



ShareSoc

UK Individual Shareholders Society

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10 January 2021

Patricia Cross
Remuneration Committee Chair
Aviva plc

Open Letter from ShareSoc to Aviva re Remuneration Review

Dear Patricia,

I am writing to you as a Director of ShareSoc, the not-for-profit Society, who campaign on behalf of individual shareholders. ShareSoc would like to raise concerns regarding remuneration issues at Aviva. Please note that I have already sent you a letter (not open) on 3 December 2020 and your response was not satisfactory, which is why I am now writing an Open Letter.

There is concern from individual shareholders regards the announcements by Aviva about the possible repayment of irredeemable preference shares (200 million issued by Aviva and 250 million by General Accident). Not only did the Aviva preference share price drop from 170p to 120p, but the whole asset class suffered a 25% fall as a consequence of the announcement. Aviva's actions affected the reputation of the London Stock Exchange and may have caused financial losses running into billions for many individuals, see <https://www.sharesoc.org/blog/corporate-governance/aviva-pref-write-mp/>

In October 2019, the FCA publicly censured Aviva for the way it handled its preference shares debacle - a 'significant oversight that confused the market for preference shares'. They noted the incident occurred when the insurer appeared to announce in March 2018 that it was cancelling its preference shares, causing their value to fall – Aviva later retracted the announcement.

The report [Aviva reviews remuneration after FCA preference share censure - Citywire](#) raises the issue of whether Aviva should claw back directors' bonuses for 2018? If this is not possible, Aviva should consider to ask the executive directors involved to volunteer to give back the bonuses in question. Another avenue could be that Aviva seek to net off the 2018 bonuses from any 2020 bonus awards. ShareSoc considers that it should be possible to claw back bonuses which were not deserved.

The FCA fines and censure are very important and Aviva need to advise how the organisation will address and change remuneration matters. The Citywire article indicates that remuneration is being reviewed. I would be interested to know when the results of the review are expected and when Aviva will announce the results of this review.

On review of the 2019 accounts which were signed by the board on the 4th of March 2020, **there seems to be no mention of these March 2018 events and subsequent actions**. On page 3, headed At A Glance, there is no mention of the irredeemables scandal nor in the Chairman's

statement. On page 14, the section 172 (1) statement makes no mention of the FCA review. Surely at that time, the FCA review must have been ongoing. On page 21 which discusses business ethics there is again no reference to the irredeemable shares saga or the FCA review. Page 46 of this report does mention brand and reputation, but yet again there is no mention of the irredeemables scandal.

Turning to the remuneration report, it explained in detail, how the 2019 bonus came out on the formulaic basis as 101.1% of salary out of a 200% maximum, but the committee then applied a 10% downward adjustment to reflect the lack of progress on the desired culture, whereas this compares with a mere 5% reduction in 2018 in respect of the same measure. So the outcome based on corporate performance was 91.1% out of a total of 200%. However the individual performance was then taken into account and this led to an award of salary of 95% of salary for the chief executive officer and 101% of salary for the chief financial officer. (Note: in 2018 I think the bonus award was 84% of salary out of a maximum 200%.)

NED remuneration could also be reviewed in this matter.

ShareSoc looks forward to an explanation to Shareholders on these matters. I will be attending the Aviva AGM to follow up on the questions above. For disclosure, I am an Aviva Shareholder.

In view of the seriousness of these issues we have copied this letter to the Minister, the FCA and your auditor PWC.

Your sincerely

Cliff

Cliff Weight
Director
ShareSoc

Copies to

The Rt Hon Kwasi Kwarteng MP, The Secretary of State for Business, Energy and Industrial Strategy
Nikhil Rathi, CEO FCA
Andrew Kail (Senior Statutory Auditor) PricewaterhouseCoopers LLP, the auditor of Aviva