

CORPORATE GOVERNANCE REPORT

Aviva Ltd (“the “Company”) is committed to high standards of corporate governance in its business operations and dealings with all stakeholders, including policyholders. This report describes the Company’s approach to corporate governance.

Board’s Conduct of Affairs

Board Responsibility and Accountability

The primary function of the Board is to provide entrepreneurial leadership and direction within a framework of prudent and effective controls which enable risks to be assessed and managed. The Board is responsible for organizing and directing the affairs of the Company in a manner that is most likely to promote the success of the Company for the benefit of its shareholders and in a way, which is consistent with its constitution, applicable regulatory requirements and current corporate governance practice.

The respective terms of reference of the Board and the Committees give clear guidelines on matters which require the Board’s or Committees’ approval, as well as matters for which the Board or Committees must be informed on a regular basis.

Board Committees

The Board has established a separate Audit Committee and Risk Committee, with clear written terms of reference, to assist it in carrying out more effectively its oversight of the operations and business affairs of the Company.

The Board Committees are also actively engaged in assisting the Board to ensure compliance with good corporate governance practices by the Company.

Board/Committee Meetings and Attendance

The Board meets at least four times a year to review executive officers’ and business performances, key activities and to consider business proposals of a significant nature. At the request of any director, the Secretary may call an additional Board meeting as and when necessary. The Audit Committee and Risk Committee meetings are held four times a year and usually before quarterly Board meetings. The table below sets out the number of meetings of the Board and Board Committees held by the Company and attended by each director throughout 2019.

| Board/Committee Meetings and Attendance | Board Meetings (includes 3 Special meetings) | Audit Committee Meetings | Risk Committee Meetings |
|--|---|---------------------------------|--------------------------------|
| Number of meetings held in 2019 | 7 | 4 | 4 |
| Chairman | | | |
| Christopher Brian Wei | 7 | - | - |
| Chief Executive Officer | | | |
| Nishit Piyush Majmudar | 7 | - | - |
| Non-Executive Director | | | |
| Lim Sook Mee | 7 | 4 | 4 |
| Foong Hah Soo | 7 | 4 | 4 |
| Justin Paul Breheny | 7 | 4 | 4 |

Board Composition and Independence

The Board conducts a review and determines the independence of its directors on an annual basis. Under the Insurance (Corporate Governance) Regulations and Guidelines, an independent director in the Company is one who is (i) independent from management; (ii) does not have any business relationships with the Company and the substantial shareholders of the Company; and (iii) has not served for more than nine years on the Board.

As at the date of this report, the Board comprises the Chairman, Mr Christopher Brian Wei, the Chief Executive Officer (CEO), Mr Nishit Piyush Majmudar, and three non-executive directors, namely, Ms Lim Sook Mee, Mr Foong Soo Hah and Mr Justin Paul Breheny. Mr Foong Soo Hah and Mr Justin Paul Breheny are independent directors whereas Ms Lim Sook Mee, who is also a non-executive director of a related company, is considered a non-independent director based on evaluation from the Board. The Board considers Ms Lim Sook Mee to be independent of the substantial shareholder after conducting an objective assessment and being satisfied that there is no conflict of interest. Ms Lim Sook Mee's independence from the substantial shareholder is reviewed on an annual basis.

The directors bring a wide range of commercial and financial experience to the Board. Together, they possess a wide spectrum of competencies in finance, business/management, actuarial science and strategy. The non-executive directors constructively challenge and help develop the Company's strategy and review business performance including the performance of senior management against the agreed goals and objectives.

Chairman and CEO

The roles and responsibilities of the Chairman and CEO are separate and distinct and are set out in the Board approved Terms of Reference.

The Chairman is a non-executive director responsible for the leadership of the Board, the management of Board meetings and the business undertaken at the Board meetings. His principal responsibilities include approving the agenda of the Board, monitoring the quality and timeliness of the flow of information to the Board, and promoting effective communication and constructive relationships between the Board and senior management.

The CEO is an executive director responsible for the overall management of the Company and the implementation of the Company's strategies and plans, as well as oversight of the day-to-day operations of the Company. He is assisted by senior management, which comprises the Senior Leadership Team, in the execution of these responsibilities.

The Board has not appointed a lead independent director as the Chairman and the CEO are separate individuals and the Company is a wholly owned subsidiary of Aviva Group Holdings Limited ("Aviva Group"), whose parent is Aviva plc.

Board Membership

Process for Appointment of New Directors

The Company does not have a separate Nominating Committee ("NC"), and the Board presently assumes the responsibility of the NC.

In performing the functions of the NC, the Board identifies candidates and reviews nominations for appointment or re-appointment and determining the criteria applied in identifying a candidate. The Board reviews and considers the appointment and resignation of directors, CEO, CFO, CRO, Appointed Actuary and Certifying Actuary. It also reviews the appointment and removal of the Company Secretary and Head of Internal Audit (on recommendation from the Risk Committee and Audit Committee respectively).

The Board evaluates the balance of skills, knowledge and experience of the Board and identifies the roles and capabilities required, taking into account the environment in which the Company operates. All directors shall fulfill the fit and proper criteria in accordance with the Insurance (Corporate Governance) Regulations and Guidelines.

The Board conducts annual assessment of the independence of directors and determines whether each director remains qualified for office. Directors may serve on a number of other Boards, if they are able to demonstrate satisfactory time commitment to their roles at the Company.

Induction

Newly appointed directors are provided with induction program covering an overview of the Company, its structure and principal activities.

All directors are issued with the Board Terms of Reference and are expected to be familiar with the terms and the corporate governance principles applicable to the Company.

Continuous Professional Development

There is a continuous professional training program for all directors to ensure that they are equipped with the appropriate skills and knowledge to perform their roles on the Board and the board committees effectively.

Throughout their tenure in office, directors are also regularly updated on the Company's businesses and the regulatory and industry specific environment in which the Company operates.

Board Performance

Evaluations of the Board are conducted annually. Each director will evaluate the Board's performance and its board committees, the contribution by the Chairman and hold to account.

Access to Information

Directors have direct access to the Company Secretary and to senior management at all times. The Company Secretary attends all Board meetings and prepares minutes of Board proceedings.

Under the Board Terms of Reference, directors have the right to seek independent professional advice as and when necessary to enable them to discharge their duties effectively.

Remuneration

Development of Policies

In assuming its responsibility for the remuneration committee, the Board approves the remuneration framework for executive officers as developed by the Company and Aviva plc respectively. The Board also endorses the remuneration packages for independent directors.

Executive Officers and Independent Directors Remuneration

The remuneration framework for executive officers, including the CEO, is formulated to ensure that they are compensated in line with the performance of the individual officers, the Company, and Aviva Plc. It is designed to incentivize the achievement of our annual and long-term business plans, the Company's strategic objectives and reward those who demonstrate Aviva's values and behaviours, all within a framework of prudent and

responsible risk management. The Company regularly benchmarks its executive officers' management remuneration to make sure they are competitive, consistent with wider market practices and compliant with local regulations. Executive officer's remuneration for the performance year 2020 comprises fixed base pay, transport allowance, variable Annual Bonus Plan and discretionary Restricted Share Units.

The independent directors are paid directors' fees which are reviewed regularly. Considerations such as the director's effort, time spent, and responsibilities are taken into account during the review.

Disclosure on Remuneration

After careful consideration, the Company has decided not to disclose information on the remuneration of executive officers and independent directors. We are of the view that the disadvantages to the Company's-business interests would far outweigh the benefits of such disclosure, in view of the disparities in remuneration in the industry and the competitive pressures that are likely to result from such disclosure.

Accountability

The Company recognizes the importance of providing the Board with accurate and relevant information on a timely basis. It provides financial and business updates on the performance and position of the Company to the Board on a quarterly basis, as well as any significant events which have occurred or affected the Company during the year.

As a wholly-owned subsidiary of Aviva Group, the Company provides regular updates to its Regional Office and Group Head Office on the performance, position and prospects of the Company.

Risk Management and Internal Controls

The Board is responsible for promoting the long-term success of the Company for the benefit of shareholders, as well as other stakeholders including employees and customers. This includes ensuring that an appropriate system of risk governance is in place throughout the Company. To discharge this responsibility, the Board has established frameworks for risk management and internal control using a 'three lines of defence' model and reserves for itself the setting of the Company's risk appetite.

In-depth monitoring of the establishment and operation of prudent and effective controls in order to assess and manage risks associated with the Company's operations is delegated to the Risk Committee which report regularly to the Board. However, the Board retains ultimate responsibility for the Company's systems of internal control and risk management and has reviewed their effectiveness for the year.

A robust assessment was conducted by the Board Risk Committee of the key and emerging

risks facing the Company, including those that would threaten its business model, strategy, future performance, solvency and liquidity.

The frameworks for risk management and internal control play a key role in the management of risks that may impact the fulfilment of the Board's objectives. They are designed to identify and manage, rather than eliminate, the risk of Aviva failing to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or losses. These frameworks which are regularly reviewed by the Board were in place for the financial year under review.

Based on internal controls established and maintained by the Company, independent assessments performed by internal and external auditors, and reviews performed by management and various board committees (the Risk Committee and Audit Committee), the Board is of the view that the internal controls and risk management systems currently in place were adequate as at 31 December 2019. The Board has received assurance from the CEO and the CFO that the Company's risk management and internal control systems are effective, the financial records of the Company have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances.

Risk Management

The Risk Management Framework ("RMF") is designed to identify, measure, manage, monitor and report the key and emerging risks to the Company of achieving its business objectives and is embedded throughout the Company. The RMF is codified through risk policies and business standards which set out the risk strategy, appetite, framework and minimum control requirements for the Aviva Group's worldwide operations.

Material risks are retained where this is consistent with the Company's risk appetite framework and its philosophy towards risk-taking. The Company's current approach is to accept risk where it believes it can manage well and generate adequate return from and/or where it can control the risk within appetite with effective operational controls.

The control procedures and systems established within the Company are designed to manage rather than eliminate the risk of failure to meet business objectives. They can only provide reasonable and not absolute assurance against material misstatements or losses and focus on aligning the levels of risk-taking with the achievement of business objectives.

Risk Committee ("RC")

As of 31 December 2019, the RC comprised Mr Foong Soo Hah (Chairman), Ms Lim Sook Mee and Mr Justin Paul Breheny who are all non-executive directors.

The RC is responsible for assisting the Board in its oversight of risk, reviewing the Company's risk appetite and risk profile, the effectiveness of the Company's risk management framework, the adequacy of the Company's capital and liquidity position

based on current and stress test scenarios, ensuring due diligence appraisals are carried out on strategic or significant transactions, and monitoring the Company's regulatory requirements.

The Company's RC also considers the appointment or resignation of the Chief Risk Officer ("CRO") prior to putting its recommendation to the Board and to participate jointly with the CEO in the determination of the objectives of the CRO and the evaluation of his/her overall performance and levels of achievement.

The RC reports directly to the Board. The risk management function is led by the CRO who also reports regularly to the RC and the Board.

Internal Controls

The Company has in place a robust operational risk and control framework, which includes the conduct of regular self-assessment of key operational risks and controls. The framework ensures clear senior management ownership and accountability of identified risks and key controls across all business functions. Regular reports on the control environment are presented to the Audit Committee for review by line management. In addition, the Company has in place a compliance control framework that ensures ownership and compliance with regulatory obligations. A review of the effectiveness of controls is carried out by internal and external auditors, with recommendations provided to the Audit Committee. In turn, the Audit Committee provides oversight over processes developed to address these recommendations in a timely manner.

The Audit Committee believes that the system of internal controls (which covers financial, operational, compliance and information technology controls) and risk management systems provide adequate assurance against material financial, operational and compliance risks for this financial year.

Audit Committee ("AC")

As of 31 December 2019, the AC comprised of Ms Lim Sook Mee (Chair), Mr Foong Soo Hah and Mr Justin Paul Breheny who are all non-executive directors.

The AC, working closely with the RC, is responsible for monitoring the integrity of the Company's financial statements and the effectiveness of the systems of internal control and for monitoring the effectiveness, performance, independence and objectivity of the internal and external auditors.

In consultation with Aviva Group office, the Company's AC also makes recommendations to the Board on the appointment, re-appointment, terms of engagement and remuneration of the external auditor. It also reviews and monitors the independence and objectivity of external auditor.

For 2019, the aggregate amount of fees, including those relating to non-audit services, paid to the external auditors was not significant. The AC has reviewed the volume and nature of non-audit services provided by the external auditors during the year and is satisfied that

their independence and objectivity have not been impaired by the provision of those services.

Prior to each AC meeting, the AC meets with the internal and external auditors without the presence of the Management. The meetings enable the internal and external auditors to raise issues encountered in the course of their work directly to the AC.

Aviva Group has instituted an independent confidential helpline across all of Aviva's entities to support the company's whistle-blowing policy. Employees may, in confidence, raise concerns about possible improprieties, whether in financial reporting or other matters. The AC of the Company oversees and monitors the implementation of policies or procedures for the receipt, retention, and treatment of such complaints received by the Company. It ensures that internal arrangements are able to handle all types of disclosure from all types of person (not just employees).

Internal Audit

The internal audit function ("IAD") is a group-wide function reporting to the Aviva Group Chief Audit Officer. The Audit Director of Asia is responsible for overseeing the Internal Audit function throughout the whole Asia region. The Company's Head of Internal Audit reports to the Audit Director and the Company's AC Chair and is responsible for all Internal Audit matters relevant to the Company.

The IAD serves to provide the Board, AC and senior management with an independent appraisal of the reliability, adequacy and effectiveness of the internal controls established by senior management. IAD adopts a risk-based approach where audit work is prioritised and scoped according to an assessment of risk exposures, including not only financial risks, but operational, technology, compliance and strategic risks.

It also includes making objective and appropriate recommendations to improve the entity's control environment and to assist the business in achieving its strategies. IAD has unfettered access to the AC, Board and senior management of all Aviva entities, including the Company as well as the right to seek information and explanations.

In carrying out its audits, IAD conforms with IIA's "Code of Ethics" and "International Professional Practices Framework". IAD also conforms with the "Guidance for Effective Internal Auditing in the Financial Services Sector" from the Chartered Institute of Internal Auditors. Consideration is also made to the legal and regulatory requirements relevant to the Company. IAD undertakes its work in accordance with the approved audit methodology to ensure effective audit work is carried out.

IAD provides its services through its regional teams located across the region, whose structure reflects its independence through direct reporting lines to Aviva Group Internal Audit and the Company AC.

Being a group-wide function, the appointment, remuneration, resignation or dismissal of the Company's Head of Internal Audit is performed via consultation with the Company's AC

Chair, the Asia Audit Director and the Aviva Group Chief Audit Officer. On an annual basis, IAD will prepare and present the audit plan to the AC for approval.

Shareholder Communication

As a wholly owned public limited company, the Company has only one shareholder, Aviva Group Holding Limited. Nonetheless, the Company recognises that regular, effective, timely and fair communication with its shareholder is essential to enable the shareholder to make informed decisions about the Company. The Company ensures that timely and adequate disclosures of material information on the Company are available to its shareholder.

As the Company is a wholly-owned subsidiary of Aviva Group, the Board of Directors of the Company decides whether dividends are to be paid to the shareholder, after taking into consideration the capital required for the execution of Company's business plan.

Related Party Transactions

Policies on related party transactions are established at the Head Office level for all Aviva entities operating in Asia. Material transactions are disclosed in Note 26 of the Financial Statements.

All related party transactions are conducted on reasonable commercial terms and carried out on an arm's length basis. Directors with conflicts of interest are excluded from the approval process of granting and managing related party transactions. Material related party transactions are reported to the AC for review and to the Board for approval.

Date: 1 June 2020