics of the annuity liabilities.

Accounting policies

For other contracts where liabilities are subject to lapse risk or where cash flows depend on underlying asset performance (such as unit-linked and with-profits), the characteristics of the liability can be reflected using the bottom-up method which requires the application of less judgement.

Top-down discount rates
The discount rate is determined from the yield implicit in the fair value of an appropriate reference portfolio of assets that reflects the characteristics of the liability. Adjustments are made for differences between the reference portfolio and liability cash flows, including an allowance for defaults which reflects the compensation a market participant would require for credit risk.

The CSM for annuity contracts is measured using a locked-in discount rate based on assets expected to be originated for new business at initial recognition of the contracts. On subsequent measurement of the fulfilment cash flows the reference portfolio is based on the assets held to match the portfolio of liabilities. For recently written contracts, an adjustment is made to liabilities where appropriate assets are yet to be sourced.

Bottom-up discount rates
The discount rate is determined as the risk-free yield, adjusted for differences in liquidity characteristics between the financial assets used to derive the risk-free yield and the relevant liability cash flows (known as an 'illiquidity premium').

The illiquidity premium is determined as a percentage of the current spread over the risk-free yield on an index of covered bonds. The percentage applied reflects the liquidity characteristics of the liabilities including the propensity and ability of policyholders to lapse or surrender their contracts; for example, 100% for structured settlements where surrenders are not possible, and 0% for unit-linked contracts where policyholders can normally immediately surrender their contract for the unit value. An intermediate percentage is applied for other types of business.

Inflation assumptions
Future inflation assumptions are treated as a financial assumption when applied to policyholder benefits or outsourced maintenance expenses that are contractually linked to an inflation index.

Presentation of financial assumption changes
The Group recognises the impact of financial assumption changes in the income statement, except for those that relate to changes in the variable fee for VFA contracts which adjust the CSM.

(f) Risk Adjustment
The risk adjustment reflects the compensation required by the Group to accept the uncertainty about the amount and timing of future cash flows that arises from non-financial risk.

The calculation of the risk adjustment is calibrated to the Group's pricing and capital allocation framework, leveraging the Solvency II view of non-financial risk, considering a lifetime view, and including diversification between risks.

The change in risk adjustment relating to current or past service is recognised within insurance revenue in the income statement. The impact of discounting the risk adjustment for GMM and PAA contracts is disaggregated and recognised within net finance expenses from insurance contracts.

(g) CSM
The CSM represents a liability for unearned profit measured at inception and recognised in the income statement over the life of the contract as insurance and investment related services are provided to the customer.

For profitable groups of insurance contracts, the CSM is established to ensure no profit is recognised at inception, hence it is equal and opposite to the net present value of the expected cash flows (including initial premiums and insurance acquisition cash flows) and the risk adjustment. For groups of gross insurance contracts issued that are onerous at initial recognition, the CSM is set to nil and losses are recognised in the income statement. For reinsurance contracts the CSM is initially recognised at a value that ensures no gain or loss is recognised but may be adjusted for loss offsetting as set out in (h).

Subsequently, the CSM is adjusted for:
- Accretion of interest at locked-in discount rates (groups of GMM contracts only), which is charged to net finance expenses in the income statement;
- New contracts added to the same group;
- Changes in fulfilment cash flows (including risk adjustment) that relate to future service;
- For reinsurance contracts held, income recognised in profit or loss on initial recognition of onerous underlying contracts and adjustments to the loss recovery component set out in (h); and
- Currency exchange differences.

Changes in fulfilment cash flows that relate to future service include:
- Experience variances in premiums received during the period that relate to services provided from the start of the current period;
- Changes in expected future cash flows and risk adjustment on GMM contracts arising from non-financial assumption changes and experience variances, measured using locked in financial assumptions;
- Changes in the variable fee and risk adjustment on VFA contracts arising from financial and non-financial assumption changes and experience variances, except where the risk mitigation option is applied; and
- Experience variances in non-distinct investment components, premium refunds and rights to withdraw payable in the period.

Changes in fulfilment cash flows that relate to past or current service do not adjust the CSM and are recognised immediately in the income statement, including the following:
- Experience variances in claims and expenses incurred, which are recognised as the difference between insurance revenue (expected claims and expenses incurred) and insurance service expenses (actual claims and expenses incurred); and

Accounting policies

- Changes in expected future cash flows and risk adjustment on GMM contracts arising from financial assumption changes and experience variances, including changes in cash flows that are contractually linked to an inflation index, which are recognised in net finance expenses from insurance contracts.

The balance on the CSM at the end of the period is available for release to profit or loss.

The amount of CSM recognised in insurance revenue each period (the CSM amortisation) is determined by considering, for each group of contracts, coverage units that reflect the quantity of the benefits provided in each period and the expected coverage period.

Benefits provided included those arising from both insurance and investment related services. Investment related services are only included if the Group is deemed to be providing a significant investment service when providing an investment component, or policyholder's right to withdraw, that is expected to include an investment return generated by investment activity performed by the Group. This includes contracts where the value of the investment return that the policyholder benefits from is not directly related to the value of the underlying investments.

Coverage units are discounted and are updated at each reporting date to reflect the current best estimate of service expected to be provided in future periods.

Coverage units for reinsurance contracts held are typically consistent with the underlying gross contracts, adjusted for differences in the services provided.

(h) Loss components and loss offsetting

Losses on onerous contracts are recognised immediately within insurance service expenses in the income statement, and a loss component is established. Subsequent losses, and reversals of losses, arising from changes in fulfilment cash flows that relate to future service adjust the loss component and are recognised immediately in insurance service expenses to the extent that a balance remains on the loss component, after which a CSM will be established.

A variable proportion approach is used to systematically allocate changes in fulfilment cash flows that relate to past or current service to the loss component, resulting in a deduction from the amount of these changes that is recognised within insurance revenue in the income statement with an offsetting adjustment to insurance service expenses. The variable proportion is determined each reporting date as the proportion of the balance on the loss component relative to the fulfilment cash flows for that group of contracts.

A reinsurance loss recovery component is established for a group of reinsurance contracts that covers a group of onerous underlying contracts. At initial recognition this is the amount that the reinsurance CSM has been adjusted as a result of recognising income to offset losses recognised at inception on underlying insurance contracts, based on the percentage of the claims that are recoverable through the reinsurance.

Subsequently the loss recovery component is adjusted for changes in the reinsurance fulfilment cash flows that correspond to change in fulfilment cash flows that relate to future service for the underlying onerous contracts.

The balance on the loss recovery component is systematically allocated to the income statement using a similar approach to loss components.

(i) Investment components and rights to withdraw

Investment components are amounts that are payable to the policyholder in all circumstances, regardless of whether an insured event occurs. This typically includes the account balance on unit-linked and with-profit contracts, surrender and maturity values on protection contracts and guaranteed payments on immediate annuities. Rights to withdraw, which may include items that are investment components, are amounts payable to policyholders that do not represent an additional benefit payable when an insured event occurs.

This includes, but is not restricted to, maturity values that are not determined by the occurrence of an insured event, a policyholder's rights to receive a surrender value or refund of premiums on cancellation of a policy, rights to transfer an amount to another insurance provider and guaranteed annuity payments on a deferred annuity in excess of the death benefit payable prior to retirement. Investment components and rights to withdraw are excluded from insurance revenue and insurance service expenses in the income statement.

(j) Insurance acquisition cash flows

Insurance acquisition cash flows are initially deferred on the balance sheet as an insurance acquisition cash flow asset and then allocated against groups of insurance contracts to which they are directly attributable.

This includes instances where insurance acquisition cash flows are directly attributable to the future renewal of existing contract groups for some products in the Group's non-life business. For contract groups applying PAA, the Group has chosen not to apply an exemption to recognise insurance acquisition cash flows as an expense at the point they are incurred.

Where insurance acquisition cash flows are allocated to contract groups applying GMM or VFA, they are included within the measurement of the CSM and recognised in the income statement over the period which services are provided to the customer. Insurance acquisition cash flows allocated to contract groups applying PAA are recognised in the income statement over the life of the contract based on the expected timing of incurred claims.

Insurance acquisition cash flow assets are assessed for impairment where facts and circumstances indicate that they may be impaired. The Group uses data on customer retention rates and the profitability of products to identify such facts and circumstances.

Accounting policies

(N) Non-participating investment contract liabilities

(a) Claims

For non-participating investment contracts with an account balance, claims reflect the excess of amounts paid over the account balance released.

(b) Contract liabilities

Non-participating investment contract liabilities are designated at FVTPL. Under IFRS 9, the Group elects to recognise the movement in own credit risk through the income statement in order to eliminate an accounting mismatch. 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.

(O) Reinsurance for non-participating investment contracts

Reinsurance assets for non-participating investment contracts includes balances in respect of investment contracts that are legally reinsurance contracts but do not meet the definition of a reinsurance contract under IFRS 17 as they principally transfer financial risk. Premiums payable on these contracts are accounted for directly through the statement of financial position.

A deposit asset is initially recognised, based on the consideration paid less any explicitly identified premiums or fees to be retained by the reinsured. The assets are subsequently measured at FVTPL.

(P) Goodwill, AVIF and intangible assets

(a) 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.

(b) Acquired value of in-force business (AVIF)

The present value of future profits on a portfolio of long-term non-participating 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.

AVIF is reviewed for evidence of impairment, consistent with reviews conducted for other finite life intangible assets and impairment tested at product portfolio level by reference to a projection of future profits arising from the portfolio.

(c) 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.

(d) Impairment testing

For impairment testing, goodwill and intangible assets with indefinite useful lives have been allocated to cash-generating units. The carrying amount of goodwill and intangible assets with indefinite useful lives is reviewed at least annually or when circumstances or events indicate there may be uncertainty over this value. Goodwill and indefinite life intangibles are written down for impairment where the recoverable amount is insufficient to support its carrying value. Further details on goodwill allocation and impairment testing are given in note 17. Any impairments are charged as expenses in the income statement.

Accounting policies

(Q) 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. See accounting policy AB 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.

(R) 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 Q 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.

(S) 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.

(T) Recognition and classification of financial assets

Financial assets are measured initially at fair value plus eligible transaction costs for financial assets held at amortised cost. Financial assets are subsequently measured at amortised cost or FVTPL based on a business model assessment and the extent to which the contractual cash flows associated with the financial assets are solely payments of principal and interest (SPPI).

The Group measures financial assets at FVTPL if they do not meet the SPPI criteria or if they are held within a business model where they are managed and evaluated on a fair value basis resulting from the Group's management of capital on a regulatory basis.

A financial asset is classified at amortised cost if it is held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise to cash flows that are SPPI on the principal amount outstanding.

On initial recognition, the Group may irrevocably designate a financial asset at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise. The Group has designated certain cash balances at FVTPL to reduce an accounting mismatch when these balances form part of the risk mitigation for insurance contracts measured under the VFA and to which the risk mitigation option is applied under IFRS 17. These cash balances would otherwise be measured at amortised cost.

The Group measures equity instruments at FVTPL, with subsequent changes in fair value recognised in the income statement, as it did not make an irrevocable election on initial recognition to measure equity instruments at fair value through other comprehensive income (FVOCI).

Accounting policies

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its objectives for managing those financial assets, in which case all affected financial assets are reclassified on the first day of the next reporting period.

(U) Impairment of financial assets

Financial assets held at amortised cost and lease receivables are in the scope of expected credit loss requirements under IFRS 9.

This includes financial assets held at amortised cost such as loans to banks, other loans, and receivables.

Expected credit loss is an unbiased, probability-weighted estimate of credit losses. It considers all reasonable and supportable information, including forward looking economic assumptions and a range of possible outcomes.

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, except where the Group uses the simplified approach to apply lifetime expected credit losses to trade receivables that do not contain a significant financing component.

The gross carrying amount of a financial asset is written off to the extent that there is no reasonable expectation of recovery. Subsequent recoveries in excess of the financial asset's written-down carrying value are credited to the income statement.

(V) Derecognition, contract modification 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 extinguished (that is when the obligation is discharged, or cancelled or expires). The difference between the carrying amount extinguished and the consideration paid is recognised in profit or loss.

If the terms of a financial asset or financial liability measured at amortised cost are substantially modified, then the contractual rights to cash flows from the original financial asset or financial liability are deemed to have expired or extinguished. The original financial asset or financial liability is derecognised, and a new financial asset or financial liability is recognised at fair value.

A financial asset measured at amortised cost is not derecognised if the contractual terms are not substantially modified and a modification gain or loss is recognised in profit or loss.

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.

(W) Financial investments

The Group classifies financial investments at FVTPL using the business model assessment as described in accounting policy T.

The FVTPL category has two subcategories – those that meet the definition as being held for trading and those that are held at FVTPL based on the business model assessment. Fixed maturity securities and equity securities, which the Group acquires with the intention to resell in the short term and derivatives are classified as trading. All other investments are classified as other than trading.

The fair value of investments is based on the quoted price within the bid-ask spread that is most representative of fair value or based on the cash flow models using market observable inputs or unobservable inputs. Changes in the fair value of investments are included in the income statement in the period in which they arise.

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.

(X) 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 classified as mandatorily held at FVTPL, 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.

Accounting policies

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 55(b).

The Group has collateral agreements in place between the individual Group entities and relevant counterparties. Accounting policy Z covers collateral, both received and pledged, in respect of these derivatives.

(a) 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.

(b) 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.

(c) 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.

(d) Hedge accounting
Hedge accounting is applied to certain transactions of the Group so that the financial statements represent the impact of the Group's hedging strategies for currency risk. The Group has applied the IFRS 9 hedge accounting requirements from 1 January 2023.

Hedge accounting can be applied only if all the following criteria are met:
- The hedge relationship consists only of eligible hedging instruments and hedged items;
- There is formal designation and documentation of the hedging relationship and the risk management objective and the risk management strategy; and
- The hedge relationship meets the hedge effectiveness requirements.

The Group applies hedge accounting by using net investment hedges to hedge the currency risk arising from our foreign operations (hedged item) against foreign currency borrowings (hedging instrument). Cash flow hedging is also used to hedge currency risk arising from the expected sale of Aviva Singapore. Changes in the fair value of the hedging instrument is recognised in other comprehensive income in a separate reserve within equity to the extent that it is effective. Gains and losses accumulated in this reserve are transferred to the income statement on disposal or part-disposal of the foreign operation.

For derivative transactions where hedge accounting is not applied, the fair value gains and losses on these derivatives are recognised immediately in net investment income.

Prior to 1 January 2023, hedge accounting was applied to certain transactions which met the criteria set out in IAS 39.

At the inception of the transaction, the Group documented 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 documented its assessment of whether the hedge was expected to be highly effective in offsetting the risk in the hedged item and whether it was actually effective, both at inception and on an ongoing basis. Changes in the fair value of hedging instruments that were designated as a net investment hedge were recognised in other comprehensive income in a separate reserve within equity. The Group did not apply the hedge accounting rules to its derivative translations during 2022.

Accounting policies

(Y) Loans

Loans with fixed maturities, 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.

As described in accounting policy T, loans are classified and measured at either amortised cost or FVTPL based on the outcome of an assessment of the 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 majority of mortgage loans are measured at fair value since they're managed and evaluated on a fair value basis. 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.

The impairment policy is described in accounting policy U for loans measured at amortised cost.

(Z) Collateral

The Group receives and pledges collateral in the form of cash or non-cash assets in respect of stock lending transactions, certain derivative contracts and loans, in order to reduce the credit risk of these transactions. Collateral is also pledged as security for bank letters of credit. The amount and type of collateral required depends on an assessment of the credit risk of the counterparty.

Collateral received in the form of cash, which is not legally segregated from the Group, is recognised as an asset in the statement of financial position with a corresponding liability for the repayment in financial liabilities (see note 56). However, where the Group has a currently enforceable legal right of set-off and the ability and intent to settle net, the collateral liability and associated derivative balances are shown net. Non-cash collateral received is not recognised in the statement of financial position unless the transfer of the collateral meets the derecognition criteria from the perspective of the transferor.

Such collateral is typically recognised when the Group either (a) sells or repledges these assets in the absence of default, at which point the obligation to return this collateral is recognised as a liability; or (b) the counterparty to the arrangement defaults, at which point the collateral is seized and recognised as an asset.

Collateral pledged in the form of cash, which is legally segregated from the Group, is derecognised from the statement of financial position with a corresponding receivable recognised for its return. Non-cash collateral pledged is not derecognised from the statement of financial position unless the Group defaults on its obligations under the relevant agreement, and therefore continues to be recognised in the statement of financial position within the appropriate asset classification.

(AA) Deferred acquisition costs for non-participating investment contracts and other assets

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 deferred.

These deferred acquisition costs are amortised over the period in which the service is provided.

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.

Other receivables and payables are initially recognised at cost, being fair value. Subsequent to initial measurement they are measured at amortised cost.

(AB) Leases

Where the Group is the lessee, a lease liability equal to the present value of outstanding lease payments and a corresponding right-of-use asset equal to cost are initially recognised.

The right-of-use asset is subsequently measured at amortised cost and depreciated on a straight-line basis over the length of the lease term. Depreciation on lease assets and interest on lease liabilities is recognised in the income statement.

The Group has made use of the election available under IFRS 16 to not recognise any amounts on the balance sheet associated with leases that are either deemed to be short term, or where the underlying asset is of low value. A short-term lease in this context is defined as any arrangement which has a lease term of 12 months or less. Lease payments associated with such arrangements are recognised in the income statement as an expense on a straight-line basis. The Group's total short term and low value lease portfolio is not material.

Where the Group is the lessor, leases are classified as finance leases if the risks and rewards of ownership are substantially transferred to the lessee and operating leases if they are not substantially transferred. Lease income from operating leases is recognised in the income statement on a straight-line basis over the lease term. When assets are subject to finance leases, the present value of the lease payments, together with any unguaranteed residual value, is recognised as a receivable. The Group has not entered into any material finance lease arrangements as lessor.

Accounting policies

(AC) 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.

The Group recognises provisions under a variety of circumstances including for product governance rectification, which may include customer redress, and for onerous contracts when the expected benefits to be derived from a contract are less than the unavoidable costs of meeting the obligations under the contract.

The amount recorded as a provision is the best estimate of the expenditure required to settle the present obligation at the balance sheet date. Discounting is applied to the provision where the effect of the time value of money is material. Provisions are not recognised for future operating losses.

Restructuring provisions are recognised when the Group has a detailed formal plan and has raised a valid expectation that the restructure will be carried out, for example by announcing its main features to those affected. Costs included in restructuring provisions comprise only the direct expenditures arising from the restructuring. Costs associated with the ongoing activities of the entity are excluded.

Where the Group expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

Contingent liabilities are disclosed if there is a possible future obligation as a result of a past event, or if there is a present obligation as a result of a past event but either a payment is not probable or the amount cannot be reasonably estimated.

(AD) Employee benefits

(a) 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 durations 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 fair value of plan assets less the present value of the defined benefit obligation at the end of the reporting period.

Plan assets exclude unpaid contributions due from Group entities to the schemes, and any non-transferrable financial instruments issued by a Group entity and held by the schemes. If the fair value of plan assets exceeds the present value of the defined benefit obligation, the resultant asset is limited to the asset ceiling defined as present value of economic benefits available in the form of future refunds from the plan or reductions in contributions to the plan. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to any plan in the Group.

Remeasurements of defined benefit plans comprise actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions, the return on plan assets (excluding net interest) and the effect of the asset ceiling (if any). The Group recognises remeasurements immediately in other comprehensive income and does not reclassify them to the income statement in subsequent periods.

Service costs comprising current service costs, past service costs, gains and losses on curtailments and net interest expense/income are charged or credited to the income statement.

Past service costs are recognised at the earlier of the date the plan amendment or curtailment occurs or when related restructuring costs are recognised.

The Group determines the net interest expense/income on the net defined benefit liability/asset for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the year to the net defined benefit liability/asset. Net interest expense is charged to finance costs, whereas net interest income is credited to investment income.

For defined contribution plans, the Group pays contributions to publicly or privately administered pension plans. Once the contributions have been paid, the Group, as employer, has no further payment obligations. The Group's contributions are charged to the income statement in the year to which they relate and are included in staff costs.

(b) 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').

Accounting policies

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.

(AE) 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.

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.

(AF) 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 Q.

Where loan notes have been issued in connection with certain securitised mortgage loans, the Group has taken advantage of the fair value option under IFRS 9 to present them at fair value to eliminate any accounting mismatch which would otherwise arise from using different measurement bases for these items and the associated mortgages and derivative financial instruments.

Accounting policies

The Group elects to recognise the amount of change in the fair value of borrowings attributable to changes in credit risk in the income statement, as the alternative of recognising the impact in other comprehensive income would create an accounting mismatch.

(AG) Share capital and treasury shares

(a) 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:

- 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
- 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.

(b) 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.

(c) 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.

(d) 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.

(AH) 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.

(AI) Earnings per share

Basic earnings per share is calculated by dividing net income available to ordinary shareholders by the weighted average number of ordinary shares in issue during the year, excluding the weighted average number of treasury shares.

Earnings per share has also been calculated on Group adjusted operating profit attributable to ordinary shareholders, net of tax, non-controlling interests, preference dividends 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 15.

For the diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares, such as convertible debt and share options granted to employees.

Potential or contingent share issuances are treated as dilutive when their conversion to shares would decrease net earnings per share.components;

Consolidated income statement

For the year ended 31 December 2023

	Note	2023 £m	Restated[1] 2022 £m
Insurance revenue	5	**18,497**	16,889
Insurance service expense		**(16,217)**	(15,505)
Net expense from reinsurance contracts		**(761)**	(383)
Insurance service result		**1,519**	1,001
Investment return		**22,380**	(37,669)
Net finance (expense)/income from insurance contracts and participating investment contracts		**(7,228)**	24,499
Net finance income/(expense) from reinsurance contracts		**641**	(2,123)
Movement in non-participating investment contract liabilities		**(13,558)**	12,462
Investment (expense)/income attributable to unitholders		**(861)**	531
Net financial result	6	**1,374**	(2,300)
Fee and commission income	7	**1,309**	1,314
Share of (loss)/profit after tax of joint ventures and associates		**(71)**	8
Other operating expenses		**(2,108)**	(1,719)
Other net foreign exchange gains/(losses)		**146**	(73)
Other finance costs	9	**(479)**	(470)
Profit/(loss) before tax		**1,690**	(2,239)
Tax attributable to policyholders' returns		**(249)**	764
Profit/(loss) before tax attributable to shareholders' profits		**1,441**	(1,475)
Tax (expense)/credit	14	**(584)**	1,209
Less: tax attributable to policyholders' returns		**249**	(764)
Tax attributable to shareholders' profits		**(335)**	445
Profit/(loss) for the year		**1,106**	(1,030)
Attributable to:			
Equity holders of Aviva plc		**1,085**	(1,051)
Non-controlling interests		**21**	21
Profit/(loss) for the year		**1,106**	(1,030)
Earnings per share	15		
Basic (pence per share)		**37.7**	(34.7)
Diluted (pence per share)		**37.2**	(34.7)

1. The 2022 comparative amounts have been restated following the adoption of IFRS 17 (see 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 2023

	Note	2023 £m	Restated[1] 2022 £m
Profit/(loss) for the year		**1,106**	(1,030)
Other comprehensive income:			
Items that may be reclassified subsequently to income statement			
Share of other comprehensive loss of joint ventures and associates		**—**	(38)
Foreign exchange rate movements		**(86)**	119
Aggregate tax effect – shareholder tax on items that may be reclassified subsequently to income statement	14(b)	**(2)**	6
Items that will not be reclassified to income statement			
Remeasurements of pension schemes	46(b)(i)	**(495)**	(1,542)
Aggregate tax effect – shareholder tax on items that will not be reclassified subsequently to income statement	14(b)	**122**	412
Total other comprehensive loss, net of tax		**(461)**	(1,043)
Total comprehensive income/(loss) for the year		**645**	(2,073)
Attributable to:			
Equity holders of Aviva plc		**627**	(2,086)
Non-controlling interests		**18**	13
Total comprehensive income/(loss) for the year		**645**	(2,073)

1. The 2022 comparative amounts have been restated following the adoption of IFRS 17 (see 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/(loss) for the year

For the year ended 31 December 2023

	Note	2023 £m	Restated[1] 2022 £m
Group adjusted operating profit before tax attributable to shareholders' profits		**1,467**	1,350
Adjusted for the following:			
Investment variances and economic assumptions	10	**322**	(2,736)
Impairment of goodwill, joint ventures, associates and other amounts expensed	17, 19, 20	**—**	(8)
Amortisation and impairment of intangibles acquired in business combinations	18	**(52)**	(54)
Amortisation and impairment of acquired value of in-force business	18	**(59)**	(68)
Integration and restructuring costs[2]		**(61)**	—
Other[3]		**(176)**	41
Adjusting items before tax		**(26)**	(2,825)
Profit/(loss) before tax attributable to shareholders' profits		**1,441**	(1,475)
Tax on Group adjusted operating profit		**(289)**	(178)
Tax on other activities		**(46)**	623
Tax attributable to shareholders' profits	14	**(335)**	445
Profit/(loss) for the year		**1,106**	(1,030)

1. The 2022 comparative results have been restated following the adoption of IFRS 17 and for methodology changes described in note 1.
2. Integration and restructuring costs of £61 million have been incurred during 2023 in relation to extension to our key strategic partnerships with Diligenta and FNZ to simplify our operations and support our growth ambitions, with further changes improving how we serve our customers. See note 8 for more information.
3. Other in 2023 primarily includes £92 million of fees paid to bondholders in respect of modification to the terms and conditions of the Group's Tier 2 Fixed to Floating notes, and charges of £71 million relating to our historic divestments. Other in 2022 primarily includes £77 million negative goodwill on the acquisition of Aviva India partially offset by £15 million charge associated with reinsurance accepted from the former Aviva France general insurance entity and charges in relation to our historic divestments, share buybacks and acquisitions in the period.

The above reconciliation of group adjusted operating profit to profit/(loss) 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 2023

	Ordinary share capital Note 32 £m	Preference share capital Note 35 £m	Capital reserves[1] Notes 37 £m	Treasury shares Note 34 £m	Other reserves Note 38 £m	Retained earnings Note 37 £m	Tier 1 notes Note 36 £m	Total equity excluding non-controlling interests £m	Non-controlling interests Note 39 £m	Total equity £m
Balance at 1 January	924	200	10,342	(85)	355	(2,328)	496	9,904	310	10,214
Profit for the year	—	—	—	—	—	1,085	—	1,085	21	1,106
Other comprehensive loss	—	—	—	—	(85)	(373)	—	(458)	(3)	(461)
Total comprehensive (loss)/income for the year	—	—	—	—	(85)	712	—	627	18	645
Dividends and appropriations	—	—	—	—	—	(929)	—	(929)	—	(929)
Shares purchased in buyback	(24)	—	24	—	—	(300)	—	(300)	—	(300)
Capital reductions	—	—	(5,108)	—	—	5,108	—	—	—	—
Non-controlling interests share of dividends declared in the year	—	—	—	—	—	—	—	—	(21)	(21)
Reserves credit for equity compensation plans	—	—	—	—	61	—	—	61	—	61
Shares purchased under equity compensation plans	1	—	7	(2)	(52)	(35)	—	(81)	—	(81)
Non-controlling interests in acquired subsidiaries	—	—	—	—	—	—	—	—	2	2
Changes in non-controlling interests in subsidiaries	—	—	—	—	—	—	—	—	9	9
Issue of tier 1 notes	—	—	—	—	—	—	—	—	—	—
Return of capital to ordinary shareholders via B share scheme	—	—	—	—	—	—	—	—	—	—
Balance at 31 December	901	200	5,265	(87)	279	2,228	496	9,282	318	9,600

1. Capital reserves consist of share premium of £17 million, a capital redemption reserve of £24 million and a merger reserve of £5,224 million

For the year ended 31 December 2022 - restated[1]

	Ordinary share capital Note 32 £m	Preference share capital Note 35 £m	Capital reserves[2] Notes 37 £m	Treasury shares Note 34 £m	Other reserves Note 38 £m	Retained earnings Note 37 £m	Tier 1 notes Note 36 £m	Total equity excluding non-controlling interests £m	Non-controlling interests Note 39 £m	Total equity £m
31 December 2021 as previously reported	941	200	10,308	(51)	248	7,556	—	19,202	252	19,454
Total change relating to IFRS 17 transition	—	—	—	—	—	(2,523)	—	(2,523)	—	(2,523)
Prior period correction for with-profits funds	—	—	—	—	—	(241)	—	(241)	—	(241)
Balance at 1 January 2022 restated for transition to IFRS 17 and prior period correction	941	200	10,308	(51)	248	4,792	—	16,438	252	16,690
(Loss)/profit for the year	—	—	—	—	—	(1,051)	—	(1,051)	21	(1,030)
Other comprehensive income/(loss)	—	—	—	—	95	(1,130)	—	(1,035)	(8)	(1,043)
Total comprehensive income/(loss) for the year	—	—	—	—	95	(2,181)	—	(2,086)	13	(2,073)
Dividends and appropriations	—	—	—	—	—	(862)	—	(862)	—	(862)
Shares purchased in buyback	(19)	—	19	—	—	(336)	—	(336)	—	(336)
Capital reductions	—	—	—	—	—	—	—	—	—	—
Non-controlling interests share of dividends declared in the year	—	—	—	—	—	—	—	—	(21)	(21)
Reserves credit for equity compensation plans	—	—	—	—	58	—	—	58	—	58
Shares purchased under equity compensation plans	2	—	15	(34)	(46)	9	—	(54)	—	(54)
Non-controlling interests in acquired subsidiaries	—	—	—	—	—	—	—	—	66	66
Changes in non-controlling interests in subsidiaries	—	—	—	—	—	—	—	—	—	—
Issue of tier 1 notes	—	—	—	—	—	—	496	496	—	496
Return of capital to ordinary shareholders via B share scheme	—	—	—	—	—	(3,750)	—	(3,750)	—	(3,750)
Balance at 31 December	924	200	10,342	(85)	355	(2,328)	496	9,904	310	10,214

1. The 2022 comparative amounts have been restated following the adoption of IFRS 17 and for a correction in respect of historic accounting for with-profits funds (see note 1).
2. Capital reserves consist of share premium of £1,263 million, a capital redemption reserve of £3,855 million and a merger reserve of £5,224 million

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 2023

	Note	2023 £m	Restated[1] 2022 £m	Restated[1] 1 January 2022 £m
Assets				
Goodwill	17	**2,100**	2,102	1,741
Acquired value of in-force business and intangible assets	18	**968**	940	994
Interests in, and loans to, joint ventures	19	**1,189**	1,872	1,784
Interests in, and loans to, associates	20	**160**	41	118
Property and equipment	21	**424**	350	428
Investment property	22	**6,232**	5,899	7,003
Loans	25	**31,685**	29,633	38,611
Financial investments	28	**245,831**	224,086	264,961
Reinsurance contract assets	40	**7,704**	6,760	8,190
Reinsurance assets for non-participating investment contracts	41	**4,713**	5,290	5,122
Deferred tax assets	44	**958**	1,382	525
Current tax assets	44	**95**	336	170
Receivables	29	**3,721**	3,480	3,740
Deferred acquisition costs on non-participating investment contracts	30	**788**	851	892
Pension surpluses and other assets	31	**862**	1,234	2,769
Prepayments and accrued income	31	**3,392**	2,822	2,391
Cash and cash equivalents	53	**17,273**	22,505	12,485
Assets of operations classified as held for sale	3	**748**	—	—
Total assets		**328,843**	309,583	351,924
Equity				
Ordinary share capital	32	**901**	924	941
Preference share capital	35	**200**	200	200
Capital		**1,101**	1,124	1,141
Share premium	37	**17**	1,263	1,248
Capital redemption reserve	37	**24**	3,855	86
Merger reserve	37	**5,224**	5,224	8,974
Capital reserves		**5,265**	10,342	10,308
Treasury shares	34	**(87)**	(85)	(51)
Other reserves	38	**279**	355	248
Retained earnings	37	**2,228**	(2,328)	4,792
Equity attributable to shareholders of Aviva plc		**8,786**	9,408	16,438
Tier 1 notes	36	**496**	496	—
Equity excluding non-controlling interests		**9,282**	9,904	16,438
Non-controlling interests	39	**318**	310	252
Total equity		**9,600**	10,214	16,690
Liabilities				
Insurance contract and participating investment contract liabilities	40	**121,875**	117,561	143,418
Non-participating investment contract liabilities	41	**158,588**	141,188	151,295
Net asset value attributable to unitholders		**14,184**	14,080	16,427
Pension deficits and other provisions	45	**795**	724	1,001
Deferred tax liabilities	44	**453**	703	1,466
Current tax liabilities	44	**15**	40	35
Borrowings	47	**6,374**	6,755	7,344
Payables and other financial liabilities	48	**13,670**	15,751	11,703
Other liabilities	49	**3,289**	2,567	2,545
Total liabilities		**319,243**	299,369	335,234
Total equity and liabilities		**328,843**	309,583	351,924

1. The 2022 comparative amounts have been restated from those previously published (see note 1).

Approved by the Board on 6 March 2024

Charlotte Jones
Chief Financial Officer

Company number: 02468686

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 2023

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	2023 £m	2022 £m
Cash flows from operating activities			
Cash (used in)/generated from operating activities[1]	53(a)	**(2,664)**	16,093
Tax paid		**(68)**	(210)
Total net cash (used in)/generated from operating activities		**(2,732)**	15,883
Cash flows from investing activities			
Acquisitions of, and additions to, subsidiaries, joint ventures and associates, net of cash acquired	53(b)	**—**	(275)
Purchases of property and equipment		**(149)**	(16)
Proceeds on sale of property and equipment		**—**	35
Purchases of intangible assets		**(201)**	(83)
Total net cash used in investing activities		**(350)**	(339)
Cash flows from financing activities			
Proceeds from issue of ordinary shares	32	**8**	17
Return of capital to ordinary shareholders via B share scheme	32	**—**	(3,750)
Shares purchased in buyback	32	**(300)**	(336)
Treasury shares purchased for employee trusts		**(76)**	(75)
New borrowings drawn down, net of expenses		**941**	659
Repayment of borrowings[2]		**(1,181)**	(1,554)
Net repayment of borrowings		**(240)**	(895)
Interest paid on borrowings		**(206)**	(450)
Repayment of leases		**(62)**	(63)
Preference dividends paid	16	**(17)**	(17)
Ordinary dividends paid	16	**(878)**	(828)
Capital contributions from non-controlling interests of subsidiaries		**6**	—
Coupon payments on tier 1 notes	16	**(34)**	(17)
Issue of tier 1 notes[3]	36	**—**	496
Dividends paid to non-controlling interests of subsidiaries		**(21)**	(21)
Total net cash used in financing activities		**(1,820)**	(5,939)
Total net (decrease)/drawn down in cash and cash equivalents		**(4,902)**	9,605
Cash and cash equivalents at 1 January		**21,576**	11,878
Effect of exchange rate changes on cash and cash equivalents		**(22)**	93
Cash and cash equivalents at 31 December	53(c)	**16,652**	21,576

1. Cash flows from operating activities include interest received of £5,560 million (2022: £4,335 million) and dividends received of £3,999 million (2022: £4,347 million). Cash flows from operating activities in 2022 include disinvestment from financial investments ahead of the return of capital to ordinary shareholders in 2022. This activity is reflected as an increase in cash generated from operating activities in 2022.
2. Repayment of borrowings includes the redemption of £531 million (2022: £1,002 million) subordinated debt and senior notes.
3. On 15 June 2022, the Group issued £500 million of 6.875% fixed rate reset perpetual restricted tier 1 contingent convertible notes (the RT1 Notes).

The above consolidated statement of cash flows should be read in conjunction with the accounting policies and accompanying notes to the financial statements.

Notes to the consolidated financial statements

1 - Changes to comparative amounts

Changes to comparative amounts impact the 1 January 2022 opening statement of financial position, the income statement for the year ended 31 December 2022 and the statement of financial position at 31 December 2022.

(a) Changes to 1 January 2022 opening statement of financial position

The financial impacts on transition to IFRS 17 and IFRS 9 and a prior period correction for with-profits funds in respect of a historic accounting issue are summarised in the table below, with further explanation in note 1(a)(i) and note 1(a)(ii).

	31 December 2021 As previously reported £m	Reclassification and derecognition £m	IFRS 17 measurement £m	Total change relating to IFRS 17 transition £m	1 January 2022 Restated for transition to IFRS 17 £m	Prior period correction for with-profits funds £m	1 January 2022 Restated for transition to IFRS 17 and prior period correction £m
Assets							
Goodwill	1,741	—	—	—	1,741	—	1,741
Acquired value of in-force business and intangible assets	1,950	(956)	—	(956)	994	—	994
Interests in, and loans to, joint ventures	1,855	—	(71)	(71)	1,784	—	1,784
Interests in, and loans to, associates	118	—	—	—	118	—	118
Property and equipment	428	—	—	—	428	—	428
Investment property	7,003	—	—	—	7,003	—	7,003
Loans	38,624	(13)	—	(13)	38,611	—	38,611
Financial investments	264,961	—	—	—	264,961	—	264,961
Reinsurance contract assets	15,032	(5,122)	(1,753)	(6,875)	8,157	33	8,190
Reinsurance assets for non-participating investment contracts	N/A	5,122	—	5,122	5,122	—	5,122
Deferred tax assets	138	—	349	349	487	38	525
Current tax assets	170	—	—	—	170	—	170
Receivables	6,088	(2,348)	—	(2,348)	3,740	—	3,740
Deferred acquisition costs on non-participating investment contracts	2,721	(1,829)	—	(1,829)	892	—	892
Pension surpluses and other assets	2,769	—	—	—	2,769	—	2,769
Prepayments and accrued income	2,391	—	—	—	2,391	—	2,391
Cash and cash equivalents	12,485	—	—	—	12,485	—	12,485
Total assets	358,474	(5,146)	(1,475)	(6,621)	351,853	71	351,924
Equity							
Ordinary share capital	941	—	—	—	941	—	941
Preference share capital	200	—	—	—	200	—	200
Capital	1,141	—	—	—	1,141	—	1,141
Share premium	1,248	—	—	—	1,248	—	1,248
Capital redemption reserve	86	—	—	—	86	—	86
Merger reserve	8,974	—	—	—	8,974	—	8,974
Capital reserves	10,308	—	—	—	10,308	—	10,308
Treasury shares	(51)	—	—	—	(51)	—	(51)
Currency translation reserve	314	—	—	—	314	—	314
Other reserves	(66)	—	—	—	(66)	—	(66)
Retained earnings	7,556	253	(2,776)	(2,523)	5,033	(241)	4,792
Equity attributable to shareholders of Aviva plc	19,202	253	(2,776)	(2,523)	16,679	(241)	16,438
Non-controlling interests	252	—	—	—	252	—	252
Total equity	19,454	253	(2,776)	(2,523)	16,931	(241)	16,690
Liabilities							
Insurance contract and participating investment contract liabilities (formerly gross insurance liabilities)	122,250	19,038	1,818	20,856	143,106	312	143,418
Non-participating investment contract liabilities (formerly gross liabilities for investment contracts)	172,452	(21,157)	—	(21,157)	151,295	—	151,295
Unallocated divisible surplus	1,960	(1,960)	—	(1,960)	—	—	—
Net asset value attributable to unitholders	16,427	—	—	—	16,427	—	16,427
Pension deficits and other provisions	1,001	—	—	—	1,001	—	1,001
Deferred tax liabilities	1,983	—	(517)	(517)	1,466	—	1,466
Current tax liabilities	35	—	—	—	35	—	35
Borrowings	7,344	—	—	—	7,344	—	7,344
Payables and other financial liabilities	12,609	(906)	—	(906)	11,703	—	11,703
Other liabilities	2,959	(414)	—	(414)	2,545	—	2,545
Total liabilities	339,020	(5,399)	1,301	(4,098)	334,922	312	335,234
Total equity and liabilities	358,474	(5,146)	(1,475)	(6,621)	351,853	71	351,924

Notes to the consolidated financial statements

(i) Transition to IFRS 17 and IFRS 9

The Group has adopted IFRS 17 Insurance Contracts from 1 January 2023 and comparatives have been retrospectively restated from the transition date of 1 January 2022. A restated opening statement of financial position is shown above.

IFRS 17 Insurance Contracts provides a comprehensive and consistent approach to accounting for insurance contracts. It replaces IFRS 4, which was issued in 2005 and was largely based on grandfathering of previous local accounting policies.

The Group has also adopted IFRS 9 Financial Instruments from 1 January 2023 and comparatives have been retrospectively restated. IFRS 9 incorporates new classification and measurement requirements for financial assets, introduces a new expected credit loss impairment model to replace the IAS 39 incurred loss model and new hedge accounting requirements. The Group had previously deferred the application of IFRS 9 to align with the implementation of IFRS 17. IFRS 9 has not resulted in any measurement differences on adoption by the Group but does impact the disclosure of financial instruments as described in note 1(e).

Accounting policies that have been revised as a result of adoption of IFRS 17 and IFRS 9 are presented in Accounting Policies. Significant methods, judgements and assumptions applied in measurement of insurance contracts are set out in note 40(g). This note focuses on the changes made on transition to IFRS 17 and IFRS 9. Further information in respect of the adoption of IFRS 17 is provided in note 1(d).

Financial impacts

Group consolidated equity attributable to shareholders of Aviva plc, has reduced by £2,523 million relative to the £19,202 million reported on an IFRS 4 basis at 31 December 2021. The value of the CSM liability recognised is £6,146 million (gross of tax). The additional impact of the prior period correction for with-profits business on this CSM is explained in note 1(a)(ii).

The material components of the total impact are explained below.

Reclassification and derecognition in the restated opening statement of financial position

Under IFRS 17, the concepts of acquired value in force (AVIF), deferred acquisition costs (DAC) and unallocated divisible surplus (UDS) are no longer applied to produce separately recognised assets and liabilities in relation to insurance and participating investment contracts, instead they are implicitly included in the measurement of insurance contract assets and liabilities. £956 million AVIF, £751 million DAC and £(1,960) million UDS on long-term insurance and participating investment contracts has been derecognised on transition. £1,078 million DAC on non-life insurance contracts has been presented as a reclassification to insurance contract liabilities. AVIF and DAC in respect of non-participating investment contracts are unchanged.

There are also changes in presentation and content of the following financial statement line items:

- Non-participating investment contract liabilities and related reinsurance assets to which IFRS 9 applies, are now presented in separate line items;
- Participating investment contracts to which IFRS 17 applies, are presented within insurance and participating investment contract assets or liabilities;
- Receivables, payables and other liabilities in respect of insurance contracts to which IFRS 17 applies, are now included within insurance and participating investment contract assets or liabilities; and
- Policy loans to which IFRS 17 applies have been reallocated from loans to insurance contract and participating investment contract liabilities.

Notes to the consolidated financial statements

Remeasurement in the restated opening statement of financial position

There has been a decrease of £2,776 million in Group consolidated equity attributable to shareholders of Aviva plc as a result of remeasurement adjustments arising from the adoption of IFRS 17.

The drivers of remeasurements in the restated opening statement of financial position include the following:

Drivers	Description	Remeasurement £m
IFRS 4 margins	Margins included in the IFRS 4 measurement of insurance contract liabilities are excluded from the IFRS 17 fulfilment cash flows, as the liabilities are measured on a best estimate basis with a separate explicit adjustment for risk.	3,141
Differences in the valuation of future cash flows	The primary differences in measurement of the future cash flows are: • Inclusion of future shareholder profits from unit-linked and with-profits business, that are not fully recognised under IFRS 4; • Change in discount rate for life insurance business, most materially for annuities; and • Introduction of discounting for all non-life insurance business (under IFRS 4 only longer duration claims are discounted).	1,445
Contractual service margin	This IFRS 17 liability represents the unearned profit of the insurance contracts which will be recognised in profit or loss over the coverage period in line with the service provided to customers.	(6,146)
Risk adjustment	The risk adjustment is an explicit allowance for risk recognised under IFRS 17, replacing some of the IFRS 4 margins.	(2,082)
Change in deferred tax due to increase in liabilities	Taxable profits are generally based on an accounting profit and the adoption of IFRS 17 will impact current tax liabilities. The principles of deferred tax mean that the total tax (current and deferred) remains aligned to the reported profits. The transition CSM includes profits that were previously reported in accordance with IFRS 4 and subject to tax. The reduction in net assets on adoption of IFRS 17, including the CSM recognition, gives rise to deferred tax asset as tax on profits is only paid once. The deferred tax asset will reverse as the CSM unwinds and profits are recognised in future.	866
Total		**(2,776)**

The impact on transition to IFRS 17 is most significant for the Group's annuity and protection business where the deferral of profit in the CSM is the most material. A significant proportion of the CSM on transition arises from the Group's existing immediate annuity portfolio, the unwind of which will become a material driver of the contribution to future profits by the UK & Ireland Insurance, Wealth and Retirement (IWR) operating segment. Offsetting this, the majority of profits on new annuity and protection business will now be deferred. In addition, under IFRS 17, the impact of changes in non-financial assumptions on future cash flows will be adjusted through the CSM and spread forward rather than being recognised immediately in profit as under IFRS 4.

There are more limited impacts from the Group's other lines of insurance business, with no impact for business out of scope of IFRS 17 including non-participating investment contracts, equity release mortgage loans, and investment management business.

Financial impact of transition to IFRS 9

The adoption of IFRS 9 has no financial impact on the opening 1 January 2022 statement of financial position or the income statement for the year ended 31 December 2022 as it has not changed the measurement of the Group's financial instruments. Further information in respect of the adoption of IFRS 9 is set out in note 1(e).

(ii) Accounting for with-profits funds

A review of accounting processes for with-profits funds has identified corrections to previous reported values on the consolidated statement of financial position and comparative amounts have been restated. The costs of providing policyholders with certain annuity benefits were incorrectly allocated between shareholder and with-profits funds. Correction of the cumulative misallocation from the shareholder funds to with-profits funds has resulted in an increase in participating with-profits insurance contract liabilities of £312 million (including an increase in participating CSM of £17 million) and a decrease in shareholder equity of £241 million, net of reinsurance recoveries and tax on the statement of financial position as at 1 January 2022.

The income statement for the period ended 31 December 2022 has not been restated, as the impact on profit for the year was insignificant, as was the impact on the income statement for the period ended 31 December 2023 and previously reported periods.

The Half Year Report 2023 included an adjustment for £50 million of misallocations identified at that point in time which reduced insurance revenue during the six months to 30 June 2023 and increased insurance contract liabilities at 30 June 2023. This amount has been included within the total estimated prior period correction at 1 January 2022 and 30 June 2023 comparatives will be adjusted accordingly in the interim accounts to 30 June 2024.

Notes to the consolidated financial statements

(b) Changes to the income statement for the year ended 31 December 2022

IFRS 17 also introduces significant changes in the presentation of the income statement:

- The insurance service result separately presents the result, before the effects of financial risks, for insurance and participating investment contracts, and comprises insurance revenue and insurance service expenses.
- Insurance revenue, the composition of which is set out in the revised accounting policy H, represents the allocation over the life of the insurance contract of premiums received (excluding investment components as set out in accounting policy M(i)). Insurance revenue replaces net earned premiums.
- Insurance service expense separately presents the claims and expenses incurred in fulfilling insurance and participating investment contracts, including losses and reversals of losses on onerous contracts. Costs incurred in relation to other types of business, including non-participating investment contracts, continue to be presented within other operating expenses.
- The net financial result comprises investment return, the finance income/expense on insurance and participating investment contracts that arises from discounting, changes in financial risk and changes in the fair value of underlying items, and the previously presented movement in non-participating investment contract liabilities.
- Other income and expense items are presented in a similar manner as previously reported.

The restated 2022 comparatives in the table below include two changes unrelated to the adoption of IFRS 17 resulting in a £183 million reduction in group adjusted operating profit previously reported under IFRS 4. The changes relate to an update to the methodology to report the volatility from the impact of market movements on policyholder tax in non-operating investment variances and economic assumption changes for the Heritage business and a change in the calculations of General Insurance investment return from a long-term investment return (LTIR) approach to an expected return approach as used for life business.

IFRS loss for the year ending 31 December 2022 has been restated as follows:

	As previously reported £m	Change[1] £m	As restated £m
Group adjusted operating profit before tax attributable to shareholders' profits	2,213	(863)	1,350
Adjusted for the following:			
Investment variances and economic assumption changes	(3,615)	879	(2,736)
Impairment of goodwill, joint ventures, associates and other amounts expensed	(8)	—	(8)
Amortisation and impairment of intangibles acquired in business combinations	(54)	—	(54)
Amortisation and impairment of acquired value of in-force business	(182)	114	(68)
Other	41	—	41
Adjusting items before tax	(3,818)	993	(2,825)
IFRS loss before tax attributable to shareholders' profits	**(1,605)**	**130**	**(1,475)**
Tax on Group adjusted operating profit	(289)	111	(178)
Tax on other activities	755	(132)	623
IFRS loss for the period	**(1,139)**	**109**	**(1,030)**

(c) Changes to 31 December 2022 statement of financial position

In addition to the changes set out in note 1(b), the Succession Wealth acquisition balance sheet has been restated for revisions to the methodology on the valuation of the intangible assets acquired and to reduce the value of other liabilities, with corresponding movements in the deferred tax liabilities and goodwill balances. The restated acquisition balance sheet, which also reflects the impact on the statement of financial position as at 31 December 2022, is set out below:

	As reported £m	Adjustment £m	Restated £m
Assets			
Intangible assets	191	(89)	102
Other assets	12	—	12
Cash and cash equivalents	6	—	6
Total identifiable assets	**209**	**(89)**	**120**
Liabilities			
Borrowings	139	—	139
Deferred tax liabilities	48	(22)	26
Other liabilities	93	(37)	56
Total identified liabilities	**280**	**(59)**	**221**
Net identifiable assets acquired	**(71)**	**(30)**	**(101)**
Goodwill arising on acquisition	**324**	**30**	**354**

As a result, goodwill in the consolidated statement of financial position as at 31 December 2022 has increased by £30 million to £2,102 million and pension deficits and other provisions have been reduced by £37 million to £724 million. The adjustments reflect additional information obtained about conditions existing at the acquisition date.

Notes to the consolidated financial statements

(d) Further information in respect of adoption of IFRS 17 Insurance Contracts

IFRS 17 establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts, participating investment contracts and reinsurance contracts. It introduces a model that measures groups of contracts based on the present value of future cash flows with an explicit risk adjustment for non-financial risk (the fulfilment cash flows) and a CSM representing the unearned profit to be recognised in profit or loss over the service period (coverage period).

Losses on contracts that are onerous at inception are recognised immediately. The core of IFRS 17 is the GMM, supplemented by the VFA which is a specific adaptation for contracts with direct participation features, and the PAA which is a simplified model for short duration contracts.

The application of IFRS 17 significantly impacts the measurement and presentation of insurance and participating investment contracts, and reinsurance contracts. The financial impact of measurement changes is more significant for life insurance than non-life insurance contracts, however, there are significant changes to presentation and disclosures for all insurance contracts. Investment contracts with no significant insurance risk or discretionary participation features, equity release mortgage loans and investment management business are out of scope and therefore not impacted by the new standard.

Under IFRS 17 the presentation of insurance revenue and insurance service expenses in the income statement is based on the concept of insurance services provided during the period. Extensive disclosures provide information on the recognised amounts from insurance contracts and the nature and extent of risks arising from these contracts. Our disclosures will be aligned 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. Further details of these groupings are provided in note 40.

Changes in accounting policies resulting from the implementation of IFRS 17 have been applied in accordance with the transitional provisions of the standard, which impact the measurement of the CSM at the transition date. The CSM represents a liability for unearned profit, hence will be recognised in the income statement over the remaining life of the contract as insurance and investment related services are provided to the customer.

The fully retrospective approach (FRA) has been used where practicable, calculating the CSM at the date of transition as if the standard had always applied. Where FRA is not practicable for a particular group of insurance contracts there is a choice to apply the modified retrospective approach (MRA) to the extent that reasonable and supportable information exists, or the fair value approach (FVA). The choice between MRA and FVA can have a significant impact on the valuation of the CSM on transition and has been made separately for each group of insurance contracts for which it is impracticable to apply FRA.

For non-life business in scope of the PAA the FRA has been used.

For life business and non-life adverse development reinsurance, the Group has applied judgement when determining whether the FRA is practicable and whether reasonable and supportable information exists to apply the MRA. For this business the following approaches have been applied on transition to IFRS 17:
- The FRA has been used for the majority of business written or acquired since 2016, as prior to this date the risk adjustment is considered indeterminable without the benefit of hindsight due to the multiple views of risk that were reported at that time;
- The MRA has been used for certain portfolios of UK individual protection business written in the period 2012-2015 and for certain portfolios of acquired UK unit-linked and with-profits business; and
- The FVA has been used for all other business written prior to 2016, including annuities.

On transition, 35% of the CSM is calculated under the FRA, 9% under the MRA and 56% under the FVA.

Application of the MRA

Where information is not available to undertake the FRA the MRA allows certain modifications to be applied provided reasonable and supportable information is available to apply the modification. The aim is to achieve the closest possible outcome to the FRA.

For UK individual protection business measured using the MRA, modifications have been applied in respect of: assessment of groups using information at the transition date; determination of future cash flows and risk adjustment at the date of initial recognition; and determination of the coverage provided prior to the transition date.

For UK VFA business measured using the MRA, modifications have been applied in respect of: calculation of the CSM at the transition date; and using information available at the transition date for the assessments of contracts within the scope of IFRS 17, eligibility for the VFA measurement model and grouping of contracts.

For contracts transitioned under the FRA or MRA, the opening CSM balance at 1 January 2022 includes the effect of amortisation of the CSM for the period of retrospective restatement.

Notes to the consolidated financial statements

Application of the FVA

Under the FVA, the CSM recognised at the transition date has been determined as the fair value of the group of contracts less the fulfilment cash flows at the transition date. Unlike the FRA and MRA, no pre-transition information is required to calculate the FVA CSM. The FVA measures the value of the CSM at the date of transition to IFRS 17, 1 January 2022, the start of the comparative period. Subsequent to the transition date, the CSM is remeasured for movements since the date of transition according to the general (non-transition) requirements of IFRS 17, however the initial fair value as at 1 January 2022 is a point in time assessment that will not be reassessed for future reporting.

Where FVA has been applied to determine the value at transition, the fair value has been derived in accordance with IFRS 13 Fair Value Measurement (except a demand deposit floor was not applied) and represents the price a market participant would require to assume the insurance contract liabilities in an orderly transaction. As quoted market prices are not available for groups of insurance contracts, valuation models have been used to calculate the fair value of each group at the transition date. The choice of model and inputs to the model involves judgement and this gives rise to a range of plausible fair values at the transition date.

Whilst the fair value at transition impacts the size of the CSM that will subsequently be recognised in profit over the remaining life of the contracts applying the accounting policy set out in accounting policy M, the fair value model and inputs to that model will not be applied to, or result in adjustment to, any subsequent measurement of the CSM.

The valuation models determine the fair value using a cost of capital approach. Expected cash flows and the required capital to run the business are projected forward, applying an appropriate weighted average cost of capital (WACC). Inputs have been calibrated to those Aviva would expect market participants to use had they priced the insurance contracts for transfer to them at the transition date.

This is based on a number of actuarial assumptions, including discount rates, and involves consideration of:
- The most appropriate assumptions for use by a third party in the principal market.
- The specifics of the group of insurance contracts being valued, such as the insurance cover and policyholder benefits provided and any legal requirements for its administration.
- Benchmarking against market transactions, where these exist.

Valuation inputs reference market information where available, with unobservable inputs otherwise used to estimate those that a third party would have applied as at the transition date of 1 January 2022. The most significant judgements for each portfolio were as follows:
- Identification of the principal market;
- The return on assets backing the insurance contracts and the consequential impact on the discount rate, particularly for UK annuities where the Solvency II capital regime was assumed to apply to market participants;
- The level of regulatory capital required to support the group of insurance contracts, which reflected Aviva's total Group working range for the Solvency II cover ratio of 160%-180%, adjusted to reflect differences in market participants for specific types of insurance contracts. It was assumed that a third party would require a higher level of regulatory capital for certain UK with-profits business aligned to the legal commitments made following the reattribution of the inherited estate in 2009; and
- The required rate of return on capital deployed, which reflected the characteristics of the group of contracts being measured.

All other material assumptions were aligned to the Aviva Solvency II valuation basis.

The FVA CSM on UK annuities is included within the life risk product group (total CSM at transition of £4,853 million), whilst the FVA CSM on UK with-profits business measured in accordance with the VFA is included in the life participating product group (total CSM at transition £1,293 million).

For business transitioning under the FVA, the Group has taken advantage of the simplification permitting contracts in different annual cohorts to be placed into a single group of contracts.

(e) Further information in respect of adoption of IFRS 9 Financial Instruments

IFRS 9 introduces new classification and measurement requirements for financial assets, resulting in the Group's financial assets being measured at FVTPL or amortised cost. The basis of classification depends on the business model for managing the cash flows from these assets and their contractual cash flow characteristics, as set out in accounting policy T. The IFRS 9 expected credit loss model for impairment is applied to any financial assets held at amortised cost and lease receivables. The outcome for financial liabilities remains unchanged as the Group has elected to recognise fair value changes attributable to own credit risk in the income statement for financial liabilities designated at FVTPL.

Changes in accounting policies as a result of adopting IFRS 9 have been implemented retrospectively with the exception of:
- Hedge accounting, where the election to apply the IFRS 9 requirements for hedge accounting has been applied prospectively. Hedge relationships that were previously designated under IFRS 9 are deemed to be continuing hedges as they met the IFRS 9 criteria for hedge accounting at 1 January 2023.
- Assessments that have been made on the basis of facts and circumstances that existed at the date of initial application of 1 January 2023, as follows:
  - The determination of the business model within which a financial asset is held.
  - The designation (and revocation of previous designations) of certain financial assets and financial liabilities measured at FVTPL.

Notes to the consolidated financial statements

The retrospective restatement of comparatives has resulted in no material adjustments to the measurement of financial instruments in the consolidated financial statements.

The following table shows the original measurement categories and carrying amounts under IAS 39 and the new measurement categories and carrying amounts under IFRS 9 for each class of the Group's financial assets as at the transition date of 1 January 2022. The classification overlay is applied to financial assets derecognised in the comparative period as if the classification and measurement requirements of IFRS 9 had been applied to those financial assets at the transition date. The table presents the carrying amount of loans as previously reported, before the reclassification of £13 million policy loans to insurance contract liabilities under IFRS 17 as set out in note 1(a).

	IFRS 9				IAS 39		
At 1 January 2022	Mandatorily held at FVTPL £m	Designated at FVTPL £m	Amortised cost £m	Total carrying amount £m	Designated at FVTPL £m	Amortised cost £m	Total carrying amount £m
Loans	29,980	—	8,644	38,624	29,980	8,644	38,624
Cash and cash equivalents	—	1,855	10,630	12,485	—	12,485	12,485
Financial investments	264,961	—	—	264,961	264,961	—	264,961
Reinsurance assets for non-participating investment contracts	5,122	—	—	5,122	5,122	—	5,122

There were no impacts on the categorisation or measurement of financial liabilities.

2 - Exchange rates

The Group's principal overseas operations during the year were located within the Eurozone and Canada. 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:

	2023 £	2022 £m
Eurozone		
Average rate (€1 equals)	**0.87**	0.85
Year end rate (€1 equals)	**0.87**	0.89
Canada		
Average rate ($CAD1 equals)	**0.60**	0.62
Year end rate ($CAD1 equals)	**0.59**	0.61

3 - Strategic transactions

(a) Acquisitions

(i) AIG Life Limited (AIG Life UK)

On 25 September 2023 Aviva announced the acquisition of AIG Life UK from Corebridge Financial, Inc. (Corebridge), a quoted subsidiary of American International Group, Inc. (AIG), for consideration of £460 million. The transaction is expected to complete in the first half of 2024, subject to customary closing conditions, including regulatory approvals.

(ii) Optiom O2 Holdings Inc (Optiom)

On 27 November 2023, Aviva announced the acquisition of Optiom from Novacap and other minority shareholders for consideration of c.$CAD 170 million (approximately £100 million). The transaction completed on 5 January 2024.

(iii) Probitas Holdings (Bermuda) Limited and its subsidiaries (Probitas)

On 4 March 2024, Aviva announced the acquisition of Probitas for a total consideration of £242 million. The transaction includes the acquisition of Probitas' fully-integrated Lloyd's platform, encompassing its Corporate Member, Managing Agent, international distribution entities and tenancy rights to Syndicate 1492. The transaction is subject to customary closing conditions, including regulatory approvals, and is expected to complete in 2024. The transaction is not expected to have a material impact on the Group's IFRS net asset value.

(iv) The following acquisitions took place during 2022:

- On 11 August 2022 the Group acquired 100% of the ordinary share capital and preference share capital of Succession Jersey Limited for an initial cash consideration of £385 million. For further information relating to the assets and liabilities acquired on acquisition see note 1(c).
- On 28 September 2022 the Group acquired an additional 25% of the ordinary share capital of Aviva Life Insurance Company India Limited for cash consideration of £37 million, increasing the Group's total shareholding from 49% to 74% and giving Aviva a controlling interest in the entity. On that date, Aviva derecognised its investment in associate and recognised Aviva India as a consolidated subsidiary. For further information see note 2 of the Aviva plc Annual Report and Accounts 2022.

Notes to the consolidated financial statements

(b) Disposals

On 13 September 2023, Aviva announced the sale of its entire shareholding in Aviva SingLife Holdings Pte Ltd, together with two debt instruments, to Sumitomo Life Insurance Company for a total cash consideration of $SGD 1,444 million (approximately £853 million). On 27 December 2023 Aviva announced that it expected to receive an additional $SGD 140 million from Sumitomo Life Insurance Company in respect of the sale, resulting in a total cash consideration of $SGD 1,584 million (approximately £936 million). The shareholding and the debt instruments (see note 19 and note 25) have been classified as held for sale at 31 December 2023 and there was no gain or loss recognised on remeasurement to held for sale. The transaction received its final regulatory approval on 4 March 2024. We expect the transaction to complete in March 2024.

There were no significant disposals during 2022.

4 - Segmental information

The Group's results can be segmented either by activity or by geography. Our primary reporting format is along business unit 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 business units are presented as Insurance, Wealth & Retirement (IWR), General Insurance (which brings together our UK & Ireland General Insurance businesses and Canada General Insurance) and Aviva Investors. Our international businesses are presented as International investments (consisting of our interests in India, China and Singapore).

(a) Operating segments

Insurance, Wealth & Retirement (IWR)

The principal activities of our IWR 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).

Canada

The principal activity of our Canada General Insurance operation is the provision of personal and commercial lines insurance products, for risks associated mainly with motor, property and liability principally distributed through insurance brokers.

Aviva Investors

Aviva Investors operates in a number of international markets, in particular the UK, North America and Asia Pacific. Aviva Investors manages policyholders' and shareholders' invested funds, provides investment management services for institutional pension fund mandates and manages a range of retail investment products. These include investment funds, unit trusts, open-ended investment companies and individual savings accounts.

International investments

International investments comprise our long-term business operations in India, China and Singapore. In India, the Group has a 74% shareholding in Aviva India. In China, Aviva plc have a 50% shareholding in Aviva-COFCO Life Insurance Company Limited. On 13 September 2023, Aviva plc announced the sale of its entire shareholding in Aviva Singlife (see note 3(b) for details).

Other Group activities

Other Group activities includes investment return on centrally held assets, head office (Corporate centre) expenses such as Group treasury and finance functions, financing costs arising on central borrowings, the elimination entries for certain inter-segment transactions and group consolidation adjustments.

Measurement basis

The accounting policies of the segments are the same as those for the Group as a whole. Any transactions between the business segments are subject to normal commercial terms and market conditions. The Group evaluates performance of operating segments on the basis of:

(i) profit or loss from operations before tax attributable to shareholders; and
(ii) profit or loss from operations before tax attributable to shareholders, adjusted for non-operating items, including investment market performance.

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(i) Segmental income statement for the year ended 31 December 2023

	Insurance, Wealth & Retirement (IWR) £m	UK & Ireland General Insurance £m	Canada General Insurance £m	Aviva Investors £m	International investments (India, China and Singapore) £m	Other Group activities £m	Total £m
Insurance revenue[1]	8,164	6,219	4,070	—	61	(17)	18,497
Insurance service expense	(7,055)	(5,443)	(3,639)	—	(81)	1	(16,217)
Net (expense)/income from reinsurance contracts	(278)	(409)	(78)	—	—	4	(761)
Insurance service result	831	367	353	—	(20)	(12)	1,519
Investment return[1]	20,604	442	303	13	98	920	22,380
Net finance (expense)/income from insurance contracts and participating investment contracts	(6,593)	(399)	(180)	—	(73)	17	(7,228)
Net finance income/(expense) from reinsurance contracts	531	133	10	—	—	(33)	641
Movement in non-participating investment contract liabilities	(13,559)	—	—	1	—	—	(13,558)
Investment expense attributable to unitholders	—	—	—	—	—	(861)	(861)
Net financial result	983	176	133	14	25	43	1,374
Fee and commission income[1]	1,110	54	11	126	—	8	1,309
Inter-segment revenue	—	—	—	238	—	—	238
Share of (loss)/profit after tax of joint ventures and associates[1]	(46)	—	1	—	(26)	—	(71)
Other operating expenses	(1,065)	(90)	(44)	(357)	(1)	(551)	(2,108)
Other net foreign exchange gains	—	48	—	—	—	98	146
Other finance costs	(200)	(1)	(5)	—	—	(273)	(479)
Inter-segment expenses	(219)	(10)	(6)	—	—	(3)	(238)
Profit/(loss) before tax	1,394	544	443	21	(22)	(690)	1,690
Tax attributable to policyholders' returns	(249)	—	—	—	—	—	(249)
Profit/(loss) before tax attributable to shareholders' profits	1,145	544	443	21	(22)	(690)	1,441
Adjusting items:							
Reclassification of unallocated interest	(9)	(27)	48	—	—	(12)	—
Investment variances and economic assumption changes	(302)	(67)	(104)	—	85	66	(322)
Impairment of goodwill, joint ventures, associates and other amounts expensed	—	—	—	—	—	—	—
Amortisation and impairment of intangibles acquired in business combinations	40	2	10	—	—	—	52
Amortisation and impairment of acquired value of in-force business	59	—	—	—	—	—	59
Integration and restructuring costs	61	—	—	—	—	—	61
Other	—	—	2	—	—	174	176
Group adjusted operating profit/(loss) before tax attributable to shareholders' profits	994	452	399	21	63	(462)	1,467

1. Total reported income, excluding inter-segment revenue, includes £37,751 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.

Notes to the consolidated financial statements

(ii) Segmental income statement for year ended 31 December 2022 - restated[1]

	Insurance, Wealth & Retirement (IWR) £m	UK & Ireland General Insurance £m	Canada General Insurance £m	Aviva Investors £m	International investments (India, China and Singapore) £m	Other Group activities £m	Total £m
Insurance revenue[2]	7,382	5,575	3,916	—	33	(17)	16,889
Insurance service expense	(6,745)	(5,186)	(3,538)	—	(33)	(3)	(15,505)
Net (expense)/income from reinsurance contracts	(142)	(176)	(71)	—	—	6	(383)
Insurance service result	495	213	307	—	—	(14)	1,001
Investment return[2]	(36,126)	(605)	(239)	(1)	35	(733)	(37,669)
Net finance income/(expense) from insurance contracts and participating investment contracts	23,477	1,023	206	—	(35)	(172)	24,499
Net finance (expense)/income from reinsurance contracts	(1,805)	(556)	(11)	—	—	249	(2,123)
Movement in non-participating investment contract liabilities	12,458	—	—	4	—	—	12,462
Investment income attributable to unitholders	—	—	—	—	—	531	531
Net financial result	(1,996)	(138)	(44)	3	—	(125)	(2,300)
Fee and commission income[2]	1,069	48	9	160	—	28	1,314
Inter-segment revenue	—	—	—	240	—	—	240
Share of (loss)/profit after tax of joint ventures and associates[2]	(124)	—	1	—	18	113	8
Other operating expenses	(1,009)	(57)	(35)	(378)	77	(317)	(1,719)
Other net foreign exchange (losses)/gains	—	(48)	—	1	—	(26)	(73)
Other finance costs	(176)	(2)	(5)	(1)	—	(286)	(470)
Inter-segment expenses	(222)	(6)	(7)	—	—	(5)	(240)
(Loss)/profit before tax	(1,963)	10	226	25	95	(632)	(2,239)
Tax attributable to policyholders' returns	764	—	—	—	—	—	764
(Loss)/profit before tax attributable to shareholders' profits	(1,199)	10	226	25	95	(632)	(1,475)
Adjusting items:							
Reclassification of unallocated interest	(8)	(17)	34	—	—	(9)	—
Investment variances and economic assumption changes	2,270	285	81	—	36	64	2,736
Impairment of goodwill, joint ventures, associates and other amounts expensed	21	—	—	—	(15)	2	8
Amortisation and impairment of intangibles acquired in business combinations	43	—	11	—	—	—	54
Amortisation and impairment of acquired value of in-force business	68	—	—	—	—	—	68
Integration and restructuring costs	—	—	—	—	—	—	—
Other	4	—	—	—	(77)	32	(41)
Group adjusted operating profit/(loss) before tax attributable to shareholders' profits	1,199	278	352	25	39	(543)	1,350

1. The 2022 comparative results have been restated following the adoption of IFRS 17 and for methodology changes described in note 1.
2. Total reported income, excluding inter-segment revenue, includes £(25,770) 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.

(b) Further analysis by products and services

The Group's results can be further analysed by products and services which comprise long-term business, general insurance and health, fund management and other activities.

Long-term business

Our long-term business comprises life insurance, long-term health and accident insurance, savings, pensions and annuity business written by our life insurance subsidiaries, including managed pension fund business. Long-term business also includes our share of the other life and related business written in our associates and joint ventures, as well as lifetime mortgage business written in the UK.

General insurance and health

Our general insurance and health business provides insurance cover to individuals and to businesses, for risks associated mainly with motor vehicles, property and liability, such as employers' liability and professional indemnity liability, and medical expenses.

Notes to the consolidated financial statements

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 - product and services for the year ended 31 December 2023

	Long-term business £m	General insurance and health[1] £m	Fund management £m	Other £m	Total £m
Insurance revenue	7,589	10,925	—	(17)	18,497
Insurance service expense	(6,554)	(9,664)	—	1	(16,217)
Net (expense)/income from reinsurance contracts	(278)	(487)	—	4	(761)
Insurance service result	757	774	—	(12)	1,519
Investment return	20,680	715	14	971	22,380
Net finance (expense)/income from insurance contracts and participating investment contracts	(6,667)	(578)	—	17	(7,228)
Net finance income/(expense) from reinsurance contracts	531	143	—	(33)	641
Movement in non-participating investment contract liabilities	(13,558)	—	—	—	(13,558)
Investment expense attributable to unitholders	—	—	—	(861)	(861)
Net financial result	986	280	14	94	1,374
Fee and commission income	1,105	70	126	8	1,309
Inter-segment revenue	—	—	238	—	238
Share of (loss)/profit after tax of joint ventures and associates	(72)	1	—	—	(71)
Other operating expenses	(1,070)	(101)	(357)	(580)	(2,108)
Other net foreign exchange gains	—	42	—	104	146
Other finance costs	(200)	(6)	—	(273)	(479)
Inter-segment expenses	(219)	(16)	—	(3)	(238)
Profit/(loss) before tax	1,287	1,044	21	(662)	1,690
Tax attributable to policyholders' returns	(249)	—	—	—	(249)
Profit/(loss) before tax attributable to shareholders' profits	1,038	1,044	21	(662)	1,441
Adjusting items	(47)	(128)	—	201	26
Group adjusted operating profit/(loss) before tax attributable to shareholders' profits	991	916	21	(461)	1,467

1. General insurance and health product segment includes insurance revenue of £637 million relating to health business. The remaining segment relates to property and liability insurance.

Notes to the consolidated financial statements

(ii) Segmental income statement - product and services for the year ended 31 December 2022 - restated[1]

	Long-term business £m	General insurance and health[2] £m	Fund management £m	Other £m	Total £m
Insurance revenue	6,857	10,049	—	(17)	16,889
Insurance service expense	(6,343)	(9,172)	—	10	(15,505)
Net (expense)/income from reinsurance contracts	(142)	(247)	—	6	(383)
Insurance service result	372	630	—	(1)	1,001
Investment return	(36,173)	(829)	(1)	(666)	(37,669)
Net income/(expense) from insurance contracts and participating investment contracts	23,442	1,229	—	(172)	24,499
Net (expense)/income from reinsurance contracts	(1,805)	(567)	—	249	(2,123)
Movement in non-participating investment contract liabilities	12,458	—	4	—	12,462
Investment income attributable to unitholders	—	—	—	531	531
Net financial result	(2,078)	(167)	3	(58)	(2,300)
Fee and commission income	1,069	57	160	28	1,314
Inter-segment revenue	—	—	240	—	240
Share of (loss)/profit after tax of joint ventures and associates	(106)	1	(1)	114	8
Other operating expenses	(795)	(146)	(378)	(400)	(1,719)
Other net foreign exchange (losses)/gains	—	(48)	1	(26)	(73)
Other finance costs	(176)	(7)	(1)	(286)	(470)
Inter-segment expenses	(222)	(13)	—	(5)	(240)
(Loss)/profit before tax	(1,936)	307	24	(634)	(2,239)
Tax attributable to policyholders' returns	764	—	—	—	764
(Loss)/profit before tax attributable to shareholders' profits	(1,172)	307	24	(634)	(1,475)
Adjusting items	2,333	400	1	91	2,825
Group adjusted operating profit/(loss) before tax attributable to shareholders' profits	1,161	707	25	(543)	1,350

1. The 2022 comparative results have been restated following the adoption of IFRS 17 and for methodology changes described in note 1.
2. General insurance and health product segment includes insurance revenue of £558 million relating to health business. The remaining segment relates to property and liability insurance.

5 - Insurance revenue

This note analyses the insurance revenue recognised in relation to our insurance contracts and participating investment contracts (which are described in note 40).

Insurance revenue for the year ended 31 December comprised:

				2023				2022
	Life Risk £m	**Participating £m**	**Non-Life £m**	**Total £m**	Life Risk £m	Participating £m	Non-Life £m	Total £m
Amounts relating to changes in liabilities for remaining coverage								
CSM recognised for services provided	**729**	**151**	**—**	**880**	578	172	—	750
Change in risk adjustment for non-financial risk for risk expired	**96**	**3**	**—**	**99**	171	5	—	176
Expected incurred claims and other insurance service expenses	**5,788**	**462**	**—**	**6,250**	5,764	266	—	6,030
Other[1]	**—**	**36**	**—**	**36**	—	(414)	—	(414)
Recovery of insurance acquisition cashflows	**301**	**6**	**—**	**307**	288	10	—	298
Contracts not measured under the PAA	**6,914**	**658**	**—**	**7,572**	6,801	39	—	6,840
Contracts measured under the PAA	**—**	**—**	**10,925**	**10,925**	—	—	10,049	10,049
Total insurance revenue	**6,914**	**658**	**10,925**	**18,497**	6,801	39	10,049	16,889

1. Other predominantly relates to revenue recognised for incurred policyholder tax expenses on participating business.

For contracts measured under the PAA, amounts recognised in insurance revenue are based on the expected premiums earned in the year.

Notes to the consolidated financial statements

6 - Net financial result

This note analyses the Group's net financial results in profit or loss. This analysis is provided by reportable product groups for insurance and participating investment contracts, which are explained in note 40(a).

	Note	Life risk £m	Participating £m	Non-life £m	Non-Participating £m	Non insurance £m	Total £m 2023
Interest and similar income from financial instruments at amortised cost		9	5	6	27	48	95
Interest and similar income from financial instruments at FVTPL		648	392	359	1,902	2,753	6,054
Other investment income	6(a)	3,586	2,163	353	11,648	(1,516)	16,234
Net impairment loss on financial assets		—	—	(3)	—	—	(3)
Total investment return		4,243	2,560	715	13,577	1,285	22,380
Changes in fair value of underlying items		(204)	(2,383)	—	—	—	(2,587)
Effects of risk mitigation option		—	5	—	—	—	5
Interest accreted on contractual service margin		(207)	—	—	—	—	(207)
Effect of, and changes in, interest rates and other financial assumptions		(3,454)	(120)	(578)	—	—	(4,152)
Effect of measuring changes in estimates at current rates and adjusting the CSM at rates on initial recognition		(292)	5	—	—	—	(287)
Net finance expense from insurance contracts and participating investment contracts		(4,157)	(2,493)	(578)	—	—	(7,228)
Interest accreted		18	—	81	—	—	99
Other		513	—	29	—	—	542
Net finance income from reinsurance contracts		531	—	110	—	—	641
Investment expense allocated to non-participating investment contracts		—	—	—	(13,558)	—	(13,558)
Changes in non-participating investment contract provisions		—	—	—	(1)	—	(1)
Change in reinsurance asset for non-participating investment contract provisions		—	—	—	1	—	1
Movement in non-participating investment contract liabilities		—	—	—	(13,558)	—	(13,558)
Investment expense attributable to unitholders		—	—	—	—	(861)	(861)
Net financial result		617	67	247	19	424	1,374

Underlying items comprise financial instruments and other assets and liabilities held within unit-linked and with-profits funds whose value determines some of the amounts payable to policyholders. For policyholders invested in with-profits funds with a policyholder estate the underlying items may include non-profit insurance contracts written within the funds.

Notes to the consolidated financial statements

	Note	Life risk £m	Participating £m	Non-life £m	Non-Participating £m	Non insurance £m	Restated[1] 2022 Total £m
Interest and similar income from financial instruments at amortised cost		12	2	12	7	66	99
Interest and similar income from financial instruments at FVTPL		1,419	326	262	1,011	1,678	4,696
Other investment income	6(a)	(21,010)	(4,332)	(1,110)	(13,776)	(2,233)	(42,461)
Net impairment loss on financial assets		—	—	(3)	—	—	(3)
Total investment return		(19,579)	(4,004)	(839)	(12,758)	(489)	(37,669)
Changes in fair value of underlying items		1,219	3,558	—	—	—	4,777
Effects of risk mitigation option		—	532	—	—	—	532
Interest accreted on contractual service margin		(165)	—	—	—	—	(165)
Effect of, and changes in, interest rates and other financial assumptions		17,554	127	1,229	—	—	18,910
Effect of measuring changes in estimates at current rates and adjusting the CSM at rates on initial recognition		445	—	—	—	—	445
Net finance income from insurance contracts and participating investment contracts		19,053	4,217	1,229	—	—	24,499
Interest accreted		4	—	14	—	—	18
Other		(1,795)	(13)	(333)	—	—	(2,141)
Net finance expense from reinsurance contracts		(1,791)	(13)	(319)	—	—	(2,123)
Investment expense allocated to non-participating investment contracts		—	—	—	12,452	—	12,452
Changes in non-participating investment contract provisions		—	—	—	4	—	4
Change in reinsurance asset for non-participating investment contract provisions		—	—	—	6	—	6
Movement in non-participating investment contract liabilities		—	—	—	12,462	—	12,462
Investment income attributable to unitholders		—	—	—	—	531	531
Net financial result		(2,317)	200	71	(296)	42	(2,300)

(a) Other investment income

	2023 £m	Restated[1] 2022 £m
Dividend income	**3,999**	4,347
Net gains/(losses)	**12,317**	(46,804)
From financial assets mandatorily held at FVTPL	**15,206**	(56,047)
From financial assets held at amortised cost	**91**	93
From borrowings designated as FVTPL	**74**	(16)
From financial liabilities mandatorily held at FVTPL[2]	**(3,054)**	9,166
Net losses from investment properties	**(14)**	(859)
Rent	**319**	316
Expenses relating to these properties	**(22)**	(17)
Realised losses on disposal	**(10)**	(8)
Fair value losses on investment properties	**(301)**	(1,150)
Net foreign exchange (losses)/gains on financial instruments not held at FVTPL	**(91)**	850
Other	**23**	5
Other investment income	**16,234**	(42,461)

1. The 2022 comparative amounts have been restated following the adoption of IFRS 17 and IFRS 9, as described in note 1.
2. Financial liabilities consist of derivative financial liabilities which meet the definition of held for trading under IFRS 9.

Notes to the consolidated financial statements

7 - Fee and commission income

	2023 £m	Restated[1] 2022 £m
Fee income from non-participating investment contract business	**715**	741
Fund management fee income	**134**	163
Other fee income	**369**	292
Other commission income	**86**	110
Net change in deferred revenue	**5**	8
Total	**1,309**	1,314

1. The 2022 comparative amounts have been restated following the adoption of IFRS 17 (see note 1).

8 - Expenses

This note analyses the Group's expenses in profit or loss.

	Note	2023 £m	Restated[1] 2022 £m
Claims and benefits incurred			
Claims and benefits on long-term business			
Insurance contracts and participating investment contracts		**5,850**	5,572
Claims and benefits on general insurance and health business		**6,557**	6,237
		12,407	11,809
Claim recoveries from reinsurers			
Insurance contracts and participating investment contracts		**(3,040)**	(2,953)
Claims and benefits incurred, net of recoveries from reinsurers		**9,367**	8,856
Losses on onerous insurance contracts and participating investment contracts		**122**	136
Fee and commission expense			
Acquisition costs			
Commission expenses		**2,541**	4,149
Other acquisition costs		**1,055**	999
Amount attributed to insurance acquisition cash flows incurred during the year		**(3,179)**	(4,844)
Acquisition costs for non-participating investment contracts		**417**	304
Amortisation of insurance acquisition cash flows		**2,842**	2,689
Change in deferred acquisition costs for non-participating investment contracts		**70**	49
Other fee and commission expense		**36**	24
Fee and commission expense		**3,365**	3,066
Other expenses			
Staff costs	11(b)	**1,032**	936
Central costs		**354**	310
Depreciation		**66**	57
Amortisation of acquired value of in-force business on non-participating investment contracts		**59**	68
Amortisation of intangible assets		**119**	142
Impairment of intangible assets		**—**	4
Other expenses (see below)		**959**	635
Other net foreign exchange (gains)/losses		**(146)**	73
Other expenses		**2,443**	2,225
Total expenses		**15,297**	14,283
Represented by expenses included within the income statement:			
Insurance service expense		**16,217**	15,505
Expense recovery from reinsurance contracts[2]		**(2,882)**	(3,014)
Other operating expenses		**2,108**	1,719
Other net foreign exchange (gains)/losses		**(146)**	73
Total expenses		**15,297**	14,283

1. The 2022 comparative amounts have been restated following the adoption of IFRS 17 (see note 1).
2. Expense recovery from reinsurance contracts is presented in consolidated income statement within net expense from reinsurance contracts, which comprises an allocation of premiums paid to reinsurers of £(3,643) million (2022: £(3,397) million) and amount recovered from reinsurers of £2,882 million (2022: £3,014 million).

Other expenses were £959 million (2022: £635 million) which mainly included costs relating to property and IT. In 2023, it also included £92 million of fees paid to bondholders in respect of modification to the terms and conditions of the Group's Tier 2 Fixed to Floating notes, charges of £71 million relating to our historic divestments, and integration and restructuring costs of £61 million as set out below. In 2022, other expenses were partially offset by a gain of £77 million relating to negative goodwill on the acquisition of Aviva India.

Notes to the consolidated financial statements

Other operating expenses presented on the consolidated income statement of £2,108 million (2022: £1,719 million) includes the Group's Aviva Investors segment, amortisation on AVIF and intangibles acquired in business combinations, expenses attributable to non-participating investment contract, expenses attributable to non-insurance products such as wealth management services and Corporate Centre costs.

Integration & restructuring costs
At the beginning of 2024, IWR announced a 15 year extension to our key strategic partnerships with Diligenta and FNZ to simplify our operations and support our growth ambitions, with further changes improving how we serve our customers. Integration and restructuring costs of £61 million have been incurred during 2023 in relation to this simplification, with additional costs expected to be incurred over the period 2024-2028. This programme will rationalise our administration platforms to remove complexity and improve customer outcomes. The costs will cover changes to data and systems and expenditure to deliver associated efficiency savings. Benefits of this restructuring programme will include a reduction in the operating cost base of the IWR business, resulting in higher capital generation and cash remittances. These costs are included in other expenses.

9 - Other finance costs

This note analyses the interest costs on our borrowings (which are described in note 47) and similar charges.
Other finance costs comprise:

	Note	2023 £m	2022 £m
Subordinated debt		219	253
Long term senior debt		10	10
Commercial paper		4	1
Interest expense on core structural borrowings at amortised cost		233	264
Amounts owed to financial institutions at amortised cost		26	5
Securitised mortgage loan notes at fair value		70	79
Interest expense on operational borrowings		96	84
Interest on collateral received		39	12
Net finance charge on pension schemes	46(b)(i)	25	20
Interest on lease liabilities		8	9
Other similar charges		78	81
Total finance costs		**479**	**470**

10 - Investment variances and economic assumption changes

The investment variances and economic assumption changes impacting the Group consolidated income statement are as follows:

	2023 £m	Restated[1] 2022 £m
Life business[2]	217	(2,306)
General insurance business	171	(366)
Other operations[3]	(66)	(64)
Total investment variances and economic assumption changes	322	(2,736)

1. The 2022 comparative results have been restated following the adoption of IFRS 17, as described in note 1 of the Aviva plc Annual Report and Accounts 2023. In addition, the 2022 comparative amounts have been restated for methodology changes described in the 'Other Information - overview' section of the Aviva plc Annual Report and Accounts 2023.
2. Life business includes IWR and International Investments.
3. Other operations represents short-term fluctuations on Group centre investments, including the centre hedging programme.

(a) Definitions

Investment variances and economic assumption changes show the impact of changes due to economic items, such as market value movements and interest rate change over the year, which give rise to variances between actual and expected investment returns, as well as the impact of changes in economic assumptions on liabilities.

(b) Methodology

The expected investment returns and corresponding expected movements in liabilities are calculated separately for each principal 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:

- For fixed interest securities the expected investment returns are based on average prospective yields for the actual assets held less an adjustment for credit risk.
- 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 premium.

Notes to the consolidated financial statements

- Expected funds under management are equal to the opening value of funds under management, adjusted for sales and purchases during the year 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, or management decisions to change asset mix, the effect is not included in the investment variance. The residual difference between actual and expected investment return is included in investment variances.

Similarly, the effect of differences between actual and expected economic experience on liabilities, and changes to economic assumptions used to value liabilities, are included in the investment variance and economic assumption changes.

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 business depends on the degree of matching of assets and liabilities, exposure to financial options and guarantees, and the application of relevant IFRS 17 risk-mitigation options.

(c) Assumptions
The expected rate of investment return is determined using consistent assumptions at the start of the year 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:

		2023		2022
	Equity	Property	Equity	Property
United Kingdom	**7.2 %**	5.7 %	4.4 %	2.9 %
Ireland	**6.7 %**	5.2 %	3.8 %	2.3 %
Canada	**7.3 %**	5.8 %	5.5 %	4.0 %

The expected return on equity and property has been calculated by reference to ten-year SONIA rates for the UK and the ten-year mid-price swap rate for an AA rated bank in the relevant currency for other markets, to which a risk premium is added. 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:

	2023	2022
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 year are set out in the table below:

	2023	2022
United Kingdom	**3.7 %**	0.9 %
Ireland	**3.2 %**	0.3 %
Canada	**3.8 %**	2.0 %

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).

The expected return on cash holdings is a 1-year risk-free rate assumption taken as at the start of the year.

(d) Analysis of investment variances and economic assumption changes
(i) Life business
The gain of £217 million (2022 restated: loss of £2,306 million) in relation to investment variances and economic assumption changes on life business was primarily driven by UK 10-year term interest rates falling c.40 bps and favourable credit default experience, partly offset by a loss from hedging gains on equity markets.

The positive impact of interest rate falls and adverse impact of equity market gains reflect the fact that we hedge on a Solvency II basis rather than an IFRS basis. For example, when equity markets increase we gain from the increase in the value of future annual management charges on unit-linked products on an economic basis which are not recognised under IFRS, however, the loss from hedges in place is recognised on both Solvency II and IFRS bases.

The negative variance for 2022 was primarily driven by the significant increase in UK interest rates, with the rate on 10-year swaps increasing by 280bps during 2022. This resulted in a reduction in the value of fixed income securities and loans which was not fully offset by a reduction in the valuation of long-term insurance liabilities from the increase in the valuation interest rate. Other components of investment variances and economic assumption changes were smaller and broadly offset. These included positive impacts from hedging negative global equity returns and a reduction in the allowance for risk of default on assets backing annuities due to reduced asset values; and negative impacts from foreign exchange losses and widening of spreads on corporate bonds.

Notes to the consolidated financial statements

(ii) General insurance business
The gain of £171 million (2022 restated: loss of £366 million) in relation to investment variances and economic assumption changes for the general insurance and health business was primarily driven by currency movements and equity, as well as smaller contributions from falling interest rates and narrower credit spreads. The negative variance for 2022 was primarily driven by rising interest rates, losses from equity market falls, foreign exchange losses and credit spreads widening.

11 - Employee information
This note shows where our staff are employed, excluding staff employed by our joint ventures and associates, and analyses the total staff costs.

(a) Employee numbers
The number of persons employed by the Group, including directors under a service contract, was:

	At 31 December		Average for the year[1]	
	2023 Number	2022 Number	**2023 Number**	2022 Number
Insurance, Wealth & Retirement (IWR)	**9,963**	9,163	**9,562**	8,717
UK & Ireland General Insurance	**8,653**	7,858	**8,333**	7,680
Canada General Insurance	**4,657**	4,471	**4,643**	4,439
Aviva Investors	**963**	997	**967**	1,069
International investments	**1,490**	1,334	**1,447**	1,294
Other operations	**656**	541	**577**	502
Total employee numbers	**26,382**	24,364	**25,529**	23,701

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

	Note	**2023 £m**	2022 £m
Wages and salaries		**1,132**	1,042
Social security costs		**132**	126
Post-retirement obligations			
Defined benefit schemes	46(d)	**27**	23
Defined contribution schemes	46(d)	**190**	172
Profit sharing and incentive plans		**198**	220
Equity compensation plans	33(d)	**61**	58
Termination benefits		**14**	17
Total staff costs		**1,754**	1,658

Staff costs are charged within:

	Note	**2023 £m**	2022 £m
Acquisition costs		**465**	459
Claims handling expenses		**190**	204
Central costs		**67**	59
Staff costs	8	**1,032**	936
Total staff costs		**1,754**	1,658

12 - Directors
Information concerning individual directors' emoluments, interests and transactions is given in the Directors' Remuneration report in the 'Corporate governance' section of this report. For the purposes of the disclosure required by Schedule 5 to the Companies Act 2006, the total aggregate emoluments of the directors in respect of 2023 was £7.3 million (2022: £6.5 million). Employer contributions to pensions for executive directors for qualifying periods were £nil in both 2023 and 2022. The aggregate net value of share awards granted to the directors in the year was £nil in both 2023 and 2022. No share options were exercised by directors during the year in either 2023 and 2022.

Notes to the consolidated financial statements

13 - Auditors' remuneration

This note shows the total remuneration payable by the Group, excluding VAT and any overseas equivalent thereof, to our auditors.

	2023 £m	2022 £m
Fees payable to PwC LLP and its associates for the statutory audit of the Aviva Group and Company financial statements	**3.2**	3.4
Fees payable to PwC LLP and its associates for other services		
Audit of Group subsidiaries	**18.6**	21.8
Additional fees related to the prior year audit of Group subsidiaries	**0.1**	0.7
Total audit fees	**21.9**	25.9
Audit related assurance	**4.5**	4.5
Total audit and audit-related assurance fees	**26.4**	30.4
Other assurance services	**1.3**	1.7
Total audit and assurance fees	**27.7**	32.1
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	**27.7**	32.1
Fees payable to PwC LLP and its associates for Group occupational pensions scheme audits	**0.1**	0.1

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. Included in the statutory audit fees for the Group and its subsidiaries for 2022 and 2023 are fees payable in respect of adopting new accounting standards, most significantly, IFRS 17.

Audit related assurance comprises services in relation to statutory and regulatory filings. These include fees for the audit of the Group's Solvency II regulatory returns, services for the audit of other regulatory returns of the Group's subsidiaries and review of interim financial information under the Listing Rules of the UK Listing Authority. Total audit fees (including additional fees related to the audit of Group subsidiaries) and audit-related assurance fees were £26.4 million (2022: £30.4 million).

Other assurance services in 2023 of £1.3 million (2022: £1.7 million) mainly include assurance fees over a selection of non-financial reporting metrics.

In addition to these fees, audit fees payable to PwC LLP in respect of investment funds consolidated in the Group financial statements were £4.1 million (2022: £3.9 million). These fees are borne directly by the unitholders of the funds and are not borne by the Group.

Details of the Group's process for safeguarding and supporting the independence and objectivity of the external auditors are given in the Audit Committee report.

14 - Tax

This note analyses the tax charge for the year and explains the factors that affect it.

(a) Tax charged/(credited) to the income statement

(i) The total tax charged/(credited) comprises:

	2023 £m	Restated[1] 2022 £m
For the period	**321**	89
Adjustments in respect of prior years	**(29)**	(35)
Current tax	**292**	54
Origination and reversal of temporary differences	**306**	(1,190)
Write down/(back) of deferred tax assets	**(14)**	(73)
Deferred tax	**292**	(1,263)
Total tax charged/(credited) to income statement	**584**	(1,209)

1. The 2022 comparative amounts have been restated following the adoption of IFRS 17 and for a correction in respect of historic accounting for with-profits funds (see note 1).

Notes to the consolidated financial statements

(ii) Policyholder tax

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 £249 million (2022: credit of £764 million).

(iii) The tax charged/(credited) to the income statement, comprising current and deferred tax, can be analysed as follows:

	2023 £m	Restated[1] 2022 £m
UK tax	517	(1,238)
Overseas tax	67	29
Total tax charged/(credited) to income statement	**584**	**(1,209)**

1. The 2022 comparative amounts have been restated following the adoption of IFRS 17 and for a correction in respect of historic accounting for with-profits funds (see note 1).

(iv) Unrecognised tax losses and temporary differences

Unrecognised tax losses and temporary differences of previous years were used to reduce the current tax expense and deferred tax charge by £nil million and £14 million (2022: £nil million and £73 million) respectively.

(v) Deferred tax charged/(credited) to the income statement

Deferred tax charged/(credited) to the income statement represents movements on the following items:

	2023 £m	Restated[1] 2022 £m
Long-term business technical provisions and other insurance items	(195)	(162)
Deferred acquisition costs	(25)	17
Unrealised gains on investments	57	(300)
Pensions and other post-retirement obligations	14	15
Unused losses and tax credits	225	(295)
Subsidiaries, associates and joint ventures	—	(28)
Intangibles and additional value of in-force long-term business	(27)	(25)
Provisions and other temporary differences	243	(485)
Total deferred tax charged/(credited) to income statement	**292**	**(1,263)**

1. The 2022 comparative amounts have been restated following the adoption of IFRS 17 and for a correction in respect of historic accounting for with-profits funds (see note 1).

(b) Tax credited to other comprehensive income

(i) The total tax credited comprises:

	2023 £m	Restated[1] 2022 £m
In respect of pensions and other post-retirement obligations	(3)	—
In respect of foreign exchange movements	2	(6)
Current tax	(1)	(6)
In respect of pensions and other post-retirement obligations	(119)	(412)
Deferred tax	(119)	(412)
Total tax credited to comprehensive income	**(120)**	**(418)**

1. The 2022 comparative amounts have been restated following the adoption of IFRS 17 and for a correction in respect of historic accounting for with-profits funds (see note 1).

(ii) Policyholder tax

There is no tax charge/(credit) attributable to policyholders' return included above in either 2023 or 2022.

(c) Tax credited/(charged) to equity

No tax was charged or credited directly to equity in either 2023 or 2022.

Notes to the consolidated financial statements

(d) Tax reconciliation

The tax on the Group's profit/(loss) before tax differs from the theoretical amount that would arise using the tax rate of the home country of the Company as follows:

			2023			Restated[1] 2022
	Shareholder £m	Policyholder £m	Total £m	Shareholder £m	Policyholder £m	Total £m
Total profit/(loss) before tax	**1,441**	**249**	**1,690**	(1,475)	(764)	(2,239)
Tax calculated at standard UK corporation tax rate of 23.50% (2022: 19.00%)	**339**	**58**	**397**	(280)	(145)	(425)
Reconciling items						
Different basis of tax - policyholders	**—**	**192**	**192**	—	(620)	(620)
Adjustment to tax charge in respect of prior periods	**(9)**	**—**	**(9)**	(28)	—	(28)
Non-assessable income and items not taxed at the full statutory rate	**(13)**	**—**	**(13)**	(31)	—	(31)
Disallowable expenses	**32**	**—**	**32**	16	—	16
Different local basis of tax on overseas profits	**8**	**(1)**	**7**	(3)	1	(2)
Movement in valuation of deferred tax	**(30)**	**—**	**(30)**	(113)	—	(113)
Tax effect of profit from joint ventures and associates	**6**	**—**	**6**	(6)	—	(6)
Other	**2**	**—**	**2**	—	—	—
Total tax charged/(credited) to income statement	**335**	**249**	**584**	(445)	(764)	(1,209)

1. The 2022 comparative amounts have been restated following the adoption of IFRS 17 and for a correction in respect of historic accounting for with-profits funds (see note 1).

The tax charge/(credit) attributable to policyholder returns is removed from the Group's total profit before tax in arriving at the Group's profit before tax attributable to shareholders' profits. As the net of tax profits attributable to with-profits and unit-linked policyholders is zero, the Group's pre-tax profit attributable to policyholders is an amount equal and opposite to the tax charge/(credit) attributable to policyholders included in the total tax charge.

The UK corporation tax rate increased to 25% from 1 April 2023. This rate has been used in the calculation of the UK's deferred tax assets and liabilities.

In addition, the UK government announced a reduction in the authorised surplus payments charge, applicable to withdrawing amounts from pension schemes in surplus, from 35% to 25% to take effect from 6 April 2024. This provision was not substantively enacted at the balance sheet date, however, its implementation is expected to reduce the deferred tax liabilities of the group by approximately £43 million.

During 2023, legislation on The Organisation for Economic Co-operation and Development proposals to reform the international tax system and introduce a global minimum effective rate of corporation tax of 15% was enacted or substantively enacted by a number of jurisdictions in which the group operates, to take effect from 31 December 2023. In accordance with the amendments to IAS 12, endorsed in the UK on 19 July 2023, the Group has applied the exemption and not provided for deferred tax in respect of these reforms.

The Group has assessed its potential exposure, based on the available information, and has identified that the effective tax rates in most jurisdictions are either over 15% or that transitional safe harbour relief is expected to apply. Where these do not apply, the Group expects to be exposed to no greater than £10 million of additional tax under these provisions in those jurisdictions.

(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:

	2023 £m	Restated[1] 2022 £m
Total tax charged/(credited) to income statement	**584**	(1,209)
Deferred tax	**(292)**	1,263
Adjustments in respect of prior years	**29**	35
Current tax recorded in other comprehensive income	**(1)**	(6)
Accounts adjustments	**(264)**	1,292
Amounts paid in (earlier)/later accounting periods	**(180)**	131
Amounts received relating to prior accounting periods	**(72)**	(4)
Payment timing differences	**(252)**	127
Total tax paid	**68**	210

Total tax paid has arisen in our main jurisdictions of the UK, Canada and Ireland by £46 million, £20 million and £2 million, respectively (2022: £134 million, £65 million and £6 million). Other jurisdictions accounted for £nil million (2022: £5 million).

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. Adjustments in respect of prior years arise where the final tax liability payable to tax authorities is different from the tax charge for the period reported in the Annual Report and Accounts.

Notes to the consolidated financial statements

15 - Earnings per share

This note shows how to calculate earnings per share on profit attributable to ordinary shareholders, based both on the present shares in issue (the basic earnings per share) and the potential future shares in issue, including conversion of share options granted to employees (the diluted earnings per share). We have also shown the same calculations based on our Group adjusted operating profit as we believe this gives an important indication of operating performance. Consideration of both these measures gives a full picture of the performance of the business during the year.

(a) Basic earnings per share

(i) Basic earnings per share is calculated as follows:

				2023			Restated[1] 2022
	Note	Group adjusted operating profit £m	Adjusting items £m	Total £m	Group adjusted operating profit £m	Adjusting items £m	Total £m
Profit/(loss) tax attributable to shareholders' profits		**1,467**	**(26)**	**1,441**	1,350	(2,825)	(1,475)
Tax attributable to shareholders' profits		**(289)**	**(46)**	**(335)**	(178)	623	445
Profit/(loss) for the period		**1,178**	**(72)**	**1,106**	1,172	(2,202)	(1,030)
Amount attributable to non-controlling interests		**(21)**	**—**	**(21)**	(21)	—	(21)
Coupon payments in respect of tier 1 notes		**(34)**	**—**	**(34)**	(17)	—	(17)
Cumulative preference dividends		**(17)**	**—**	**(17)**	(17)	—	(17)
Profit attributable to ordinary shareholders		**1,106**	**(72)**	**1,034**	1,117	(2,202)	(1,085)
Weighted average number of shares	15(a)(iii)	**2,744**	**2,744**	**2,744**	3,126	3,126	3,126
Operating earnings per share/Basic earnings per share[2]		**40.3 p**	**(2.6)p**	**37.7 p**	35.7 p	(70.4)p	(34.7)p

1. The 2022 comparative results have been restated following the adoption of IFRS 17 and for methodology changes described in note 1.
2. Operating earnings per share in 2022 was impacted by the share consolidation completed on 16 May 2022. The operating earnings per share numbers using weighted average number of shares as if the share consolidation had taken place on 1 January 2022 would have been 39.9 pence per share.

(ii) Basic earnings per share comprises:

			2023			Restated[1] 2022
	Before tax £m	Net of tax, NCI, preference dividends and tier 1 notes coupon payments £m	Per share pence	Before tax £m	Net of tax, NCI, preference dividends and tier 1 notes coupon payments £m	Per share pence
Group adjusted operating profit attributable to ordinary shareholders	**1,467**	**1,106**	**40.3**	1,350	1,117	35.7
Adjusting items:						
Investment variances and economic assumption changes	**322**	**207**	**7.5**	(2,736)	(2,139)	(68.4)
Impairment of goodwill, joint ventures, associates and other amounts expensed	**—**	**—**	**—**	(8)	(8)	(0.3)
Amortisation and impairment of intangibles acquired in business combinations	**(52)**	**(40)**	**(1.5)**	(54)	(45)	(1.4)
Amortisation and impairment of acquired value of in-force business	**(59)**	**(43)**	**(1.6)**	(68)	(56)	(1.8)
Integration and restructuring costs	**(61)**	**(46)**	**(1.7)**	—	—	—
Other	**(176)**	**(150)**	**(5.5)**	41	46	1.5
Profit/(loss) attributable to ordinary shareholders	**1,441**	**1,034**	**37.7**	(1,475)	(1,085)	(34.7)

1. The 2022 comparative results have been restated following the adoption of IFRS 17 and for methodology changes described in note 1.

(iii) Weighted average number of shares

The calculation of basic earnings per share uses a weighted average of 2,744 million (2022: 3,126 million) ordinary shares in issue, after deducting treasury shares. The actual number of shares in issue at 31 December 2023 was 2,739 million (2022: 2,808 million) or 2,652 million (2022: 2,723 million) excluding treasury shares. See note 32 for further information on the movements in share capital during the year.

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(b) Diluted earnings per share

(i) Diluted earnings per share is calculated as follows:

	2023			Restated[1] 2022		
	Net of tax, NCI, preference dividends and tier 1 notes coupon payments £m	Weighted average number of shares £m	Per share pence	Net of tax, NCI, preference dividends and tier 1 notes coupon payments £m	Weighted average number of shares £m	Per share pence
Profit attributable to ordinary shareholders	1,034	2,744	37.7	(1,085)	3,126	(34.7)
Dilutive effect of share awards and options[2]		33	(0.5)		—	—
Diluted earnings per share	1,034	2,777	37.2	(1,085)	3,126	(34.7)

1. The 2022 comparative results have been restated following the adoption of IFRS 17 and for methodology changes described in note 1.
2. Excluded from the diluted (pence per share) figures are £39 million ordinary shares issued during the year ended 31 December 2022. If exercised, these would have a 0.4 pence per share and are excluded in accordance with IAS 33 Earnings per share.

(ii) Diluted earnings per share on Group adjusted operating profit attributable to ordinary shareholders is calculated as follows:

	2023			Restated[1] 2022		
	Net of tax, NCI, preference dividends and tier 1 notes coupon payments £m	Weighted average number of shares £m	Per share pence	Net of tax, NCI, preference dividends and tier 1 notes coupon payments £m	Weighted average number of shares £m	Per share pence
Profit attributable to ordinary shareholders	1,106	2,744	40.3	1,117	3,126	35.7
Dilutive effect of share awards and options		33	(0.5)		39	(0.4)
Diluted earnings per share	1,106	2,777	39.8	1,117	3,165	35.3

1. The 2022 comparative results have been restated following the adoption of IFRS 17 and for methodology changes described in note 1.

16 - Dividends and appropriations

This note analyses the total dividends and other appropriations paid during the year, as set out in the table below. Details are also provided of the proposed final dividend for 2023, which is not accrued in these financial statements and is therefore excluded from the table.

	2023 £m	2022 £m
Interim 2023 - 11.10 pence per share, paid on 5 October 2023	302	—
Final 2022 - 20.70 pence per share, paid on 18 May 2023	576	—
Interim 2022 - 10.30 pence per share, paid on 28 September 2022	—	287
Final 2021 - 14.70 pence per share, paid on 19 May 2022	—	541
Ordinary dividends declared and charged to equity in the year	878	828
Preference dividends declared and charged to equity in the year	17	17
Coupon payments on tier 1 notes charged to equity in the year	34	17
Total dividends and appropriations	929	862

Subsequent to 31 December 2023, the directors proposed a final dividend for 2023 of 22.3 pence pence per ordinary share, amounting to £611 million in total. The cash value of dividend is calculated using 2,739,487,140 shares as at 1 March 2024 representing issued shares eligible for dividend payment. Subject to approval by shareholders at the AGM, the dividend will be paid on 23 May 2024 and will be accounted for as an appropriation of retained earnings in the year ending 31 December 2024. See shareholder services in the Other information section for further details. See note 32 for information on share buyback and return of capital to ordinary shareholders.

Notes to the consolidated financial statements

17 - Goodwill

This note analyses the changes to the carrying amount of goodwill during the year and details the results of our impairment testing on both goodwill and intangible assets with indefinite lives.

(a) Carrying amount

	2023			Restated[1,2] 2022		
	Gross amount £m	Accumulated impairment £m	Carrying amount £m	Gross amount £m	Accumulated impairment £m	Carrying amount £m
At 1 January	**2,185**	**(83)**	**2,102**	1,821	(80)	1,741
Acquisitions and additions[1]	**2**	**—**	**2**	354	—	354
Disposals	**—**	**—**	**—**	—	—	—
Foreign exchange rate movements	**(5)**	**1**	**(4)**	10	(3)	7
Impairment charges	**—**	**—**	**—**	—	—	—
At 31 December	**2,182**	**(82)**	**2,100**	**2,185**	**(83)**	**2,102**

1. Comparative amounts for acquisitions and additions to goodwill have been increased by £30 million following restatement of the Succession Wealth acquisition balance sheet (see note 1(c)).
2. Comparative amounts for gross amount and accumulated impairment have been net down by £15 million to remove historic goodwill balances that had been fully impaired in disposed of entities. This does not impact the carrying amount of goodwill at 31 December 2022.

Impairment tests on goodwill were conducted as described in section (b).

(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.

	2023			Restated[1] 2022		
	Carrying amount of goodwill £m	Carrying amount of intangibles with indefinite useful lives note 18 £m	Total £m	Carrying amount of goodwill £m	Carrying amount of intangibles with indefinite useful lives note 18 £m	Total £m
United Kingdom - long-term business	**663**	**—**	**663**	663	—	663
United Kingdom - fund management business	**356**	**—**	**356**	354	—	354
United Kingdom - general insurance and health	**924**	**1**	**925**	924	1	925
Ireland - general insurance and health	**96**	**—**	**96**	98	—	98
Canada	**61**	**—**	**61**	63	—	63
Other	**—**	**—**	**—**	—	—	—
Total	**2,100**	**1**	**2,101**	**2,102**	**1**	**2,103**

1. Comparative amounts for fund management business have been increased by £30 million following restatement of the Succession Wealth acquisition balance sheet (see note 1(c)).

Goodwill in all business units is tested for impairment by comparing the carrying value of the cash generating unit to which the goodwill relates, to the recoverable value of that CGU. The recoverable amount is the value in use of the CGU unless otherwise stated.

(i) Long-term business

Value in use has been calculated based on a shareholder value of the business calculated in accordance with Solvency II principles, adjusted where Solvency II does not represent a best estimate of shareholders' interests. The principal adjustments relate to the exclusion of the benefit of transitional measures on technical provisions and the volatility adjustment under Solvency II, modification of the Solvency II risk margin to an economic view and removal of restrictions on contract boundaries or business scope.

The present value of expected profits arising from future new business may be included within the shareholder value and is calculated on an adjusted Solvency II basis, using profit projections based on the most recent three-year business plans approved by management. These plans reflect management's best estimate of future profits based on both historical experience and expected growth rates for the relevant cash generating unit. The underlying assumptions of these projections include market share, customer numbers, mortality, morbidity and persistency.

Future new business profits beyond the initial three years are extrapolated using a steady growth rate. Growth rates and expected future profits are set with regards to management estimates, past experience and relevant available market statistics.

Expected profits from future new business are discounted using a risk adjusted discount rate. The discount rate is a combination of a risk-free rate and a risk margin to make prudent allowance for the risk that experience in future years for new business may differ from that assumed.

Notes to the consolidated financial statements

(ii) 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%.

(iii) 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 at least 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 the plan 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.

	2023		2022	
Key assumptions	**Extrapolated future profits growth rate %**	**Future pre-tax profits discount rate %**	Extrapolated future profits growth rate %	Future pre-tax profits discount rate %
United Kingdom general insurance and health	**1.0**	**11.9**	1.0	12.4
Ireland general insurance and health	**Nil**	**9.3**	Nil	9.6
Canada general insurance	**5.0**	**10.8**	5.0	10.8

Results of impairment testing
Management's impairment review of the Group's cash generating units did not identify any necessary impairments to goodwill. There were no impairments in 2022.

Notes to the consolidated financial statements

18 - Acquired value of in-force business (AVIF) and intangible assets

This note shows the movements in cost, amortisation and impairment of the acquired value of in-force business and intangible assets during the year.

	2023					Restated[1,2] 2022				
	AVIF on investment contracts (a) £m	Internally generated intangibles assets £m	Other intangible assets with finite useful lives (b) £m	Intangible assets with indefinite useful lives £m	Total £m	AVIF on investment contracts (a) £m	Internally generated intangibles assets £m	Other intangible assets with finite useful lives (b)[1] £m	Intangible assets with indefinite useful lives £m	Total £m
Gross amount										
At 1 January	**1,432**	**687**	**822**	**1**	**2,942**	1,430	732	711	1	2,874
Additions	**—**	**185**	**25**	**—**	**210**	—	55	101	—	156
Disposals	**—**	**—**	**—**	**—**	**—**	—	(108)	—	—	(108)
Foreign exchange rate movements	**(1)**	**(2)**	**(6)**	**—**	**(9)**	2	8	10	—	20
At 31 December	**1,431**	**870**	**841**	**1**	**3,143**	1,432	687	822	1	2,942
Accumulated amortisation										
At 1 January	**(886)**	**(516)**	**(528)**	**—**	**(1,930)**	(818)	(524)	(471)	—	(1,813)
Amortisation for the year	**(59)**	**(67)**	**(52)**	**—**	**(178)**	(68)	(88)	(54)	—	(210)
Disposals	**—**	**—**	**—**	**—**	**—**	—	102	—	—	102
Foreign exchange rate movements	**—**	**1**	**4**	**—**	**5**	—	(6)	(3)	—	(9)
At 31 December	**(945)**	**(582)**	**(576)**	**—**	**(2,103)**	(886)	(516)	(528)	—	(1,930)
Accumulated Impairment										
At 1 January	**(25)**	**(47)**	**—**	**—**	**(72)**	(24)	(43)	—	—	(67)
Impairment charges	**—**	**—**	**—**	**—**	**—**	—	(4)	—	—	(4)
Foreign exchange rate movements	**—**	**—**	**—**	**—**	**—**	(1)	—	—	—	(1)
At 31 December	**(25)**	**(47)**	**—**	**—**	**(72)**	(25)	(47)	—	—	(72)
Carrying amount at 1 January	**521**	**124**	**294**	**1**	**940**	588	165	240	1	994
Carrying amount at 31 December	**461**	**241**	**265**	**1**	**968**	521	124	294	1	940

1. Comparative amounts for acquisitions and additions to other intangible assets with finite useful lives have decreased by £89 million following restatement of the Succession Wealth acquisition balance sheet (see note 1(c)).
2. The 2022 comparative amounts have been restated following the adoption of IFRS 17 (see note 1).

(a) Acquired value of in-force business

AVIF on non-participating investment contracts is generally recoverable in more than one year. Of the total of £461 million, £409 million (2022: £464 million) is expected to be recoverable more than one year after the statement of financial position date.

AVIF is reviewed for evidence of impairment, consistent with reviews conducted for other finite life intangible assets. If evidence of impairment exists, AVIF is tested at product portfolio level by reference to the value of future profits in accordance with Solvency II principles, adjusted where Solvency II does not represent a best estimate of shareholders' interests, consistent with the impairment test for goodwill for long term business (see note 17(b)).

(b) Other intangible assets

Additions to Internally generated intangible assets in 2023 relate to capitalisation of software costs in relation to the Group's digital initiatives. Impairments totalling £nil million (2022: £4 million) have been recognised in 2023.

Other intangible assets with finite useful lives primarily includes the value of bancassurance and other distribution agreements.

Notes to the consolidated financial statements

19 - Interests in, and loans to, joint ventures

In several businesses, Group companies and other parties jointly control certain entities. This note analyses these interests and describes the principal joint ventures in which we are involved.

(a) Carrying amount and details of joint ventures

(i) The movements in the carrying amount comprised:

	2023			Restated[1] 2022		
	Goodwill and intangibles £m	Equity interests £m	Total £m	Goodwill and intangibles £m	Equity interests £m	Total £m
At 1 January	**70**	**1,802**	**1,872**	62	1,722	1,784
Share of loss after tax	**—**	**(33)**	**(33)**	—	27	27
Additions	**—**	**8**	**8**	—	94	94
Disposals	**—**	**(19)**	**(19)**	—	(12)	(12)
Share of losses taken to other comprehensive income	**—**	**—**	**—**	—	(38)	(38)
Dividends received from joint ventures	**—**	**(51)**	**(51)**	—	(46)	(46)
Foreign exchange rate movements	**(3)**	**(36)**	**(39)**	8	55	63
At 31 December	**67**	**1,671**	**1,738**	70	1,802	1,872
Less: Joint ventures classified as held for sale	**(67)**	**(482)**	**(549)**	—	—	—
At 31 December	**—**	**1,189**	**1,189**	70	1,802	1,872

1. The 2022 comparative amounts have been restated following the adoption of IFRS 17 (see note 1).

Additions and disposals in 2023 relate to the Group's holdings in property management undertakings.

On 13 September 2023, Aviva announced the sale of its entire shareholding in Aviva Singlife Holdings Pte Ltd to Sumitomo Life Insurance Company. The shareholding, together with two debt instruments, have been classified as held for sale at 31 December 2023. No remeasurement loss has been recognised on reclassification to held for sale (see note 3(b)).

The Group's share of total comprehensive income related to joint venture entities is £33 million loss (2022: £11 million loss).

(ii) The carrying amount at 31 December comprised:

	2023			Restated[1] 2022		
	Goodwill and intangibles £m	Equity interests £m	Total £m	Goodwill and intangibles £m	Equity interests £m	Total £m
Property management undertakings	**—**	**927**	**927**	—	982	982
Long-term business undertakings	**67**	**744**	**811**	70	820	890
At 31 December	**67**	**1,671**	**1,738**	70	1,802	1,872
Less: Joint ventures classified as held for sale	**(67)**	**(482)**	**(549)**	—	—	—
At 31 December	**—**	**1,189**	**1,189**	70	1,802	1,872

1. The 2022 comparative amounts have been restated following the adoption of IFRS 17 (see note 1).

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 and held by subsidiaries, except for the shares in the Chinese joint venture, Aviva-COFCO Life Insurance Company Limited, which are held by Aviva plc. The Group's share of net assets of that company is £252 million (2022 restated: £319 million) and the carrying value at cost of £123 million (2022: £123 million).

(iii) Principal joint ventures

No joint ventures are considered to be material from a Group perspective in either 2023 or 2022. The Group's principal joint ventures are as follows:

	Nature of activities	Principal place of business	2023 Proportion of ownership interest %	2022 Proportion of ownership interest %
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%
Singapore Life Holdings Pte Limited (formerly known as Aviva Singlife Holdings Pte. Ltd)	Insurance holding company	Singapore	**24.19%**	25.95%

Notes to the consolidated financial statements

(iv) Contingent liabilities and commitments
From time to time Group joint ventures may receive liability claims or become involved in actual or threatened related litigation. The joint ventures have no other contingent liabilities at 31 December 2023 (2022: none) to which the Group has significant exposure. The Group has no commitments to provide funding to property management joint ventures (2022: none).

In certain jurisdictions the ability of joint ventures to transfer funds in the form of cash dividends or to repay loans and advances made by the Group is subject to local corporate or insurance laws and regulations and solvency requirements.

(b) Impairment testing
Interests in joint ventures are tested for impairment of goodwill and intangibles when there is an indicator of impairment. They are tested for impairment by comparing the carrying value of the cash generating unit to which the goodwill or intangible relates to the recoverable value of that cash generating unit. Recoverable amount for long-term and general insurance businesses are calculated on a consistent basis with that used for impairment testing of goodwill, as set out in note 17(b). The recoverable amount of property management undertakings is the fair value less costs to sell of the joint venture, measured in accordance with the Group's accounting policy for investment property (see accounting policy R).

20 - Interests in, and loans to, associates

This note analyses our interests in entities which we do not control but where we have significant influence.

(a) Carrying amount and details of associates
(i) The movements in the carrying amount comprised:

	2023 £m	2022 £m
At 1 January	**41**	118
Share of results before tax	**(39)**	(11)
Share of tax	**—**	—
Share of results after tax	**(39)**	(11)
Impairment	**—**	(23)
Reversal of impairment	**—**	15
Share of loss after tax	**(39)**	(19)
Reclassification of subsidiary[1]	**—**	(73)
Reclassification from financial investments[2]	**195**	—
Additions	**1**	7
Reduction in group interest	**(8)**	(1)
Dividends received from associates	**(30)**	(1)
Foreign exchange rate movements	**—**	10
At 31 December	**160**	**41**

1. On 28 September 2022 the Group acquired an additional 25% of the ordinary shares of Aviva India, increasing the Group's total shareholding from 49% to 74% giving Aviva a controlling interest in the entity.
2. The reclassification from financial investments of £195 million relates to the Group's holding in a property management undertaking.

The Group's share of total comprehensive income related to associates is £39 million loss (2022: £19 million loss).

(ii) Principal associates
No associates are considered to be material from a Group perspective in either 2023 or 2022. Investments in principal associates are held by subsidiaries. The Group's principal associates are as follows:

	Nature of activities	Principal place of business	2023 Proportion of ownership interest %	2022 Proportion of ownership interest %
Balanced Commercial Property Trust	Property Management	UK	**23.18 %**	— %
AI UK Commercial Real Estate Debt Fund	Property Management	UK	**20.90 %**	20.86 %

(iii) Contingent liabilities
The associates have no contingent liabilities to which the Group has significant exposure. The Group has no commitments to provide funding to property management associates (2022: £2 million).

In certain jurisdictions the ability of associates to transfer funds in the form of cash dividends or to repay loans and advances made by the Group is subject to local corporate or insurance laws and regulations and solvency requirements.

(b) Impairment testing
The recoverable amount of property management undertakings is the fair value less costs to sell of the associate, measured in accordance with the Group's accounting policy for investment property (see accounting policy R).

There is no impairment charge in 2023. In 2022, £23 million was recognised in the income statement and primarily related to the full impairment of an investment held by the UK & Ireland Life business.

Notes to the consolidated financial statements

21 – Property and equipment

This note analyses our property and equipment, the total of which primarily consists of properties occupied by Group companies.

	2023						2022					
	Owner occupied properties						Owner occupied properties					
	Freehold £m	Leasehold £m	Motor vehicles £m	Computer equipment £m	Other assets £m	Total £m	Freehold £m	Leasehold £m	Motor vehicles £m	Computer equipment £m	Other assets £m	Total £m
Cost or valuation												
At 1 January	**9**	**1,125**	**6**	**64**	**181**	**1,385**	27	1,149	7	68	178	1,429
Additions	**—**	**69**	**—**	**9**	**71**	**149**	—	6	—	14	8	28
Disposals	**—**	**(2)**	**—**	**(7)**	**(1)**	**(10)**	(17)	(2)	(1)	(19)	(11)	(50)
Fair value losses	**—**	**—**	**—**	**—**	**(16)**	**(16)**	—	—	—	—	—	—
Modification of right-of-use assets	**—**	**—**	**—**	**—**	**—**	**—**	—	(36)	—	—	—	(36)
Foreign exchange rate movements	**—**	**(6)**	**—**	**(3)**	**10**	**1**	(1)	8	—	1	6	14
At 31 December	**9**	**1,186**	**6**	**63**	**245**	**1,509**	9	1,125	6	64	181	1,385
Depreciation and impairment												
At 1 January	**(1)**	**(895)**	**(3)**	**(48)**	**(88)**	**(1,035)**	(12)	(855)	(3)	(50)	(81)	(1,001)
Charge for the year	**—**	**(47)**	**—**	**(5)**	**(14)**	**(66)**	—	(33)	—	(14)	(10)	(57)
Disposals	**—**	**1**	**—**	**7**	**—**	**8**	11	1	—	18	4	34
Foreign exchange rate movements	**—**	**4**	**—**	**3**	**1**	**8**	—	(8)	—	(2)	(1)	(11)
At 31 December	**(1)**	**(937)**	**(3)**	**(43)**	**(101)**	**(1,085)**	(1)	(895)	(3)	(48)	(88)	(1,035)
Carrying amount at 31 December	**8**	**249**	**3**	**20**	**144**	**424**	8	230	3	16	93	350

Owner-occupied properties, excluding £249 million (2022: £230 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 23.

If owner-occupied properties (freehold and leasehold) were stated on a historical cost basis, the carrying amount would be £58 million (2022: £134 million).

22 – Investment property

This note gives details of the properties we hold for long-term rental yields or capital appreciation.

	2023			2022		
	Freehold £m	Leasehold £m	Total £m	Freehold £m	Leasehold £m	Total £m
At 1 January	**4,476**	**1,423**	**5,899**	5,333	1,670	7,003
Additions	**809**	**23**	**832**	313	14	327
Capitalised expenditure on existing properties	**132**	**52**	**184**	56	51	107
Fair value losses	**(250)**	**(51)**	**(301)**	(923)	(227)	(1,150)
Disposals	**(63)**	**(318)**	**(381)**	(319)	(97)	(416)
Foreign exchange rate movements	**3**	**(4)**	**(1)**	16	12	28
At 31 December	**5,107**	**1,125**	**6,232**	4,476	1,423	5,899

See note 24 for further information on the fair value measurement and valuation techniques of investment property.

The fair value of investment properties leased to third parties under operating leases at 31 December 2023 was £6,085 million (2022: £5,676 million). Future contractual aggregate minimum lease rentals receivable under the non-cancellable portion of these leases are given in note 23.

Notes to the consolidated financial statements

23 – Lease assets and liabilities

The Group's leased assets primarily consist of properties occupied by Group companies carried at amortised cost (see note 21), leasehold investment properties carried at fair value (see note 22) which are sublet to third parties and real estate long income finance leases (see note 29). Leasehold investment properties are measured in accordance with IAS 40 Investment Property (see accounting policy R).

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.

(a) The following amounts in respect of leased assets have been recognised in the Group's consolidated income statement.

	2023 £m	2022 £m
Interest expense on lease liabilities	8	9
Total lease expenses recognised in the income statement	**8**	9

Total cash outflows recognised in the year in relation to leases were £62 million (2022: £63 million).

(b) Right-of-use assets

The following table analyses the right-of-use assets relating to leased properties occupied by Group companies.

	2023 £m	2022 £m
At 1 January	230	294
Additions	69	6
Disposals	(1)	(1)
Foreign exchange rate movements	(2)	—
Depreciation	(47)	(33)
Modification of right-of-use assets	—	(36)
At 31 December	**249**	230

There were no gains arising from sale and leaseback transactions during the year. Included within the income statement is £3 million (2022: £3 million) of income in respect of sublets of right-of-use assets. Impairment of right-of-use assets was £3 million (2022: £nil).

(c) Future contractual aggregate minimum lease payments

Lease liabilities included within note 48 total £372 million (2022: £386 million). Future contractual aggregate minimum lease payments are as follows:

	2023 £m	2022 £m
Within one year	77	70
Later than one year and not later than five years	149	196
Later than five years	128	165
Total future contractual aggregate minimum lease payments	**354**	431

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.

(d) Future contractual aggregate minimum lease rentals receivable

Future contractual aggregate minimum lease rentals receivable under non-cancellable operating leases are as follows:

	2023 £m	2022 £m
Within one year	192	227
Between one and two years	171	198
Between two and three years	154	175
Between three and four years	130	154
Between four and five years	113	128
Later than five years	998	1,162
Total future contractual aggregate minimum lease rentals receivable - operating leases	**1,758**	2,044

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Future contractual aggregate minimum lease rentals receivable under non-cancellable finance leases are as follows:

	2023 £m	2022 £m
Within one year	**4**	4
Between one and two years	**4**	4
Between two and three years	**4**	4
Between three and four years	**4**	4
Between four and five years	**4**	4
Later than five years	**133**	157
Total future contractual aggregate minimum lease rentals receivable - finance leases	**153**	177

Finance income on the net investment in finance leases during the year was £3 million (2022: £nil).

Unearned finance income in respect of finance leases at 31 December 2023, representing the difference between the gross and net investment in the leases, was £30 million (2022: £34 million). Unguaranteed residual value in respect of finance leases was £nil (2022: £nil).

24 – Fair value methodology

This note explains the methodology for valuing our assets and liabilities measured at fair value and for fair value disclosures. It also provides an analysis of these according to a fair value hierarchy, determined by the market observability of valuation inputs.

(a) Basis for determining fair value hierarchy

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy described as follows, based on the lowest level input that is significant to the fair value measurement as a whole.

Level 1

Inputs to Level 1 fair values are quoted prices (unadjusted) in active markets for identical assets and liabilities that the entity can access at the measurement date. Level 1 inputs implicitly reflect market view of climate risks to future cashflows.

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.

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. Climate risks are factored into the inputs to Level 3 fair values as described in note 24(g).

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 14.3% (2022 restated: 15.5%) of assets and 0.7% (2022: 0.9%) of liabilities are based on estimates and recorded as Level 3. Where estimates are used, these are based on a combination of independent third-party evidence and internally developed models, calibrated to market observable data where possible. Third-party valuations using significant unobservable inputs validated against Level 2 internally modelled valuations are classified as Level 3, where there is a significant difference between the third-party price and the internally modelled value. Where the difference is insignificant, the instrument would be classified as Level 2.

Notes to the consolidated financial statements

(b) Changes to valuation techniques

There were no changes in the valuation techniques during the year compared to those described in the Group's 2022 Annual Report and Accounts.

(c) Carrying amount and fair values of financial instruments

The carrying amounts of financial assets and financial liabilities are set out in the following table:

	Note	2023 Mandatorily held at FVTPL £m	2023 Designated at FVTPL on initial recognition £m	2023 Amortised cost £m	2023 Total carrying amount £m	Restated[1] 2022 Mandatorily held at FVTPL £m	Restated[1] 2022 Designated at FVTPL on initial recognition £m	Restated[1] 2022 Amortised cost £m	Restated[1] 2022 Total carrying amount £m
Financial assets									
Loans	25(a)	27,220	—	4,465	31,685	25,919	—	3,714	29,633
Cash and cash equivalents		—	959	16,314	17,273	—	1,064	21,441	22,505
Fixed maturity securities		113,889	—	—	113,889	103,776	—	—	103,776
Equity securities		92,572	—	—	92,572	85,790	—	—	85,790
Other investments (including derivatives)		39,370	—	—	39,370	34,520	—	—	34,520
Financial investments	28(a)	245,831	—	—	245,831	224,086	—	—	224,086
Reinsurance assets for non-participating investment contracts	41	4,713	—	—	4,713	5,290	—	—	5,290
Financial assets classified as held for sale		—	—	199	199	—	—	—	—
Financial liabilities									
Non-participating investment contracts	41	—	158,588	—	158,588	—	141,188	—	141,188
Net asset value attributable to unitholders		—	14,184	—	14,184	—	14,080	—	14,080
Borrowings	47(a)	—	941	5,433	6,374	—	1,091	5,664	6,755
Derivative liabilities[2]	55(b)	7,426	—	—	7,426	9,541	—	—	9,541

1. The 2022 comparative amounts have been restated following the adoption of IFRS 17 and IFRS 9, as described in note 1.
2. Derivative financial liabilities meet the definition of held for trading.

For financial liabilities designated at FVTPL where the change in the credit risk of the financial liability impacts the fair value, the amounts recognised in the income statement are set out below:

	2023 During the year £m	2023 From initial recognition £m	2022 During the year £m	2022 From initial recognition £m
Financial liabilities				
Borrowings	4	13	(103)	9

Fair values for borrowings held at amortised cost are presented in note 47(a). Fair values of the following financial assets and financial liabilities approximate to their carrying amounts:

- Receivables;
- Cash and cash equivalents;
- Loans at amortised cost; and
- Payables and other financial liabilities.

Notes to the consolidated financial statements

(d) Fair value hierarchy analysis
An analysis of assets and liabilities measured at amortised cost and fair value categorised by fair value hierarchy is given below.

		Fair value hierarchy					2023	Fair value hierarchy					Restated[1] 2022
	Note	Level 1 £m	Level 2 £m	Level 3 £m	Fair value total £m	Amortised cost £m	Total carrying amount £m	Level 1 £m	Level 2 £m	Level 3 £m	Fair value total £m	Amortised cost £m	Total carrying amount £m
Recurring fair value measurements													
Investment property	22	—	—	6,232	6,232	—	6,232	—	—	5,899	5,899	—	5,899
Loans	25(a)	—	—	27,220	27,220	4,465	31,685	—	—	25,919	25,919	3,714	29,633
Cash and cash equivalents		959	—	—	959	16,314	17,273	1,064	—	—	1,064	21,441	22,505
Fixed maturity securities		42,989	64,876	6,024	113,889	—	113,889	22,140	74,448	7,188	103,776	—	103,776
Equity securities		92,259	—	313	92,572	—	92,572	85,459	—	331	85,790	—	85,790
Other investments (including derivatives)		34,354	4,158	858	39,370	—	39,370	28,192	5,021	1,307	34,520	—	34,520
Financial investments measured at fair value	28(a)	169,602	69,034	7,195	245,831	—	245,831	135,791	79,469	8,826	224,086	—	224,086
Reinsurance assets for non-participating investment contracts	41(a)	4,713	—	—	4,713	—	4,713	5,290	—	—	5,290	—	5,290
Financial assets classified as held for sale		—	—	—	—	199	199	—	—	—	—	—	—
Total financial assets		175,274	69,034	40,647	284,955	20,978	305,933	142,145	79,469	40,644	262,258	25,155	287,413
Non-participating investment contracts	41(a)	158,588	—	—	158,588	—	158,588	141,188	—	—	141,188	—	141,188
Net asset value attributable to unitholders		14,184	—	—	14,184	—	14,184	14,070	—	10	14,080	—	14,080
Borrowings	47(a)	—	—	941	941	5,433	6,374	—	—	1,091	1,091	5,664	6,755
Derivative liabilities	55(b)	50	7,072	304	7,426	—	7,426	200	8,986	355	9,541	—	9,541
Total financial liabilities		172,822	7,072	1,245	181,139	5,433	186,572	155,458	8,986	1,456	165,900	5,664	171,564
Non-recurring fair value measurements													
Properties occupied by group companies		—	—	8	8	—	8	—	—	8	8	—	8
Total		—	—	8	8	—	8	—	—	8	8	—	8

1. The 2022 comparative amounts have been restated following the adoption of IFRS 17 and IFRS 9, as described in note 1.

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 2023 was £8 million (2022: £8 million), stated at their revalued amounts in line with the requirements of IAS 16 Property, Plant and Equipment.

(e) Valuation approach for fair value assets and liabilities classified as Level 2
Please see section (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.

Notes to the consolidated financial statements

(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 (2022: no significant transfers).

Transfers to/from Level 3

£152 million (2022: £699 million) of assets transferred into Level 3 and £2,398 million (2022: £510 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 depending on the availability of observable inputs and whether the counterparty and broker quotes are corroborated using valuation models with observable inputs.

£16 million (2022: £297 million) of liabilities transferred into Level 3 relate to derivatives held by our business in the UK. These have been transferred into level 3 following a change to using an internally-derived valuation model from the previous counterparty supplied valuations to ensure consistency of approach with the associated assets and liabilities held at fair value.

£54 million (2022: £nil) of liabilities transferred out of Level 3 relate to derivatives held by our business in the UK.

(g) Further information on Level 3 assets and liabilities

The table below shows movement in the Level 3 assets measured at fair value.

					2023					2022
	Investment Property £m	Loans £m	Fixed maturity securities £m	Equity securities £m	Other investments (including derivatives) £m	Investment Property £m	Loans £m	Fixed maturity securities £m	Equity securities £m	Other investments (including derivatives) £m
At 1 January	**5,899**	**25,919**	**7,188**	**331**	**1,307**	7,003	29,979	8,477	350	1,530
Total net (losses)/gains recognised in the income statement[1]	**(258)**	**124**	**116**	**(50)**	**13**	(1,159)	(6,691)	(2,053)	11	(214)
Purchases	**971**	**2,777**	**1,531**	**23**	**170**	434	4,979	2,274	18	190
Issuances	**—**	**189**	**—**	**—**	**—**	—	139	—	—	—
Disposals	**(369)**	**(1,786)**	**(530)**	**(8)**	**(634)**	(407)	(2,496)	(1,681)	(64)	(233)
Settlements	**—**	**—**	**—**	**—**	**—**	—	—	—	—	—
Transfers into Level 3	**—**	**—**	**67**	**23**	**62**	—	—	666	6	27
Transfers out of Level 3	**—**	**—**	**(2,343)**	**—**	**(55)**	—	—	(508)	(1)	(1)
Foreign exchange rate movements	**(11)**	**(3)**	**(5)**	**(6)**	**(5)**	28	9	13	11	8
At 31 December	**6,232**	**27,220**	**6,024**	**313**	**858**	5,899	25,919	7,188	331	1,307

1. Total net (losses)/gains recognised in the income statement includes realised gains/(losses) on disposals.

The table below shows movement in the Level 3 liabilities measured at fair value.

			2023			2022
	Net asset value attributable to unitholders £m	Derivative liabilities £m	Borrowings £m	Net asset value attributable to unitholders £m	Derivative liabilities £m	Borrowings £m
At 1 January	**(10)**	**(355)**	**(1,091)**	(10)	(445)	(1,140)
Total net gains/(losses) recognised in the income statement[1]	**10**	**(53)**	**66**	—	280	(22)
Purchases	**—**	**(10)**	**—**	—	(1)	—
Issuances	**—**	**—**	**—**	—	—	—
Disposals	**—**	**64**	**—**	—	74	71
Settlements	**—**	**9**	**84**	—	34	—
Transfers into Level 3	**—**	**(16)**	**—**	—	(297)	—
Transfers out of Level 3	**—**	**54**	**—**	—	—	—
Foreign exchange rate movements	**—**	**3**	**—**	—	—	—
At 31 December	**—**	**(304)**	**(941)**	(10)	(355)	(1,091)

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 2023 in respect of Level 3 assets measured at fair value amounted to £55 million (2022: net losses of £10,106 million) with net gains in respect of liabilities of £23 million (2022: net gains of £258 million). Net losses of £27 million (2022: net losses of £10,203 million) attributable to assets and net gains of £32 million (2022: net gains of £258 million) attributable to liabilities relate to those still held at 31 December 2023.

Notes to the consolidated financial statements

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. External valuers in the UK comply with the 'Sustainability and ESG in commercial property valuation and strategic advice' professional standard issued by the Royal Institution of Chartered Surveyors in December 2021. In a valuation context, sustainability involves the consideration of matters that include environment and climate change, health and wellbeing, and personal and corporate responsibility that can or do impact the valuation of an asset. This includes the consideration of capital expenditure required to maintain the utility of the asset due to the longer-term obsolescence and risk.
- Investment properties are valued on an income approach that is based on current rental income plus anticipated uplifts at the next rent review, lease expiry, or break option taking into consideration lease incentives and assuming no further growth in the estimated rental value of the property. The uplift and discount rates are derived from rates implied by recent market transactions on similar properties. These inputs are deemed unobservable. The yield used to value the portfolio ranges from 20bps to 2620bps (2022: 100bps to 2160bps) with higher yields predominately relating to properties in the retail and leisure sectors. Over 95% of the portfolio is valued using spreads within the range from 20bps to 795bps (2022: 100bps to 810bps).

(ii) Loans

- Commercial mortgage loans and Primary Healthcare loans held by our IWR business are valued using a Portfolio Credit Risk Model. This model calculates a Credit Risk Adjusted Value for each loan. The risk adjusted cash flows are discounted using a yield curve plus an allowance for illiquidity. Loans valued using the Portfolio Credit Risk Model have been classified as Level 3 as the liquidity premium is deemed to be non-market observable. At 31 December 2023 the liquidity premium used in the discount rate was 170bps (2022: 110bps). Future capital expenditure costs of 0.9% per annum (2022: 0.9%) are included in the modelling of the Credit Risk Adjusted Value of the loans to address climate change actions, including potential climate-related changes. The impact is a reduction in the fair value of the properties securing the loans.
- Equity release mortgage loans held by our IWR 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 2023 the illiquidity premium used in the discount rate was 205bps (2022: 155bps).
- The equity release mortgages include 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% (2022: RPI +0.75%) which includes a reduction to the growth rate of 0.75% per annum (2022: 0.5%) for the potential impact of climate change actions. The modelled growth rates include an adjustment for the 5-year period 2024-2028 to reflect the market view of short-term growth being lower than long-term average growth.
- The combination of the adjusted rate over the first five years and the base property growth rate equates to a long-term average growth rate of 3.0% per annum at 31 December 2023 (2022: 3.1%) over a twenty five year projection. After applying the cost of capital charge, dilapidations and the stochastic distribution, the effective net long-term growth rate equates to 0.8% per annum (2022: 0.4%).
- Infrastructure and Private Finance Initiative (PFI) loans held by our IWR 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 2023, the illiquidity premium used in the discount rate was 140bps (2022: 115bps) for the PFI loans and ranged from 25bps to 594bps (2022: 25bps to 210bps) for the infrastructure loans.

Notes to the consolidated financial statements

(iii) Fixed maturity securities

- Structured bond-type, non-standard debt products and privately placed notes held by our business in the UK do not trade in an active market. These fixed maturity securities are valued using discounted cash flow model, designed to appropriately reflect the credit and illiquidity risk of the instrument. These bonds have been classified as Level 3 because the valuation approach includes significant unobservable inputs and an element of subjectivity in determining appropriate credit and illiquidity spreads.
- Other fixed maturity securities held by our Life business in the UK which are not traded in an active market have been valued using third-party or counter party valuations. These prices are considered to be unobservable due to infrequent market transaction.
- The unobservable credit and illiquidity spreads used in the discount rate range from 33bps to 499bps (2022: 25bps to 604bps) with 99% of the modelled assets valued using spreads within the range from 33bps to 419bps (2022: 25bps to 344bps). Fixed maturity securities held by our UK and Asian businesses which are not traded in an active market have been valued using third-party or counterparty valuations. These prices are considered to be unobservable due to infrequent market transaction.

(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 some private equity funds, adjustments are made for items such as subsequent draw-downs and distributions and the fund manager's carried interest.

(vi) Liabilities

- The principal liabilities classified as Level 3 are securitised mortgage loan notes, presented within Borrowings, which are valued using a similar technique to the related Level 3 securitised mortgage assets. These liabilities are included within the relevant liability category within the sensitivity table below.

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.

Notes to the consolidated financial statements

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:

			2023			Restated[1] 2022		
				Sensitivities			Sensitivities	
	Most significant unobservable input	Reasonable alternative £bn	Fair value £bn	Positive impact £bn	Negative impact £bn	Fair value £bn	Positive impact £bn	Negative impact £bn
Investment property	Equivalent rental yields	+/-5-10%	**6.2**	**0.3**	**(0.3)**	5.9	0.3	(0.3)
Loans								
Commercial mortgage loans and Primary Healthcare loans	Illiquidity premium	+/-20 bps	**9.3**	**0.1**	**(0.1)**	9.4	0.1	(0.1)
	Base property growth rate	+/-100 bps p.a.		**—**	**—**		0.1	(0.1)
Equity release mortgage loans	Base property growth rate	+/-50 bps p.a.	**9.8**	**0.2**	**(0.2)**	9.6	0.2	(0.2)
	Current property market values	+/-10%		**0.3**	**(0.3)**		0.2	(0.2)
Infrastructure and Private Finance Initiative (PFI) loans	Illiquidity premium	+/-25 bps[2]	**7.0**	**0.2**	**(0.2)**	5.3	0.2	(0.2)
Other	Illiquidity premium	+/-25 bps[2]	**1.1**	**—**	**—**	1.6	—	—
Fixed maturity securities								
Structured bond-type and non-standard debt products	Market spread (credit, liquidity and other)	+/-25 bps	**1.5**	**0.1**	**(0.1)**	0.4	—	—
Privately placed notes	Credit spreads	+/-25 bps[2]	**4.0**	**0.1**	**(0.1)**	2.9	0.1	(0.1)
Other fixed maturity securities	Credit and liquidity spreads	+/-20-25 bps	**0.5**	**—**	**—**	3.9	0.1	(0.1)
Equity securities	Market multiples applied to net asset values	+/-30bps	**0.3**	**0.1**	**(0.1)**	0.3	0.1	(0.1)
Other investments								
Property Funds	Market multiples applied to net asset values	+/-5-20%	**0.2**	**—**	**—**	0.2	—	—
Other investments (including derivatives)	Market multiples applied to net asset values	+/-10-40%[3]	**0.7**	**0.1**	**(0.1)**	1.1	0.1	(0.1)
Liabilities								
Borrowings	Illiquidity premium	+/-50 bps	**(0.9)**	**—**	**—**	(1.1)	—	—
Other liabilities (including derivatives)	Independent valuation vs counterparty	N/A	**(0.3)**	**—**	**—**	(0.4)	—	—
Total Level 3 investments			**39.4**	**1.5**	**(1.5)**	39.1	1.5	(1.5)

1. The 2022 comparative amounts have been restated following the adoption of IFRS 17 and IFRS 9, as described in note 1.
2. On discount rate spreads.
3. 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.

		2023					2022				
		Fair value hierarchy					Fair value hierarchy				
	Note	Level 1 £m	Level 2 £m	Level 3 £m	Fair value total £m	As recognised in the consolidated statement of financial position line item £m	Level 1 £m	Level 2 £m	Level 3 £m	Fair value total £m	As recognised in the consolidated statement of financial position line item £m
Liabilities not carried at fair value											
Borrowings	47(a)	**5,104**	**—**	**258**	**5,362**	**5,433**	5,212	52	144	5,408	5,664

Notes to the consolidated financial statements

25 – Loans

This note analyses the loans our Group companies have made, the majority of which are mortgage loans.

(a) Carrying amounts

The carrying amounts of loans were as follows:

	Note	2023 Mandatorily held at FVTPL £m	2023 At amortised cost £m	2023 Total £m	Restated[1] 2022 Mandatorily held at FVTPL £m	Restated[1] 2022 At amortised cost £m	Restated[1] 2022 Total £m
Loans to banks		**1,050**	**3,815**	**4,865**	1,568	2,913	4,481
Healthcare, infrastructure & PFI other loans		**8,766**	**—**	**8,766**	6,837	—	6,837
UK securitised mortgage loans	26	**1,633**	**—**	**1,633**	1,759	—	1,759
Non-securitised mortgage loans		**15,771**	**—**	**15,771**	15,755	—	15,755
Other loans		**—**	**849**	**849**	—	801	801
Total loans		**27,220**	**4,664**	**31,884**	25,919	3,714	29,633
Less: Loans classified as held for sale		**—**	**(199)**	**(199)**	—	—	—
At 31 December		**27,220**	**4,465**	**31,685**	25,919	3,714	29,633

1. The 2022 comparative amounts have been restated following the adoption of IFRS 17 and IFRS 9, as described in note 1.

Of the above total loans, £25,595 million (2022: £24,245 million) are due to be recovered in more than one year after the statement of financial position date.

Loans at fair value

Fair values have been calculated by using cash flow models appropriate for each portfolio of mortgages. Further details of the fair value methodology and models utilised are given in note 24(g).

Healthcare, infrastructure and PFI other loans of £8,766 million (2022: £6,837 million) are secured against the income from healthcare and educational premises.

Non-securitised mortgage loans include £8,184 million (2022: £7,784 million) of residential equity release mortgages, £5,646 million (2022: £5,971 million) of commercial mortgages and £1,940 million (2022: £2,000 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 2023 and 31 December 2022 was a reasonable approximation for their fair value.

(b) Analysis of loans carried at amortised cost

	2023 At amortised cost £m	2023 Impairment £m	2023 Carrying Value £m	Restated[1] 2022 At amortised cost £m	Restated[1] 2022 Impairment £m	Restated[1] 2022 Carrying Value £m
Loans to banks	**3,815**	**—**	**3,815**	2,913	—	2,913
Other loans	**849**	**—**	**849**	801	—	801
Total loans at amortised cost	**4,664**	**—**	**4,664**	3,714	—	3,714
Less: Loans classified as held for sale	**(199)**	**—**	**(199)**	—	—	—
Total loans at amortised cost	**4,465**	**—**	**4,465**	3,714	—	3,714

1. The 2022 comparative amounts have been restated following the adoption of IFRS 17 and IFRS 9, as described in note 1.

There are no material impairment provisions on these loans.

(c) Collateral

Loans to banks include cash collateral received under stock lending arrangements (see note 56 for further discussion regarding these collateral positions). The obligation to repay this collateral is included in payables and other financial liabilities (see note 48). 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 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.

Notes to the consolidated financial statements

26 – Securitised mortgages and related assets

The Group, in its IWR 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 £180 million (2022: £208 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:

		2023		2022	
	Note	**Securitised assets £m**	**Securitised liabilities £m**	Securitised assets £m	Securitised liabilities £m
Securitised mortgage loans and loan notes issued	25	**1,633**	**(1,121)**	1,759	(1,299)
Other securitisation assets/(liabilities)		**280**	**(792)**	286	(746)
Total securitisation arrangements		**1,913**	**(1,913)**	2,045	(2,045)

Loan notes held by third parties are as follows:

	Note	**2023 £m**	2022 £m
Total loan notes issued, as above		**1,121**	1,299
Less: Loan notes held by Group companies		**(180)**	(208)
Loan notes held by third parties	47(c)(i)	**941**	1,091

27 – Interests in structured entities

A structured entity is defined as an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only, or when the relevant activities are directed by means of contractual arrangements.

The Group has interests in both consolidated and unconsolidated structured entities as described below.

The Group holds redeemable shares or units in investment vehicles, which consist of:
- Debt securities comprising of securitisation vehicles that Aviva does not originate. These investments are comprised of a variety of debt instruments, including asset-backed securities and other structured securities.
- Investment funds which include: hedge funds, liquidity funds, private equity funds, unit trusts, mutual funds and Private Finance Initiatives (PFIs).
- Specialised investment vehicles include Open Ended Investment Companies (OEICs), Property Limited Partnerships (PLPs), Sociétés d'Investissement a Capital Variable (SICAVs), Tax Transparent Funds (TTFs) and other investment vehicles.

Notes to the consolidated financial statements

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 2023, the Group has granted loans to consolidated PLPs for a total of £72 million (2022: £82 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 £28 million (2022: £73 million). The Group has commitments to provide funding to consolidated structured entities of £159 million (2022: £311 million), primarily relating to a commitment to provide funding to the Aviva Investors Climate Transition Real Assets Fund.

The Group has also given support to five special purpose securitisation companies (the ERF companies) that are consolidated structured entities. As set out in note 26, at the inception of the securitisation vehicles, the UK subsidiary, Aviva Equity Release UK Limited (AER), has granted subordinated loan facilities to some of the ERF companies. AER receives various fees in return for the services provided to the entities. AER receives cash management fees based on the outstanding loan balance at the start of each quarter for the administration of the loan note liabilities. AER receives portfolio administration fees as compensation for managing the mortgage assets. See note 26 for details of securitised mortgages and related assets as at 31 December 2023.

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 2023, the Group's total interest in unconsolidated structured entities was £50,033 million (2022: £42,153 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.

A summary of the Group's interest in unconsolidated structured entities is as follows:

	2023					2022				
	Interest in, and loans to, joint ventures £m	Interest in, and loans to, associates £m	Financial investments £m	Loans £m	Total assets £m	Interest in, and loans to, joint ventures £m	Interest in, and loans to, associates £m	Financial investments £m	Loans £m	Total assets £m
Structured debt securities[1]	—	—	3,983	—	3,983	—	—	3,726	—	3,726
Unit trust and other investment vehicles	—	—	34,159	—	34,159	—	—	29,211	—	29,211
PLPs and property funds	927	159	702	—	1,788	980	40	222	—	1,242
Other	—	—	416	—	416	—	—	17	—	17
Other investments	927	159	35,277	—	36,363	980	40	29,450	—	30,470
Loans[2]	—	—	—	9,687	9,687	—	—	—	7,957	7,957
Total	927	159	39,260	9,687	50,033	980	40	33,176	7,957	42,153

1. Primarily reported within other debt securities in note 28(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 £50,033 million (2022: £42,153 million).

The majority of debt securities above are investment grade securities held by the UK business. In some cases, the Group may be required to absorb losses from an unconsolidated structured entity before other parties when and if Aviva's interest is more subordinated with respect to other owners of the same security.

For commitments to property management joint ventures and associates, please see notes 19 and 20, respectively. The Group has not provided any other financial or other support in addition to that described above as at the reporting date, and there are no intentions to provide support in relation to any other unconsolidated structured entities in the foreseeable future.

In relation to risk management, disclosures on debt securities and investment vehicles are given in note 54(b). In relation to other guarantees and commitments that the Group provides in the course of its business, please see note 50(f).

Notes to the consolidated financial statements

Aviva's interest in unconsolidated structured entities that it also manages at 31 December 2023 is £1,167 million (2022: £1,648 million) and the total funds under management relating to these investments at 31 December 2023 is £14,209 million (2022: £17,381 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.

	2023 Assets under management £m	2023 Investment management fees £m	2022 Assets under management £m	2022 Investment management fees £m
OEICs	**387**	**1**	398	1
PLPs	**4,258**	**16**	4,165	17
SICAVs	**831**	**3**	1,060	4
Specialised investment vehicles	**5,476**	**20**	5,623	22

28 – Financial investments

This note analyses our financial investments by type and shows their cost and fair value. These will change from one period to the next as a result of new business written, claims paid and market movements.

(a) Carrying amount
Financial investments comprise:

	Note	2023 £m	2022 £m
UK government		**24,281**	19,658
Non-UK government	28(d)	**24,722**	24,038
Corporate bonds - public utilities		**5,563**	5,536
Other corporate bonds		**46,385**	42,245
Other		**2,313**	2,240
Debt securities		**103,264**	93,717
Certificates of deposit		**10,625**	10,059
Fixed maturity securities		**113,889**	103,776
Public utilities		**2,732**	5,047
Banks, trusts and insurance companies		**19,337**	16,215
Industrial, miscellaneous and all other		**70,410**	64,369
Ordinary shares		**92,479**	85,631
Non-redeemable preference shares		**93**	159
Equity securities		**92,572**	85,790
Unit trusts and other investment vehicles		**34,159**	29,211
Derivative financial instruments	55	**3,992**	4,916
Deposits with credit institutions		**77**	56
Minority holdings in property management undertakings		**702**	222
Other investments – long-term		**184**	114
Other investments – short-term		**256**	1
Other investments		**39,370**	34,520
Total financial investments		**245,831**	224,086

Financial investments are held mandatorily at fair value through profit or loss (FVTPL) as the investments are managed and their performance evaluated on a fair value basis to support the Group in managing its capital on a regulatory basis (Solvency II).

Of the above total, excluding those financial investments with no fixed contractual maturity date, £93,033 million (2022: £88,793 million) is due to be recovered in more than one year after the statement of financial position date.

Other debt securities of £2,313 million (2022: £2,240 million) include residential and commercial mortgage-backed securities, as well as other structured credit securities.

Financial investments include £3,511 million (2022: £3,970 million) in respect of non-cash collateral pledged to third parties where the economic rights are retained by the Group.

Notes to the consolidated financial statements

(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:

				2023				2022
	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	121,436	2,757	(10,304)	113,889	110,029	8,475	(14,728)	103,776
Equity securities	77,769	19,849	(5,046)	92,572	75,981	16,610	(6,801)	85,790
Unit trusts and other investment vehicles	36,601	14,231	(16,673)	34,159	33,737	3,907	(8,433)	29,211
Derivative financial instruments	(90)	5,156	(1,074)	3,992	300	5,258	(642)	4,916
Deposits with credit institutions	77	—	—	77	56	—	—	56
Minority holdings in property management undertakings	705	57	(60)	702	228	28	(34)	222
Other investments - long-term	194	21	(31)	184	137	3	(26)	114
Other investments - short-term	256	—	—	256	1	—	—	1
Other investments	37,743	19,465	(17,838)	39,370	34,459	9,196	(9,135)	34,520
Total financial investments	**236,948**	**42,071**	**(33,188)**	**245,831**	220,469	34,281	(30,664)	224,086

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 £8,779 million (2022: £48,683 million net loss). Of this net gain, £6,606 million net gain (2022: £43,663 million net loss) related to investments designated as other than trading and £2,173 million net gain (2022: £5,020 million net loss) 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 56 for further discussion regarding collateral positions held by the Group.

(ii) Other arrangements

In carrying on its bulk purchase annuity business, the Group's IWR 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 2023, £1,570 million (2022: £1,778 million) of financial investments were restricted in this way.

Certain financial investments are also required to be deposited under local laws in various overseas countries as security for the holders of policies issued in those countries. Other investments are pledged as security collateral for bank letters of credit.

Notes to the consolidated financial statements

(d) Non-UK government fixed maturity securities (gross of non-controlling interests)

The following is a summary of non-UK government debt by issuer, analysed by policyholder, participating and shareholder funds.

				2023				2022
	Policyholder £m	Participating £m	Shareholder £m	Total £m	Policyholder £m	Participating £m	Shareholder £m	Total £m
Belgium	87	117	511	715	79	149	261	489
Czech Republic	75	188	98	361	50	230	1	281
France	384	103	132	619	343	175	395	913
Germany	269	58	154	481	536	330	326	1,192
Ireland	20	89	23	132	17	176	171	364
Italy	381	64	20	465	275	68	14	357
Netherlands	91	28	46	165	81	49	193	323
Poland	85	36	337	458	75	24	94	193
European supranational debt	712	119	1,126	1,957	830	218	1,467	2,515
Other European countries	747	283	580	1,610	467	364	635	1,466
Europe	**2,851**	**1,085**	**3,027**	**6,963**	2,753	1,783	3,557	8,093
Canada	279	59	2,611	2,949	180	40	3,666	3,886
United States	3,111	619	1,543	5,273	2,536	645	1,084	4,265
North America	**3,390**	**678**	**4,154**	**8,222**	2,716	685	4,750	8,151
Chile	105	30	393	528	68	24	229	321
China	418	122	24	564	343	140	7	490
India	86	17	699	802	91	—	688	779
Indonesia	220	60	154	434	230	82	5	317
Japan	1,260	285	450	1,995	951	404	275	1,630
Mexico	299	84	16	399	335	118	7	460
South Africa	229	66	13	308	247	88	5	340
South Korea	325	133	108	566	179	211	159	549
United Arab Emirates	12	27	333	372	37	37	134	208
Other supranational debt	440	168	217	825	—	211	53	264
Other	1,640	529	575	2,744	1,312	561	563	2,436
Asia Pacific and other	**5,034**	**1,521**	**2,982**	**9,537**	3,793	1,876	2,125	7,794
Total Non-UK government fixed maturity securities	**11,275**	**3,284**	**10,163**	**24,722**	9,262	4,344	10,432	24,038

Our direct shareholder asset exposure to government (non-UK) fixed maturity securities amounts to £10,163 million (2022: £10,432 million). The primary exposures, relative to total shareholder (non-UK) government debt exposure, are to Canadian (26%), US (15%), Indian (7%), Belgian (5%) and Japanese (4%) government fixed maturity securities.

29 – Receivables

This note analyses our total receivables.

	2023 £m	Restated[1] 2022 £m
Amounts owed by contract holders for non-participating investment contracts	**122**	147
Amounts owed by intermediaries	**1,115**	1,066
Amounts due from reinsurers for non-participating investment contracts	**96**	96
Amounts due from brokers for investment sales	**601**	460
Amounts receivable for collateral pledged	**165**	266
Amounts due from government, social security and taxes	**675**	545
Finance lease receivables	**153**	143
Other receivables	**794**	757
Total receivables	**3,721**	3,480
Expected to be recovered in less than one year	**3,552**	3,294
Expected to be recovered in more than one year	**169**	186
Total receivables	**3,721**	3,480

1. The 2022 comparative amounts have been restated following the adoption of IFRS 17 (see note 1).

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.

Notes to the consolidated financial statements

30 – Deferred acquisition costs on non-participating investment contracts

(a) Carrying amount and movements in the year

	2023 Total £m	Restated[1] 2022 Total £m
Carrying amount at 1 January	**851**	892
Acquisition costs deferred during the year	**78**	70
Amortisation	**(116)**	(103)
Impact of assumption changes	**(32)**	(16)
Foreign exchange rate movements	**(3)**	8
Other movements[2]	**10**	—
Carrying amount at 31 December	**788**	851

1. The 2022 comparative amounts have been restated following the adoption of IFRS 17 (see note 1).
2. Other movements in 2023 relates to an allocation of £10 million to deferred acquisition costs from deferred income liability.

Deferred acquisition costs (DAC) on non-participating investment contracts are generally recoverable in more than one year. Of the above total, £767 million (2022: £684 million) is expected to be recovered in more than one year after the statement of financial position date. Where amortisation of the DAC balance depends on projected profits, the amount expected to be recovered is estimated and actual experience will differ.

DAC for non-participating business decreased overall over 2023 as increases from new business sales were more than offset by amortisation.

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.

At both 31 December 2023 and 31 December 2022 the DAC balance has been restricted by the value of projected future profits.

31 – Pension surpluses, other assets, prepayments and accrued income

(a) Pension surpluses and other assets – carrying amount

The carrying amount comprises:

	Note	2023 '£m	2022 '£m
Surpluses in the staff pension schemes	46(a)	**817**	1,192
Other assets		**45**	42
Total pension surpluses and other assets		**862**	1,234

Surpluses in the staff pension schemes and £nil (2022: £14 million) of other assets are recoverable more than one year after the statement of financial position date.

(b) Prepayments and accrued income

Prepayments and accrued income of £3,392 million (2022: £2,822 million) are all expected to be recovered within one year.

32 – Ordinary share capital

This note gives details of Aviva plc's ordinary share capital and shows the movements during the year.

(a) Carrying amount

Details of the Company's ordinary share capital are as follows:

	2023 '£m	2022 '£m
The allotted, called up and fully paid share capital of the Company was: 2,739,487,140 (2022: 2,807,964,676) ordinary shares of $32^{17/19}$ pence each	**901**	924

At the Annual General Meeting that took place on 4 May 2023, the Company was authorised to allot up to a further maximum nominal amount of:
- £614 million of which £307 million can be in connection with an offer by way of a rights issue
- £150 million in relation to any issue of Solvency II compliant capital instruments

Notes to the consolidated financial statements

(b) Movement in issued share capital

					2023				2022
		Number of shares			Share capital	Number of shares			Share capital
	Note	25p each	$32^{17/19}$p each	B shares each	£m	25p each	$32^{17/19}$p each	B shares each	£m
At 1 January		—	2,807,964,676	—	924	3,766,095,426		—	941
Shares issued under the Group's Employee and Executive Share Option Schemes		—	4,319,655	—	1	1,214,203	5,599,956	—	2
Shares cancelled through buyback	32(b)(i)	—	(72,797,191)	—	(24)	(79,987,629)	—	—	(19)
Shares issued under the B share scheme	32(b)(ii)	—	—	—	—	—	—	3,687,322,000	3,750
Shares cancelled following B share scheme redemption	32(b)(ii)	—	—	—	—	—	—	(3,687,322,000)	(3,750)
Share consolidation	32(b)(iii)	—	—	—		(3,687,322,000)	2,802,364,720	—	—
At 31 December		—	2,739,487,140	—	901	—	2,807,964,676	—	924

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.

(i) Share buyback

On 9 March 2023, Aviva announced a share buyback programme for up to a maximum aggregate consideration of £300 million to commence on 10 March 2023 (the "Programme"). On 2 June 2023, Aviva announced that it had successfully completed the Programme. In total, 72,797,191 shares were purchased with a nominal value of £24 million and were subsequently cancelled, giving rise to an additional capital redemption reserve of an equivalent amount. The 72,797,191 shares were acquired at an average price of 412 pence per share.

On 31 March 2022, Aviva completed the share buyback programme originally announced on 12 August 2021, and extended to an aggregate purchase of up to £1 billion on 16 December 2021. In total, 245,225,489 shares were purchased with a nominal value of £61 million and were subsequently cancelled, giving rise to an additional capital redemption reserve of an equivalent amount. The 245,225,489 shares were acquired at an average price of 408 pence per share. 79,587,629 shares were purchased during 2022, had a nominal value of £19 million, for total consideration of £336 million and were acquired at an average price of 423 pence per share.

(ii) Return of capital to ordinary shareholders via B share scheme

On 2 March 2022, Aviva announced a proposed return of capital, including a £3,750 million B Share Scheme for the holders of ordinary shares. 3,687,322,000 B shares were issued for nil consideration with a nominal value of 101.69 pence per share on 16 May 2022, resulting in a total of £3,750 million being credited to the B share capital account. At the same time, the merger reserve was reduced by £3,750 million. On 17 May 2022, the B shares were redeemed at 101.69 pence per share, which resulted in a £3,750 million reduction in the B share capital account and a corresponding increase in the capital redemption reserve. Retained earnings reduced by £3,750 million on payment of the return of capital to ordinary shareholders.

(iii) Share consolidation

On 16 May 2022, the Company's share capital was consolidated whereby 76 new ordinary shares of $32^{17/19}$ pence were issued for each holding of 100 ordinary shares of 25 pence each. The number of ordinary shares in issue reduced by 884,957,280 from 3,687,322,000 to 2,802,364,720.

(c) Subsequent events

On 6 March 2024, Aviva plc approved a share buyback of its ordinary shares for up to a maximum aggregate consideration of £300 million which is expected to commence on 8 March 2024. The buyback will reduce IFRS net asset value and Solvency II own funds by £300 million.

Notes to the consolidated financial statements

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 across all markets (the Group's share plans). All employees are eligible for share plans and the plans offered are as follows:

Plan	Description
(i) Savings-related options	These are options granted under the tax-advantaged Save As You Earn (SAYE) share option scheme in the UK and Irish revenue-approved SAYE share option scheme in Ireland. The SAYE allows eligible employees to acquire options over the Company's shares at a discount of up to 20% of their market value at the date of grant. Options are normally exercisable during the six month period following either the third or fifth anniversary of the start of the relevant savings contract. Seven year contracts were offered prior to 2012. 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.
(iii) Aviva annual bonus plan awards	These awards have been made under the Aviva Annual Bonus Plan 2011 (ABP), and are described in section (b) below and in the directors' remuneration report.
(iv) Aviva recruitment and retention share plan awards	These are conditional awards granted under the Aviva Recruitment and Retention Share Award Plan (RRSAP) in relation to the recruitment or retention of senior managers excluding executive directors. The awards vest in tranches on various dates and vesting is conditional upon the participant being employed by the Group on the vesting date and not having served notice of resignation. Some awards can be subject to performance conditions. If a participant's employment is terminated due to resignation or dismissal, any tranche of the award which has vested within the 12 months prior to the termination date will be subject to clawback and any unvested tranches of the award will lapse in full.
(v) Aviva Investors deferred share award plan awards	These awards have been made under the Aviva Investors Deferred Share Award Plan (AI DSAP), where employees can choose to have the deferred element of their bonus deferred into awards over Aviva shares. The awards vest in three equal tranches on the second, third and fourth year following the year of grant.
(vi) 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), (v), (vi b).

(b) Outstanding options

The following table summarises information about options outstanding at 31 December:

			2023			2022
Range of exercise prices	**Outstanding options number**	**Weighted average remaining contractual life years**	**Weighted average exercise price pence**	Outstanding options number	Weighted average remaining contractual life years	Weighted average exercise price pence
£2.20 - £3.16	**35,089,530**	**2.65**	**260.47**	32,596,283	2	227.63
£3.17 - £3.67	**9,043,614**	**2.40**	**333.38**	10,898,433	3	333.46
£3.68 - £4.19	**138,673**	**0.41**	**387.16**	470,831	1	393.31

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(c) Movements in the year

A summary of the status of the option and share plans as at 31 December 2023 and 2022, and changes during the years ended on those dates, is shown below.

	2023 Options number	2023 Weighted average exercise price years	2023 Awards number	2022 Options number	2022 Weighted average exercise price years	2022 Awards number
Outstanding at 1 January	**43,965,547**	**255.64**	**40,030,981**	47,801,150	251.00	40,303,963
Granted during the year	**17,123,614**	**298.00**	**17,236,818**	6,369,795	336.00	18,158,925
Exercised during the year	**(13,599,458)**	**233.58**	**(16,024,769)**	(6,238,086)	298.73	(11,416,602)
Forfeited during the year	**(2,624,572)**	**301.08**	**(4,446,240)**	(2,801,326)	259.10	(7,015,305)
Cancelled during the year	**(299,957)**	**257.82**	**—**	(713,427)	238.30	—
Expired during the year	**(293,357)**	**305.61**	**—**	(452,559)	308.98	—
Outstanding at 31 December	**44,271,817**	**275.76**	**36,796,790**	43,965,547	255.64	40,030,981
Exercisable at 31 December	**6,917,910**	**222.99**	**—**	2,676,882	278.95	—

(d) Expense charged to the income statement

The total expense recognised for the year arising from equity compensation plans was as follows:

	2023 £m	2022 £m
Equity-settled expense	**(61)**	(58)

(e) Fair value of options and awards

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 £0.86 and £3.75 (2022: £0.84 and £3.95) 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	2023	2022
Share price	**376p**	388p
Exercise price	**298p**	336p
Expected volatility	**32.13 %**	31.76%
Expected life	**4.11 years**	4.08 years
Expected dividend yield	**8.47 %**	6.44%
Risk-free interest rate	**4.41 %**	4.23%

The expected volatility used was based on the historical volatility of the share price over a period equivalent to the expected life of the option prior to its date of grant. The risk-free interest rate was based on the yields available on UK government bonds as at the date of grant. The bonds chosen were those with a similar remaining term to the expected life of the options. 13,599,458 options were exercised during the year (2022: 6,238,086).

(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	2023	2022
Share price	**393p**	404p
Expected volatility[1]	**33 %**	33%
Expected volatility of comparator companies' share price[1]	**30 %**	35%
Correlation between Aviva and comparator competitors' share price[1]	**55 %**	51%
Expected life[1]	**3.00 years**	3.00 years
Expected dividend yield	**0.00 %**	0.00%
Risk-free interest rate[1]	**3.32 %**	1.49%

1. For awards with market-based performance conditions only

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34 – Treasury shares

The following table summarises information about treasury shares:

	2023 number	2023 £m	2022 number	2022 £m
Shares held by employee trusts	**21,193,467**	**87**	19,986,626	85
Total treasury shares	**21,193,467**	**87**	19,986,626	85

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. From 2021, we satisfy awards and options granted under the Group's share plans 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:

	2023 number	2023 £m	2022 number	2022 £m
At 1 January	**19,986,626**	**85**	12,363,684	51
Acquired in the year	**18,905,610**	**76**	23,539,378	101
Distributed in the year	**(17,698,769)**	**(74)**	(9,850,409)	(41)
Share consolidation	**—**	**—**	(6,066,027)	(26)
At 31 December	**21,193,467**	**87**	19,986,626	85

The shares are owned by employee share trusts with an undertaking to satisfy awards of shares in the Company under the Company's share plans and schemes. Details of the features of the plans can be found in the directors' remuneration report and/or in note 33.

These shares were either purchased in the market or, in 2015, new shares were issued to the trust and are carried at weighted average cost. At 31 December 2023, they had an aggregate nominal value of £6,971,535 (2022: £6,575,548) and a market value of £92,128,001 (2022: £88,500,780). The trustees have waived their rights to dividends on the shares held in the trusts.

35 – Preference share capital

The issued and paid up preference share capital of the Company at 31 December was:

	2023 £m	2022 £m
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
Total preference share capital	**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 31 December 2023, the fair value of Aviva plc's preference share capital was £261 million (2022: £247 million).

36 – Tier 1 notes

The carrying amount of Tier 1 notes at 31 December was:

	2023 '£m	2022 '£m
Tier 1 notes	**496**	496

On 15 June 2022, Aviva plc issued £500 million of 6.875% fixed rate reset perpetual Restricted Tier 1 contingent convertible notes (the RT1 notes). The RT1 notes are callable at par between 15 December 2031 and 15 June 2032 (the First Reset Date) inclusive and thereafter every five years after the First Reset Date. If not called, the coupon from 15 June 2032 will be reset to the prevailing five year benchmark gilt yield plus 4.649%. The notes have no fixed maturity date. Optional cancellation of coupon payments is at the discretion of Aviva plc and mandatory cancellation is upon the occurrence of certain conditions. The RT1 notes are therefore treated as equity and the coupon payment is recognised directly in equity. During the year coupon payments of £34 million were made (2022: £17 million). On the occurrence of certain conversion trigger events the notes are convertible into ordinary shares of Aviva plc.

Notes to the consolidated financial statements

37 – Capital reserves and retained earnings

This note analyses the movements in the consolidated capital reserves and retained earnings during the year.

		2023				Restated[1] 2022			
		Capital reserves				Capital reserves			
	Note	Share premium £m	Capital redemption reserve £m	Merger reserve £m	Retained earnings £m	Share premium £m	Capital redemption reserve £m	Merger reserve £m	Retained earnings £m
At 1 January		1,263	3,855	5,224	(2,328)	1,248	86	8,974	4,792
Profit/(loss) for the year attributable to equity shareholders		—	—	—	1,085	—	—	—	(1,051)
Remeasurements of pension schemes	46(b)(i)	—	—	—	(495)	—	—	—	(1,542)
Dividends and appropriations	16	—	—	—	(929)	—	—	—	(862)
Shares purchased in buyback	32(b)(i)	—	24	—	(300)	—	19	—	(336)
Capital Reductions	37(b)	(1,253)	(3,855)	—	5,108	—	—	—	—
Return of capital to ordinary shareholders via B share scheme	32(b)(ii)	—	—	—	—	—	3,750	(3,750)	(3,750)
Net shares issued under equity compensation plans		7	—	—	(35)	15	—	—	9
Aggregate tax effect		—	—	—	122	—	—	—	412
At 31 December		17	24	5,224	2,228	1,263	3,855	5,224	(2,328)

1. The 2022 comparative amounts have been restated following the adoption of IFRS 17 and for a correction in respect of historic accounting for with-profits funds (see note 1).

(a) Merger reserve

Prior to 1 January 2004, certain significant business combinations were accounted for using the 'pooling of interests method' (or merger accounting), which treats the merged groups as if they had been combined throughout the current and comparative accounting periods.

Merger accounting principles for these combinations gave rise to a merger reserve in the consolidated statement of financial position, being the difference between the nominal value of new shares issued by the Parent Company for the acquisition of the shares of the subsidiary and the subsidiary's own share capital and share premium account.

The merger reserve is also used where more than 90% of the shares in a subsidiary are acquired and the consideration includes the issue of new shares by the Company, thereby attracting merger relief under the Companies Act 1985 and, from 1 October 2009, the Companies Act 2006.

(b) Capital Reductions

At a General Meeting of Aviva held on 4 May 2023, Aviva received shareholder approval to a reduction of £1,253 million in its share premium account and to a reduction of £3,855 million in its capital redemption reserve (the Capital Reductions). The Capital Reductions received Court approval on 23 May 2023 and were effected on 25 May 2023.

(c) Aviva plc company

Retained earnings of Aviva plc, the Company, were £10,589 million at 31 December 2023 (2022: £5,248 million) (see note H on the Company Financial statements). The retained earnings of the Company were not impacted by the adoption of IFRS 17.

Notes to the consolidated financial statements

38 – Other reserves

This note gives details of the other reserves forming part of the Group's consolidated equity and shows the movements during the year net of non-controlling interests:

	2023						Restated[1] 2022					
	Currency translation reserve	Owner occupied properties reserve	Investment valuation reserve	Hedging instruments reserve	Equity compensation reserve	Total Other reserves	Currency translation reserve	Owner occupied properties reserve	Investment valuation reserve	Hedging instruments reserve	Equity compensation reserve	Total Other reserves
Accounting policy	E	P	T	U	AB		E	P	T	U	AB	
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
At 1 January	485	22	(3)	(262)	113	355	314	22	35	(224)	101	248
Share of other comprehensive income of joint ventures and associates	—	—	—	—	—	—	—	—	(38)	—	—	(38)
Foreign exchange rate movements	(111)	—	—	28	—	(83)	174	—	—	(47)	—	127
Aggregate tax effect – shareholders' tax	4	—	—	(6)	—	(2)	(3)	—	—	9	—	6
Total other comprehensive income for the year	(107)	—	—	22	—	(85)	171	—	(38)	(38)	—	95
Reserves credit for equity compensation plans	—	—	—	—	61	61	—	—	—	—	58	58
Shares issued under equity compensation plans	—	—	—	—	(52)	(52)	—	—	—	—	(46)	(46)
At 31 December	378	22	(3)	(240)	122	279	485	22	(3)	(262)	113	355

1. The 2022 comparative amounts have been restated following the adoption of IFRS 17 and for a correction in respect of historic accounting for with-profits funds (see note 1).

Foreign exchange rate movements recorded in the consolidated statement of comprehensive income of £(86) million (2022 restated: £119 million) relate to foreign exchange rate movements on the currency translation reserve of £(111) million (2022 restated: £174 million), the hedging instrument reserve of £28 million (2022: £(47) million) and non-controlling interests (see note 39) of £(3) million (2022: £(8) million).

39 – Non-controlling interests

This note gives details of the Group's non-controlling interests and shows the movements during the year.

	2023 £m	2022 £m
At 1 January	**310**	252
Profit for the year attributable to non-controlling interests	**21**	21
Foreign exchange rate movements	**(3)**	(8)
Total comprehensive income attributable to non-controlling interests	**18**	13
Changes in non-controlling interests in subsidiaries	**9**	—
Non-controlling interests share of dividends declared in the year	**(21)**	(21)
Non-controlling interest in acquired subsidiaries	**2**	66
At 31 December	**318**	310
Comprising:		
Equity shares in subsidiaries	**68**	60
Preference shares in subsidiaries	**250**	250
Total non-controlling interests	**318**	310

Notes to the consolidated financial statements

40 – Insurance and reinsurance contracts

For the purpose of this note, all references to insurance contracts include participating investment contracts.

The Group has presented the information about insurance and reinsurance contracts using the following product groups.

Reportable product group	Products and services	Measurement model
Life risk (see note 40(b)(i))	• Annuities (bulk purchase and individual), term assurance, income protection and critical illness • Includes participating pension saving contracts with guaranteed annuity terms as these contracts are expected to convert to annuity contracts and the predominant characteristics are life risk	GMM
Life participating (see note 40(b)(ii))	• With profits savings contracts, unit linked insurance and unit linked participating contracts	Predominantly measured using the VFA. There is some participating business which is measured using the GMM.
Non-life (see note 40(b)(iii))	• General insurance contracts • Health insurance contracts	Predominantly measured using the PAA. There is a small portion of non-life business which is measured using the GMM.

This note analyses the following in respect of these insurance and reinsurance contracts:
(a) Carrying amount
(b) Movements in the year
(c) Assets of insurance acquisition cashflows
(d) Effect of contracts initially recognised in the year
(e) Contractual service margin emergence
(f) Non-life claims development
(g) Significant judgements, estimates and assumptions

(a) Carrying amount

Insurance and reinsurance contracts at 31 December comprised:

	Note	Life risk £m	Participating £m	Non-life £m	2023 Total £m	Life risk £m	Participating £m	Non-life £m	Restated[1] 2022 Total £m
Insurance contracts									
Insurance contract liabilities									
Insurance contract balances	40(b)	**68,134**	**39,544**	**14,372**	**122,050**	63,423	40,970	13,246	117,639
Assets for insurance acquisition cashflows	40(c)	**—**	**—**	**(175)**	**(175)**	—	—	(78)	(78)
Total insurance contract liabilities		**68,134**	**39,544**	**14,197**	**121,875**	63,423	40,970	13,168	117,561
Reinsurance contracts									
Reinsurance contract assets	40(b)	**(5,739)**	**—**	**(1,965)**	**(7,704)**	(4,926)	—	(1,834)	(6,760)

1. The 2022 comparative amounts have been restated following the adoption of IFRS 17 and for a correction in respect of historic accounting for with-profits funds (see note 1).

The following table sets out the carrying amounts of insurance and reinsurance contracts expected to be settled/(recovered) more than 12 months after the reporting date.

	2023 £m	Restated[1] 2022 £m
Insurance contract and participating investment contract liabilities	**104,773**	101,953
Reinsurance contract assets	**(5,501)**	(4,889)

1. The 2022 comparative amounts have been restated following the adoption of IFRS 17 and for a correction in respect of historic accounting for with-profits funds (see note 1).

At 31 December 2023 , the maximum exposure to credit risk from insurance contracts is £2,664 million (2022: £2,120 million), which primarily relates to premiums receivable for services that the Group has already provided, and the maximum exposure to credit risk from reinsurance contracts is £6,534 million (2022: £6,308 million).

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(b) Movements in the year

The following movements have occurred in the carrying amount of insurance contract balances in the year:

Carrying amount	Note	2023 £m	Restated[1] 2022 £m
At 1 January		**117,639**	143,490
Insurance revenue	5	**(18,497)**	(16,889)
Insurance service expenses		**16,217**	15,505
Insurance finance expense/(income)		**7,228**	(24,499)
Foreign exchange rate movements and other charges		**(300)**	381
Premiums received		**20,532**	18,367
Claims and expenses paid, including investment component		**(17,628)**	(16,615)
Acquisition cash flows		**(3,141)**	(3,119)
Effect of portfolio transfers, acquisitions and disposals[2]		**—**	1,018
At 31 December		**122,050**	117,639

1. The 2022 comparative amounts have been restated following the adoption of IFRS 17 and for a correction in respect of historic accounting for with-profits funds (see note 1).
2. The movement in 2022 relates to the acquisition of an additional 25% of the ordinary shares of Aviva Life Insurance Company India Limited giving Aviva a controlling interest in the entity.

Included within the carrying amounts are: the present value of expected future cashflows, representing a best estimate view; risk adjustment for non-financial risk; and CSM representing the unearned profit for future service.

The carrying amount for reinsurance contracts are recognised separately from insurance contract balances. Detailed movements on both are included in sections 40(b)(i) to 40(b)(iii).

The following summarises movements in CSM that have occurred during the year:

	Life risk £m	Participating £m	Non-life £m	2023 Total £m	Life risk £m	Participating £m	Non-life £m	Restated[1] 2022 Total £m
CSM in respect of insurance contracts								
At 1 January	**5,714**	**1,218**	**—**	**6,932**	4,951	1,312	—	6,263
CSM recognised for services provided	**(729)**	**(151)**	**—**	**(880)**	(578)	(172)	—	(750)
Other movements in CSM	**2,393**	**(27)**	**—**	**2,366**	1,341	78	—	1,419
At 31 December	**7,378**	**1,040**	**—**	**8,418**	5,714	1,218	—	6,932
CSM in respect of reinsurance contracts								
At 1 January	**(452)**	**—**	**—**	**(452)**	(100)	—	—	(100)
CSM recognised for services received	**80**	**—**	**—**	**80**	63	—	—	63
Other movements in CSM	**(798)**	**—**	**—**	**(798)**	(415)	—	—	(415)
At 31 December	**(1,170)**	**—**	**—**	**(1,170)**	(452)	—	—	(452)
Net CSM at 1 January	**5,262**	**1,218**	**—**	**6,480**	4,851	1,312	—	6,163
Net CSM at 31 December	**6,208**	**1,040**	**—**	**7,248**	5,262	1,218	—	6,480

1. The 2022 comparative amounts have been restated following the adoption of IFRS 17 and for a correction in respect of historic accounting for with-profits funds (see note 1).

Other movements in CSM include:

- Recognition of additional CSM in respect of new insurance and reinsurance contracts recognised in the year;
- Remeasurement of existing contracts (covering non-financial assumption changes and experience variances for all contracts, plus financial assumption changes and experience variances for contracts in scope of the VFA); and
- For contracts in scope of the GMM, interest accretion on the CSM balance which is recognised within net finance expense/income from insurance contracts.

Each of these items can be seen in more detail in the respective tables in section 40(b)(i) for life risk and 40(b)(ii) for participating.

For insurance contracts the largest driver of the movement in CSM for both 2022 and 2023 is longevity assumption changes on annuity contracts. These assumption changes are described in more detail in note 43.

The CSM recognised for services provided on insurance contracts in the year of £880 million (2022: £750 million) is a key component of insurance revenue.

The CSM asset in respect of reinsurance contracts has also increased primarily reflecting lower expected reinsurance recoveries due to longevity assumption changes in the underlying insurance contracts.

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The following summarises movements in the risk adjustment that have occurred during the year:

2023	Life Risk £m	Life Participating £m	Non-life PAA £m	Non-life GMM £m	Non-life Total £m	Total £m
Risk adjustment in respect of insurance contracts						
At 1 January	**1,443**	**62**	**553**	**—**	**553**	**2,058**
Change in risk adjustment for risk expired	**(96)**	**(3)**	**—**	**—**	**—**	**(99)**
Other movements in risk adjustment	**16**	**6**	**(30)**	**—**	**(30)**	**(8)**
At 31 December	**1,363**	**65**	**523**	**—**	**523**	**1,951**
Risk adjustment in respect of reinsurance contracts						
At 1 January	**(570)**	**—**	**(72)**	**(90)**	**(162)**	**(732)**
Change in risk adjustment for risk expired	**33**	**—**	**—**	**11**	**11**	**44**
Other movements in risk adjustment	**(102)**	**—**	**(8)**	**9**	**1**	**(101)**
At 31 December	**(639)**	**—**	**(80)**	**(70)**	**(150)**	**(789)**
Net risk adjustment at 1 January	**873**	**62**	**481**	**(90)**	**391**	**1,326**
Net risk adjustment at 31 December	**724**	**65**	**443**	**(70)**	**373**	**1,162**

2022 restated[1]	Life Risk £m	Life Participating £m	Non-life PAA £m	Non-life GMM £m	Non-life Total £m	Total £m
Risk adjustment in respect of insurance contracts						
At 1 January	2,653	79	569	—	569	3,301
Change in risk adjustment for risk expired	(171)	(5)	—	—	—	(176)
Other movements in risk adjustment	(1,039)	(12)	(16)	—	(16)	(1,067)
At 31 December	1,443	62	553	—	553	2,058
Risk adjustment in respect of reinsurance contracts						
At 1 January	(1,055)	—	(60)	(104)	(164)	(1,219)
Change in risk adjustment for risk expired	88	—	—	14	14	102
Other movements in risk adjustment	397	—	(12)	—	(12)	385
At 31 December	(570)	—	(72)	(90)	(162)	(732)
Net risk adjustment at 1 January	1,598	79	509	(104)	405	2,082
Net risk adjustment at 31 December	873	62	481	(90)	391	1,326

1. The 2022 comparative amounts have been restated following the adoption of IFRS 17 and for a correction in respect of historic accounting for with-profits funds (see note 1).

The change in risk adjustment for risk expired is recognised in insurance revenue.

The net risk adjustment has decreased in the year. Other movements in risk adjustment include the risk adjustment established on new business (details of which can be seen in note 40(d)), the impact of movements in discount rates, a reduction in the risk adjustment due to changes in longevity assumptions, and for 2023 the impact of reforms to the Solvency II risk margin in the UK.

During 2022, there was a significant fall in net risk adjustment, driven by the large rise in discount rates.

Movements in carrying amounts of insurance and reinsurance contracts

The following reconciliations present the movements in the carrying amounts of insurance and reinsurance contracts in each product group.

For life risk and participating contracts each table presents a different analysis of the movements in both insurance and reinsurance balances. The first disclosure, split by remaining coverage and incurred claims, presents the income statement items that constitute insurance revenue, insurance service expenses and net expenses from reinsurance contracts. The sum of these items represents the contribution to insurance service result. Movements in the balances relating to finance expenses and cash flows are shown below the insurance service result.

In the second disclosure, split by measurement component (present value of expected future cash flows, risk adjustment and CSM), the movements are presented by driver of change. The insurance service result and subsequent movements have consistent totals across the two disclosure tables.

For non-life business all gross contracts are measured under the PAA so have no CSM. The movements in balances are presented split by remaining coverage and incurred claims with the incurred claims further analysed between the cash flow and risk adjustment components. For reinsurance contracts the same presentation is used to show total reinsurance contracts. A further table then follows to display the results exclusively for the sub-group of reinsurance contracts relating to adverse development cover, which are the only non-life contracts measured under the GMM and have no CSM.

Notes to the consolidated financial statements

(i) Life risk

Insurance contracts

The following table shows life risk insurance contracts analysed by remaining coverage and incurred claims:

Carrying amount	Note	2023 Liabilities for remaining coverage Excluding loss component £m	2023 Liabilities for remaining coverage Loss component £m	2023 Liabilities for incurred claims £m	2023 Total £m	Restated[1] 2022 Liabilities for remaining coverage Excluding loss component £m	Restated[1] 2022 Liabilities for remaining coverage Loss component £m	Restated[1] 2022 Liabilities for incurred claims £m	Restated[1] 2022 Total £m
Opening assets		—	—	—	—	—	—	—	—
Opening liabilities		61,626	497	1,300	63,423	80,285	400	1,170	81,855
At 1 January		61,626	497	1,300	63,423	80,285	400	1,170	81,855
Changes in comprehensive income									
Insurance revenue	5	(6,914)	—	—	(6,914)	(6,801)	—	—	(6,801)
Contracts under the modified retrospective transition approach		(169)	—	—	(169)	(246)	—	—	(246)
Contracts under the fair value transition approach		(4,426)	—	—	(4,426)	(4,707)	—	—	(4,707)
Other contracts		(2,319)	—	—	(2,319)	(1,848)	—	—	(1,848)
Insurance service expenses		301	(96)	5,937	6,142	288	88	5,718	6,094
Incurred claims and other insurance service expenses		—	(40)	5,937	5,897	—	(44)	5,718	5,674
Amortisation of insurance acquisition cash flows		301	—	—	301	288	—	—	288
Losses and reversals of losses on onerous contracts		—	(56)	—	(56)	—	132	—	132
Investment components and premium refunds		(906)	—	906	—	(1,157)	—	1,157	—
Insurance service result		(7,519)	(96)	6,843	(772)	(7,670)	88	6,875	(707)
Net finance expenses/(income) from insurance contracts	6	4,139	18	—	4,157	(19,059)	6	—	(19,053)
Effect of movements in exchange rates		(80)	(1)	(5)	(86)	76	3	10	89
Total changes in comprehensive income		(3,460)	(79)	6,838	3,299	(26,653)	97	6,885	(19,671)
Cash flows									
Premiums received		8,777	—	—	8,777	7,857	—	—	7,857
Claims and other insurance service expenses paid, including investment component		—	—	(6,895)	(6,895)	—	—	(6,755)	(6,755)
Insurance acquisition cash flows		(470)	—	—	(470)	(508)	—	—	(508)
Total cash flows		8,307	—	(6,895)	1,412	7,349	—	(6,755)	594
Effect of portfolio transfers, acquisitions and disposals[2]		—	—	—	—	645	—	—	645
At 31 December		**66,473**	**418**	**1,243**	**68,134**	61,626	497	1,300	63,423
Closing assets		—	—	—	—	—	—	—	—
Closing liabilities		66,473	418	1,243	68,134	61,626	497	1,300	63,423
At 31 December		66,473	418	1,243	68,134	61,626	497	1,300	63,423

1. The 2022 comparative amounts have been restated following the adoption of IFRS 17 (see note 1).
2. The movement in 2022 relates to the acquisition of an additional 25% of the ordinary shares of Aviva Life Insurance Company India Limited giving Aviva a controlling interest in the entity.

Notes to the consolidated financial statements

The following table shows life risk insurance contracts analysed by measurement component:

2023 Carrying amount	Note	Estimates of present value of future cash flows £m	Risk adjustment for non-financial risk £m	Contractual service margin (CSM) Contracts under modified retrospective transition approach £m	Contracts under fair value transition approach £m	Other contracts £m	CSM Total £m	Total £m
Opening assets		—	—	—	—	—	—	—
Opening liabilities		56,266	1,443	—	3,283	2,431	5,714	63,423
At 1 January		56,266	1,443	—	3,283	2,431	5,714	63,423
Changes in comprehensive income								
CSM recognised for services provided		—	—	—	(376)	(353)	(729)	(729)
Change in risk adjustment for risk expired		—	(96)	—	—	—	—	(96)
Experience adjustments		109	—	—	—	—	—	109
Changes that relate to current services		109	(96)	—	(376)	(353)	(729)	(716)
Contracts initially recognised in the period		(602)	177	—	1	424	425	—
Changes in estimates that adjust the CSM		(1,619)	(149)	1	598	1,169	1,768	—
Changes in estimates that result in losses and reversal of losses on onerous contracts		(56)	—	—	—	—	—	(56)
Changes that relate to future services		(2,277)	28	1	599	1,593	2,193	(56)
Insurance service result		(2,168)	(68)	1	223	1,240	1,464	(772)
Net finance expenses/(income) from insurance contracts	6	3,959	(9)	—	150	57	207	4,157
Effect of movements in exchange rates		(76)	(3)	—	(4)	(3)	(7)	(86)
Total changes in comprehensive income		1,715	(80)	1	369	1,294	1,664	3,299
Cash flows								
Premiums received		8,777	—	—	—	—	—	8,777
Claims and other insurance service expense paid, including investment components		(6,895)	—	—	—	—	—	(6,895)
Insurance acquisition cashflows		(470)	—	—	—	—	—	(470)
Total cash flows		1,412	—	—	—	—	—	1,412
At 31 December		59,393	1,363	1	3,652	3,725	7,378	68,134
Closing assets		—	—	—	—	—	—	—
Closing liabilities		59,393	1,363	1	3,652	3,725	7,378	68,134
At 31 December		59,393	1,363	1	3,652	3,725	7,378	68,134

Notes to the consolidated financial statements

2022 Carrying amount - restated[1]	Note	Estimates of present value of future cash flows £m	Risk adjustment for non-financial risk £m	Contractual service margin (CSM) Contracts under modified retrospective transition approach £m	Contracts under fair value transition approach £m	Other contracts £m	CSM Total £m	Total £m
Opening assets		—	—	—	—	—	—	—
Opening liabilities		74,251	2,653	—	2,911	2,040	4,951	81,855
At 1 January		74,251	2,653	—	2,911	2,040	4,951	81,855
Changes in comprehensive income								
CSM recognised for services provided		—	—	—	(304)	(274)	(578)	(578)
Change in risk adjustment for risk expired		—	(171)	—	—	—	—	(171)
Experience adjustments		(90)	—	—	—	—	—	(90)
Changes that relate to current services		(90)	(171)	—	(304)	(274)	(578)	(839)
Contracts initially recognised in the period		(570)	186	—	—	418	418	34
Changes in estimates that adjust the CSM		(677)	(69)	—	543	203	746	—
Changes in estimates that result in losses and reversal of losses on onerous contracts		103	(5)	—	—	—	—	98
Changes that relate to future services		(1,144)	112	—	543	621	1,164	132
Insurance service result		(1,234)	(59)	—	239	347	586	(707)
Net finance expenses/(income) from insurance contracts	6	(18,053)	(1,159)	—	124	35	159	(19,053)
Effect of movements in exchange rates		63	8	—	9	9	18	89
Total changes in comprehensive income		(19,224)	(1,210)	—	372	391	763	(19,671)
Cash flows								
Premiums received		7,857	—	—	—	—	—	7,857
Claims and other insurance service expense paid, including investment components		(6,755)	—	—	—	—	—	(6,755)
Insurance acquisition cashflows		(508)	—	—	—	—	—	(508)
Total cash flows		594	—	—	—	—	—	594
Effect of portfolio transfers, acquisitions and disposals[2]		645	—	—	—	—	—	645
At 31 December		56,266	1,443	—	3,283	2,431	5,714	63,423
Closing assets		—	—	—	—	—	—	—
Closing liabilities		56,266	1,443	—	3,283	2,431	5,714	63,423
At 31 December		56,266	1,443	—	3,283	2,431	5,714	63,423

1. The 2022 comparative amounts have been restated following the adoption of IFRS 17 (see note 1).
2. The movement in 2022 relates to the acquisition of an additional 25% of the ordinary shares of Aviva Life Insurance Company India Limited giving Aviva a controlling interest in the entity.

Key changes that impact the income statement include the release of CSM for services provided and the release of risk adjustment for expired risks.

Changes that relate to future service include:

• New contracts initially recognised in the year which give rise to a CSM liability representing unearned future profit on service yet to be provided;

• Experience variances and assumption changes on profitable contracts that impact the expected fulfilment cash flows and adjust the CSM liability; and

• Recognition of new onerous contracts and experience variances or assumption changes on onerous contracts impacting the income statement immediately.

The changes in estimates that increase the CSM include the effect of both experience variances and assumption changes on expected future cash flows. Assumption changes included in the changes in estimates that increases the CSM at 31 December 2023 of £1,768 million relate primarily to spouses of BPA scheme members and changes to longevity assumptions. The changes in estimates that increase the CSM at 31 December 2022 of £746 million, primarily reflects a change to longevity assumptions.

Assumption changes are explained in more detail in note 43.

The net finance expenses from insurance contracts of £4,157 million (2022: £19,053 million net finance income) recognised in the income statement includes the impact of the change in financial assumptions, the unwind of discounting on the fulfilment cash flows and interest accretion on the CSM. There were significant increases in discount rates during 2022, with smaller changes in discount rates during 2023.

Notes to the consolidated financial statements

Reinsurance contracts

The following table shows life risk reinsurance contracts analysed by remaining coverage and incurred claims:

		2023				Restated[1] 2022			
		Assets for remaining coverage				Assets for remaining coverage			
Carrying amount	Note	Excluding loss recovery component £m	Loss recovery component £m	Assets for incurred claims £m	Total £m	Excluding loss recovery component £m	Loss recovery component £m	Assets for incurred claims £m	Total £m
Opening assets		4,261	150	515	4,926	5,747	109	479	6,335
Opening liabilities		—	—	—	—	—	—	—	—
At 1 January		4,261	150	515	4,926	5,747	109	479	6,335
Changes in comprehensive income									
Allocation of reinsurance premiums paid		(2,693)	—	—	(2,693)	(2,512)	—	—	(2,512)
Recoveries of incurred claims and other insurance service expenses		—	(4)	2,576	2,572	—	(18)	2,326	2,308
Recoveries and reversals of recoveries of losses on onerous underlying contracts		—	(158)	—	(158)	—	62	—	62
Amounts recoverable from reinsurers		—	(162)	2,576	2,414	—	44	2,326	2,370
Net expenses from reinsurance contracts		(2,693)	(162)	2,576	(279)	(2,512)	44	2,326	(142)
Net finance income/(expenses) from reinsurance contracts	6	530	1	—	531	(1,788)	(3)	—	(1,791)
Effect of movements in exchange rates		(16)	—	(1)	(17)	39	—	3	42
Total changes in comprehensive income		(2,179)	(161)	2,575	235	(4,261)	41	2,329	(1,891)
Cash flows									
Premiums paid		3,163	—	—	3,163	2,775	—	—	2,775
Amounts received		—	—	(2,585)	(2,585)	—	—	(2,293)	(2,293)
Total cash flows		3,163	—	(2,585)	578	2,775	—	(2,293)	482
At 31 December		5,245	(11)	505	5,739	4,261	150	515	4,926
Closing assets		5,245	(11)	505	5,739	4,261	150	515	4,926
Closing liabilities		—	—	—	—	—	—	—	—
At 31 December		5,245	(11)	505	5,739	4,261	150	515	4,926

1. The 2022 comparative amounts have been restated following the adoption of IFRS 17 and for a correction in respect of historic accounting for with-profits funds (see note 1).

Notes to the consolidated financial statements

The following table shows life risk reinsurance contracts analysed by measurement component:

2023 Carrying amount	Note	Estimates of present value of future cash flows £m	Risk adjustment for non-financial risk £m	Contractual service margin (CSM): Contracts under modified retrospective transition approach £m	Contractual service margin (CSM): Contracts under fair value transition approach £m	Contractual service margin (CSM): Other contracts £m	Contractual service margin (CSM): CSM Total £m	Total £m
Opening assets		3,904	570	(74)	386	140	452	4,926
Opening liabilities		—	—	—	—	—	—	—
At 1 January		3,904	570	(74)	386	140	452	4,926
Changes in comprehensive income								
CSM recognised for services provided		—	—	11	(50)	(41)	(80)	(80)
Change in risk adjustment for risk expired		—	(33)	—	—	—	—	(33)
Experience adjustments		(8)	—	—	—	—	—	(8)
Changes that relate to current services		(8)	(33)	11	(50)	(41)	(80)	(121)
Contracts initially recognised in the period		(143)	155	—	—	(12)	(12)	—
Changes in estimates that adjust the CSM		(714)	(80)	(11)	105	700	794	—
Changes in estimates that relate to losses and reversals of losses on onerous underlying contracts		(158)	—	—	—	—	—	(158)
Changes that relate to future services		(1,015)	75	(11)	105	688	782	(158)
Adjustments to assets for incurred claims		—	—	—	—	—	—	—
Net expenses from reinsurance contracts		(1,023)	42	—	55	647	702	(279)
Net finance income/(expenses) from reinsurance contracts	6	485	28	(2)	12	8	18	531
Effect of movements in exchange rates		(14)	(1)	—	(2)	—	(2)	(17)
Total changes in comprehensive income		(552)	69	(2)	65	655	718	235
Cash flows								
Premiums paid		3,163	—	—	—	—	—	3,163
Amounts received		(2,585)	—	—	—	—	—	(2,585)
Total cash flows		578	—	—	—	—	—	578
At 31 December		3,930	639	(76)	451	795	1,170	5,739
Closing assets		3,930	639	(76)	451	795	1,170	5,739
Closing liabilities		—	—	—	—	—	—	—
At 31 December		3,930	639	(76)	451	795	1,170	5,739

Notes to the consolidated financial statements

2022 Carrying amount - restated[1]	Note	Estimates of present value of future cash flows £m	Risk adjustment for non-financial risk £m	Contractual service margin (CSM) Contracts under modified retrospective transition approach £m	Contracts under fair value transition approach £m	Other contracts £m	CSM Total £m	Total £m
Opening assets		5,180	1,055	(71)	283	(112)	100	6,335
Opening liabilities		—	—	—	—	—	—	—
At 1 January		5,180	1,055	(71)	283	(112)	100	6,335
Changes in comprehensive income								
CSM recognised for services provided		—	—	12	(43)	(32)	(63)	(63)
Change in risk adjustment for risk expired		—	(88)	—	—	—	—	(88)
Experience adjustments		(53)	—	—	—	—	—	(53)
Changes that relate to current services		(53)	(88)	12	(43)	(32)	(63)	(204)
Contracts initially recognised in the period		(159)	155	—	—	4	4	—
Changes in estimates that adjust the CSM		(335)	(65)	(13)	133	280	400	—
Changes in estimates that relate to losses and reversals of losses on onerous underlying contracts		62	—	—	—	—	—	62
Changes that relate to future services		(432)	90	(13)	133	284	404	62
Net expenses from reinsurance contracts		(485)	2	(1)	90	252	341	(142)
Net finance income/(expenses) from reinsurance contracts	6	(1,306)	(491)	(2)	9	(1)	6	(1,791)
Effect of movements in exchange rates		33	4	—	4	1	5	42
Total changes in comprehensive income		(1,758)	(485)	(3)	103	252	352	(1,891)
Cash flows								
Premiums paid		2,775	—	—	—	—	—	2,775
Amounts received		(2,293)	—	—	—	—	—	(2,293)
Total cash flows		482	—	—	—	—	—	482
At 31 December		3,904	570	(74)	386	140	452	4,926
Closing assets		3,904	570	(74)	386	140	452	4,926
Closing liabilities		—	—	—	—	—	—	—
At 31 December		3,904	570	(74)	386	140	452	4,926

1. The 2022 comparative amounts have been restated following the adoption of IFRS 17 and for a correction in respect of historic accounting for with-profits funds (see note 1).

The movements in the life risk reinsurance contract assets have the same key drivers as the underlying insurance contracts and are also particularly impacted by the longevity assumption changes, as many of the reinsurance contracts held are in respect of bulk purchase annuities.

Some gross onerous contracts do not have reinsurance in place so movements in the gross loss component occur without a corresponding movement being seen in the reinsurance loss recovery component.

Notes to the consolidated financial statements

(ii) Participating
Insurance contracts
The following table shows participating insurance contracts analysed by remaining coverage and incurred claims:

					2023				Restated[1] 2022
		Liabilities for remaining coverage				Liabilities for remaining coverage			
Carrying amount	Note	Excluding loss component £m	Loss component £m	Liabilities for incurred claims £m	Total £m	Excluding loss component £m	Loss component £m	Liabilities for incurred claims £m	Total £m
Opening assets		—	—	—	—	—	—	—	—
Opening liabilities		40,439	6	525	40,970	47,557	—	739	48,296
At 1 January		40,439	6	525	40,970	47,557	—	739	48,296
Changes in comprehensive income									
Insurance revenue	5	(658)	—	—	(658)	(39)	—	—	(39)
Contracts under the modified retrospective transition approach		(154)	—	—	(154)	60	—	—	60
Contracts under the fair value transition approach		(483)	—	—	(483)	(87)	—	—	(87)
Other contracts		(21)	—	—	(21)	(12)	—	—	(12)
Insurance service expenses		6	3	402	411	10	6	223	239
Incurred claims and other insurance service expenses		—	(1)	402	401	—	(1)	223	222
Amortisation of insurance acquisition cash flows		6	—	—	6	10	—	—	10
Losses and reversals of losses on onerous contracts		—	4	—	4	—	7	—	7
Investment components and premium refunds		(3,941)	—	3,941	—	(3,493)	—	3,493	—
Insurance service result		(4,593)	3	4,343	(247)	(3,522)	6	3,716	200
Net finance expenses/(income) from insurance contracts	6	2,493	—	—	2,493	(4,217)	—	—	(4,217)
Effect of movements in exchange rates		(37)	—	—	(37)	1	—	—	1
Total changes in comprehensive income		(2,137)	3	4,343	2,209	(7,738)	6	3,716	(4,016)
Cash flows									
Premiums received		391	—	—	391	257	—	—	257
Claims and other insurance service expenses paid, including investment component		—	—	(4,010)	(4,010)	—	—	(3,930)	(3,930)
Insurance acquisition cash flows		(16)	—	—	(16)	(10)	—	—	(10)
Total cash flows		375	—	(4,010)	(3,635)	247	—	(3,930)	(3,683)
At 31 December		38,677	9	858	39,544	40,439	6	525	40,970
Closing assets		—	—	—	—	—	—	—	—
Closing liabilities		38,677	9	858	39,544	40,439	6	525	40,970
At 31 December		38,677	9	858	39,544	40,439	6	525	40,970

1. The 2022 comparative amounts have been restated following the adoption of IFRS 17 and for a correction in respect of historic accounting for with-profits funds (see note 1).

Notes to the consolidated financial statements

The following table shows participating insurance contracts analysed by measurement component:

2023 Carrying amount	Note	Estimates of present value of future cash flows £m	Risk adjustment for non-financial risk £m	Contractual service margin (CSM) Contracts under modified retrospective transition approach £m	Contracts under fair value transition approach £m	CSM Total £m	Total £m
Opening assets		—	—	—	—	—	—
Opening liabilities		39,690	62	438	780	1,218	40,970
At 1 January		39,690	62	438	780	1,218	40,970
Changes in comprehensive income							
CSM recognised for services provided		—	—	(58)	(93)	(151)	(151)
Change in risk adjustment for risk expired		—	(3)	—	—	—	(3)
Experience adjustments		(61)	—	—	—	—	(61)
Revenue recognised for incurred policyholder tax expenses		(36)	—	—	—	—	(36)
Changes that relate to current services		(97)	(3)	(58)	(93)	(151)	(251)
Changes in estimates that adjust the CSM		31	(3)	8	(36)	(28)	—
Changes in estimates that result in losses and reversal of losses on onerous contracts		4	—	—	—	—	4
Changes that relate to future services		35	(3)	8	(36)	(28)	4
Insurance service result		(62)	(6)	(50)	(129)	(179)	(247)
Net finance expenses/(income) from insurance contracts	6	2,483	9	—	1	1	2,493
Effect of movements in exchange rates		(37)	—	—	—	—	(37)
Total changes in comprehensive income		2,384	3	(50)	(128)	(178)	2,209
Cash flows						—	—
Premiums received		391	—	—	—	—	391
Claims and other insurance service expense paid, including investment components		(4,010)	—	—	—	—	(4,010)
Insurance acquisition cashflows		(16)	—	—	—	—	(16)
Total cash flows		(3,635)	—	—	—	—	(3,635)
At 31 December		38,439	65	388	652	1,040	39,544
Closing assets		—	—	—	—	—	—
Closing liabilities		38,439	65	388	652	1,040	39,544
At 31 December		38,439	65	388	652	1,040	39,544

Notes to the consolidated financial statements

2022 Carrying amount - restated[1]	Note	Estimates of present value of future cash flows £m	Risk adjustment for non-financial risk £m	Contractual service margin (CSM) Contracts under modified retrospective transition approach £m	Contracts under fair value transition approach £m	CSM Total £m	Total £m
Opening assets		—	—	—	—	—	—
Opening liabilities		46,905	79	496	816	1,312	48,296
At 1 January		46,905	79	496	816	1,312	48,296
Changes in comprehensive income							
CSM recognised for services provided		—	—	(74)	(98)	(172)	(172)
Change in risk adjustment for risk expired		—	(5)	—	—	—	(5)
Experience adjustments		(79)	—	—	—	—	(79)
Revenue recognised for incurred policyholder tax expenses		449	—	—	—	—	449
Changes that relate to current services		370	(5)	(74)	(98)	(172)	193
Contracts initially recognised in the period		—	—	—	—	—	—
Changes in estimates that adjust the CSM		(66)	(10)	15	61	76	—
Changes in estimates that result in losses and reversal of losses on onerous contracts		7	—	—	—	—	7
Changes that relate to future services		(59)	(10)	15	61	76	7
Insurance service result		311	(15)	(59)	(37)	(96)	200
Net finance expenses/(income) from insurance contracts	6	(4,217)	(2)	1	1	2	(4,217)
Effect of movements in exchange rates		1	—	—	—	—	1
Total changes in comprehensive income		(3,905)	(17)	(58)	(36)	(94)	(4,016)
Cash flows							
Premiums received		257	—	—	—	—	257
Claims and other insurance service expense paid, including investment components		(3,930)	—	—	—	—	(3,930)
Insurance acquisition cashflows		(10)	—	—	—	—	(10)
Total cash flows		(3,683)	—	—	—	—	(3,683)
Effect of portfolio transfers, acquisitions and disposals[2]		373	—	—	—	—	373
At 31 December		39,690	62	438	780	1,218	40,970
Closing assets		—	—	—	—	—	—
Closing liabilities		39,690	62	438	780	1,218	40,970
At 31 December		39,690	62	438	780	1,218	40,970

1. The 2022 comparative amounts have been restated following the adoption of IFRS 17 and for a correction in respect of historic accounting for with-profits funds (see note 1).
2. The movement in 2022 relates to the acquisition of an additional 25% of the ordinary shares of Aviva Life Insurance Company India Limited giving Aviva a controlling interest in the entity.

Key changes that impact the income statement include the release of CSM for services provided and experience variances for the period. Other changes that relate to current services include revenue recognised for policyholder tax expenses, representing income tax on policyholders' investment return, charged to the policyholder funds.

Net finance (income)/expenses mainly represents investment returns on the net assets held in policyholder funds.

Notes to the consolidated financial statements

(iii) Non-life
Insurance contracts
The following table shows non-life insurance contracts analysed by remaining coverage and incurred claims:

2023 Carrying amount	Note	Liabilities for remaining coverage: Excluding loss component £m	Liabilities for remaining coverage: Loss component £m	Liabilities for incurred claims – Contracts under PAA: Estimates of present value of future cash flows £m	Liabilities for incurred claims – Contracts under PAA: Risk adjustment for non-financial risk £m	Total £m
Opening assets		—	—	—	—	—
Opening liabilities		2,439	44	10,210	553	13,246
At 1 January		2,439	44	10,210	553	13,246
Changes in comprehensive income						
Insurance revenue	5	(10,925)	—	—	—	(10,925)
Incurred claims and other insurance service expenses		—	(29)	7,037	160	7,168
Amortisation of insurance acquisition cash flows		2,535	—	—	—	2,535
Losses and reversals of losses on onerous contracts		—	16	—	—	16
Adjustments to liabilities for incurred claims		—	—	148	(203)	(55)
Insurance service expenses		2,535	(13)	7,185	(43)	9,664
Insurance service result		(8,390)	(13)	7,185	(43)	(1,261)
Net finance expenses/(income) from insurance contracts	6	—	—	558	20	578
Effect of movements in exchange rates		(31)	—	(139)	(7)	(177)
Total changes in comprehensive income		(8,421)	(13)	7,604	(30)	(860)
Cash flows						
Premiums received		11,364	—	—	—	11,364
Claims and other insurance service expenses paid, including investment component		—	—	(6,723)	—	(6,723)
Insurance acquisition cash flows		(2,655)	—	—	—	(2,655)
Total cash flows		8,709	—	(6,723)	—	1,986
At 31 December		2,727	31	11,091	523	14,372
Closing assets		—	—	—	—	—
Closing liabilities		2,727	31	11,091	523	14,372
At 31 December		2,727	31	11,091	523	14,372

The £(203) million adjustment to the risk adjustment in the liability for incurred claims comprises the release of the risk adjustment as claims are paid and also includes assumption changes in calculating the risk adjustment.

Notes to the consolidated financial statements

2022 Carrying amount - restated[1]	Note	Liabilities for remaining coverage: Excluding loss component £m	Liabilities for remaining coverage: Loss component £m	Liabilities for incurred claims, Contracts under PAA: Estimates of present value of future cash flows £m	Liabilities for incurred claims, Contracts under PAA: Risk adjustment for non-financial risk £m	Total £m
Opening assets		—	—	—	—	—
Opening liabilities		2,398	27	10,345	569	13,339
At 1 January		2,398	27	10,345	569	13,339
Changes in comprehensive income						
Insurance revenue	5	(10,049)	—	—	—	(10,049)
Incurred claims and other insurance service expenses		—	(43)	6,535	110	6,602
Amortisation of insurance acquisition cash flows		2,391	—	—	—	2,391
Losses and reversals of losses on onerous contracts		—	59	—	—	59
Adjustments to liabilities for incurred claims		—	—	187	(67)	120
Insurance service expenses		2,391	16	6,722	43	9,172
Insurance service result		(7,658)	16	6,722	43	(877)
Net finance expenses/(income) from insurance contracts	6	—	—	(1,160)	(69)	(1,229)
Effect of movements in exchange rates		47	1	233	10	291
Total changes in comprehensive income		(7,611)	17	5,795	(16)	(1,815)
Cash flows						
Premiums received		10,253	—	—	—	10,253
Claims and other insurance service expenses paid, including investment component		—	—	(5,930)	—	(5,930)
Insurance acquisition cash flows		(2,601)	—	—	—	(2,601)
Total cash flows		7,652	—	(5,930)	—	1,722
At 31 December		2,439	44	10,210	553	13,246
Closing assets		—	—	—	—	—
Closing liabilities		2,439	44	10,210	553	13,246
At 31 December		2,439	44	10,210	553	13,246

1. The 2022 comparative amounts have been restated following the adoption of IFRS 17 (see note 1).

The £(67) million adjustment to the risk adjustment in the liability for incurred claims is comprised of the release of the risk adjustment as claims are paid and also includes assumption changes in calculating the risk adjustment.

There are no non-life gross insurance contracts measured under the GMM.

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Reinsurance contracts

The following table shows non-life reinsurance contracts analysed by remaining coverage and incurred claims (contracts measured under the PAA or GMM):

			Assets for incurred claims			
				Contracts under PAA		
2023 Carrying amount	Note	Assets for remaining coverage £m	Contracts not under PAA £m	Estimates of present value of future cash flows £m	Risk adjustment for non-financial risk £m	Total £m
Opening assets		855	—	907	72	1,834
Opening liabilities		—	—	—	—	—
At 1 January		855	—	907	72	1,834
Changes in comprehensive income						
Allocation of reinsurance premiums paid		(949)	—	—	—	(949)
Recoveries of incurred claims and other insurance service expenses		34	46	261	16	357
Adjustments to assets for incurred claims		—	—	123	(12)	111
Amounts recoverable from reinsurers		34	46	384	4	468
Effect of changes in non-performance risk of reinsurers		1	—	(2)	—	(1)
Net expenses from reinsurance contracts		(914)	46	382	4	(482)
Net finance income/(expenses) from reinsurance contracts	6	73	—	33	4	110
Effect of movements in exchange rates		7	—	(5)	—	2
Total changes in comprehensive income		(834)	46	410	8	(370)
Cash flows						
Premiums paid		823	—	—	—	823
Amounts received		—	(46)	(276)	—	(322)
Total cash flows		823	(46)	(276)	—	501
At 31 December		**844**	**—**	**1,041**	**80**	**1,965**
Closing assets		844	—	1,041	80	1,965
Closing liabilities		—	—	—	—	—
At 31 December		**844**	**—**	**1,041**	**80**	**1,965**

			Assets for incurred claims			
				Contracts under PAA		
2022 Carrying amount - restated[1]	Note	Assets for remaining coverage £m	Contracts not under PAA £m	Estimates of present value of future cash flows £m	Risk adjustment for non-financial risk £m	Total £m
Opening assets		1,051	—	736	60	1,847
Opening liabilities		—	—	—	—	—
At 1 January		1,051	—	736	60	1,847
Changes in comprehensive income						
Allocation of reinsurance premiums paid		(886)	—	—	—	(886)
Recoveries of incurred claims and other insurance service expenses		174	71	419	14	678
Adjustments to assets for incurred claims		—	—	(32)	6	(26)
Amounts recoverable from reinsurers		174	71	387	20	652
Effect of changes in non-performance risk of reinsurers		(5)	—	(2)	—	(7)
Net expenses from reinsurance contracts		(717)	71	385	20	(241)
Net finance income/(expenses) from reinsurance contracts	6	(221)	—	(95)	(3)	(319)
Effect of movements in exchange rates		14	—	20	(5)	29
Total changes in comprehensive income		(924)	71	310	12	(531)
Cash flows						
Premiums paid		728	—	—	—	728
Amounts received		—	(71)	(139)	—	(210)
Total cash flows		728	(71)	(139)	—	518
At 31 December		855	—	907	72	1,834
Closing assets		855	—	907	72	1,834
Closing liabilities		—	—	—	—	—
At 31 December		855	—	907	72	1,834

1. The 2022 comparative amounts have been restated following the adoption of IFRS 17 (see note 1).

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The following table shows non-life reinsurance contracts reinsuring against the risk of adverse development on incurred claims analysed by measurement component (contracts measured under the GMM):

Carrying amount	2023 Estimates of present value of future cash flows £m	2023 Risk adjustment for non-financial risk £m	2023 Total £m	Restated[1] 2022 Estimates of present value of future cash flows £m	Restated[1] 2022 Risk adjustment for non-financial risk £m	Restated[1] 2022 Total £m
Opening assets	809	90	899	939	104	1,043
Opening liabilities	—	—	—	—	—	—
At 1 January	809	90	899	939	104	1,043
Changes in comprehensive income						
Change in risk adjustment for risk expired	—	(11)	(11)	—	(14)	(14)
Experience adjustments	8	—	8	(34)	—	(34)
Changes that relate to current services	8	(11)	(3)	(34)	(14)	(48)
Changes in estimates for adverse development cover	49	(15)	34	155	19	174
Changes that relate to future services	49	(15)	34	155	19	174
Effect of changes in non-performance risk of reinsurers	1	—	1	(5)	—	(5)
Net expenses from reinsurance contracts	58	(26)	32	116	5	121
Net finance income/(expenses) from reinsurance contracts	67	6	73	(198)	(22)	(220)
Effect of movements in exchange rates	(7)	—	(7)	13	3	16
Total changes in comprehensive income	118	(20)	98	(69)	(14)	(83)
Cash flows						
Amounts received	(75)	—	(75)	(61)	—	(61)
Total cash flows	(75)	—	(75)	(61)	—	(61)
At 31 December	852	70	922	809	90	899
Closing assets	852	70	922	809	90	899
Closing liabilities	—	—	—	—	—	—
At 31 December	852	70	922	809	90	899

1. The 2022 comparative amounts have been restated following the adoption of IFRS 17 (see note 1).

(c) Assets of insurance acquisition cashflows

The following table sets out carrying amount and movement of assets for non-life insurance acquisition cash flows at 31 December:

Carrying amount	2023 £m	Restated[1] 2022 £m
At 1 January	78	72
Amounts incurred during the year	115	8
Amounts derecognised and included in the measurement of insurance contracts	(18)	—
Effect of movements in exchange rates	—	(2)
Balance at 31 December	**175**	78

1. The 2022 comparative amounts have been restated following the adoption of IFRS 17 (see note 1).

The following table sets out when the Group expects to derecognise assets for non-life insurance acquisition cash flows after the reporting date:

	2023 £m	Restated[1] 2022 £m
Less than one year	52	29
One to two years	42	23
Two to three years	33	16
Three to four years	24	10
Four to five years	6	—
Five to ten years	18	—
Total	**175**	78

1. The 2022 comparative amounts have been restated following the adoption of IFRS 17 (see note 1).

(d) Effect of contracts initially recognised in the year

	2023 Life risk £m	2023 Participating £m	2023 Total £m	2022 Life risk £m	2022 Participating £m	2022 Total £m
Expected premiums from new insurance contracts	8,439	—	8,439	7,277	—	7,277

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The following tables summarise the effect on the measurement components arising from the initial recognition of insurance and reinsurance contracts not measured under the PAA in the year.

(i) Life risk
Insurance contracts

	2023 Profitable contracts issued £m	2023 Onerous contracts issued £m	2023 Total £m	Restated[1] 2022 Profitable contracts issued £m	Restated[1] 2022 Onerous contracts issued £m	Restated[1] 2022 Total £m
Claims and other insurance service expenses payable	7,073	257	7,330	5,487	712	6,199
Insurance acquisition cash flows	503	4	507	492	16	508
Estimates of present value of cash outflows	7,576	261	7,837	5,979	728	6,707
Estimates of present value of cash inflows	(8,171)	(268)	(8,439)	(6,562)	(715)	(7,277)
Risk adjustment	170	7	177	165	21	186
CSM	425	—	425	418	—	418
Losses recognised on initial recognition	—	—	—	—	34	34

1. The 2022 comparative amounts have been restated following the adoption of IFRS 17 (see note 1).

Reinsurance contracts

	2023 Contracts initiated without a loss recovery component £m	2023 Contracts initiated with a loss recovery component £m	2023 Total £m	Restated[1] 2022 Contracts initiated without a loss recovery component £m	Restated[1] 2022 Contracts initiated with a loss recovery component £m	Restated[1] 2022 Total £m
Estimates of present value of cash outflows	5,132	505	5,637	4,392	—	4,392
Estimates of present value of cash inflows	(4,996)	(499)	(5,495)	(4,233)	—	(4,233)
Risk adjustment	(140)	(14)	(154)	(155)	—	(155)
CSM	4	8	12	(4)	—	(4)
Income recognised on initial recognition	—	—	—	—	—	—

1. The 2022 comparative amounts have been restated following the adoption of IFRS 17 (see note 1).

(ii) Participating
There were no Participating business contracts initially recognised in either the current or prior year.

(iii) Non-life
There were no non-life insurance contracts initially recognised in the current or prior year measured under the general measurement model.

(e) Contractual service margin emergence

The following tables set out when the Group expects to recognise the remaining CSM in the income statement for contracts measured under the GMM or VFA, after allowing for future accretion of interest on the CSM for GMM contracts. The amounts presented represent the net impact in each period of expected release of the CSM recognised in revenue less the accretion of interest on the CSM recognised in insurance finance expenses.

2023	Less than one year £m	One to two years £m	Two to three years £m	Three to four years £m	Four to five years £m	Five to ten years £m	10 to 15 years £m	15 to 20 years £m	Greater than 20 years £m	Total £m
Life risk	483	420	378	361	346	1,499	1,179	917	1,795	7,378
Participating	88	85	81	76	71	280	164	90	105	1,040
Non-life	—	—	—	—	—	—	—	—	—	—
Insurance contracts	571	505	459	437	417	1,779	1,343	1,007	1,900	8,418
Life risk	45	49	47	46	45	202	173	154	409	1,170
Participating	—	—	—	—	—	—	—	—	—	—
Non-life	—	—	—	—	—	—	—	—	—	—
Reinsurance contracts	45	49	47	46	45	202	173	154	409	1,170
Net CSM	526	456	412	391	372	1,577	1,170	853	1,491	7,248

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2022	Less than one year £m	One to two years £m	Two to three years £m	Three to four years £m	Four to five years £m	Five to ten years £m	10 to 15 years £m	15 to 20 years £m	Greater than 20 years £m	Total £m
Life risk	340	325	288	276	266	1,185	922	715	1,397	5,714
Participating	86	79	77	74	71	301	200	129	201	1,218
Non-life	—	—	—	—	—	—	—	—	—	—
Insurance contracts	426	404	365	350	337	1,486	1,122	844	1,598	6,932
Life risk	30	12	13	13	13	60	58	60	193	452
Participating	—	—	—	—	—	—	—	—	—	—
Non-life	—	—	—	—	—	—	—	—	—	—
Reinsurance contracts	30	12	13	13	13	60	58	60	193	452
Net CSM	396	392	352	337	324	1,426	1,064	784	1,405	6,480

(f) Non-life claims development

The table illustrates how estimates of cumulative claims for the Group's non-life business have developed over time on a gross and net of reinsurance basis. Each table shows how the Group's estimates of total claims for each accident year have developed over time and reconciles the cumulative claims to the amount included in the statement of financial position. Balances have been translated at the exchange rates prevailing at the reporting date as per note 2.

In the claims development table, 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 claims development table 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 2023 were £78 million (2022: £86 million). The movement in asbestos and environmental pollution liabilities in the year reflects an decrease of £(8) million due to favourable claims development and claims payments net of reinsurance recoveries.

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	All prior years £m	2014 £m	2015 £m	2016 £m	2017 £m	2018 £m	2019 £m	2020 £m	2021 £m	2022 £m	2023 £m	Total £m
Gross of reinsurance												
Estimates of undiscounted cumulative claims		4,452	4,462	5,298	5,282	5,706	5,423	5,460	4,987	6,216	7,239	
At end of accident year		4,460	4,491	5,334	5,354	5,613	5,422	5,345	5,044	6,123	7,239	—
One year		4,463	4,581	5,362	5,310	5,644	5,384	5,383	5,104	6,216	—	—
Two years		4,514	4,576	5,312	5,307	5,710	5,431	5,378	4,987	—	—	—
Three years		4,514	4,503	5,286	5,301	5,741	5,414	5,460	—	—	—	—
Four years		4,460	4,494	5,305	5,291	5,734	5,423	—	—	—	—	—
Five years		4,464	4,476	5,307	5,283	5,706	—	—	—	—	—	—
Six years		4,448	4,474	5,319	5,282	—	—	—	—	—	—	—
Seven years		4,445	4,482	5,298	—	—	—	—	—	—	—	—
Eight years		4,449	4,462	—	—	—	—	—	—	—	—	—
Nine years		4,452	—	—	—	—	—	—	—	—	—	—
Cumulative gross claims paid		(4,394)	(4,388)	(5,079)	(5,007)	(5,282)	(4,738)	(4,155)	(3,713)	(4,266)	(3,423)	
	2,791	58	74	219	275	424	685	1,305	1,274	1,950	3,816	12,871
Effect of discounting	(1,064)	(8)	(10)	(23)	(25)	(37)	(56)	(77)	(108)	(176)	(273)	(1,857)
Effect of the risk adjustment for non-financial risk	94	3	3	9	10	17	28	57	54	87	160	522
Effect of claims payable	1	—	—	—	—	—	—	11	—	1	4	17
Cumulative effect of foreign exchange movements	—	3	12	(1)	—	4	7	10	10	(22)	—	23
Effect of acquisitions	14	7	11	6	—	—	—	—	—	—	—	38
Gross liabilities for incurred claims included in the statement of financial position	1,836	63	90	210	260	408	664	1,306	1,230	1,840	3,707	11,614
Net of reinsurance												
Estimates of undiscounted net cumulative claims		4,328	4,300	4,912	5,141	5,516	5,253	4,890	4,762	5,893	6,912	
At end of accident year		4,351	4,338	4,996	5,193	5,457	5,263	4,889	4,876	5,794	6,912	—
One year		4,371	4,435	5,008	5,138	5,457	5,247	4,861	4,838	5,893	—	—
Two years		4,410	4,423	4,939	5,146	5,530	5,285	4,858	4,762	—	—	—
Three years		4,402	4,357	4,917	5,144	5,562	5,262	4,890	—	—	—	—
Four years		4,346	4,353	4,923	5,135	5,560	5,253	—	—	—	—	—
Five years		4,344	4,332	4,922	5,115	5,516	—	—	—	—	—	—
Six years		4,329	4,315	4,929	5,141	—	—	—	—	—	—	—
Seven years		4,322	4,295	4,912	—	—	—	—	—	—	—	—
Eight years		4,327	4,300	—	—	—	—	—	—	—	—	—
Nine years		4,328	—	—	—	—	—	—	—	—	—	—
Cumulative net claims paid		(4,275)	(4,207)	(4,716)	(4,857)	(5,121)	(4,636)	(3,881)	(3,587)	(4,112)	(3,378)	
	1,485	53	93	196	284	395	617	1,009	1,175	1,781	3,534	10,622
Effect of discounting	(679)	(8)	(10)	(20)	(25)	(34)	(52)	(66)	(102)	(165)	(257)	(1,418)
Effect of the risk adjustment for non-financial risk	17	2	3	8	11	15	23	28	48	74	143	372
Effect of non-performance risk of reinsurers	15	—	—	—	—	1	1	1	1	2	4	25
Effect of claims payable	7	—	(4)	55	95	(25)	(33)	(186)	54	(39)	(10)	(86)
Cumulative effect of foreign exchange movements	—	4	11	(2)	—	3	6	2	10	(22)	—	12
Effect of acquisitions	14	7	14	8	—	—	—	—	—	—	—	43
Reinsurance of adverse claims development presented in net liabilities for remaining coverage	922	—	—	—	—	—	—	—	—	—	—	922
Net liabilities for incurred claims included in the statement of financial position	1,781	58	107	245	365	355	562	788	1,186	1,631	3,414	10,492

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(g) Significant judgements, estimates and assumptions

This note gives details of the significant judgements made in applying IFRS 17, explaining the inputs, assumptions, methods and estimation techniques used to measure insurance, participating investment and reinsurance contracts. Accounting policy C sets out the critical accounting judgements and the material accounting estimates that are considered particularly susceptible to changes in estimates and assumptions. This note provides further detail of how these are applied in the context of IFRS 17.

The Group underwrites life 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.

The Group underwrites non-life business in the UK, Ireland and Canada, providing individual and corporate customers with a wide range of insurance products.

Significant judgments, estimates and assumptions associated with measuring insurance products and associated reinsurance are outlined below.

(i) Fulfilment cash flows

Fulfilment cash flows comprise:
- estimates of future cash flows;
- an adjustment (discount rate) to reflect the time value of money and the financial risks related to future cash flows, to the extent that the financial risks are not included in the estimates of future cash flows; and
- a risk adjustment.

The Group's objective in estimating future cash flows is to determine the expected value of a range of scenarios that reflects the full range of possible outcomes. A deterministic approach, producing point estimates based on best estimate assumptions, is used for valuing most of the Group's business. The exception is for contracts with embedded options and guarantees, in particular with-profits participation business, where a stochastic approach based on the average of a number of scenarios is used. Stochastic modelling involves projecting future cash flows under a large number of possible economic scenarios for market variables such as interest rates and equity returns.

Estimates of future cash flows

In estimating future cash flows, the Group incorporates, in an unbiased way, all reasonable and supportable information that is available without undue cost or effort at the reporting date. This information includes both internal and external historical data about claims and other experience, updated to reflect current expectations of future events.

The estimates of future cash flows reflect the Group's view of current conditions at the reporting date, using market variables consistent with observable market prices, where applicable.

When estimating future cash flows, the Group takes into account current expectations of future events that might affect those cash flows. However, expectations of future changes in legislation that would change or discharge a present obligation or create new obligations under existing contracts are not taken into account until the change in legislation is substantively enacted. For cash flows which are contractually linked to an index of prices or wages, the Group derives an assumption for future RPI from RPI swap curves, and adjusts this to derive future inflation assumptions for other price and wage indices.

Cash flows within the boundary of a contract relate directly to the fulfilment of the contract, including those for which the Group has discretion over the amount or timing. These include payments to (or on behalf of) policyholders, insurance acquisition cash flows and other costs that are incurred in fulfilling contracts.

Insurance acquisition cash flows arise from the activities of selling, underwriting and starting a group of contracts that are directly attributable to the portfolio of contracts to which the group belongs. This includes initial and recurring commissions payable on instalment premiums receivable within the contract boundary. Other costs that are incurred in fulfilling the contracts include:
- claims handling, maintenance and administration costs;
- costs that the Group will incur in providing investment services;
- costs that the Group will incur in performing investment activities to the extent that the Group performs them to enhance benefits from insurance coverage for policyholders by generating an investment return from which policyholders will benefit if an insured event occurs; and
- income tax and other costs specifically chargeable to the policyholders under the terms of the contracts.

Insurance acquisition cash flows and other costs that are incurred in fulfilling contracts comprise both direct costs and an allocation of fixed and variable overheads.

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Cash flows are attributed to acquisition activities, other fulfilment activities and other activities at local entity level using activity-based costing techniques. Cash flows attributable to acquisition and other fulfilment activities are allocated to groups of contracts using methods that are systematic and rational and are consistently applied to all costs that have similar characteristics.

Contract boundaries
The assessment of the contract boundary, which defines which future cash flows are included in the measurement of a contract, requires judgement and consideration of the Group's substantive rights and obligations under the contract as follows.

Insurance contracts
Group protection policies issued by the Group have terms that are guaranteed to be renewable every two or three years. The Group determines that the cash flows related to future renewals (i.e. the guaranteed renewable terms) of these contracts are outside the contract boundary. This is because the premium charged for the period reflects the Group's expectation of its exposure to risk for that period and, on renewal, the Group can reprice the premium to reflect the reassessed risks for the next period based on claims experience and expectations for the respective portfolio. Any renewal of the contract is treated as a new contract and is recognised, separately from the initial contract, when the recognition criteria are met.

Pension savings contracts with guaranteed annuity terms allow the policyholder to convert, on maturity of the stated term, the maturity benefit into an immediately starting life-contingent annuity at a predetermined rate. The Group has assessed the contract boundary for the entire contract, including the option, and concluded that the cash flows related to the fulfilment of the annuity option fall within the boundary of the contract. This is because the Group does not have the practical ability to reprice the contract on maturity of the stated term.

Reinsurance contracts
Quota share - The Group manages risks arising from Life insurance contracts through external quota share reinsurance contracts. These reinsurance contracts cover underlying contracts issued within the term on a risk-attaching basis and provides unilateral rights to both the Group and the reinsurer to terminate the cession of new business subject to giving notice to the other party. Notice can usually be given at any time, with termination to new business effective three months from notice being given, albeit a limited number of the Group's quota share reinsurance contract currently stipulate a different notice period. On initial recognition, the cash flows within the reinsurance contract boundary are determined to be those arising from underlying contracts that the Group expects to issue and cede under the reinsurance contract within the next three months. Subsequently risks expected to attach beyond the end of this initial notice period are considered cash flows of new reinsurance contracts and are recognised, separately from the initial contract, as they fall within the rolling three-month notice period.

Excess of loss - The Group's non-Life excess of loss reinsurance contracts held provide coverage for claims incurred during an accident year. Thus, all cash flows arising from claims incurred and expected to be incurred in the accident year are included in the measurement of the reinsurance contracts held. Some of these contracts include mandatory reinstatement premiums, which are guaranteed per the contractual arrangements and are thus within the contract boundary. Estimated reinstatement premiums due are offset against recoveries within the liability for incurred claims.

Risk attaching reinsurance - The Group's risk-attaching non-life treaties have varying coverage periods, ranging from annual treaties to indefinite treaties. Such treaties provide unilateral rights to the Group and reinsurer to terminate the cession of new business by giving notice to the other party based upon notice periods defined by the treaty. On initial recognition, the cash flows within the reinsurance contract boundary are determined to be those arising from underlying contracts that the Group expects to issue and cede under the reinsurance contract within the termination notice period. Subsequently risks attaching beyond the end of the initial termination notice period are considered cash flows of new reinsurance contracts and are recognised, separately from the initial contract, as they fall within subsequent termination notice periods.

Adverse development cover - The Group's non-Life adverse development cover treaties are deemed to expire when all uncertainty associated with the ceded claims liabilities has expired. The contract boundary is based upon the best estimate of when all obligations associated with the liabilities will be extinguished.

Life contracts
Death and other claim benefits
Death and other claim benefits are projected using decrements appropriate to each class of business, including persistency, mortality and morbidity.

Mortality assumptions are set with regard to recent Company experience and general industry trends. Local, generally accepted, published standard mortality tables are used for different categories of business as appropriate.

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The mortality tables used in the valuation for the most material lines of business are summarised below:

		2023	2022
UK business	Life protection	**AM00/AF00 or TM16/TF16 adjusted for smoker status and age/sex specific factors with allowance for future mortality improvements**	AM00/AF00 or TM16/TF16 adjusted for smoker status and age/sex specific factors with allowance for future mortality improvements
	Pure endowments and deferred annuities before vesting	**AM00/AF00 adjusted with allowance for improvements**	AM00/AF00 adjusted with allowance for improvements
Ireland business	Life protection	**TMS08/TMN08/TFS08/TFN08 adjusted plus allowance for future mortality improvement**	TMS08/TMN08/TFS08/TFN08 adjusted plus allowance for future mortality improvement

Annuity payments
The conventional immediate and deferred annuity business is valued by discounting future benefit payments with an allowance for mortality, including future improvements in mortality. Mortality assumptions are set with regard to Company experience and general industry trends.

The mortality tables used in the valuation for the most material lines of business are summarised below:

		2023	2022
UK business	Pensions business and general annuity business	**PMA16_IND/PFA16_IND or PMA16_IND_INT/PFA16_IND_INT plus allowance for future mortality improvement**	PMA16_IND/PFA16_IND or PMA16_IND_INT/PFA16_IND_INT plus allowance for future mortality improvement
	Bulk purchase annuities	**CV3 plus allowance for future mortality improvement**	CV3 plus allowance for future mortality improvement
Ireland business	Annuities	**PMA08/PFA08 (conventional) adjusted plus allowance for future mortality improvement**	PMA08/PFA08 (conventional) adjusted plus allowance for future mortality improvement

For the largest portfolio of pensions annuity business, the underlying mortality assumptions, before risk adjustment for males are 106.6% of PMA16_IND with base year 2016 (2022 restated: 104.1% of PMA16_IND with base year 2016). For females the underlying mortality assumptions, before risk adjustment, are 101.3% of PFA16_IND with base year 2016 (2022 restated: 100.3% of PFA16_IND with base year 2016). The base rates on some contracts are adjusted for lifestyle, medical, and other factors.

Improvements before risk adjustment are based on 'CMI_2022 (S=7.25) Advanced with adjustments' (2022 restated: 'CMI_2021 (S=7.25) Advanced with adjustments') with zero weight on 2022 data within the model. Instead of placing weight on 2022 data within the CMI improvements model, a separate adjustment is made to reflect the impact that the drivers of excess mortality in 2022 and 2023 are expected to have in future years. We use a long-term improvement rate of 1.5% for both males and females (31 December 2022 restated: 1.5% for both males and females) . An allowance has been made to adjust for greater mortality improvements in the annuitant population relative to the general population on which CMI_2022 is based, using a parameter of 0.15% for males and 0.20% for females, tapering to zero between ages 90 and 110 (for 2022 the same approach was taken with respect to CMI_2021). Long-term improvement rates are set to taper to zero between ages 85 and 110 (2022 restated: between 85 and 110).

Expenses
Maintenance expense assumptions for life business are generally expressed as a per policy charge set with regards to an allocation of current year expense levels by category of business, adjusted for known changes in contractual arrangements with external suppliers and using the policy counts for in-force business. Expenses are generally charged to with-profits funds using 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. Any differential between that and the total charge for each policy accrues to the non-profit fund and is also included in the fulfilment cash flows. The assumptions also include an allowance for future expense inflation over the lifetime of each contract, which 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. Investment expense assumptions are generally expressed as a proportion of the assets backing the liabilities.

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Non-life contracts

The Group establishes reserves for claim events that occurred before the valuation date, whether reported or not. When calculating claim costs, the Group takes into account estimated future recoveries from salvage and subrogation. Where non-Life contracts are onerous, the measurement of the loss component includes an estimate of future claims that are expected to occur within the remaining coverage period.

The undiscounted ultimate cost of outstanding claims is 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. The ultimate cost of outstanding claims includes provision for expenses associated with handling claims.

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.

Lump sums payable to bodily injury claimants

Lump sum payments in settlement of bodily injury claims are influenced by the Ogden discount rate among other factors. 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 Lord Chancellor's next review of the Ogden discount rate is expected to begin by summer 2024 and its impact upon the valuation of claims has been estimated on a probability weighted basis which considers a range of possible outcomes from the review.

Discount rates

All cash flows are discounted using risk-free yield curves adjusted to reflect the characteristics of the cash flows and the liquidity of the insurance contracts. For the risk-free yield curves, the Group generally uses the risk-free interest rate curves published by the PRA and EIOPA for regulatory reporting, which are based on swap rates and in the UK based on SONIA (Sterling Over Night Index Average). In Canada, the Group uses the Bank of Canada zero-coupon bond curve. Where necessary, yield curves are interpolated between the last available market data point and an ultimate forward rate, which reflects long-term real interest rate and inflation expectations.

The Group uses a bottom-up discount rate for all life and non-life insurance contracts except for annuities. A top-down discount rate is applied to annuities to reflect more appropriately the characteristics of the annuity liabilities. For other contracts where liabilities are subject to lapse risk or where cash flows depend on underlying asset performance (such as unit-linked and with-profits), the characteristics of the liability can be reflected using the bottom-up method which requires the application of less judgement.

Under the top-down approach, the discount rate is determined from the yield implicit in the fair value of an appropriate reference portfolio of assets that reflects the characteristics of the liabilities. Adjustments are made for differences between the reference portfolio and liability cash flows, including an allowance for defaults which reflects the compensation a market participant would require for credit risk.

For the measurement of new annuity business at inception only, the discount rates are based on assets expected to be originated for new business at initial recognition of the contracts. On subsequent measurement of the fulfilment cash flows the reference portfolio is based on the assets held to match the portfolio of liabilities. For recently written contracts, an adjustment is made to liabilities where appropriate assets are yet to be sourced.

Under the bottom-up approach, the discount rate is determined as the risk-free yield, adjusted for differences in liquidity characteristics between the financial assets used to derive the risk-free yield and the relevant liability cash flows (known as an 'illiquidity premium').

For UK and Ireland business, the illiquidity premium is determined as a percentage of the current spread over the risk-free yield on an index of covered bonds. For Canadian business, the illiquidity premium is determined with reference to a spread of bonds available on the market. The percentage applied reflects the liquidity characteristics of the liabilities including the propensity and ability of policyholders to lapse or surrender their contracts; for example, 100% for structured settlements where surrenders are not possible, and 0% for unit-linked contracts where policyholders can normally immediately surrender their contract for the unit value. An intermediate percentage is applied for other types of business. In Canada, a single illiquidity premium is selected given the limited duration differences and similar liquidity characteristics.

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The tables below set out the yield curves used to discount the cash flows of insurance contracts for major currencies:

	2023 1 year	2023 5 years	2023 10 years	2023 15 years	2023 20 years	2023 40 years	Restated[1] 2022 1 year	2022 5 years	2022 10 years	2022 15 years	2022 20 years	2022 40 years
Life contracts												
Immediate and deferred annuities												
GBP	**6.5 %**	**5.1 %**	**5.0 %**	**5.2 %**	**5.2 %**	**4.9 %**	6.1 %	5.7 %	5.3 %	5.2 %	5.1 %	4.7 %
EUR	**4.3 %**	**3.2 %**	**3.3 %**	**3.4 %**	**3.3 %**	**3.6 %**	3.7 %	3.7 %	3.6 %	3.6 %	3.3 %	3.4 %
Life protection contracts												
GBP	**5.1 %**	**3.7 %**	**3.6 %**	**3.7 %**	**3.8 %**	**3.5 %**	5.0 %	4.6 %	4.2 %	4.1 %	4.0 %	3.6 %
EUR	**3.6 %**	**2.5 %**	**2.6 %**	**2.7 %**	**2.6 %**	**2.8 %**	3.4 %	3.3 %	3.3 %	3.2 %	3.0 %	3.0 %
With-profits contracts												
GBP	**5.2 %**	**3.7 %**	**3.8 %**	**3.9 %**	**3.9 %**	**3.6 %**	5.2 %	4.8 %	4.5 %	4.4 %	4.3 %	3.9 %
EUR	**3.6 %**	**2.5 %**	**2.6 %**	**2.7 %**	**2.6 %**	**2.8 %**	3.4 %	3.3 %	3.3 %	3.2 %	3.0 %	3.0 %
Unit-linked contracts												
GBP	**4.7 %**	**3.4 %**	**3.3 %**	**3.4 %**	**3.4 %**	**3.2 %**	4.5 %	4.1 %	3.7 %	3.6 %	3.5 %	3.2 %
EUR	**3.6 %**	**2.5 %**	**2.6 %**	**2.7 %**	**2.6 %**	**2.8 %**	3.4 %	3.3 %	3.3 %	3.2 %	3.0 %	3.0 %
Non-life contracts												
Structured settlements												
GBP	**5.4 %**	**4.0 %**	**3.9 %**	**4.0 %**	**4.1 %**	**3.8 %**	5.5 %	5.1 %	4.7 %	4.6 %	4.5 %	4.2 %
Latent claims												
GBP	**5.2 %**	**3.8 %**	**3.8 %**	**3.9 %**	**3.9 %**	**3.6 %**	5.2 %	4.8 %	4.5 %	4.4 %	4.3 %	3.9 %
EUR	**3.9 %**	**2.8 %**	**2.9 %**	**3.0 %**	**2.9 %**	**3.2 %**	3.4 %	3.3 %	3.3 %	3.2 %	3.0 %	3.0 %
Other general insurance claims												
GBP	**5.1 %**	**3.7 %**	**3.6 %**	**3.7 %**	**3.8 %**	**3.5 %**	5.0 %	4.6 %	4.2 %	4.1 %	4.0 %	3.7 %
EUR	**3.7 %**	**2.7 %**	**2.7 %**	**2.8 %**	**2.7 %**	**3.1 %**	3.4 %	3.3 %	3.3 %	3.2 %	3.0 %	3.0 %
CAD	**5.4 %**	**3.9 %**	**3.9 %**	**3.9 %**	**3.9 %**	**3.8 %**	5.6 %	4.4 %	4.3 %	4.3 %	4.4 %	4.3 %

1. The 2022 comparative amounts have been restated following the adoption of IFRS 17 (see note 1).

The yields used are after a reduction for risk, but before allowance for investment expenses (which are included in the expected future cash flows).

For annuity business, the allowance for risk comprises long-term assumptions 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 36bps, 25bps, and 89bps respectively at 31 December 2023 (2022 restated: 35bps, 26bps, and 83bps respectively).

For with-profits business, the liabilities associated with guarantees and options are measured using a market-consistent stochastic model. The cash flows are discounted at scenario-specific rates calibrated, on average, to be the bottom-up discount rates. Volatility assumptions are set with reference to implied volatility data on traded market instruments, where available, or on a best estimate basis where not.

	2023	2022
Equity returns	**17.8 %**	19.3 %
Property returns	**15.0 %**	15.0 %

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.

Risk adjustments for non-financial risk

The risk adjustment for non-financial risk reflects the compensation required by the Group to accept the uncertainty about the amount and timing of future cash flows that arises from non-financial risk. The calculation of the risk adjustment is calibrated with reference to the Group's pricing and capital allocation framework. The calibration leverages the Solvency II view of non-financial risk, considering a lifetime view, but excludes financial risks which are included within the Solvency II risk margin. The risk adjustment includes diversification between different portfolios of insurance and participating investment contracts, financial and non-financial risks, non-participating investment contracts and other non-insurance contracts using correlation matrix techniques. Diversification between entities across the Group is not included.

For life business, the risk adjustment is allocated to individual contracts, including reinsurance contracts, using provisions for adverse deviation (PADs) applied to the best estimate non-financial assumptions.

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For non-life business, the risk adjustment is allocated to groups of contract level based upon their capital intensity, with a greater amount allocated to contract groups with greater valuation uncertainty. Initially the Group applies these techniques on a net of reinsurance basis before calculating gross up factors for each group of contracts and calculating the reinsurance risk adjustment as the difference between net and gross.

For with-profits contracts the risk adjustment reflects the shareholder's interest in the with-profits fund. However, for non-profit contracts in the with-profit funds, the fund is treated as the entity and the risk adjustment reflects a 100% share of the risk, as for other non-profit business.

The Group estimates the Risk Adjustment's corresponding confidence level by comparing the combined value of best estimate cash flows and Risk Adjustment with a distribution of possible outcomes on an ultimate horizon. For life and participating contracts the confidence interval, net of reinsurance corresponds to the 68th percentile (2022: 70th percentile), for non-life contracts it corresponds to the 77th percentile (2022: 74th percentile). The percentiles disclosed benefit from the diverse profile of entities within the Group, but not from diversification between the Group's Life and non-Life segments and are uncertain estimates made as of 31 December, which could reasonably change within 12 months. Factors which could cause them to change include variations in the Company's risk profile or quantification thereof, for example as might arise from economic factors such as changes in risk-free discount rates or changes in the composition of insurance liabilities. the movements in the value of the net risk adjustment required to move the confidence level by 2.5 percentage points can be seen in the table below. The figures assume that there are no changes in estimate of future cashflows when in reality a lot of factors which influence the risk adjustment calibration will also impact the estimate of future cashflows.

	2023 £m	2022 £m
Life and participating business		
Movement in net risk adjustment required for 2.5pp confidence level increase	**65**	75
Movement in net risk adjustment required for 2.5pp confidence level reduction	**(65)**	(75)
Non-Life business		
Movement in net risk adjustment required for 2.5pp confidence level increase	**45**	48
Movement in net risk adjustment required for 2.5pp confidence level reduction	**(41)**	(46)

For Life risk and Participating contracts, this is the confidence level that the liabilities recognised and associated reinsurance balances, excluding CSM, are sufficient to cover the ultimate cost of in-force insurance liabilities applying period end assumptions. For non-Life contracts, this represents the confidence level that net claims liabilities recognised are sufficient to cover the ultimate cost of claims. Net non-Life claims liabilities include the liability for incurred claims, asset for incurred claims and the asset for remaining coverage on reinsurance contracts held that reinsure against adverse development on incurred claims.

(ii) Contractual service margin
Determination of coverage units
The amount of CSM recognised in profit or loss to reflect services provided in each year is determined by considering, for each group of contracts, coverage units that reflect the quantity of the benefits provided in each period and the expected coverage period. The coverage units are reviewed and updated at each reporting date.

The coverage units used by major product lines are:

Product line	Coverage units
Immediate annuity	Annuity outgo
Deferred annuity	Annuity outgo for insurance service post retirement and weighted expected investment return for the investment return service provided prior to retirement
Individual and Group Protection	Sum assured
Individual and Group Income Protection	Benefit amount payable
Unit linked insurance	Sum assured including unit value
With-profits	Cost of guarantees plus asset share

For deferred annuities, judgement has been applied in determining the appropriate method for measuring coverage units and the weighting of those coverage units across the investment return service provided prior to retirement and the insurance service provided post-retirement. That judgement was supported by evidence of market pricing of these services, resulting in an approach that targets equivalence at retirement with the CSM for immediate annuities (when pricing in an active market) that provide an insurance service equivalent to that provided by the deferred annuities post-retirement.

The coverage units for the investment return service combine the expected investment return with the weighting that produces the target CSM after allowing for expected retirement date, transfers and commutations. There is limited estimation uncertainty arising when applying this approach, not least because the weighting of services does not directly impact on the measurement of the CSM, instead it impacts on the pattern of CSM release over the long life of these contracts. Expected investment return is calculated using the locked in discount rate throughout the life of the contract, to represent the investment return that policyholders benefit from through the pricing of their contract.

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Expected rates of transfers taken by retirement date and take up rates for tax free cash (the main commutations taken at retirement in the UK) are not typically subject to significant fluctuations.

Coverage units for reinsurance contracts held are typically consistent with the underlying gross contracts, adjusted for differences in the services provided.

Risk mitigation option
The Group uses derivatives and financial investments to mitigate the financial risk arising from equity and interest rate exposures in UK with-profit funds, in accordance with its documented risk management objective and strategy for mitigating financial risk. An economic offset exists between the insurance contracts and the risk-mitigating items (derivatives and financial investments held at FVTPL), and credit risk does not dominate the economic offset.

For the with-profit sub-fund supported by the RIEESA, the Group has chosen to apply the risk mitigation option. Certain changes in variable fee cash flows are recognised in profit or loss, and do not adjust the CSM, as they arise from changes in equity and interest rate risks that are mitigated by the use of derivatives and financial investments held at FVTPL.

(iii) Investment components
The Group identifies the investment component of a contract by determining the amount that it would be required to repay to the policyholder in all scenarios with commercial substance. These include circumstances in which an insured event occurs or the contract matures or is terminated without an insured event occurring. Investment components and rights to withdraw are both excluded from insurance revenue and insurance service expenses, and variances between actual and expected cash flows adjust the CSM.

Participating and some non-participating whole-life contracts have explicit surrender values. The non-distinct investment component excluded from insurance revenue and insurance service expenses is determined as the surrender value specified in the contractual terms.

Immediate annuities with a guarantee period contain a non-distinct investment component equal to the value of those guaranteed payments.

Deferred annuities include a non-distinct investment component if all of the following features are present:
- transfer value in the deferral period;
- death benefit in the deferral period; and
- guarantee period once the annuity is in payment.

The investment component excluded from insurance revenue and insurance service expenses is determined as the lower of the present value of each of those possible payments. Any amounts in excess of the investment component, or any payments made under those features that do not qualify as an investment component, are treated as rights to withdraw. In either case, transfer values paid during the deferral period are presented as premium refunds.

(iv) Fair value of insurance contracts and measurement of contracts on transition to IFRS 17
The Group has measured the fair value of insurance contracts when it acquired contracts in a business combination and when it applied the fair value approach on transition to IFRS 17. The Group has also applied the modified retrospective approach on transition to IFRS 17.

For further details on the measurement of contracts on transition to IFRS 17, see note 1(d).

41 – Non-participating investment contracts

This note analyses our gross liabilities for non-participating investment contracts by type of product and describes the calculation of these liabilities.

(a) Carrying amount

Non-participating investment contracts as at 31 December comprised:

	2023 £m	Restated[1] 2022 £m
Liabilities for non-participating investment contracts	158,588	141,188
Reinsurance assets for non-participating investment contracts	(4,713)	(5,290)
Net non-participating investment contracts	**153,875**	**135,898**

1. The 2022 comparative amounts have been restated following the adoption of IFRS 17 (see note 1).

(b) Group practice

Investment contracts are those that do not transfer significant insurance risk from the contract holder to the issuer and if they do not contain a significant discretionary participation feature they are treated as financial instruments in scope of IFRS 9.

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 as prescribed by IFRS 17 insurance contracts.

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Investment contracts that do not contain a discretionary participation feature are referred to as non-participating contracts and the liability is measured at fair value. For non-participating investment contracts designated at FVTPL, the Group elects to present the change in fair value attributable to a change in the credit risk of the contracts in the income statement.

Of the non-participating investment contracts measured at fair value, £158,498 million at 31 December 2023 (2022: £141,160 million) are unit-linked in structure and the fair value liability is equal to the current unit fund value, including any unfunded units, plus if required, additional non-unit reserves based on a discounted cash flow analysis.

These contracts are generally classified as Level 1 in the fair value hierarchy, as the unit reserve is calculated as the publicly quoted unit price multiplied by the number of units in issue, and any non-unit reserve is insignificant.

For unit-linked business, a deferred acquisition cost asset and deferred income reserve liability are recognised in respect of transaction costs and front-end fees respectively, that relate to the provision of investment management services, and which are amortised on a systematic basis over the contract term. The amount of the related deferred acquisition cost asset is shown in note 30 and the deferred income liability is shown in note 49.

For non-participating investment contracts acquired in a business combination, an acquired value of in-force business asset is recognised in respect of the fair value of the investment management services component of the contracts, which is amortised on a systematic basis over the useful lifetime of the related contracts. The amount of the acquired value of in-force business asset is shown in note 18, which relates primarily to the acquisition of Friends Life in 2015 and Friends First in 2018.

(c) Movements in the year

The following movements have occurred in the gross provisions for non-participating investment contracts in the year:

Carrying amount	2023 £m	Restated[1] 2022 £m
At 1 January	**141,188**	151,295
Liabilities in respect of new business	**4,243**	4,120
Expected change in existing business	**(3,263)**	(3,185)
Variance between actual and expected experience	**16,589**	(11,360)
Impact of operating assumption changes	**—**	(17)
Impact of economic assumption changes	**—**	(106)
Other movements recognised as an expense	**40**	28
Change in liability	**17,609**	(10,520)
Effect of portfolio transfers, acquisitions and disposals	**—**	—
Foreign exchange rate movements	**(164)**	415
Other movements[2]	**(45)**	(2)
At 31 December	**158,588**	141,188

1. The 2022 comparative amounts have been restated following the adoption of IFRS 17 (see note 1).
2. Other movements relates to a reallocation between non-participating investment liabilities and non-participating reinsurance assets of £(45) million (2022: £(2) million).

For unit-linked investment contracts, movements in asset values are offset by corresponding changes in liabilities, limiting the net impact on profit. The variance between actual and expected experience in 2023 of £16,589 million is due to increases in global equity markets and higher bond and gilt values as a result of decreasing interest rates.

The impacts of assumption changes on profit are included in the effect of changes in assumptions and estimates during the year shown in note 43, which combines non-participating investment contracts together with the impact of movements in related non-financial assets.

The following movements have occurred in the reinsurance asset for non-participating investment contracts in the year:

Carrying amount	2023 £m	Restated[1] 2022 £m
At 1 January	**5,290**	5,122
Assets in respect of new business	**88**	409
Expected change in existing business assets	**(261)**	(176)
Variance between actual and expected experience	**456**	(63)
Other movements recognised as an expense[2]	**(815)**	—
Change in asset	**(532)**	170
Other movements[3]	**(45)**	(2)
At 31 December	**4,713**	5,290

1. The 2022 comparative amounts have been restated following the adoption of IFRS 17 (see note 1).
2. £815 million of policyholder assets have transferred from reinsured funds to non-reinsured funds during 2023.
3. Other movements relates to a reallocation between non-participating investment liabilities and non-participating reinsurance assets of £(45) million (2022: £(2) million).

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42 – Financial guarantees and options

This note details the financial guarantees and options inherent in some of our insurance and investment contracts.

For insurance and participating investment contracts, the Group's objective in estimating future cash flows is to determine the expected value of a range of scenarios that reflects the full range of possible outcomes. For contracts with embedded options and guarantees, in particular with-profits business, a stochastic approach based on the average of a number of scenarios is typically used. Stochastic modelling involves projecting future cash flows under a large number of possible economic scenarios for market variables such as interest rates and equity returns.

(a) UK non-profit business

The material guarantees and options relating to non-profit business are:

(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 £24 million at 31 December 2023 (2022 restated: £29 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 £88 million at 31 December 2023 (2022 restated: £85 million).

(b) UK with-profits business

The material guarantees and options relating to with-profit business are:

(i) Maturity value and death benefit guarantees

Significant conventional and unitised with-profits business have minimum maturity (and in some cases death benefit) values reflecting the sum assured plus declared annual bonus. For some unitised with-profits life contracts the amount paid after the fifth policy anniversary is guaranteed to be at least as high as the premium paid increased in line with the rise in retail price index (RPI) or consumer price index (CPI).

(ii) No market valuation reduction (MVR) guarantees

For unitised business, there are circumstances where a 'no MVR' guarantee is applied, for example on certain policy anniversaries, guaranteeing that no market value reduction will be applied to reflect the difference between the accumulated value of units and the market value of the underlying assets.

(iii) Guaranteed annuity options

The Group's UK with-profits funds have written individual and group pension contracts which contain GAOs, where the policyholder has the option to take the benefits from a policy in the form of an annuity based on guaranteed conversion rates. The Group also has exposure to GAOs and similar options on deferred annuities.

Liabilities for the cost of guarantees in respect of GAOs in the UK with-profits funds were £545 million at 31 December 2023 (2022 restated: £556 million). With the exception of the with-profits sub-fund supported by the RIEESA, movements in the GAO liabilities in the with-profits funds are offset by a corresponding movement in the estate to be distributed between policyholders and shareholders. The (immediate) impact on profit arises from the mismatch between the remeasurement of the variable fee (using current market consistent financial assumptions) and remeasurement of the CSM (using locked-in financial assumptions), together with the incremental amortisation of the change to the CSM. Liabilities for GAOs in the with-profits sub-fund supported by the RIEESA were £44 million at 31 December 2023 (2022 restated: £41 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.

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(c) Ireland

(i) Guaranteed annuity options and guaranteed maturity values

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. Guarantees and options are measured using stochastic methods, and for some smaller with-profit funds closed form solutions.

43 - Effect of changes in non-financial assumptions and estimates during the year

This note analyses the impact of changes in estimates and assumptions from 2022 to 2023, on liabilities for insurance and investment contracts, and related assets and liabilities, such as 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.

		2023				2022
Assumptions	Change in Fulfillment Cash Flows (FCF) £m	Change in CSM £m	Effect on profit £m	Change in Fulfillment Cash Flows (FCF) £m	Change in CSM £m	Effect on profit £m
Expenses	59	(63)	4	13	(65)	52
Persistency rates	(9)	9	—	11	(6)	(5)
Mortality and morbidity for assurance contracts	18	(18)	—	(65)	105	(40)
Mortality for annuity contracts	(456)	528	(72)	(486)	258	228
Tax and other assumptions	(98)	108	(10)	(26)	14	12
Long-term insurance and participating investment business	(486)	564	(78)	(553)	306	247
Expenses	—	—	—	(18)	—	18
Long-term non-participating investment business	—	—	—	(18)	—	18
Total	(486)	564	(78)	(571)	306	265

The impact of change in mortality and morbidity assumptions for assurance contracts for both 2023 and 2022 relates mainly to a review of recent experience. In 2022 business also moved onto the latest CMI series tables.

Longevity assumption changes during this year are valued at £456 million reduction in FCF (valued at opening market discount rates) and £528 million increase in CSM (discount rates locked in at the time of business inception), giving a total loss of £72m. The three largest contributors (in order of importance) are
- introduction of an explicit adjustment for post-pandemic mortality,
- updates to the mortality improvement model moving onto the latest CMI_2022 model from CMI_2021, to incorporate revised population data, and
- improved assumptions for the proportion of BPA customers that are married.

Longevity assumptions changes in 2022 were valued at £486 million reduction in FCF (valued at opening market discount rates) and £258 million increase in CSM (discount rates locked in at the time of business inception), giving a total profit of £228 million.
The three largest contributors (in order of importance) were:
- Updates to the rate of mortality improvements for a change to the long-term-rate rate used to taper improvements at the oldest ages from between ages 90 to 115 to between ages 85 to 110
- Updates to mortality improvements moving onto the latest CMI_2021 model from CMI_2019
- Updates to base mortality to reflect methodology and process refinements on BPA business.

Tax and other assumptions in 2023 is mainly comprised of changes in provisions for risk adjustment on annuities, where the movements in FCF and CSM largely offset.

44 - 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 £85 million and £1 million (2022: £116 million and £10 million), respectively.

The Group is party to the CFC & Dividend Group Litigation Order, which challenged the tax treatment of dividends received from non-UK entities before 2009. The Group is attempting to recover claims from HMRC covered by this judgement. A recoverable balance of £85 million (2022: £106 million) is included within current tax assets.

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(b) Deferred tax

(i) The balances at 31 December comprise:

	2023 £m	Restated[1] 2022 £m
Deferred tax assets	**958**	1,382
Deferred tax liabilities	**(453)**	(703)
Net deferred tax asset	**505**	679

1. The 2022 comparative amounts have been restated following the adoption of IFRS 17, a correction in respect of historic accounting for with-profits funds and restatement of the Succession Wealth acquisition balance sheet (see note 1).

Deferred tax attributable to policyholder returns included above at 31 December 2023 was an asset of £89 million (2022: asset of £340 million).

Net deferred tax assets in respect of policyholder investments arose as a result of significant market volatility in 2022. These positions are expected to reverse as the market recovers. The deferred tax asset relates to UK tax losses which carry forward indefinitely and is recognised based on probable future taxable investment income and gains within five years. Assumed investment returns are consistent with actuarial assumptions used in reserving and alternative assumptions modelled by the Group also show full recovery of the deferred tax asset over this period.

Where shareholder deferred tax assets are not supported by deferred tax liabilities, they are recognised to the extent that it is probable that future taxable profits will be available against which the tax losses can be utilised. In assessing future profitability, the directors have relied on board approved business plans and profit forecasts for up to five years and the Group's history of taxable profits in the relevant jurisdictions.

(ii) The net deferred tax asset/(liability) arises on the following items:

	2023 £m	Restated[1] 2022 £m
Long-term business technical provisions and other insurance items	**500**	362
Deferred acquisition costs	**(6)**	(30)
Unrealised gains on investments	**(245)**	(187)
Pensions and other post-retirement obligations	**(145)**	(250)
Unused losses and tax credits	**267**	459
Intangibles and additional value of in-force long-term business	**(207)**	(237)
Provisions and other temporary differences	**341**	562
Net deferred tax asset	**505**	679

1. The 2022 comparative amounts have been restated following the adoption of IFRS 17, a correction in respect of historic accounting for with-profits funds and restatement of the Succession Wealth acquisition balance sheet (see note 1).

(iii) The movement in the net deferred tax asset/(liability) was as follows:

	Note	2023 £m	Restated[1] 2022 £m
Net asset/(liability) at 1 January		**679**	(941)
Acquisition and disposal of subsidiaries		**—**	(57)
Amounts (charged)/credited to income statement	14(a)	**(292)**	1,263
Amounts credited to other comprehensive income	14(b)	**119**	412
Foreign exchange rate movements		**(1)**	2
Net asset at 31 December		**505**	679

1. The 2022 comparative amounts have been restated following the adoption of IFRS 17, a correction in respect of historic accounting for with-profits funds and restatement of the Succession Wealth acquisition balance sheet (see note 1).

The Group has unrecognised gross tax losses (excluding capital losses) and other temporary differences of £347 million (2022 restated: £487 million) to carry forward against future taxable income of the necessary category in the companies concerned. Of these, trading losses of £44 million (2022: £26 million) will expire within the next eight years. The remaining losses have no expiry date.

In addition, the Group has unrecognised gross capital losses of £577 million (2022: £579 million). These have no expiry date.

At 31 December 2023, a potential deferred tax liability of £22 million (2022 restated: £14 million) is not recognised on temporary differences relating to reserves of overseas subsidiaries which are not expected to be distributed.

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45 – 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

	Note	2023 £m	Restated[1] 2022 £m
Total IAS 19 obligations to main staff pension schemes	46(a)	**410**	360
Restructuring provisions		**44**	70
Other provisions		**341**	294
Total provisions		**795**	724

1. The 2022 comparative amounts have been restated to reduce other liabilities by £37 million following the remeasurement of the Succession Wealth acquisition balance sheet (see note 1(c)).

Restructuring provisions include lease termination penalties and costs relating to disposed entities. They comprise only the direct expenditures arising from the restructuring, which are those that are necessarily entailed by the restructuring; and not associated with the ongoing activities of the entity.

Other provisions are measured based upon our expectation of the value and timing of future economic outflows. Other provisions include product governance provisions, which are measured based upon the amounts we expect to pay to policyholders and other costs arising directly from remediation.

(b) Movements on restructuring and other provisions

	2023			Restated[1] 2022		
	Restructuring provisions £m	Other provisions £m	Total £m	Restructuring provisions £m	Other provisions[1] £m	Total £m
At 1 January	**70**	**293**	**363**	119	396	515
Additional provisions	**—**	**174**	**174**	—	131	131
Provisions released during the year	**(3)**	**(66)**	**(69)**	—	(91)	(91)
Charge to income statement	**(3)**	**108**	**105**	—	40	40
Utilised during the year	**(23)**	**(60)**	**(83)**	(49)	(162)	(211)
Acquisition of subsidiaries	**—**	**—**	**—**	—	19	19
Foreign exchange rate movements	**—**	**—**	**—**	—	1	1
At 31 December	**44**	**341**	**385**	70	294	364

1. The 2022 comparative amounts have been restated to reduce other liabilities by £37 million following the remeasurement of the Succession Wealth acquisition balance sheet (see note 1(c)).

Of the total restructuring and other provisions, £88 million (2022 restated: £82 million) is expected to be settled more than one year after the statement of financial position date.

Restructuring provisions include amounts for separation costs and onerous contracts arising as a result of disposal transactions completed in 2020 and 2021.

46 – 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 are shown below.

	Note	UK £m	Ireland £m	Canada £m	2023 Total £m	UK £m	Ireland £m	Canada £m	2022 Total £m
Total fair value of scheme assets	46(b)(ii)	**10,678**	**678**	**190**	**11,546**	10,877	689	197	11,763
Present value of defined benefit obligation		**(10,211)**	**(679)**	**(249)**	**(11,139)**	(10,002)	(670)	(259)	(10,931)
Net IAS 19 surpluses/(deficits) in the schemes		**467**	**(1)**	**(59)**	**407**	875	19	(62)	832
Surpluses included in other assets	31	**809**	**8**	**—**	**817**	1,166	26	—	1,192
Deficits included in provisions	45	**(342)**	**(9)**	**(59)**	**(410)**	(291)	(7)	(62)	(360)
Net IAS 19 surpluses/(deficits) in the schemes		**467**	**(1)**	**(59)**	**407**	875	19	(62)	832

This note relates to the defined benefit pension schemes included in the table above. The charges to the income statement for the main schemes are shown in section (b)(i) below, whilst the total charges for all pension schemes are disclosed in section (d) below.

Under the IAS 19 valuation basis, the Group applies the principles of IFRIC 14 IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction, whereby a surplus is only recognised to the extent that the company is able to access the surplus either through an unconditional right of refund to the surplus or through reduced future contributions relating to ongoing service, which have been substantively enacted or contractually agreed.

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The Group has determined that it can derive economic benefit from the surplus in the Aviva Staff Pension Scheme (ASPS) via a reduction to future employer contributions for defined contribution (DC) members, which could theoretically be paid from the surplus funds in the ASPS. In the RAC (2003) Pension Scheme and Friends Provident Pension Scheme (FPPS), in the UK and in the Aviva Ireland Staff Pension Fund (AISPF) in Ireland, the Group has determined that the rules set out in the schemes' governing documentation provide for an unconditional right to a refund from any future surplus funds in the schemes.

The assets of the UK, Irish and Canadian schemes are held in separate trustee-administered funds to meet long-term pension liabilities to past and present employees. In all schemes, the appointment of trustees of the funds is determined by their trust documentation and they are required to act in the best interests of the schemes' beneficiaries. The long-term investment objectives of the trustees and the employers are to limit the risk of the assets failing to meet the liabilities of the schemes over the long term, and to maximise returns consistent with an acceptable level of risk so as to control the long-term costs of these schemes.

A funding actuarial valuation of each of the defined benefit schemes is carried out at least every three years for the benefit of scheme trustees and members. Actuarial reports have been submitted for each scheme within this period, using appropriate methods for the respective countries on local funding bases.

The number of scheme members was as follows:

Number	UK	Ireland	Canada	2023 Total	UK	Ireland	Canada	2022 Total
Deferred members	**37,906**	**2,182**	**213**	**40,301**	39,843	2,200	344	42,387
Pensioners	**41,212**	**975**	**1,228**	**43,415**	40,501	982	1,261	42,744
Total members	**79,118**	**3,157**	**1,441**	**83,716**	80,344	3,182	1,605	85,131

All schemes are closed to future accrual. Closure of the schemes has removed the volatility associated with additional future accrual for active members.

(i) UK schemes
In the UK, the Group operates three main pension schemes, the ASPS, the RAC Scheme which was retained after the sale of RAC Limited in September 2011 and the FPPS, which was acquired as part of the Friends Life acquisition in 2015. As the defined benefit sections of the UK schemes are now closed to both new members and future accrual, existing deferred members in active service and new entrants participate in the defined contribution section of the ASPS. The UK schemes operate within the UK pensions' regulatory framework.

(ii) Other schemes
In Ireland, the Group operates two main pension schemes, the Aviva Ireland Staff Pension Fund (AISPF) and the Friends First Group Retirement and Death Benefits Scheme (FFPS) which was acquired as part of the Friends First acquisition in June 2018. Future accruals for the AISPF and FFPS schemes ceased with effect from 30 April 2013 and 1 April 2014 respectively. The Irish schemes are regulated by the Pensions Authority in Ireland.

The Canadian defined benefit pension plan ceased accruals with effect from 31 December 2011. The Canadian pension plan currently in force is a Defined Contribution Pension Plan that is subject to the Pensions Benefits Act (Ontario), Income Tax Act (Canada), and oversight of the Financial Services Regulatory Authority of Ontario.

(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.

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(i) Movements in the scheme surpluses and deficits

Movements in the pension schemes' surpluses and deficits comprise:

	2023 Fair value of scheme assets £m	2023 Present value of defined benefit obligation £m	2023 IAS 19 Pensions net surplus/ (deficits) £m	2022 Fair value of scheme assets £m	2022 Present value of defined benefit obligation £m	2022 IAS 19 Pensions net surplus/ (deficits) £m
Net IAS 19 surplus in the schemes at 1 January	11,763	(10,931)	832	19,337	(17,068)	2,269
Administrative expenses	—	(22)	(22)	—	(20)	(20)
Total pension cost charged to net operating expenses	—	(22)	(22)	—	(20)	(20)
Net interest credited/(charged) to investment income/(finance costs)[1]	544	(505)	39	352	(310)	42
Total recognised in income statement	544	(527)	17	352	(330)	22
Actual return on these assets	316	—	316	(7,125)	—	(7,125)
Less: Interest income on scheme assets	(544)	—	(544)	(352)	—	(352)
Return on scheme assets excluding amounts in interest income	(228)	—	(228)	(7,477)	—	(7,477)
(Losses) / gains from change in financial assumptions	—	(333)	(333)	—	5,724	5,724
Gains from change in demographic assumptions	—	104	104	—	540	540
Experience losses	—	(38)	(38)	—	(329)	(329)
Total recognised in other comprehensive income	(228)	(267)	(495)	(7,477)	5,935	(1,542)
Employer contributions	53	—	53	89	—	89
Plan participant contributions	2	(2)	—	2	(2)	—
Benefits paid	(546)	546	—	(572)	572	—
Administrative expenses paid from scheme assets	(22)	22	—	(20)	20	—
Foreign exchange rate movements	(20)	20	—	52	(58)	(6)
Net IAS 19 surplus in the schemes at 31 December	**11,546**	**(11,139)**	**407**	11,763	(10,931)	832

1. Net interest income of £64 million (2022: £62 million) has been credited to investment income and net interest expense of £25 million (2022: £20 million) has been charged to finance costs (see note 9).

The present value of unfunded post-retirement benefit obligations included in the table above is £85 million at 31 December 2023 (2022: £88 million).

Remeasurement loss of £495 million (2022: loss of £1,542 million) recorded in the statement of comprehensive income for the period are largely driven by:

- During the period the ASPS completed two further bulk annuity buy-in transactions with Aviva Life & Pensions UK Limited, a Group Company. Due to different measurement bases applying for accounting purposes, the premium paid by the scheme exceeded the valuation of the scheme asset recognised. In the table above, this has been recognised as a loss in the actual return on assets (see note 57 for further information). The scheme assets recognised are transferable and so have not been subject to consolidation within the Group's financial statements.
- Economic movements, including movements in interest rates and in spreads on government and corporate bonds, and movements impacting other assets. This has resulted in an increase in the valuation of the defined benefit obligation (DBO) not fully offset by the increase in the fair value of fixed income securities and other assets.
- The losses were partially offset by actuarial gains relating to updated demographic assumptions (including longevity).

(ii) Scheme assets

Scheme assets are stated at their fair values at 31 December. Total scheme assets are comprised by country as follows:

	2023 UK £m	2023 Ireland £m	2023 Canada £m	2023 Total £m	2022 UK £m	2022 Ireland £m	2022 Canada £m	2022 Total £m
Bonds	7,804	545	—	8,349	7,969	530	63	8,562
Equities	—	18	—	18	—	18	—	18
Property	14	—	—	14	74	—	—	74
Pooled investment vehicles	2,093	253	185	2,531	1,710	273	132	2,115
Derivatives	3	52	—	55	(158)	56	—	(102)
Insurance policies	3,992	—	—	3,992	3,423	—	—	3,423
Repurchase agreements	(2,436)	(203)	—	(2,639)	(646)	(191)	—	(837)
Cash and other[1]	(361)	13	5	(343)	(1,063)	3	2	(1,058)
Total fair value of scheme assets	11,109	678	190	11,977	11,309	689	197	12,195
Less: consolidation elimination for non-transferable Group insurance policy[2]	(431)	—	—	(431)	(432)	—	—	(432)
Total IAS 19 fair value of scheme assets	**10,678**	**678**	**190**	**11,546**	10,877	689	197	11,763

1. Cash and other assets comprise cash at bank, receivables, payables, and longevity swaps.
2. As at 31 December 2023, the FPPS asset includes an insurance policy of £431 million (2022: £432 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 £3,561 million as at 31 December 2023 (2022: £2,991 million) included in the ASPS assets are transferable and so are not subject to consolidation.

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Total scheme assets are analysed by those that have a quoted market price in an active market and other as follows:

	2023 Quoted in an active market £m	2023 Other £m	2023 Total £m	2022 Quoted in an active market £m	2022 Other £m	2022 Total £m
Bonds	**6,889**	**1,460**	**8,349**	7,078	1,484	8,562
Equities	**18**	**—**	**18**	18	—	18
Property	**—**	**14**	**14**	—	74	74
Pooled investment vehicles	**38**	**2,493**	**2,531**	31	2,084	2,115
Derivatives	**34**	**21**	**55**	64	(166)	(102)
Insurance policies	**—**	**3,992**	**3,992**	—	3,423	3,423
Repurchase agreements	**—**	**(2,639)**	**(2,639)**	—	(837)	(837)
Cash and other[1]	**489**	**(832)**	**(343)**	(717)	(341)	(1,058)
Total fair value of scheme assets	**7,468**	**4,509**	**11,977**	6,474	5,721	12,195
Less: consolidation elimination for non-transferable Group insurance policy[2]		**(431)**	**(431)**	—	(432)	(432)
Total IAS 19 fair value of scheme assets	**7,468**	**4,078**	**11,546**	6,474	5,289	11,763

1. Cash and other assets comprise cash at bank, receivables, payables, and longevity swaps.
2. As at 31 December 2023, the FPPS asset includes an insurance policy of £431 million (2022: £432 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 £3,561 million as at 31 December 2023 (2022: £2,991 million) included in the ASPS assets are transferable and so are not subject to consolidation.

IAS 19 plan assets include investments in Group-managed funds of £1,124 million (2022: £1,468 million) and transferable insurance policies with other Group companies of £3,561 million (2022: £2,991 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 2023.

The projected unit credit method

The inherent uncertainties affecting the measurement of scheme liabilities require these to be measured on an actuarial basis. This involves discounting the best estimate of future cash flows to be paid out by the scheme using the projected unit credit method. This is an accrued benefits valuation method which calculates the past service liability to members and makes allowance for their projected future earnings. It is based on a number of actuarial assumptions, which vary according to the economic conditions of the countries in which the relevant businesses are situated, and changes in these assumptions can materially affect the measurement of the pension obligations.

Financial assumptions

The main financial assumptions used to calculate scheme liabilities under IAS 19 are:

	2023 UK	2023 Ireland	2023 Canada	2022 UK	2022 Ireland	2022 Canada
Inflation rate[1]	**3.1 %**	**2.1 %**	**2.75 %**	3.5 %	2.6 %	2.75 %
General salary increases[2]	**5.2 %**	**3.6 %**	**3.25 %**	5.3 %	4.1 %	3.25 %
Pension increases[3]	**3.2 %**	**0.6 %/0.7 %**	**— %**	3.6 %	0.8 %	— %
Deferred pension increases[3]	**2.6 %**	**2.1 %**	**— %**	3.6 %	2.3 %	— %
Discount rate[4, 5]	**4.49 %/4.50 %/ 4.51 % (non-insured members)**	**3.15 %/3.10 %**	**4.62 %**	4.81 %/4.80 %/ 4.78 % (non-insured members)	3.65 %/3.60 %	5.05 %
	4.51 %/4.48 % (insured members)			4.79 %/4.82 % (insured members)		
Basis of discount rate		**AA-rated corporate bonds**			AA-rated corporate bonds	

1. For the UK schemes relevant RPI/CPI swap curves are used in the calculation of the DBO; the rate shown is the equivalent single RPI rate for ASPS. In 2023, CPI is derived as RPI less 100 bps pre 2030 and RPI less 0bps post 2030 (2022: RPI less 100 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 inflation volatility with full curves used in the calculation of the DBO. The rates shown are the single equivalent rates for the biggest groups of pensions in payment and deferment respectively in the ASPS. The rates shown for 2022 included allowance for the impact of known inflation experience that fell within the reference period for pension and deferred pension increases due in 2023. The rates shown for 2023 exclude this known experience - the single equivalent increases at 2022 using a consistent methodology to derive the rates would have been 3.4% for pension increases in payment and 3.1% for increases in deferment.
4. To calculate scheme liabilities in the UK, a discount rate of 4.49 % is used for ASPS, 4.50 % for RAC and 4.51 % for FPPS members not included in annuity policies held by the scheme. A discount rate of 4.51 % is used for ASPS members and 4.48% for FPPS members included in annuity policies held by the schemes. The different rates reflect the differences in the duration of the liabilities between the schemes.
5. For the Irish schemes, a discount rate of 3.15 % and 3.10 % is used for AISPF and FFPS respectively, reflecting the differences in the duration of the liabilities between the two schemes.

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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 2023 for scheme members are as follows:

		Normal retirement age (NRA)	Life expectancy/(pension duration) at NRA of a male		Life expectancy/(pension duration) at NRA of a female	
			Currently aged NRA	20 years younger than NRA	Currently aged NRA	20 years younger than NRA
UK						
ASPS	SAPS tables as a proxy for Club Vita pooled experience, including an allowance for future improvements	60	87.8	89.2	89.4	91.3
			(27.8)	(29.2)	(29.4)	(31.3)
RAC	SAPS, including allowances for future improvement	65	86.7	88.4	88.8	90.5
			(21.7)	(23.4)	(23.8)	(25.5)
FPPS	SAPS, including allowances for future improvement	60	87.6	89.5	90.0	91.7
			(27.6)	(29.5)	(30.0)	(31.7)
Ireland						
AISPF	89% PNA00 with allowance for future improvements	61	88.9	90.6	91.7	93.3
			(27.9)	(29.6)	(30.7)	(32.3)
FFPS	88%/91% ILT15 with allowance for future improvements	65	89.0	90.5	91.6	93.2
			(24.0)	(25.5)	(26.6)	(28.2)
Canada	Canadian Pensioners' Mortality 2014 Private Table, including allowance for future improvements	65	87.3	88.8	89.8	91.1
			(22.3)	(23.8)	(24.8)	(26.1)

The assumptions above are based on commonly used mortality tables. The tables make allowance for observed variations in such factors as age, gender, pension amount, salary and postcode-based lifestyle group, and have been adjusted to reflect recent research into mortality experience. However, the extent of future improvements in longevity is subject to considerable uncertainty and judgement is required in setting this assumption. For the ASPS, which is the most material scheme to the Group, the allowance for mortality improvement is per the actuarial profession's CMI_2022 (S=7.25) Advanced with adjustments model (2022: CMI_2021 (S=7.25) Advanced with adjustments) with zero weight on 2022 data within the model. Instead of placing weight on 2022 data within the CMI improvements model, a separate adjustment is made to reflect the impact that the drivers of excess mortality in 2022 and 2023 are expected to have in future years. There is a long-term improvement rate of 1.50% for both males and females (2022: 1.50% for both males and females). The CMI_2022 tables have been adjusted to allow for greater mortality improvements in the annuitant population relative to the general population on which CMI_2022 is based, using a parameter of 0.15% for males and 0.20% for females, tapering to zero between ages 90 and 110 (for 2022 the same approach was taken with respect to CMI_2021). Long-term improvement rates are set to taper to zero between ages 85 and 110 (2022: long-term improvement rates taper to zero between ages 85 and 110).

Illustrative sensitivity analysis

Significant actuarial assumptions for the determination of the defined benefit obligation are discount rate, inflation rate and mortality. Movements in the defined benefit obligation are mitigated by the impact on the assets from economic movements including interest rates and price inflation, as well as the longevity sensitivity impact due to the insurance policy and longevity swap assets held by the UK pension schemes. The sensitivity analysis below has been determined by changing the respective assumptions while holding all other assumptions constant.

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The following table illustrates how the IAS 19 surplus would have increased/(decreased) as a result of changes in interest rates, price inflation and mortality:

	2023					2022				
	Increase in interest rates +1% £m	Decrease in interest rates -1% £m	Increase in inflation rate +1% £m	Decrease in inflation rate -1% £m	1 year younger[1] £m	Increase in interest rates +1% £m	Decrease in interest rates -1% £m	Increase in inflation rate +1% £m	Decrease in inflation rate -1% £m	1 year younger[1] £m
Impact on present value of defined benefit obligation	**1,301**	**(1,612)**	**(1,189)**	**977**	**(314)**	1,299	(1,613)	(1,078)	872	(308)
Impact on fair value of scheme assets	**(1,448)**	**1,828**	**1,255**	**(1,086)**	**312**	(1,573)	1,995	1,316	(1,133)	293
Impact on IAS 19 surplus	**(147)**	**216**	**66**	**(109)**	**(2)**	(274)	382	238	(261)	(15)

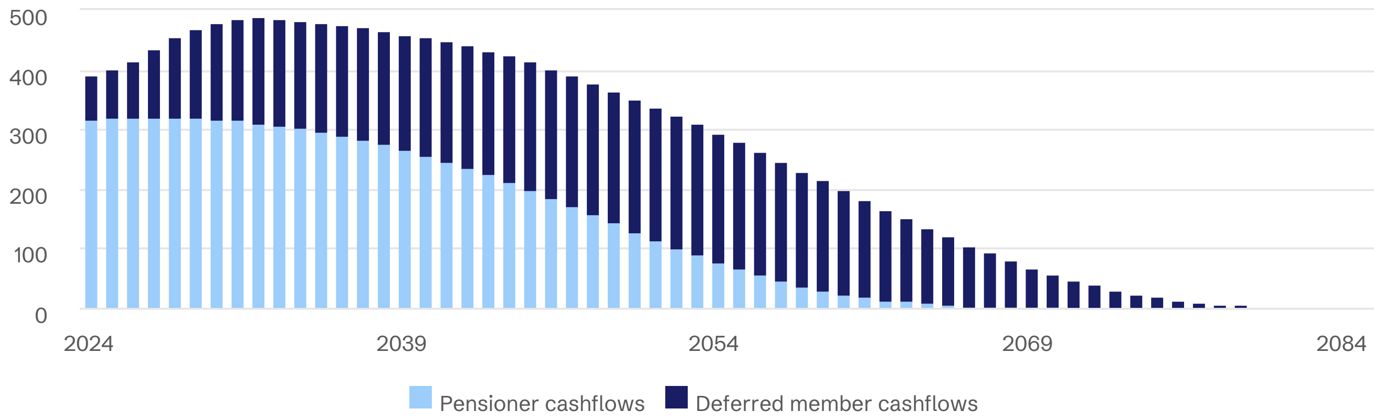
1. The effect of assuming all members in the schemes were one year younger.

It is unlikely that the changes in assumptions would occur in isolation of one another as some of the assumptions may be correlated. It should also be noted that these sensitivities are non-linear, and larger or smaller impacts should not be interpolated or extrapolated from these results.

Maturity profile of the defined benefit obligation
The discounted scheme liabilities have an average duration of 13 years (2022: 13 years) in ASPS, 15 years (2022: 15 years) in FPPS, 13 years (2022: 14 years) in the RAC scheme, 15 years (2022: 15 years) in AISPF, 22 years (2022: 23 years) in FFPS and 9 years (2022: 9 years) in the Canadian scheme.

The expected undiscounted benefits payable from the main UK defined benefit scheme, ASPS, is shown in the chart below:

Undiscounted benefit payments (£m)



(iv) Risk management and asset allocation strategy
The investment objectives of the trustees and the employers are to limit the risk of the assets failing to meet the liabilities of the schemes over the long-term, and to maximise returns consistent with an acceptable level of risk so as to control the long-term costs of these schemes. To meet these objectives, the schemes' assets are invested in a portfolio, consisting primarily of debt securities as detailed in section (b)(ii). The investment strategy continues to evolve over time and is expected to match the liability profile closely with swap overlays to improve interest rate and inflation matching. The schemes are generally matched to interest rate and inflation 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 and property risk has been reducing over time and credit risk is managed within risk appetite. Currency risk is relatively small and is largely hedged. The other principal risk is longevity risk. This risk has reduced due to the ASPS entering into a longevity swap in 2014 covering approximately £3.5 billion of pensioner in payment scheme liabilities.

Since October 2019 the ASPS has completed multiple bulk annuity buy-in transactions with Aviva Life & Pensions UK Limited, a Group Company. These transactions have covered approximately £3.4 billion of liabilities related to deferred pensioners and current pensioners, removing the investment and longevity risk for these members from the scheme.

Other schemes
The other schemes are considerably less material but their risks are managed in a similar way to those in the main UK scheme. In 2015, the RAC pension scheme entered into a longevity swap covering approximately £0.4 billion of pensioner in payment scheme liabilities.

Notes to the consolidated financial statements

(v) Funding
Formal actuarial valuations normally take place every three years and where there is a deficit, the Group and the trustees would agree a deficit recovery plan. The assumptions adopted for triennial actuarial valuations are determined by the trustees and agreed with the Group and are normally more prudent than the assumptions adopted for IAS 19 purposes, which are best estimate.

For the ASPS, the latest formal actuarial valuation was completed with an effective date of 31 March 2021 and showed that the ASPS was fully funded on its technical provisions basis consistent with the requirements of the UK pension regulations.

Contributions of around £60 million are expected to be paid during 2024. This includes cash settlements from the non-transferable annuity policy, as well as deficit reduction contributions to the FPPS, AISPF and Canadian scheme.

(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:

	Note	2023 £m	2022 £m
UK defined benefit schemes		26	22
Overseas defined benefit schemes		1	1
Total defined benefit schemes	11(b)	27	23
UK defined contribution schemes		171	152
Overseas defined contribution schemes		19	20
Total defined contribution schemes	11(b)	190	172
Total charge for pension schemes		**217**	**195**

There were no significant contributions payable or prepaid in the consolidated statement of financial position as at either 31 December 2023 or 2022.

47 – 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:

	Note	2023 £m	2022 £m
Core structural borrowings at amortised cost	47(b)	5,174	5,469
Operational borrowings at amortised cost		259	195
Operational borrowings designated at fair value		941	1,091
Operational borrowings	47(c)	1,200	1,286
Total borrowings		**6,374**	**6,755**

Notes to the consolidated financial statements

(b) Core structural borrowings

(i) Carrying amount

The carrying amounts of these borrowings are:

	2023 £m	2022 £m
6.125% £700 million subordinated notes 2036	**697**	697
6.875% £600 million subordinated notes 2058	**595**	595
6.125% €650 million subordinated notes 2043	**—**	267
3.875% €700 million subordinated notes 2044	**607**	619
5.125% £400 million subordinated notes 2050	**397**	396
3.375% €900 million subordinated notes 2045	**778**	793
4.375% £400 million subordinated notes 2049	**396**	396
4.000% £500 million subordinated notes 2055	**494**	493
4.000% $CAD450 million subordinated notes 2030	**265**	274
6.875% £500 million subordinated notes 2053	**493**	—
Subordinated debt	**4,722**	4,530
0.625% €500 million senior notes 2023	**—**	278
1.875% €750 million senior notes 2027	**401**	409
Senior notes	**401**	687
Commercial paper	**51**	252
Total core structural borrowings	**5,174**	5,469

On 5 July 2023 the Group redeemed its 6.125% €301 million Dated Tier 2 Reset Notes in full at their optional first call date. This was the remaining part of the Group's 6.125% €650 million notes that were partially redeemed on 16 March 2021.

On 27 October 2023 the Group redeemed its 0.625% €315 million Senior Notes in full at their maturity date. This was the remaining part of the Group's 0.625% €500 million notes that were partially redeemed on 16 March 2021.

On 27 November 2023 the Group issued £500 million of subordinated debt at 6.875%, with final maturity in November 2053 and first call in May 2033.

The outstanding commercial paper balance was reduced to £51 million (2022: £252 million) during 2023.

All borrowings are stated at amortised cost, with the exception of commercial paper.

(ii) Contractual undiscounted cash flows

The contractual maturity dates of undiscounted cash flows for these borrowings are:

			2023			2022
	Principal £m	Interest £m	Total £m	Principal £m	Interest £m	Total £m
Within one year	**51**	**245**	**296**	531	229	760
1 to 5 years	**402**	**972**	**1,374**	411	912	1,323
5 to 10 years	**267**	**1,151**	**1,418**	275	1,077	1,352
10 to 15 years	**700**	**1,041**	**1,741**	700	999	1,699
Over 15 years	**3,787**	**2,376**	**6,163**	3,583	2,111	5,694
Total contractual undiscounted cash flows	**5,207**	**5,785**	**10,992**	5,500	5,328	10,828

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.

Contractual undiscounted interest payments are calculated based on underlying fixed interest rates or prevailing market floating rates as applicable. Year-end exchange rates have been used for interest projections on loans in foreign currencies.

(c) Operational borrowings

(i) The carrying amounts of these borrowings are:

	Note	2023 £m	2022 £m
Amounts owed to financial institutions			
Loans		**259**	195
Securitised mortgage loan notes			
UK lifetime mortgage business	26(b)	**941**	1,091
Total operational borrowings		**1,200**	1,286

Loans owed to financial institutions are stated at amortised cost and loan notes issued in connection with the IWR lifetime mortgage business are stated at fair value. The Group designates these loan notes at FVTPL to eliminate an accounting mismatch, as the relevant mortgages and derivatives are managed as a portfolio on a fair value basis.

Notes to the consolidated financial statements

The Group elects to present the change in fair value attributable to a change in the credit risk of the loan notes in the income statement and the impacts are presented in note 24.

The fair values of the loan notes are modelled on risk-adjusted cash flows for defaults discounted at a risk-free rate plus a market-determined liquidity premium, and are therefore classified as 'Level 3' in the fair value hierarchy. The risk allowances are consistent with those used in the fair value asset methodology, as described in note 24.

The securitised mortgage loan notes are at various fixed, floating and index-linked rates. Further details about these notes are given in note 26.

(ii) The contractual maturity dates of undiscounted cash flows for these borrowings are:

			2023			2022
	Principal £m	Interest £m	Total £m	Principal £m	Interest £m	Total £m
Within one year	**331**	**42**	**373**	260	60	320
1 to 5 years	**314**	**138**	**452**	306	194	500
5 to 10 years	**350**	**133**	**483**	370	197	567
10 to 15 years	**125**	**66**	**191**	145	151	296
Over 15 years	**20**	**19**	**39**	29	43	72
Total contractual undiscounted cash flows	**1,140**	**398**	**1,538**	1,110	645	1,755

The carrying value of the loan notes issued in connection with IWR lifetime mortgages is £345 million lower (2022: £331 million lower) than the anticipated payment at maturity. The payment mirrors the repayment of the lifetime mortgages and based on the current modelling assumptions.

Contractual undiscounted interest payments are calculated based on underlying fixed interest rates or prevailing market floating rates as applicable. Year-end exchange rates have been used for interest projections on loans in foreign currencies.

(d) Description and features

(i) Subordinated debt
A description of each of the subordinated notes is set out in the table below:

Notional amount	Issue date	Redemption date	Callable at par at option of the Company from	In the event the Company does not call the notes, the coupon will reset at each applicable reset date to
£700 million	14 Nov 2001	14 Nov 2036	16 Nov 2026	5 year Benchmark Gilt + 2.85%
£600 million	20 May 2008	20 May 2058	20 May 2038	Daily Compounded SONIA + 0.1193% + 3.26%
€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 June 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	5 year Benchmark Gilt Rate + 4.70%
$CAD450 million	2 October 2020	2 October 2030	N/A	N/A
£500 million	27 November 2023	27 November 2053	27 May 2033	5 year Benchmark Gilt Rate + 3.85%

Subordinated notes issued by the Company rank below its senior obligations and ahead of its preference shares and ordinary share capital. The fair value of notes at 31 December 2023 was £4,658 million (2022: £4,314 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 2023 was £395 million (2022: £646 million).

(iii) Commercial paper
The commercial paper consists of £51 million issued by the Company (2022: £252 million) and is considered core structural funding. The fair value of the commercial paper is considered to be the same as its carrying value and all issuances are repayable within one year.

(iv) Loans
Loans owed to financial institutions comprise:

	2023 £m	2022 £m
Loans to property partnerships	**207**	143
Other non-recourse loans	**52**	52
Total non-recourse loans owed to financial institutions	**259**	195

Notes to the consolidated financial statements

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 £207 million (2022: £143 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 IWR 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 December2023 was £52 million (2022: £52 million).

(v) Securitised mortgage loan notes
Loan notes have been issued by special purpose securitisation companies in the UK. Details are given in note 26.

(e) Movements during the year
Movements in borrowings during the year were:

	2023			2022		
	Core Structural £m	Operational £m	Total £m	Core Structural £m	Operational £m	Total £m
At 1 January	**5,469**	**1,286**	**6,755**	6,133	1,211	7,344
New borrowings drawn down, excluding commercial paper, net of expenses	**493**	**71**	**564**	—	122	122
Repayment of borrowings, excluding commercial paper	**(531)**	**(84)**	**(615)**	(1,002)	(204)	(1,206)
Movement in commercial paper[1]	**(189)**	**—**	**(189)**	189	—	189
Net cash (outflow)/inflow	**(227)**	**(13)**	**(240)**	(813)	(82)	(895)
Borrowings acquired in business combinations[2]	**—**	**—**	**—**	—	139	139
Foreign exchange rate movements	**(72)**	**(2)**	**(74)**	150	2	152
Fair value movements	**—**	**(74)**	**(74)**	—	16	16
Amortisation of discounts and other non-cash items	**4**	**3**	**7**	(1)	—	(1)
At 31 December	**5,174**	**1,200**	**6,374**	5,469	1,286	6,755

1. Gross issuances of commercial paper were £377 million (2022: £537 million), offset by repayments of £566 million (2022: £348 million)
2. Borrowings acquired in business combinations relate to the acquisition of Succession Wealth on 11 August 2022. The borrowings were repaid immediately, with the repayment included in the £204 million repayment of operational borrowings shown above.

All movements in fair value in 2023 and 2022 on securitised mortgage loan notes designated as fair value through profit or loss were attributable to changes in market conditions.

(f) Undrawn borrowings
The Group has the following undrawn committed central borrowing facilities available to them, which are used to support the commercial paper programme:

	2023 £m	2022 £m
Expiring within one year	**—**	—
Expiring beyond one year	**1,700**	1,700
Total undrawn borrowings	**1,700**	1,700

48 - Payables and other financial liabilities

This note analyses our payables and other financial liabilities at the end of the year.

	Note	2023 £m	Restated[1] 2022 £m
Payables arising out of direct insurance		**987**	976
Payables arising out of reinsurance operations		**56**	17
Deposits and advances received from reinsurers		**3**	3
Bank customer accounts liability		**2**	2
Bank overdrafts[2]	53(c)	**621**	929
Derivative liabilities	55	**7,426**	9,541
Amounts due to brokers for investment purchases		**912**	539
Obligations for repayment of cash collateral received		**1,435**	1,991
Lease liabilities	23	**372**	386
Other financial liabilities		**1,856**	1,367
Total payables and other financial liabilities		**13,670**	15,751
Expected to be settled within one year		**7,142**	11,771
Expected to be settled in more than one year		**6,528**	3,980
Total payables and other financial liabilities		**13,670**	15,751

Notes to the consolidated financial statements

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.

49 – Other liabilities

This note analyses our other liabilities at the end of the year.

	2023 £m	2022 £m
Deferred income	**78**	68
Accruals	**820**	816
Interest payable	**1,246**	877
Other liabilities	**1,145**	806
Total other liabilities	**3,289**	2,567
Expected to be settled within one year	**3,062**	2,311
Expected to be settled in more than one year	**227**	256
Total other liabilities	**3,289**	2,567

50 – 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 40 gives details of the estimation techniques used by the Group to determine the non-life business liability for incurred claims provisions and of the methodology and assumptions used in determining the long-term business provisions. These approaches are designed to produce a best estimate of the cost of settling liabilities, with a risk adjustment reflecting the uncertainty associated with these liabilities. The actual cost of settling these liabilities may differ, for example because experience may be worse than that assumed, or future non-life business claims inflation may differ from that expected, and hence there is uncertainty in respect of these liabilities.

Business Interruption

There continues to be a significant degree of uncertainty in relation to business interruption claims arising from COVID-19 and on-going test case litigation. On 17 October 2022, the High Court handed down its judgment on the preliminary issues trial of Stonegate Pub Co Ltd vs MS Amlin Corp Member Ltd (and others) and related cases. Aviva was not a party to the cases but is affected by the final outcome of these cases. The High Court ruled in favour of the parties on different issues, and all parties initially appealed the majority of the preliminary decisions made by Justice Butcher. Whilst the Greggs and Stonegate actions settled after the appeals on confidential terms the Court of Appeal heard the remaining Various Eateries v Allianz appeals and on 16 January 2024 handed down judgment dismissing both parties appeals. As a result the decisions of the High Court by Justice Butcher stand.

In Canada, we are party to a number of litigation proceedings challenging coverage under certain policies; however, we believe we have a strong argument that there is no pandemic coverage under these policies. In the opinion of management, adequate provisions have been established for such claims based on information available at the reporting date. The Group purchases reinsurance protection on its property portfolio that includes coverage for business interruption and is collecting or seeking reinsurance recoveries of business interruption losses that are covered by reinsurance.

For further information on our general insurance risk management see note 54(f).

(b) Asbestos, pollution and social environmental hazards

In the course of conducting insurance business, various companies within the Group receive general insurance liability claims, and become involved in actual or threatened related litigation arising therefrom, including claims in respect of pollution and other environmental hazards. Amongst these are claims in respect of asbestos production and handling in the UK, Ireland and Canada. Given the significant delays that are experienced in the notification of these claims, the potential number of incidents they cover and the uncertainties associated with establishing liability, the ultimate cost cannot be determined with certainty. However, on the basis of current information having regard to the level of provisions made for general insurance claims and substantial reinsurance cover now in place, the directors consider that any additional costs arising are not likely to have a material impact on the financial position of the Group.

(c) Guarantees on long-term savings products

As a normal part of their operating activities, various Group companies have given guarantees and options, including interest rate guarantees, in respect of certain long-term insurance and investment products. Note 42 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.

Notes to the consolidated financial statements

(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 £537 million as at 31 December 2023 (2022: £641 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 2023, 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.

51 – Commitments

This note gives details of our commitments to capital expenditure. See note 23 for further information on lease commitments.

Contractual commitments for acquisitions or capital expenditures of infrastructure loans, equity funds, investment property and property and equipment, which have not been recognised in the financial statements, are as follows:

	2023 £m	2022 £m
Infrastructure loan advances	**104**	384
Investment property	**191**	361
Property and equipment	**—**	70
Other investment vehicles[1]	**193**	246
Total commitments	**488**	1,061

1. Represents commitments for further investment in certain private equity vehicles. Such commitments do not expose the Group to the risk of future losses in excess of its investment.

Notes 19 and 20 set out the commitments the Group has to its joint ventures and associates.

52 – 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.

Notes to the consolidated financial statements

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 made to the regulatory Solvency II own funds:
- The contribution to the Group's SCR and own funds of the most material fully ring fenced with-profits funds of £1,408 million at 31 December 2023 (2022: £1,369 million) and staff pension schemes in surplus of £397 million at 31 December 2023 (2022: £394 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 2023 Solvency II 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 is required. The 31 December 2022 Solvency II position includes a notional reset.

	2023 £m	2022 £m
Estimated Solvency II regulatory own funds as at 31 December	**18,824**	18,668
Adjustments for:		
Fully ring-fenced with-profits funds	**(1,408)**	(1,369)
Staff pension schemes in surplus	**(397)**	(394)
Notional reset of TMTP	**—**	(437)
Estimated Solvency II shareholder own funds at 31 December	**17,019**	16,468

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 £0.3 billion of Tier 2 subordinated debt and issued £0.5 billion of of Tier 2 subordinated debt (see note 47).

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 2023. All regulated subsidiaries complied with their capital requirements throughout the year.

Further information on the Group's Solvency II position, shareholder view, including a reconciliation between IFRS equity and own funds can be found in the Other information section. This information is estimated and is therefore subject to change. It is also unaudited.

(b) Risks and capital management objectives

The primary objective of capital management is to maintain an efficient capital structure, in a manner consistent with our risk profile and the regulatory and market requirements of our business. Capital is a primary consideration across a wide range of business activities, including product development, pricing, business planning, merger and acquisition transactions and asset and liability management. A Capital Management Standard, applicable Group-wide, sets out minimum standards and guidelines over responsibility for capital management including considerations for capital management decisions and requirements for management information, capital monitoring, reporting, forecasting, planning and overall governance.

The Group manages capital in conjunction with solvency capital requirements and in line with the dividend policy and capital framework.
- We aim to deliver sustainable dividends at a level that is resilient in times of stress and is covered by the capital and cash generated from our businesses;
- At the core of our capital framework is financial strength in accordance with risk appetite and efficient deployment of capital. See note 54 for more information about the Group's risk management approach;
- Key elements of our capital framework are as follows:
  - Solvency II shareholder cover ratio working range of 160%-180%
  - Centre liquid assets of at least £1 billion
  - Solvency II debt leverage ratio below 30%
  - To maintain our AA credit rating metrics;
- After the payment of our regular dividend, surplus capital is available for investment in the business to support growth and top quartile efficiency objectives, focussed bolt-on M&A where this delivers attractive risk adjusted returns and the opportunity is in line with our strategy, and any additional returns to shareholders releasing excess capital over time;

Notes to the consolidated financial statements

- The Group seeks to retain financial flexibility by maintaining strong liquidity, access to a range of capital markets and significant unutilised committed credit lines; and
- Our businesses are capitalised based on their regulatory minimum levels with further prudent volatility buffers specific to each entity. Subsidiary capital appetites and working ranges are reviewed regularly by subsidiary boards.

Intra-group capital arrangements
Consistent with our capital management framework, the Group has in place intra-group arrangements to provide additional capital support to its regulated subsidiaries. In the normal course of business, the Group will provide additional capital support to its regulated subsidiaries in certain circumstances. While the Group considers it unlikely that such support will be required, the arrangements are intended to provide additional comfort to its regulated subsidiaries and its policyholders.

53 – Statement of cash flows

This note gives further detail behind the figures in the statement of cash flows.

(a) The reconciliation of profit/(loss) before tax to the net cash inflow from operating activities is:

	2023 '£m	Restated[1] 2022 £m
Profit/(loss) before tax	**1,690**	(2,239)
Adjustments for:		
Share of loss/(profit) of joint ventures and associates	**71**	(8)
Dividends received from joint ventures and associates	**81**	47
(Profit)/loss on sale of:		
Investment property	**10**	8
Investments	**(3,374)**	(1,909)
Fair value (gains)/losses on:		
Investment property	**301**	1,150
Investments	**(8,852)**	48,667
Borrowings	**(74)**	16
Depreciation of property and equipment	**67**	57
Equity compensation plans, equity settled expense	**61**	58
Impairment and expensing of:	**3**	(73)
Goodwill on subsidiaries	**—**	(77)
Financial investments, loans and other assets	**3**	—
Acquired value of in-force business and intangibles	**—**	4
Amortisation of:	**489**	537
Premium/discount on fixed maturity securities	**306**	328
Premium/discount on borrowings	**6**	(1)
Premium/discount on non-participating investment contracts	**59**	68
Acquired value of in-force business and intangibles	**118**	142
Interest expense on borrowings	**335**	450
Net finance income on pension schemes	**(39)**	(42)
Foreign currency exchange gains	**(50)**	(778)
(Increase)/decrease in reinsurance assets	**(424)**	1,338
Decrease in deferred acquisition costs	**70**	49
Increase/(decrease) in insurance liabilities and investment contracts	**22,222**	(36,754)
Increase in other assets[2]	**(854)**	(5,948)
Changes in working capital	**21,014**	(41,315)
Net purchases of investment property	**(1,016)**	(434)
Net proceeds on sale of investment property	**317**	408
Net (purchase)/sales of financial investments	**(13,698)**	11,493
Net purchases of operating assets	**(14,397)**	11,467
Total cash generated (used in)/from operating activities	**(2,664)**	16,093

1. The 2022 comparative results have been restated from those previously published to reflect the differences in measurement of insurance contracts and profit/(loss) before tax following the adoption of IFRS 17, as described in note 1(a). There is no change in total cash generated from operating activities.
2. In 2022, increase in other assets excludes £60 million for costs relating to internally generated intangible assets under development which are presented within net cash flows (used in)/from investing activities.

The cash flows presented in this statement cover all the Group's activities and include flows from both policyholder and shareholder activities. Operating cash flows reflect the movement in both policyholder and shareholder controlled cash and cash equivalent balances.

Notes to the consolidated financial statements

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.

Liabilities arising from financing activities of £7,242 million (2022: £7,637 million) include borrowings (note 47), Tier 1 notes (Note 36) and lease liabilities (Note 23). Cash flows of £(302) million (2022: £(462) million) are presented in the Statement of Cash Flows. Non-cash changes of £(93) million (2022: £144 million) relate primarily to foreign currency exchange gains of £(76) million (2022: £152 million losses) and fair value gains of £(74) million (2022: £16 million losses). The increase in liabilities due to the acquisition of a subsidiary was £nil (2022: £139 million).

(b) Cash flows in respect of the acquisition of, and additions to, subsidiaries, joint ventures and associates comprised:

	2023 '£m	2022 '£m
Cash consideration for subsidiaries, joint ventures and associates acquired and additions[1]	—	(275)
Total cash flow on acquisitions and additions	**—**	(275)

1. In 2022, cash consideration for subsidiaries, joint ventures and associates acquired and additions relates to the acquisition of Succession Wealth and Aviva Life Insurance Company India Limited.

The above figures form part of cash flows from investing activities.

(c) Cash and cash equivalents in the statement of cash flows and statement of financial position comprised:

	Note	2023 '£m	2022 '£m
Cash at bank and in hand		**6,138**	5,371
Cash equivalents		**11,135**	17,134
Cash and cash equivalents per the statement of financial position		**17,273**	22,505
Bank overdrafts	48	**(621)**	(929)
Cash and cash equivalents		**16,652**	21,576

54 – Risk management

Risk management is key to the Group's success. We accept the risks inherent to our core business lines of life, general insurance and health, and asset management. We diversify these risks through our scale, geographic spread, the variety of the products and services we offer and the channels through which we sell them. We receive premiums which we invest to maximise risk-adjusted returns, so that we can fulfil our promises to customers while providing a return to our shareholders. In doing so we have a preference for retaining those risks we believe we are capable of managing to generate a return.

Our sustainability and financial strength are underpinned by an effective risk management process and risk intelligent culture, which helps us identify major risks to which we may be exposed, establish appropriate controls and take mitigating actions for the benefit of our customers and investors. The Group's risk strategy is to invest its available capital to optimise the balance between return and risk while maintaining an appropriate level of economic (i.e. risk-based) and regulatory capital.

The key elements of our risk management framework comprise: our risk strategy and risk management forward plans; risk governance, including risk policies and business standards, risk oversight committees and roles and responsibilities; and the processes we use to identify, measure, manage, monitor and report risks, including the use of our risk models and stress and scenario testing.

Risk Environment

Macroeconomic risk has been elevated throughout 2023. The expectation for 2024 is that global growth is expected to slow. Impacts of interest rate raises have not been fully passed on (e.g. through mortgage refinancing). Analysts continue to comment on the current increased level of gearing present across industries. Affordability remains a concern because of the global economic climate, and will continue to impact all customers, including relatively affluent customers. Customer experience and retention will continue to require close monitoring.

Heightened geo-political tensions continue into 2024, with the likelihood of further global social and economic fragmentation.

We expect continued and heightened regulatory change in 2024 and beyond. In 2023, the Group's UK business implemented the FCA's Consumer Duty for open products and is implementing it for closed products by July 2024. Across the industry, we continue to see significant challenges as firms navigate the implementation across existing business, together with embedding the regulation. The implementation of the FCA's Consumer Duty has maintained a high-level of regulatory scrutiny on the fair value of customer outcomes of products provided by the insurance industry.

The Group continues to maintain strong solvency and liquidity positions through a range of scenarios and stress testing. Our capital and liquidity positions have been tested by recent market conditions and have been shown to be robust and resilient.

Notes to the consolidated financial statements

There has been an increased threat of malware and ransomware attacks across the world. In response we have increased the protection level of anti-malware and cyber incident security controls. We continue to monitor threat intelligence data and update our controls to maintain protection against new and emerging ransomware variants, including controls in respect of our suppliers.

The Group 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 continuing to act to mitigate and manage the impact of climate change on our business. We use scenario analysis as an input to our risk assessment processes to test the resilience of our business strategy and adapt our business to ensure its longevity as an asset manager, asset owner, insurer and pension provider. For example, we calculate a Climate Value at Risk (VaR) against Intergovernmental Panel on Climate Change (IPCC) scenarios to assess the climate-related risks and opportunities under different emission projections and associated temperature pathways. A range of different financial indicators and metrics are used to assess and monitor the impact of climate change on our investments and insurance liabilities. Examples of these include: building the possibility of extreme weather events into our general insurance pricing, reinsurance programme design and monitoring actual weather-related losses versus expected weather losses by business. We originate assets for their climate credentials. We have defined an Investment in Sustainable assets metric, which is implemented with reference to external frameworks and is set out in our climate reporting policies in the Aviva plc Climate-related Financial Disclosure report 2023.

The Group implemented IFRS 17 insurance contracts from 1 January 2023. The adoption of IFRS 17 has significantly impacted the measurement and presentation of the contracts in scope of the standard. IFRS 17 introduces the concept of a contractual service margin (CSM) liability that defers future unearned profit on insurance contracts. The recognition of a CSM for our life businesses has resulted in a material reduction in the reported 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 has no impact on our Solvency II performance metrics or the Group financial targets we have announced. Furthermore, we do not expect IFRS 17 to impact on the dividend policy and dividend guidance.

(a) Risk management framework (RMF)

The Group's Risk management framework is at the heart of every business decision and is key to a robust control environment and the Group's sustainable success. The key components of our RMF are: risk appetite; risk governance, including risk policies and business standards; risk oversight committees and roles and responsibilities; and the processes we use to identify, measure, manage, monitor and report risks, including the use of our risk models and stress and scenario testing. A risk taxonomy is maintained for a consistent approach to risk identification, measurement and reporting, and to determine application of the Group Risk Appetite Framework and the risks for which a Risk Policy is required. The taxonomy is arranged in a hierarchy with more granular risk types grouped into the following principal risk categories: credit and market, liquidity, life insurance, general insurance (including health), operational and strategic risk. Risks falling within these types may affect a number of outcomes including those relating to solvency, liquidity, profit, reputation and conduct.

To promote a consistent and rigorous approach to risk management across all businesses we have a set of risk policies and business standards which set out the risk strategy, appetite, framework, key controls, and minimum requirements for the Group's worldwide operations. The business units' chief executive officers make an annual declaration supported by an opinion from the business units' 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.

A regular top-down key risk identification and assessment process is carried out by the Risk function. This includes the consideration of emerging risks and is supported by deeper thematic reviews. This process is replicated at the business unit level. The risk assessment processes are used to generate risk reports which are shared with the relevant risk committees.

Risk models are an important tool in our measurement of risks and are used to support the monitoring and reporting of the risk profile and in the consideration of the risk management actions available. We carry out a range of stress (where one risk factor, such as equity returns, is assumed to vary) and scenario (where combinations of risk factors are assumed to vary) tests to evaluate their impact on the business and the management actions available to respond to the conditions envisaged. For those risk types managed through the holding of capital, being our principal risk types except for liquidity risk, we measure and monitor our risk profile based on the Solvency Capital Requirement (SCR).

Roles and responsibilities for risk management in Aviva are based around the 'three lines of defence' risk governance model where ownership for risk is taken at all levels in the Group. Line management in the business is accountable for risk ownership and management, including the implementation and embedding of the RMF. The risk function is accountable for quantitative and qualitative oversight and challenge of the risk identification, measurement, monitoring, management and reporting processes and for developing the RMF, as well as providing advisory support to the business on risk innovation. Internal audit provides an independent assessment of the risk management framework and internal control processes.

Notes to the consolidated financial statements

Board oversight of risk and its management across the Group is maintained on a roughly quarterly basis through its Risk Committee. The Board has overall responsibility for determining risk appetite, which is an expression of the risk the business is willing to take.

Three Group-level management committees (Group Executive Risk Committee, Group Asset Liability Committee and the Disclosure Committee) exist to assist members of the Aviva Executive Committee in the discharge of their delegated authorities and their accountabilities within the Aviva Governance Framework and in relation to their defined regulatory responsibilities.

The RMF of a small number of our joint ventures and strategic equity holdings differs from the Group RMF outlined in this note. We work with these entities to understand how their risks are managed and to align them, where possible, with the Group RMF so not to unduly increase the overall risk exposure of the Group.

The types of risks to which the Group is exposed have not changed significantly during the year and remain credit, market, liquidity, life insurance, general insurance and health, asset management and operational risks. These risks are described below.

(b) Credit risk

Credit risk is the risk of financial loss as a result of the default or failure of third parties to meet their payment obligations to the Group, or variations in market values as a result of changes in expectations related to these risks. Credit risk is taken so that the Group can provide the returns required to satisfy policyholder liabilities and to generate returns for our shareholders. In general we prefer to take credit risk over equity and property risks, because of the better expected risk-adjusted return, our credit risk analysis capability and the structural investment advantages conferred to insurers with long-dated, relatively illiquid liabilities.

Our approach to managing credit risk recognises that there is a risk of adverse financial impact resulting from fluctuations in credit quality of third parties including default, rating transition and credit spread movements. Our credit risks arise principally through exposures to debt security investments, structured asset investments, bank deposits, derivative counterparties, mortgage lending and reinsurance counterparties.

The Group manages its credit risk at business unit and Group level. All business units are required to implement credit risk management processes (including limits frameworks), operate specific risk management committees and report and monitor their exposures against detailed pre-established risk criteria. At Group level, we manage and monitor all exposures across our business units on a consolidated basis and operate a Group limit framework that must be adhered to by all.

We did not experience a material increase in credit defaults in 2023, with pro-active management of the credit portfolio in a challenging macroeconomic environment. We continue to monitor closely any deterioration in the credit markets. Our capital position includes an allowance for the expected potential impacts from downgrades and defaults.

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 with ratings 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 and reinsurance contract assets with external credit ratings. 'Not rated' assets capture assets not rated by external ratings agencies.

							2023							Restated[1,2] 2022
	AAA %	AA %	A %	BBB %	Below BBB %	Not rated %	Maximum exposure £m	AAA %	AA %	A %	BBB %	Below BBB %	Not rated %	Maximum exposure £m
Fixed maturity securities[1]	**11.7 %**	**39.0 %**	**24.2 %**	**13.4 %**	**4.7 %**	**7.0 %**	**113,889**	16.2 %	35.1 %	23.6 %	14.7 %	4.6 %	5.8 %	103,776
Reinsurance contract assets[2]	**— %**	**76.0 %**	**23.1 %**	**— %**	**— %**	**0.9 %**	**6,534**	— %	75.7 %	24.3 %	— %	— %	— %	6,308
Reinsurance assets for non-participating investment contracts[2]	**— %**	**50.7 %**	**45.6 %**	**3.7 %**	**— %**	**— %**	**4,713**	— %	56.4 %	37.0 %	6.6 %	— %	— %	5,290
Other investments	**0.8 %**	**0.2 %**	**0.6 %**	**0.2 %**	**— %**	**98.2 %**	**39,370**	— %	— %	0.1 %	— %	— %	99.9 %	34,520
Loans[1, 2]	**— %**	**— %**	**0.2 %**	**0.5 %**	**— %**	**99.3 %**	**31,685**	— %	— %	0.2 %	0.4 %	— %	99.4 %	29,633
Total							**196,191**							179,527

1. Following a review of credit risk methodology arising from the change to a new assets administration system in the UK, prior year comparatives have been restated to align classification methodology across the Group. This has resulted in reclassifications of £1,815 million and £2,560 million of AAA and AA rated fixed maturity securities and corresponding changes of £1,706 million, £1,795 million, £746 million and £128 million of A, BBB, less than BBB and not rated assets, along with reclassifications of £2,663 million and £250 million of AA and A rated loans to the not rated category. These amendments have not resulted in any change to the valuation of assets or liabilities included in the statement of financial position.
2. The 2022 comparative amounts have been restated following the adoption of IFRS 17 and for a correction in respect of historic accounting for with-profits funds (see note 1). As described in note 1(a), reinsurance assets for non-participating investment contracts are presented as separate line items in the table.

Notes to the consolidated financial statements

The majority of non-rated fixed maturity securities within shareholder assets are private placements and other corporate bonds held by our UK IWR business, amounting to £4.9 billion (2022: £3.6 billion). Of these securities most are allocated an investment grade internal rating using a methodology largely consistent with that adopted by an external rating agency.

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. For reinsurance contract assets the maximum exposure reflects the carrying value less the value of CSM.

These comprise debt securities, reinsurance assets, derivative assets, loans and receivables. The carrying values of these assets are disclosed in the relevant notes: financial investments (note 28), reinsurance assets (note 40), loans (note 25) and receivables (note 29). The collateral in place for these credit exposures is disclosed in note 56.

(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.

(iv) Credit concentration risk
The long-term and general insurance and health 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 Limited (including subsidiaries), representing approximately 1.4% of the total shareholder assets.

(v) Reinsurance credit exposures
The Group is exposed to concentrations of risk with individual reinsurers due to the nature of the reinsurance market and the restricted range of reinsurers that have acceptable credit ratings. The Group operates a policy to manage its reinsurance counterparty exposures, by limiting the reinsurers that may be used and applying strict limits to each reinsurer. Reinsurance exposures are aggregated with other exposures to ensure that the overall risk is within appetite. The Group Capital and Group Risk teams have an active monitoring role with escalation to the Chief Financial Officer (CFO), Chief Risk Officer (CRO), Group ALCO and the Board Risk Committee as appropriate.

(vi) Securities finance
The Group has significant securities financing operations within the UK and smaller operations in some other businesses. The risks within this activity are mitigated by collateralisation and minimum counterparty credit quality requirements.

(vii) Derivative credit exposures
The Group is exposed to counterparty credit risk through derivative trades. This risk is generally mitigated through holding collateral for most trades. Residual exposures are captured within the Group's credit management framework.

(viii) Unit-linked business
In unit-linked business the policyholder bears the direct market risk and credit risk on investment assets in the unit funds and the shareholders' exposure to credit risk is limited to the extent of the income arising from asset management charges based on the value of assets in the fund.

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(ix) Impairment of financial assets
Impairment is calculated using an expected credit loss model for financial assets measured at amortised cost and lease receivables, with reference to historical experience of losses adjusted for forward-looking information, as discussed in accounting policy U.

(c) Market risk
Market risk is the risk of adverse financial impact resulting, directly or indirectly from fluctuations in interest rates, inflation, foreign currency exchange rates, equity and property prices. Market risk arises in business units because of fluctuations in both the value of liabilities and the value of investments held.

At Group level, it also arises in relation to the overall portfolio of international businesses and in the value of investment assets owned directly by the shareholders. We actively seek some market risks as part of our investment and product strategy.

The management of market risk is undertaken at business unit and at Group level. Businesses manage market risks locally using the Group market risk framework and within local regulatory constraints. The Group Capital team is responsible for monitoring and managing market risk at Group level and has established criteria for matching assets and liabilities to limit the impact of mismatches because of market movements.

In addition, where the Group's long-term savings businesses have written insurance and investment products where most investment risks are borne by its policyholders, these risks are managed in line with local regulations and marketing literature, so to satisfy the policyholders' risk and reward objectives. The Group writes unit-linked business, primarily in the UK. The shareholders' exposure to market risk on this business is limited to the extent that income arising from asset management charges is based on the value of assets in the fund.

In respect of IBOR, significant progress has been made, with a substantive majority of the Group's original exposure already resolved. The Group's only remaining exposure to GBP LIBOR relates to a small number of currently fixed-rate public bonds that would revert to LIBOR-referencing floating rates in the event of a non-call by the issuer at the next call date. We continue to assess the likelihood of this event. The Group's exposure to CDOR relates to a small number of interest rate swaps whose transition will be planned prior to CDOR's termination after 28 June 2024.

At 31 December 2023, £53 million of non-derivative financial assets, £10 million of derivative financial assets and £2 million of derivative financial liabilities had yet to transition to an alternative risk-free rate.

The most material types of market risk that the Group is exposed to are described below.

(i) Equity price risk
The Group is subject to direct equity price risk arising from changes in the market values of its equity securities portfolio. Our most material indirect equity price risk exposures are to policyholder unit-linked funds, which are exposed to a fall in the value of the fund thereby reducing the fees we earn on those funds, and participating contracts, which are exposed to a fall in the value of the funds thereby increasing our costs for policyholder guarantees. We also have some equity exposure in shareholder funds through equities held to match inflation-linked liabilities.

We continue to limit our direct equity exposure in line with our risk preferences. At a business unit level, investment limits and local investment regulations require that business units hold diversified portfolios of assets thereby reducing exposure to individual equities. The Group does not have material holdings of unquoted equity securities.

Equity risk is also managed using a variety of derivative instruments, including futures and options. Businesses actively model the performance of equities through the use of risk models, in particular to understand the impact of equity performance on guarantees, options and bonus rates. An equity hedging strategy remains in place to help control the Group's overall direct and indirect exposure to equities.

Sensitivity to changes in equity prices is given in section (h) Risk and capital management, below.

(ii) Property price risk
The Group is subject to property price risk directly because of holdings of investment properties in a variety of locations worldwide and indirectly through investments in mortgages and mortgage backed securities. Investment in property is managed at business unit level, and is subject to local regulations on investments, liquidity requirements and the expectations of policyholders.

As at 31 December 2023, no material derivative contracts had been entered into to mitigate the effects of changes in property prices. We maintain a conservative loan-to-value on our commercial mortgage portfolio. Exposure to property risk on equity release mortgages from sustained underperformance in the UK House Price Index (HPI) is mitigated by capping loan to value on origination at low levels and regularly monitoring the performance of the mortgage portfolio.

Sensitivity to changes in property prices is given in section (h) Risk and capital management, below.

(iii) Interest rate risk
Interest rate risk arises primarily from the Group's investments in long-term debt and fixed income securities and their movement relative to the value placed on the insurance liabilities. A number of policyholder product features have an influence on the Group's interest rate risk. The major features include guaranteed surrender values, guaranteed annuity options, and minimum surrender and maturity values. Details of material guarantees and options are given in note 42.

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We have limited appetite for interest rate risk as we do not believe it is adequately rewarded. We manage and hedge our interest rate exposure through setting risk tolerance levels on a Solvency II cover ratio basis. Exposure to interest rate risk is monitored through several measures that include duration, capital modelling, sensitivity testing and stress and scenario testing.

Increasing interest rates as a result of the monetary policy response to inflationary pressures will positively impact the Group's regulatory capital cover ratio. This could be offset by the negative impact of credit downgrades, counterparty defaults, claims and maintenance expenses and lapse rates if high inflation persists and the economy stagnates or falls. Conversely, rising credit spreads will adversely impact IFRS shareholders' equity, see section (h)(i) Sensitivity test analysis.

The Group typically manages interest rate risk by investing in fixed interest securities which closely match the interest rate sensitivity of the liabilities where such investments are available. In particular, a key objective is to at least match the duration of our annuity liabilities with assets of the same duration, and in some cases where appropriate cash flow matching has been used. These assets include corporate bonds, residential mortgages and commercial mortgages. Should they default before maturity, it is assumed that the Group can reinvest in assets of a similar risk and return profile, which is subject to market conditions. Interest rate risk is also managed in some business units using a variety of derivative instruments, including futures, options, swaps, caps and floors.

Other product lines of the Group, such as protection, are not significantly sensitive to interest rate or market movements. For unit-linked business, the shareholder margins emerging are typically a mixture of annual management fees and risk/expense charges. Risk and expense margins are largely unaffected by low interest rates. Annual management fees could increase if there was a move towards low interest rates which increases the value of unit funds. For the UK annuities business interest rate exposure is mitigated by closely matching the duration of liabilities with assets of the same duration.

The UK participating business includes contracts with features such as guaranteed surrender values, guaranteed annuity options and minimum surrender and maturity values. These liabilities are managed through duration matching of assets and liabilities and the use of derivatives, including swaptions. As a result, the Group's exposure to sustained low interest rates on this portfolio is not material. Details of material guarantees and options are given in note 42.

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.

	2023	2022
Portfolio investment yield[1]	**2.74%**	2.33%
Average assets £m	**13,319**	13,082

1. Before realised and unrealised gains and losses and investment expenses.

The nature of the business means that prices in certain circumstances can be increased to maintain overall profitability. This is subject to the competitive environment in each market. If there are future falls in interest rates the investment yield would be expected to decrease in future periods.

Sensitivity to changes in interest rates is given in section (h) Risk and capital management, below.

(iv) Inflation risk
Inflation risk arises primarily from the Group's exposure to general insurance claims inflation, to inflation linked benefits within the defined benefit staff pension schemes and within the UK annuity portfolio and to expense inflation. Increases in long-term inflation expectations are closely linked to long-term interest rates and so are frequently considered with interest rate risk. Exposure to inflation risk is monitored through capital modelling, sensitivity testing and stress and scenario testing. The Group typically manages inflation risk through its investment strategy and, in particular, by investing in inflation linked securities and through a variety of derivative instruments, including inflation linked swaps. Inflation risk is an ongoing concern in the current macroeconomic environment and we are monitoring the potential impact on the profits and margins of the Group and our counterparties which could impact their credit quality.

(v) Currency risk
The Group has minimal exposure to currency risk from financial instruments held by business units in currencies other than their functional currencies, as nearly all such holdings are backing either unit-linked or with-profits contract liabilities or are hedged. As a result the foreign exchange gains and losses on investments are largely offset by changes in unit-linked and with-profits liabilities and fair value changes in derivatives attributable to changes in foreign exchange rates recognised in the income statement.

The Group operates internationally and as a result is exposed to foreign currency exchange risk arising from fluctuations in exchange rates of various currencies. Approximately 26% of the Group's Insurance Revenue from continuing operations arises in currencies other than sterling.

The Group's net assets are denominated in a variety of currencies, of which the largest are sterling, euro and Canadian dollars ($CAD). The Group does not hedge foreign currency revenues as these are substantially retained locally to support the growth of the Group's business and meet local regulatory and market requirements. However, the Group does use foreign currency forward contracts to hedge planned dividends from its subsidiaries, and specifically its currency risk exposure from the anticipated sale proceeds of Aviva Singapore (see note 55(a)(ii)).

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Business units 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 55(a)(i)), 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, the Group's net assets by currency was:

	2023 £m	Restated[1] 2022 £m
Sterling	**9,821**	10,759
Euro	**324**	286
$CAD	**565**	5
Other	**(1,110)**	(836)
Total	**9,600**	10,214

1. The 2022 comparative amounts have been restated following the adoption of IFRS 17 (see note 1).

A 10% change in sterling to euro/$CAD period-end foreign exchange rates would have had the following impact on net assets and a 10% change in sterling to euro/$CAD average foreign exchange rates applied to translate foreign currency profits would have had the following impact on profit before tax, including resulting gains and losses on foreign exchange hedges.

	2023		Restated[1] 2022	
	Impact on net assets £m	Impact on profit before tax £m	Impact on net assets £m	Impact on profit before tax £m
10% increase in sterling/euro	**(32)**	**22**	(29)	17
10% decrease in sterling/euro	**32**	**(26)**	29	(21)
10% increase in sterling/$CAD	**(57)**	**(39)**	(1)	(20)
10% decrease in sterling/$CAD	**57**	**48**	1	24

1. The 2022 comparative amounts have been restated following the adoption of IFRS 17 (see note 1).

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 business units. Derivatives are primarily used for efficient investment management, risk hedging purposes, or to structure specific retail savings products. Activity is overseen by the Group Capital and Group Risk teams, which monitor exposure levels and approve large or complex transactions.

The Group applies strict requirements to the administration and valuation processes it uses, and has a control framework that is consistent with market and industry practice for the activity that is undertaken.

(vii) Correlation risk

The Group recognises that lapse behaviour and potential increases in consumer expectations are sensitive to and interdependent with market movements and interest rates. These interdependencies are taken into consideration in the internal capital model and in scenario analysis.

(d) Liquidity risk

Liquidity risk is the risk of not being able to make payments as they become due because there are insufficient assets in cash form. The relatively illiquid nature of insurance liabilities is a potential source of additional investment return by allowing us to invest in higher yielding, and less liquid assets such as commercial mortgages and infrastructure loans. The Group seeks to maintain sufficient financial resources to meet its obligations as they fall due through the application of a Group liquidity risk policy and business standard and through the development of its liquidity risk management plan.

At Group and business unit level, there is a liquidity risk appetite which requires that sufficient liquid resources be maintained to cover net outflows in a stress scenario. In addition to the existing liquid resources and expected inflows, the Group maintains significant undrawn committed borrowing facilities (£1,700 million) from a range of leading international banks to further mitigate this risk.

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In the Group we use derivative contracts to manage interest rate, inflation and foreign-exchange risks. While interest rates have oscillated over 2023, we have not experienced the sharp and rapid rise in interest rates seen at the end of the third quarter of 2022. Following the experience in 2022, the liquidity buffers were strengthened and we have sufficient liquidity to withstand a similar liquidity squeeze.

Maturity analysis

The following tables show the maturities of our insurance and investment contract liabilities, and of the financial assets held to meet them. A maturity analysis of the contractual amounts payable for borrowings and derivative liabilities is given in notes 47 and 55(b)(ii), respectively. Contractual obligations under leases and capital commitments are given in note 23 and note 51.

(i) Analysis of maturity of insurance and investment contract liabilities

For insurance and participating investment contract liabilities, including reinsurance contract liabilities, the following table shows the estimates of the present value of future cash flows at 31 December 2023 and 2022 analysed by estimated timing.

For non-participating investment contracts, almost all may be surrendered or transferred on demand. The earliest contractual maturity date is therefore 2023 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 table below reflects the expected cash flows for these contracts, rather than their contractual maturity date.

2023	Within 1 year £m	One to Two years £m	Two to Three years £m	Three to Four years £m	Four to Five Years £m	Five to 15 years £m	Over 15 years £m	Total £m
Life risk	3,751	2,302	2,230	2,226	2,252	20,623	26,009	59,393
Participating	3,650	2,087	1,998	1,923	2,006	15,612	11,163	38,439
Non-life	4,803	2,748	1,747	1,206	828	2,048	469	13,849
Insurance contract and participating investment contract liabilities	12,204	7,137	5,975	5,355	5,086	38,283	37,641	111,681
Non-participating investment contract liabilities	1,543	1,259	2,908	4,109	4,833	52,385	91,551	158,588
Total contract liabilities	**13,747**	**8,396**	**8,883**	**9,464**	**9,919**	**90,668**	**129,192**	**270,269**

Restated[1] 2022	Within 1 year £m	One to Two years £m	Two to Three years £m	Three to Four years £m	Four to Five Years £m	Five to 15 years £m	Over 15 years £m	Total £m
Life risk	3,677	2,458	2,383	2,328	2,324	21,247	21,849	56,266
Participating	3,539	2,151	2,136	2,036	1,945	16,953	11,200	39,960
Non-life	5,137	2,329	1,489	1,034	687	1,607	410	12,693
Insurance contract and participating investment contract liabilities	12,353	6,938	6,008	5,398	4,956	39,807	33,459	108,919
Non-participating investment contract liabilities	1,401	1,053	2,559	3,622	4,275	46,859	81,419	141,188
Total contract liabilities	13,754	7,991	8,567	9,020	9,231	86,666	114,878	250,107

1. The 2022 comparative amounts have been restated following the adoption of IFRS 17 and for a correction in respect of historic accounting for with-profits funds (see note 1).

The amounts from insurance and investment contract liabilities that are payable on demand are set out below.

		2023		2022
	Amount payable on demand £m	Carrying value £m	Amount payable on demand £m	Carrying value £m
Insurance contracts - Life risk	11,378	11,324	9,559	9,549
Insurance contracts - Participating	38,246	38,131	39,213	39,626
Non-participating investment contract liabilities	158,514	158,588	140,952	141,188
	208,138	**208,043**	189,724	190,363

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(ii) Analysis of maturity of financial assets

The following table provides an analysis, by maturity date of the principal, of the carrying value of financial assets which are available to fund the repayment of liabilities as they crystallise.

	2023					Restated[1] 2022				
	On demand or within 1 year £m	**One to five years £m**	**Over five years £m**	**No fixed term £m**	**Total £m**	On demand or within 1 year £m	One to five years £m	Over five years £m	No fixed term £m	Total £m
Fixed maturity securities	**23,667**	**32,154**	**58,067**	**—**	**113,888**	18,961	33,075	51,740	—	103,776
Equity securities	**—**	**—**	**—**	**92,572**	**92,572**	—	—	—	85,790	85,790
Other investments	**36,076**	**429**	**2,383**	**482**	**39,370**	30,894	582	2,863	181	34,520
Loans[1]	**6,270**	**5,205**	**20,390**	**19**	**31,884**	5,388	4,634	19,611	—	29,633
Cash and cash equivalents	**17,273**	**—**	**—**	**—**	**17,273**	22,505	—	—	—	22,505
Total financial assets	**83,286**	**37,788**	**80,840**	**93,073**	**294,987**	77,748	38,291	74,214	85,971	276,224

1. The 2022 comparative results have been restated following the adoption of IFRS 17 (see note 1). Policy loans in scope of IFRS 17 totalling £14 million have been reallocated from loans to insurance contract and participating investment contract liabilities.

The assets above are analysed in accordance with the earliest possible redemption date of the instrument at the initiation of the Group. Where an instrument is transferable back to the issuer on demand, such as most unit trusts or similar types of investment vehicle, it is included in the 'On demand or within 1 year' column. Debt securities with no fixed contractual maturity date are generally callable at the option of the issuer at the date the coupon rate is reset under the contractual terms of the instrument. The terms for resetting the coupon are such that we expect the securities to be redeemed at this date, as it would be uneconomic for the issuer not to do so, and for liquidity management purposes we manage these securities on this basis. The first repricing and call date is normally ten years or more after the date of issuance. Most of the Group's investments in equity securities and fixed maturity securities are market traded and therefore, if required, can be liquidated for cash at short notice.

(e) Life insurance risk

Life insurance risk in the Group arises through its exposure to mortality, morbidity and longevity 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 Group's life insurance risk continues to be dominated by exposure from our UK business. Longevity risk remains the most significant life insurance risk due to the Group's annuity portfolio. We are also exposed to longevity risk through the Aviva Staff Pension Scheme, to which our economic exposure has been reduced since 2014 by entering into a longevity swap covering the majority of pensioner in-payment scheme liabilities in force at the time. We purchase reinsurance for some of the longevity risk relating to our annuity business and this also includes the bulk annuity buy-in transactions with the Aviva Staff Pension Scheme that have been carried out since 2019, including two tranches in 2023.

We have reinsurance in place across all our businesses to reduce our net exposure to potential losses. In the UK we have extensive quota share reinsurance in place on Individual Life Protection business and for UK Group Life Protection we use surplus reinsurance for very large individual claims.

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. COVID-19 has continued to present uncertainty, but overall we expect limited future impact to our business. The potential impacts of climate change also present uncertainty regarding future insurance risk experience, and these are considered when setting assumptions for future experience.

Recent persistency experience has been generally resilient to cost-of-living pressures and has not shown significant deterioration in the short term. There remains some uncertainty about the potential for this to continue, which is being monitored closely. External factors that may impact future persistency experience include prolonged high inflation and interest rates, increased stock-market volatility and changes in legislation.

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The assumption setting and management of life insurance risks is governed by the Group-wide business standards covering underwriting, pricing, product design and management, in-force management, claims handling and reinsurance. The individual life insurance risks are managed as follows:

- Mortality and morbidity risks are managed through comprehensive medical underwriting, input and advice from medical experts, as well as frequent monitoring and analysis of company experience. Reinsurance treaties are in place to provide further mitigation.
- Longevity risk is managed through monitoring and analysis of the Group's experience, as well as considering the latest external industry data and emerging trends. While individual businesses are responsible for reserving and pricing for annuity business, the Group monitors the exposure to this risk and any associated capital implications. The Group has used reinsurance solutions to reduce the risks from longevity and continually monitors and evaluates emerging market solutions to mitigate this risk further.
- Persistency risk is managed at a business unit level through frequent monitoring of company experience and benchmarking against local market information. Generally, persistency risk arises from customers lapsing their policies earlier than has been assumed. Lapses and their associated financial impact are reduced through appropriate design of products to meet current and, where possible, future customer needs. Businesses also implement specific initiatives to improve the retention of policies which may otherwise lapse.
- Expense risk is primarily managed by the business units through robust cost controls and efficiency targets, together with frequent monitoring of expense levels.

Embedded derivatives
The Group is exposed to the risk of changes in policyholder behaviour due to the exercise of options, guarantees and other product features embedded in its long-term savings products. These product features offer policyholders varying degrees of guaranteed benefits at maturity or on early surrender, along with options to convert their benefits into different products on pre-agreed terms. The extent of the impact of these embedded derivatives differs considerably between business units and exposes Aviva to changes in policyholder behaviour in the exercise of options as well as market risk.

Examples of each type of embedded derivative affecting the Group are:
- Options: call, put, surrender and maturity options, guaranteed annuity options, options to cease premium payment, options for withdrawals free of market value adjustment, annuity options and guaranteed insurability options.
- Guarantees: embedded floor (guaranteed return), maturity guarantee, guaranteed death benefit, guaranteed minimum rate of annuity payment and the 'no negative equity' associated with the Equity Release business; and
- Other: indexed interest or principal payments, maturity value, loyalty bonus.

The impact of these is reflected in the capital model and managed as part of the asset liability framework. Further disclosure on financial guarantees and options embedded in contracts and their inclusion in insurance and investment contract liabilities is provided in note 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. 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, and this modelling considers the impact of climate change on the frequency and severity of potential future events. The impact of actual weather-related losses compared to the expected losses based on the long-term average was 2% worse (2022: 12% worse) for UK & Ireland General Insurance and 17% worse (2022: 35% worse) for Canada General Insurance.

More broadly, the materiality and time horizon over which climate-related risks and opportunities affect our business depend on the specific insurance products, geographies and investments being considered. Notwithstanding that the impact on general insurance liabilities is mitigated by the short-term nature of the business, the ability to re-price annually, and by the Company's reinsurance programmes, the physical effects of climate change will most likely result in more risks and perils becoming either uninsurable or unaffordable over the longer term and the need for more urgent action increases.

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Furthermore, as an insurer, the Company is able to influence customer behaviour through the coverage of products and services provided and continues to develop climate-conscious products and services to incentivise climate-positive behaviours.

There continues to be a significant degree of uncertainty in relation to business interruption claims arising from COVID-19 and on-going test case litigation. On 17 October 2022, the High Court handed down its judgment on the preliminary issues trial of Stonegate Pub Co Ltd vs MS Amlin Corp Member Ltd (and others) and related cases. Aviva was not a party to the cases but is affected by the final outcome of these cases. The High Court ruled in favour of the parties on different issues, and all parties initially appealed the majority of the preliminary decisions made by Justice Butcher. Whilst the Greggs and Stonegate actions settled after the appeals on confidential terms the Court of Appeal heard the remaining Various Eateries v Allianz appeals and on 16 January 2024 handed down judgment dismissing both parties appeals. As a result the decisions of the High Court by Justice Butcher stand.

In Canada, we are party to a number of litigation proceedings, including class actions that challenge coverage under our commercial property policies; however, we believe we have a strong argument that there is no pandemic coverage under these policies.

The Group purchases reinsurance protection on its property portfolio that includes coverage for business interruption and is collecting or seeking reinsurance recoveries of business interruption losses that are covered by reinsurance. The Group's general insurance business does not have material underwriting exposure to Israel, Palestine, Russia or Ukraine, and does not conduct operations in the affected regions.

The conflicts in Ukraine and Palestine and ongoing disruption to global supply chains have the potential to lead to heightened claims inflation in 2024 and may increase the uncertainty associated with the cost of settling general insurance claims. While the impacts of heightened claims inflation can be mitigated via new business pricing actions, our ability to price for inflation is dependent on market, competitor and customer behaviour. The time lag between premium earning and claims emergence means that some adverse impact on profitability could be expected.

Reinsurance strategy
Significant reinsurance purchases are reviewed annually at both business unit and Group level to verify that the levels of protection being bought reflect any developments in exposure and the risk appetite of the Group. The basis of these purchases is underpinned by analysis of capital, earnings and capital volatility, cash flow and liquidity and the Group's franchise value.

Detailed actuarial analysis is used to calculate the Group's extreme risk profile and then design cost and capital efficient reinsurance programmes to mitigate these risks to within agreed appetites. For businesses writing general insurance we analyse the natural catastrophe exposure using various probabilistic catastrophe models which are benchmarked against external catastrophe models widely used by the rest of the (re)insurance industry.

The Group cedes much of its worldwide catastrophe risk to third-party reinsurers. The Group purchases a Group-wide catastrophe reinsurance programme to protect against its peak catastrophe losses in excess of a 1 in 250 year return period (1 in 500 year return period in Canada). The total Group potential retained loss from its most concentrated catastrophe exposure peril (Northern Europe Windstorm) is approximately £200 million on a per occurrence basis. The Group purchases a number of general insurance business line specific reinsurance programmes with various retention levels to protect both capital and earnings, and has reinsured 100% of its latent exposures to its historic UK employers' liability and public liability business written prior to 31 December 2000.

(g) Operational risk (including conduct risk)
Operational risk is the risk of direct or indirect loss, arising from inadequate or failed internal processes, people and systems, or external events including changes in the regulatory environment. We have limited appetite for operational risk and aim to reduce these risks as far as is commercially sensible.

The Group continues to operate, validate and enhance its key operational controls and purchase insurance to minimise losses arising from inadequate or ineffective internal processes, people and systems or from external events. The Group maintains constructive relationships with its regulators around the world and responds appropriately to developments in relation to key regulatory changes. The Operational Risk Appetite framework enables management and the Board to assess the overall quality of the operational risk environment relative to risk appetite and where a Business Unit (or the Group) are outside of appetite, require clear and robust plans to be put in place in order to return to appetite. As part of our continual improvements of our risk management approach to keep pace with the business, increasing regulatory expectations, and the macroeconomic and geo-political environment, we continue to implement risk and control improvements throughout the organisation and across all three lines of defence. Those improvements continue to strengthen and enhance our risk management capabilities and enable us to operate a stronger control environment, improve understanding and accountabilities of risks, reduce the complexity of how the business thinks about and manages risks and create greater collaboration across the first and second lines of defence to provide higher quality advice and challenge.

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We continue to implement measures to improve and embed the Group's operational resilience in response to new PRA and FCA operational resilience regulations (including outsourcing and critical third-party risk management) which will come into effect on 31 March 2025. This includes a programme of resilience and crisis response testing to ensure customer harm is minimised and the continued financial safety and soundness of Aviva's business. Operational resilience disciplines and assessments have been used in response to global events, including: changes to the geo-political environment, financial market instability and the continuity of winter power supplies.

We rely on several outsourcing providers for critical business processes, customer servicing, investment operations and IT support. To manage the risk of failure of a critical outsourcing provider, businesses are required to identify business critical outsourced functions (internal and external) and for each to have exit and termination plans, and business continuity and disaster recovery plans in place in the event of supplier failure, which are reviewed annually. We also carry out supplier financial stability reviews at least annually.

Increasing geo-political tensions more generally have heightened the risk of cyber security attacks on the Group or its suppliers, with the potential to cause business service interruption and/or data or intellectual property theft. In response Aviva continues to actively monitor the threat environment and enhance its IT infrastructure and cyber controls to identify, detect and prevent attacks. Aviva's cyber defences are regularly tested using our own 'ethical hacking' team and we have engaged our suppliers to put in place all reasonable measures so that services to Aviva and our customers are protected.

Action is in hand to strengthen the control framework for the current risks Generative Artificial Intelligence presents as well as exploit the opportunities for process efficiency, better pricing and underwriting, product personalisation and improved customer service.

The Group actively monitors social and other media in order to manage misinformation about our business, products, colleagues and customers should we be targeted by a hostile actor, taking corrective media action if necessary.

We are exposed to the risk that litigation, employee misconduct, operational failures, the outcome of regulatory investigations, media speculation and negative publicity, disclosure of confidential client information, inadequate services, whether or not founded, as well as wider geo-political and economic external events or trends, 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.

The UK Prime Minister has indicated that a general election is going to take place in the second half of 2024, most likely in the autumn. There will be heightened sensitivity around policy and associated risks during this period as a high profile company.

We have designed our products and business processes so that we treat our customers fairly and we make use of various metrics to assess our own performance, including customer advocacy, retention and complaints. Failure to treat our customers fairly is counter to our purpose, values and culture and could result in regulatory action and penalties, as well as impact our brands and/or reputation.

The FCA Consumer Duty ("the Duty") requires firms to 'act to deliver good customer outcomes' by managing the risks posed to those good outcomes; these are our customer conduct risks. Achieving the expectations of the Duty aligns with our strategic priority of becoming the go-to customer brand for Insurance, Wealth and Retirement. To meet the July 2023 implementation deadline, we enhanced our Group-wide conduct risk policy to strengthen the definition and scope to reflect the Duty. We refreshed the conduct risk appetite and sharpened guidance around good customer outcomes and foreseeable harm. Senior Manager role profiles and their statements of responsibility have been refreshed and we revised strategy agendas to enhance the focus on customer outcomes and reviewed coverage of customer outcomes in monitoring. We have updated our policies and business standards (including those relating to people and reward) where needed.

The Group 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.

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(h) Risk and capital management

(i) Sensitivity test analysis

The Group uses a number of sensitivity tests to understand the volatility of earnings, the volatility of its capital requirements, and to manage its capital more efficiently. Sensitivities to economic and operating experience are regularly produced on the Group's key financial performance metrics to inform the Group's decision making and planning processes, and as part of the framework for identifying and quantifying the risks to which each of its business units, and the Group as a whole, are exposed.

(ii) Life insurance and investment contracts

The nature of long-term business is such that a number of assumptions are made in compiling these financial statements. Assumptions are made about investment returns, expenses, mortality rates and persistency in connection with the in-force policies for each business unit. Assumptions are best estimates based on historic and expected experience of the business. A number of the key assumptions for the Group's central scenario are disclosed elsewhere in these statements.

(iii) General insurance and health business

General insurance and health claim liabilities are estimated by using standard actuarial claims projection techniques. These methods extrapolate the claims development for each accident year based on the observed development of earlier years. In most cases, no explicit assumptions are made as projections are based on assumptions implicit in the historic claims.

(iv) Sensitivity test results

Illustrative results of sensitivity testing for long-term business, general insurance and health business and the fund management and non-insurance business are set out below. For each sensitivity test the impact of a reasonably possible change in a single factor is shown, with other assumptions left unchanged. See below for further details on the limitations of the sensitivity analysis. The sensitivity of the net IAS 19 surplus to discount rates is provided in note 46(b)(iii).

Sensitivity factor	Description of sensitivity factor applied
Market risk variables	
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 or decrease in credit spreads over risk-free interest rates on corporate bonds and other non-sovereign credit assets, also allowing for the consequential impact on liability valuations. Commercial mortgages and equity release mortgages are included in this sensitivity.
Equity market values	The impact of a 10% increase or decrease in equity market values.
Property market values	The impact of a 10% increase or decrease in property market values.
Underwriting risk variables	
Expenses	The impact of an increase in maintenance expenses by 10%.
Lapses/surrenders	The impact of an increase in lapse or surrender rates by 10%.
Assurance mortality/morbidity	The impact of an increase in mortality/morbidity rates for assurance contracts by 2%.
Annuitant mortality	The impact of a reduction in mortality rates for annuity contracts by 2%.
Gross loss ratios	The impact of an increase in gross loss ratios for general insurance and health business by 5%.

Market risk variables

For business where the change in market risk variables could impact on profit, the following table presents how a possible shift in those variables might impact insurance and investment contract balances, the corresponding investment assets, profit before tax and shareholders' equity after tax, all net of reinsurance. For business (including with-profits funds and unit-linked contracts) where changes in the market risk variables result in movements that offset to nil, having no overall impact on profit or shareholders' equity, the offsetting movements in the insurance and investment contract balances and investment assets are excluded from this sensitivity analysis. Impacts on the Group's pension schemes are also excluded:

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	2023					2022				
	Net insurance/ investment contracts balances		Investment assets profit or loss £m	Total profit before tax £m	Shareholder's equity after tax £m	Net insurance /investment contracts balances		Investment assets profit or loss £m	Total profit before tax £m	Shareholder's equity after tax £m
	CSM £m	Profit or loss £m				CSM £m	Profit or loss £m			
100 bps increase in interest rate	—	4,844	(5,964)	(1,120)	(843)	—	4,847	(6,014)	(1,167)	(931)
100 bps decrease in interest rate	—	(5,734)	7,056	1,322	996	—	(5,779)	7,136	1,357	1,084
50 bps increase in corporate bond spread	8	1,438	(2,151)	(713)	(533)	8	1,407	(1,976)	(569)	(463)
50 bps decrease in corporate bond spread	(9)	(1,808)	2,579	771	573	(10)	(1,810)	2,414	604	492
10% increase in market value of equity	(39)	(380)	194	(186)	(135)	(34)	(377)	191	(186)	(148)
10% decrease in market value of equity	39	378	(188)	190	142	36	388	(185)	203	162
10% increase in value of property	(17)	(82)	102	20	16	(20)	(104)	128	24	20
10% decrease in value of property	18	82	(102)	(20)	(16)	21	105	(128)	(23)	(19)

Underwriting risk variables
The following table presents information on how reasonably possible changes in assumptions made by the Group with regard to underwriting risk variables impact insurance and reinsurance contract balances, profit before tax and shareholders' equity after tax. The affected underlying insurance contracts and related reinsurance contracts are measured under IFRS 17 and the impacts on fulfilment cash flows (FCF) and on the CSM are shown separately as these components are not fully symmetrically impacted by possible changes in assumptions.

	Insurance contracts balances			Reinsurance contracts balances			Total profit before tax £m	Shareholder's equity after tax £m
2023	FCF £m	CSM £m	Profit or loss £m	FCF £m	CSM £m	Profit or loss £m		
Life insurance business								
10% increase in expenses	(243)	273	30	3	(6)	(3)	27	21
10% increase in lapse rates	(16)	(13)	(29)	(38)	56	18	(11)	(8)
2% increase in assurance mortality	(212)	243	31	138	(164)	(26)	5	4
2% decrease in annuitant mortality	(357)	461	104	169	(258)	(89)	15	11
General insurance and health business								
10% increase in expenses	(126)	—	(126)	—	—	—	(126)	(53)
5% increase in gross loss ratios	(300)	—	(300)	14	—	14	(286)	(217)

	Insurance contracts balances			Reinsurance contracts balances			Total profit before tax £m	Shareholder's equity after tax £m
2022	FCF £m	CSM £m	Profit or loss £m	FCF £m	CSM £m	Profit or loss £m		
Life insurance business								
10% increase in expenses	(233)	263	30	3	(6)	(3)	27	21
10% increase in lapse rates	(12)	(8)	(20)	(43)	61	18	(2)	(2)
2% increase in assurance mortality	(179)	201	22	123	(140)	(17)	5	4
2% decrease in annuitant mortality	(347)	440	93	142	(214)	(72)	21	16
General insurance and health business								
10% increase in expenses	(129)	—	(129)	—	—	—	(129)	(53)
5% increase in gross loss ratios	(291)	—	(291)	20	—	20	(271)	(213)

For general insurance and health, the impact of the expense sensitivity on profit also includes the increase in ongoing administration expenses, in addition to the increase in the claims handling expense provision.

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

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

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

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

Specific examples:

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

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

55 – Derivative financial instruments and hedging

This note gives details of the various financial instruments the Group uses to mitigate risk.

The Group uses a variety of derivative financial instruments, including both exchange traded and over-the-counter instruments, in line with the Group's overall risk management strategy. The objectives include managing exposure to market, foreign currency and/or interest rate risk on existing assets or liabilities, as well as planned or anticipated investment purchases.

In the narrative and tables below, figures are given for both the notional amounts and fair values of these instruments. The notional amounts reflect the aggregate of individual derivative positions on a gross basis and so give an indication of the overall scale of the derivative transaction. The fair values represent the gross carrying values at the year end for each class of derivative contract held (or issued) by the Group.

The fair values do not provide an indication of credit risk, as many over-the-counter transactions are contracted and documented under ISDA (International Swaps and Derivatives Association, Inc.) master agreements or their equivalent. Such agreements are designed to provide a legally enforceable set-off in the event of default, which reduces credit exposure. In addition, the Group has collateral agreements in place between the individual Group entities and relevant counterparties. See note 56 for further information on collateral and net credit risk of derivative instruments.

(a) Instruments qualifying for hedge accounting

The Group adopted IFRS 9 from 1 January 2023 and it has formally assessed and documented the hedge effectiveness for financial instruments designated as hedge instruments in accordance with IFRS 9. For the 2022 comparatives, the Group applied the requirements of IAS 39 Financial Instruments: Recognition and Measurement for hedge accounting.

(i) Net investment hedges

To reduce its exposure to foreign currency risk, the Group has designated a portion of its Euro and Canadian dollar denominated debt as hedging instruments to hedge the currency components of its net investments in foreign subsidiaries. The matching currency denomination of the assets and liabilities of the subsidiaries and the loan liabilities in the Group leads to an economic relationship, where a change in the value of the asset as a result of changes in the foreign exchange rate will be offset directly by an opposite change in the value of the liability. The maturity analysis of the liabilities is presented in note 47. The Group's net investments are designated into a hedge relationship in Canada such that the value hedged matches exactly the nominal amounts of the hedging instrument being used. The Group has applied a hedge ratio of 1:1 (2022: 1:1) for the net investment hedge in Canada. The Group applied a hedge ratio of 0.54:1 (2022: 1:1) to the net investment hedge for Ireland. During 2023, €900 million subordinated notes were designated into the net investment hedge to replace the €500 million senior notes that matured in the year. The hedge ratio has reduced as a result.

At inception, the nature of the economic relationship is such that the net investment hedge is expected to be highly effective, however, ineffectiveness or discontinuation of the hedging relationship may arise should a disposal of a foreign subsidiary included in the net investment hedge occur during the period.

Other risks except for currency risk associated with the Group's net investments in its foreign subsidiaries are not covered by these hedging arrangements.

(ii) Cash flow hedges

The Group applies cash flow hedging to a highly probable forecast transaction. The currency component of the derivatives used to hedge currency risk from the expected $SGD 1.4 billion sales proceeds of Aviva Singapore (2022: no cash flow hedging) is designated in cash flow hedge. The currency derivatives convert the $SGD proceeds to Sterling at predetermined rate at maturity, and there is an economic relationship between the hedged item and the hedging instrument due to the matching currency.

The Group has established a hedge ratio of 1:1 since the notional of the currency derivatives match the expected proceeds from the disposal. No ineffectiveness is expected from the cash flow hedge. The forward element of the currency derivatives of £0.7 million, representing the time value of money, is excluded from the hedge relationship and deferred in the hedge instruments reserve until disposal.

Notes to the consolidated financial statements

(iii) Financial impacts of hedge accounting

The following hedging instruments for the net investment hedges and cash flow hedge are included within borrowings and financial investments respectively in the statement of financial position.

	Note	2023 Carrying amount £m	2023 Change as a result of foreign currency movement £m	2022 Carrying amount £m	2022 Change as a result of foreign currency movement £m
Net investment hedges					
0.625% €500 million senior notes 2023[1]	47	—	—	278	12
1.875% €750 million senior notes 2027[2]	47	401	(6)	409	17
3.375% €900 million subordinated notes 2045[3]	47	378	(6)	—	—
4.000% C$450 million subordinated notes 2030	47	265	(6)	274	9
		1,044	(18)	961	38
Cash flow hedge					
SGD1,444 million currency derivatives[4]		(4)	(4)	—	—
Total hedging instruments		1,040	(22)	961	38

1. Of the €500 million senior notes, a nominal amount of €315 million was designated in a net investment hedge in 2022.
2. Of the €750 million senior notes, a nominal amount of €464 million has been placed in a net investment hedge.
3. Of the €900 million subordinated notes, a nominal amount of €436 million has been placed in a net investment hedge.
4. The maturity date of the currency derivatives is 27 March 2024, with an average forward of 1.66. The change as a result of foreign currency movement includes £0.7 million for the forward element of the currency derivatives.

The following hedged items were placed in a net investment hedges and cash flow hedge as at the year end:

	Currency	2023 Carrying amount £m	2023 Cumulative foreign currency movement £m	2023 Change as a result of foreign currency movement £m	2022 Carrying amount £m	2022 Cumulative foreign currency movement £m	2022 Change as a result of foreign currency movement £m
Net investment hedges							
Ireland	EUR	779	(237)	12	687	(249)	(29)
Canada	CAD	265	(7)	6	274	(13)	(9)
		1,044	(244)	18	961	(262)	(38)
Cash flow hedge	SGD	(4)	4	4	—	—	—
Total hedged items		1,040	(240)	22	961	(262)	(38)

The effects of hedge accounting on the Group's financial performance can be summarised as follows:

	Currency	2023 Translation gain/(loss) recognised in currency translation reserve £m	2023 Change in value of hedging instrument recognised in OCI £m	2023 Hedge ineffectiveness recognised in profit or loss £m	2023 Amount reclassified from hedging instrument reserve to profit or loss £m	2022 Translation gain/(loss) recognised in currency translation reserve £m	2022 Change in value of hedging instrument recognised in OCI £m	2022 Hedge ineffectiveness recognised in profit or loss £m	2022 Amount reclassified from hedging instrument reserve to profit or loss £m
Net investment hedges									
Ireland	EUR	(12)	12	—	—	29	(29)	—	—
Canada	CAD	(6)	6	—	—	9	(9)	—	—
		(18)	18	—	—	38	(38)	—	—
Cash flow hedge	SGD	(4)	4	—	—	—	—	—	—
Total hedged items		(22)	22	—	—	38	(38)	—	—

(b) Derivatives

Except for the currency derivatives described in note 55(a), the Group did not apply hedge accounting to derivatives at 31 December 2023 or 2022.

Notes to the consolidated financial statements

(i) The Group's derivatives at 31 December were as follows:

	2023 Contract/ notional amount £m	2023 Fair value asset £m	2023 Fair value liability £m	2022 Contract/ notional amount £m	2022 Fair value asset £m	2022 Fair value liability £m
OTC Forwards	53,262	465	(341)	44,705	1,027	(561)
OTC Interest rate and currency swaps	11,894	369	(694)	11,316	200	(1,223)
Foreign exchange contracts	65,156	834	(1,035)	56,021	1,227	(1,784)
OTC Forwards	—	—	—	—	—	—
OTC Swaps	50,647	2,129	(4,618)	53,758	2,483	(6,053)
OTC Options	142	—	—	150	1	—
OTC Swaptions	—	—	—	842	41	(8)
Exchange traded Futures	9,643	219	(40)	8,829	89	(141)
Interest rate contracts	60,432	2,348	(4,658)	63,579	2,614	(6,202)
OTC Options	2,222	82	(39)	6,707	162	(90)
Exchange traded Futures	9,708	150	(68)	11,527	180	(55)
Exchange traded Options	1,391	137	(10)	1,469	158	(6)
Equity/Index contracts	13,321	369	(117)	19,703	500	(151)
Credit contracts	1,158	39	(29)	5,418	30	(74)
Other	16,405	402	(1,587)	14,770	545	(1,330)
Total derivatives	**156,472**	**3,992**	**(7,426)**	**159,491**	**4,916**	**(9,541)**

Fair value assets of £3,992 million (2022: £4,916 million) are recognised as 'Derivative financial instruments' in note 28(a), while fair value liabilities of £7,426 million (2022: £9,541 million) are recognised as 'Derivative liabilities' in note 48.

The Group's derivative risk management policies are outlined in note 54.

(ii) The contractual undiscounted cash flows in relation to derivative liabilities have the following maturities:

	2023 Within one year £m	2023 One to two years £m	2023 Two to three years £m	2023 Three to four years £m	2023 Four to five years £m	2023 After five years £m	2022 Within one year £m	2022 One to two years £m	2022 Two to three years	2022 Three to four years £m	2022 Four to five years £m	2022 After five years £m
Derivative liabilities	1,046	631	597	569	567	5,721	1,973	965	747	693	658	8,009

(c) Collateral

Certain derivative contracts, primarily interest rate and currency swaps, involve the receipt or pledging of cash and non-cash collateral. The amounts of cash collateral receivable or repayable are included in notes 29 and 48 respectively. Collateral received and pledged by the Group is detailed in note 56.

56 – 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 55.

Aviva participates in a number of stock lending and repurchase arrangements. In some of these arrangements cash is exchanged by Aviva for securities and a related receivable is recognised within Loans to banks in note 25. These arrangements are reflected in the tables below. In instances where the collateral is recognised in the statement of financial position, the obligation for its return is included within Payables and other financial liabilities in note 48.

Notes to the consolidated financial statements

In other arrangements, securities are exchanged for other securities. The collateral received must be in a readily realisable form, such as listed securities, and is held in segregated accounts. Transfer of title always occurs for the collateral received. In many instances, however, no market risk or economic benefit is exchanged and these transactions are not recognised in the statement of financial position in accordance with our accounting policies, and accordingly not included in the following tables.

							2023
	Offset under IAS 32			Amounts under a master netting agreement but not offset under IAS 32			
Amounts subject to enforceable netting arrangements	**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**
Derivative financial assets	**2,618**	**—**	**2,618**	**(1,505)**	**(173)**	**(82)**	**858**
Loans to banks and repurchase arrangements	**4,850**	**—**	**4,850**	**—**	**(300)**	**(4,550)**	**—**
Total financial assets	**7,468**	**—**	**7,468**	**(1,505)**	**(473)**	**(4,632)**	**858**
Derivative financial liabilities	**(5,428)**	**—**	**(5,428)**	**2,078**	**68**	**2,477**	**(805)**
Other financial liabilities	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Total financial liabilities	**(5,428)**	**—**	**(5,428)**	**2,078**	**68**	**2,477**	**(805)**

							2022
	Offset under IAS 32			Amounts under a master netting agreement but not offset under IAS 32			
Amounts subject to enforceable netting arrangements	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
Derivative financial assets	3,404	—	3,404	(1,797)	(272)	(55)	1,280
Loans to banks and repurchase arrangements	4,481	—	4,481	—	(300)	(4,181)	—
Total financial assets	7,885	—	7,885	(1,797)	(572)	(4,236)	1,280
Derivative financial liabilities	(6,404)	—	(6,404)	2,281	72	3,358	(693)
Other financial liabilities	—	—	—	—	—	—	—
Total financial liabilities	(6,404)	—	(6,404)	2,281	72	3,358	(693)

Derivative assets are recognised as Derivative financial instruments in note 28(a), while fair value liabilities are recognised as Derivative liabilities in note 48. £1,374 million (2022: £1,512 million) of derivative assets and £1,998 million (2022: £3,137 million) of derivative liabilities are not subject to master netting agreements and are therefore excluded from the table above.

Amounts receivable related to securities lending and reverse-repurchase arrangements totalling £4,865 million (2022: £4,481 million) are recognised within Loans to banks in note 25.

Other financial liabilities presented above represent liabilities related to repurchase arrangements recognised within Obligations for repayment of cash collateral received in note 48.

(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 to offset under master netting or similar arrangements with any remaining amount reduced by the amount of cash and securities collateral. The actual amount of collateral may be greater than amounts presented in the tables above in the case of over-collateralisation.

The total amount of collateral received which the Group is permitted to sell or repledge in the absence of default, excluding collateral related to balances recognised within Loans to banks disclosed in note 25, was £6,827 million (2022: £4,877 million), all of which other than £245 million (2022: £322 million) is related to securities lending arrangements. Collateral of £1,050 million (2022: £1,568 million) has been received related to balances recognised within Loans to banks in note 25. £77 million (2022: £56 million) included within cash and cash equivalents has been pledged as collateral in respect of the Group's UK pension schemes. Under the agreements, cash is only transferred to the pension schemes to fund bulk annuity buy-in transactions with Aviva Life & Pensions UK Limited or in the event of the Group defaulting on its pension obligations. The value of collateral that was actually sold or repledged in the absence of default was £nil (2022: £nil).

The level of collateral held is monitored regularly, with further collateral obtained where this is considered necessary to manage the Group's risk exposure. The fair values of collateral received approximate to their carrying amounts.

Notes to the consolidated financial statements

57 – Related party transactions

This note gives details of the transactions between Group companies and related parties which comprises 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.

(a) Services provided to, and by related parties

	2023				2022			
	Income earned in the year £m	Expenses incurred in the year £m	Payable at year end £m	Receivable at year end £m	Income earned in the year £m	Expenses incurred in the year £m	Payable at year end £m	Receivable at year end £m
Associates	**59**	**—**	**—**	**3**	39	—	—	9
Joint ventures	**56**	**—**	**—**	**137**	34	—	—	135
Employee pension schemes	**15**	**—**	**—**	**4**	10	—	—	5
Total services	**130**	**—**	**—**	**144**	83	—	—	149

Transactions with joint ventures in the UK relate to the property management undertakings, the most material of which are listed in note 19(a)(iii). The Group has equity interests in these joint ventures, together with the provision of administration services and financial management to many of them. Our fund management companies also charge fees to these joint ventures for administration services and for arranging external finance.

Key management personnel of the Company may from time to time purchase insurance, savings, asset management or annuity products marketed by group companies on equivalent terms to those available to all employees of the Group. In 2023, other transactions with key management personnel were not deemed to be significant either by size or in the context of their individual financial positions.

Our UK fund management companies manage most of the assets held by the Group's main UK staff pension scheme, for which they charge fees based on the level of funds under management. The main UK scheme holds investments in Group-managed funds and insurance policies with other group companies, as explained in note 46(i). As at 31 December 2023, the Friends Provident Pension Scheme (FPPS), acquired in 2015 as part of the acquisition of the Friends Life business, held an insurance policy of £431 million (2022: £432 million) issued by a group company, which eliminates on consolidation. In 2022, Aviva Group Holdings Limited provided a short term loan of £88 million to FPPS. During the year to 31 December2023 the remaining balance was settled.

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 two (2022: two) bulk annuity buy-in transactions with Aviva Life & Pensions UK Limited (AVLAP), a group company. Total premiums of £482 million (2022: £1,324 million) were paid by the scheme to AVLAP, with AVLAP recognising best estimate liabilities of £427 million (2022 restated: £1,130 million). After allowing for initial expenses, risk adjustment and CSM, no profit or loss was recognised on initial recognition (2022 restated: £nil).

The ASPS recognised total plan assets of £368 million (2022: £891 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 2023, AVLAP recognised cumulative best estimate liabilities of £3,535 million (2022 restated: £3,155 million) in relation to buy-in transactions with the ASPS which have been included within the Group's insurance contract liabilities, and the ASPS held a transferable plan asset of £3,448 million (2022: £2,875 million) which does not eliminate on consolidation. The AVLAP 2022 liabilities comparative results have been restated from those previously published following the adoption of IFRS 17, as described in note 1.

(b) 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:

	2023 £m	2022 £m
Salary and other short-term benefits[1]	**9.7**	12.8
Post-employment benefits	**0.6**	0.9
Equity compensation plans[1]	**11.8**	14.4
Total key management compensation	**22.1**	28.1

1. The cash component of 2022 bonus has been reallocated to salary and other short-term benefits from equity compensation plans

In 2022, roles within the management structure were reviewed and certain positions were determined to no longer be persons with decision making responsibility. As a result, the number of individuals classified as key management personnel reduced as at 31 December 2022. Information concerning individual directors' emoluments, interests and transactions is given in the Directors' Remuneration Report.

Notes to the consolidated financial statements

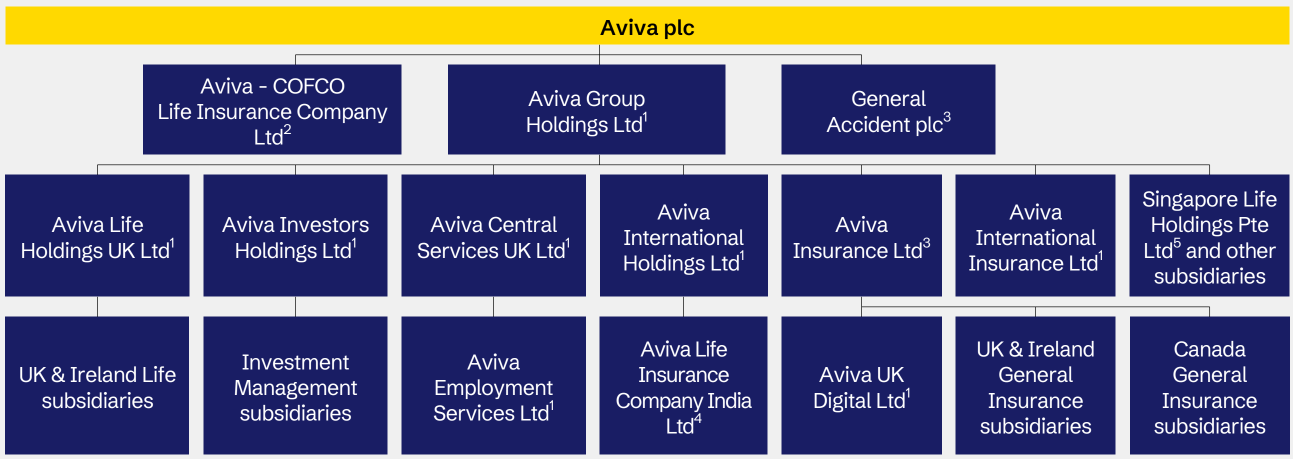
58 – Organisational structure

The following chart shows a simplified form of the organisational structure of the Group as at 31 December 2023. Aviva plc is the holding company of the Group.

Parent company
Aviva plc

Subsidiaries
The principal subsidiaries of the Company as at 31 December 2023 are listed below by country of incorporation.

A complete list of the Group's related undertakings. which comprises of subsidiaries, joint ventures, associates and other significant holdings is contained within note 59.



1. Incorporated in England and Wales
2. Incorporated in People's Republic of China
3. Incorporated in Scotland
4. Incorporated in India
5. Incorporated in Singapore

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 UK Fund Services Limited
Aviva Life & Pensions UK Limited
Aviva Life Services UK Limited
Aviva Pension Trustees UK Limited
Aviva UK Digital Limited
Aviva Wrap UK Limited
Gresham Insurance Company Limited
Sesame Bankhall Group Limited
Succession Holdings Limited
The Ocean Marine Insurance Company Limited
Wealthify Group Limited

Canada
Aviva Canada Inc. and its principal subsidiaries:
Aviva Insurance Company of Canada
Aviva General Insurance Company
Elite Insurance Company
Pilot Insurance Company
Scottish & York Insurance Co. Limited
S&Y Insurance Company
Traders General Insurance Company

Ireland
Aviva Life and Pensions Ireland Designated Activity Company
Aviva Insurance Ireland Designated Activity Company

Associates and Joint Ventures
The Group has ongoing interests in the following operations that are classified as joint ventures or associates, as a complete list of the Group's related undertakings comprising of subsidiaries, joint ventures, associates and other significant holdings is contained within note 59. Further details of those operations that were most significant in 2023 are set out in notes 19 and 20 to the financial statements.

China
Aviva-COFCO Life Insurance Company Limited 50%

Singapore
Singapore Life Holdings Pte Limited (24%) (entity held for sale)

United Kingdom
The Group has interests in several property limited partnerships. Further details are provided in notes 19, 20 and 27 to the financial statements.

Notes to the consolidated financial statements

59 – Related undertakings

We are required to disclose certain information about the Group's related undertakings which is set out in this note.

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.

This note contains real asset fund entities that are owned by an external unit trust and managed by Aviva Investors. The Group does not own equity in these entities and therefore a share class and ownership percentage are not disclosed.

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 as at 31 December 2023 are disclosed below.

(a) Direct

The direct related undertakings of the Company as at 31 December 2023 are listed below:

Name of undertaking	Country of incorporation	Registered address	Share class	% held
Aviva-COFCO Life Insurance Company Limited	China	12/F & 15/F & 01, 06-09 Unit of 10F of Building No.20, 27/F of Building No.24, Middle East Third Ring Road, Chaoyang District, Beijing, 100022, China	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

(b) Indirect

The indirect related undertakings of the Company as at 31 December 2023 are listed below:

Company name	Share Class[1]	% held
Australia		
c/o TMF Corporate Services (Aust) Pty Limited, Suite 1 Level 11, 66 Goulburn Street, Sydney NSW 2000, Australia		
Aviva Investors Pacific Pty Limited	Ordinary	100
Barbados		
c/o USA Risk Group (Barbados) Limited, 6th Floor, CGI Tower, Warrens, St. Michael, BB22026, Barbados		
Victoria Reinsurance Company Limited.	Common	100
Canada		
10 Aviva Way, Suite 100, Markham, ON, L6G0G1, Canada		
2161605 Ontario Inc	Common	100
9543864 Canada Inc.	Common	100
Aviva Canada Inc.	Common	100
Aviva General Insurance Company	Common	100
Aviva Insurance Company of Canada	Common	100
Aviva Warranty Services Inc.	Common	100
Bay-Mill Specialty Insurance Adjusters Inc.	Common	100
Elite Insurance Company	Common	100
Insurance Agent Service Inc.	Common	100
Nautimax Limited	Ordinary	100
OIS Ontario Insurance Service Limited	Common	100
Pilot Insurance Company	Common	100
S&Y Insurance Company	Common	100
Scottish & York Insurance Co. Limited	Common	100
Traders General Insurance Company	Common	100
100 King Street West, Floor 49, Toronto, ON, M5X 2A2, Canada		
Aviva Investors Canada Inc.	Common	100
150 King Street West, Suite #2401, P.O. Box 16, Toronto, ON, M5H 1J9, Canada		

Company name	Share Class[1]	% held
Prolink Insurance Inc.	Common	34
555 Chabanel Ouest, Bureau 900, Montreal, QC H2N 2H8, Canada		
Aviva Agency Services Inc.	Common	100
Suite 1600, 925 W Georgia St, Vancouver, BC, V6C 3L2, Canada		
Westmount West Services Inc	Ordinary	20
China		
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	50
Czech Republic		
5/482, Ve Svahu, Prague 4, 147 00, Czech Republic		
AIEREF Renewable Energy s.r.o.	Ordinary	100
Denmark		
c/o TMF Denmark, H.C. Andersens Boulevard 38, 3. th, 1553, Copenhagen V, Denmark		
AICT EUR Real Estate (DS) GP ApS	Ordinary	100
AICT EUR Real Estate (DS) LP K/S	Ordinary	100
France		
20 PL Vendôme, Paris 75001, France		
AXA LBO Fund IV Feeder	Private Equity Fund	39
47 Rue du Faubourg Saint-Honoré, 75008, France		
CGU Equilibre	FCP	100
Germany		
c/o TMF Deutschland AG, Wiesenhüttenstrasse 11, 60329, Frankfurt am Main, Germany		
Reschop Carré Hattingen GmbH	Ordinary	95

Notes to the consolidated financial statements

Company name	Share Class[1]	% held
c/o WSWP Weinert GmbH, Theatinerstr. 31, 80333, Munich, Germany		
FPB Holdings GmbH	Ordinary	100
Kapitalanlagegesellschaft MHB, Ferdinandstrasse 75, Hamburg, DE-HH, 20095, DE, Germany		
Warburg Total Return Global	Unit Trust	21
Guernsey		
PO Box 155 Mill Court, La Charroterie, St Peter Port, GY1 4ET, Guernsey		
Paragon Insurance Company Guernsey Limited	Ordinary	49
PO Box 255, Trafalgar Court, Les Banques, St Peter Port, GY1 3QL, Guernsey		
Balanced Commercial Property Trust Limited	Ordinary	23
India		
2nd Floor, Prakash Deep Building, 7 Tolstoy Marg, New Delhi, 110001, India		
Aviva Life Insurance Company India Limited	Ordinary	74
A-47 (L.G.F), Hauz Khas, New Delhi, Delhi, India		
Sesame Group India Private Limited	Ordinary	100
Pune Office, Addresses 103/P3, Pentagon, Magarpatta City, Hadapsar, Pune – 411013, India		
A.G.S. Customer Services (India) Private Limited	Ordinary	100
Ireland		
13-18 City Quay, Dublin 2, Ireland		
Atrium Nominees Limited	Ordinary	100
Building 12, Cherrywood Business Park, Loughlinstown, Co Dublin, D18 W2P5, Ireland		
Aviva DB Trustee Company Ireland Designated Activity Company	Ordinary	100
Aviva DC Trustee Company Ireland Designated Activity Company	Ordinary	100
Aviva Direct Ireland Limited	Ordinary	100
Aviva Driving School Ireland Limited	Ordinary	100
Aviva Group Services Ireland Limited	Ordinary	100
Aviva Insurance Ireland Designated Activity Company	Ordinary	100
Aviva Life & Pensions Ireland Designated Activity Company	Ordinary	100
Aviva Master Trust Ireland Designated Activity Company	Ordinary	100
Aviva Retail Master Trust Ireland Designated Activity Company	Ordinary	100
Aviva Undershaft Six Designated Activity Company	Ordinary	100
Peak Re Designated Activity Company	Ordinary	100
Charlotte House, Charlemont Street, Dublin 2, Ireland		
Mercer Diversified Retirement Fund	OEIC	27
MGI UK Equity	OEIC	29
Friends First House, Cherrywood Science & Technology Park, Loughlinstown, Dublin, Co. Dublin, Ireland		
Ashtown Management Company Limited	Ordinary	100

Company name	Share Class[1]	% held
Georges Court, 54-62 Townsend Street, Dublin, DO2 R156, Ireland		
FPPE Fund Public Limited Company	Ordinary	100
IFSC House, Custom House Quay, International Financial Services Centre, Dublin, D01 R2P9, Ireland		
Aviva Investors Euro Liquidity Fund	Liquidity Fund	89
Aviva Investors Sterling Government Liquidity Fund	Liquidity Fund	98
Aviva Investors Sterling Liquidity Fund	Liquidity Fund	68
Aviva Investors Sterling Liquidity Plus Fund	Liquidity Fund	83
Aviva Investors Sterling Standard Liquidity Fund	Liquidity Fund	100
Aviva Investors US Dollar Liquidity Fund	Liquidity Fund	83
International House, 3 Harbourmaster Place, Dublin 1, Ireland		
Merrion Managed Fund	Unit Trust	78
Merrion Multi-Asset 30 Fund	Unit Trust	100
Merrion Multi-Asset 50 Fund	Unit Trust	100
Italy		
Corse Vercelli, 40 - 20145, Milan, Italy		
AICT EUR Infra Swift S.R.L.	Ordinary	100
Piazza della Repubblica 32, Milan, 20124, Italy		
Innovo Renewables S.p.A.	Ordinary	50
Via Scarsellini 14, Milan, 20161, Italy		
Aviva Italia Holding S.p.A	Ordinary	100
Jersey		
11-15 Seaton Place, St Helier, JE4 0QH, Jersey		
1 Liverpool Street Unit Trust	Unit Trust	100
101 Moorgate Unit Trust	Unit Trust	100
22 Grenville Street, St. Helier, JE4 8PX, Jersey		
Axa Sun Life Private Equity	Private Equity Fund	100
Lekker Bolt Unit Trust	Unit Trust	100
Slas Axa Private Equity	Private Equity Fund	100
26 New Street, St Helier, JE2 3TE, Jersey		
Succession Finance Jersey Limited	Ordinary	100
Succession Jersey Limited	Ordinary	100
Succession Newco1 Jersey Limited	Ordinary	100
Succession Newco2 Jersey Limited	Ordinary	100
3rd Floor, One The Esplanade, St Helier, JE2 3QA, Jersey		
Crieff Road Limited	Ordinary	100
FF UK Select Limited	Ordinary	100
Gaspé House, 66-72 Esplanade, St Helier, JE1 3PB, Jersey		
1 Fitzroy Place Unit Trust	Unit Trust	50
2 Fitzroy Place Unit Trust	Unit Trust	50
10 Station Road Unit Trust	Unit Trust	50
11-12 Hanover Square Unit Trust	Unit Trust	50
20 Gracechurch Unit Trust	Unit Trust	25
20 Station Road Unit Trust	Unit Trust	50
30 Station Road Unit Trust	Unit Trust	50

Notes to the consolidated financial statements

Company name	Share Class[1]	% held
30-31 Golden Square Unit Trust	Unit Trust	50
50-60 Station Road Unit Trust	Unit Trust	50
130 Fenchurch Street Unit Trust	Unit Trust	100
Aviva Investors Jersey Unit Trusts Management Limited	Ordinary	100
Barratt House Unit Trust	Unit Trust	50
Bermondsey Yards Unit Trust	Unit Trust	100
CCPF No.4 Unit Trust	Unit Trust	100
Gracechurch Investment Unit Trust	Unit Trust	25
Hams Hall Unit Trust	Unit Trust	100
Irongate House Unit Trust	Unit Trust	50
Lime Mayfair Unit Trust	Unit Trust	100
Lime Property Fund Unit Trust	Unit Trust	100
Longcross Jersey Unit Trust	Unit Trust	100
New Broad Street House Unit Trust	Unit Trust	50
Pegasus House and Nuffield House Unit Trust	Unit Trust	50
Southgate Property Unit Trust	Unit Trust	50
The Designer Retail Outlet Centres (Mansfield) Unit Trust	Unit Trust	100
The Designer Retail Outlet Centres (York) Unit Trust	Unit Trust	100
The Designer Retail Outlet Centres Unit Trust	Unit Trust	100
IFC 5, St Helier, JF11ST, Jersey		
Aviva Investors REaLM Social Housing Unit Trust	Unit Trust	86
Cannock Designer Outlet Unit Trust (Jersey)	Unit Trust	37
Lime Grove House, Green Street, St Helier, JE1 2ST, Jersey		
The Southgate Unit Trust	Unit Trust	50
Luxembourg		
1c Rue Gabriel Lippmann l-5365, Munsbach, Luxembourg		
Patriarch Classic B&W Global Freestyle	FCP	54
2 Rue du Fort Bourbon, L1249, Luxembourg		
AICT EUR Real Estate (DS) SARL	Ordinary	100
AICT EUR Real Estate (Foz) SARL	Ordinary	100
Aviva Investors Alternative Income Solutions Investments S.A.	Ordinary	100
Aviva Investors Alternative Income Solutions Limited Partnership	Partnership	100
Aviva Investors Alternative Income Solutions SCSP	Fund	100
Aviva Investors Asian Equity Income	SICAV	99
Aviva Investors Climate Transition EUR Infra SARL	Ordinary	100
Aviva Investors Climate Transition EUR Infrastructure Fund	Fund	100
Aviva Investors Climate Transition EUR Real Estate Fund	Fund	100
Aviva Investors Climate Transition EUR Real Estate SARL	Ordinary	100

Company name	Share Class[1]	% held
Aviva Investors Climate Transition GBP Infrastructure Fund	Fund	100
Aviva Investors Climate Transition GBP Real Estate Fund	Fund	100
Aviva Investors Climate Transition Global Credit	SICAV	100
Aviva Investors Climate Transition Global Equity	SICAV	100
Aviva Investors Emerging Markets Bond	SICAV	66
Aviva Investors Emerging Markets Corporate Bond	SICAV	76
Aviva Investors Emerging Markets Local Currency Bond	SICAV	98
Aviva Investors E-RELI SCSp	Ordinary	100
Aviva Investors Eur Returnplus	SICAV	99
Aviva Investors European Corporate Bond	SICAV	78
Aviva Investors GBP Returnplus	SICAV	95
Aviva Investors Global Convertibles Absolute Return	SICAV	96
Aviva Investors Global Emerging Markets Core	SICAV	100
Aviva Investors Global Emerging Markets Equity Unconstrained	SICAV	100
Aviva Investors Global Emerging Markets Index	SICAV	88
Aviva Investors Global Equity Endurance	SICAV	50
Aviva Investors Global High Yield Bond	SICAV	78
Aviva Investors Global Investment Grade Corporate Bond	SICAV	86
Aviva Investors Global Sovereign Bond	SICAV	90
Aviva Investors Infrastructure Debt Europe I S.A.	Ordinary	100
Aviva Investors Luxembourg	Ordinary	100
Aviva Investors Multi Strategy Target Return	SICAV	63
Aviva Investors Multi-Asset Alternative Income S.A.	Ordinary	100
Aviva Investors Natural Capital Transition Global Equity	SICAV	79
Aviva Investors Perpetual Acht NL SARL	Ordinary	100
Aviva Investors Social Transition Global Equity	SICAV	76
Aviva Investors UK Equity Unconstrained	SICAV	93
2, Boulevard Konrad Adenauer, L1115 Luxembourg		
Xtrackers II Eurozone Government Bond 15-30 UCITS ETF	SICAV	21
16 Avenue de la Gare, L-1610, Luxembourg		
AIEREF Holding 1 S.à.r.l.	Ordinary	100
AIEREF Holding 2 S.à.r.l.	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

Notes to the consolidated financial statements

Company name	Share Class[1]	% held
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
European Properties Sarl	Ordinary	73
Victor Hugo 1 S.à r.l.	Ordinary	100
24-26, Avenue de la Liberte, L-1930 Luxembourg		
Greenman Open Fund	SICAV	77
37A Avenue JF Kennedy, L-1855, Luxembourg		
Abrdn SICAV II - European Smaller Companies Fund	SICAV	31
Invesco Funds - Invesco Sustainable Global Structured Equity Fund	SICAV	59
46a Avenue John F Kennedy, L-1855, Luxembourg		
Aviva Investors Polish Retail S.à r.l.	Ordinary	100
80, route d'Esch, L-1470, Luxembourg		
Allspring (Lux) Worldwide Fund	SICAV	40
562, rue de Neudorf, L-2220, Luxembourg		
Nordea 1 - Swedish Bond Fund	SICAV	21
Nordea 1 - Swedish Short-Term Bond Fund	SICAV	34
c/o Apex Fund Services, 3, rue Gabriel Lippmann, Munsbach, L-5365, Luxembourg		
Aviva Investors Debt Europe I S.A.	Ordinary	100
Mauritius		
Les Cascades, Edith Cavell Street, Port Louis, Mauritius		
Actis China Investment Company Limited	Ordinary	50
Netherlands		
ASR Vermogensbeheer N.V., Archimedeslaan 10, 3584 BA Utrecht, Netherlands		
ASR Separate Account Mortgage Fund	Mutual Fund	22
Norway		
c/o TMF Norway AS, Hagalokkveien 26, 1383, Asker, Norway		
Kongsgard Alle 20 AS	Ordinary	100
Poland		
Al Jana Pawla II 25, 00-854, Warsaw, Poland		
Focus Park Piotrków Trybunalski sp.z o.o.	Ordinary	100
Focus Mall Zielona Gora	Ordinary	100
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 Warsaw, Mazowieckie, 00-078 Poland		
PBC Lodz SP zoo	Unit Trust	100
Singapore		
1 Harbourfront Avenue, #14-08 Keppel Bay Tower, 098632, Singapore		
Aviva Asia Management Pte. Ltd.	Ordinary	100

Company name	Share Class[1]	% held
Aviva Global Services (Management Services) Private Ltd.	Ordinary	100
1 Raffles Quay, #27-13, South Tower, Singapore, 048583, Singapore		
Aviva Investors Asia Pte. Limited	Ordinary	100
4 Shenton Way, 01 SGX Centre 2, 068807, Singapore		
Singapore Life Holdings Pte Ltd.	Ordinary	24
Singapore Life Ltd.	Ordinary	24
Spain		
1D, 13 Edificio América Av. de Bruselas, 28108, Alcobendas, Madrid, Spain		
Eólica Almatret S.L.	Ordinary	100
c/o TMF Spain, calle Principe de Vergara 112, Planta 4a, 28002, Madrid, Spain		
Berryway Invest SL	Ordinary	100
Banbury Invest SL	Ordinary	100
Browhead Invest SL	Ordinary	100
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	—	—
1 London Wall Place, London, EC2Y 5AU, United Kingdom		
Schroder Dynamic Multi Asset Z Acc.	Unit Trust	27
Schroder QEP US Core Fund	Unit Trust	44
1st Floor, Finlay House, 10-14 West Nile Street, Glasgow, G1 2PP, United Kingdom		
MacKenzie Investment Strategies Ltd.	Ordinary	100
Spence and Spence (Scotland) Limited	Ordinary	100
2nd Floor, 36 Broadway, London, SW1H 0BH, United Kingdom		
Fred. Olsen CBH Limited	—	—
3a Dublin Meuse, Edinburgh, EH3 6NW, United Kingdom		
PAR Forestry IV L.P.	Partnership	100
4th Floor, New London House, 6 London Street, London, EC3R 7LP, United Kingdom		
Polaris U.K. Limited	Ordinary	39
4th Floor Pountney Hill House, 6 Laurence Pountney Hill, London EC4R 0BL, United Kingdom		
ES Alliance Bernstein Low Volatility Global Equity Fund	OEIC	69
5 Lister Hill, Horsforth, Leeds, LS18 5AZ, United Kingdom		
Astute Financial Advisers Limited	Ordinary	49
Tenet & You Limited	Ordinary	49
Tenet Business Solutions Limited	Ordinary	49
Tenet Client Services Limited	Ordinary	49
Tenet Compliance Services Limited	Ordinary	49
Tenet Financial Services Limited	Ordinary	49
Tenet Group Limited	Ordinary	49
Tenet Limited	Ordinary	49
Tenet Mortgage Solutions	Ordinary	49

Notes to the consolidated financial statements

Company name	Share Class[1]	% held
TenetConnect Limited	Ordinary	49
TenetConnect Services Limited	Ordinary	49
TenetLime Limited	Ordinary	49
8 Surrey Street, Norwich, 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
9-10 St Andrew Square, Edinburgh, EH2 2AF, United Kingdom		
Criterion Tec Holdings Ltd	Ordinary	100
Criterion Tec Ltd	Ordinary	24
12 Throgmorton Avenue, London EC2N 2DL, United Kingdom		
Blackrock ACS World ESG Insights Equity Fund	OEIC	96
BlackRock Growth Allocation Fund	OEIC	100
BlackRock Market Advantage Fund	Unit Trust	49
BlackRock Retirement Allocation Fund	OEIC	100
15th Floor, 140 London Wall, EC2Y 5DN, United Kingdom		
Houghton Regis Management Company Limited	Ordinary	100
17-18 Hardgate, Haddington, EH41 3JS, United Kingdom		
Forth Financial Services Limited	Ordinary	50
22 Bishopsgate, London, EC3A 6HX, United Kingdom		
AXA Ethical Distribution Fund	OEIC	42
AXA Framlington Global Sustainable Managed Fund	OEIC	20
25 Cabot Square, Canary Wharf, London E14 4QA, United Kingdom		
MSIF Japanese Equity Fund	SICAV	100
45 Gresham Street, London, EC2V 7BG, United Kingdom		
SVS BambuBlack Asia ex-Japan All-Cap Fund	OEIC	23
50 Stratton Street, London, W1J 8LT, United Kingdom		
Lazard Multicap UK Income Fund	OEIC	51
57-59 St James's Street, London, SW1A 1LD, United Kingdom		
Artemis UK Special Situations Fund	Unit Trust	25
180 Great Portland Street, London, W1W 5QZ, United Kingdom		
Quantum Property Partnership (General Partner) Limited	Ordinary	50
Quantum Property Partnership (Nominee)	Ordinary	50
6600 Cinnabar Court, Daresbury Park, Daresbury, Warrington, WA4 4GE, United Kingdom		
BNet Ultra Ltd	—	—
ITS (Holdco) Limited	—	—

Company name	Share Class[1]	% held
ITS Hammersmith & Fulham Ltd	—	—
ITS (MidCo) Limited	—	—
ITS Nottingham Ltd	—	—
ITS Technology Group	—	—
ITS Technology Group HoldCo	—	—
ITS Telecom Solutions Ltd	—	—
NextGenAccess Ltd	—	—
Building 1063 Cornforth Drive, Kent Science Park, Sittingbourne, ME9 8PX, United Kingdom		
Digital Greenwich Connect Ltd	—	—
Calton Square, 1 Greenside Row, Edinburgh, EH13AN, United Kingdom		
Baillie Gifford Investment Funds II ICVC-Baillie Gifford UK Equity Core Fund	OEIC	25
Baillie Gifford UK & Balanced Funds ICVC-Baillie Gifford International Fund	OEIC	28
c/o Anseco Limited, The Green Easter Park, Benyon Road, Reading, RG7 2PQ , United Kingdom		
Homesun 2 Limited	—	—
Homesun 3 Limited	—	—
Homesun 4 Limited	—	—
Homesun 5 Limited	—	—
Homesun Limited	—	—
c/o Harper MacLeod LLP, The Cadoro, 45 Gordon Street, Glasgow, G1 3PE, United Kingdom		
Brockloch Rig Windfarm Limited	—	—
Crystal Rig III Limited	—	—
c/o Innovus Whittington Hall, Whittington Road, Worcester, WR5 2ZX, United Kingdom		
Aviva Investors GR SPV1 Limited	Ordinary	100
Aviva Investors GR SPV3 Limited	Ordinary	100
Aviva Investors GR SPV 4 Limited	Ordinary	100
Aviva Investors GR SPV 5 Limited	Ordinary	100
Aviva Investors GR SPV 6 Limited	Ordinary	100
Aviva Investors GR SPV 7 Limited	Ordinary	100
Aviva Investors GR SPV 8 Limited	Ordinary	100
Aviva Investors GR SPV 9 Limited	Ordinary	100
Aviva Investors GR 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 SPV16 Limited	Ordinary	100
Aviva Investors GR SPV17 Limited	Ordinary	100
c/o Interpath Ltd, 10 Fleet Place, London, EC4M 7RB, United Kingdom		
Plan 4 Wealth Limited	Ordinary	100
TMS Financial Solutions Limited	Ordinary	100
Exchange House, Primrose Street, London, EC2A 2HS, United Kingdom		
CT (Lux) Diversified Growth Fund	SICAV	100

Notes to the consolidated financial statements

Company name	Share Class[1]	% held
CT (Lux) European Growth & Income Fund	SICAV	100
CT Global Total Return Bond Fund	OEIC	30
CT North American Equity Fund	OEIC	29
Exchange Tower, 19 Canning Street, Edinburgh, EH3 8EH, United Kingdom		
Hoxton Campus LP	Partnership	50
Hoxton General Partner LLP	Partnership	50
Forum 4 Solent Business Park Parkway, Whiteley, Fareham, PO15 7AD, United Kingdom		
1 Liverpool Street GP Limited	Ordinary	50
1 Liverpool Street Limited Partnership	Partnership	30
1 Liverpool Street Nominee 1 Limited	Ordinary	100
1 Liverpool Street Nominee 2 Limited	Ordinary	100
101 Moorgate GP Limited	Ordinary	50
101 Moorgate Limited Partnership	Ordinary	30
101 Moorgate Nominee 1 Limited	Ordinary	100
101 Moorgate Nominee 2 Limited	Ordinary	100
Midlands Regen I GP Limited	Ordinary	100
Grant Thornton UK LLP, 30 Finsbury Square, London, EC2P 2YU, United Kingdom		
Defined Returns Limited	Ordinary	100
NDF Administration Limited	Ordinary	100
Legal & General (Unit Trust Managers) Limited, PO Box 6080, Wolverhampton, WV1 9RB, United Kingdom		
L&G Multi-Index Eur III-NEA	OEIC	100
L&G Multi-Index Eur IV-NEA	OEIC	100
L&G Multi-Index Eur V-NEA	OEIC	100
Liontrust Fund Partners LLP, 2 Savoy Court, London, WC2R 0EZ, United Kingdom		
Liontrust Sustainable Future Corporate Bond Fund	OEIC	28
Liontrust Sustainable Future European Growth Fund	OEIC	46
Liontrust Sustainable Future Global Growth Fund	OEIC	25
Liontrust Sustainable Future Managed Fund	OEIC	44
Liontrust Sustainable Future Managed Growth Fund	OEIC	29
Liontrust Sustainable Future UK Growth Fund	OEIC	28
Liontrust UK Ethical Fund	OEIC	61
Nations House, 3rd Floor, 103 Wigmore Street, London, W1U 1QS, United Kingdom		
Cannock Consortium Holdings Limited	Ordinary	43
Cannock Consortium LLP	Partnership	43
Cannock Designer Outlet (GP Holdings) Limited	Ordinary	37
Cannock Designer Outlet (GP) Limited	Ordinary	37
Cannock Designer Outlet (Nominee 1) Limited	Ordinary	37
Cannock Designer Outlet (Nominee 2) Limited	Ordinary	37

Company name	Share Class[1]	% held
Cannock Designer Outlet Limited Partnership	Partnership	37
Old Bourchiers Hall New Road, Aldham, Colchester, C06 3QU, United Kingdom		
County Broadband Holdings Limited	—	—
County Broadband Limited	—	—
One Coleman Street, London, EC2R 5AA, United Kingdom		
L&G Diversified Fund	Unit Trust	74
Perpetual Park, Perpetual Park Drive, Henley-on-Thames, RG9 1HH, United Kingdom		
Invesco Summit Responsible 2 Fund (UK)	OEIC	30
Invesco Summit Responsible 5 Fund (UK)	OEIC	68
Pinesgate West, Lower Bristol Road, Bath, BA2 3DP, United Kingdom		
Truespeed Communications Limited	—	—
Pitheavlis, Perth, Perthshire, PH2 0NH, United Kingdom		
AICT GBP Real Estate (Curtain House) General Partner Limited	Ordinary	100
AICT GBP Real Estate (Curtain House) Limited Partnership	Partnership	100
Aviva (Peak No.1) UK Limited	Ordinary	100
Aviva Insurance Limited	Ordinary	100
Aviva Investors (FP) Limited	Ordinary	100
Aviva Investors (FP) LP	Partnership	100
Aviva Investors (GP) Scotland Limited	Ordinary	100
Aviva Investors Climate Transition GBP Real Estate General Partner Limited	Ordinary	100
Aviva Investors Climate Transition GBP Real Estate Limited Partnership	Partnership	100
Aviva Investors Private Equity Programme 2008 Partnership	Partnership	100
Medium Scale Wind No.2 Limited	-	-
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	Partnership	50
2 Fitzroy Place Limited Partnership	Partnership	50
2-10 Mortimer Street (GP No 1) Limited	Ordinary	50
2-10 Mortimer Street GP Limited	Ordinary	50
2-10 Mortimer Street Limited Partnership	Partnership	50
10 Station Road LP	Partnership	50
10 Station Road Nominee 1 Limited	Ordinary	100
10 Station Road Nominee 2 Limited	Ordinary	100
10-11 GNS Limited	Ordinary	100
11-12 Hanover Square LP	Partnership	50
11-12 Hanover Square Nominee 1 Limited	Ordinary	50
11-12 Hanover Square Nominee 2 Limited	Ordinary	50
20 Gracechurch (General Partner) Limited	Ordinary	50
20 Gracechurch Limited Partnership	Partnership	25
20 Station Road LP	Partnership	50

Notes to the consolidated financial statements

Company name	Share Class[1]	% held
20 Station Road Nominee 1 Limited	Ordinary	100
20 Station Road Nominee 2 Limited	Ordinary	100
30 Station Road LP	Partnership	50
30 Station Road Nominee 1 Limited	Ordinary	100
30 Station Road Nominee 2 Limited	Ordinary	100
30-31 Golden Square LP	Partnership	50
30-31 Golden Square Nominee 1 Limited	Ordinary	50
30-31 Golden Square Nominee 2 Limited	Ordinary	50
41-42 Lowndes Square Management Company Limited	Ordinary	78
50-60 Station Road LP	Partnership	50
50-60 Station Road Nominee 1 Limited	Ordinary	100
50-60 Station Road Nominee 2 Limited	Ordinary	100
130 Fenchurch Street General Partner Limited	Ordinary	100
130 Fenchurch Street LP	Partnership	100
130 Fenchurch Street Nominee 1 Limited	Ordinary	100
130 Fenchurch Street Nominee 2 Limited	Ordinary	100
2015 Sunbeam Limited	—	—
AI Special PFI SPV Limited	Ordinary	100
ALPF Single Family Homes General Partner Ltd	Ordinary	100
ALPF Single Family Homes LP	Partnership	100
Ascot Real Estate Investments GP LLP	Partnership	50
Ascot Real Estate Investments LP	Partnership	50
Atlas Park Management Company Limited	Company limited by guarantee	100
Aviva Brands Limited	Ordinary	100
Aviva Capital Partners Limited	Ordinary	100
Aviva Commercial Finance Limited	Ordinary	100
Aviva Company Secretarial Services Limited	Ordinary	100
Aviva Credit Services UK Limited	Ordinary	100
Aviva Employment Services Limited	Ordinary	100
Aviva Europe UK Societas	Ordinary	100
Aviva Insurance Services UK Limited	Ordinary	100
Aviva International Holdings Limited	Ordinary	100
Aviva International Insurance Limited	Ordinary	100
Aviva Investors 30 70 Global Eq Ccy Hedged Ind Fund	TTF	100
Aviva Investors 40 60 Global Equity Index Fund	TTF	100
Aviva Investors 40 Spring Gardens (General Partner) Limited	Ordinary	100
Aviva Investors 50 50 Global Equity Index Fund	TTF	100
Aviva Investors 60 40 Global Equity Index Fund	TTF	100
Aviva Investors Asia Pacific Ex Japan Fund	TTF	100
Aviva Investors Balanced Life Fund	TTF	100
Aviva Investors Balanced Pension Fund	TTF	100

Company name	Share Class[1]	% held
Aviva Investors Cautious Pension Fund	TTF	100
Aviva Investors Climate Transition Global Equity Fund	OEIC	99
Aviva Investors Climate Transition Real Assets Fund	TTF	100
Aviva Investors Commercial Assets GP Limited	Ordinary	100
Aviva Investors Commercial Assets Nominee Limited	Ordinary	100
Aviva Investors Continental Euro Equity Index Fund	TTF	100
Aviva Investors Corporate Bond Fund	OEIC	98
Aviva Investors CTF Holdco1 Limited	—	—
Aviva Investors CTF Infrastructure Midco 1 Limited	—	—
Aviva Investors Developed Asia Pacific Ex Japan Equity Index Fund	TTF	100
Aviva Investors Developed Euro Ex UK Equity Index Fund	TTF	100
Aviva Investors Developed Overseas Gov BD Ex UK Ind Fund	TTF	100
Aviva Investors Developed World Ex UK Equity Index Fund	TTF	100
Aviva Investors Distribution Life Fund	TTF	100
Aviva Investors EBC GP Limited	Ordinary	100
Aviva Investors EBC Limited Partnership	Partnership	100
Aviva Investors Emerging Market Equity Core Fund	TTF	47
Aviva Investors Energy Centres No.1 GP Limited	Ordinary	100
Aviva Investors Energy Centres No.1 Limited Partnership	Partnership	100
Aviva Investors EPF ICVC	Fund	73
Aviva Investors Europe Equity Ex UK Core Fund	TTF	52
Aviva Investors Europe Equity Ex UK Fund	TTF	100
Aviva Investors European Property Fund	OEIC	73
Aviva Investors Global Equity Alpha Fund	TTF	100
Aviva Investors Global Equity Endurance Fund	OEIC	99
Aviva Investors Global Equity Fund	TTF	100
Aviva Investors Global Equity Income Fund	OEIC	34
Aviva Investors Global Services Limited	Ordinary	100
Aviva Investors Ground Rent GP Limited	Ordinary	100
Aviva Investors Ground Rent Holdco Limited	Ordinary	100
Aviva Investors Holdings Limited	Ordinary	100
Aviva Investors Index Linked Gilt Fund	TTF	100
Aviva Investors Index Linked Gilts Over 5 Years Index Fund	TTF	100
Aviva Investors Infrastructure GP Limited	Ordinary	100
Aviva Investors Infrastructure Income B Limited	—	—

Notes to the consolidated financial statements

Company name	Share Class[1]	% held
Aviva Investors Infrastructure Income C Limited	—	—
Aviva Investors Infrastructure Income C No.4E Limited	—	—
Aviva Investors Infrastructure Income C No.4F Limited	—	—
Aviva Investors Infrastructure Income Limited Partnership	—	—
Aviva Investors Infrastructure Income M Limited	—	—
Aviva Investors Infrastructure Income M No.4C Limited	—	—
Aviva Investors Infrastructure Income M No.4D Limited	—	—
Aviva Investors Infrastructure Income No.1 Limited	—	—
Aviva Investors Infrastructure Income No.2 Limited	—	—
Aviva Investors Infrastructure Income No.2B Limited	—	—
Aviva Investors Infrastructure Income No.3 Limited	—	—
Aviva Investors Infrastructure Income No.3B Limited	—	—
Aviva Investors Infrastructure Income No.4A Limited	—	—
Aviva Investors Infrastructure Income No.4B Limited	—	—
Aviva Investors Infrastructure Income No.5 Limited	—	—
Aviva Investors Infrastructure Income No.6 Limited	—	—
Aviva Investors Infrastructure Income No.6a1 Limited	—	—
Aviva Investors Infrastructure Income No.6B Limited	—	—
Aviva Investors Infrastructure Income No.6B1 Limited	—	—
Aviva Investors Infrastructure Income No.6c Limited	—	—
Aviva Investors Infrastructure Income No.6c1 Limited	—	—
Aviva Investors Infrastructure Income No.7 Limited	—	—
Aviva Investors Infrastructure Income No.8 Limited	—	—
Aviva Investors International Index Tracking Fund	OEIC	80
Aviva Investors Japan Equity Core Fund	TTF	50
Aviva Investors Japan Equity Fund	TTF	99
Aviva Investors Japan Equity Growth Fund	OEIC	100
Aviva Investors Japanese Equity Index Fund	TTF	100
Aviva Investors Managed High Income Fund	OEIC	71
Aviva Investors Money Market VNAV Fund	TTF	100

Company name	Share Class[1]	% held
Aviva Investors Multi-Asset 40 85 Shares Index Fund	TTF	100
Aviva Investors Multi-Asset Core Fund I	OEIC	80
Aviva Investors Multi-Asset Core Fund II	OEIC	77
Aviva Investors Multi-Asset Core Fund III	OEIC	64
Aviva Investors Multi-Asset Core Fund IV	OEIC	70
Aviva Investors Multi-asset Plus III Fund	OEIC	46
Aviva Investors Multi-asset Plus IV Fund	OEIC	31
Aviva Investors Multi-asset Plus V Fund	OEIC	32
Aviva Investors Multi-asset Sustainable Stewardship Fund I	OEIC	100
Aviva Investors Multi-asset Sustainable Stewardship Fund II	OEIC	100
Aviva Investors Multi-asset Sustainable Stewardship Fund III	OEIC	100
Aviva Investors Multi-asset Sustainable Stewardship Fund IV	OEIC	100
Aviva Investors Multi-Manager 20-60% Shares Fund	OEIC	81
Aviva Investors Multi-Manager 40-85% Shares Fund	OEIC	79
Aviva Investors Multi-Manager Flexible Fund	OEIC	87
Aviva Investors Multi-Strategy Target Return Fund	OEIC	84
Aviva Investors Non-Gilt Bond All Stocks Index Fund	TTF	100
Aviva Investors Non-Gilt Bond over 15 Yrs Index Fund	TTF	100
Aviva Investors Non-Gilt Bond up to 5 Years Index Fund	TTF	100
Aviva Investors North American Equity Core Fund	TTF	49
Aviva Investors North American Equity Fund	TTF	100
Aviva Investors North American Equity Index Fund	TTF	100
Aviva Investors Pacific Equity Ex Japan Core Fund	TTF	61
Aviva Investors Pacific Ex Japan Equity Index Fund	TTF	100
Aviva Investors Pensions Limited	Ordinary	100
Aviva Investors PIP Solar PV (General Partner) Limited	—	—
Aviva Investors PIP Solar PV N0.1 Limited	—	—
Aviva Investors Polish EBC LP	Partnership	100
Aviva Investors Polish Retail GP Limited	Ordinary	100
Aviva Investors Polish Retail LP	Partnership	100
Aviva Investors Pre-Annuity Interest Fund	TTF	100
Aviva Investors Property Fund Management Limited	Ordinary	100
Aviva Investors Property Funds ICVC	Partnership	100

Notes to the consolidated financial statements

Company name	Share Class[1]	% held
Aviva Investors Real Estate Active LTAF	Fund	100
Aviva Investors Real Estate Limited	Ordinary	100
Aviva Investors REALM Ground Rent Limited Partnership	Partnership	86
Aviva Investors REALM Social Housing Limited Partnership	Partnership	86
Aviva Investors REALTAF Holdco 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 Sterling Corporate Bond Fund	TTF	100
Aviva Investors Sterling Gilt Fund	TTF	100
Aviva Investors Strategic Bond Fund	OEIC	74
Aviva Investors Strategic Global Equity Fund	TTF	100
Aviva Investors Sustainable Stewardship Fixed Interest Fund	TTF	95
Aviva Investors Sustainable Stewardship Fixed International Feeder Acc Fund	OEIC	97
Aviva Investors Sustainable Stewardship International Equity Fund	TTF	100
Aviva Investors Sustainable Stewardship International Equity Feeder Acc Fund	OEIC	98
Aviva Investors Sustainable Stewardship UK Eq Feeder Acc Fund	OEIC	97
Aviva Investors Sustainable Stewardship UK EqInc Feeder Acc Fund	OEIC	98
Aviva Investors Sustainable Stewardship UK Equity Fund	TTF	100
Aviva Investors Sustainable Stewardship UK Equity Income Fund	TTF	96
Aviva Investors US Equity Index Fund	TTF	100
Aviva Investors US Large Cap Equity Fund	TTF	100
Aviva Investors UK Commercial Real Estate Senior Debt LP	Partnership	21
Aviva Investors UK Cresd LP Limited	Ordinary	100
Aviva Investors UK Equity Alpha Fund	TTF	95
Aviva Investors UK Equity Core Fund	TTF	66
Aviva Investors UK Equity Dividend Fund	TTF	100
Aviva Investors UK Equity Index Fund	TTF	100
Aviva Investors UK EX Aviva Investments Trusts Index Fund	TTF	100
Aviva Investors UK Fund Services Limited	Ordinary	100
Aviva Investors UK Gilts All Stock Index Fund	TTF	100
Aviva Investors UK Gilts Over 15 Years Index Fund	TTF	100
Aviva Investors UK Gilts Up To 5 Years Index Fund	TTF	100
Aviva Investors UK Index Tracking Fund	OEIC	82

Company name	Share Class[1]	% held
Aviva Investors UK Listed Equity Ex Tabacco Fund	TTF	100
Aviva Investors UK Listed Equity Fund	TTF	100
Aviva Investors UK Listed Equity Fund	OEIC	100
Aviva Investors UK Listed Equity Income Fund	TTF	100
Aviva Investors UK Listed Equity Income Fund	OEIC	100
Aviva Overseas Holdings Limited	Ordinary	100
Aviva Public Private Finance Limited	Ordinary	100
Aviva RELI 1 GP Limited	Ordinary	100
Aviva RELI 1 LP	Partnership	100
Aviva RELI 1 Nominee Limited	Ordinary	100
Aviva RELI 1 Unit Trust	Unit Trust	100
Aviva Reli GP Limited	Ordinary	100
Aviva Special PFI GP Limited	Ordinary	100
Aviva Special PFI Limited Partnership	Partnership	100
Aviva Staff Pension Trustee Limited	Ordinary	100
Aviva UK Digital Limited	Ordinary	100
Axcess 10 Management Company Limited	Company Limited by Guarantee	100
Barwell Business Park Nominee Limited	Ordinary	100
Bermondsey Yards General Partner Limited	Ordinary	100
Bermondsey Yards Limited Partnership	Partnership	100
Bermondsey Yards Nominee 1 Limited	Ordinary	100
Bermondsey Yards Nominee 2 Limited	Ordinary	100
Bersey Warehouse Nominee 1 Limited	Ordinary	100
Bersey Warehouse Nominee 2 Limited	Ordinary	100
Biomass UK No.1 LLP	—	—
Biomass UK No.2 Limited	—	—
Biomass UK No. 3 Limited	—	—
Biomass UK No.4 Limited	—	—
Boston Biomass Limited	—	—
Boston Wood Recovery Limited	—	—
Building a Future (Newham Schools) Limited	Ordinary	100
Cara Renewables Limited	—	—
CCPF No.4 LP	Partnership	100
CGU International Holdings BV	Ordinary	100
Chesterford Park (General Partner) Limited	Ordinary	50
Chesterford Park (Nominee) Limited	Ordinary	100
Chesterford Park Limited Partnership	Partnership	50
Commercial Union Corporate Member Limited	Ordinary	100
Commercial Union Life Assurance Company Limited	Ordinary	100
Den Brook Energy Limited	—	—
Digital Garage Nominee 1 Limited	Ordinary	100
Digital Garage Nominee 2 Limited	Ordinary	100

Notes to the consolidated financial statements

Company name	Share Class[1]	% held
EES Operations 1 Limited	—	—
Electric Avenue Ltd	—	—
Free Solar (Stage 2) Limited	—	—
Fitzroy Place GP 2 Limited	Ordinary	50
Fitzroy Place Management Co Limited	Ordinary	50
Fitzroy Place Residential Limited	Ordinary	50
GES Solar2 Limited	—	—
GES Solar3 Limited	—	—
Gobafoss General Partner Limited	Ordinary	100
Gobafoss Partnership Nominee No 1 Limited	Ordinary	100
Heritage FL Single Family Homes Limited	Ordinary	100
Hooton Bio Power Limited	—	—
Houlton Commercial Management Company 2 Limited	Company Limited by Guarantee	50
Houlton Commercial Management Company	Company Limited by Guarantee	50
Houlton Community Management Company Limited	Company Limited by Guarantee	100
Igloo Regeneration (General Partner) Limited	Ordinary	50
Igloo Regeneration (Nominee) Limited	Ordinary	50
Igloo Regeneration Developments (General Partner) Limited	Ordinary	50
Igloo Regeneration Developments LP	Partnership	20
Igloo Regeneration Partnership	Partnership	50
Igloo Regeneration Property Unit Trust	Unit Trust	50
Irongate House LP	Partnership	50
Irongate House Nominee 1 Limited	Ordinary	50
Irongate House Nominee 2 Limited	Ordinary	50
Jacks Lane Energy Limited	—	—
Lime Property Fund (General Partner) Limited	Ordinary	100
Lime Property Fund (Nominee) Limited	Ordinary	100
Lime Property Fund Limited Partnership	Partnership	100
Lombard (London) 1 Limited	Ordinary	100
Lombard (London) 2 Limited	Ordinary	100
Longcross General Partner Limited	Ordinary	100
Longcross Limited Partnership	Partnership	100
Longcross Nominee 1 Limited	Ordinary	100
Longcross Nominee 2 Limited	Ordinary	100
Mamhilad Solar Limited	—	—
Medium Scale Wind No.1 Limited	—	—
Middlesex Hospital Site Property Unit Trust	Unit Trust	50
Minnygap Energy Limited	—	—
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	—	—
New Broad Street House LP	Partnership	50
New Broad Street House Nominee 1 Limited	Ordinary	50
New Broad Street House Nominee 2 Limited	Ordinary	50
Norwich Union (Shareholder GP) Limited	Ordinary	100
Norwich Union Public Private Partnership Fund	Partnership	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	Partnership	50
Pegasus House and Nuffield House Nominee 1 Limited	Ordinary	50
Pegasus House and Nuffield House Nominee 2 Limited	Ordinary	50
Porth Teigr Management Company Limited	Ordinary	50
Quarryvale One Limited	Ordinary	100
RDF Energy No.1 Limited	—	—
Renewable Clean Energy 3 Limited	—	—
Renewable Clean Energy Limited	—	—
Riley Factory Nominee 1 Limited	Ordinary	100
Riley Factory Nominee 2 Limited	Ordinary	100
Rugby Radio Station (General Partner) Limited	Ordinary	50

Notes to the consolidated financial statements

Company name	Share Class[1]	% held
Rugby Radio Station (Nominee) Limited	Ordinary	50
Rugby Radio Station Limited Partnership	Partnership	50
SHR Bordon Limited	Ordinary	100
SHR Coventry Limited	Ordinary	100
SHR Ipswich Limited	Ordinary	100
SHR Ipswich OpCo Limited	Ordinary	100
SHR Linmere Limited	Ordinary	100
SHR Swindon Limited	Ordinary	100
SHR Telford Limited	Ordinary	100
SHR Telford OpCo Limited	Ordinary	100
Solar Clean Energy Limited	—	—
Southgate General Partner Limited	Ordinary	50
Southgate LP (Nominee 1) Limited	Ordinary	50
Southgate LP (Nominee 2) Limited	Ordinary	50
Spire Energy Ltd	—	—
Station Road Cambridge LP	Partnership	50
Station Road General Partner LLP	Partnership	100
Station Road GP Limited	Ordinary	100
Stonebridge Cross Management Limited	Company Limited by Guarantee	100
SUE Developments LP	Partnership	50
SUE GP LLP	Partnership	50
SUE GP Nominee Limited	Ordinary	50
Sustainable Housing Holdco Limited	Ordinary	100
Sustainable Housing Topco Limited	Ordinary	100
Sustainable Storage HoldCo Limited	Ordinary	100
Sustainable Storage Portfolio SPV Limited	Ordinary	100
Sustainable Storage Topco Limited	Ordinary	100
Swan Valley Management Limited	Ordinary	100
The Designer Retail Outlet Centres (Mansfield) General Partner Limited	Ordinary	100
The Designer Retail Outlet Centres (Mansfield) Limited Partnership	Partnership	97
The Designer Retail Outlet Centres (York) General Partner Limited	Ordinary	100
The Designer Retail Outlet Centres (York) Limited Partnership	Partnership	97
The Gobafoss Partnership	Partnership	100
The Ocean Marine Insurance Company Limited	Ordinary	100
The Rutherford Nominee 1 Limited	Ordinary	100
The Rutherford Nominee 2 Limited	Ordinary	100
The Southgate Limited Partnership	Partnership	50
The Square Brighton Limited	Ordinary	100
Turncole Wind Farm Limited	—	—
Tyne Assets (No 2) Limited	Ordinary	100
Tyne Assets Limited	Ordinary	100
Undershaft Limited	Ordinary	100
Welsh Insurance Corporation Limited	Ordinary	100

Company name	Share Class[1]	% held
Westcountry Solar Solutions Limited	—	—
Woolley Hill Electrical Energy Limited	—	—
WR 11 Solar Limited	—	—
Yorkshire Insurance Company Limited	Ordinary	100
Swan Court Waterman's Business Park, Kingsbury Crescent, Staines, TW18 3BA, United Kingdom		
Healthcode Limited	Ordinary	20
Tec Marina Terra Nova Way, Penarth, Cardiff, CF64 1SA, United Kingdom		
Wealthify Group Limited	Ordinary	100
Wealthify Limited	Ordinary	100
The Apex, Brest Road, Derriford Business Park, Derriford, Plymouth, PL6 5FL, United Kingdom		
Bankhouse Financial Management Limited	Ordinary	100
G&E Private Wealth Limited	Ordinary	97
G&E Wealth Management (Holdings) Ltd	Ordinary	100
G&E Wealth Management Limited	Ordinary	97
HKA (F S) Limited	Ordinary	97
HKA Holdings Limited	Ordinary	97
Investors Planning Associates Limited	Ordinary	100
JCF Financial Services Limited	Ordinary	100
KF Consulting	Ordinary	100
Oaklea Wealth Management Limited	Ordinary	97
Pannells Financial Planning Ltd	Ordinary	100
Pannells Holdings Limited	Ordinary	100
Succession Advisory Services Limited	Ordinary	100
Succession Employee Benefit Solutions Limited	Ordinary	100
Succession Financial Management Limited	Ordinary	100
Succession Group Ltd	Ordinary	100
Succession Holdings Ltd	Ordinary	100
Succession Wealth Management Limited	Ordinary	100
The Oxford Advisory Partnership Limited	Ordinary	100
The Green, Easter Park, Benyon Road, Reading, RG7 2PQ, United Kingdom		
ANESCO Mid Devon Limited	—	—
ANESCO South West Limited	—	—
Free Solar (Stage 1) Limited	—	—
New Energy Residential Solar Limited	—	—
Norton Energy SLS Limited	—	—
TGHC Limited	—	—
Unit 2, Arabesque House, Monks Cross Drive, Huntington, York, YO32 9GW, United Kingdom		
A P Associates Financial Services Limited	Ordinary	97
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

Notes to the consolidated financial statements

Company name	Share Class[1]	% held
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 Investments International L.P.	Partnership	100
Aviva Life Services UK Limited	Ordinary	100
Aviva Management Services UK Limited	Ordinary	100
Aviva Master Trust Trustees UK Limited	Ordinary	100
Aviva Pension Trustees UK Limited	Ordinary	100
Aviva Savings Limited	Ordinary	100
Aviva Trustees UK Limited	Ordinary	100
Aviva UKLAP De-risking Limited	Ordinary	100
Aviva Wealth Holdings UK Limited	Ordinary	100
Aviva Wrap UK Limited	Ordinary	100
Bankhall Support Services Limited	Ordinary	100
CGNU Life Assurance Limited	Ordinary	100
FF Fabric Limited	Ordinary	100
Friends AEL Trustees Limited	Ordinary	100
Friends AELLAS Limited	Ordinary	100
Friends AELRIS Limited	Ordinary	100
Friends Life and Pensions Limited	Ordinary	100
Friends Life Assurance Society Limited	Ordinary	100
Friends Life Company Limited	Ordinary	100
Friends Life FPL Limited	Ordinary	100
Friends Life FPLMA Limited	Ordinary	100
Friends Life Holdings Limited	Ordinary	100
Friends Life Limited	Ordinary	100
Friends Life WL Limited	Ordinary	100
Friends Provident Investment Holdings Limited	Ordinary	100
Friends Provident Life Assurance Limited	Ordinary	100
Friends' Provident Managed Pension Funds Limited	Ordinary	100
Friends Provident Pension Scheme Trustees Limited	Ordinary	100
Friends SLUA Limited	Ordinary	100
Gateway Specialist Advice Services Limited	Ordinary	100
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

Company name	Share Class[1]	% held
Sesame Services Limited	Ordinary	100
Suntrust Limited	Ordinary	100
Lancashire and Yorkshire Reversionary Interest Company 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
Zetland House, 5-25 Scrutton Street Units, E-G 4th Fl, London EC2A 4HJ, United Kingdom		
Acre Platforms Limited	Ordinary	37
United States		
251 Little Falls Drive, Wilmington, DE, 19808, United States		
AI-RECAP Carry I, LP	Partnership	100
AI-RECAP GP I, LLC	Sole Member	100
UKP Holdings Inc.	Common	100
1209 Orange Street, Wilmington, DE, 19801, United States		
AI-RECC I GP, LLC	Sole Member	100
Aviva Investors Americas LLC	Sole Member	100
2222 Grand Avenue, Des Moines, IA, 50312, United States		
Aviva Investors North America Holdings, Inc	Common	100
Cogency Global Inc., 850 New Burton Road, Suite 201, Dover, Delaware, Kent County, 19904, United States		
Exeter Properties Inc.	Common	95
Winslade Investments Inc.	Common	100

1. Definitions
- Fond Common de Placement ('FCP')
- Société d 'Investment à Capital Variable ('SICAV')
- Tax Transparent Fund ('TTF')
- Open Ended Investment Companies ('OEIC')

Notes to the consolidated financial statements

Audit exemptions

The subsidiary undertakings of the Company listed below are to take advantage of s479A Companies Act 2006 (s479A) audit exemption for the year ended 31 December 2023. Aviva plc will issue a guarantee pursuant to s479A in relation to the liabilities of the entity:

Company name	Company number
Aviva Insurance Services UK Limited	2180191
Aviva Management Services UK Limited	983330
Aviva Savings Limited	4384512
Aviva Wealth Holdings UK Limited	6861305
FF Fabric Limited	13392040
Friends AELRIS Limited	16807
Lancashire and Yorkshire Reversionary Interest Company Limited /The	19770
London and Manchester Group Limited	1594941
Suntrust Limited	1460956
Undershaft Limited	4075935

60 – Subsequent events

For details of subsequent events relating to:
- acquisitions and disposals, see note 3(a) and 3(b).
- share buybacks see note 32(c).

There are no other material subsequent events to report.

Financial statements of the company

Income statement

For the year ended 31 December 2023

	Note	2023 £m	2022 £m
Income			
Net investment income	A	**2,518**	2,133
		2,518	2,133
Expenses			
Operating expenses	B	**(366)**	(325)
Finance costs	C	**(792)**	(351)
		(1,158)	(676)
Profit for the year before tax		**1,360**	1,457
Tax credit	D	**137**	132
Profit for the year after tax		**1,497**	1,589

Statement of comprehensive income

For the year ended 31 December 2023

	2023 £m	2022 £m
Profit for the year	**1,497**	1,589
Items that will not be reclassified to income statement		
Remeasurements of pension schemes	**—**	8
Other comprehensive income, net of tax	**—**	8
Total comprehensive income for the year	**1,497**	1,597

Where applicable, the accounting policies of the Company are the same as those of the Group. The Company notes identified alphabetically are an integral part of these separate financial statements. Where the same items appear in the Group financial statements, reference is made to the Group notes identified numerically.

Financial statements of the company

Statement of changes in equity

For the year ended 31 December 2023

	Note	Ordinary share capital £m	Preference share capital £m	Share premium £m	Capital redemption reserve £m	Merger reserve £m	Equity compensation reserve £m	Retained earnings £m	Tier 1 notes £m	Total equity £m
Balance at 1 January		**924**	**200**	**1,263**	**3,855**	**2,688**	**113**	**5,248**	**496**	**14,787**
Profit for the year		**—**	**—**	**—**	**—**	**—**	**—**	**1,497**	**—**	**1,497**
Other comprehensive income		**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Total comprehensive income for the year		**—**	**—**	**—**	**—**	**—**	**—**	**1,497**	**—**	**1,497**
Dividends and appropriations	16	**—**	**—**	**—**	**—**	**—**	**—**	**(929)**	**—**	**(929)**
Shares purchased in buyback[1]	32(b)(i)	**(24)**	**—**	**—**	**24**	**—**	**—**	**(300)**	**—**	**(300)**
Capital reductions[2]		**—**	**—**	**(1,253)**	**(3,855)**	**—**	**—**	**5,108**	**—**	**—**
Reserves credit for equity compensation plans	33(d)	**—**	**—**	**—**	**—**	**—**	**61**	**—**	**—**	**61**
Shares issued under equity compensation plans	37	**1**	**—**	**7**	**—**	**—**	**(52)**	**(35)**	**—**	**(79)**
Issue of tier 1 notes	36	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Return of capital to ordinary shareholders via B share scheme	32	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Balance at 31 December		**901**	**200**	**17**	**24**	**2,688**	**122**	**10,589**	**496**	**15,037**

1. In the year ended 31 December 2023, £300 million of shares were purchased and shares with a nominal value of £24 million have been cancelled as part of the share buyback programme
2. In the year ended 31 December 2023, a capital reduction took place which reduced share premium by £1,253 million and the capital redemption reserve by £3,855 million. These amounts were reclassified as retained earnings.

For the year ended 31 December 2022

	Note	Ordinary share capital £m	Preference share capital £m	Share premium £m	Capital redemption reserve £m	Merger reserve £m	Equity compensation reserve £m	Retained earnings £m	Tier 1 notes £m	Total equity £m
Balance at 1 January		941	200	1,248	86	6,438	101	8,591	—	17,605
Profit for the year		—	—	—	—	—	—	1,589	—	1,589
Other comprehensive income		—	—	—	—	—	—	8	—	8
Total comprehensive income for the year		—	—	—	—	—	—	1,597	—	1,597
Dividends and appropriations	16	—	—	—	—	—	—	(862)	—	(862)
Shares purchased in buyback[1]	32	(19)	—	—	19	—	—	(336)	—	(336)
Reserves credit for equity compensation plans	33	—	—	—	—	—	58	—	—	58
Shares issued under equity compensation plans	37	2	—	15	—	—	(46)	8	—	(21)
Issue of tier 1 notes[2]	36	—	—	—	—	—	—	—	496	496
Return of capital to ordinary shareholders via B share scheme[3]	32	—	—	—	3,750	(3,750)	—	(3,750)	—	(3,750)
Balance at 31 December		924	200	1,263	3,855	2,688	113	5,248	496	14,787

1. In the year ended 31 December 2022, £336 million of shares were purchased and shares with a nominal value of £19 million have been cancelled as part of the share buyback programme
2. On 15 June 2022, the Group issued £500 million of 6.875% fixed rate reset perpetual Restricted Tier 1 contingent convertible notes (the RT1 notes). These RT1 notes are treated as equity and any coupon payments are recognised directly in equity as they arise (see note 36).
3. On 2 March 2022, Aviva announced a proposed return of capital, via a £3,750 million B Share Scheme for the holders of ordinary shares. 3,687,322,000 B shares were issued for nil consideration with a nominal value of 101.69 pence per share on 16 May 2022, resulting in a total of £3,750 million being credited to the B share capital account. At the same time, the merger reserve was reduced by £3,750 million. On 17 May 2022, the B shares were redeemed at 101.69 pence per share, which resulted in a £3,750 million reduction in the B share capital account and a corresponding increase in the capital redemption reserve. Retained earnings reduced by £3,750 million on payment of the return of capital to ordinary shareholders.

Where applicable, the accounting policies of the Company are the same as those of the Group. The Company notes identified alphabetically are an integral part of these separate financial statements. Where the same items appear in the Group financial statements, reference is made to the Group notes identified numerically.

Financial statements of the company

Statement of financial position

As at 31 December 2023

	Note	2023 £m	2022 £m
Assets			
Non-current assets			
Investments in subsidiaries	E	**31,801**	31,793
Investment in joint venture	E	**123**	123
Receivables and other financial assets	F	**1,473**	2,118
Deferred tax assets	G	**114**	142
Current tax assets	G	**167**	—
		33,678	34,176
Current assets			
Financial investments		**—**	1
Receivables and other financial assets	F	**779**	822
Prepayments and accrued income		**114**	112
Cash and cash equivalents		**48**	320
Total assets		**34,619**	35,431
Equity			
Ordinary share capital	32	**901**	924
Preference share capital	35	**200**	200
Called up capital		**1,101**	1,124
Share premium	37	**17**	1,263
Capital redemption reserve	37	**24**	3,855
Merger reserve	H	**2,688**	2,688
Equity compensation reserve		**122**	113
Retained earnings	H	**10,589**	5,248
Tier 1 notes	L	**496**	496
Total equity		**15,037**	14,787
Liabilities			
Non-current liabilities			
Borrowings	J	**5,123**	4,939
Payables and other financial liabilities	K	**9,695**	10,470
Pension deficits and other provisions	I	**33**	34
		14,851	15,443
Current liabilities			
Borrowings	J	**51**	530
Payables and other financial liabilities	K	**4,581**	4,582
Other liabilities		**99**	88
Total liabilities		**19,582**	20,643
Total equity and liabilities		**34,619**	35,430

Approved by the Board on 6 March 2024

Charlotte Jones
Chief Financial Officer

Company number: 02468686

Where applicable, the accounting policies of the Company are the same as those of the Group. The Company notes identified alphabetically are an integral part of these separate financial statements. Where the same items appear in the Group financial statements, reference is made to the Group notes identified numerically.

Financial statements of the company

Statement of cash flows

For the year ended 31 December 2023

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.

	2023 £m	2022 £m
Cash flows from investing activities		
Dividends received from joint venture	**14**	18
Net cash from investing activities	**14**	18
Cash flows from financing activities		
Proceeds from issue of ordinary shares	**8**	17
Return of capital to ordinary shareholders via B share scheme	**—**	(3,750)
Shares purchased in buyback	**(300)**	(336)
Treasury shares purchased for employee trusts	**(76)**	(75)
New borrowings drawn down, net of expenses	**870**	536
Repayment of borrowings	**(1,097)**	(849)
Net repayment of borrowings	**(227)**	(313)
Interest paid on borrowings	**(230)**	(264)
Preference dividends paid	**(17)**	(17)
Ordinary dividends paid	**(878)**	(828)
Coupon payments on tier 1 notes	**(34)**	(17)
Issue of tier 1 notes	**—**	496
Funding provided from subsidiaries	**1,508**	4,691
Other[1]	**(40)**	(4)
Net cash used in financing activities	**(286)**	(400)
Total net decrease in cash and cash equivalents	**(272)**	(382)
Cash and cash equivalents at 1 January	**320**	702
Cash and cash equivalents 31 December	**48**	320

1. 2023 includes £32 million (2022: £21 million) in respect of payments relating to equity compensation plans and £nil million (2022: £10 million) receipt of forfeited shareholder distributions to be donated to a charitable foundation

Notes to the company financial statements

A – Net investment income

	2023 £m	2022 £m
Dividends received from subsidiaries[1]	**2,425**	2,045
Dividends received from joint venture	**15**	19
Interest receivable from group company loans held at amortised cost	**73**	67
Other income	**—**	1
Unrealised gains on foreign exchange contracts	**—**	1
Net foreign exchange gains	**5**	—
Net investment income	**2,518**	2,133

1. Includes £2,000 million (2022: £2,000 million) dividend income from Aviva Group Holdings Limited and £425 million (2022: £45 million) dividend income from General Accident plc

B – Operating expenses

(a) Operating expenses

Operating expenses comprise:

	Note	2023 £m	2022 £m
Equity compensation plans	B(b)	**16**	18
Other operating costs		**348**	301
Realised loss on foreign exchange contracts		**2**	—
Net foreign exchange losses		**—**	6
Operating expenses		**366**	325

b) 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	2023 £m	2022 £m
Interest payable on borrowings		**237**	261
Interest payable on group loans held at amortised cost	O(b)	**460**	80
Fees and charges on share buyback and return of capital		**3**	10
Premium payments on external borrowings		**92**	—
Finance costs		**792**	351

D – Tax

(a) Tax credited/(charged) to the income statement

The total tax credit comprises:

	2023 £m	2022 £m
For the period	**167**	(1)
Prior year adjustments	**(2)**	—
Current tax	**165**	(1)
Origination and reversal of temporary differences	**(28)**	133
Deferred tax	**(28)**	133
Total tax credited to income statement	**137**	132

The tax credit above, comprising current and deferred tax, can be analysed as follows:

	2023 £m	2022 £m
UK tax	**138**	133
Overseas tax	**(1)**	(1)
Total	**137**	132

Notes to the company financial statements

(b) Tax charged to other comprehensive income
Tax charged to other comprehensive income in the year amounted to £nil million (2022: £3 million charged) in respect of obligations under pension and post-retirement benefit schemes.

(c) Tax reconciliation
The tax on the Company's profit before tax differs from the theoretical amount that would arise using the tax rate in the United Kingdom as follows:

	2023 £m	2022 £m
Total profit before tax	**1,360**	1,457
Tax calculated at standard UK corporation tax rate of 23.5% (2022: 19.00%)	**(320)**	(277)
Reconciling items		
Adjustment to tax charge in respect of prior years	**(8)**	—
Non-assessable dividend income	**573**	392
Disallowable expenses	**(3)**	(3)
Movement in valuation of deferred tax	**(1)**	32
Different local basis of tax on overseas profits	**(1)**	(1)
Losses surrendered intra-group for nil value	**(111)**	(14)
Tax on interest amounts charged directly to equity	**8**	3
Total tax credited to income statement	**137**	132

The UK Government has enacted an increase in the UK corporation tax rate to 25% to take effect from 1 April 2023. This rate has been used in the calculation of the Company's deferred tax assets as at 31 December 2023 and 31 December 2022.

During 2023, legislation on The Organisation for Economic Co-operation and Development proposals to reform the international tax system and introduce a global minimum effective rate of corporation tax of 15% was enacted in the UK, to take effect from 31 December 2023. The Company (as part of the Aviva Group) has assessed its potential exposure, based on the available information, and expects to be exposed to no greater than £1 million of additional tax under these provisions. In accordance with the amendments to IAS 12, endorsed in the UK on 19 July 2023, the Company has applied the exemption and not provided for deferred tax in respect of these reforms.

E – Investments in subsidiaries and joint venture

(a) Subsidiaries
At 31 December 2023, 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 2023 the Company's investments in subsidiaries have a cost of £31,801 million (2022: £31,793 million). The principal subsidiaries of the Aviva Group at 31 December 2023 are set out in note 58 to the Group consolidated financial statements.

(b) Joint venture
At 31 December 2023 the Company's investment in the joint venture, Aviva-COFCO Life Insurance Co. Limited has a cost of £123 million (2022: £123 million).

F – Receivables and other financial assets

	Note	2023 £m	2022 £m
Loans due from subsidiaries held at amortised cost	O(a)	**2,080**	2,664
Amounts due from subsidiaries held at amortised cost	O(c)(i)	**172**	276
Total receivables and other financial assets		**2,252**	2,940
Expected to be recovered in less than one year		**779**	822
Expected to be recovered in more than one year		**1,473**	2,118
Total receivables and other financial assets		**2,252**	2,940

Fair value of these assets approximate to their carrying amounts.

G – Tax assets and liabilities

(a) Current tax
Current tax assets recoverable in more than one year are £167 million (2022: £nil).

Assets for prior years' tax settled by group relief of £nil million (2022: £137 million) are included within Receivables and other financial assets (note F), of which £nil million are recoverable in less than one year.

Notes to the company financial statements

(b) Deferred tax

(i) The net deferred tax asset arises on the following items:

	2023 £m	2022 £m
Pensions and other post retirement obligations	**9**	9
Unused losses and tax credits	**105**	133
Net deferred tax assets	**114**	142

(ii) The movement in the net deferred tax asset was as follows:

	Note	2023 £m	2022 £m
Net deferred tax assets at 1 January		**142**	12
Amounts (charged)/credited to income statement	D(a)	**(28)**	133
Amounts charged to other comprehensive income	D(b)	**—**	(3)
Net deferred tax assets at 31 December		**114**	142

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. In assessing future profitability, the directors have relied on board approved business plans and profit forecasts for the UK Group for up to 5 years. 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.

H – Reserves

	2023		2022	
	Merger reserve £m	Retained earnings £m	Merger reserve £m	Retained earnings £m
At 1 January	**2,688**	**5,248**	6,438	8,591
Profit for the year	**—**	**1,497**	—	1,589
Remeasurement of pension schemes	**—**	**—**	—	8
Dividends and appropriations	**—**	**(929)**	—	(862)
Capital reductions[1]	**—**	**5,108**	—	—
Shares purchased in buyback	**—**	**(300)**	—	(336)
Return of capital to ordinary shareholders via B share schemes	**—**	**—**	(3,750)	(3,750)
Issue of share capital under equity compensation scheme	**—**	**(35)**	—	8
At 31 December	**2,688**	**10,589**	2,688	5,248

1. At a General Meeting of Aviva held on 4 May 2023, Aviva received shareholder approval to a reduction of £1,253 million in its share premium account and to a reduction of £3,855 million in its capital redemption reserve (the Capital Reductions). The Capital Reductions received Court approval on 23 May 2023 and were effected on 25 May 2023.

The vast majority of the retained earnings of the Company are distributable.

I – Pension deficits and other provisions

	2023 £m	2022 £m
Total IAS 19 obligations to staff pension schemes	**33**	34
Total pension deficits and other provisions	**33**	34

J – Borrowings

The Company's borrowings comprise:

	2023 £m	2022 £m
Subordinated debt	**4,722**	4,530
Senior notes	**401**	687
Commercial paper	**51**	252
Total borrowings	**5,174**	5,469
Expected to be paid in less than one year	**51**	530
Expected to be paid in more than one year	**5,123**	4,939
Total borrowings	**5,174**	5,469

All the above borrowings are stated at amortised cost with the exception of commercial paper.

Notes to the company financial statements

Maturity analysis of contractual undiscounted cash flows:

	2023			2022		
	Principal £m	Interest £m	Total £m	Principal £m	Interest £m	Total £m
Within one year	**51**	**245**	**296**	531	229	760
One to five years	**402**	**972**	**1,374**	411	912	1,323
Five to ten years	**267**	**1,151**	**1,418**	275	1,077	1,352
10 to 15 years	**700**	**1,041**	**1,741**	700	999	1,699
Over 15 years	**3,787**	**2,376**	**6,163**	3,583	2,111	5,694
Total contractual undiscounted cash flows	**5,207**	**5,785**	**10,992**	5,500	5,328	10,828

Where subordinated debt is undated, the interest payments have not been included beyond 15 years.

The fair value of the subordinated debt at 31 December 2023 was £4,658 million (2022: £4,314 million), calculated with reference to quoted prices. The fair value of the senior debt as at 31 December 2023 was £395 million (2022: £646 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 in note 47 where the details of the fair value hierarchy in relation to these borrowings in note 24.

K – Payables and other financial liabilities

	Note	2023 £m	2022 £m
Loans due to subsidiaries held at amortised cost	O(b)	**9,695**	10,470
Amounts due to subsidiaries held at amortised cost	O(c)(ii)	**4,581**	4,582
Total payables and other financial liabilities		**14,276**	15,052
Expected to be paid in less than one year		**4,581**	4,582
Expected to be paid in more than one year		**9,695**	10,470
Total payables and other financial liabilities		**14,276**	15,052

L – Tier 1 notes

On 15 June 2022, the Company issued £500 million of 6.875% fixed rate reset perpetual Restricted Tier 1 contingent convertible notes (the RT1 Notes), see details in note 36. During the year coupon payments of £34 million were made (2022: £17 million).

M – Contingent liabilities

Details of the Company's contingent liabilities are given in the Group consolidated financial statements, note 50.

N – Risk management

Risk and capital management in the context of the Group is considered in the Group consolidated financial statements, notes 52 and 54.

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 54. 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 47) and loans owed to subsidiaries. Loans owed to subsidiaries were within agreed credit terms as at the balance sheet date.

(a) 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.

Notes to the company financial statements

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 47.

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 £90 million (2022: decrease/increase of £92 million). We manage and hedge our interest rate exposure through setting risk tolerance levels on a Solvency II cover ratio basis. Exposure to interest rate risk is monitored through several measures that include duration, capital modelling, sensitivity testing and stress and scenario testing.

(b) 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 54(c)(v).

The Company faces exposure to foreign currency risk through some of its borrowings which are denominated in Euros and Canadian dollars.

(c) 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, K and F respectively.

(d) 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 52 for more detail on risks and capital management objectives.

O – Related party transactions

The Company had the following related party transactions.

Loans to and from subsidiaries are made on normal arm's-length commercial terms. The maturity analysis of the related party loans is as follows:

(a) Loans owed by subsidiaries

	2023 £m	2022 £m
Within one year	**607**	546
One - five years	**992**	1,624
Over five years	**481**	494
Total loans owed by subsidiaries	**2,080**	2,664

The interest received on these loans is £73 million (2022: £67 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 £217 million (2022: £221 million).

On 23 December 2014, the Company provided an unsecured revolving credit facility of £2,000 million to Aviva Group Holdings Limited, its subsidiary, with an initial maturity date of 3 September 2018, which was subsequently extended to 31 December 2023. The company has renewed this facility on 1 January 2024 to further extend the maturity date to 31 December 2028. The loan has to date accrued interest at a fixed rate of 0.895% but from 1 January 2024 will accrue interest at the GBP Sonia Swap Rate plus the Five Year Credit Default Swap Spread. As at the statement of financial position date, the total amount drawn down on the facility was £nil (2022: £nil).

Notes to the company financial statements

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 £264 million (2022: £273 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 49 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 £212 million (2022: £207 million).
- An unsecured loan of €650 million with a maturity date of 5 July 2023. The loan was redeemed in full on its maturity date of 5 July 2023 and therefore at the statement of financial position date, the total amount drawn down on the loan was £— million (2022: £267 million). The loan accrued interest at a fixed rate of 1.54% with settlement paid at maturity.
- 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 £607 million (2022: £620 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 £780 million (2022: £797 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 was redeemed in full on its maturity date of 27 October 2023 and therefore at the statement of financial position date, the total amount drawn on the loan was £nil million (2022: £279 million). The loan accrued interest at a fixed rate of 1.75% with settlement paid at maturity.

(b) Loans owed to subsidiaries

Maturity analysis of contractual undiscounted cash flows:

	Principal £m	Interest £m	2023 Total £m	Principal £m	Interest £m	2022 Total £m
Within one year	—	446	446	—	453	453
One to five years	9,695	1,786	11,481	9,439	1,811	11,250
Over five years	—	—	—	1,031	9	1,040
Total contractual undiscounted cash flows	**9,695**	**2,232**	**11,927**	10,470	2,273	12,743

The interest paid on these loans is £460 million (2022: £80 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. On 6 October 2016, the facility increased to £5,000 million. This facility had a maturity date of 31 December 2023 and the Company has renewed this facility on 1 January 2024 to further extend the maturity date to 31 December 2028. The loan has to date accrued interest at a fixed rate of 0.895% but from 1 January 2024 will accrue interest at the 12 month SONIA Swap Rate plus 0.648%. The total amount drawn down on the facility at 31 December 2023 was £256 million (2022: £1,031 million).

On 14 December 2017, the Company renewed its facility with General Accident plc, its subsidiary, of £9,990 million and the Board approved the extension of the maturity of the loan by five years from 31 December 2017 to 31 December 2022. A subsequent loan amendment in December 2022 extended the loan maturity to 31 December 2027 and changed the interest rate to a floating rate based on the 12 month SONIA swap rate effective from 1 January 2023. As at 31 December 2023, the loan balance outstanding was £9,439 million (2022: £9,439 million). This loan is secured against the ordinary share capital of Aviva Group Holdings Limited.

(c) Other transactions

(i) Services provided to related parties

	2023 Income earned in year £m	2023 Receivable at year end £m	2022 Income earned in year £m	2022 Receivable at year end £m
Subsidiaries and joint ventures	**2,440**	**172**	2,064	276

Income earned relates to dividends. The Company incurred expenses in the year of £0.8 million (2022: £0.8 million) representing audit fees paid by the Company on behalf of subsidiaries. The Company did not recharge subsidiaries for these expenses.

The related parties' receivables are not secured and no guarantees were received in respect thereof. The receivables will be settled in accordance with normal credit terms.

Notes to the company financial statements

(ii) Services provided by related parties

	2023		2022	
	Expense incurred in year £m	**Payable at year end £m**	Expense incurred in year £m	Payable at year end £m
Subsidiaries	**348**	**4,581**	301	4,582

Expenses incurred relates to operating expenses. All the Company's operating cash requirements are met by subsidiary companies and settled through intercompany loans.

The Company has a prepayment of £87 million (2022: £85 million) relating to shares owned by an employee share trust to satisfy the Company's share awards.

The related parties' payables and receivables are not secured and no guarantees were given or received in respect thereof. The payables will be settled in accordance with normal credit terms. Details of guarantees, indemnities and warranties given by the Company on behalf of related parties are given in note 50(f).

(d) 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 57.

P – Subsequent events

On 1 January 2024 the Company renewed two facilities, one from Aviva Group Holdings Limited and one to Aviva Group Holdings Limited:

- The Company has renewed its £5,000 million unsecured rolling credit facility from Aviva Group Holdings Limited, extending the maturity date to 31 December 2028. From 1 January 2024 this facility will accrue interest at the GBP SONIA Swap Rate plus the Five Year Credit Default Swap Spread.
- The Company has renewed its £2,000 million unsecured revolving credit facility to Aviva Group Holdings Limited, extending the maturity date to 31 December 2028. From 1 January 2024 this facility will accrue interest at the GBP SONIA Swap Rate plus the Five Year Credit Default Swap Spread.

These relate to intragroup transactions and therefore are not subsequent events for the Group.

For Group subsequent events please see note 60.

Other information

In this section

Alternative performance measures

Overview

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.

Changes in APMs:

New APMs introduced following the adoption of IFRS 17

The Group has applied IFRS 17 Insurance Contracts retrospectively from 1 January 2023. This standard has brought significant changes to the measurement and presentation for insurance, participating investment and reinsurance contracts. Consequently, we have introduced new APMs in 2023 that provide useful information under the standard:

- Operating value added;
- Stock of future profit;
- Gross written premiums (GWP);
- Adjusted IFRS Shareholders' equity; and
- Adjusted IFRS Shareholders' equity per share.

APMs amended following the adoption of IFRS 17

In addition, we have made certain changes to existing APMs to ensure that they remain relevant and useful for stakeholders. The Group adjusted operating profit and combined operating ratio, claims, commission, and expense ratios APM disclosures have all been updated to reflect the implementation of IFRS 17.

Value of new business on an adjusted Solvency II basis (VNB) has also been amended following a review of the basis of preparation. The revised APM is considered more useful as it avoids distortions in the value of new business due to timing differences in asset origination or temporary reinsurance gaps.

Solvency II return on equity is now presented both with and without an adjustment for excess capital, now that we have completed our capital return initiatives over the last two years.

Group adjusted operating profit, controllable costs, Solvency II operating own funds generation and Solvency II operating capital generation now exclude integration and restructuring costs that relate to a well-defined programme that materially changes the scope of our business or manner in which its conducted. There is no impact on 2022 comparatives.

Further details on these changes are provided in the relevant sections below.

Other changes to APMs

Methodology has been updated in two areas that impact operating APMs, unrelated to the adoption of IFRS 17. The changes relate to:

(i) an update to the methodology to report the volatility from the impact of market movements on policyholder tax in the Heritage business in non-operating investment variances and economic assumption changes; and

(ii) a change in the calculation of general insurance investment return from a long-term investment return (LTIR) to an expected return approach as used for life business, with variances between expected and actual return being reported in non-operating investment variances and economic assumption changes.

2022 comparatives have been restated to reflect these changes.

Both of the methodology changes impact the following APMs:

- Group adjusted operating profit
- Operating earnings per share
- IFRS return on equity

The second methodology change impacts the following APMs:

- Solvency II operating own funds generation
- Solvency II operating capital generation
- Solvency II return on equity
- Solvency II return on capital

In addition, following a review of the presentation of Solvency II operating own funds generation and Solvency II operating capital generation, management actions and other are now only separately disclosed for life business.

IFRS net asset value (NAV) and IFRS NAV per share have been renamed to IFRS Shareholders' equity and IFRS Shareholders' equity per share to better reflect the descriptions within the consolidated statement of financial position.

Alternative performance measures

The Group has introduced two new APMs: the distribution ratio for GI business, and the Cost Asset Ratio for the Insurance, Wealth and Retirement (IWR) and Aviva Investors businesses. These measures provide useful information regarding the ongoing efficiency of these businesses following the achievement of the Group's 2018 cost saving target.

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
- Operating value added
- Stock of future profit
- Gross written premiums (GWP)
- Combined operating ratio (COR)
- Claims, commission, expense and distribution ratios
- Operating earnings per share (Operating EPS)
- Controllable costs
- IFRS return on equity (RoE)
- IFRS Shareholders' equity per share
- Adjusted IFRS Shareholders' equity per share
- Assets Under Management (AUM) and Assets Under Administration (AUA)
- Net flows
- Aviva Investors revenue
- Cost income ratio (CIR)
- Cost asset 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:

(a) Investment variances and economic assumption changes

Group adjusted operating profit for life and non-life 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. This includes movements in the liabilities to with-profit policyholders that offset the operating result of non-profit contracts written in the with-profit funds. Group adjusted operating profit also includes the effect of the mismatch between movements in expected future insurance contract cash flows measured at current discount rates and the corresponding adjustment to the contractual service margin (CSM) measured at locked in rates. 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. 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 such as changes in expected cashflows for non-life claims. 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.

The exclusion of short-term investment variances from this APM reflects the long-term nature of much of our business. The Group adjusted operating profit, which is used in managing the performance of our operating segments, excludes the impact of economic variances to provide a comparable measure year-on-year.

Alternative performance measures

(b) 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 on non-participating investment contracts; 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.

(c) Integration and restructuring costs

Group adjusted operating profit excludes integration and restructuring (I&R) costs that relate to a well-defined programme that materially changes the scope of our business or the manner in which it is conducted, with the exception of expected future I&R costs directly attributable to insurance contracts. Directly attributable I&R costs will be reflected in the CSM and the impact recognised in Group adjusted operating profit as CSM is amortised.

At the beginning of 2024, IWR announced a 15-year extension to our key strategic partnerships with Diligenta and FNZ to simplify our operations and support our growth ambitions, with further changes improving how we serve our customers. Integration and restructuring costs of £61 million have been incurred during 2023 in relation to this simplification, with additional costs expected to be incurred over the period 2024-2028. This programme will rationalise our administration platforms to remove complexity and improve customer outcomes. The costs will cover changes to data and systems and expenditure to deliver associated efficiency savings. Benefits of this restructuring programme will include a reduction in the operating cost base of the IWR business, resulting in higher cash generation and cash remittances.

(d) Other items

Other items 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. At 31 December 2023, other items are a net loss of £176 million (2022: £41 million gain) which comprises:

- A charge of £92 million relating to fees paid to bondholders in respect of certain modifications to the terms and conditions of the Group's £600 million Tier 2 Fixed to Floating notes. 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 £71 million relating to provisions for indemnities entered into through acquisition and disposal activity. This is disclosed outside of Group adjusted operating profit as the acquisition and disposal activity is considered strategic in nature;
- A charge of £2 million relating to costs directly associated with the acquisition of Optiom O2 Holdings Inc by Aviva Canada; and
- Charges totalling £11 million relating to the cost of the employee free share award announced in 2022, and fees and charges associated with the 2023 share buyback programme.

Other items at 2022 comprised :

- The following items which are disclosed outside of Group adjusted operating profit as they relate to acquisition and disposal activity that we consider to be strategic in nature:
  - A gain of £77 million relating to negative goodwill on the acquisition of Aviva India, which is excluded from Group adjusted operating profit for consistency with the treatment of impairment of goodwill;
  - A charge of £15 million arising from third party reinsurance, accepted by Aviva from the former Aviva France general insurance entity, which was terminated on 31 December 2021;
  - A net release of provisions relating to acquisition and disposal activity of £1 million;
  - A charge of £7 million relating to costs directly associated with the acquisition of Succession Wealth; and
- Charges of £15 million relating to the cost of the employee free share award, and fees and charges associated with the share buyback and return of capital to ordinary shareholders.

Alternative performance measures

The table below presents a reconciliation between our consolidated group adjusted operating profit and profit before tax attributable to shareholders' profits.

	2023 £m	Restated[1] 2022 £m
Insurance, Wealth & Retirement (IWR)	**994**	1,199
UK & Ireland General Insurance	**452**	278
Canada General Insurance	**399**	352
Aviva Investors	**21**	25
International investments (India, China and Singapore)	**63**	39
Business unit operating profit	**1,929**	1,893
Corporate centre costs and Other operations	**(215)**	(297)
Group debt costs and other interest	**(247)**	(246)
Group adjusted operating profit before tax attributable to shareholders' profits	**1,467**	1,350
Adjusted for the following:		
Investment variances and economic assumption changes	**322**	(2,736)
Impairment of goodwill, joint ventures, associates and other amounts expensed	**—**	(8)
Amortisation and impairment of intangibles acquired in business combinations	**(52)**	(54)
Amortisation and impairment of acquired value of in-force business	**(59)**	(68)
Integration and restructuring costs	**(61)**	—
Other	**(176)**	41
Adjusting items before tax	**(26)**	(2,825)
Tax on Group adjusted operating profit	**(289)**	(178)
Tax on other activities	**(46)**	623
Tax attributable to shareholders' profits	**(335)**	445
Profit/(loss) for the year	**1,106**	(1,030)

1. The 2022 comparative amounts have been restated for methodology changes described in the 'Other Information - overview' section.

Operating value added

Operating value added represents the increase in "value" in the period on an IFRS 17 basis. This is defined as the operating profit in the period plus the operating change in the contractual service margin (CSM) (gross of tax). Operating changes in the CSM include new business, interest accretion, expected return, experience variances, assumption changes and release of CSM and exclude economic variances and economic assumption changes.

Non-operating changes in the CSM consist of investment variances, economic assumption changes, and integration and restructuring costs that are directly attributable to insurance contracts. This includes integration and restructuring costs (gross of tax) of £95 million (2022: £nil) representing the present value of the costs expected to be incurred in relation to simplification of the infrastructure of our IWR business and improvements to how we serve our customers. £143 million has been recognised in operating changes in CSM reflecting lower expense assumptions. Additional benefits in excess of the costs are expected to be recognised in future years as contracts are migrated and the programme delivers the expected efficiencies.

For business measured using the general measurement model (GMM) the CSM is calculated using locked-in rates, so investment variances and economic assumption changes will be limited to changes in expenses due to inflation. For contracts measured under the variable fee approach (VFA), variance between the expected return on the shareholder share of underlying assets and the actual return are reported as non-operating changes in CSM.

This APM is relevant for the life insurance business and is a more complete and useful measure of the value generated in the period, reflecting the benefit of writing new business and assumption changes in the period. No adjustment is made for the future value of the businesses for which no CSM liability has been established and operating value added is equal to operating profit.

	2023 £m	2022 £m
Group adjusted operating profit before tax attributable to shareholders' profits (restated[1])	**1,467**	1,350
Operating changes in CSM	**851**	426
Operating value added	**2,318**	1,776

1. The 2022 comparative amounts have been restated for methodology changes described in the 'Other Information - overview' section.

Alternative performance measures

	2023 £m	2022 £m
Insurance, Wealth & Retirement (IWR)[1]	**1,849**	1,635
UK & Ireland General Insurance	**452**	278
Canada General Insurance	**399**	352
Aviva Investors	**21**	25
International investments (India, China and Singapore)	**63**	39
Business unit operating value added	**2,784**	2,329
Corporate centre costs and Other operations[1]	**(219)**	(307)
Group debt costs and other interest	**(247)**	(246)
Group operating value added	**2,318**	1,776

1. IWR operating value added excludes the impact of intra-group reinsurance of Periodic Payment Orders (PPOs). This intra-group reinsurance is reported under 'Other operations'.

	Note	2023 £m	2022 £m
Opening CSM[1]	40(b)	**6,480**	6,163
New business		**437**	414
Interest accretion and expected return		**257**	215
Experience variance and other		**393**	178
Assumption changes		**564**	306
Release of CSM		**(800)**	(687)
Operating changes in CSM		**851**	426
Non-operating changes[2]		**(83)**	(109)
Closing CSM[1,3]	40(b)	**7,248**	6,480

1. The 2022 opening and closing CSM has been restated by £17 million following a correction in respect of historic accounting for with-profits business (see note 1(b)).
2. Non-operating changes in CSM consists of investment variances, economic assumption changes, and integration and restructuring costs that are directly attributable to insurance contracts. This includes integration and restructuring costs (gross of tax) of £95 million (2022: £nil) representing the present value of the costs expected to be incurred over the period 2024-2028 in relation to the extension of two key strategic partnerships. Benefits of this restructuring programme will include a reduction in the operating cost base of the IWR business, of which £143 million has been recognised in operating changes in CSM in the year reflecting lower expense assumptions. Additional benefits in excess of the costs are expected to be recognised in future years as contracts are migrated and the programme delivers the expected efficiencies.
3. The CSM is included within Insurance contract and participating investment contract liabilities on the Consolidated statement of financial position. See note 40 for more detailed information on these balances.

Stock of future profit

Stock of future profit is the addition of the CSM and the risk adjustment, which represents the future profit recognised in the statement of financial position to unwind into profit over time. It is presented at the Group total. The releases from the stock of future profit are a key driver of profit for our life insurance business and these releases are provided for our IWR Protection, Annuities, Heritage and Ireland businesses.

Gross written premiums (GWP)

GWP is a measure of volumes written in the period for the general Insurance business. It was previously reported under the IFRS 4 income statement and therefore was a GAAP measure. Following adoption of IFRS 17, GWP is classified as an APM. GWP is useful for understanding the growth of the business. Reconciliations of GWP to insurance revenue is set out below. Reconciling items arise from presentational differences between IFRS 4 and IFRS 17, and timing differences between writing premiums and recognising insurance revenue.

	Note	2023 £m	2022 £m
Gross written premiums		**10,888**	9,749
Movement in unearned premiums on contracts measured under the premium allocation approach (PAA)		**(668)**	(359)
Instalment income		**69**	67
Reclassification resulting from the adoption of IFRS 17		**—**	34
Insurance revenue from general insurance business	4(a)	**10,289**	9,491
Insurance revenue from other segments	4(a)	**8,208**	7,398
Insurance revenue	5	**18,497**	16,889

Alternative performance measures

Combined operating ratio (COR)

COR is a useful financial measure of general insurance (GI) underwriting profitability calculated as total underwriting costs in our insurance entities expressed as a percentage of net insurance revenue. It is used to monitor the profitability of lines of business. A COR below 100% indicates profitable underwriting.

The COR presentation has been updated for IFRS 17. The main differences in the calculation relate to using a risk adjustment rather than reserve margins, specific allowances for onerous business and reallocations between the numerator and denominator of the calculation. COR continues to be presented on a net of reinsurance basis, but now includes the impact of discounting as aligned to IFRS 17 requirements (discounted COR).

The Group considers COR with claims measured on an undiscounted basis (undiscounted COR) to align more closely to the way in which the business is managed, and undiscounted COR is disclosed alongside discounted COR.

The Group discounted and undiscounted COR are shown below.

	Note	2023 £m	Restated[1] 2022 £m
Total claims and benefits - GI and Health	8	**(6,557)**	(6,237)
Adjusted for the following:			
Claims and benefits - Health		**454**	371
Claims recoverable from reinsurers		**474**	652
Losses on onerous contracts (including recoveries) and other		**(16)**	(48)
Total incurred claims (included in COR)		**(5,645)**	(5,262)
Insurance service expense - GI and Health	4(b)	**(9,664)**	(9,172)
Adjusted for the following:			
Insurance service expenses- Health		**582**	435
Insurance service expenses recoverable from reinsurers		**473**	650
Remove incurred claims		**5,645**	5,262
Include non attributable expenses and other		**(35)**	(20)
Total commission and expenses (included in COR)[2]		**(2,999)**	(2,845)
Total underwriting costs - discounted		**(8,644)**	(8,107)
Remove discounting benefit		**(327)**	(75)
Underwriting costs - undiscounted		**(8,971)**	(8,182)
Insurance Revenue - GI and Health	4(b)	**10,925**	10,049
Adjusted for the following:			
Insurance Revenue - Health		**(637)**	(558)
Allocation of reinsurance premiums		**(963)**	(896)
Net insurance revenue (included in COR)		**9,325**	8,595
Discounted Combined operating ratio (COR)		**92.7 %**	94.3 %
Undiscounted Combined operating ratio (COR)		**96.2 %**	95.2 %

1. The 2022 comparative amounts have been restated following the adoption of IFRS 17 (see note 1).
2. Commission and expenses (included in COR) is comprised of £(1,857) million incurred commission (2022: £(1,732) million) and £(1,142) million incurred expenses (2022: £(1,113) million).

Claims, commission, expense and distribution ratios

Financial measures of the performance of our general insurance business which are calculated as incurred claims, earned commission or earned expenses expressed as a percentage of net insurance revenue, 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. The commission ratio and expense ratio are aggregated together to calculate the distribution ratio, which is the key efficiency metric for general insurance business.

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 15.

Alternative performance measures

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;
- Integration and restructuring costs recognised in 'other expenses' that relate to a well-defined programme that materially changes the scope of our business or the manner in which it is conducted; 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. In 2023 these primarily include;
  - A charge of £92 million relating to fees paid to bondholders in respect of certain modifications to the terms and conditions of the Group's £600 million Tier 2 Fixed to Floating notes. 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;
  - £78 million of costs where the implementation of IFRS 17 has required a change in income statement classification but not within the boundary of controllable costs;
  - A charge of £71 million relating to provisions for indemnities entered into through acquisition and disposal activity. This is disclosed outside of Group adjusted operating profit as the acquisition and disposal activity is considered strategic in nature; and
  - Charges totalling £11 million relating to the cost of the employee free share award announced in 2022, and fees and charges associated with the 2023 share buyback programme.

A reconciliation of other expenses in the IFRS consolidated income statement to controllable costs is set out below:

	Note	2023 £m	2022 £m
Other expenses[1]	8	**2,443**	2,225
Add: other acquisition costs[1]	8	**1,055**	999
Add: claims handling costs[1]		**239**	330
Less: amortisation and impairment of intangibles acquired in business combinations		**(52)**	(54)
Less: amortisation and impairment of acquired value of in-force business on investment contracts[1]	8	**(59)**	(68)
Add/(less): foreign exchange gains/(losses)[1]	8	**146**	(73)
(Less)/add: product governance and mis-selling costs		**(63)**	12
Less: integration and restructuring costs		**(61)**	—
Less: premium based income taxes, fees and levies		**(220)**	(216)
Less: other costs[1]		**(256)**	(3)
Controllable costs		**3,172**	3,152

1. The 2022 comparative amounts have been restated following the adoption of IFRS 17 (see note 1). Total controllable costs are unchanged as a result of IFRS 17 adoption.

Baseline controllable costs are controllable costs included in the scope of the 2018 cost saving target baseline. Baseline controllable costs excludes:
- Cost reduction implementation and IFRS 17 costs. These programmes have been substantially completed in 2023 and excluded from baseline controllable costs.
- Strategic investment on significant programmes supporting growth, customer experience, efficiency or agility to transform Group performance.
- Other costs relating to recently acquired entities, non-insurance operations relating to Europe and Asia and the impact of foreign exchange movements which were not included in the 2018 cost savings target baseline.

	2023 £m	2022 £m
Controllable costs	**3,172**	3,152
Less: Cost reduction implementation, IFRS 17 costs and other	**(332)**	(287)
Less: Strategic investment	**(106)**	(94)
Baseline controllable costs	**2,734**	2,771

Alternative performance measures

IFRS return on equity (RoE)

IFRS RoE is a useful measure of growth and performance of the business on an IFRS basis. 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 preference share capital, tier 1 notes and non-controlling interests).

For the full year reporting period, the weighted average is calculated as 25% weighting to closing equity, 25% weighting to opening equity and 50% weighting to equity as at the half year reporting date. For the half year reporting period, the weighted average is calculated as 50% weighting to opening equity and 50% weighting to closing equity.

	Note	2023	Restated[1] 2022
Group adjusted operating profit after tax attributable to ordinary shareholders (£m)	15	**1,106**	1,117
Weighted average ordinary shareholders' equity (excluding preference share capital, tier 1 notes and non-controlling interests) (£m)		**8,705**	11,919
IFRS RoE (%)		**12.7 %**	9.4 %

1. The 2022 comparative amounts have been restated following the adoption of IFRS 17 and for a correction in respect of historic accounting for with-profits funds (see note 1).

IFRS Shareholders' equity per share

IFRS Shareholders' equity 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 Shareholders' equity 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. This APM has been renamed from IFRS NAV per share to better reflect the descriptions within the consolidated statement of financial position.

	Note	2023	2022
IFRS Shareholders' equity[1] at 31 December (£m)[2]		**8,586**	9,208
Number of shares in issue at 31 December (in millions)	32	**2,739**	2,808
IFRS Shareholders' equity per share[2]		**313 p**	328 p

1. Excluding preference shares of £200 million (2022: £200 million).
2. The 2022 comparative amounts have been restated following the adoption of IFRS 17 and for a correction in respect of historic accounting for with-profits funds (see note 1).

Adjusted IFRS Shareholders' equity per share

Adjusted IFRS Shareholders' equity 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), plus CSM (see note 40(b)) net of tax, divided by the actual number of shares in issue at the balance sheet date. Adjusted IFRS Shareholders' equity per share is meaningful as a measure of the value generated by the Group, including the value held in CSM, in terms of the equity shareholders' face value per share investment.

	Note	2023	2022
IFRS Shareholders' equity[1] at 31 December (£m)[2]		**8,586**	9,208
Add: CSM (£m)	40(c)	**7,248**	6,480
Less: Tax on CSM (£m)		**(1,779)**	(1,585)
Adjusted IFRS Shareholders' equity[1]		**14,055**	14,103
Number of shares in issue at 31 December (in millions)	32	**2,739**	2,808
Adjusted IFRS Shareholders' equity per share		**513 p**	502 p

1. Excluding preference shares of £200 million (2022: £200 million).
2. The 2022 comparative amounts have been restated following the adoption of IFRS 17 and for a correction in respect of historic accounting for with-profits funds (see note 1).

Alternative performance measures

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 £40,628 million (2022: £37,501 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:

	2023 £m	Restated[1] 2022 £m
Financial investments	**245,831**	224,086
Investment property	**6,232**	5,899
Loans[1,2]	**31,884**	29,633
Cash and cash equivalents	**17,273**	22,505
Other	**5,678**	6,408
Assets included in statement of financial position	**306,898**	288,531
Less: third-party funds and UK Platform included above	**(19,821)**	(19,511)
Assets managed on behalf of the Group's subsidiaries[3]	**287,077**	269,020
Aviva Investors external AUM	**38,191**	37,834
UK Platform[4]	**50,555**	44,603
Other	**637**	677
Assets managed on behalf of third parties[5]	**89,383**	83,114
Total AUM[6]	**376,460**	352,134

1. The 2022 comparative results have been restated following the adoption of IFRS 17, as described in note 1. Policy loans in scope of IFRS 17 totalling £13 million have been reallocated from loans to insurance contract and participating investment contract liabilities.
2. Includes £199 million of loans classified as held for sale.
3. Includes investments in sustainable assets, capturing green assets, sustainability assets, social bonds, and transition and climate-related funds. Definitions for this Climate-related measure can be found within the Reporting Criteria section of the Aviva plc Climate-related Financial Disclosure 2023.
4. UK Platform relates to the assets under management in the UK Wealth business.
5. AUM managed on behalf of third parties cannot be directly reconciled to the financial statements.
6. Includes AUM of £227,022 million (2022: £222,671 million) managed by Aviva Investors.

Net flows

Net flows is used by management as a key measure of growth in AUM, from which income is generated through asset management charges (AMCs). This measure is predominantly used in Aviva Investors and the Wealth business within Insurance, Wealth and Retirement (IWR).

It is the net position of inflows and outflows. Inflows include net premiums received for insurance and participating investment contracts, deposits made under non-participating investment contracts, and other funds received from customers included in AUM. Outflows include net claims paid for insurance and participating investment contracts, redemptions and surrenders under non-participating investment contracts, and other funds withdrawn by customers from AUM.

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 other operating expenses.

Alternative performance measures

Cost income ratio (CIR)

Cost income ratio is used to monitor profitable growth in Aviva Investors and is useful as it gives a simple view of how efficiently the business is being run, allowing management to clearly see how costs are moving in relation to income.

Cost income ratio is calculated as Aviva Investors' baseline controllable costs divided by Aviva Investors revenue.

	2023 £m	2022 £m
Aviva Investors revenue	**346**	379
Aviva Investors baseline controllable costs	**(311)**	(331)
Cost income ratio	**90 %**	87 %

Cost asset ratio

Cost asset ratio is used to monitor efficiency in the Insurance, Wealth & Retirement (IWR) and Aviva Investors businesses and is calculated in basis points (bps) as controllable costs divided by average assets under management (AUM). It is a useful measure as it allows management to see the trend of costs compared with business volumes.

	2023 £m	2022 £m
Insurance, Wealth & Retirement (IWR) controllable costs	**1,259**	1,243
Insurance, Wealth & Retirement (IWR) average AUM	**304,363**	309,332
Insurance, Wealth & Retirement (IWR) cost asset ratio	**41.4 bps**	40.2 bps

	2023 £m	2022 £m
Aviva Investors controllable costs	**325**	354
Aviva Investors average AUM	**224,847**	245,226
Aviva Investors cost asset ratio	**14.5 bps**	14.4 bps

There is significant overlap between the AUM balances of the Insurance, Wealth & Retirement and the Aviva Investors businesses, while some of the Group's AUM is attributable to other business units. The internal allocation of AUM and AUA to Insurance, Wealth & Retirement and Aviva Investors provides the most relevant information to assess the efficiency of these businesses.

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 Present Value of New Business Premium (PVNBP)
- Annual premium equivalent (APE)
- 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.

Alternative performance measures

The SCR is calculated at Group level using a risk-based capital model which is calibrated to reflect the cost of mitigating the risk of insolvency to a 99.5% confidence level over a one-year time horizon – equivalent to a 1 in 200 year event – against financial and non-financial shocks. As a number of subsidiaries utilise the standard formula rather than a risk-based capital model to assess capital requirements, the overall Group SCR is calculated using a partial internal model, and it is shown after the impact of diversification benefit.

The 'shareholder view' of Solvency II is considered by management to be more representative of the shareholders' risk-exposure and the Group's ability to cover the SCR with eligible own funds and aligns with management's approach to dynamically manage its capital position. In arriving at the shareholder view, the following adjustments may be 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.
- Adjustments for future regulatory changes that are finalised but not yet implemented at the reporting date in order to show a more representative view of the Group's solvency position.

The reconciliation presented below shows the key differences between Group equity on an IFRS basis and Solvency II own funds on a shareholder view. Additional items bridging from Solvency II shareholder own funds to Solvency II regulatory own funds are presented subsequently.

	Note	2023 £m	Restated[1] 2022 £m
Total Group equity on an IFRS basis		**9,600**	10,214
Exclude preference shares and tier 1 notes		**(696)**	(696)
Exclude non-controlling interests	39	**(318)**	(310)
Add back CSM	40(c)	**7,248**	6,480
Exclude tax on CSM		**(1,779)**	(1,585)
IFRS adjusted shareholders' equity		**14,055**	14,103
Goodwill	17	**(2,100)**	(2,102)
Acquired value of in-force business	18	**(461)**	(521)
Deferred acquisition costs (net of deferred income)	30, 49	**(710)**	(783)
Other intangibles	18	**(507)**	(419)
Elimination of goodwill and other intangible assets		**(3,778)**	(3,825)
Removal of IFRS risk adjustment	40(b)	**1,162**	1,326
Inclusion of Solvency II risk margin		**(1,278)**	(2,922)
TMTP (on a notional reset basis)		**1,407**	2,319
Revaluation of subordinated liabilities		**196**	265
Asset, liability and other accounting valuation differences[2]		**682**	1,323
Tax differences		**(403)**	(631)
Exclude staff pension schemes in surplus (net of tax)		**(669)**	(996)
Solvency II unrestricted shareholder tier 1 own funds		**11,374**	10,962
Restricted tier 1		**946**	946
Tier 2		**4,526**	4,264
Tier 3		**173**	296
Estimated Solvency II shareholder own funds		**17,019**	16,468
Adjustments for:			
Fully ring-fenced with-profit funds	52	**1,408**	1,369
Staff pension schemes in surplus	52	**397**	394
Regulatory vs. notional TMTP valuation differences	52	**—**	437
Estimated Solvency II regulatory own funds		**18,824**	18,668

1. The 2022 comparative amounts have been restated following the adoption of IFRS 17 and for a correction in respect of historic accounting for with-profits funds (see note 1).
2. In 2022, asset, liability and other accounting valuation differences includes £241 million relating to the correction of historic accounting for with-profits funds (see note 1(a)(ii)), which is required to be adjusted as a restatement of prior year comparatives for IFRS but not for Solvency II. The 2022 comparative amounts for Solvency II own funds are unchanged from those previously published.

Estimated Solvency II regulatory own funds of £18,824 million (2022: £18,668 million) is £2,016 million(2022: £1,838 million) greater than estimated Solvency II regulatory net assets of £16,808 million (2022: £16,830 million), primarily due to recognition of eligible subordinated debt capital less adjustments for ring-fenced funds restrictions.

Alternative performance measures

Solvency II shareholder cover ratio

The estimated Solvency II shareholder cover ratio, which is derived from own funds divided by the SCR using the 'shareholder view', is one of the indicators of the Group's balance sheet strength.

A reconciliation of the Solvency II regulatory surplus to the Solvency II shareholder surplus is provided below:

	Own funds £m	**SCR £m**	**2023 Surplus £m**	Own funds £m	SCR £m	2022 Surplus £m
Estimated Solvency II regulatory surplus	**18,824**	**(10,011)**	**8,813**	18,668	(9,441)	9,227
Adjustments for:						
Fully ring-fenced with-profit funds	**(1,408)**	**1,408**	**—**	(1,369)	1,369	—
Staff pension schemes in surplus	**(397)**	**397**	**—**	(394)	394	—
Notional reset of TMTP	**—**	**—**	**—**	(437)	(96)	(533)
Estimated Solvency II shareholder surplus	**17,019**	**(8,206)**	**8,813**	16,468	(7,774)	8,694

A summary of the shareholder view of the Group's Solvency II position is shown in the table below:

	2023 £m	2022 £m
Own Funds	**17,019**	16,468
Solvency Capital Requirement	**(8,206)**	(7,774)
Estimated Solvency II shareholder surplus	**8,813**	8,694
Estimated shareholder cover ratio	**207 %**	212 %

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.
- For annuities the VNB methodology has changed in 2023 to use pricing target asset mix and target reinsurance (where actual reinsurance is not in place rather than the actual asset mix and reinsurance). The revised APM is considered more useful as it avoids distortions in the value of new business due to timing differences in asset origination or temporary reinsurance gaps. Comparatives for prior year have been restated.

	2023 £m	Restated[1] 2022 £m
Protection and Health (Insurance)	**214**	221
Wealth and Other	**239**	229
Retirement (Annuities and Equity Release)	**286**	264
Ireland	**42**	36
Insurance, Wealth & Retirement (IWR)	**781**	750
International investments (India, China and Singapore)	**93**	84
Group value of new business on an adjusted Solvency II basis (VNB)	**874**	834

1. The 2022 comparative results have been restated for annuities following a VNB methodology change in 2023 to use pricing target asset mix and target reinsurance (where actual reinsurance is not in place rather than the actual asset mix and reinsurance).

Alternative performance measures

A reconciliation between VNB and the Solvency II own funds impact of new business is provided below:

	2023 Insurance, Wealth & Retirement (IWR) £m	2023 International investments (India, China and Singapore) £m	2023 Total £m	Restated[1] 2022 Insurance, Wealth & Retirement (IWR) £m	Restated[1] 2022 International investments (India, China and Singapore) £m	Restated[1] 2022 Total £m
VNB (gross of tax and non-controlling interests)	**781**	**93**	**874**	750	84	834
Solvency II contract boundary restrictions - new business	**(90)**	**—**	**(90)**	(94)	—	(94)
Solvency II contract boundary restrictions - increments / renewals on in-force business	**115**	**—**	**115**	128	—	128
Businesses which are not in the scope of Solvency II own funds	**(182)**	**—**	**(182)**	(252)	—	(252)
Actual vs target asset mix/expected reinsurance	**23**	**—**	**23**	17	—	17
Tax and other[2]	**(259)**	**(20)**	**(279)**	(159)	(17)	(176)
Solvency II own funds impact of life new business	**388**	**73**	**461**	390	67	457

1. The 2022 comparative results for have been restated for annuities following a VNB methodology change in 2023 to use pricing target asset mix and target reinsurance (where actual reinsurance is not in place rather than the actual asset mix and reinsurance).
2. Other includes the impact of 'look through profits' in service companies (where not included in Solvency II) of £(29) million (2022: £(20) million) and the surplus from members options including transfers, early/late retirement and take up of tax-free lump sum payments at retirement (not included in Solvency II Own Funds) on BPAs of £(90) million (2022 restated: £(49) million).

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.

Aviva applies a Matching Adjustment (MA) to certain obligations in IWR, using methodology which is set out in the Solvency and Financial Condition Report (SFCR). The MA used for 2023 UK new business (where applicable) was 133 bps (2022 restated: 123 bps). 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. In the calculation of VNB, an MA is applied based on the target allocation of assets backing new business. This allocation will be different to the MA applied at the portfolio level.

New business margin

New business margin (VNB 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.

	2023 £m	2022 £m
Protection and Health (Insurance)	**3,006**	2,507
Wealth and Other	**23,470**	22,877
Retirement (Annuities and Equity Release)	**7,088**	6,238
Ireland	**1,934**	1,657
Insurance, Wealth & Retirement	**35,498**	33,279
International investments (India, China and Singapore)	**2,048**	1,172
Group present value of new business premiums (PVNBP)	**37,546**	34,451

Alternative performance measures

The table below presents a reconciliation of IFRS expected premiums from new insurance contracts to PVNBP:

	Note	2023 £m	2022 £m
Expected premiums (including investment components) from new insurance contracts	40(d)	**8,439**	7,277
Contract boundary and other measurement differences between IFRS 17 and PVNBP		**(18)**	(161)
Expected premiums from new non-participating investment contracts, other retail business, equity release loans and increments on existing policies		**25,409**	24,950
Expected premiums from insurance contracts not in scope of Insurance and reinsurance contracts[1]		**1,668**	1,213
Additions		**27,077**	26,163
Premiums from share of joint ventures, associates and other		**2,048**	1,172
Present value of new business premiums (PVNBP)		**37,546**	34,451

1. Includes premiums from Health business measured under PAA and the cash flows arising from guaranteed annuity options which are within the contract boundary of existing contracts under IFRS, whilst the non-GAAP measure of PVNBP recognises a contract boundary at the date of vesting and therefore includes the premium paid by with profit funds to shareholder owned funds to establish the annuities at vesting.

Annual premium equivalent (APE)

APE is calculated as the sum of new regular premiums plus 10% of new single premiums written in the period (where relevant). APE is used as a new business measure, in particular for Protection and Health, part of our Insurance, Wealth & Retirement business. This provides useful information on sales and new business when considered alongside VNB.

Protection and Health	2023 £m	2022 £m
Present value of new business premiums (PVNBP)	**3,006**	2,507
Remove capitalised value of future regular premiums	**(2,591)**	(2,148)
Annual premium equivalent (APE)	**415**	359

Solvency II operating own funds generation (Solvency II OFG)

Solvency II operating own funds generation measures the amount of Solvency II own funds generated from operating activities and incorporates an expected return on investments supporting the life and non-life insurance businesses. Solvency II operating own funds generation is used to assess sustainable growth. The Group considers this measure meaningful to stakeholders as it enhances the understanding of the Group's operating performance over time by separately identifying non-operating items.

The expected investment returns assumed within Solvency II OFG are consistent with the returns used for Group adjusted operating profit. Solvency II OFG includes the effect of variances in experience for non-economic items, such as mortality, persistency and expenses, the effect of changes in non-economic assumptions (for example, longevity) and model changes that are non-economic in nature.

Consistent with the Group adjusted operating profit APM, Solvency II OFG and Solvency II OCG exclude investment variances, economic assumption changes, and integration and restructuring costs.

Solvency II operating own funds generation is the own funds component of Solvency II OCG (see next section).

Solvency II operating capital generation (Solvency II OCG)

Solvency II operating capital generation (Solvency II OCG) measures the amount of Solvency II capital the Group generates from operating activities. Capital generated enhances Solvency II surplus which can be used to support sustainable cash remittances from our businesses, which in turn, supports the Group's dividend as well as funding further investment to provide sustainable growth.

Solvency II OCG reflects Solvency II OFG and operating movements in the SCR including the impact of capital actions, for example, strategic changes in asset mix including changes in hedging exposure.

Alternative performance measures

An analysis of the components of Solvency II OCG is presented below:

	2023 £m	Restated[1] 2022 £m
Solvency II own funds impact of life new business	**461**	457
Operating own funds generation from life existing business	**541**	475
Operating own funds generation from life management actions and other [2]	**451**	542
Operating own funds generation from non-life	**673**	559
Corporate centre costs and Other	**(219)**	(279)
Group external debt costs	**(178)**	(214)
Group Solvency II OFG	**1,729**	1,540
Solvency II operating SCR impact	**(274)**	(188)
Group Solvency II OCG	**1,455**	1,352

1. The 2022 comparatives have been restated for methodology changes described in the 'Other information' overview section.
2. 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.

	2023			2022		
Shareholder view	Own funds £m	SCR £m	Surplus £m	Own funds £m	SCR £m	Surplus £m
Group Solvency II surplus at 1 January	**16,468**	**(7,774)**	**8,694**	22,150	(9,076)	13,074
Operating capital generation[1]	**1,729**	**(274)**	**1,455**	1,540	(188)	1,352
Non-operating capital generation[1,2,3]	**(214)**	**(158)**	**(372)**	(1,744)	1,501	(243)
Dividends[4]	**(917)**	**—**	**(917)**	(866)	—	(866)
Debt issue / (repayment)	**241**	**—**	**241**	(502)	—	(502)
Share buyback / capital return	**(300)**	**—**	**(300)**	(3,750)	—	(3,750)
Acquisitions / Disposals	**12**	**—**	**12**	(360)	(11)	(371)
Estimated Group Solvency II surplus at 31 December	**17,019**	**(8,206)**	**8,813**	16,468	(7,774)	8,694

1. The 2022 comparatives have been restated for methodology changes described in the 'Other information' overview section.
2. Non-operating capital generation includes integration and restructuring costs (net of tax) of £(356) million (2022: £nil) of which £(47) million was incurred during the year, with the remaining £(309) million representing the present value of the costs expected to be incurred over the period 2024-2028 in relation to the extension of two key strategic partnerships. £208 million has been recognised in operating own funds generation in the year reflecting lower expense assumptions. Additional benefits significantly in excess of the costs are expected to be recognised in future years as contracts are migrated and the programme delivers the expected efficiencies.
3. Non-operating capital generation also includes £(241) million (2022: £nil) for the correction in respect of historic accounting for with-profits funds (see note 1 for further details).
4. Dividends includes £17 million (2022: £17 million) of Aviva plc preference dividends and £21 million (2022: £21 million) of General Accident plc preference dividends.

Solvency II future surplus emergence

Solvency II future surplus emergence is a projection of the capital generation from existing long-term in-force life business and provides an indication of our expected Solvency II OCG from this business in future periods.

The projection is a static analysis as at a point in time and hence it does not include the potential impact of future new business or the potential impact of active management of the business (for example, active management of market, demographic and expense risk through investment, hedging, risk transfer, operational risk and expense management). It is also based on a linear run-off of the TMTP. These items may affect the actual amount of Solvency II OCG earned from existing business in future periods.

For business subject to short contract boundaries under Solvency II, allowance has been made for the impact of renewal premiums as and when they are expected to occur.

The projected surplus, which is primarily expected to arise from the release of risk margin (including transitional measures) and solvency capital requirement as the business runs off over time, is expected to emerge through Solvency II OCG in future years.

The cash flows are real-world cash flows, i.e. they are based on best estimate non-economic assumptions used in the Solvency II valuation and real-world investment returns rather than risk-free. The expected investment returns are consistent with the methodology used in the Group adjusted operating profit.

Solvency II return on equity (Solvency II RoE)

Solvency II RoE is used as an economic value measure by the Group to assess growth and performance.
Solvency II RoE is calculated as:
- Operating own funds generation less preference dividends, equity RT1 note coupons, 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.

Alternative performance measures

To remove distortions in the evaluation of growth and performance whilst we temporarily held excess capital an adjustment was made to exclude excess capital from the denominator (and the return on excess capital from Solvency II operating own funds generation). Excess capital is derived as Solvency II shareholder own funds in excess of our target shareholder cover ratio (currently 180%). Now that we have completed our capital return initiatives over the last two years, we have reported Solvency II RoE with and without adjustment for excess capital.

Solvency II RoE is calculated on an annualised basis and is shown below:

	2023 £m	Restated[1] 2022 £m
Solvency II operating own funds generation (Solvency II OFG)	**1,729**	1,540
Adjustment to replace TMTP run-off with economic cost of TMTP	**(41)**	64
Less preference share dividends	**(38)**	(38)
Less RT1 note coupons	**(34)**	(17)
Adjusted Solvency II OFG (less preference share dividends & RT1 note coupons)	**1,616**	1,549
Opening unrestricted tier 1 shareholder Solvency II own funds	**10,962**	15,697
Solvency II return on equity	**14.7 %**	9.9 %

1. The 2022 comparatives have been restated for methodology changes described in the 'Other information' overview section.

Solvency II RoE (adjusted for excess capital) has increased by 2.7pp to 18.3% (2022: 15.6%). The excess capital at 1 January 2023 was £2,474 million and this included capital set aside for further debt reduction, pension scheme payment, final 2022 dividend and share buyback. The excess capital as at 1 January 2022 was £5,813 million and this included capital set aside for the £3.75 billion capital return, £1 billion further debt reduction over time, pension scheme payment, Succession Wealth acquisition and final 2021 dividend.

Solvency II return on capital (Solvency II RoC)

Solvency II return on capital is an unlevered economic value measure as it is used to assess growth and performance in our businesses before taking debt into account. It is calculated on an annualised basis.

Solvency II RoC is calculated as:

- Operating own funds generation adjusted to replace the run-off of TMTP with the economic cost of holding TMTP (calculated as Group Weighted Average Cost of Capital plus 1-yr swap rate multiplied by the opening TMTP on a shareholder basis), divided by:
- Opening shareholder Solvency II own funds.

For UK general insurance only, capital held for internal risk appetite purposes is used instead of opening shareholder Solvency II own funds. This removes any distortions arising from our general insurance legal entity structure and therefore ensures consistency in measuring performance across markets. This is only applicable to UK general insurance Solvency II return on capital and not to the aggregated Group Solvency II return on equity measure.

A reconciliation of Solvency II return on capital by market to Group return on equity is provided below.

	2023			Restated[1] 2022		
	Solvency II OFG (post TMTP adjustment) £m	Opening shareholder own funds £m	Solvency II return on capital/equity %	Solvency II OFG (post TMTP adjustment) £m	Opening shareholder own funds £m	Solvency II return on capital/equity %
Insurance, Wealth & Retirement (IWR)	**1,256**	**12,564**	**10.0 %**	1,432	13,830	10.4 %
UK & Ireland General Insurance[2]	**315**	**2,491**	**12.6 %**	261	2,339	11.2 %
Canada General Insurance	**339**	**1,800**	**18.8 %**	274	1,746	15.7 %
Aviva Investors	**19**	**387**	**4.9 %**	24	400	6.0 %
International investments (India, China and Singapore)	**156**	**1,187**	**13.1 %**	106	982	10.8 %
Corporate centre costs and Other[2]	**(219)**	**(1,961)**	**N/A**	(279)	2,853	N/A
Less: Senior and subordinated debt	**(178)**	**(4,264)**	**N/A**	(214)	(5,880)	N/A
Less: RT1 coupon and preference shares[3]	**(72)**	**(946)**	**N/A**	(55)	(450)	N/A
Less: Net deferred tax assets	**—**	**(296)**	**N/A**	—	(123)	N/A
Solvency II return on equity at 31 December	**1,616**	**10,962**	**14.7 %**	1,549	15,697	9.9 %

1. The 2022 comparatives have been restated for methodology changes described in the 'Other information' overview 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 measure, with the reversal of the impact included in Corporate centre costs and Other opening own funds.
3. Preference shares includes £21 million (2022: £21 million) of dividends and £250 million (2022: £250 million) of capital in respect of General Accident plc.

Alternative performance measures

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:

	Note	2023	2022
Unrestricted tier 1 shareholder Solvency II own funds (£m)		**11,374**	10,962
Number of shares in issue at 31 December (in millions)	32	**2,739**	2,808
Solvency II NAV per share		**415 p**	390 p

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. The Solvency II debt leverage ratio is as follows:

	2023 £m	2022 £m
Solvency II regulatory debt	**5,472**	5,210
Senior notes	**401**	687
Commercial paper	**51**	252
Total debt	**5,924**	6,149
Estimated Solvency II regulatory own funds, senior debt and commercial paper	**19,276**	19,607
Solvency II debt leverage ratio	**30.7 %**	31.4 %

A reconciliation from IFRS subordinated debt to Solvency II regulatory debt is provided below:

	Note	2023 £m	2022 £m
IFRS borrowings	47	**6,374**	6,755
Senior notes		**(401)**	(687)
Commercial paper		**(51)**	(252)
Operational borrowings		**(1,200)**	(1,286)
Less: Borrowings not classified as Solvency II regulatory debt		**(1,652)**	(2,225)
IFRS subordinated debt		**4,722**	4,530
Revaluation of subordinated liabilities		**(196)**	(265)
Other movements		**—**	(1)
Solvency II subordinated debt		**4,526**	4,264
Preference share capital and tier 1 notes		**946**	946
Solvency II regulatory debt		**5,472**	5,210

Other APMs

Cash remittances

Cash paid by our operating businesses to the Group, for the period between March and the end of the month preceding the results announcement comprised of dividends and interest on internal loans. Dividend payments by operating businesses may be subject to insurance regulations that restrict the amount that can be paid. The business monitors total cash remittances at a Group level and in each of its businesses. Cash remittances are considered a useful measure as they support the payments of external dividends. Cash remittances eliminate on consolidation and hence are not directly reconcilable to the Group's IFRS consolidated statement of cash flows.

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.

Alternative performance measures

Centre liquidity

Centre liquidity comprises cash and liquid assets and represents amounts as at the end of the month preceding results announcements. It provides meaningful information because it shows the liquidity at the Group centre available to meet debt interest and central costs and to pay dividends to shareholders.

Shareholder services

2024 Financial Calendar

Ordinary dividend timetable:	Final	Interim[2]
Ex-dividend date	11 April 2024	5 September 2024
Record date	12 April 2024	6 September 2024
Last day for Dividend Reinvestment Plan and currency election	1 May 2024	26 September 2024
Dividend payment date[1]	23 May 2024	17 October 2024
Other key dates:		
Annual General Meeting		10:30am on 2 May 2024
Quarter one market update[2]		23 May 2024
2023 interim results announcement[2]		14 August 2024
Quarter three market update[2]		14 November 2024

1. Please note that the ADR local payment date will be approximately four business days after the proposed dividend date for ordinary shares
2. These dates are provisional and subject to change

Dividend payment options

Shareholders can receive their dividends in the following ways:
- Directly into a nominated UK bank account
- Directly into a nominated Eurozone bank account
- Shareholders living outside of the UK and the Single Euro Payments Area can elect to receive their dividends or interest payments in a choice of over 125 international currencies via our Registrar, Computershare; or
- The Dividend Reinvestment Plan enables eligible shareholders to reinvest their cash dividend in additional Aviva ordinary shares

You can find further details regarding these payment options at **www.aviva.com/dividends** and register your choice by contacting Computershare using the contact details opposite, online at **www.computershare.com/AvivaInvestorCentre** or by returning a dividend mandate form. You must register for one of these payment options to receive any dividend payments from Aviva.

Manage your shareholding online

www.aviva.com/shareholders:

General information for shareholders.

www.computershare.com/AvivaInvestorCentre:

- Change your address
- Change payment options
- Switch to electronic communications
- View your shareholding
- View any outstanding payments

Annual General Meeting (AGM)

The 2024 AGM will be held at York Racecourse, Knavesmire Road, York YO23 1EX, on Thursday, 2 May 2024, at 10:30am with facilities to attend electronically.

Details of each resolution to be considered at the meeting and voting instructions are provided in the Notice of AGM, which will be made available on the Company's website at **www.aviva.com/agm** in March 2024.

The voting results of the 2024 AGM will be accessible on the Company's website at **www.aviva.com/agm** shortly after the meeting.

Shareholder contacts:

Ordinary and preference shares:

For any queries regarding your shareholding, please contact Computershare:

- **By telephone:** 0371 495 0105
  We're open Monday to Friday, 8.30am to 5.30pm UK time, excluding public holidays. Please call +44 117 378 8361 if calling from outside of the UK
- **By email:** AvivaSHARES@computershare.co.uk
- **In writing:** Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol, BS99 6ZZ

American Depositary Receipts (ADRs):

For any queries regarding Aviva ADRs, please contact Citibank Shareholder Services (Citibank):

- **By telephone:** 1 877 248 4237 (1 877-CITI-ADR)
  We are open Monday to Friday, 8.30am to 6pm US Eastern Standard Time, excluding public holidays. Please call +1 781 575 4555 if calling from outside of the US
- **By email:** Citibank@shareholders-online.com
- **In writing:** Citibank Shareholder Services, PO Box 43077, Providence, Rhode Island, 02940-3077 USA

Group Company Secretary

Shareholders may contact the Group Company Secretary:

- **By email:** Aviva.shareholders@aviva.com
- **In writing:** Susan Adams, Group Company Secretary, 80 Fenchurch Street, London, EC3M 4AE
- **By telephone:** +44 (0)20 7283 2000

Cautionary statement

This document should be read in conjunction with the documents distributed by Aviva plc (the 'Company' or 'Aviva') through The Regulatory News Service (RNS).This announcement contains, and we may make other verbal or written 'forward-looking statements' with respect to certain of Aviva's plans and current goals and expectations relating to future financial condition, performance, results, strategic initiatives and objectives (including, without limitation, climate-related plans and goals). Statements containing the words 'believes', 'intends', 'expects', 'projects', 'plans', 'will', 'seeks', 'aims', 'may', 'could', 'outlook', 'likely', 'target', 'goal', 'guidance', 'trends', 'future', 'estimates', 'potential', 'objective', 'predicts', 'ambition' and 'anticipates', and words of similar meaning, are forward-looking. By their nature, all forward-looking statements involve risk and uncertainty. Accordingly, there are or will be important factors that could cause actual results to differ materially from those indicated in these statements. Aviva believes factors that could cause actual results to differ materially from those indicated in forward-looking statements in the announcement include, but are not limited to: the impact of ongoing uncertain conditions in the global financial markets and the national and international political and economic situation generally (including those arising from the escalation of Russia-Ukraine and Israel-Palestine conflicts into wider regional conflicts); market developments and government actions; 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; the impact of changes in short or long-term interest rates and inflation reduce the value or yield of our investment portfolio and impact our asset and liability matching; the impact of changes in equity or property prices on our investment portfolio; fluctuations in currency exchange rates; the effect of market fluctuations on the value of options and guarantees embedded in some of our life insurance products and the value of the assets backing their reserves; the amount of allowances and impairments taken on our investments; the effect of adverse capital and credit market conditions on our ability to meet liquidity needs and our access to capital; changes in, or restrictions on, our ability to initiate capital management initiatives; changes in or inaccuracy of assumptions in pricing and reserving for insurance business (particularly with regard to mortality and morbidity trends, lapse rates and policy renewal rates), longevity and endowments; a cyclical downturn of the insurance industry; the impact of natural and man-made catastrophic events (including the longer-term impact of COVID-19) on our business activities and results of operations; the transitional, litigation and physical risks associated with climate change; failure to understand and respond effectively to the risks associated with environmental, social or governance ('ESG') factors; our reliance on information and technology and third-party service providers for our operations and systems; the impact of the Group's risk mitigation strategies proving less effective than anticipated, including the inability of reinsurers to meet obligations or unavailability of reinsurance coverage; poor investment performance of the Group's asset management business; the withdrawal by customers at short notice of assets under the Group's management; failure to manage risks in operating securities lending of Group and third-party client assets; increased competition in the UK and in other countries where we have significant operations; regulatory approval of changes to the Group's internal model for calculation of regulatory capital under the UK's version of Solvency II rules; the impact of 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, including quality financial advisers; the failure to act in good faith, resulting in customers not achieving good outcomes and avoiding foreseeable harm; 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 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; the inability to protect our intellectual property; the effect of undisclosed liabilities and other risks associated with our business disposals; and other uncertainties, such as diversion of management attention and other resources, relating to recent and future acquisitions, combinations or disposals within relevant industries; the policies, decisions and actions of government or regulatory authorities in the UK, the EU, the US, Canada or elsewhere, including changes to and the implementation of key legislation and regulation (for example, FCA Consumer Duty and Solvency II). Please see Aviva's most recent Annual Report and Accounts for further details of risks, uncertainties and other factors relevant to the business and its securities. Aviva undertakes no obligation to update the forward looking statements in this announcement or any other forward-looking statements we may make. Forward-looking statements in this report are current only as of the date on which such statements are made. The climate metrics, projections, forecasts and other forward-looking statements used in this document should be treated with special caution, as they are more uncertain than, for example, historical financial information and given the wider uncertainty around the evolution and impact of climate change. Climate metrics include estimates of historical emissions and historical climate change and forward-looking climate metrics (such as ambitions, targets, climate scenarios and climate projections and forecasts). Our understanding of climate change and its impact continue to evolve. Accordingly, both historical and forward-looking climate metrics are inherently uncertain and, therefore, less decision-useful than metrics based on historical financial statements.

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