

Aviva plc

Corporate social responsibility report 2005
– a **summary**



The full report is available at www.aviva.com/csr05



CSR is part of Aviva's DNA

Group corporate social responsibility policy

Aviva, as a member of the international community, recognises its corporate social responsibility commitments in its various roles, which include insurer, investor, employer and consumer.

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We reflect these commitments in a family of eight policies, which relate to:

Standards of business conduct

We are committed to ensuring that our business is conducted in all respects according to rigorous ethical, professional and legal standards.

Customers

We seek to provide our customers with a service hallmarked by integrity, quality and care.

Human rights

We respect the Universal Declaration of Human Rights and seek to be guided by its provisions in the conduct of our business.

Workforce

We are guided by our aim to be the employer of choice in all countries in which we operate.

Health and safety

We are committed to providing a working environment which is both safe and fit for the intended purpose and ensures that health and safety issues are a priority for all business operations.

Suppliers

We regard suppliers as our partners and work with them to help us achieve our policy aspirations in the delivery of our products and services.

Community

We strive to be a good corporate citizen around the world, recognising our responsibility to work in partnership with the communities in which we operate.

Environment

We are committed to a programme of management, continuous improvement and reporting of our direct and indirect impacts, which marks our contribution to improving the world in which we live.

We recognise that our business activities have direct and indirect impacts on the societies in which we operate. We endeavour to manage these in a responsible manner, believing that sound and demonstrable performance in relation to corporate social responsibility policies and practices is a fundamental part of business success.

We are committed to continuous improvement in our corporate social responsibility programme and encourage our business partners to strive for matching performance.

Our business units throughout the world are committed to achievement of our policy objectives. Our performance will be periodically reviewed and externally verified to help us meet our policy goals. At a local level, the heads of our businesses will review progress at least annually. We will publish reports regularly.

**Approved by the board of Aviva plc
January 2005**

Chairman's introduction



Last year I was invited to address the annual meeting of Aviva's CSR review group. It brings together representatives from our businesses around the world, from central functions in the head office as well as external participants. I was struck by the energy, enthusiasm, degree of involvement and immersion in the practicalities of CSR management and reporting in our businesses.

That meeting provides the most important of several review opportunities throughout the year. It is an enquiry into our progress and plans and also an examination of the major CSR issues, which face our business. This enquiry is conducted in the light of principles of fairness, equity and a spirit of absolute openness. It influences the subsequent course of the CSR programme throughout the year.

My message to the review group was simple. Good behaviour produces good results. CSR puts the right focus on good behaviour. It should be at the core of our responsibility and part of business as normal.

There is no book of right answers on CSR, unless it is within ourselves. The one reliable approach is to pursue the guiding principles of fairness, equity and openness in our dealings with all our stakeholders. This is something we must seek to do at all times, both as individuals and as representatives of our company. I will be attending the meeting of the CSR review group again this year.

This report details the progress we have made over 2004. It is, as ever, a record of incremental growth. The marketplace and CSR priorities of our businesses are necessarily different. They are all moving in the same direction, but have different starting points and routes.

Aviva, like any other business, needs to have policies, codes and review processes. However, the only truly effective way of embedding any form of behaviour is by consistently presenting good personal examples at all levels. Every single member of Aviva staff is a potential ambassador for good CSR practice. It is our aim to make them so.

At the recent board review of the CSR programme, we found that good progress is being made both by the group as a whole and by the individual businesses. In confirming our total support and approval for the CSR programme, we called for further progress in respect of CSR integration within the business over the coming year. We also committed to further external engagement in promoting the understanding and practice of CSR.

I see a particular connection between the office of chairman and the CSR programme. A chairman is ultimately responsible for how a business conducts itself. CSR provides a code of good practice. It is my intention that we shall be regarded as good practitioners, while aiming to be the best.

A handwritten signature in dark ink, appearing to read 'Pehr Gyllenhammar'.

Pehr Gyllenhammar
Chairman



CSR is a sound investment in the sustainability of our business. It is an indispensable and integral part of doing business in the 21st century. It also demonstrates our integrity – one of Aviva's core values – and is fundamental in earning the trust of our shareholders, customers, staff, suppliers and the community at large, both now and in the long term.

Over the past year, we have achieved further progress in both our internal and external activities. This gradual, year-on-year improvement, has now become the hallmark of our groupwide CSR programme.

Changes in governance

As the commitment and development in CSR percolates throughout our businesses, there is a greater need for each business to drive forward and take ownership of the CSR programme within the framework and support set by the group CSR team.

Most of our larger businesses have set up CSR committees and those in Europe have set up their own steering group to exchange ideas and plan developments.

Development in performance

During the year Aviva has made further progress in environmental management. For example, we have increased the use of renewables-sourced electricity and reduced our overall energy use in some businesses by more than 10%. Paper use has reduced and the sourcing of recycled paper has increased. We have also reduced waste output and expanded the types of waste we recycle.

In addition to managing our own impacts we try to encourage others to practise good CSR. In selecting suppliers, most of our larger businesses now ask questions regarding human rights and social issues as well as the environment. We also continue to develop the practice of responsible investment in fund management. Morley Fund Management, for example, engages with companies where it believes improved management of social, environmental, ethical or governance issues will enhance or protect shareholder value.

Focusing on customers

Listening to the voice of the customer remains high on our agenda. Last year, it was the main theme of our senior management conference where I bring together Aviva's business leaders from across the world. Each business has invested significantly in reviewing systems and practices to improve our offer to our customers. At group level, we continued to survey attitudes of people towards savings across most of our markets. This comes in addition to the specific customer research undertaken by our business units, helping us to spot global changes in attitudes and introduce solutions to their needs in a more timely way.

A focus on customers has been at the heart of my chairmanship of the Association of British Insurers (ABI). I set out to listen to others and to help the industry hear what they had to say. Some key outcomes of this process include commitments on: best practice guidance on financial advertising; a review of the Raising Standards scheme; the development with the Financial Services Authority of short summaries about products and the risks they carry; consultation about how financial advice is paid for and introduction of a benchmarking service on complaint handling.

Managing change responsibly

The relocation of some of the group's business activities to India and Sri Lanka has been a major test of our CSR credentials. I am pleased to say that the issue has been carefully managed with minimal impact on affected UK staff, for whom we set aside a sum of money specifically for the purpose of re-skilling and redeployment. We continue to invest in the UK, for example, with the creation of some 200 new jobs in our UK general insurance business in Perth. Members of Parliament and journalists, who have visited our operations in India, report positively on the working environment, skill levels and benefits to the local economy and people's quality of life. These businesses already subscribed to the group's CSR programme and therefore we are beginning to expand our spheres of influence in respect of CSR good practice into these countries.

Last year we endowed a Chair in Leadership and Responsibility at INSEAD, a leading international business school, to promote understanding of CSR. The first report of the Aviva Chaired Professor in Leadership and Responsibility will contain original research on the subject of what is often termed "offshoring". In addition, the professor will contribute material for inclusion in courses offered by the Aviva Leadership Academy, thereby ensuring that CSR is an ingredient in the training of all our future senior business managers.

Climate change

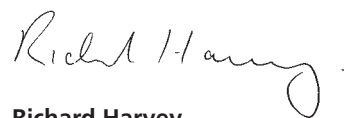
Climate change is perceived, quite rightly, as one of the biggest global challenges of all. Aviva has formed a climate change forum, which brings together all the hitherto separate activities across the group on climate change to promote synergies, to grow and promote awareness of the challenge and to enhance our own response to it.

Working with others

Aviva continues to remain engaged in external activities. We are proud to chair the UK forum of the United Nations Global Compact and are committed to working to help ensure both its success and that of the Global Compact as a whole in meeting challenges in the spheres of the environment, human rights, labour relations and anti-corruption. The United Nations alone offers a sufficiently neutral and global multi-stakeholder network through which to attempt to meet those challenges.

We participate in the Global Responsibility Initiative, an offshoot activity of the Global Compact, which brings together business schools and businesses from around the world to develop a global responsibility model to shape the training of future business leaders.

I continue to refer to CSR as being part of Aviva's DNA. It is a demonstration to the communities in which we work and live that we share their short and long-term interests. It shows that they can rely on us to serve those interests to the best of our ability – both now and in the future.



Richard Harvey
Group Chief Executive

CEO statements from the businesses

A theme in this report has been how CSR is becoming more and more firmly rooted in the Aviva group. One clear illustration of this can be found in the separate statements of the local CEOs of our businesses. We provide several of them in this CSR summary report:

Our aim is to create both market leading levels of customer care and a wider range of solutions to help our customers solve their problems. I believe it has never been more important to my business that we demonstrate leadership in the principles of care, not just for our customers, employees and partners, but for the communities in which we operate. For example the extra help we gave people in Cornwall in the aftermath of the severe floods in Boscastle in 2004.

Our business and our industry is increasingly being judged by its conduct as well as its results, and it is vital that our CSR programme remains part of the blood stream of our organisation, if we are to continue to have motivated staff, satisfied customers and ultimately deliver superior business performance.

Patrick Snowball
Chief Executive
Norwich Union Insurance

During 2004, we continued the development of CSR policies and practices across our businesses. We will continue with this commitment in 2005 as we seek further to embed Aviva policies in Hibernian.

Bryan Jenkins
Chief Executive
Hibernian Group

The CSR programme in Aviva India has developed at a rapid pace. Whether it is a large-scale tragedy like the Tsunami or helping out children in orphanages and the elderly in their homes, the CSR volunteers have been highly committed and passionate in their approach. I am very keen to see CSR become an intrinsic part of the Aviva India work culture.

Stuart Purdy
Managing Director
Aviva Life Insurance India

Aviva Hayat ve Emeklilik aims to be one of the most respected companies in the sector in relation to corporate social responsibility. We believe that our commitment to our CSR programme will make us one of the most respected companies in the market and will help attract prospective employees, customers and business partners as well as consolidating existing relationships.

Bert Paterson
Managing Director
Aviva Hayat ve Emeklilik

As a fund management business we exert our influence by demanding ethical and sustainable practices from companies we invest in. We are committed to applying these same high standards to our own business – to ensure that we continue to operate in a responsible and ethical manner and meet the expectations of all our stakeholder groups.

Keith Jones
Chief Executive
Morley Fund Management

Delta Lloyd group wants to contribute to the growing demand for more transparency. Our first CSR report is our answer to this movement for more transparency. For the Dutch industry and the financial sector it's very important to give clearness about our policy and the performance of our company.

Niek Hoek
Chairman of the Managing Board
Delta Lloyd

As the Czech life insurance market is still in its infancy, it is an excellent opportunity for us to become the first insurance company that addresses its customers not just by quality products and services but also by placing more stress on its social responsibility towards customers and society.

Austin Kimm
General Manager
Aviva in the Czech Republic

As a market leader and major financial services brand, it is vitally important that we take our corporate social responsibility seriously.

There is a strong emphasis on financial performance measurement within our business and some people question how CSR fits with this. I believe it is also important for companies to be respected for the way in which they conduct their business. Following a path of CSR is an essential part of doing business today.

Our CSR programme is the engine of delivery for many of our aspirations and corporate targets. I am wholly committed to the programme and believe in its value both to the business and all our stakeholders.

Gary Withers
Chief Executive
Norwich Union Life

Company profile

Aviva is the world's fifth largest insurance group and the biggest in the UK. We are one of the leading providers of life and pensions products to Europe and have substantial businesses elsewhere around the world. Our 49,000 employees serve some 30 million customers worldwide.

Aviva's principal business activities are long-term savings, fund management and general insurance, with worldwide premium income (before reinsurance) and retail investment sales from continuing operations of £33 billion and assets under management of £273 billion.

Our CSR programme covers all Aviva businesses worldwide. Due to the announced sale of our general insurance business in Asia during 2004, we did not report on that business's performance.

What we mean by CSR

Aviva's CSR policy governs performance in eight related elements. These are management of our relations with our customers, workforce, suppliers and the community; of our performance in respect of the environment, human rights and health and safety and of our adherence to rigorous standards of business conduct.

The CSR policy sets out how we approach our business and how we deal with people in pursuing our business. It contains brief summaries of fuller policy statements, which can be viewed on www.aviva.com/csr. The exception is in the case of customers, where there is not yet one detailed statement to cover the diversity of the business activities in which we are engaged. However, the standards of business conduct policy does contain some minimum explicit undertakings in respect of customers.

Why we practise CSR

We practise CSR because we believe that it is the right way to go about business. In our opinion, you do not put a price or a cost on good ethics. You practise it simply because it is the right thing to do. For us, the same applies self-evidently to the rest of the CSR programme. We regard it as an investment in building organisational strength for today and durability for tomorrow. We believe that it strengthens the fibre that builds both internal and external trust and makes us stronger. In all senses, it builds value.

In our view, the practice of CSR enhances our business performance both in the short and the long term. We believe that it increasingly engages our employees, our investors and our customers. Firstly, CSR provides an additional route through which existing employees can identify with and live out the Aviva Values of *integrity*, *progressiveness*, *performance* and *teamwork*. It also attracts potential new employees. Secondly, it reflects the internal focus and practice of the company, which is the special interest of the growing number of socially responsible investors (SRI). Thirdly, it helps us meet the criteria of the increasing numbers of customers who seek evidence of good CSR performance. These are three important streams of value.

Without doubt, the beneficial impacts arising from these streams of value add to better "bottom line" performance. In drawing on this value, we also meet our responsibilities to our shareholders, who have a right to expect that we grow value for them.

Group CSR team



Anthony Sampson
Director of CSR



Nathalie De Geus
Head of CSR



Michelle Wolfe
CSR Communications Manager



Annette Pendrey
CSR Management Consultant



Zelda Bentham
Environment Manager



Megan Crockford
CSR Assistant



Richard Whitaker
Group Company Secretary

How we practise CSR

Integrating CSR into our business means factoring it into our core general insurance, fund management and life assurance businesses as well as into our internal operations.

General insurance

Setting fair prices

In general insurance, we recognise that responsibility means setting the most accurate price for our customers. One means of ensuring this is via our revolutionary digital flood map in the UK, which started to be rolled out in 2004 and which models the risk of flooding for individual addresses. This could lead to as many as 600,000 more homes and businesses in the UK qualifying for insurance through Norwich Union Insurance.

Moving beyond financial recompense

In some of our markets, such as Canada and the UK, rehabilitation has become central to the motor claims handling process. The claims process is no longer purely about financial recompense but also aimed at helping road traffic accident victims who have sustained injuries to return to all their normal activities of daily living in the shortest time. We aim to provide injured parties with high quality injury assessment, diagnosis, and the provision of optimum evidence-based treatment devised by an expert panel.

Helping younger drivers

In the UK, Norwich Union Insurance is also providing more affordable insurance for young drivers in return for driving at safer times of the day through piloting a new and innovative product using telematics black box technology. This usage-based product discourages using the vehicle between 11pm and 6am when statistics prove that young drivers are 10 times more likely to have a serious accident.

Life assurance

Understanding customers' needs

One of the responsibility challenges in life assurance is to help customers secure their financial futures and to differentiate ourselves by the level and quality of support we provide to them. To achieve this in the UK, Norwich Union Life has initiated a process excellence programme focused around understanding its customers' needs and then refining the processes to deliver what they require. Last year it engaged over 1,000 of its employees to deliver significant improvements to the customer experience.

Responsible selling

Norwich Union Life has procedures to ensure that pension sales made by its representatives are subject to checking by its quality assurance unit. This mandatory checking is carried out on "higher risk" contracts, while "lower risk" contracts are checked on a random basis. In addition, the sales compliance guide and sales training manuals explain the correct methodology for the sale of pension products. This backs up the training given to all representatives on training courses. Finally, certain types of pension sales, such as opt outs from employer sponsored pension arrangements, are not permitted.

Extending the reach of insurance

Another challenge is to extend the reach of insurance and, in India, for example, we achieve this by offering a variety of low premium products for those from economically underprivileged backgrounds.

Fund management

Responsible investment

In our fund management business, we practise responsible investment in three principal ways. Firstly, we offer specialist SRI funds, administered by an experienced team. Secondly, the SRI team has a mandate to engage with all of Morley Fund Management's assets under management.

This involves talking to companies about issues such as environment, human rights, health and safety and corporate governance and encouraging them to improve their management of these issues. Thirdly, Morley has a pro-active voting policy, voting against companies that have poor corporate governance practices or do not provide adequate disclosure of their management of key social, environmental and ethical issues.

Internal operations

Keeping our own house in order

As a major purchaser, we can – and do – use our leverage to encourage improved CSR performance amongst our suppliers. An example, practised by some of our businesses, is the inclusion of CSR questions in the supplier tendering process. Further, our internal operations also play a leading role in minimising the direct environmental impacts of our business. This is done in a number of ways, including increasing our use of renewables-sourced energy.

How we develop CSR

We have a clearly incremental approach to building our CSR programme for several reasons. Firstly, the capacity of any business to absorb change is limited. Firm roots take time to grow and time must be allowed for the embedding of CSR, which is underpinned by communication and training. This is a gradual process and must be driven by each business at a pace with which it is comfortable. Secondly, our businesses around the world operate in very different circumstances. For instance, they vary in size from 45 employees to 13,000. Further, local understanding of CSR varies greatly from country to country. So whilst all our businesses are headed in the same direction in respect of CSR, they start at different points and move at different speeds, determined by size and local circumstance.

CSR governance at group level

Board-level review

The Aviva board reviews the policy, programme, progress and plans annually. At the last review in January 2005, it approved a small amendment to the CSR policy, requiring all local CEOs to review CSR progress, at least annually.

The group chief executive is the executive sponsor of the CSR programme. The director of CSR reports to him via the group company secretary. The chairman takes regular reports on CSR during the year. Both he and the executive directors have maintained their strong support for the programme. The group chief executive has further required the director of CSR to challenge, when necessary, any group matter from a CSR perspective.

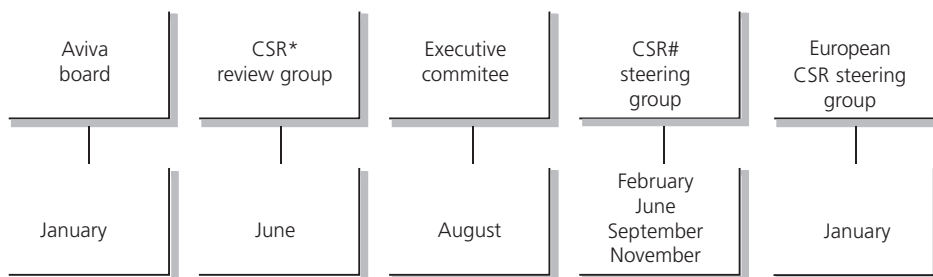
Each CSR policy has a primary "owner" responsible for promoting, co-ordinating and monitoring progress across the group. Direction of the programme is steered by a number of different influences.

CSR review group

The CSR review group, which meets annually, is the group's primary review mechanism. It brings together representatives from the businesses, head office, external advisers and our external assurers. It examines strategy, policy, progress and plans. Primary outcomes from the meeting in June 2004 were a call for mechanisms to counter-balance a perceived UK-centricity in our programme and a greater focus on the key CSR-related issues.

This call has been answered in three ways: by the creation of a European CSR steering group, which met for the first time in January 2005 in Istanbul; by much closer support for overseas units from the group CSR team and through our input to a high-level issues group, which identifies key business issues for Aviva, now and in the future.

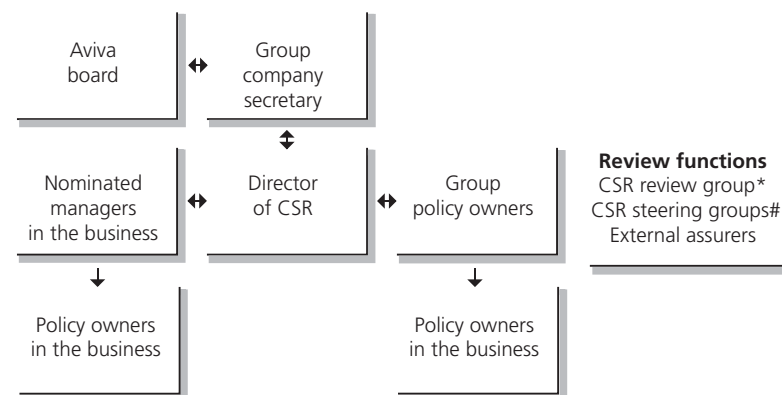
CSR MANAGEMENT CYCLE



*Representatives from head office, businesses and external parties

#Representatives from head office and businesses

CSR MANAGEMENT STRUCTURE



Members of Aviva's CSR review group at the June 2004 meeting.

CSR steering group

The Aviva CSR steering group meets quarterly. Involving representatives from the head office and the larger businesses, it provides for more frequent review of internal progress and consideration of relevant external issues. Many of the businesses have formed their own committees to similarly oversee the programme at local level.

Managing risks

In terms of managing CSR risks, the Aviva group has an established risk management system which is embedded into its business planning and performance monitoring processes. This system includes the identification of risks to the business including social, environmental and ethical matters.

Whilst a clear internal focus is paramount for a successful CSR programme, it is also critically important to obtain external inputs and to track external views. All members of the group CSR team – and other staff – belong to external networks (see page 12), which provide an invaluable “radar” on CSR thought and practice at UK, European and global levels.

CSR governance at business unit level

In each business the CEO is the local sponsor and an appointed nominated manager for CSR is responsible for programme development. The CEO signs off a compliance statement to the effect that the business is in line with the CSR policies. The business unit report details progress over the past year and plans for the coming year. The new CSR policy now provides for CEO programme review outside of this exercise. Each CSR policy has an “owner” in each business and the nominated manager co-ordinates the implementation work, usually through a committee.

The nominated manager is responsible for promoting and reporting on the programme, both to the local CEO and to the group CSR team.

Effective local governance structures are best determined at local level. The group CSR team only looks to see that adequate progress is being made in CSR and is not concerned with the local structures, which deliver that progress.

Clear evidence of strengthening governance structures can be found in the individual business unit reports. Some examples are:

- In addition to the close oversight to the CSR programme given by the CEO, there is a further executive sponsor in **Norwich Union Insurance** in the UK. There are also three separate steering committees on environment, community and on CSR as a whole. The latter is made up of individual policy owners who meet quarterly and whose activities are co-ordinated by the nominated manager. Norwich Union Insurance has also adopted the group CSR team's practice of inviting external representatives to provide input to CSR meetings. A member of WWF-UK has been invited to critique its CSR programme and report.
- In **Aviva India**, the governance structure has further developed since programme inception in 2003 and is firmly supported by the CEO. The nominated manager works with a corporate team, which meets once a fortnight to review progress. Additionally, CSR team leaders have been appointed in 25 locations across the country.
- In **Delta Lloyd**, in the Netherlands, the directors of all CSR policies meet quarterly to review progress and to set targets. The executive board reviews the CSR programme twice-yearly.

- In the UK, **Norwich Union Life** set up a board-level committee to review the service it gives to its customers, which reflects a heightened customer focus throughout the business.
- In the UK, **Morley Fund Management** encourages its CSR committee members to attend external workshops and conferences to improve their knowledge of CSR. Further, compulsory and voluntary training packages are available to all staff on various aspects of CSR.
- In **Turkey**, our two Aviva businesses have both set up CSR committees which work together closely to develop internal CSR understanding and practice and to project this focus externally.

Increasingly, our businesses network with one another to share and develop ideas and practice on CSR without necessarily involving the group CSR team directly. This extremely positive development is further testimony to the fact that CSR is becoming more embedded. For instance, Norwich Union Central Services (NUCS) has been sharing good practice on its “binless office” rollout programme, which is being considered by Aviva Australia. It also shared a UK staff environmental awareness raising leaflet with all businesses. Hibernian, in Ireland, has since issued a leaflet to staff, while our businesses in the USA and Turkey are seeking to produce a similar document. Further, Aviva France linked up with NUCS to discuss environmental features for its new headquarters, building on UK experience.

CSR programme developments and outcomes

Integration of CSR has deepened throughout our business practice and this can best be seen by reviewing a variety of sample developments and outcomes of the CSR programme over the past year:

Developments at group level

- Following a review of the CSR policy at executive level, we have amended the CSR policy to provide for mandatory annual programme review by local chief executives.
- In November, the executive directors approved the establishment of an Aviva climate change forum. Further information on the climate change forum is contained overleaf.
- CSR is being firmly embedded in our senior management training programmes. This presence has been further strengthened by the appointment of the Aviva Chaired Professor in Leadership and Responsibility at INSEAD (see page 11), who contributes at various levels to the entrenchment of CSR through learning.
- In 2004 we appointed a group diversity director and established the group's diversity steering group of senior executives from around the world to manage the embedding of diversity in Aviva.
- Integration continues to be a major focus for the group CSR team. To support the businesses the CSR team produces a regular newsletter for all those responsible for CSR across the group, makes support visits to businesses and promotes best practice. Its active communications programme is both internal and external and makes use of all available media within the group.
- Staff volunteering is growing steadily around the group and has increased to 19,000 hours compared with 11,500 hours in the previous year.
- Groupwide electricity consumption is down from 188 GWh to 157.9 GWh with CO₂ emissions down from 59,767 tonnes to 23,024 tonnes. In the UK, electricity in the Norwich Union-managed properties is now 100% from renewable resources.
- Groupwide gas consumption is down from 135.7 GWh to 109 GWh and CO₂ emissions down from 27,417 tonnes to 21,934 tonnes.
- Whilst celebrating success, we must also report a less welcome figure, which is that car fleet kilometres are up from 86 million kms to 97 million kms and therefore CO₂ emissions are up from 13,724 tonnes to 17,417 tonnes. While the car remains one of the timely and practicable means of reaching many customers around the world, we will be closely investigating the cause of this increase during the coming year.

Developments at business unit level

- Four of our businesses – Morley Fund Management, Aviva Australia, Delta Lloyd and Norwich Union Life – now produce their own separate CSR reports, which is one visible aspect of the heightened CSR communications activity.
- All business units have reported, where appropriate, according to Aviva's key performance indicators. These are contained within the business unit reports on www.aviva.com/csr05.
- Morley Fund Management has been able to celebrate attracting a further £140 million to its SRI funds over the year, taking the total to £700 million.
- Our Indian business has established relationships with a variety of institutions to provide micro-insurance to economically deprived women and other disadvantaged groups. So far, around 315,500 lives have been covered.



Aviva Australia's CSR report.

Numerous CSR-related issues confront both business as a whole and financial services in particular. We review these on a regular basis, both at our annual CSR review group meeting and also as part of a high-level Aviva issues group which was set up in February 2005.

The three CSR issues reported on last year remain the three principal issues facing our business, namely climate change, offshoring and improving customer relationships, which we deal with this year under the title of treating customers fairly.

Climate change

Over the past year, the body of evidence suggesting that climate change is one of the principal challenges facing society in this century continues to grow in the eyes of the overwhelming majority of the global scientific community. Its effects are discernible today in the natural world, which sends out constant stress warnings and the only imponderable is just how significant its impacts will grow later this century.

Along with other responsible businesses, Aviva seeks to contain its own direct contributions to global warming, by both cutting energy use and switching to renewable energy sources, where this is a practical option (see page 31). We also seek through our fund management (see page 19) and purchasing (see page 26) activity to encourage others to improve their own direct environmental performance. We also keep a focus on environmental impact in the design and delivery of our products and services.

We have now set up a climate change forum within Aviva. This brings together people from our different businesses who are tackling aspects of climate change in different ways. It brings separate activities under one focus and allows us to promote synergies, to enhance organisational focus on the challenge and to identify potential new responses. It will include representatives from the academic and NGO communities.

Aviva also continues to participate actively in the climate change working group as part of the United Nations Environment Programme Finance Initiative.

Treating customers fairly

Putting the customer at the centre of our business focus is a key theme for all our businesses. An example of this approach is given by Norwich Union Life in the UK.

Norwich Union Life takes the views of its customers very seriously and carries out an extensive range of regular customer research to ensure it understands them. It is very aware that service to its customers is not always where they, nor it, would want it to be and that the business is not currently meeting the expectations of all its customers. Norwich Union Life is using the findings of research, together with analysis of complaints, to inform an aggressive programme of improvements to service delivery. This involves short term improvements as well as a longer term programme of investment in fundamental improvements to the overall customer experience.

As a Raising Standards accredited brand, Norwich Union Life is fully supportive of initiatives which deliver clarity and simplicity for its customers in the UK. It is also supportive of efforts to raise confidence in the industry and, as such, has been working with the regulator, the Financial Services Authority, as it develops thinking around its Treating Customers Fairly (TCF) project.

Norwich Union Life's senior executive team has taken full responsibility for practical delivery of TCF across all levels of the business. A new formal governance structure introduced in fourth quarter 2004 emphasises its commitment to ensuring the principles of TCF sit at the heart of its strategic thinking and operations. It is also assessing how it can best introduce effective measurement systems to evidence its successes in relation to fair treatment of customers.

Managing structural change

In almost all large businesses, structural change is a fact of life, marked by acquisitions and disposals, relocations and restructuring, all occasioned by the changing circumstances of business. What is critical is how such change is effected. A significant example of this is the move of a number of operational support functions to parts of Asia to support the group's strategy to improve efficiency and competitive advantage.

As reported in last year's CSR report, Aviva has established a self-sustaining, low-cost operation in Asia providing operational support to businesses in the group. We continue to invest in our offshoring activities and to date have some 4,000 people in Asia supporting our UK and Canadian businesses. An Aviva corporate team, Aviva Offshore Services (AOS), was set up in June 2004 to manage the operations and now comprises a 40 member team across India, Sri Lanka and UK. AOS is integrated into Aviva's governance structure and reporting processes and is overseen by the Aviva offshore advisory committee and group executive committee.

We believe that we have effected the necessary changes with minimal impact on UK staff and with all due consideration for the well-being of staff and communities in Asia.

Aviva Chair in Leadership and Responsibility

A contribution from the Aviva Chair holder Henri-Claude de Bettignies, Professor of Comparative Management at INSEAD (since 1967) and Visiting Professor of International Business at Stanford University (since 1988).

To enhance the production and sharing of knowledge in Leadership and Responsibility (or CSR) – two areas of critical importance in today's society – the Aviva Chair has been created at INSEAD (The European Institute in Business Administration), the leading global business school with campuses in Europe (Fontainebleau) and Asia (Singapore).

Over many years Aviva has benefited from the management education experience accumulated on the Fontainebleau campus, and the creation of the Chair will contribute to strengthen the research capability of the institution. The general focus of the research will be to explore how business leaders and organisations, particularly in the insurance and finance sectors, can handle more effectively the responsibilities associated with their position of influence in society.

Among its activities, the Chair will explore how the development of integrity, at the individual and corporate levels contributes to build the trust necessary to perform effectively in a multi-stakeholder and global environment.

The Chair will produce academic papers furthering knowledge in two dimensions of corporate performance: leadership and responsibility (or CSR), and it will prepare documents intended for large management audiences.

In its initial research activity, the Chair is exploring the responsibility of global corporations and the relevance for them of "common good", taking examples from different industrial sectors. Another project will assess the positive and negative impacts

of the insurance sector leveraging globalisation to cope with competitive pressures (often termed "offshoring"). The Chair will also bring contributions to the Aviva Leadership Academy, through lectures on the two dimensions of its research activity.

Global Compact

Aviva is proud to continue to chair the United Nations Global Compact UK forum. The Global Compact offers 10 principles for signatory companies to follow, covering the environment, labour relations, human rights and anti-corruption. We are happy to subscribe to these and the principles are already reflected in our existing company policies on standards of business conduct, human rights, environment and our suite of workforce policies.

The aforementioned relevant sections of this CSR report demonstrate our conformity with both our internal policies and the principles of the Global Compact.

However, our support of the Global Compact goes beyond underpinning internal policies in an international context. Many of the CSR challenges we all face are international in reach and complexity. Initiatives at a one-company or one-country level, while welcome contributions, will always fall far short of the scale of response that is required to tackle challenges such as climate change. Effective international alliances are the only way of combating such problems. The Global Compact seeks to bring together the worlds of government, big business, small businesses, NGOs, trade unions and academics in alliances at both national and international level to combat global problems. Aviva remains firmly committed to doing its best to help this initiative succeed.



In addition, our subsidiary in Lithuania contributed to raising the profile of the Global Compact by participating and presenting at a meeting in November to help raise awareness of CSR in Lithuania. The invitation to our business was made in recognition of Aviva's leading CSR position. In Turkey, our businesses have also been invited to participate in establishing a local Global Compact forum in 2005, to help promote the principles of the Global Compact amongst the Turkish business community.

Global Responsibility Initiative

The Global Responsibility Initiative is jointly sponsored by the Global Compact and the European Foundation for Management Development. It brings together 20 representatives from leading businesses and business schools from around the world in a project to update the current model being taught in most business schools so that it takes full account of business responsibilities in the 21st century. Aviva and the Aviva Chaired Professor in Leadership and Responsibility both participate in this project, which is expected to present its findings to the United Nations in September of this year.



FORGE III

Aviva has chaired the FORGE group of insurers and banks since 1998. The group has not only produced useful guidance on environmental and CSR management and reporting, but also remains a valuable information exchange for group members on matters of best practice.

The FORGE group has recently concluded its work on CSR key performance indicators for the financial services sector. These will be applied within Aviva during the coming year.

Developing Aviva's programme through partnerships

Aviva continues to have close relations with chosen partners. These include BTCV, Earthwatch, BITC, WWF and UNEP. Each of these relationships adds something different to the success of Aviva's CSR programme.

In the case of BTCV, these benefits range from the opportunity to send our staff on conservation breaks to gaining fresh insights into social policy from one of the most practically engaged NGOs working in its field.

In respect of Earthwatch, the benefits range from an opportunity to support climate change related research to accessing a unique set of companies in the Corporate Environmental Responsibility Group, all engaged on reducing their environmental footprint.

We value BITC for its practical expertise in a number of fields of CSR. We also appreciate having one of its most experienced employees on our CSR review group.

With WWF, we have had a long-standing relationship, which has operated at different levels. WWF has been represented on our CSR review group for some years and we are represented on the WWF-UK programmes committee. We consider WWF to be the leading global NGO on the environment and we greatly value the environmental insights we gain from this relationship, which influence and inform our own CSR programme.

The United Nations Environment Programme's Finance Initiative continues to be a key grouping for Aviva. We are represented on its climate change and asset management working groups and are helping to establish a new group on general insurance. We also continue to benefit from our membership of the Institute of Business Ethics.

During the coming year, we look forward to forming a relationship with a development NGO. Our initial point of contact is in respect of a tranche of funds raised by our UK staff for Tsunami victims, which, following matching from the company, amounts to some £260,000. Further details can be found in the community section.

Aviva's executive participating in international affairs

CSR does not only call for the exercise of responsibility at corporate level, it also supports and encourages the practice of individual responsibility. Aviva's group strategy and development director, Tidjane Thiam, is a member of the Commission for Africa, set up in early 2004 by UK Prime Minister Tony Blair to take an independent look at the challenges facing the continent and make recommendations for its future. The commissioners, 17 in total, are people who have significant and relevant experience to contribute to this initiative to help deliver real change.

The Commission's work is divided into six areas. Tidjane co-leads the Peace and Security theme, with the aim of achieving a lasting reduction and ultimately elimination of violent conflict in Africa.

In March 2005, the Commission published a report on its recommendations. The Commission carefully studied all the evidence available to find out what is working and what is not. It also consulted extensively, inside and outside Africa, with governments, civil society, the academic world and with those in the public and private sector. The report will be discussed by the leaders of the G8 countries at the Gleneagles summit in July 2005 and it is widely expected that its key recommendations will shape the dialogue on Africa's development in the next five years.

Aviva supports its senior executives and management in playing their individual part within society.



Tidjane Thiam, Aviva's group strategy and development director, is a member of the Commission for Africa.

How others view Aviva's CSR performance

We value feedback and assessment of our performance as we continue to develop and manage our CSR programme across all our businesses. We are pleased with the recognition we have received during the year.

Aviva was pleased to be included in a new global ranking by Corporate Knights, called the Global 100 Most Sustainable Corporations in the World, which based its ranking on analytical data provided by Innovest Strategic Value Advisors, an internationally recognised ratings agency.

Following the annual Dow Jones Sustainability World and STOXX indices review, Aviva continues to be the only UK insurer included in both sets of indices. We are also a member of the relevant FTSE4Good Index Series.

In Business in the Community's (BITC) CR Index results, published in April 2005, we were ranked joint 1st in our sector and joint 22nd overall in the top 100 companies. We were also placed 1st in our sector and 26th overall in Business in the Environment's Index of Corporate Environmental Engagement.



A review of implementation progress in each CSR element follows overleaf.

Aviva's annual review group meeting – a stakeholder perspective

A range of external parties or stakeholders, primarily NGOs representing interests such as the environment, human rights, corporate responsibility and sustainability have been invited by Aviva to take part in Aviva's CSR development process, mainly through attendance at Aviva's annual CSR review group meeting, for more than five years.

We have been asked, by Aviva, to comment upon our experiences, and to give a flavour of our perceptions of Aviva's approach and progress in developing its CSR programme.

Aviva is not always a fast mover, but it has moved seriously and steadily towards an increasingly comprehensive management of CSR, and involvement with its programme over the years has indicated an expansion in both the geographical spread of its CSR activity, and in the scope of its CSR challenges.

Fundamental CSR challenges still exist, of a larger scale than those which have been tackled so far, but Aviva has taken a realistic and sensible approach towards equipping itself to start to explore and understand those challenges.

Why do we engage with Aviva? In simple terms, most stakeholders will develop long-term relationships with a company that can demonstrate that it really understands the implications of the stakeholders' areas of interest and concern and is committed to meaningful change in business priority and process.

Aviva's annual CSR review group includes nominated Aviva senior managers from business units around the world side-by-side with representatives of NGOs and external parties. All participants in this process are treated equally; no discussions are conducted without the inclusion of all.

External stakeholders are also encouraged to challenge and stretch Aviva's thinking, to ask questions that cannot be answered simply and to push Aviva's understanding of the complexity and contradictions of what CSR means for a global insurance and investment company.

Key specific areas raised by external parties at the 2004 CSR review group meeting were:

- Consideration of the adoption of the draft UN Norms on the human rights responsibilities of companies.
- Tackling social exclusion.
- Increasing CSR focus upon the indirect impacts of Aviva's business, specifically; to further explore the ramifications of what it means to be a responsible investor, with a specific focus upon mainstream investment within the Aviva group.
- Continue to explore and investigate interrelationships between different Aviva business activities.

In essence, stakeholders look for a range of things when they engage with a company, but the principles that inform Aviva's approach, those of; inclusiveness, openness, mutual exploration, collaboration and trust, are consistent with its belief in CSR as a fundamental priority for businesses of the future and indicate to the external parties involved in this journey that Aviva is committed to corporate social responsibility over the long term.

It should be noted this statement is not intended to represent any form of assurance or verification statement, this is an informal statement to give some contextual information from external parties that have been involved in Aviva's continuing journey.

Oliver Greenfield,
WWF-UK

Joss Tantram,
Terra Consult

Patrick Mallon,
Business in the Community

As a financial services company, we recognise that much of what governs our relationship with our customers is based on trust. We have a responsibility to uphold this trust in all that we do – be it in our investment capacity, our general insurance or our life assurance activities. It is with this in mind that we consider the standards of business conduct policy to lie at the heart of the entire Aviva policy framework.

The revised standards of business conduct policy was signed off by the Aviva board in January 2004. In essence, the revised policy provides a clear ethical compass to turn to when making business decisions. It serves as a clear guide on how we wish to conduct business.

Embedding the standards of business conduct policy into our businesses

The spirit and guidance embodied in the standards of business conduct policy must be followed by all our staff, in particular by our senior managers across our businesses, to set an example for others to follow. All CEOs must provide annual assurance that the policy is adhered to within their business. Compliance with the standards is also required as part of Aviva's senior management contract.

Over the course of the past year, the focus has been on rolling out the revised policy to our employees. This has taken shape in a variety of different ways, reflecting the different cultures and sizes of our businesses around the world.

Communicating to staff at the start of their career with us

At the outset of their employment, Delta Lloyd's internal codes of conduct are communicated to staff by their inclusion in staff contracts. Across our worldwide businesses, it is common practice for new staff to be introduced to CSR issues, ethics and/or the Aviva Values as part of their induction programmes. A multitude of different methods are employed, including mandatory computer-based training in Norwich Union Insurance in the UK and a core values game in Delta Lloyd, based on real life ethical dilemmas.

Communicating to staff during their careers

During 2004, Aviva's CEO in Australia reinforced adherence to the standards of business conduct in emails to all staff and via the internal electronic magazine. The Australian business also conducted a values programme over 2003 and 2004 with all staff participating in workshops relating to the Aviva Values.

Our Indian business has a programme in place to help staff live the Aviva Values in their everyday lives. The Aviva Values in Action award was introduced in 2003. It aims to showcase real life examples of role model behaviour by nominating five employees as "value ambassadors" in each quarter of the year. Apart from a personal thank you note from the managing director, their actions and stories are publicly shared in the staff newsletter, Buzz, "Town Halls", meetings between management and staff, and various other forums.

During the year, Norwich Union Life in the UK published a booklet "Security – it's everyone's business". The guide was sent to every employee and contained a number of practical "do and don't" reminders. It also included a section on key aspects of the standards and how they relate to other parts of the CSR programme in its CSR report for staff.

In our continental European businesses, a guide was distributed in early 2005 to staff in Aviva France on the proper use of IT. In Italy, all staff were informed about anti-money laundering procedures and internal regulations were revised in line with the policy and the new Italian law. Aviva in Romania is embedding the standards of business conduct within employment contracts, in induction programmes, in sales training courses, staff handbooks, quarterly staff updates and within its daily activities.

Incorporating ethical behaviour into staff appraisals

Apart from raising awareness among staff and intermediaries, a key means of embedding the standards of business conduct is by including it in staff appraisals. This takes place in a number of our businesses, including Morley Fund Management, Delta Lloyd and Aviva in India.



Customer-facing ethical behaviour

A concerted effort has been placed on the standards of business conduct in our businesses in eastern Europe. In Poland and Lithuania, ethical behaviour is included in the professional training given to agents. Relevant aspects of the standards of business conduct policy are translated into Lithuanian and are included in the contracts of the direct sales force. In Hungary, ethics are embedded into the contracts of sales force staff.

In Spain, ethics training is included in the courses prepared for intermediaries.

In Norwich Union Insurance, the learning and competence scheme is designed to enable the business to provide its customers with the highest level of service and professionalism through highly skilled, qualified, competent and motivated employees. The scheme lays down the standards and procedures to ensure that all staff achieve and maintain competence. This has been put in place to ensure that Norwich Union Insurance complies with the Financial Services Authority's training & competence commitments and rules. It also supports its Leadership and Care customer-focused programme.

In India, a financial health check for customers is administered by its financial planning advisers, who offer free advice to all customers who purchase Aviva Life Insurance plans. The business not only focuses on meeting its sales targets but also believes in guiding customers to the best solutions regarding their financial position and protection needs, thereby engendering greater customer trust.

Monitoring our standards of business conduct

Our businesses employ a number of mechanisms to monitor the various strands of the standards of business conduct policy.

The "Safecall" hotline operates in the UK, allowing staff to report suspected cases of workplace fraud and malpractice via an independent, confidential 24-hour telephone service. Work is currently underway to expand this service to business units outside of the UK. The group financial crime unit published a booklet "Fraud – What is it? and what you can do to prevent it". This was distributed to staff around the UK as part of ongoing fraud awareness and prevention training.

In Norwich Union Life, following the release of the revised standards of business conduct policy, work commenced to develop a compliance matrix, to give practical guidelines as to "what policy compliance looks like" in the various business areas of the business. The policy is also part of a twice-yearly formal self-certification process which is undertaken to reinforce the overall governance framework within the business.

In Ireland, the special investigation unit which Hibernian had set up in 2003 fulfilled its objectives by delivering €5million in savings in 2004 as a result of tackling insurance fraud.

In response to the rapid growth in new business volume and the ensuing sales force growth, Aviva in Hungary strengthened its compliance function by appointing a dedicated compliance officer. It recruited more staff into its quality control function and reinforced its existing controls. It also focuses on ensuring quality of service and reviewing internal procedures and regulations relating to the standards of business conduct. Similarly, Aviva's business in the Czech Republic is focused on customer care and standards of business conduct.

During the year, Commercial Union Polska created an email address for staff to use in order to report their concerns. The address is administered by the internal audit manager. Agents' behaviour is monitored on a regular basis. During 2004, cases of agent misconduct were discovered. The public prosecutor's office was informed and the agents in question were immediately dismissed, thereby sending a clear message on the business's strong stance on ethical behaviour.



A booklet was distributed to UK staff as part of ongoing fraud awareness and prevention training.

Fair treatment of customers is, fundamentally, good business practice and is key to securing customer confidence in financial services. All our businesses are focused on that goal.

As the world's fifth largest insurer and one of Europe's leading providers of life and pensions products, Aviva is committed to ensuring open and transparent relationships with our customers, while making our products accessible to a variety of audiences to help secure their financial futures. We also seek to provide peace of mind for our customers at every stage of their lives.

Although we have yet to introduce one overarching customer policy to support our diverse business activities, the standards of business conduct policy does provide minimum standards for the Aviva businesses to follow in seeking to provide our customers with a service hallmarked by integrity, quality and care.

Businesses throughout Aviva are also committed to managing service levels offered to customers and are continually seeking new and improved ways of providing better customer service.

The examples below highlight how our businesses are putting customers at the heart of business decision making, how we strive for optimum performance in service standards and how we seek to integrate CSR into our core products.

The logo for 'Autograph' is written in a stylized, cursive blue font. A small 'TM' trademark symbol is located at the top right of the word.

Embedding CSR in our core products

Focus on rehabilitation in Norwich Union Insurance

In Norwich Union in the UK, rehabilitation has become an integral part of the claims handling process so that this becomes priority as opposed to simply paying compensation. The aim is to get the injured party as close as possible to their pre-accident lifestyle as quickly as possible with early help. In January 2005, Norwich Union opened its pilot treatment centre for customers who sustain whiplash injuries as a result of motor accidents.

Aviva India broadens reach of insurance

Aviva India continues to offer low premium products for the rural areas as well as for people from economically underprivileged backgrounds. The products; Amar Suraksha, Anmol Suraksha and Jana Suraksha are distributed both through the direct sales agent channel as well as through Aviva's bancassurance partners.

Aviva India also has tie-ups with micro finance institutions, like Basix, to distribute its products to sections of society who otherwise would not have access to insurance.

Promoting responsible driving

Aviva Canada launched a new motor policy in February 2005, called Autograph. This innovative product is based on the principle that an individual's driving behaviour should affect how much he or she pays for insurance. It also promotes environmental consciousness, by rewarding those who drive less and hence contribute less to environmental pollution. Autograph enables the individual to have more control over their insurance costs.

Similarly in the UK, Norwich Union's Pay As You Drive™ Insurance pilot is a revolutionary new way to calculate car insurance premiums, whilst helping to reduce impact on the environment by offering lower premiums to those who drive less and who drive carefully. It also allows the vehicles to be located, which will help to combat car crime and also to support vulnerable drivers if they have broken down. Phase one of the pilot is finished with 5,000 volunteers having the telematics devices fitted in their cars.

Improving transparency of our core products

In Delta Lloyd, high standards of integrity are incorporated in product development processes. For example, new information leaflets have been produced for customers who purchase life insurance and investment products to help ensure open and clear explanation of the products available to customers.

In Lithuania, our business has developed a new client manual disclosing major features and charges applied by the company to help customers understand its products better.

Being flexible to our customers' needs

Aviva Hungary developed an additional flexible rider (Portfolio Plus) to its existing unit-linked products, enabling clients to make cash withdrawals from the accumulated fund at favourable terms.

Socially responsible investment (SRI)

Morley Fund Management's SRI portfolios continue to grow consistently. During 2004, Morley added around £140 million of new business to its SRI funds, taking the total funds under management in SRI to approximately £700 million.

In addition to the products and services offered by Morley's SRI team, it also manages the Igloo regeneration fund – an innovative urban regeneration programme, delivering social and environmental benefits whilst achieving strong financial returns.

Hibernian Investment Managers, now part of the Morley group, continue to promote SRI funds in Ireland, while Portfolio Partners, Morley's fund management company in Australia, continues to align its practices with Morley. View the section on human rights for details of Morley's engagement practices.

Responsible customer service initiatives

A "welcome experience" in Aviva Australia

Our business in Australia has implemented an "Aviva Welcome Experience" which introduces and welcomes new advisers to Aviva. This new initiative helps advisers to understand the company's processes and systems when writing new business. In 2005, the business aims to implement a "Navigator Welcome Experience" for Navigator advisers, supporting one of the largest investment portfolio administration businesses in Australia. This will provide an opportunity to demonstrate the company's values in action and to make brand advocates of the new advisers. The success of these initiatives will be monitored, with some initial feedback on the "Aviva Welcome Experience" being very positive.

The business also established a claims working party to review processes and identify ways to improve the claims experience. It also produced market leading claims brochures and medical guides to help clients understand its claims processes and the actual medical conditions its policies cover.

Improving the service delivery process in Aviva USA

Aviva USA's call centre has worked throughout 2004 to improve the service provided to customers. Part of this was the creation of four teams to help improve the service delivery process focusing on: leadership, quality, process and measurement.

The business also has a quality control department which reviews samples of completed transactions to ensure accuracy and professionalism of materials released to producers and consumers. It also provides regular management reports illustrating their findings and recommendations.

Building responsible partnerships with our agents

In France, Aviva launched an extranet, online communication tool, for its general insurance agents. The extranet is designed to provide agents with better knowledge and understanding of customer's needs, which in turn will result in enhanced provision of customer service.

In Aviva Italy, regular meetings are held with intermediaries in order to monitor their satisfaction levels of Aviva's service. Specific activities are in place to consider the requests/suggestions raised by intermediaries with a focus on improving the existing levels of service.

Being closer to our end customer in Italy

In 2005, Aviva Italy will implement a new system to enable more direct contact with the end customer, via the company's website. This will enable customers to both obtain information regarding life insurance products and to make/register claims.

Measuring and monitoring customer satisfaction

Positive survey trends across Delta Lloyd Group

The annual results from the performance research of Delta Lloyd Verzekeringen (business channelled through independent financial advisers) showed improvements for both the life and general insurance businesses.

Satisfactory customer survey results in Aviva Romania

In June 2004, Aviva's marketing department in Romania carried out a survey to determine customer satisfaction during their transactions with Aviva, any reasons for dissatisfaction and also to begin profiling Aviva clients. The results were satisfactory with more than 94% of respondents being "satisfied" with the relationship they have with Aviva.

Ongoing monitoring and measuring in Norwich Union Insurance

Norwich Union Insurance has a variety of means by which it monitors and measures customer satisfaction across its product range. An internal claims satisfaction programme provides an overview of the entire claims service, tracking all aspects of the claim and providing quarterly reports on performance. Research continually highlights that a key driver of claimants' satisfaction is the repair/replacement of damaged property. A supplier-wide study is undertaken providing monthly measurement and to pinpoint areas of improvement for its suppliers.



Measuring call centre performance in Norwich Union Life

Norwich Union Life has a comprehensive tracking programme, measuring satisfaction with its call centres on a continuous basis and satisfaction with complaints handling. During the course of 2004, the business has made significant improvements in access to its call centres cutting the time to get through from 65 seconds to 22 seconds.

Awards and recognition

Below are some examples of key industry awards received for performance excellence during 2004. They provide a measure of the success of our products and services.

General insurance

In 2004, Norwich Union Insurance was awarded General Insurer of the Year by the Insurance Times Awards and was also announced Best General Insurer in the Personal Finance and Savings Partnership awards.

Hibernian's direct business was awarded the Q-mark from Excellence Ireland in 2004, in recognition of its quality and improvement efforts in its business processes.

The general insurance business in Poland received The Best Business Partner award for the best insurance company from Home & Market magazine.

Life and pensions

Aviva Romania was awarded The Life Insurer of the Year award in a special gala evening. It also received recognition, together with Medicover, for creativity and co-operation in the development of Vero, a medical insurance product.



Grant Barrans, Director, Aviva Life International (left) and Bryan Jenkins, CEO, Hibernian with the Irish Quality & Excellence Awards.

Norwich Union Life received several awards at the Financial Adviser Life and Pensions Awards in July 2004, including:

- Long-Term Care Insurance Company of the Year
- A Gold rated Pensions Company of the Year
- A Gold rated Critical Illness Company of the Year
- A Gold rated Term Assurance Company of the Year

It was also awarded Best Life Protection Provider and Best Healthcare Provider at the Money Marketing Financial Services Awards in April 2004.

In Spain, one of the Aviva Vida y Pensiones pension plan products was awarded second position in Morningstar and Intereconomía product rankings. Aseval, another of our companies in Spain, reached the final round of the competition to find the best Pension Plan Manager.

In 2004, Hibernian Life & Pensions was awarded the Recognition of Excellence from the European Foundation of Quality Management and, in addition, were the overall winners at the Irish Quality & Excellence Awards.

Commercial Union Polska received three European Medals from the Office for European Integration and the Business Centre Club for products and services that are of exceptional European value, namely:

- a Unit-Linked Life Insurance product,
- an investment fund, the Stable Investment Fund,
- an annual travel insurance product for people often travelling abroad.

For the second consecutive year, the life company in Poland received the Fair Play Award granted by insurance brokers to the friendliest insurance company.

In 2004, Aviva Czech Republic's Flexible Protection Plan was awarded 2nd place for the most popular financial product on the market.

Fund management

Morley Fund Management received the following awards in the Standard & Poor's Fund Awards 2004:

- Morley Sustainable Future Corporate Bond Fund – awarded 1st place over One Year, UK Marketed Funds class, Fixed Income GBP-Corporate sector, out of 88 funds.
- Norwich UK Ethical Fund – awarded 1st place over One Year, UK Marketed Funds class, Ethical UK Sector, out of 19 funds.
- Aviva European Corporate Bond Fund – awarded 1st place over One Year, UK Marketed Funds class, Fixed Income EUR sector, out of 40 funds.
- Aviva European Corporate Bond Fund – awarded 1st place over Five Years, UK Marketed Funds class, Fixed Income EUR sector, out of 20 funds.

Morley Properties was awarded Property Fund Manager of the Year in the 2004 Property Awards, while also being Highly Commended for Property in the Global Investor Awards for Investment Excellence.

In France, Aviva Gestion d'Actifs has won the "Victoire des Sicav" from French daily newspaper La Tribune and rating agency Standard & Poor's for its investment performance over one, three and five years for its whole product range.

We continue to develop application of the human rights policy within our operational practice following its review in January of 2004. We revised our wording to take account of the International Labour Organisation's core labour standards and also to make it easier to understand.

Our understanding of the interface between human rights issues and the practice of business continues to grow. We believe that the content of this policy is most likely to evolve over coming years. At Aviva, we have identified three principal areas for managing and promoting good human rights practices: through fund management; through purchasing; and in the promotion of diversity in the workplace. Two are dealt with in this section, whilst the third, advocacy of human rights in our purchasing practices, is dealt with in the section on suppliers.



Responsible investment includes advocating human rights

Morley Fund Management's approach to responsible investment

Morley Fund Management explicitly integrates analysis of performance in social, environmental and ethical (SEE) and governance issues into its investment process. Such analysis also includes examination of human rights performance.

The dedicated socially responsible investment (SRI) and corporate governance (CG) teams have a mandate to engage with companies on behalf of all of Morley's assets under management and a global approach is taken to engagement. Managing assets in excess of 1% of the UK stock market means that its levers for change are at present strongest in the UK, but Morley also has holdings in companies operating in Europe, the US, Asia and emerging markets. In 2004 the SRI and CG teams met with over 250 companies to raise SEE or governance concerns with management.

Morley continued to exert its shareholder voting rights in 2004 – voting against companies with inadequate corporate governance policies and performance. Morley will also extend its existing voting policy to encompass reporting of all relevant SEE and governance issues for FTSE350 companies in 2005.

Promoting diversity in the workplace

We believe that the recognition of individual ability, the absence of discrimination and the positive promotion of attitudes towards diversity will draw the greatest results from our employees.

In Aviva, promoting diversity means more than providing equality of opportunity for both men and women and those from ethnic minorities. It means recognising, for example, that individual differences in age, physical ability, sexual orientation, lifestyle, priorities, religion and beliefs can be harnessed to the business's benefit. Leading our work on this journey is Aviva's newly appointed group diversity director, whose first task since taking on the role was to establish an executive-level diversity steering group made up of eight executives from Aviva's businesses around the world.

The steering group's mandate is to provide vision and leadership, to recommend and facilitate the implementation of initiatives, to review data and metrics to support progress and to share good practice in the diversity arena.

Efforts to raise the profile of diversity within Aviva have included diversity features in the group chief executive's employee messages, regular diversity updates and news stories and weaving diversity awareness into the Aviva Leadership Academy syllabus.

Aviva USA developed sales brochures in Chinese and Spanish to support the sale of life insurance products to Asian and Hispanic communities.



Aviva diversity vision

Diversity is about everyone. We believe in a working culture that respects, celebrates and harnesses difference to the benefit of customers, employees, shareholders, business partners and the wider communities. Our competitive advantage depends on business teams that include people with different backgrounds, experiences and perspectives, who feel valued for the positive contribution they can make to Aviva's success.

Diversity in Aviva

As a group, 51% of our workforce is female. Of our 430 senior managers across the organisation, 17% are female (a 1% increase on last year's figure of 16%), with one of the highest representation of female senior managers being in our head office where 23.5% of senior managers are women.

In 2004, 50% of Aviva France's promotions to director level were female. In Eurovida, our Portuguese business, 25% of local senior management and 62% of management is female.

We cannot provide consolidated information on ethnic diversity across the group due to legal restrictions on requesting, holding and reporting on ethnicity in many of the countries in which we operate. A similar picture applies to reporting on disability.

In Aviva USA, efforts have been made to seek more diversity in recruitment and this is reflected in ethnic monitoring results, with significantly broader ethnic diversity in new hires than the whole employee population.

In the UK, our human resources diversity forum is reviewing recruitment practices with the objective of improving representation.

Benchmarking Aviva's diversity performance

Participation in recognised diversity benchmarking assessments enables us to target our diversity initiatives and provides access to knowledge sharing and competitor practice networks. Results of 2004 participation include:

- In the UK, Opportunity Now, a business-led campaign that works with employers to realise the economic potential that women contribute to the workforce, awarded a silver rating to Aviva, an improvement on the bronze award received previously.
- We received a certificate for participation in Business in the Community's Race for Opportunity benchmarking.
- As a group, Aviva was rated 26th in Cranfield's Female FTSE index and second placed insurance company.
- Stonewall's Corporate Equality Index for lesbians, gays and bisexuals in the UK ranked Aviva as one of the top 100 employers for gay people, one of only twelve FTSE companies to make the list.

Promoting flexible working practices

Another means of supporting diversity is through offering flexible and part-time working patterns. In the UK, Norwich Union Insurance's flexible working pilot was extended in 2004 to cover compressed working hours, staggered hours, time-out days, ability to opt to take bank holidays at different points in the year and an extension of current flexi-time arrangements. Norwich Union Life is also piloting a flexible working programme.

In Aviva Australia, the flexible working arrangement policy assists employees returning from parental leave through offers of reduced hours, job sharing and telecommuting.

Across the Aviva group, 14% of our employees work part-time; in Delta Lloyd, 37% of employees work part-time, in Norwich Union Insurance 16% and in Norwich Union Life 12.4%.

Diversity training in our businesses

Training on equal opportunities issues is mandatory for managers in the majority of our businesses. These businesses cover 85% of our staff. Training programmes range from presentations to team meetings on equal opportunities by senior management in Aviva Romania, to an initiative within Delta Lloyd to broaden the focus of its equal opportunities training to ensure that minorities, including older employees, are adequately covered. Morley Fund Management's *Respect at Work* initiative, introduced in 2003, focuses on fostering teamwork and ensuring that employees embody integrity at all times, promoting the ethos of a positive working environment by addressing issues such as organisational culture and climate, working relationships and embracing difference.

In 2005, our diversity focus will broaden further, with projects to review the potential for age discrimination in the UK, and working with various diversity forums and specialists across the business units to implement workstreams on customer and employee data; skills training; employee networks; and increasing innovation into our key human resources programmes to meet the needs of our employees.

Our people are pivotal to Aviva's success. Our people strategy in all the countries in which we operate is to:

- attract and retain top talent while embodying good corporate governance practice;
- foster morale in times of radical change;
- deliver excellent customer service while exploring and implementing new customer service models; and
- invest in the development of our employees while controlling costs.

This strategy captures our individual business unit and collective Aviva aspiration to be an employer of choice.

As in previous years, our reporting on our workforce follows the guidelines of the Managing Change Report produced for the European Commission led by Aviva's Chairman, Pehr Gyllenhammar. These guidelines require reporting under the following headings:

- Dealing with structural change;
- Communication and involvement / social dialogue; and
- Education and training.

Other areas of the "Gyllenhammar framework" that impact our people are diversity and health and safety. Aviva's progress in diversity is outlined in the human rights section of this report (see page 19). A separate section on health and safety across the Aviva group can be found on page 24.

Each of Aviva's business units has a human resources function that implements a people strategy aligned to both the business unit's overall strategy and our group's people strategy (see above). While specific

projects and initiatives differ from business to business, each will be underpinned by a clear strategy, by our values – *performance*, *progressiveness*, *teamwork* and *integrity* and by the principles of social responsibility. A broad set of people performance indicators ensures that an overview of progress against the strategy is measured and assessed.

This report provides examples of some of the work that has been accomplished in 2004.

More details and people performance indicators can be found in the business unit reports on www.aviva.com/csr05.

Dealing with structural change

Recruitment

In recruiting employees our aim is to place the best people in the right roles. The group recruitment policy states that each Aviva business unit must have in place a well structured, fair recruitment policy. Across the group worldwide, this means we need to innovate constantly to ensure that our recruitment campaigns are reaching as wide a talent pool as possible. These efforts can involve anything from ensuring that job advertisements are positioned accessibly (for example, Aviva Czech Republic advertises its jobs in the tram network in the larger cities) to sophisticated recruitment supplier relationships. In the UK, Norwich Union Insurance, together with Scottish Enterprise will be launching a pre-recruitment course, aimed at providing potential candidates with a sense of what it would be like working for the company. Other initiatives in the UK include working with Jobcentre Plus, a recruitment service helping to target specific groups, including returning mothers, New Deal candidates and early retirees.

Aviva Values



Retention

To retain our employees we offer a creative reward "package" that meets individuals' financial needs as well as their aspirations for a positive working environment and opportunities for personal development. The group reward policy requires all our businesses to offer competitive rates of pay to all their employees and a host of initiatives are in place to build our offering to employees around their working environment and their personal development. Many of these are described later in this report. Illustrative of our success in developing this offering to employees is Aviva India's ranking as the best insurer to work for in the country's "Great Places to Work" survey. Hibernian Life & Pensions were recognised as being one of the top 50 companies to work for in Ireland in 2004 for the third successive year.

Both employee retention and involvement in the business are promoted through incentive packages that tie elements of pay and reward to business success (both short and long-term). In the UK and Ireland, all employee share ownership plans encourage employees to own a stake in Aviva and to align their behaviours to business success. In the majority of our other business units, employees share in the company's success through a variety of cash-based incentive plans.

We measure our ability to retain employees through monitoring voluntary turnover figures. Across the group, this varies typically from 1 to 20%, reflecting our ability to retain our people and the differing job markets in which they are employed. Staff turnover in Norwich Union Insurance call centres dropped from 25% to 15% through its Leadership and Care programme, which places customers and staff firmly at the organisation's centre.

Restructuring

During 2004, several of the group's businesses have undergone significant restructuring programmes, including off-shoring call centres and finance operations to India and Sri Lanka. This has resulted in both the loss of some roles and the creation of others. Across our operating units, retraining, redeploying, relocating and early retirement options are all considered and adopted as fully as possible before any compulsory redundancies are made. Our major business units provide outplacement services or assistance to employees facing redundancy, covering 84% of our workforce.

In the UK, Norwich Union Life established a new team in 2004 to support employees at risk of redundancy. Since the creation of the team in May 2004, 41 roles have been secured through this redeployment initiative. Likewise, the introduction of new technology in Aviva Canada resulted in fewer redundancies as a number of the employees impacted were redeployed within the organisation.

Morley Fund Management made significant changes to its operational infrastructure when it transferred its UK operations team to JP Morgan in a market leading initiative to develop an investment administration service for fund managers. Although 163 employees were transferred, no redundancies were necessary. Employees were notified of the initiative 12 months before the transfer and a series of communications forums throughout the year kept employees informed of the project's progress. Managing change workshops, employees' briefing sessions and a designated intranet site assisted the transition programme.

Aviva France's relocation to new headquarters resulted in an agreement with employee representatives which provided for incentives and compensation for additional employee commutes.

In Italy, the merger between Commercial Union Italia and Commercial Union Insurance resulted in a small number of redundancies. Working with the trade union, the impact of these was minimised with compulsory redundancies being a last option.

Communication and involvement / social dialogue

Communication with our workforce takes a variety of forms, depending upon the legislative and cultural framework in each of the countries in which we operate.

We value input from our employees and actively seek it through a variety of means: employee representative groups, employee surveys, intranet sites, trade union relationships and focus groups.

Across our European business units, the continued strengthening of our European consultative forum has helped further our dialogue with employees on topics ranging from new working methods to offshoring. In the UK, Aviva has a partnership agreement with the UK trade union Amicus that both parties signed up to in January 2003. This agreement specifies the topics on which Aviva will consult with Amicus and resulted in the introduction of employee forums, in all the UK businesses, comprising both nominated union representatives and elected employee representatives.

In Morley Fund Management, initiatives in place to engage staff with business issues include an annual employee conference; Morley ideas – an employee suggestion scheme; and, "Around the table with..."

sessions where employees of all levels are invited to meet members of the executive team. Similar practices are replicated in other business units. In our Turkish businesses "values representatives" have used the opportunity of the transition from the Commercial Union to Aviva brand in 2005 to discuss and embed the Aviva Values with employees across the business. In Aviva India, "Town Halls" – regular meetings between employees and senior management in head office – facilitate an open culture and encourage employees to engage with substantial business issues. In Aviva Romania, the company has started to negotiate a collective work contract which will cover work conditions and environment, health and safety, wages and social conditions. Aviva Asia encourages and recognises creativity through various staff suggestion schemes.

Employee opinion surveys

In 2004, employee opinion surveys were run in 65% of our business units, seeking to gain the views of 82% of our people. As an example, in Asia, 1,168 staff were surveyed of whom 70% of respondents were satisfied with Aviva as a place to work. This was an increase of 6% on the previous survey conducted in 2002.

In Aviva Australia, quarterly employee briefings and opinion surveys whose results are benchmarked externally against the Australian financial services industry feed into the development of business and people strategies.

In 2005 we will implement a groupwide employee climate survey. This survey will enable us to benchmark employees' responses, to draw upon best practice areas across the group and to focus future strategies accordingly.



Employee satisfaction will become a key performance indicator in the group's performance management framework and a factor in management reward.

Education and training

Our group management development and training policy states that the company will invest in its employees' training and development, building their capabilities to meet the business plans and provide internal management succession. The process of training and development begins with the induction or orientation programme that takes place when a new employee joins the company. In Aviva India a "buddy" programme that forms part of the induction process was found to be the most effective induction initiative by 85% of new joiners.

Business units' interpretation and implementation of the management development and training policy vary depending upon local practice and norms. Typically, employees are encouraged to consider their personal development and to identify areas where both they and the business can benefit from further learning.

In Norwich Union Central Services, an area of focus has been internal coaching. Four employees have successfully taken a diploma in Professional Coaching and Mentoring. These coaches are now working with senior managers to improve performance and to embed a coaching management style.

Aviva's head office has strengthened links with the Black Business Brokerage, by providing business mentors to developing ethnic minority businesses in London and, increasingly, acting in an advisory capacity to the organisation. Aviva's contribution was recognised at a launch event to the London business community during 2004.

Norwich Union Insurance's development activity has focused on its strategy to become a truly customer focused service provider. Various initiatives, including behavioural leadership courses for team managers, a customer service academy and supporting young enterprise projects have formed part of the business's ongoing development of its people. Norwich Union employees have also teamed up with colleagues from Canada and Ireland, constructing community playgrounds in Namibia with Raleigh International.

The Aviva Leadership Academy runs a suite of programmes for a diverse constituency of managers from across the business. It has recently partnered with Enable, an organisation which teams up charities and companies with the objective of developing team skills whilst delivering tangible benefits to a charity. In 2004, the refurbishment of a children's hospice for NCH, the UK's leading children's charity, provided opportunities to develop staff and support the charity. Employees not only undertook the refurbishment work but also produced a video of the experience to help the charity market itself successfully with other potential business partners.

The group's partnerships with organisations such as Raleigh International and Enable are examples of the link Aviva makes between volunteering and community work and its people's development. This initiative will be developed further in 2005.



Employees from an Aviva group development programme prepare for a teambuilding exercise.

Aviva is committed to creating and maintaining a safe and healthy work environment for all our staff, including contractors, customers and members of the public. Aviva's group human resources director is responsible for the group health and safety policy and for monitoring its implementation, supporting the group chief executive, who has overall responsibility for health and safety.

In the UK, each of Aviva's five operating business units has a health and safety governance process in place. Each business operates according to a policy that is compliant with the legal framework and the group's health and safety policy. These policies detail responsibilities throughout the businesses highlighting the fact that each chief executive has nominated a director to be personally responsible to him for health and safety performance. Each of the nominated directors has appointed a steering group to assist them in discharging their responsibilities; these groups meet quarterly.

In the business units outside the UK, business unit heads sign off quarterly to their compliance with the group health and safety policy as part of Aviva's business risk programme.

An audit programme is in place to assess performance across the businesses, either through business unit visits, in the UK, or through self assessment returns, outside the UK.

Performance in health and safety is measured through the number of major breaches of the group's policy. This was nil in 2004.

A key aspect of the group's 2004 health and safety programme was a project to assess health and safety activities using a self assessment survey across the Aviva businesses. This was to ensure compliance with Aviva's policy and to begin developing a platform for good practice sharing and continuous improvement.

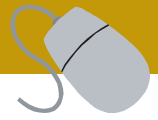
The survey confirmed that overall Aviva is a low risk business; the key risks highlighted by the majority of business units were fire, eye/screen disorders, back/muscular or skeletal disorders and stress. Our Asian businesses all highlighted the risk of disease epidemics for example, severe acute respiratory syndrome (SARS) and bird flu, a contagious respiratory illness caused by influenza viruses. As a low risk business, much of the focus of health and safety teams in Aviva is on occupational health; for example, taking preventative measures against stress through sports and social programmes, activities to improve work/life balance and to improve the working environment.

Managing stress in the workplace

Managing stress in the workplace is a health and safety priority in a number of our businesses. In some of our business units, questions on stress, or related to stress, are included in employee opinion surveys.

Stress management training continues to be offered in a number of our businesses. In one instance, training was provided for call centre staff in Hong Kong giving tips on how to overcome occupational stress in the office. Throughout our major businesses, we offer confidential employee assistance programmes provided by an external supplier, which give support to employees on a wide range of issues including stress.

During 2004, a cross UK business unit project on workplace stress was undertaken. The project involved identifying stress risk areas and actions to improve stress identification and management and drew on expertise from the health and safety executive and Institute of Personnel and Development. This work resulted in a best practice model that was used as the basis for diagnostic work in each of the UK businesses.



Promoting healthy lifestyles

The majority of our businesses offer recreational activities and promote employee participation in sports activities to promote healthy living. Some businesses also provide relaxation methods, from massage sessions to yoga classes for staff.

Examples of some of the good practice arrangements around the group include sports events arranged by a social club in Aviva Czech Republic; the provision of executive health checks; assisting employees returning to work after illness; the promotion of a no-smoking environment and encouraging employees to take all their annual leave entitlement in Aviva Australia; the offer of vaccination programmes in our life business in Turkey; encouraging exercise through free sports passes in Aviva Hungary; and the provision of a fitness centre and physiotherapy centre in Delta Lloyd.

In Turkey, Aviva Sigorta provides a doctor twice a week, private health insurance and first aid training as part of its occupational health offering. In addition to this, the business runs a "Fun Club" – a social club which aims to support employees in achieving work/life balance and also makes a summer house available to employees for short holidays.

The Aviva businesses in Asia have undertaken to provide staff with opportunities to maintain healthy lifestyles. For example, rolling out a series of special policies to meet epidemic outbreak challenges such as SARS and bird flu and the development of an emergency action plan. In Singapore, health talks and sports activities ranging from a company-wide "Active" day to classes on specific sports are organised for employees.

Providing a safe working environment

The provision of a safe working environment is paramount for our staff around the Aviva group. Businesses ensure working environments are of appropriate standards to ensure our staff are suitably supported to carry out their work.

In 2004, Hibernian in Ireland launched a risk assessment programme in addition to the current procedures to assess health and safety status in all retail offices. Hibernian also extended its health and safety training programme to include both manual handling and training as visual display unit assessors. An e-learning product providing training and assessments in the use of display screen equipment was piloted in 2004 and this is to be extended across the business in 2005.

In the USA, Aviva conducted a health & safety audit in 2003 of its main building to ensure compliance with all local codes and regulations, for example corridor widths and entry and exit routes. It has now also sought the expertise of an ergonomic specialist to advise the IT installation team on best practices regarding workstation set-up.

In Hong Kong, awareness and training sessions were run by staff from the Occupational Safety & Health Council for all employees who work with display screen equipment for prolonged periods.

Aviva Australia encourages healthy living through its rooftop sports facility for staff.



The purchasing & supply management function in Norwich Union Central Services (NUCS) in the UK is responsible for the management of the Aviva groupwide purchasing, sourcing and outsourcing policies and also has the responsibility for reporting on compliance with those policies to the Aviva group executive.

In 2004, the group executive gave their backing to launch a Global Purchasing Practice in 2005. This will create an Aviva-wide action network with central governance and best practice support for local purchasing activity across the general insurance and life businesses worldwide. Launched in the first half of 2005, this will build expert capabilities so that all Aviva businesses can benefit from economies of scale and develop consistent standards of competence and development.

The outsourcing policy, released in late 2003, has become well embedded in the UK during 2004 and work is underway to provide focus across non-UK Aviva businesses. The purchasing policy, released in 2001, is under review recognising changes in structure and scope of the purchasing & supply management team and will include references to the wider CSR context rather than our original purely environmental focus.

Promoting responsible supplier management

The focus on responsible supplier management has grown over the last year throughout the Aviva businesses worldwide. At the beginning of 2005 two new roles were created to determine and share good practice in this area; head of supply relationship management and head of international purchasing. These roles and the revision of the group purchasing policy will help determine and monitor our future purchasing performance.

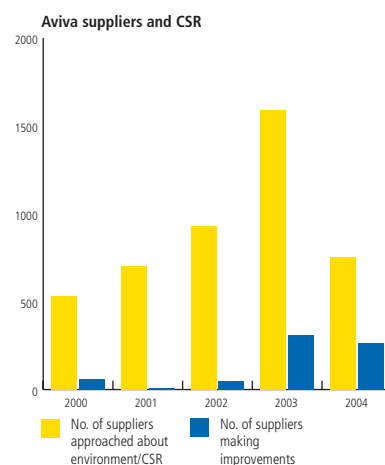
To date, 75% of our businesses worldwide include CSR aspects in supplier tendering processes and some examples are described below.

Inclusion of CSR questions in the purchasing process

In the UK, the new CSR question set for use in the purchasing process was completed in 2004 and is now being utilised by the purchasing team. The document uses the previous environmental question set as a basis, but now includes social and ethical issues and has been made as generic as possible for use in all business units.

The document consists of 39 commodity question sets which include everything from paper purchasing to the provision of building maintenance. A risk/impact matrix has also been included so purchasers are aware of how much weighting should be applied to the CSR questions in the overall tender process. These question sets have, so far, been used in tenders for everything from IT to suppliers of staff for temporary employment.

Morley Fund Management has also created CSR question sets for use by its suppliers, covering its own particular purchasing requirements.



Selecting responsible suppliers in Australia

In addition to discussing CSR issues with key suppliers, Aviva Australia has also chosen partners specifically for their environmental performance and ability to recycle certain unwanted materials.

Building responsible supplier relationships in India

Aviva India has teamed up with Hewlett Packard in effectively managing the recycling of used printer cartridges. Also, contractors are instructed to use waste wooden material left after completion of interior works for making furniture items which can be donated to charities or schools run for economically underprivileged children.

Robust supplier management process in Ireland

Hibernian's property & procurement department has introduced a robust supplier management process for all its main operational suppliers, some 20 in total.

Throughout the year, the business has, in some instances, contributed to suppliers' strategy meetings and has worked closely with them on their supplier management processes. It has also hosted a suppliers' conference which included a presentation in which the company's approach to CSR was explained and the importance of CSR values to Aviva and Hibernian.



Promotion of Fairtrade products in the UK

Following the successful pilot of Fairtrade products in the cafés and refreshment areas in the UK towards the end of 2003, Avenance, the Aviva UK's caterers, now offer a range of Fairtrade products as standard, including tea, coffee and chocolate bars.

Socially responsible contracts for support services

At the end of 2003, Aviva was contacted by TELCO (The East London Communities Organisation) who were approaching companies in London's financial districts to promote socially responsible contracting for support services, such as cleaners and caterers.

TELCO highlighted to us the issue of the difference between the government's national minimum wage and the concept of the living wage needed in London and proposed minimum standards for a socially responsible contract.

Although such workers are not directly in our employ, Aviva made sure that the provisions of the living wage were respected including conditions such as holidays and sick pay. In doing so, we co-operated closely with the support services companies where these employees are directly employed.

Supporting timely supplier payment methods

The group's standard payment terms are 28 days from date of invoice, however, payment practices are often in line with the local country practices. For example, in Delta Lloyd, payment terms vary between 30 and 45 days, depending on the type of business, which conforms to local norms. In some cases, businesses support payment practices which are better than the local norms, paying within half the standard payment terms.

Exceeding local payment term norms

In Turkey, our businesses have agreed payment terms of 15 days after receipt of invoice and it is one of the few companies to meet these terms as the normal practice in Turkey is to delay payment as much as possible. Also Hibernian and Commercial Union Lithuania are committed to paying suppliers within agreed time frames, which are typically better than the local norms.

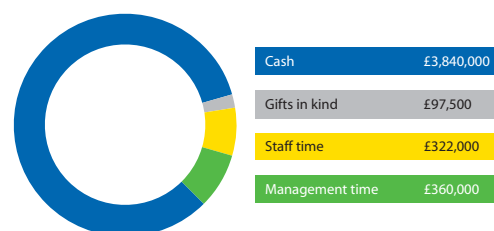
Norwich Union Insurance's Supplier Electronic Payments (SePs) system

The roll out of Norwich Union Insurance's Supplier Electronic Payments (SePs) has continued during 2004 with 145 suppliers now utilising or registered to the payment system. This is an increase of over 100% on the previous year. By mid December 2004, over half a million invoices had been processed via SePs paying a total in excess of £237,000,000 in fees. The SePs roll out will continue into 2005 with the majority of the legal panel and medical and physiotherapy suppliers using the system.

Morley Fund Management's commitment to reducing overdue payments

According to monthly statistics, Morley Fund Management pay just over 50% of suppliers within the contractual payment terms. On average 50% of invoices are overdue before the authorised invoices are returned to the finance department. There is a huge focus in 2005 to significantly reduce the percentage to under 20%. To help improve payment procedures, resource was re-allocated within the finance team resulting in a full time corporate accounts payable clerk. This has already produced a remarkable improvement on the turn-around time within finance in the latter part of the year. In 2005, the finance team will also begin sending a standard email alert, promoting prompt action, to all managers responsible for authorising invoices, if invoices are not returned to finance within seven days.

Aviva's global community investment for 2004



In 2004, Aviva worldwide businesses donated over £4.6 million, matching the previous year's total, to numerous charitable organisations and community initiatives.

Our support not only includes that of core funding, but also the investment of staff time and donations of gifts in kind, as calculated according to Business in the Community's PerCent Standard.

A key development over the year has been the significant increase in the time spent by staff in supporting company sponsored initiatives. In 2004, some 19,000 hours were donated to community-based activities, compared to 11,500 in 2003.

The group sponsorship and community investment policy provides guidance on the types of activities the businesses should support. Generally, businesses channel their community investment support to initiatives such as youth education and development, health and welfare of the elderly and disadvantaged communities and also business-related activities such as crime prevention campaigns.

Most business units have established community investment programmes in place which are managed locally by either a committee or in the smaller units, by the local chief executive. They support charities in numerous ways, largely through financial donations, but also through staff volunteering and the donations of gifts in kind, for example unused office furniture, old computers and specifically in the UK, the use of office space free of charge.

Building committed partnerships

It is common practice for businesses to select key charities through which to channel their support to ensure both parties receive value from the partnership. For example, in Australia, Aviva's Guiding Star charities committee has six key charities through which the majority of its community investment is channelled. Aviva France continues to support the elderly and children from disadvantaged backgrounds through the Aviva Foundation, while our businesses in the USA and Canada continue their long-standing support of the United Way campaign, an umbrella charitable organisation supporting many different community groups, both locally and nationally.

In the UK, Norwich Union is entering its third year of a five year partnership with NCH, the UK's leading children's charity. The partnership – "Young Lives, your Future" – helps support the young people NCH works with in a variety of ways and allows them to feel integrated and accepted within their community. To date the company has also enabled some 600 employees to participate in volunteering activities. Also, the business has teamed up with Future Forests, an organisation which offsets CO₂ emissions, and will plant a tree on behalf of each employee participating in the volunteering activity.



the children's charity

Supporting our local communities

Supporting youth education and development

In France, the Aviva Foundation donated some €28,000 (some £19,000) to Mouvement pour les Villages d'Enfants, which reunites orphaned siblings and assists children who have been victims of physical and mental abuse, rehabilitating them in "Children's Villages". The grant will enable, for example, the establishment of a literary prize and music therapy workshops, a new garden and an educational farm in the different villages.

In Singapore, Aviva identified Pertapis Children's Home as a key charity to support during 2004 and initiated numerous fund raising schemes for the charity.

Hibernian Life & Pensions will participate in the Dublin City University Access Programme in 2005, which provides support for students from traditionally non-university going backgrounds to enable them to complete tertiary education. The business will sponsor five students over four years with a grant of €2,000 each per year. Additionally, it will link with the university's mentoring programme, volunteering staff to act as mentors for the students.

Promoting health and social welfare

In Canada, Aviva began a five-year partnership with the Scarborough General Hospital Foundation to support the construction of a new emergency critical care wing. The new hospital wing aims to help provide enhanced emergency care for one of Greater Toronto Area's fastest growing communities.



Aviva's response to Tsunami disaster in Asia

Aviva's businesses also responded charitably to the Tsunami disaster recovery fund, with many businesses committing funding and matching staff support through a one-day salary sacrifice scheme, whereby staff were able to donate an amount of their choice or a day's salary, which the company matched. Staff also further supported the cause through the donation of blankets, clothing and other essential supplies.

By the end of February 2005, the group had committed more than £500,000, some of which represented matched funding for donations by staff which totalled around £200,000.

Community investment in line with core business

Following the successful pilot of the Norwich Union Neighbourhood Apprentice Scheme in the UK, which sought to train local residents in high crime areas in community safety, community development and project management, it is hoped that the positive findings from the pilot will encourage crime and disorder agencies across England and Wales to replicate the scheme in their own local communities.

The success of this scheme prompted the recent launch of the Norwich Union Youth Apprentice Scheme. The aim of this scheme is to enable neighbourhood based work to be owned, developed, driven and documented by young people themselves.

In Canada, Aviva continued to support the Neighbourhood Watch programme in helping to revamp the organisation's website, which began in 2003, to increase public awareness of community crime prevention.

Helping to conserve the environment

Aviva Vida y Pensiones in Spain and our businesses in Turkey supported local environmental "clean-up" campaigns in 2004.

In Turkey, the life and pensions business planted trees for every staff member as part of its first year in the pensions market. It also specifically selected the city of Sivas to help contribute to the reforestation of the city, which loses its fertile soil each year due to erosion.

In the UK, Aviva's long-standing support for BTCV, the UK's leading conservation charity continues to enable annually some 50 employees to participate in a conservation holiday to contribute to the preservation of the natural environment.

In 2005 Norwich Union Life will be sponsoring a new children's book from the "Go M.A.D." series of books. The book is aimed at nurturing environmental responsibility among children aged between 8-11 years old.



Staff in Aviva Hayat ve Emeklilik prepare to plant trees in Sivas, Turkey.

Staff involvement

Our businesses around the group encourage employees to support local community initiatives. Staff involvement across the businesses varies from participation in volunteering opportunities, payroll giving schemes, enabling staff to donate directly from their salary to charities supported by the company and the offer of staff community awards, whereby staff can apply for funds to support a charity of their choice which they actively support. Pennies from Heaven is another scheme offered in the UK, whereby staff can round down their salaries to the nearest pound and the difference is donated to charity.

Many of our businesses also support matched funding of staff fundraising initiatives.

In Lithuania employees expressed solidarity and by common consent contributed their 2% share of income tax paid in 2003 (in accordance with local legislation) to an orphanage in Vilnius, which the company supports. Staff also spent time with the orphans at a pre-Christmas festival.

Norwich Union Insurance has an active mentoring scheme in which staff support community groups, students and head teachers in schools.

In some instances, staff also have the opportunity to select the charity a business shall support during a reporting year. For example, in the UK, staff are eligible to nominate and vote for a charity of the year which both employees and the business will support during one calendar year. In 2004 the UK's chosen charity was The Association of Children's Hospices, which received a record £225,000 from staff donations and company matched funding.

Aviva France's new offices in Bois-Colombes as referred to below.

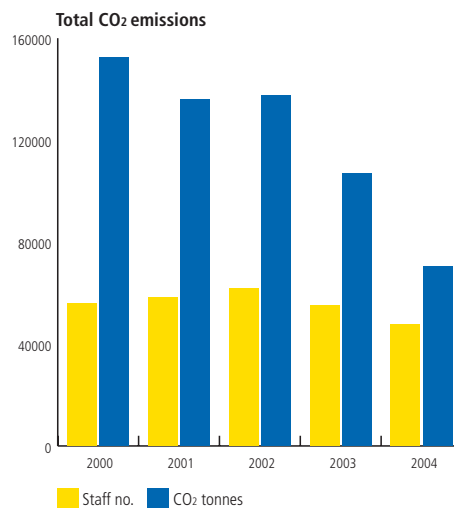


Climate change is recognised by Aviva as the most significant of environmental challenges, which we, and society, face. Aviva's environmental footprint arises through our own direct operations such as property management and travel, but also indirectly through our investment influence and through the way in which we design our products and services and deliver them to customers. Our environmental programme continues to gain recognition. In 2004, the Carbon Disclosure Project, an alliance of 95 institutional investors representing some \$10 trillion, placed Aviva among the 50 "best in class" in its global climate leadership index. The index is based on evidence of greenhouse gas emissions among the FT500 largest companies in the world.

We do not believe in the setting of groupwide targets for managing our direct environmental impacts. This would not make sense given the diverse nature, size and circumstances of our businesses. However, we have specified three group performance indicators focusing on our businesses' total CO₂ output, total waste and total waste recycled.

All our businesses report on at least one or all of the direct environmental impacts identified by the group. The examples below highlight the progress we have made in reducing our environmental impact.

We report on our indirect impacts separately in the sections on human rights and customers.



Property management

The number of properties held has decreased significantly over this last year with, in particular, the closure and sale respectively of the UK insurance brokerage, Hill House Hammond and the estate agency, Your Move. The sale of our general insurance business in Asia also contributed to this change. Despite this, our total property area has stayed the same due to the first time reporting of Aviva Czech Republic and the widening scope of data collection in Hungary as well as other minor changes.

In the UK we have also entered a programme of the sale and leaseback of some of our properties. Seventeen locations have been sold so far and the landlords have begun a process of refurbishment with the inclusion of environmental features. This has begun with the Norwich Union Insurance head office in Norwich. Bovis, the appointed contractors for the refurbishment programme had, by the end of 2004 removed 6,000m³ of demolition materials from the site. This is the equivalent of 44 double-decker buses. To minimise waste all the concrete and steel materials were recycled.

In France, Aviva built a new head office in a location outside the centre of Paris. Environmental criteria were included in the tendering contract and the new building displays environmental construction features and fittings.



Environmental awareness raising leaflet distributed to staff in the UK.

Energy and water use

Excellent achievements have been secured in the minimisation of buildings-related carbon dioxide emissions, despite the property area remaining the same. Electricity consumption has reduced by 16% overall and related CO₂ emissions have reduced by 61.5%. Gas consumption has also reduced by 19%. These results have been achieved through a combination of reducing emissions at source and a greater focus on minimising usage.

Reductions have been achieved through the purchasing of zero emission electricity in our businesses in Hibernian (28%) and the Norwich Union managed properties in the UK (100%). Morley Fund Management's offices also now use 100% zero emission electricity following negotiations with its landlord in 2004.

There has also been greater focus on usage. For example, plant timings for heating and air conditioning have been more closely aligned with operational timings in our businesses in Canada and the UK. Aviva Vida y Pensiones in Spain has installed presence detectors in rooms, while in Hibernian, reductions in electricity usage have been achieved through rationalisation of electrical circuits.

The majority of our businesses continue to run staff awareness raising campaigns to encourage "switching off" electrical equipment, where appropriate, and lights when not in use. In some businesses, authority has been given to security guards and cleaners to assist in the switching off of equipment, which is not in use.

Aviva Australia has worked with suppliers to assist with the embedding of good CSR practice, for example, plumbers installing nozzles on all hot water taps to decrease spray and therefore unnecessary waste of water.

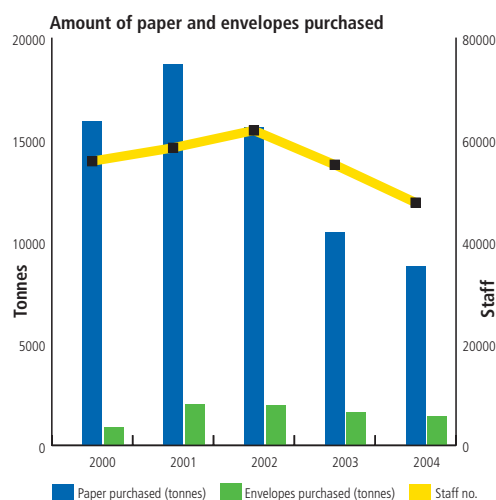
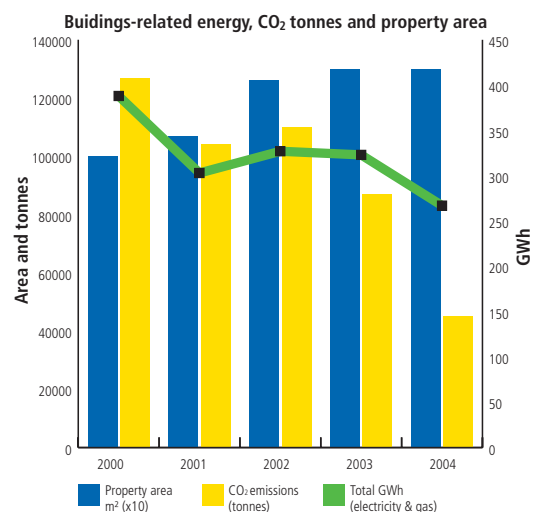
Paper use

Our businesses continue to focus on resource use, in particular paper and the close link between paper use and energy use. Double-sided printing, for internal use, is increasingly common practice in most of our businesses. In Norwich Union Insurance, processes have been developed to print policy information double-sided.

"Document on demand" and other print management systems have been introduced into Aviva Canada and Hibernian to reduce the amount of paper used. Aviva Hungary has arranged for faxes to be received and stored electronically, encouraging printing only when necessary.

Electronic methods of communications have increased both internally and externally with intermediaries, suppliers and other business partners. More forms are web-based and in the UK, the payroll system has embraced web-based data storage and during the course of 2005 will cease the process of printing and posting over 27,000 salary slips to employees, making these now available online. In addition, Aviva USA has dramatically decreased the amount of paper used with the development of web-based technology for human resources and payroll processing.

Aviva Australia, Eurovida in Portugal and Aviva Spain have sourced paper with a higher percentage of recycled pulp. Australia's choice of paper for internal copiers and printers now contains 50% recycled pulp.



Aviva's shareholders played their part in reducing the environmental impact of the business. Last year, Aviva invited shareholders to switch from receiving paper-based to electronic communications to cut down on the use of natural resources and energy. As a further incentive, Aviva donated £25,000 to Climate Care to be used for climate change mitigation projects. A total of 3,850 tonnes of CO₂ emissions were offset by these projects.



Waste management

Costs of waste disposal are increasing, not only through government tax and regulation, but also through increased travel and handling costs incurred due to the closure of landfill sites in the UK and increasingly across Europe.

It therefore becomes imperative to reduce waste to landfill and to increase recycling as much as we can. With different technologies and sorting mechanisms becoming available at affordable prices, we are always looking to broaden the scope of recycling and subsequently the diversion from landfill.

Total waste has reduced by some 5% from 2003 and the total volume recycled has increased over the same period, by 3%.

Our businesses around the group continually seek to increase the recycling of various waste streams, from paper, to plastic cups and aluminium cans, depending on the recycling capabilities in each country. Aviva in the Czech Republic now recycles five waste streams.

There is strong linkage between the minimisation of paper consumption, the rationalisation of printers and copiers and the reduction in overall paper waste. Reading documents on screen greatly reduces paper waste.

Delta Lloyd and Aviva Canada put new waste management contracts in place in 2004; the Delta Lloyd contract included a greater focus on data collection.

In Turkey, our life and pensions business selected a supplier, which disposes of old computer equipment responsibly. Since the new agreement in 2004, some 80 computers and accessories have been recycled.

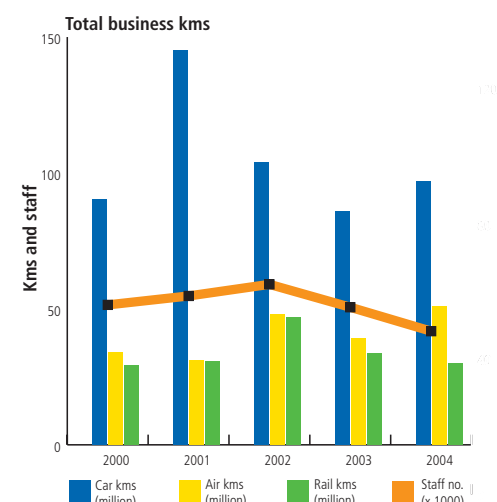
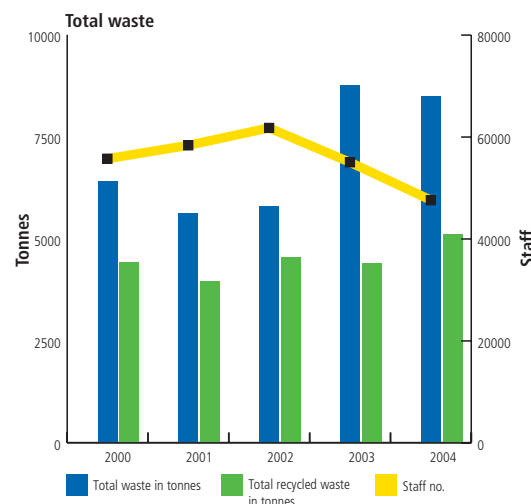
The closure of the UK insurance brokerage Hill House Hammond created a large amount of waste. IT and electrical waste was recycled and this together with the desktop renewal programme led to 73 tonnes of IT waste being disposed of in 2004 in the UK, 70.3 tonnes of which was recycled.

The objective for 2005-2006 in Romania is education of staff in better waste segregation. Aviva Australia is looking to introduce a "binless office" system similar to the one, which has been successfully rolled out in the UK over the last 18 months. It will also introduce a wormery in the head office to deal with the volume of organic waste. Hibernian is looking to expand its recycling of print and toner cartridges and mobile phones to retail branches.

Travel and transport

Group-wide, travel has increased by 12% in terms of kilometres travelled. Rail has reduced slightly (3.5 million kilometres), while air and car travel have increased producing an increase in related CO₂ emissions of 27%. We will be closely monitoring the causes of this shift over the coming year, to explore options for reduction.

Despite this unwelcome trend, initiatives have continued over the year to reduce travel. For instance, telephone conferencing in the UK has increased by a further 33%, which is testimony to travel avoided. Other parts of the group also employ means to reduce travel where possible. For example,



in late 2004, Aviva Australia agreed to a travel plan with TravelSmart, a government department that encourages energy efficient travel. The plan encourages staff to use alternative transport modes other than taxis and personal cars.

Eurovida in Portugal has introduced a Telework programme, which enables sales force employees to work closer to the customer, and if necessary, from home which helps to reduce unnecessary commuting to the office. In Hungary, Aviva encourages car sharing for agency visits and meetings held away from the office.

Assurance

Aviva is committed to annual external assurance. This year's external review of our CSR report is provided by Ernst & Young. The assurance process covers the entire CSR summary report.

Independent review statement

To the management of Aviva plc

We have been asked to review Aviva's "Corporate Social Responsibility (CSR) Report 2005 – a summary" (the Report) in accordance with the scope of work described below. Aviva management has prepared the Report and are responsible for the collection and presentation of information within it. Our responsibility in performing our work is to Aviva management in accordance with the terms agreed, we do not therefore accept or assume any responsibility for any other purpose or to any other person or organisation.

Our scope of work

We have undertaken a series of activities to review the progress made in CSR during 2004 in order to provide a basis on which to challenge the Report's content. We have completed the following activities:

- Interviewed key management and functional staff identified as having group responsibilities for the CSR programme.
- Interviewed nominated CSR managers from six Aviva businesses to understand the processes for managing and reporting progress on CSR within those businesses.
- Reviewed a selection of group CSR documentation such as: board reports on CSR, minutes of the CSR review group and CSR steering group meetings, and guidance documents on CSR reporting.
- Reviewed the CSR progress reports received from each of the Aviva businesses covering CSR activities in 2004.
- Tested that data in the Report has been correctly transposed from internal reporting processes.

Our conclusions

Based on the scope of work described above, we conclude that:

- The examples used in the Report to illustrate CSR progress within the Aviva businesses have been drawn from the CSR progress reports submitted by each business and related correspondence.
- The data in the Report has been correctly transposed from internal reporting processes.
- There are no statements or claims within the Report that were inconsistent with evidence obtained during the course of our work.



Ernst & Young LLP
London, 31st March 2005



If you have any comments or queries about this corporate social responsibility report, please contact:

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