

# Aviva plc

## Strategic report 2013



# Our purpose

People face uncertainty, challenges and choices every day. Life is complex and unpredictable. It's all too easy to be a bit afraid, a little uncertain.

At Aviva, our purpose is to free people from fear of uncertainty, allowing them to get on and lead their lives; so that they can look forward to the future with confidence, knowing they have protected what matters most to them.

We are here to make a difference to our customers at their times of need and to make it easier for them to plan for the future. And we have been doing this for the last 318 years.

Our purpose is all about what we do for our customers and ensuring we build a strong business on which they can depend.

In this report, you can read more about how we are changing Aviva to deliver a better future for our customers, our shareholders, our communities and our people.

# What's inside

## Chairman's statement



“  
With the changes we have made, and continue to make, I am confident that Aviva has the necessary foundation to grow.  
”

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## Group Chief Executive Officer's statement



“  
The turnaround is intensifying but there is still much to do.  
”

Page 06

## Chief Financial Officer's statement



“  
2013 was a year in which cash flow, earnings and the financial position of the Group improved.  
”

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## View our online reports



### Annual report and accounts 2013

We provide our annual report online which allows us to reduce the amount of paper we print and distribute.

Visit Aviva plc  
[aviva.com/2013ar](http://aviva.com/2013ar)



### Corporate responsibility report 2013

Find out more about our commitment to acting as a responsible member of the international business community.

Visit Aviva plc  
[aviva.com/2013cr](http://aviva.com/2013cr)

## Strategic report

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**Anne Lawlor**

*Dublin, Republic of Ireland*

When young mother Anne Lawlor found a lump in her breast, she was glad she had an Aviva health insurance policy. The tumour was diagnosed in September 2013 and Anne had surgery within two weeks. "When I was diagnosed" she says, "there were loads of things to worry about, like, you're going to lose your hair and you're going to have to deal with things that you don't really expect when you're 34. But the one thing I wasn't worried about was what type of treatment I was going to be able to afford and how quickly I was going to be able to access that treatment."



A photograph of two men, Charles and François Magnien, standing in a wine cellar. They are positioned in front of a large yellow backdrop. To their left is a large wooden wine barrel with several bottles of wine on top. The cellar is filled with many other wooden barrels, some of which have the 'CAVIN' brand name visible. The men are both holding glasses of red wine. The man on the left is wearing a dark suit and glasses, while the man on the right is wearing a plaid shirt and glasses. The background features a red structural beam and a concrete floor.

### **Charles and François Magnien**

*Burgundy, France*

The Magnien family has been producing wine in Gevrey-Chambertin since 1556. When Charles took over the business from his father François in 2009, the business had several insurance providers. Now they use only Aviva. Charles has placed his personal insurance with Aviva too. "It's a relationship based on trust," he says. "To me, trust is paramount in insurance. It means I can focus on making a quality product, knowing my business is well protected, so I don't have to worry."

Key statistics  
in 2013

£2.8bn

Total IFRS profit  
before tax17%  
increaseShare price growth  
during 2013

15.0p

Total dividend

# A year of transformation

2013 has been a very important year for Aviva and for shareholders.

**John McFarlane**  
Chairman



2013 has been a very important year for Aviva and for shareholders. The positive changes made by your Board and management, have begun to rebuild our reputation amongst investors that we traditionally held. Of course, much is yet to be done, but I'm sure shareholders will endorse the progress that has been made, over a relatively short time. I would particularly like to thank my Board colleagues and our management team, for their contribution to this.

## A new management team

At the beginning of the year, Mark Wilson was appointed as your Group Chief Executive Officer. Mark has strong credentials for this role, and this has since been demonstrated in the changes Mark has made to upgrade significantly the calibre of our management team, as well as the overall performance and financial security of the Company.

New leadership was appointed to UK & Ireland General Insurance, Europe, Aviva Investors and Asia, and to transformation and human resources. A new Chief Information Officer will also join the Group in April 2014.

## Business portfolio narrowed

Management has overseen significant change in the Group's business portfolio, to focus on the most attractive segments and where we have the greatest chance of success.

During the year we completed the sales of the US business, for which we received higher

proceeds than originally expected, and our businesses in Russia and Malaysia. We sold our remaining holding in Delta Lloyd N.V. and reached a satisfactory settlement with Bankia in Spain.

Aviva's major interests are now largely concentrated in the UK, France and Canada, but the Group does have attractive businesses elsewhere in Europe and in the faster growth Asia region.

## Operating performance

The Group's adjusted operating profit grew by 6% during the year to £2,049 million. Contributing to this was a continuation of a Group-wide cost reduction programme that has now delivered savings of £360 million out of the £400 million target by the end of 2013, with the full reduction now embedded in the 2014 plan.

The economic capital base and Group liquidity have also been strengthened significantly. This has built our financial strength and lowered the risk of the Group. We plan further strengthening over the coming years, accompanied by a reduction in internal and external leverage.

We have strengthened significantly our risk management and audit processes, and have invested heavily in preparing for the implementation of Solvency II in January 2016, and for our being designated a Global Systemically Important Insurer.

“  
Management has overseen significant change in the Group's business portfolio to focus on the most attractive segments.  
”

**John McFarlane**  
Chairman

The Group has also worked effectively with our regulators around the world, and particularly with the new Prudential Regulation Authority and the Financial Conduct Authority in the UK.

### Dividend

Last year, we made the difficult decision to reduce dividend levels with reference to our earning capacity and cash flows, and eliminate the dilutive scrip dividend programme. Notwithstanding this, shareholders have benefitted from significant share price growth that more than offset the lower dividend.

The Board is able to declare a final dividend of 9.40 pence per share (2012: 9.00 pence). We are also introducing a dividend reinvestment plan (DRIP), which allows shareholders to reinvest their dividend in the Company's shares through a market purchase rather than a new issue of shares. This avoids the dilutive effect that the previous Scrip dividend scheme had over time.

### Board and governance

It is an honour for me to serve as your Chairman. During 2013 and more recently, there have been a number of changes to your Board. Sir Adrian Montague was appointed as Senior Independent Director. Sir Adrian has significant experience of the financial services industry and government and regulatory issues.

We also appointed a number of new non-executive directors, with relevant experience in financial services, with the appointment of Bob Stein, Michael Mire and Patricia Cross. Aviva is making good progress in complying with Lord Davies' proposals which we aim to fulfil with the search, currently in progress, for an additional director.

During the year we have also made a number of changes to Board committees as part of an ongoing programme to refresh membership.

I believe we have a strong, experienced and diverse Board with a good balance of skills, and remain comfortable that the Board exercises strong and robust challenge as well as strategic oversight to the executive team.

The year saw Russell Walls and Richard Goeltz retire from the Board as non-executive directors, following nine years' service, and the resignation of Trevor Matthews as executive director. I would like to thank them for their contribution to the Board and committees.

Patrick Regan resigned as Chief Financial Officer on 22 January 2014 and will step down from the Board before the AGM. Pat has been a tremendous support to Mark in Aviva's financial transformation. He leaves with my best wishes and those of Aviva's Board.

I am pleased to announce that Tom Stoddard will be joining as the new Chief Financial Officer on 5 May 2014. Tom joins from Blackstone, the global investment and advisory firm, and has experience in advising insurance companies.

### Our people

It has nevertheless been a challenging year for our workforce in the face of significant cost reduction. However, despite this, our people have retained their focus on the business and delivered very strong results.

The increased certainty and confidence in the business as we move forward will make Aviva a better place to work. We have also aligned employees' interests with shareholders through share plan schemes and employees will be able to benefit in the Group's improvement.

The Board is very grateful for the continued effort and support of our staff in what has been a challenging period.

### Investing in communities

We focus our investment in communities on the issues that matter most to our customers and those that are most closely aligned to our business, to maximise the value of our investment. We also provide access to insurance for all areas of society such as affordable contents insurance to low income households, a flexible insurance solution for learner drivers, and the provision of low-cost insurance policies for individuals in the Indian sub-continent on low incomes, for a policy premium of less than £2 a year.

Aviva Investors also works with fund managers and analysts globally to integrate environmental, social and corporate governance issues into our investment decision-making and analysis to deliver long-term shareholder value for our clients.

### Looking ahead

Aviva is a very significant company in our sector in the UK and internationally. With the changes we have made, and continue to make, I am confident that Aviva has the necessary foundation to grow, and to generate good returns, at acceptable risks going forward. I believe for us and for our shareholders, the best is yet to come.



**John McFarlane**  
Chairman  
5 March 2014

## Committee chairmen

As at the date of this report, the Board committees are chaired by the following Non-Executive Directors:

- **Audit Committee:**  
Glyn Barker
- **Governance Committee:**  
Scott Whewey
- **Nomination Committee:**  
John McFarlane
- **Remuneration Committee:**  
Patricia Cross
- **Risk Committee:**  
Michael Hawker, AM.

Key statistics  
in 2013

17

Aviva operates in  
17 countries

318

Aviva is a 318-year-old  
business

31.4m

Customers worldwide



27,700

Employees

# The turnaround at Aviva is intensifying

We are back in the game but still have much to do. We have focused the business on 'cash flow plus growth' and are beginning to see the benefits of this reflected in our performance.

## Overview

Cash flows are up 40%, operating expenses are down 7%, operating profit is up 6% and Value of New Business (VNB) is up 13%. After a £2.9 billion loss after tax last year, Aviva has delivered a £2.2 billion profit after tax.

To deliver our investment thesis of 'cash flow plus growth' we need to be financially robust. In 2013, we increased economic capital surplus from £7.1 billion<sup>1</sup> to £8.3 billion and liquidity at the Group centre has increased significantly to £1.6 billion at the end of February 2014. With reference to earnings and cash flow improvements, the Board has proposed a 9.4 pence dividend.

Reducing the intercompany loan has been a key priority in 2013. Over the past 12 months, we have reduced the loan by £1.7 billion to £4.1 billion<sup>2</sup>. We have agreed a comprehensive plan to reduce the intercompany loan to £2.2 billion, utilising £450 million of existing cash resources and £1.45 billion of other actions. We have reached agreement with the Prudential Regulation Authority (PRA) and I believe the execution of this plan will take the issue of our intercompany loan off the table.

We have also completed significant disposals in the US, Aseval in Spain, Malaysia, Netherlands and announced a disposal in Italy. I believe Aviva is now more focused and better managed.

Aviva has an extraordinary depth of talented people who understand the core insurance businesses and this depth means we have strong core underwriting businesses. Nevertheless, we needed to strengthen some aspects of our skill set and since the start of 2013, Aviva's senior management pool has been deepened with key appointments in finance, asset management, human resources, IT and transformation, together with numerous internal promotions.

Although we have made progress in 2013, turnarounds are rarely linear and the improving results should be tempered by the realism that

## Mark Wilson

Group Chief Executive Officer



the business still has issues to address and is performing nowhere near its full potential.

## Cash flow

The first part of our 'cash flow plus growth' investment thesis is to convert more of our profits into cash remitted to Group. Higher cash remittances allow for optimal capital allocation and dividend flexibility. In 2013, cash remittances were £1,269 million<sup>3</sup>, a 40% increase over the 2012 comparative. This represents a remittance ratio of 72% of Operating Capital Generation (OCG) and is progress towards my ambition to get the remittance ratio above 80%.

Our cash generators, UK, France and Canada, generated a 59% increase in cash remittances, making up 80% of the total cash remitted to Group. Following the resumption of dividends from Ireland and Italy, all our turnaround businesses are now remitting cash to Group.

## Operating profit

2013 operating profit increased 6% to £2,049 million (2012: £1,926 million). The stability of our profit stream underlines our 'cash flow plus growth' investment proposition. After a £2.9 billion loss last year principally due to the write-down of Aviva USA, our profit after tax increased to £2.2 billion.

<sup>1</sup> The pro forma economic capital surplus at 31 December 2012 included the benefit of disposals and an increase in pension scheme risk allowance from five to ten years of stressed contributions. The capital requirement is based on Aviva's own internal assessment and capital management policies, measuring the amount of economic capital at risk in a 1-in-200 year loss event over a one year time horizon. The term 'economic capital' does not imply capital as required by regulators or other third parties.

<sup>2</sup> At end of February 2014.

While satisfactory at a Group level, there remain a number of opportunities to improve our operating profit. Declines in our Italian and Spanish life businesses need to be reversed and our growth markets need over time to contribute more to operating profit. Aviva Investors grew its fund management contribution 74%, but at around 3% of Group operating profit and with assets under management of £241 billion, this remains inadequate. Plans are in place to address these issues over the coming years and Euan Munro brings much needed leadership and impetus to Aviva Investors.

### Expenses

Our 2013 operating expense base is now 11% below the 2011 baseline with £360 million of expense reductions coming through operating profit. We are well on track to deliver our £400 million expense reduction target by the end of 2014.

There remains significant opportunity to reduce expenses further but some of these additional savings will be reallocated in the near term towards initiatives to manage our existing books of business more efficiently and serve customers more effectively through deploying the latest digital and automation technology. I am confident that whatever reallocation is made will produce attractive returns and a short payback period, without significant disruption to our workforce.

Going forward, we will measure our expense efficiency using a ratio of operating expenses to revenue. The Group expense ratio for 2013 is 54% (2012: 57%). Lower expense ratios are essential for us to offer competitive products to our customers and to produce the necessary returns for our shareholders. It is my intention to show improvement in this ratio year after year.

“  
I believe Aviva is  
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better managed.  
”

Mark Wilson  
Group Chief Executive Officer

### Value of new business

We measure our growth in life insurance by growth in Value of New Business (VNB), which is a good proxy for future cash flows. In 2013, VNB<sup>4</sup> increased 13% to £835 million (2012: £738 million) with stand-out performances in France and our growth markets.

Our life cash generators in the UK and France grew VNB 4% and 39% respectively. We have achieved this through better product and business mix and we have initiatives underway to increase productivity in both countries. France in particular, has demonstrated that significant growth is possible in mature markets.

We have made a number of structural changes to our turnaround businesses – such as reducing the capital intensity of our Italian business – that should ensure more focus and better VNB growth.

Our future cash generators of Poland, Turkey, China and Asia contributed 21% of Group VNB (2012: 16%) and collectively grew 49%. Our new joint venture in Indonesia is an example of how we can expand our presence in emerging markets, without impacting the cash flow part of our investment thesis.

### Combined operating ratio

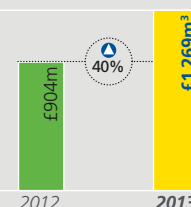
In general insurance, the Combined Operating Ratio (COR) deteriorated slightly to 97.3% (2012: 97.0%), entirely due to adverse weather in the year. Floods in Alberta and Toronto Canada cost the Group £129 million and the December storms in the UK had a £60 million operating profit impact, although the impact of the UK storms was offset by better than expected weather earlier in the year. Bad weather in the UK has persisted in January and February 2014 with claims of approximately £60 million recorded. However, this is broadly in line with our weather expectations for January and February. Our overriding focus is to help our customers affected by the bad weather and our teams of loss adjusters, surveyors and claims experts – the largest in the UK – have been on hand seven days a week, offering advice and support.

### Financial strength

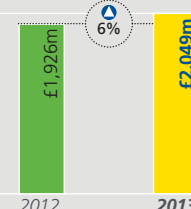
Strengthening our financial position has been a focus in 2013. Our economic capital surplus has increased to £8.3 billion, which represents a 182% coverage ratio and includes our defined benefit pension on a more conservative fully-funded basis. We welcome the progress made by our regulators on Solvency II and the level playing field that this is likely to create.

In 2013, we set out five key metrics to measure our performance:

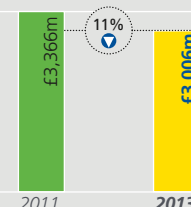
#### Cash remittances (£m)



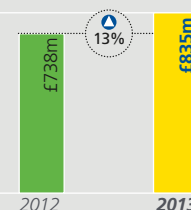
#### Adjusted operating profit – continuing (£m)



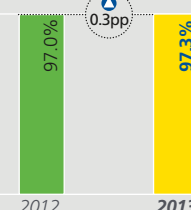
#### Operating expenses (£m)



#### Value of new business – excl Malaysia and Sri Lanka (£m)



#### Combined operating ratio (%)



To read more about the performance of our markets, turn to page 30

<sup>3</sup> This includes £347 million remitted by UK General Insurance in January 2014 relating to activity in 2013.

<sup>4</sup> Excluding Malaysia and Sri Lanka.

Key statistics  
in 2013

£8.3bn

Economic capital<sup>5</sup>  
surplus  
(2012: £5.3bn)

£4.1bn

Intercompany loan as  
at 28 February 2014

Over the last 12 months there has been substantial focus on the intercompany loan (ICL) and 2013 has seen considerable progress in this area. As at the end of February 2014, the ICL was £4.1 billion (Q1 2013: £5.8 billion), reduced by a cash contribution of £0.45 billion and non-cash measures of £1.25 billion. We have reached agreement with the PRA on the appropriate level and plans for the ICL and will complete implementation of our plans by the end of 2015. Our target level for the loan is £2.2 billion. We plan on using a further £0.45 billion of cash and £1.45 billion of other measures to achieve the £2.2 billion target. The cash is to come from existing liquidity, putting no extra strain on our ongoing cash generation.

Our external leverage ratio is at 50% (2012: 50%) of IFRS tangible capital. On a more broadly recognised S&P<sup>6</sup> basis, this ratio has reduced to 32% (2012: 33%). We have recently stated our intention to call two tranches of bonds, with principal of £240 million and coupon above 10%. Over time we expect to reduce our external leverage ratio to below 40% of tangible capital.

### People

One of the priorities in 2013 was to strengthen the management team to bring in new skills into the Group and progress has been made in this area. We have appointed new leaders in asset management, human resources, IT, Europe, Asia, UK General Insurance and transformation through a combination of senior internal promotions and external hires.

I would like to thank Pat Regan for his many contributions to the Group over the past four years and in particular for his support of me over the past year. I wish him well in his future career in Australia.

“  
Have we made progress? Yes, some.  
Is it a little faster than anticipated? Maybe.  
Have we unlocked the potential at Aviva?  
No, there is more to come.  
”

**Mark Wilson**  
Group Chief Executive Officer

We have announced that Tom Stoddard will succeed Pat as CFO. Tom is a high calibre individual who will provide sound judgement and challenge.

An essential part of the company's transformation is embedding a higher performance culture across Aviva. We are introducing a new set of values which will guide the day-to-day actions of our 28,000 people. These values provide the framework on which decisions are being made. These values are: Create legacy, Kill complexity, Never rest and Care more.

One of the strengths of Aviva is the dedication and commitment of our people. This has been exemplary in 2013 and I would like to thank them for their tireless work on behalf of our customers and shareholders.

### Outlook

In summary, our performance in 2013 shows progress towards delivering what we said we would. Our turnaround is intensifying as we focus more on improving operational performance. We plan on using big data to be more disruptive in predictive analytics, take advantage of our brand strength to grow our digital direct business and drive further efficiency through automation. We will be selective in our investments with a clinical approach to the allocation of capital.

As a business it is important that we build on the progress made in 2013. Aviva is a self-help story with a balanced and increasingly focused portfolio of businesses. The tendency with self-help or turnaround businesses is to focus on the successes rather than the issues and as a result become complacent. I want to guard against this happening at Aviva. Have we made progress? Yes, some. Is it a little faster than anticipated? Probably. Have we unlocked the full potential at Aviva? No, there is more to come.

**Mark Wilson**  
Group Chief Executive Officer

<sup>5</sup> To read more about our strategic framework, purpose and values, turn to page 19

<sup>6</sup> Standard & Poor's.

Progress  
against  
**2013** focus  
areas

**Improve cash remittances**

- Cash remittances up 40% to £1,269 million

**Turnaround Italy, Spain, Ireland and Aviva Investors**

- Structural progress made, new management appointed
- Dividend payments resumed from Italy and Ireland

**Complete the disposal of US business**

- Completed – proceeds higher than originally announced

**Strengthen our financial position**

- Economic capital surplus of £8.3 billion
- Increased Group centre liquidity to £1.6 billion

**Reduce intercompany loan**

- Balance now £4.1 billion at the end of February 2014 from £5.8 billion
- Plan to reduce to £2.2 billion

**Lower external leverage ratio in the medium term**

- Reducing external debt over the medium term – £240 million to be called in April 2014

**Ensure £400 million expenses savings flow through to the income statement in 2014**

- £360 million cost savings achieved by 2013

**In 2013 we set out:**

- A clear strategic framework of four theses: investment, distribution, customer and people
- Our purpose and our values

Priorities  
for **2014**

**Cash flow**

- Continue to improve cash remittances
- Show improvement in cost income ratio
- Continue to improve our turnaround businesses
- Reduce integration and restructuring costs in 2014

**Growth**

- Increase VNB in our life businesses through product mix and pricing
- Improve COR and underwriting in general insurance businesses through predictive analytics
- Improve net flows in asset management
- Strategic partnerships e.g. Indonesia
- Improve efficiency and invest in digital and automation

**Financial strength**

- Ensure £400 million of expense savings reach the income statement
- Execute on plans to reduce intercompany loan
- Deliver on remaining divestments
- Reduce external leverage over the medium term
- Prepare for Solvency II

**In 2014 we will:**

Ensure our people understand how they can each contribute to the delivery of the strategy and help us, as an organisation, to live by our values

**Joint venture in Indonesia**

In January 2014 Aviva signed a joint venture agreement with Astra International, Indonesia's largest publicly listed company, to sell and distribute life insurance products in the region.

Astra Aviva Life will be the preferred provider of a range of life insurance products to Astra and its subsidiaries.

Indonesia has 245 million people, the fourth largest population in the world, and recorded 6.2% gross domestic product growth in 2012.

It is one of the fastest growing life insurance markets globally, with low levels of insurance penetration and a rapidly expanding middle class. During the period 2002–2012 life insurance premiums grew at a compound annual growth rate of 25%.

# Chief Financial Officer's statement

## Key statistics in 2013



£2,151m

IFRS profit after tax



£1.3bn

Cash remittances<sup>1</sup>



£241bn

Aviva Investors  
assets under  
management

## Improved financial position

2013 was a year in which the financial position of the Group improved, cash flow and earnings were higher and we finalised a plan to reduce the intercompany loan to a sustainable level by 2015.

### Overview

We have sharpened the focus of the Group, completing disposals of our US insurance business, remaining holding in Delta Lloyd, Aseval in Spain and Malaysian business. In addition, we have announced the disposal of our 39% stake in Italian insurer Eurovita.

The financial strength of the Group has improved significantly. At the end of 2013, our economic capital surplus increased to £8.3 billion from a pro forma surplus of £7.1 billion<sup>2</sup> at the end of 2012. Our IGD surplus has reduced modestly to £3.6 billion (2012: £3.8 billion) and Group liquidity was £1.6 billion at the end of February 2014.

During the year we have increased cash remittances 40% to £1,269 million<sup>1</sup> (2012: £904 million), representing a remittance ratio of 72% of operating capital generation.

As we continue to make progress resolving our balance sheet issues, our focus will shift to improving performance. In this area progress has already been made, particularly in improving expense and capital efficiency.

### UK Life

In UK Life, our largest business, life operating profit grew 5%, operating expenses were 16% lower, remittances doubled and Value of New Business (VNB) was 4% higher. The VNB growth came despite the difficult comparator in the fourth quarter of 2012, when annuity sales were elevated ahead of the gender directive implementation.

The business has adapted well to the Retail Distribution Review (RDR), with strong net flows in our platform and SME-focused corporate pensions offering. Individual protection sales are lower however, as banks have pulled back from advised selling.

### Patrick Regan

Chief Financial Officer



Going forward, we expect to capitalise on our market-leading position in annuities, benefit from a partial rebound in protection sales in the bancassurance channel and extract greater efficiency from our back book.

### UK General Insurance

Our UK General Insurance business (UK GI) grew its underwriting result to £117 million (2012: £48 million) and the combined ratio improved to 97% (2012: 98.3%). Despite a stormy end to 2013, the UK results benefitted from relatively benign weather over the whole year. Remittances from UK GI in respect of 2013 increased to £347 million primarily due to the simplified legal entity structure and the restructure of the internal loan.

A lower Long-Term Investment Result (LTIR) of 3.2% on average assets (2012: 4.2%) brought down the UK GI operating profit to £431 million (2012: £459 million). This lower investment return is primarily due to a reduced interest rate on the intercompany loan which, although it impacts the results of the UK GI business, is offset at Group by lower internal interest costs. The LTIR is expected to continue reducing as we bring down the intercompany loan.

<sup>1</sup> This includes £347 million remitted by UK General Insurance in January 2014 relating to activity in 2013.

<sup>2</sup> The pro forma economic capital surplus at 31 December 2012 included the benefit of disposals and an increase in pension scheme risk allowance from five to ten years of stressed contributions.

The capital requirement is based on Aviva's own internal assessment and capital management policies, measuring the amount of economic capital at risk in a 1-in-200 year loss event over a one year time horizon. The term 'economic capital' does not imply capital as required by regulators or other third parties.

Personal motor, home and commercial property all achieved improved combined operating ratios. Total commercial COR was 102.9% (2012: 104.0%). Within this, large commercial lines business drove an 11 percentage point improvement in the commercial property COR. However, our commercial motor COR deteriorated 6 percentage points due to unfavourable prior year development.

### France

Our French life business had a particularly strong year. Operating profit was up 15%, value of new business up 39%, and cash remittances up 16%. Although our overall market share is relatively modest, we have an attractive distribution offering with a large owned sales network and existing key partnerships including AFER, the largest savers' association in Europe. This has seen us accumulate over €80 billion of assets, which generate a stable revenue stream. Much of the success of 2013 has come from a shift in focus away from capital intensive savings products to unit-linked and protection products.

### Canada

Our Canadian general insurance business, the second largest in the market, produced a solid result, despite the higher weather losses from floods in Alberta and Toronto. The combined operating ratio in Canada was 94.6% (2012: 93.4%), with personal lines primarily affected by bad weather with a COR of 93.3% (2012: 90.5%). Improvement in commercial lines is, in part, attributable to the early stages of the implementation of predictive analytics.

### Growth markets

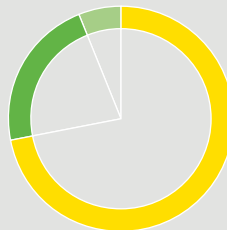
In the growth markets of Poland, Turkey and Asia<sup>3</sup>, VNB improved by 46%, 23% and 65% respectively and collectively contributed 21% of total Group VNB.

“  
As we continue to make progress resolving our balance sheet issues, our focus will shift to improving performance.  
”

Patrick Regan  
Chief Financial Officer

Value of new business split by market type (%)

72%	Cash generators
22%	Future cash generators
6%	Turnaround businesses



As previously communicated, the partial nationalisation of the Polish pensions market will have negligible impact on our growth prospects. In addition to strong new business growth, Poland remitted £85 million in cash to Group. In Asia, in addition to achieving strong growth in Singapore and China we have also established a joint venture with Astra International, Indonesia's largest conglomerate, which we expect to fuel future growth. Our focus in growth markets remains in life businesses.

### Turnaround businesses

Progress has been made in our turnaround businesses of Italy, Spain and Ireland, although there remains significant room for improvement. In Spain and Italy we are moving our product mix away from more capital intensive savings products towards unit-linked and protection products. We have resumed dividend payments from Italy and Ireland.

### Aviva Investors

The turnaround at Aviva Investors is, as previously communicated, likely to take time. The business had assets under management at the end of 2013 of £241 billion with £5 billion of net outflows experienced in the year.

In 2013, we found evidence of improper allocation of trades in fixed income securities in Aviva Investors by two former employees. This occurred prior to 2013. The relevant regulatory authorities have been notified. A thorough review of internal control processes relating to the dealing policy has been carried out by management and reviewed by PricewaterhouseCoopers (PwC). Measures to improve controls have been implemented. There is a total adverse impact on operating profit from this activity of £132 million. We are taking steps to ensure that customers will not ultimately be disadvantaged as a result of these breaches of the dealing policy.

## Solvency II & Global Systemically Important Insurers

In November 2013 the EU agreed a set of rules on Solvency II that are due to come into force in early 2016. Solvency II establishes a consistent set of EU-wide capital requirements and risk management standards to increase protection for policyholders. In July 2013 Aviva was one of nine insurers designated a Global Systemically Important Insurer (G-SIIs). G-SIIs will be subject to more intensive supervision, recovery and resolution planning and will have additional capital requirements for systemically risky activities from 2019 onwards. We are engaging with local and international regulators on these consequential measures. Aviva is a traditional insurer and the designation has not had any implications for our customers.

<sup>3</sup> Excluding Malaysia and Sri Lanka.

Key statistics  
in 2013

£3.6bn

IGD surplus



£1.8bn

Operating capital  
generation

17.8%

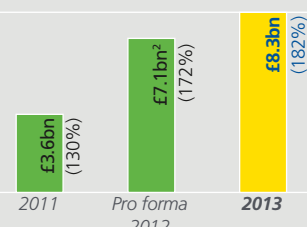
Return on equity

The above costs are included in other operations and the impact of this cost is offset by a gain from the curtailment of the Irish pension scheme.

**Capital and liquidity**

Our 2013 economic capital surplus<sup>4</sup> is £8.3 billion with a coverage ratio of 182% (2012: *pro forma* £7.1 billion<sup>5</sup>). This includes the impact of moving the pension scheme calibration to a fully funded basis, which reduced the surplus by approximately £0.7 billion. We have increased the economic capital surplus during the year by a combination of product mix changes, capital allocation, asset optimisation, hedging, expense reductions and completion of disposals.

Economic capital is our preferred measure of capitalisation, especially in anticipation of a transition to Solvency II. Our IGD surplus has reduced modestly to £3.6 billion (2012: £3.8 billion), with positive capital generation more than offset by the reduction in value of in-force as a result of the legislation changes to Polish pensions.

**Economic capital surplus<sup>1</sup>**  
(£bn)

In 2013 we were included on the list of nine Global Systemically Important Insurers and will work closely with the regulators to understand the implications of this.

Cash remittances have increased by 40% from 2012 to £1,269 million with a remittance ratio of 72% of OCG up from 49% in 2012 with both business units in the UK reporting large increases. In UK Life this was due to improved pricing, capital allocation and cost reductions, while in UK GI the improvement was primarily due to the restructure of the intercompany loan. It was also encouraging to see dividends resume from Italy and Ireland and increased dividends from France and Poland.

“Cash remittances have increased by 40% from 2012 with a remittance ratio of 72% of OCG.”

**Patrick Regan**  
Chief Financial Officer

**Cash remittances**

Total by country*	Operational capital generation £m	Dividend £m	Remitted to Group	Change from 2012 vs 2013
UK & Ireland Life	595	370	62%	147%
UK & Ireland GI**	374	347	93%	131%
France	294	235	80%	16%
Canada	177	130	73%	(4)%
Poland	135	85	63%	21%
Spain	51	51	100%	(25)%
Turkey	(10)	5	—	67%
Asia	97	20	21%	(20)%
Italy	88	12	14%	n/a
Other***	(29)	14	n/a	n/a
<b>Total</b>	<b>1,772</b>	<b>1,269</b>	<b>72%</b>	<b>40%</b>

\* Continuing operations

\*\* Includes £347 million remitted in January 2014

\*\*\* Other includes Aviva Investors and Other Group activities.

The £1.3 billion of remittances are used to fund the dividend, internal and external interest payments along with central costs resulting in a neutral centre operating cash flow in 2013, improving from a deficit in 2012.

Group centre liquidity currently stands at £1.6 billion following the receipts from the disposals of Aviva USA, Delta Lloyd and Aseval amongst others.

**Intercompany loan**

As part of the structural reorganisation of the Group we moved a number of businesses from the UK GI legal entity (AIL<sup>6</sup>) to be owned by Aviva Group Holdings (AGH). These businesses were paid for by way of an intercompany loan by AIL to AGH of £5.8 billion.

<sup>4</sup> The economic capital surplus represents an estimated unaudited position. The term 'economic capital' relates to Aviva's own internal assessment and capital management policies and does not imply capital as required by regulators or other third parties.

<sup>5</sup> The pro forma economic capital surplus at 31 December 2012 included the benefit of disposals and an increase in pension scheme risk allowance from five to ten years of stressed contributions.

<sup>6</sup> Aviva Insurance Limited.

Since then, we have reduced the loan balance by £1.7 billion to £4.1 billion at the end of February 2014 by repaying £450 million in cash and we have also taken actions to reduce the required capital in AIL, which has allowed us to retire a further £1.25 billion of the internal loan.

We have agreed with the Prudential Regulation Authority (PRA) the appropriate long-term level of the internal loan between AGH and AIL. That level has been set such that AIL places no reliance on the loan to meet its stressed insurance liabilities assessed on a 1:200 basis. The PRA agree with this approach. The effect of this will be to reduce the internal loan balance from its current level of £4.1 billion to approximately £2.2 billion. We will complete this reduction by the end of 2015.

We plan to achieve our £2.2 billion targeted balance through a further cash repayment of £450 million along with other actions that will bring the loan balance down by £1.45 billion. These planned actions include the funding and de-risking of our pension scheme, along with more effective use of internal reinsurance and other actions to reduce stressed liabilities. We expect the future cash repayment to be funded from our existing central cash balance and future disposal proceeds. We do not expect these actions to have a material adverse impact on Group profitability.

Our overall plan to reduce the loan balance to £2.2 billion has been reviewed and agreed by the PRA.

### External leverage

External leverage remains broadly unchanged in 2013, with a debt to tangible equity ratio of 50% (2012: 50%). On an S&P basis, our leverage ratio is 32%.

“  
We have agreed the target for the long-term level of the intercompany loan.  
”

**Patrick Regan**  
Chief Financial Officer

In February 2014, we announced our intention to call a £200 million 10.6725% and a €50 million 10.464% hybrid bond on their respective April 2014 call dates.

We remain committed to achieving a debt to tangible capital ratio of below 40% over the medium term, and below 30% on an S&P basis, consistent with an AA rating.

### Net Asset Value

Our 2013 MCEV book value per share<sup>7</sup> increased 5% to 445p, primarily due to operating earnings, the effect of the US disposal and positive investment variances, being partially offset by dividend payments, IAS19 pension movements, and integration and restructuring costs.

The IFRS book value declined 3%, primarily due to movement in the IAS19 position of our pension schemes and in the first half of 2013, we increased the provision for default in our commercial mortgage portfolio by £300 million. These reductions more than offset positive contributions from operating profit and higher proceeds from the US disposal.

Net asset value *	IFRS	MCEV <sup>7</sup>
Opening NAV per share at 31 December 2012	278p	422p
Operating profit	53p	55p
Effect of US disposal	6p	6p
Dividends & appropriations	(18)p	(18)p
Investments variances including commercial mortgage provision increase	(14)p	18p
Pension schemes	(19)p	(19)p
Integration and restructuring costs, goodwill impairment and other	(14)p	(16)p
Foreign exchange movements	(2)p	(3)p
<b>Closing NAV per share at 31 December 2013</b>	<b>270p</b>	<b>445p</b>

\* Net of tax and non-controlling interests.



**Patrick Regan**  
Chief Financial Officer

## Our response to the UK floods


Flooding gets to the heart of what insurance is all about.

For thousands of families across the UK hit by unprecedented flooding and storms during this winter, the day they hoped would never happen arrived. This is the time when insurers step in.

The immediate challenge was to look after those whose lives were turned upside down and those under threat of rising flood waters and gales. The longer-term challenge is to define what steps we can take as a country to minimise flood damage and disruption in the future. We can't stop the weather, but we can act in unison to minimise the impact of extreme events.

No single person, company or government agency alone can solve flooding. However the public deserves and demands a sustainable and workable solution. That will only happen through a tangible commitment from everyone involved to play their part. During the floods we:

- Dealt with tens of thousands of calls
- Many claims were settled with a single call
- The household claims centre remained open 24/7
- A team of loss adjusters was kept on standby, able to reach every part of the country.

 To read more about how we performed in each market, turn to pages 30–42

<sup>7</sup> In preparing MCEV information, the directors have done so in accordance with the MCEV Principles with the exception of stating held for sale operations at their expected fair value as represented by expected sale proceeds less costs to sell.

**Charlie Baker-Collingwood**

*London, United Kingdom*

When Charlie Baker-Collingwood's father passed away, Charlie started thinking about putting money into a pension because, as a self employed business owner, nobody else was going to do it for him. Charlie runs a tailoring business on London's Savile Row which delivers suits using branded Vespa scooters. "Seeing my father, when he was not well, having his pension was very inspiring for me; it was the impetus for me in organising my own pension" says Charlie. "Now it's hopefully something I can just sit back and relax a little bit about. When I need it, my pension will be there to provide for me and my family."





**Miu Jianxiang**  
*Zhongshan, China*

In March 2013, factory owner Mr Miu suffered severe chest pains. Hospital doctors confirmed he was having a heart attack and performed emergency heart bypass surgery. While recovering in hospital, Mr Miu was visited by his agent who explained that his critical illness policy may entitle him to a payment. Although Mr Miu couldn't find the policy document his agent ensured the claim was paid quickly. Mr Miu says: "Everyone is afraid of uncertainty. There are some things in life we just can't control. But my illness was a gift because it's made me recognise the most cherished people and things in my life." Once returned to full health, Mr Miu married Zheng Lina and they are looking forward to their new life together.

## Our business model

# What we do

We are a well known **life, general insurance** and **asset management** business



Aviva is the **largest** general insurer<sup>1</sup> and a leading life insurer in the UK



We have businesses in selected **international markets**



We have been in the insurance business for **318 years**



We have **31.4 million customers** and **27,700 employees**<sup>2</sup>

We help **protect** customers from the **financial impact** of unforeseen events and help them **save** for a more **secure future**



We provide a wide range of **general insurance** and **health insurance** products including motor and home insurance



We offer **pensions, annuities, life insurance** and **savings** products



Our products are sold to **individuals** and **businesses**



We sell products **directly** to customers and through **partners** and **third parties** such as banks

**Managing risk and investments** is fundamental to what we do and how we generate returns



Customers pay insurance premiums which we use to pay claims. **Our scale enables us to pool the risks.** We maintain **capital strength** so we can be there for our customers in the future



Customers invest their savings with us. We **manage these investments** to provide them with an **income for a more secure future**



We also invest the insurance premiums we receive to **generate income** to meet our obligations to customers and to **generate value** for shareholders

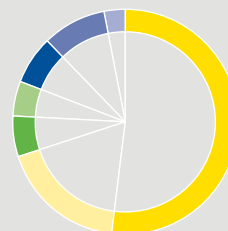
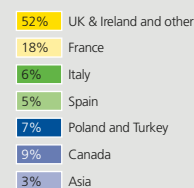


Making sure that customers stay with us for the **long term** is important to the **future success** of our business

<sup>1</sup> Datamonitor analysis of market share based on 2012 gross written premiums.

<sup>2</sup> In continuing operations, as at 31 December 2013.

#### Adjusted operating profit split by geography



#### We provide:



##### Life insurance

Customers take out life policies and annuities to protect themselves from uncertainty. That uncertainty might be whether savings will last through retirement or the risk of losing the family income after an accident. The premiums paid and the income generated from investing these premiums are used to pay claims and benefits, cover costs and reinvest in the business. What is left generates profit for shareholders.



##### General insurance

Customers buy general insurance policies to protect themselves from loss in the event of damage to their property or injury. The premiums paid and the income generated from investing these premiums are used to pay claims. After claims have been paid and costs accounted for, the surplus can be used to strengthen the financial reserves we hold or returned to shareholders. These reserves ensure we remain a strong business, and are able to meet our financial obligations to customers.



##### Asset management and pensions

Customers trust us with their money, and we invest it on their behalf to generate investment return. Profit is generated by the difference between the charge levied on funds under management and the costs incurred in acquiring and managing assets. Although margins are small for each pound invested, we create value from having significant scale.

#### Our customers are served through:



##### Direct – sales people and online

Customers expect to be able to buy our products when and where they want to. Online self-service and over-the-telephone service are primary channels for us. In many of the markets we operate in, we have a strong direct sales force and agency presence selling face-to-face to our customers.



##### Independent vendors (IFAs<sup>3</sup>, brokers)

Many of our products have long-term financial implications and customers often prefer to seek expert advice to help them make the right decision. We work closely with IFAs and brokers to help meet the needs of these customers.



##### Banks and other corporate partners

Banks and our affinity brands provide a third route to market. In a number of markets, such as Spain, Turkey and Italy, this is how the majority of our products are sold. We have around 100 relationships with banks and affinity brands across our businesses.

#### Managing our business:



##### Underwrite risk

Underwriting and pricing expertise, coupled with the data we hold, allow us to write profitable business within our risk appetite. Our underwriters assess each customer's risk to ensure that on aggregate we can cover claims, cover our costs and make a profit, all while remaining as competitive as possible.



##### Manage assets and liabilities

We carefully invest customer premiums to maintain sufficient funds to pay claims. At the same time we reduce risk by using reinsurance and wherever possible we match liabilities to assets. For example, money received for annuities is invested into assets which will continue to pay a return for the long term, such as corporate bonds.



##### Our brand attracts and retains customers and employees

It makes excellent business sense for us to keep our customers and our employees for the long term. There are significant costs for us in setting up a new customer and it takes time to recover these. Our strong brand and customer service are key to retaining customers.

<sup>3</sup> An Independent Financial Adviser (IFA) is a person or organisation authorised to give independent advice.

# Where the world is going

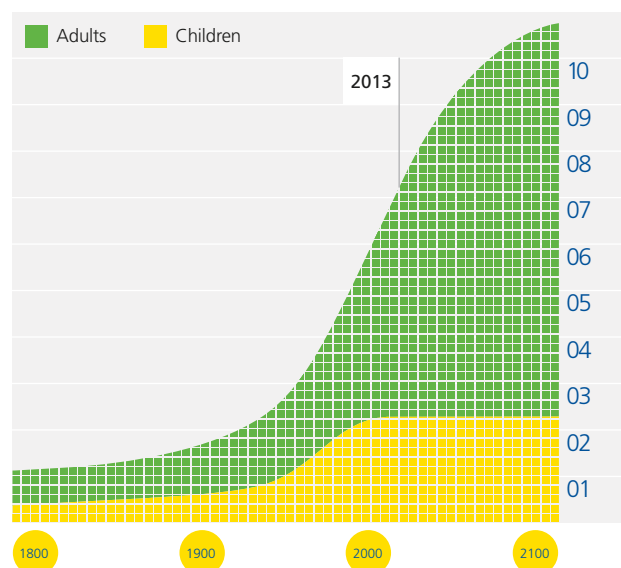
Many social and economic factors provide opportunities for the insurance and asset management industry. Here are some of them.

## Older and healthier

- Baby boomers and higher life expectancy have created a large 50+ generation. Personal wealth is highly concentrated within this group
- There are significant opportunities for insurers to meet the developing needs of this segment and to manage their existing wealth
- We also operate in fast-growing, developing life insurance markets, which present opportunities for insurers to help new customers to accumulate assets.

## World population

Billions



Source: United Nations Population Division

## Ageing world population

Number of persons aged 60 or over (millions)



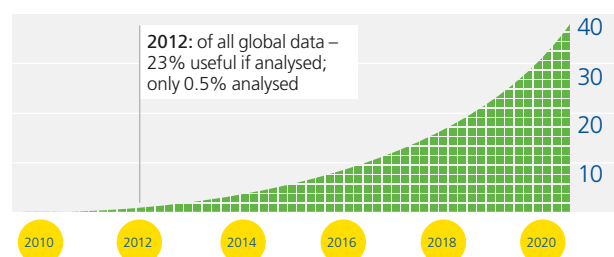
Source: United Nations Population Fund

## The digital world and increasing availability of data

- The increased volume, variety and velocity of data allows for greater use of predictive analytics
- Automation of processes is likely to significantly reduce operating costs and fundamentally change the nature of the interaction we have with our customers
- Customers are increasingly open to digital sales channels and digital interaction. Mobile technology is prevalent and customers increasingly expect to manage their insurance on the move at a time and in a place that suits them.

## Rapid growth in data volume

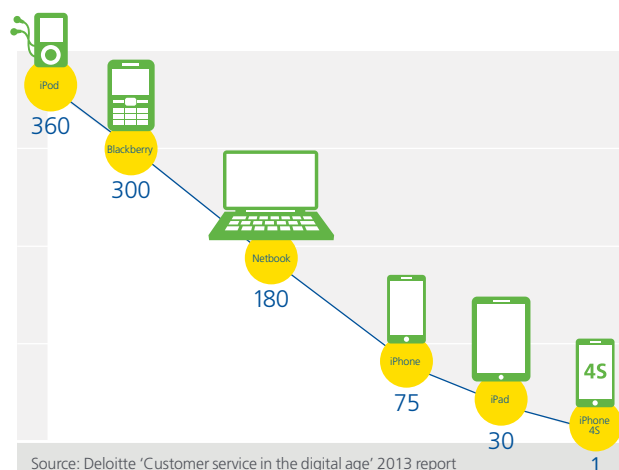
Global data (trillion gigabytes)



Source: IDC's Digital Universe Study, sponsored by EMC, December 2012

## Pace of technology adoption

Days to sell one million units



Source: Deloitte 'Customer service in the digital age' 2013 report

## Our purpose and plan

Our long-term strategic framework is based on four theses – investment, distribution, customer and people. The following pages outline our strategic direction.

**Mark Wilson**  
Group Chief Executive Officer



### Our values

“Having the right values is essential to achieving success. These values are important to us and will be at the heart of how we do business. The values will act as a guide whenever we decide on a course of action. Living the Aviva values will help us achieve our purpose.”



At Aviva, our purpose is to free people from fear of uncertainty, allowing them to get on with their lives.

A key priority is to make sure we remain financially strong, so that we can pay claims and deliver on the promises we have made to our customers, shareholders and business partners. To make this possible, we have focused on improving our capital position to place the company on a sound financial footing and give us financial flexibility. Today our economic capital surplus is double the level of two years ago.

One of our greatest opportunities is to share expertise across the Aviva Group, and make it simpler for our customers to have all their insurance needs met by us, whenever and however they choose. To help achieve this we have focused our 27,700 people on our common purpose, plan and values. There is already much to be proud of. We have a respected global brand, strong customer service, leading life and general insurance businesses, comprehensive distribution channels and an increasing presence in direct and online channels.

To build on our success and further improve our customer experience we are investing in three key focus areas: digital, predictive analytics and automation. By strengthening our capability in

these areas we can deepen our customer relationships, and better identify and meet more of their financial needs.

The following pages provide more detail on our Aviva values, our customer, distribution, people and investment theses. By delivering on our purpose we will make Aviva stronger for our customers, our shareholders, our communities and our people.

### Three areas of focus where we will allocate resource:

- **Digital:** We will prioritise investment in digital. This includes digital as a direct channel and also more broadly. Our aim is to increase our share of the direct digital channel and develop more effective use of data and new technology
- **Predictive analytics:** We will focus on enhancing our analytics capabilities, increasing the use of internal and external data to drive superior performance across the business including underwriting, pricing and claims
- **Automation:** We will reduce manual interventions in processes, reducing overheads by, for example, increasing auto-settled claims. This will enable us to move to a model of ongoing efficiency improvement that has significant customer benefits.

### Our plan of action is based on four strategic theses

#### Investment thesis

The investment thesis sets out why investors should choose us, enabling investors to make an informed decision about our business

#### Customer thesis

The customer thesis identifies how we will meet customers' needs better than our competitors, so that we become the insurer of choice in our chosen markets

#### People thesis

The people thesis is about changing our culture, supporting our people to achieve their potential so they can best serve our customers

#### Distribution thesis

The distribution thesis ensures that we provide the range of channels through which our customers want to purchase products and services from us

Key statistics  
in 2013

£1.3bn

Cash remitted  
to Group<sup>1</sup>

13%

Growth in  
value of new business  
excluding Malaysia  
and Sri Lanka  
(2013 vs 2012)

5

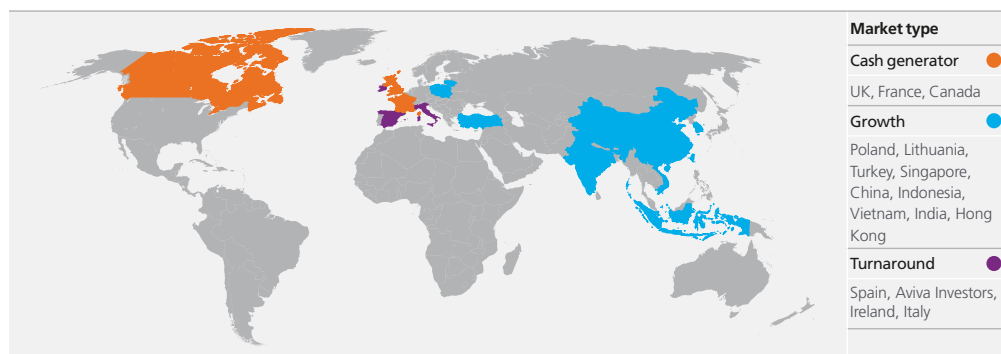
Key metrics: Cash flow,  
operating profit,  
expenses, Value of New  
Business (VNB),  
Combined Operating  
Ratio (COR)

Look at the KPI pages to  
see how we performed  
against our five key  
metrics. Read more on  
**pages 26–29**

The market focus  
shows how each market  
performed against the key  
metrics. Read more on  
**pages 30–42**

# Cash flow and growth

Our aim is to be a diversified insurer with sustainable and progressive cash flows underpinned by good potential for growth.



The investment thesis sets out why investors should choose us. There are compelling reasons for investors to invest in Aviva. We offer both cash flow and growth potential.

We will present our results as simply and clearly as possible. Financial simplicity and clear financial priorities are essential for investors to make an informed decision about us.

## Cash flow

**We have businesses able to produce significant cash flow:**

- We have three core business lines with scale – life insurance, general insurance and our asset management business, Aviva Investors
- Our business model gives us significant diversification benefits. The different mix of businesses reduces the impact on us of any market shocks
- We focus on progressive cash flow back to the Group centre. This is the cash that we use for paying dividends to shareholders
- We will maintain our balance sheet strength and reduce debt levels over time.

Insurance companies' financials have been overly complex. We have simplified our financial reporting metrics to focus on five key measures which can be seen in the adjacent table.

## Growth

**We have businesses that offer growth potential in value of new business which is a good proxy for future cash flow:**

- We are driving cash flow growth in our established markets, for example in the UK, France and in Canada
- We have businesses in selected growth markets in Europe and Asia
- We are working hard to turn around the performance of our businesses in Italy, Spain and Ireland and to improve performance at Aviva Investors. We have made good progress in these businesses
- There are still expense and efficiency opportunities to realise. We remain on track to reduce expenses by £400 million in 2014 (vs. 2011 expense base).

### Matrix of metrics – five clear financial priorities

	Cash flow	Operating profit	Expenses	VNB	COR
Group	●	●	●	●	●
UK&I Life	●	●	●	●	–
UK&I GI	●	●	●	–	●
France	●	●	●	●	●
Canada	●	●	●	–	●
Aviva Investors	●	●	●	–	–
Italy	●	●	●	●	●
Spain	●	●	●	●	–
Poland	●	●	●	●	●
Turkey	●	●	●	●	●
Asia	●	●	●	●	●

Key: ● Critical ● Significant ● Important

<sup>1</sup> This includes £347 million remitted by UK general insurance in January 2014 relating to activity in 2013.

Key statistics  
in 2013



31.4m

Customers



£27.5bn

Paid out in claims and  
benefits during 2013



£8.3bn

Economic capital  
surplus providing  
security for our  
customers<sup>1</sup>

# Simplicity, your way

We start with what our customers really need and deliver it more simply than anyone else.

Historically the relationship between customers and insurance companies has sometimes lacked trust, with the challenge being levelled that insurers don't understand or care about customers' lives or needs. Products and communications are viewed as overly complicated, with customers seeing little tangible difference between the products and service available from different companies.

Our role is to ensure that customers feel confident in their purchase decisions and secure that the product they have chosen meets their needs. This means making sure our products, service and communications are simple and transparent, and enable customers to feel in control of their financial future.

Customers want to feel in control of their purchases and to feel confident that what they buy meets their needs. This means we must demonstrate we understand them as individuals, and deliver products and solutions that are personalised to them.

Additionally customers, quite rightly, want to interact with their insurer in the most convenient way. We need to ensure that our purchase and claims processes and the products themselves are as transparent and straightforward as possible.

The customer thesis represents our ambition to meet these customer needs better than our competitors, so that we become the insurer of choice.

## Simplicity

To create simplicity for our customers, we strive to:

- Remain financially strong so that we are there to deliver on our promises to customers. This is our first priority
- Be obsessive about understanding the real needs of our customers and helping them to make the best decisions
- Be bold in creating solutions that take away customers' fears and problems
- Always do the right thing for the customer
- Ensure our products always do 'what they say on the tin' – customers will get exactly what they expect
- Simplify every aspect of our relationship with the customer – contracts, processes, products and communications
- Be a 'one-stop-shop' – single conversations, logins and telephone numbers across all the products we offer
- Enable customers to choose how they want to deal with us
- Reward customer loyalty.



## Implementing the customer thesis

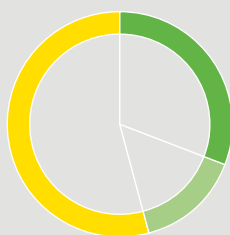
The customer thesis has been rolled out to all 27,700 of our employees to inspire our people to really focus on what will make the biggest difference for customers.

There won't be any 'big bang' changes – this is an evolution rather than a revolution.

In 2014, we will start to see a change in propositions, loyalty and online customer experience.

### Relationship Net Promoter Score® (2013) (%)

- 31% in upper quartile
- 15% at or above market average
- 54% below market average



Our Relationship Net Promoter Score® measures the likelihood of a customer recommending us. It gives us a single, simple measure of customer experience which can drive improvements in customer loyalty.

For details on our Relationship Net Promoter Score in 2013, turn to page 29

<sup>1</sup> The economic capital surplus represents an estimated position. The capital requirement is based on Aviva's own internal assessment and capital management policies. The term 'economic capital' does not imply capital as required by regulators or other third parties.

Key statistics  
in 2013

100

We have around 100  
bancassurance/  
distribution  
agreements in place



22,000

We have around  
22,000 sales  
employees/Aviva tied  
agents worldwide

# Increase direct access to customers, build digital, maintain diversification

We will increase the share of business generated in our own channels, introduce new technology for distributors and customers, and maintain a diversified distribution mix in each market.

## Distribution today

Insurance has always been a 'people business' with strong relationships existing between customers, distributors and insurers.

In each of our businesses, the spread of distribution varies from country to country. For example, in Spain the dominant distribution channel is bancassurance, in Canada most customers come to us via brokers and in Poland we have a strong direct sales force. Many UK life customers come to us via Independent Financial Advisers (IFAs) whereas UK general insurance customers are more likely to come to us directly.

## Where distribution is going

A number of social, technological, regulatory and economic trends are impacting the established routes to market:

- In line with other industries, insurance has seen a significant increase in digitally-enabled communications, services and transactions
- Bancassurance, the distribution of our products through partners, remains a key channel globally, with fast growth especially in Asia and Eastern Europe
- The share of distribution by brokers, IFAs, tied agents and direct sales forces in some of our markets is falling as a result of customer choice.

## Where we want Aviva distribution to be

- We are targeting a more balanced distribution portfolio in each of our business units
- We will support our bancassurance and broker partners by building best practice capabilities
- We have plans for more digital interaction with customers across all channels.

## Access to customers



**Our goal is to grow the share of business generated from our own channels by:**

- Increasing sales through proprietary channels
- Making better use of our experience in other markets when developing new distribution channels.

## Build digital



**We plan to enhance performance and improve customer satisfaction by:**

- Increasing our use of digital across all businesses, both in sales processes and in customer communication and servicing
- Investing in digital to support the growth of our direct distribution.

## Maintain diversification



**We plan to maintain a diversified distribution mix in each market by:**

- Ensuring a more balanced distribution portfolio in each country
- Building best practice capabilities in bancassurance and broker channels and supporting partners by launching innovative products and technology.

## People

### Key statistics in 2013



27,700

Employees across  
17 countries



21%

Of senior managers  
are women



£6.2m

Invested in our  
communities  
plus 41,223  
volunteering  
hours in 2013

# Achievement, potential, collaboration

Supporting people to achieve their potential;  
enabling us to achieve outstanding performance.

In our 318-year history, the important things have never changed – people matter to us. There are a number of trends affecting workplaces across the globe and these are impacting our global workforce.

Key social and demographic trends include increased cultural diversity, ageing workforces and a scarcity of talent in some areas. Digital trends impacting the workplace include the ubiquity of mobile technology and a culture of constant connectivity.

We need to continue recruiting talented colleagues, improving performance management and boosting employee engagement. Our people thesis sets out how we will be different to other employers.

### How we'll be different: the Aviva values

Values are the core beliefs at the heart of how we do business. They act as a guide whenever we decide on a course of action. Living our values will enable us to build a better place to work and care more about customers' real needs.

#### The Aviva values

##### Care more

At Aviva we care like crazy about our customers, each other, and the communities we operate in.

##### Kill complexity

At Aviva we are obsessed with making things simpler for our customers and each other – we manage complexity so our customers don't have to.

##### Create legacy

At Aviva we strive to create a future for our customers and each other, which is every bit as bright and sustainable as others created before.

##### Never rest

At Aviva we are driven every single day to be edgy, to think bigger and do better for our customers and each other.

## Achievement



### To drive performance we will:

- Recognise exceptional performance and reward outcomes
- Ensure our goal setting and reward systems drive improved performance year-on-year
- Constantly seek new knowledge and better ways of doing things
- Gain competitive advantage through our ability to execute brilliantly
- Provide clarity and enable accountability.

## Potential



### To reach our full potential we will:

- Attract and develop people who are the envy of the industry
- Inspire our people to dream more, learn more, do more and become more
- Identify and invest in people who are critical to our future success
- Ensure our performance is improved by embracing people who think and act differently
- Value both leadership and technical expertise.

## Collaboration



### To encourage teamwork we will:

- Invite challenge and ask fierce questions with the right intent
- Use a single set of global metrics
- Work and win together, readily adopting good ideas from others
- Enable transparent and engaging conversations
- Ensure our office space and IT encourage teamwork.

**The Finlay family**  
*High River, Canada*

In 2013 southern Alberta suffered devastating floods and High River was badly affected. The waters rose so quickly that the Finlays left with only the clothes they stood in. Their first priority was to ensure their two young sons, Degan and Khail, were safe. Aviva sent a loss adjuster without delay who helped get the family into another house, allowing them to rebuild their lives. Husband D'Arcy Finlay says: "Life's full of uncertainties and major challenges; for us, after the flood, it became whether we'd even have a home. Fortunately, Aviva had our backs. Our boys are safe and now we're looking forward to making the new house into a family home."



**Danuta Szmańska**  
*Skrwilno, Poland*

When Danuta's daughter announced she was getting married, Danuta wanted to pay for the wedding. But with an epileptic son requiring expensive medication and her husband's business facing tough times, that was going to be a struggle. Danuta told her Aviva agent that she wanted to cash in a policy to pay for the wedding. The agent advised her only to partially surrender the policy and keep the critical illness and death cover, just in case. The wedding was all paid for thanks to the Aviva policy. Unfortunately, nine months later, Danuta was diagnosed with bilateral kidney cancer. Her critical illness cover guaranteed quick access to treatment which saved her life. "None of us know what the future holds. But I have high hopes. And I have people to live for" she says.



# Measuring our performance in 2013

In the following pages you can read more about our 2013 performance.

## Financial key performance indicators

### Cash remittances

#### Relevance and measurement

Sustainable cash remittances from our businesses to the Group is a key financial priority. This indicator measures the gross amount of dividends paid by businesses to the Group.

#### Performance

The overall improvement in cash remittances was driven by increases from UK & Ireland Life and UK General Insurance. The remittance from UK General Insurance was received in January 2014, although in future we expect to receive remittances in the fourth quarter each year. We continue to take action on capital efficiency to increase these cash remittances.

### Adjusted operating profit<sup>1,2</sup>

#### Relevance and measurement

This measures our operating profitability on an International Financial Reporting Standards (IFRS) basis. It excludes non-operating items such as restructuring costs, impairments, short-term investment volatility and profits or losses arising on disposals.

#### Performance

Operating profit on a continuing basis was up 6%, principally due to lower operating costs across our markets. The results also include a £129 million adverse impact from the Canadian floods in June and July 2013.

### IFRS profit/(loss) before tax<sup>2</sup>

#### Relevance and measurement

This measures the total IFRS profit or loss during the year including operating profit and non-operating items such as restructuring costs, impairments, short-term investment volatility and profits or losses arising on disposals.

#### Performance

The IFRS profit before tax was £2.8 billion for the year. This includes a £0.8 billion profit on the disposal of our US Life business (including recycling of reserves of £0.6 billion on completion). Excluding the impact of the US disposal, expense efficiencies achieved across the Group have driven an increase in profit before tax. The loss in 2012 reflected the write-down of £3.3 billion in the value of our US business.

## Our performance

### Cash remittances (£m)

2013

£1,269m

2012

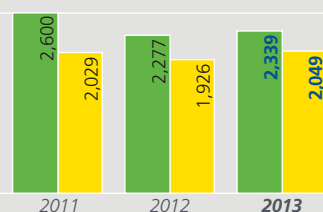
£904m

2011

£778m

### Adjusted total operating profit

■ Adjusted operating profit – total (£m)  
■ Adjusted operating profit – continuing excluding Delta Lloyd (£m)



### IFRS profit/(loss) before tax (£m)

2013

£2,819m profit

2012

£(2,521)m loss

2011

£184m profit

<sup>1</sup> The Group's accounting policy for operating profit (also referred to as adjusted operating profit) remains consistent with prior periods and is set out in 'IFRS Financial Statements – Accounting Policies' in the annual report and accounts.

<sup>2</sup> The Group adopted the amendments to IAS19 during the year and the requirements of the revised standard have been applied retrospectively. Comparatives have been restated accordingly.

## Financial key performance indicators

### Expenses

#### Relevance and measurement

Managing our expense base is essential to delivering our investment thesis to improve competitiveness. Expenses include integration and restructuring costs and operating expenses. Operating expenses include claims handling costs, non-commission acquisition costs and other expenses.

#### Performance

Operating expenses (on a continuing basis) reduced by 7% showing the impact of cost savings initiatives across all markets. The overall 2011 baseline for the Group-wide expense reduction target is £3,366 million, meaning that £360 million of savings out of the £400 million target have been delivered by the end of 2013. On a continuing basis, integration and restructuring costs were 21% lower than 2012 and mainly include expenses associated with the Group's transformation programme.

### Value of new business (VNB)

#### Relevance and measurement

Value of new business is a key measure of our growth and the source of future cash flow in our life businesses. VNB is calculated on a Market Consistent Embedded Value (MCEV) basis.

#### Performance

Value of new business increased 13%, primarily driven by France, Asia<sup>1</sup>, Poland and the UK. Growth in these markets was partly offset by reductions in Italy, which was impacted by lower product margins, and Spain, where volumes and margins were affected by difficult local market conditions and the disposal of Aseval.

### General insurance combined operating ratio (COR)

#### Relevance and measurement

COR measures the profitability of general insurance business. A percentage below 100% indicates that the general insurance business has delivered an underwriting profit. COR is calculated as net incurred claims expressed as a percentage of net earned premiums, plus written commissions and expenses expressed as a percentage of net written premiums.

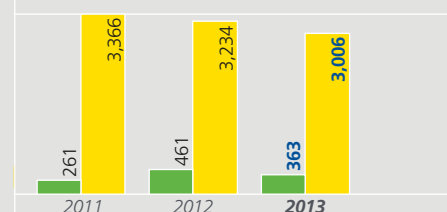
#### Performance

Profitability in our general insurance business decreased slightly to 97.3% (2012: 97.0%) principally due to the impact of the Alberta and Toronto floods in Canada, which more than offset the positive effect of favourable weather in the UK & Ireland and improved underwriting discipline in Europe.

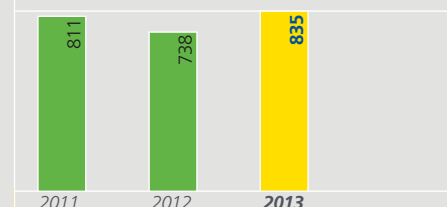
## Our performance

### Expenses

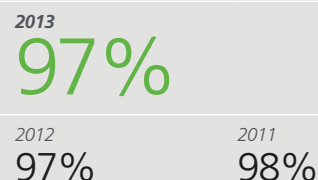
■ Integration and restructuring costs – continuing (£m)  
■ Operating expenses – continuing (£m)



### Value of new business – excluding Malaysia and Sri Lanka (£m)



### General insurance combined operating ratio (%) excluding Delta Lloyd and RAC



<sup>1</sup> Excluding Malaysia and Sri Lanka.

## Financial key performance indicators

### Operating capital generation (OCG)<sup>1</sup>

Relevance and measurement	Performance
OCG measures the amount of surplus capital generated by our business and is one of the indicators we use to monitor future cash remittances from businesses to Group. OCG in our life business represents surplus on a MCEV basis, after investment in new business. For non-life business, we use after tax operating return adjusted for movements in capital requirements.	OCG on a continuing basis is down 5% impacted by losses incurred in the Canada floods, partly offset by expense savings across the Group. The life business contributed £1.2 billion (2012: £1.3 billion) and the non-life business contributed £0.6 billion (2012: £0.6 billion) to OCG in 2013.

### Economic capital surplus<sup>2</sup>

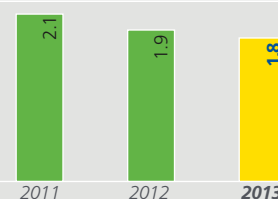
Relevance and measurement	Performance
This is a measure of the financial strength of our business. A ratio over 100% represents a surplus of available economic capital over our required economic capital.	Economic capital surplus has increased by £3.0 billion in 2013, driven in part by the completion of the US, Delta Lloyd, Aseval and other disposals. In addition, there was a further contribution from profits earned in the year and positive market movements, partly offset by changes in the pension scheme and Polish pension reform.

### Return on equity<sup>1</sup>

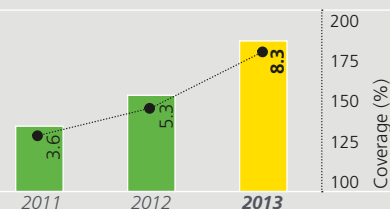
Relevance and measurement	Performance
This shows the return generated on the capital we have invested. Return on equity is calculated as total after tax operating return divided by opening equity shareholders' funds.	Return on equity has increased in 2013 principally due to a reduction in opening capital as a result of a write-down of the United States life and annuities business following the announcement to sell this business.

## Our performance

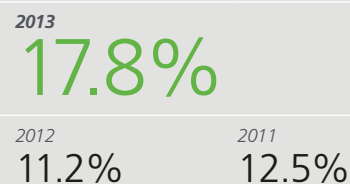
### Operating capital generation – continuing excluding Delta Lloyd (£bn)



### Economic capital surplus (£bn)





















### Return on equity (%)



<sup>1</sup> The Group adopted the amendments to IAS19 during the year and the requirements of the revised standard have been applied retrospectively.

<sup>2</sup> The economic capital surplus represents an estimated position. The capital requirement is based on Aviva's own internal assessment and capital management policies. The term 'economic capital' does not imply capital as required by regulators or third parties.

## Non-financial metrics

<b>Business ethics</b> 95% of our employees accepted our business ethics code in 2013 (2012: 88%). We aim for 100% each year and continue to work towards this goal.	<b>Performance</b> <div>95%</div>				
<b>Reduction in CO<sub>2</sub>e</b> CO <sub>2</sub> e data includes emissions from our buildings, business travel, outsourced data centres, water and waste to landfill. Our long-term reduction target remains a 20% reduction from 2010 to 2020.	<b>Performance</b> <div>8%</div> CO <sub>2</sub> e reduction 2013				
<b>Board membership</b> We remain committed to having a diverse Board in terms of gender as well as diversity of experience, skills and knowledge, background and nationality. There were 11 members on the Board in 2013, of whom nine were male and two were female.	<table> <tr> <th>Males</th><th>Females</th></tr> <tr> <td> 9</td><td> 2</td></tr> </table>	Males	Females	 9	 2
Males	Females				
 9	 2				
<b>Group executive</b> In 2013, 21% of Group executive members were female (2012: 29%). From April 2014, Monique Shivanandan will be joining the Group executive as Chief Information Officer. We recognise that a diverse senior management team is better for business.	<table> <tr> <th>Males</th><th>Females</th></tr> <tr> <td> 11</td><td> 3</td></tr> </table>	Males	Females	 11	 3
Males	Females				
 11	 3				
<b>Senior management</b> There were 638 senior managers at Aviva, including those in Aviva's subsidiary Boards. Of this number, 502 were male and 136 were female.	<table> <tr> <th>Males</th><th>Females</th></tr> <tr> <td> 502</td><td> 136</td></tr> </table>	Males	Females	 502	 136
Males	Females				
 502	 136				
<b>Aviva Group employees</b> There were 27,718 employees at Aviva as at 31 December 2013 of whom 13,538 were male and 14,180 were female.	<table> <tr> <th>Males</th><th>Females</th></tr> <tr> <td> 13,538</td><td> 14,180</td></tr> </table>	Males	Females	 13,538	 14,180
Males	Females				
 13,538	 14,180				
<b>Customer advocacy</b> Our Relationship Net Promoter Score® measures the likelihood of a customer recommending Aviva. It gives us a single, simple measure of customer satisfaction which can drive improvements in customer loyalty. Our 2013 survey shows four of our businesses achieved upper quartile, two were at market average and seven were at lower quartile relative to their local markets. Encouragingly, UK General Insurance, one of our largest businesses, has moved into an upper quartile position. Our customer thesis work should improve this measure.	<b>Performance</b> <div>31%</div> in upper quartile <div>15%</div> at or above market average <div>54%</div> below market average				
<b>Employee engagement and enablement</b> We measure employees' views on Aviva through our annual global Employee Promise Survey and two of our key measures are engagement and enablement. We know that we need to increase our employees' sense of engagement and enablement. Our employees should feel they can build a future career at Aviva and trust their senior leaders after a period of instability. We need to demonstrate that we value our employees and are focused on creating an environment in which they can thrive.	<b>Performance</b> <div>56%</div> engagement in 2013 <div>64%</div> enablement in 2013				
<b>Community investment</b> In 2013, we invested £6.2 million (2012: £11 million) into the community including cash, in kind donations and skills-based volunteering.	<b>Performance</b> <div>£6.2m</div>				

Business  
in brief

## We offer:

Pensions, annuities,  
protection, bonds and  
savings, investment  
sales, private medical  
insurance

12.9m<sup>1</sup>

Customers



6,000

Employees

Market type	
Cash generator	●
UK Life	
Turnaround	●
Ireland Life	

For more information  
about market priorities,  
turn to page 20

# UK & Ireland Life

Aviva is a leading life insurer in the UK and Ireland, offering retirement, risk and savings products to both individuals and groups.

## David Barral

CEO, Aviva UK &amp; Ireland life insurance



## Our strategy

By focusing on providing our customers with competitive products that meet their changing needs, we aim to continue to improve cash generation and deliver profitable growth. Our overall business is focused on risk products and long-term savings.

Our expertise across a comprehensive range of risk products, including protection, annuities, equity release and private medical insurance, is underpinned by our underwriting and investment management expertise, as well as our strong distribution networks and our brand.

We intend to grow our business by focusing on the needs of our customers at key times in their lives. We have championed the importance of life protection for families, and will develop digital tools to help them choose our products in a simple and informed way.

The retirement market is a crucial area of our business and one we have successfully campaigned on for several years to ensure consumers get the best deal. We work closely with our customers to help them prepare for their retirement and consider their options. This preparation includes assisting customers as they consolidate their pension savings and choose the best way to fund the different stages of their retirement.

We also intend to grow our award-winning private medical insurance business.

We take care of more than £90 billion of assets on behalf of our pensions and investments customers. By managing our existing book of business efficiently we are able to offer continued value-for-money for our customers and shareholders. Customer service is paramount at Aviva, and we are continually looking at ways to improve our service by using more efficient processes and automated tools.

Retaining our customers remains a priority for us. For instance, in the area of automatic enrolment and workplace pensions we are helping employers prepare for the date when their automatic enrolment duties come into force for their businesses.

We are also growing our investment platform by helping advisers consolidate their clients' pension savings.

Consumers' increasing use of digital tools and mobile devices is providing the impetus for Aviva to develop simple, differentiated software applications which allow customers to interact with us quickly and easily at a time that suits them. In February 2014, we launched a new online portal to enable our customers to access all of their Aviva products from a single login, ensuring they receive the same simple, accessible and high-quality online experience across our businesses in the UK.

We need to have a deep understanding of our customers, including their attitudes, behaviour, lifestyle and health to help us innovate and price fairly in the market. Our use of data from our extensive customer base and external sources is invaluable to this understanding.

Our employees shape our customers' experience. Our focus is to build on our employee engagement and drive improved effectiveness, as well as develop and retain our key talent. We recognise there has been a period of uncertainty for our employees as we have transformed our UK & Ireland Life business and remain committed to developing a workplace that fulfils individuals' career aspirations and supports their wellbeing.

<sup>1</sup> This figure represents the total unique customers in the UK and Ireland and does not include the number of people covered by our policies, which is considerably more.

## Full year performance

UK & Ireland Life		
	2013 £m	2012 £m
Cash remitted to Group	370	150
Operating capital generation	595	688
Life operating profit: IFRS basis	952	892
Expenses		
Operating expenses	607	736
Integration and restructuring costs	59	71
	666	807
Value of New Business (VNB)	441	412
IFRS profit before tax	717	107

In 2013 we delivered solid results across our key financial metrics, despite a challenging macroeconomic and regulatory environment. We increased our dividend to Group to £370 million, improved life operating profits by 7%, reduced operating expenses by 18% to £607 million and improved VNB by 7%. This reflects our focus on cost efficiency and pricing discipline.

The performance of our business in Ireland has started to improve. A dividend of £70 million was paid in July 2013, life operating profit was up at £22 million from £5 million in 2012, VNB was up at £6 million and operating expenses were down 38% to £38 million. The improvements reflect cost reductions and a strategic shift in the business mix to more profitable risk products, away from low margin pensions.

UK & Ireland Life operating profit increased by 7% primarily due to greater efficiency and an improved result in our Irish life business. Our large back book of business ensures an element of earnings stability and gives the opportunity for future efficiency improvements.

During the year, we increased the provisions for commercial mortgage defaults by £300 million due to impairments above the long-term trend. Following an extensive review, we reorganised our commercial finance team.

“Our businesses have performed strongly through significant market, regulatory and economic change, and are well positioned to sustain improvements in cash flow and growth.”

David Barral  
CEO, Aviva UK & Ireland Life

Our focus on achieving our financial targets has not reduced our commitment to our customers. Despite the level of transformational change seen during 2013, our Customer Transaction Net Promoter Score® has increased to +23, four points higher than 2012. We continue to receive external recognition for improvements to service, winning 47 awards during 2013, including Best Protection Provider (Money Marketing), Best Annuity Provider (Professional Adviser), six gold awards (Money Marketing Service), and Health Insurance company of the Year for a fourth year running at the Health Insurance Awards.

### The market in 2014

We are well positioned to take advantage of any market recovery and the long-term structural trends in our target markets.

We are seeing increased activity in the protection market as the mortgage market becomes more buoyant. The annuities market is in a long-term growth phase as the UK population ages, and a greater proportion of employees retire with a defined contribution pension scheme. Automatic enrolment reaches its peak period for new joiners in 2014, whilst our platform business continues to grow as investment funds move to modern platforms.

Whilst these trends are positive, the unprecedented regulatory focus on the UK life insurance industry continues.

In February 2014, the Financial Conduct Authority (FCA) reported on its review of annuities, with a focus on customer outcomes and a concern that too few customers shop around in the open market. The FCA concluded that many customers are not getting the best available retirement income and is launching a market study on retirement products. This is a view that Aviva supports. We offer the same rates to our existing pension customers and open market customers and have launched a five point plan for the industry to raise standards and help customers get a better deal in their retirement.

In 2013, the Department for Work & Pensions published a Workplace Pension charges consultation paper. The paper made a number of proposals relating to charge caps, adviser commission and disclosure of information. The original planned implementation date of April 2014 has now been delayed for at least a year. We expect the impact on us to be immaterial. We took action in 2000 to cap charges on our group and individual pension book, pricing at 1% or less. New schemes are currently being written at charges well below the proposed charge caps.

We are leading the debates affecting our customers and are confident our underlying strengths and commitment to our customers position us well in 2014.

## Our five point plan on annuities

At Aviva, we encourage customers to shop around for the best annuity. However many more people could get better deals. We are calling on the industry to help customers get a better deal on their retirement income. This is our plan:

- Consumers must be given clear guidance to help them understand the choices available and the importance of comparing rates
- Providers must obtain medical information and ensure customers understand the potential benefits this can have on increasing their income
- Both existing and open market customers should be given competitive annuity rates
- The limitations of 'restricted' panels should be made clear to customers
- Customers should take care when shopping around for an adviser.

For more information on financial performance see 'Other Information – Financial and Operating Performance' in our annual report and accounts

Business  
in brief**We offer:**

Personal home and motor insurance, general insurance for businesses, corporate and speciality risks

12.9m<sup>1</sup>

Customers



9,000

Employees

Market type	
Cash generator	●
UK general insurance	
Turnaround	●
Ireland general insurance	

For more information about market priorities, turn to page 20

# UK & Ireland General Insurance

We are the UK's largest general insurer and a leading general insurer in Ireland, providing a wide range of products to personal and commercial customers.

**Maurice Tulloch**

CEO, Aviva UK &amp; Ireland general insurance

**Our strategy**

We are focused on providing our customers with products that meet their insurance needs. We will support the Group's investment thesis by delivering cash and profitable growth through our expertise in underwriting, pricing and claims management.

We plan to improve cash flow by reducing our cost base through further efficiencies, increasing average product holdings per customer as part of our digital investment, and extending our reach through targeted growth in commercial business.

We have a diverse distribution model in UK & Ireland General Insurance, selling our products through brokers, partners and directly to customers and we continue to focus on establishing clear and compelling propositions which deliver an excellent customer experience.

We are investing in the latest technology to serve our customers more effectively. In 2014, we will accelerate our use of predictive analytics, which uses advanced modelling techniques to identify trends in a variety of data. We will make full use of this to improve pricing sophistication, target growth in profitable lines of business, improve fraud detection in both underwriting and claims, and be more informed in how we target customer communications.

In commercial lines we are implementing Guidewire, an insurance software solution, across our policy administration and claims activities. The increased automation this provides will improve accuracy and efficiency of processing and will enable us to build products that better reflect changing customer needs.

Customers are our top priority. Their feedback continues to be our richest source of insight. In 2013 we redesigned existing products and created new ones following extensive customer research and the introduction of independent third-party and customer online rating and review tools. As a result, our personal home and motor products are now Defaqto five-star rated. In addition, a new online portal will enable our customers to access all of their Aviva products from a single login, ensuring they receive the same simple, accessible and high-quality online experience across our life and general insurance businesses in the UK.

Our product range will continue to be guided by customer research, and in addition we will supplement the existing insights with a broader range of customer satisfaction measurements across all distribution channels.

Our people strategy is designed to foster a high performing culture with a focus on achievement, potential and collaboration. As part of this, we are developing our technical learning programmes and acting upon the results of our internal employee survey. We are also continuing to improve our apprenticeship programme and enhancing our graduate programme.

We continue to work on the turnaround of the Irish general insurance business. Our strategy in Ireland is to focus on strengthening our position as a leading broker-based insurer and increase our retail market share through a digital offering that puts the customer at the centre of everything we do.

<sup>1</sup> This figure represents the total unique customers in the UK and Ireland and does not include the number of people covered by our policies, which is considerably more.

## Full year performance

UK & Ireland General Insurance		
	2013 £m	2012 £m
Cash remitted to Group	347*	150
Operating capital generation	374	376
Operating profit: IFRS basis	489	502
Expenses		
Operating expenses	818	826
Integration and restructuring costs	24	170
	842	996
Combined Operating Ratio (COR)	97.2%	98.6%
IFRS profit before tax	387	248

\*FY13 dividend remitted from UKGI of £347 million was received by Group in January 2014.

Overall performance in 2013 has been good, with improvements seen in most of the key financial metrics that we use to measure progress against our investment thesis of 'cash flow plus growth'.

Our dividend has risen to £347 million (2012: £150 million), benefitting in part from the one-off impact of the Group restructuring undertaken during 2013.

The combined operating ratio has improved to 97.2% (2012: 98.6%), reflecting a combination of more disciplined underwriting, favourable weather experience compared to 2012 (despite the stormy end to 2013) and lower expenses.

Total expenses have fallen by 15% to £842 million (2012: £996 million). This has been driven by a substantial reduction in restructuring costs from 2012, which included the impact of the Ireland transformation programme and simplification of the UK business operation.

Operating profit is marginally lower at £489 million (2012: £502 million), with the impact of the improved underwriting performance offset by a reduction in investment return. This primarily reflects the lower rate of return received on the internal loan in 2013 compared to that previously received in 2012.

“  
We are investing in  
the latest technology  
to serve our customers  
more effectively.  
”

**Maurice Tulloch**  
CEO, Aviva UK & Ireland General Insurance

We have significantly strengthened our senior management team, most notably with the appointments of Maurice Tulloch as CEO in September (Maurice was previously CEO of Aviva in Canada, our second largest general insurance business), Colm Holmes as CFO, Steve Treloar as MD of UK Direct and, most recently, we announced the appointment of Ian Foy as MD Personal Lines.

In July we appointed Alison Burns as CEO of our Irish business and John Quinlan as MD of our general insurance company in Ireland. We expect this strong leadership team to drive the business forward.

## The market in 2014

Market conditions for private motor and home insurance remain highly competitive in the UK and Ireland and we expect this to continue throughout 2014. Consumers are price conscious and we do not expect this to change. Our market-leading capabilities in predictive analytics will become increasingly important as success in this environment depends on being able to price risk, and serve customers effectively.

In the UK motor insurance market, legal reforms such as the ban on referral fees may reduce claims settlement costs and reduce premiums. However there is uncertainty over the impact of these reforms and the Competition Commission review. This uncertainty will remain until a new 'normal' for claims patterns and costs establishes itself.

In commercial lines, the fragile economic environment has stifled business investment and growth in recent years, and whilst the economic 'green shoots' are likely to give welcome uplift to business volumes, we expect the rating environment to remain generally soft in 2014. We continue to see capital flowing into the market which has the effect of suppressing commercial rates.

We continue to be an active participant with the Association of British Insurers on the design and implementation of Flood Re, whose primary purpose is to ensure that flood insurance remains accessible and affordable to those domestic properties at high risk of flood. The severe flood events of the winter only serve to re-emphasise the importance of this market solution to all parties: customers, insurers and Government.

We expect further regulatory interest in the conduct of the UK general insurance market and we will continue to build on our strong relationships with the regulators to preserve the competitiveness and accessibility of the UK market.

## Aviva Drive app

We have re-entered the telematics market with 'Aviva Drive', a new app which won the Insurance Times 'Innovation of the Year' award. It provides discounts on motor premiums based on customers' individual driving habits. Over the course of 2013 the app was downloaded 215,000 times and we recorded nearly four million miles' worth of driving data. In 2014, we will build on this data to provide enhanced rating insight, increase customer engagement and improve personalisation.

For more information on financial performance see 'Other Information – Financial and Operating Performance' in our annual report and accounts

Business  
in brief:  
Europe

**We offer:**

Pensions, protection, annuities, bonds and savings, personal and commercial general insurance, health insurance



12.9m<sup>1</sup>  
Customers



6,600  
Employees

Market type	
Cash generator	●
France	
Growth	●
Poland, Turkey	
Turnaround	●
Spain, Italy	

For more information about market priorities, turn to page 20

# Europe

We are focused on five markets: France, a strong cash generator; Poland and Turkey, growth markets; and Spain and Italy which we are turning around.

**David McMillan**  
CEO, Aviva Europe



## Our strategy

Our strategy for the European business is to continue improving operational performance and to deliver sustainable and reliable cash remittances to Group. We focus on capital efficient products that meet the needs of our customers.

We will deliver our strategy through maintaining our strong presence in profitable segments in France. We will conclude the turnaround of our Italian and Spanish businesses so they are well-positioned to benefit from recovery in their markets, and capitalise on growth opportunities in Poland and Turkey through a multi-product multi-channel strategy.

This is underpinned by a continuous focus on balancing cost efficiency and investment.

## Full year performance

Over the past year we have made significant progress in transforming our European portfolio and have increased cash remittances to Group by 13% to £388 million. Value of New Business (VNB) grew by 12% to £303 million, profitability improved in general insurance and we delivered modest cost savings.

Life operating profit was £851 million (2012: £869 million). Excluding Aseval (which was sold in April 2013), life operating profit is up 5%. This was primarily driven by strong growth in France and Poland as margins improved and expenses reduced. General insurance operating profit increased by 14%, largely driven by the

continued turnaround in Italy. Our operating expense base reduced by 3% (7% in local currency) as we continue to focus on efficiency.

We have also successfully reshaped our portfolio, disposing of a number of non-core businesses.

Our European businesses should benefit both from any macroeconomic recovery and also from our strategic focus on value and capital efficiency.

Europe		
	2013 £m	2012 £m
Cash remitted to Group	388	343
Operating capital generation	558	571
Operating profit: IFRS basis		
Life	851	869
General insurance & health	112	98
	963	967
Expenses		
Operating expenses	644	662
Integration and restructuring costs	34	28
	678	690
Value of New Business (VNB)	303	271
Combined Operating Ratio (COR)	98.1%	99.4%
IFRS profit before tax	1,144	931

## France: cash generator

### Our strategy and full year performance

Our French business is one of Aviva's main cash generators whilst also delivering profitable growth. Our strategy is focused on delivering sustainable dividends to Group through increasing profitability in our life business, targeted growth in attractive general insurance market segments, and a continuous focus on efficiency and customer service.

In France we have a market share of 4% in life and 2% in general insurance<sup>2</sup>. We have a well-diversified presence across products, channels and customer segments with over 3.2 million customers and over €80 billion of assets under management.

One of our key strengths is our diverse distribution model. We have a large owned distribution network including more than 900 tied agents and UFF (the largest IFA network with a 10% market share). We distribute our products

<sup>1</sup> This represents unique customers and not the number of people who are covered by our policies, which is considerably more.

<sup>2</sup> According to Fédération Française des Sociétés d'Assurances (FFSA), 2012.

through more than 1,200 active brokers and online through our Eurofil brand. We also have key partnerships with AFER, the largest savers' association in Europe, and Antarius, our joint venture with Crédit du Nord.

In addition, we have invested in growing our direct business. We are currently the largest direct provider of funeral protection and the second largest direct general insurer.

In 2013 we made strong progress improving our life product mix, focusing on capital efficient products. Unit-linked savings and life protection VNB increased by 130% and 35% respectively.

In 2014 we are continuing this trend, launching new unit-linked funds and other innovative solutions, for example Eurocroissance (a hybrid with-profit and unit-linked product). We also plan to launch new protection products and simplify underwriting procedures.

We are also focused on strengthening our product range for small businesses with new dedicated products for health and retirement. In 2013 we increased health premiums from small and medium sized businesses by 15%.

We have recently introduced a 'systems thinking' approach, empowering our employees to meet customer requirements more effectively through simplifying and improving our processes.

To do this, we are investing in the development of our customer-facing people, providing them with the skills and training to have greater autonomy and discretion when serving customers. We are importing this approach from our UK business where it has been highly successful in improving customer service and reducing cost.

“  
Distribution is one of our key strengths in Europe. We will build on our existing relationships and further invest in digital and owned distribution.  
”

David McMillan  
CEO, Aviva Europe

Our business in France showed strong growth on most key financial metrics. Total operating profit improved by 6% to £448 million (2012: £422 million) and cash remittances grew by 16% to £235 million (2012: £202 million). In addition, there was particularly strong growth in VNB, which increased by 39% to £166 million. While our reported COR increased in the year to 97.1% (2012: 94.9%), underlying profitability, excluding adverse weather events and reserve movements improved.

#### The market in 2014

France is a stable market with a large, well-developed insurance sector. We expect higher growth in the protection, health and retirement sectors as a result of changes in customer needs and the role of the government in the provision of social welfare.

Health market reforms currently underway will take effect in 2016 and change the market structure. Our strategy is focused on individuals and sole traders outside the scope of the reforms.

#### Poland and Turkey: growth markets

##### Our strategy and full year performance

Poland and Turkey are markets that offer exciting growth opportunities. They have growing economies with relatively young and under-penetrated insurance markets. According to Swiss Re, life insurance penetration in 2012 in Poland and Turkey is 1.9% and 0.2% of GDP compared to the European average of 3.9%.

Our focus in these markets continues to be growing VNB by strengthening existing distribution networks and relationships, and broadening our distribution channels.

#### Poland

We are the second largest insurer by profit in Poland with over 3.5 million customers and over £17 billion assets under management. Our life business has a 7% market share, whilst our general insurance business is small but growing. We also operate a life subsidiary in Lithuania where we are the second largest life insurer and third largest pension provider.

We have a direct sales force with 2,300 tied agents and a key relationship with Bank Zachodni WBK (part of the Santander group). Our life business remains centred on unit-linked and life protection sales. Whilst the protection market has seen significant growth in recent years, premium penetration rates remain low.

In 2013, we extended our bancassurance relationship with Santander increasing our network from 500 to 900 branches. We have also improved our digital and online presence.

Businesses  
in brief:  
France

#### We distribute through:

AFER, UFF,  
900 tied agents, over  
1,200 active brokers,  
Eurofil (online),  
Crédit du Nord



3.2m

Customers



4,100

Employees

For more information on financial performance see 'Other Information – Financial and Operating Performance' in our annual report and accounts

**Business  
in brief:**  
**Poland and  
Turkey**

**In Poland, we  
distribute through:**

Two joint ventures  
and six bank partners,  
2,300 tied agents,  
600 multi-agencies,  
800 brokers

**In Turkey, we  
distribute through:**

Akbank and other  
partners (1,100  
branches), 700 direct  
sales advisors,  
140 agencies



**5.6m**

Customers



**1,400**

Employees

We have launched a virtual branch selling life investment products directly to customers, set up agreements with price comparison sites to sell our products, and invested in social media engagement. We are one of the biggest direct general insurance providers with a 15% market share<sup>1</sup>.

We are the second largest pension provider based on assets under management. The Polish government has now introduced legislation changing the pensions system; however our pensions business has been closed to new customers since 2011, therefore the impact of the changes on VNB will be marginal.

Our life business generates most of our operating profit and cash in Poland. The life market remains attractive and we plan to continue to grow our life business in 2014. We will do this by increasing the productivity of our current direct sales force, launching a new branch based network with a focus on a younger demographic, selling both insurance and other financial products (including third-party mortgages and loans), and further developing innovative online solutions.

Operational efficiency has continued to improve, driven by automation and digitalisation of core processes and implementation of customer self-service tools. This is an area we plan to invest more in over the next few years.

In Poland, VNB increased strongly to £51 million (2012: £35 million) driven by higher sales and improvements in product mix. Total operating profit increased to £184 million (2012: £167 million) and there was also an increased dividend of £85 million (2012: £70 million).

*Turkey*

Our life business in Turkey, which operates through a joint venture with Sabanci Group, continued to show strong growth in 2013. VNB increased 23% to £37 million (up 28% in local currency). Life protection premiums increased year-on-year by 33% and pension contributions by 80% driven by favourable regulatory developments.

Changes to pensions legislation effective January 2013 have helped to improve VNB. The introduction of a 25% government matching contribution has encouraged customers to set up or recommence personal contributions. The benefit of these additional contributions has been only partially offset by a legislated reduction in fund and allocation charges.

Our main distribution channel is Akbank, one of the largest private banks in Turkey, part of the Sabanci Group. We have successfully piloted a hybrid distribution arrangement using our sales force to sell in Akbank branches.

In 2013, we increased our bancassurance distribution with three new partnerships with Abank, Odeabank and Burgan Bank.

Our life and pensions business has the largest direct sales force in the market. We are focused on expanding our direct sales force and agency channel, whilst we are also exploring affinity partnerships within the Sabanci Group.

In 2014 we are looking to pilot the sale of pension and protection products through the retail branches of other Sabanci Group companies including Carrefour SA and EnerjiSA.

We are focused on operating excellence and we are currently consolidating all our operating platforms into one, to provide better customer interactions, improve efficiency and reduce operational complexity.

We also have a small, fully owned general insurance business in Turkey that is held for sale at the year end. In 2013 we have reduced premiums to focus on more profitable segments. Performance continues to be unsatisfactory despite 13.2 percentage points improvement in COR.

**The market in 2014**

The economy in Poland remains resilient with insurance penetration forecast to continue to increase from current low levels.

The political and economic environment in Turkey remains uncertain. However, we believe this market offers strong long-term potential for profitable growth, with its young population, good economic growth and increasing demand for financial products.

In both markets we are well-placed to make the most of the growth opportunities.

“  
Our strategic  
focus has shifted from  
targeting volume, to  
preserving capital and  
creating value.  
”

**David McMillan**  
CEO, Aviva Europe

**Spain and Italy: turnaround businesses****Our strategy and full year performance**

Our strategic focus for Spain and Italy is to deliver sustainable cash remittances to Group. In 2013 we made progress in addressing market challenges and turning the businesses around, but there is still more to do.

In Spain we have increased our focus on standalone protection sales and the profitability of products with guarantees, while improving the efficiency of our operations. In Italy we are exiting non-core, unprofitable distribution, improving profitability of products with guarantees and focusing on protection and general insurance.

**Spain**

In Spain we are a strong bancassurance player, operating through five partnerships. We also have a retail network selling life, pensions and protection products through more than 1,000 brokers and Seguros Pelayo.

Our retail business has been recognised by ADECOSE (the broker and IFA association) as the best insurance company in Spain to work with in the protection and accidents category.

We are the fourth largest protection player with 7% market share<sup>1</sup>.

In April 2013, we concluded our settlement with Bankia regarding our Spanish business, Aseval. This agreement realised €608 million cash for the Group.

We continue to improve cost efficiency through standardising processes and leveraging shared services between our bancassurance and retail businesses.

In Spain, operating profit was £151 million (2012: £217 million), with most of the reduction from last year driven by the disposal of Aseval in April 2013. VNB was also impacted by this disposal and the continuing tough economic conditions, reducing to £33 million for the year (2012: £56 million). Cash remittances reduced to £51 million (2012: £68 million, including a one-off dividend payment).

**Italy**

In Italy we have a strong life presence and a profitable general insurance business. We have a successful bancassurance network including relationships with three of the country's top five banks.

Our Italian business made good strategic progress in 2013, exiting underperforming and non-core distribution agreements.

In November 2013, we reached an agreement to sell our entire 39% stake in Italian insurer Eurovita to JC Flowers. This is a significant step towards realising our strategy to focus on more capital efficient, profitable products.

Our product mix is well-balanced with unit-linked accounting for 37% of our total sales. We have re-priced our unit-linked and protection products to increase profitability. We have also led the market with the introduction of zero percent guarantee products.

In general insurance, significant progress has been made implementing pricing actions, exiting underperforming agencies and reducing cost. This has resulted in a significantly improved COR of 95.2% (2012: 99.8%).

During 2013, we further developed our partnership with Banco Popolare SC by launching a telematics-based motor insurance product sold through their branches.

In 2013, Italy repaid a loan to Group of €6 million and paid a dividend of €14 million. This represents a key turning point for the business which did not pay a dividend in the preceding two years.

Operating profit was stable at £169 million. For our life business VNB reduced to £15 million, particularly as lower risk-free rates impacted margins in Eurovita (which is held for sale). However, excluding Eurovita, VNB increased by £4 million in the year.

**The market in 2014**

Although still challenging, the Spanish economy has stabilised and started to show signs of improvement, with a return to positive GDP growth, falling unemployment and improving investment sentiment. Our focus remains on further improving the mix towards protection and capital efficient saving products and improving operating efficiency.

The Italian market is also expected to show early signs of recovery; economic forecasts are improving, although subject to political uncertainty.

The recent trend of general insurers adopting a more technical approach to pricing and focusing on operational efficiencies in Italy is expected to continue. We have taken pricing action in general insurance and made product changes to improve profitability. In life, customer demand for with-profit products will continue but the market is now becoming accustomed to lower/zero percent guarantee products. The protection market is expected to grow as the economy starts to recover.

**Business  
in brief:**  
*Spain and  
Italy*

**In Spain, we  
distribute through:**  
five bancassurance  
partnerships, Pelayo  
Vida, 1,000 brokers

**In Italy, we  
distribute through:**  
partnerships with  
three major banks and  
other smaller networks  
(4,400 branches),  
4,000 financial  
advisors, 600 agents  
and brokers




**4.1m**

Customers



**1,100**

Employees

 For more information on financial performance see 'Other Information – Financial and Operating Performance' in our annual report and accounts

<sup>1</sup> ICEA, Insurance Association in Spain.

Business  
in brief**We offer:**

Personal home and motor insurance, general insurance for businesses

2.6m<sup>1</sup>

Customers



3,600

Employees

**Market type****Cash generator**

Canada

For more information about market priorities, turn to page 20

# Canada

We are the second largest general insurer in Canada, providing personal and commercial insurance products.

**Greg Somerville**  
CEO, Aviva Canada

**Our strategy**

Our Canadian business is a cash generator with a strong track record of delivering cash returns to Group. This ability is founded on our absolute commitment to customers and a strong underwriting capability where our risk selection and pricing have become a source of competitive advantage. We have a focus on strengthening the performance culture and employee engagement across the business, whilst maintaining and growing strong relationships with our distribution partners.

We are entering into 2014 with good momentum underpinned by our pricing, underwriting and predictive analytics sophistication.

In 2014, we aim to improve underwriting profits and cash flow as we deliver the benefits of investments in automation. We are enhancing our claims systems for personal lines to deliver a better service for customers and this will also have significant cost benefits. Commercial lines will benefit from significant investments which will deliver improved efficiency combined with greater risk selection and pricing sophistication. Several opportunities for customer growth are being pursued. In particular our growth strategy focuses on western Canada where both the economy and population are expected to grow at rates above the Canadian average.

We continue to innovate and offer new products to meet our customers' needs. In 2014, we will launch 'Ovation' nationwide, a product targeted at higher net worth individuals, and 'Green Assure', a new insurance enhancement that enables customers to replace their damaged or destroyed property with energy efficient and environmentally-friendly alternatives.

We remain prepared to help our customers when they need us most. The 2013 Calgary and Toronto major weather events show us at our best, working for our customers and partners and highlighting the value of our service.

The Canadian insurance business, unlike many other businesses in the Group, is mostly intermediated. We sell our products through a distribution network of 1,600 independent broker partners.

We continue to work closely with our broker partners to help them integrate digital technology and faster quoting tools into their businesses. This will help enable them to address increasing customer demand for choice, simplicity and self-service.

To maintain our competitive advantage in underwriting we continue to enhance our talent programme to ensure we have the best people in place at all levels of the organisation.

We are also continuing to develop our world-class predictive analytics capabilities. Significant opportunities to improve underwriting results exist, for example by combating fraudulent claims. Fraud costs all customers and our shareholders. We are deploying sophisticated predictive tools that review claims and activity across all elements of the claims process. The potential for improved claims management and service delivery is significant and we intend to embed further these capabilities into our underwriting processes.

<sup>1</sup> This represents unique customers and not the number of people who are covered by our policies, which is considerably more.

## Full year performance

Canada		
	2013 £m	2012 £m
Cash remitted to Group	130	136
Operating capital generation	177	192
Operating profit: IFRS basis	246	277
Expenses		
Operating expenses	378	401
Integration and restructuring costs	9	11
	387	412
Combined Operating Ratio (COR)	94.6%	93.4%
IFRS profit before tax	104	245

During the year total cash remitted to Group was £130 million and this is in line with the cash remitted in 2012 on a local currency basis.

General insurance operating profit was £246 million (2012: £277 million), an 11% reduction compared with the prior year (9% reduction on a local currency basis). The reduction was driven by the impact of the severe weather events seen during 2013. The floods in Alberta and Toronto were the first and third largest insurance catastrophe loss events ever to hit the industry in Canada.

As a result there has been a 2.3 percentage point deterioration in the combined operating ratio for personal and commercial property. This was partially offset by lower expenses and when normalising catastrophe activity and excluding the two 1-in-100 year severe weather events, the COR would have been 92.3%.

Business volumes have increased during 2013, with net written premiums up 3% to £2,250 million (2012: £2,176 million, 5% growth on a local currency basis), driven by rating increases in personal and commercial property and growth in new business volumes across most lines, with particularly strong growth seen in western Canada.

“  
We are entering  
into 2014 with good  
momentum, with a focus on  
providing solutions to  
our customers.  
”

Greg Somerville  
CEO, Aviva Canada

Operating expenses were £378 million (2012: £401 million), a reduction of 6% reflecting the continued focus on expense management and the benefits of cost savings initiatives.

In October 2013 we announced the appointment of Greg Somerville as President and CEO of Aviva Canada. Greg has extensive experience in the property and casualty insurance industry and has been part of the Aviva Canada Executive Committee since 2004.

## The market in 2014

In 2014 we expect that industry premiums will grow at a low single digit rate. Overall premium growth is likely to be tempered by the proposed auto rate reductions in Ontario, as part of regulatory motor reform. We expect any potential impact on profitability from the lower rates to be largely offset by cost reduction measures and other initiatives that form part of the regulatory reform.

In personal property, we expect the current hard market conditions to continue due to severe and catastrophic weather events in recent summers which have negatively impacted the industry's results.

In commercial lines, we believe that the elevated level of catastrophes in 2013 together with improving economic conditions, particularly in the manufacturing sector, will translate into a firmer market.

We expect to see further market consolidation amongst both insurance carriers and brokers, reshaping our competition.

Distribution trends continue to point towards customers increasingly preferring self-service. This favours direct-to-customer models. The broker channel is now beginning to adapt to self-serve consumer needs whilst still offering advice and choice.

In 2014, we expect competitors to increase significantly their usage based insurance product lines such as pay-as-you-drive, an area in which we have experience. This, together with personal auto rate reductions in Ontario, will drive further marketing investment by our competitors.

Aviva is well-positioned to take advantage of the heightened competitive environment and further drive improvement in earnings and cash flow.

## Our community fund

Every year Aviva donates CAN\$1 million in funding to community projects through the Aviva Community Fund competition in Canada. Projects are invited to compete for funding and the winners are announced each January. Last year's winner was the Riehl Skatepark in Pelham, Ontario, named after Isaac Riehl, a 14 year-old boy who died after being hit by a car while skateboarding. One of his classmates applied to the fund to build a skateboard park. Aviva awarded the project CAN\$115,000 and the sum was immediately matched by local government. The park has now been built, and local children can skate in safety.

For more information on financial performance see 'Other Information – Financial and Operating Performance' in our annual report and accounts

Business  
in brief**We offer:**

Protection, savings,  
pensions, accident and  
health insurance




3m<sup>1</sup>  
Customers



1,100  
Employees

**Market type****Growth**

Asia

 For more information  
about market priorities,  
**turn to page 20**

# Asia

In Asia we are focused on growth, primarily in China and South East Asia.

**Khor Hock Seng**  
CEO, Aviva Asia

**Our strategy**

Our Asian businesses are future cash generators. Our strategy is to expand profitably into selected areas of this growing market, supporting growth in the Value of New Business (VNB), a key element of the investment thesis. We continue to review our product and distribution mix to maximise value of new business, growing in channels, product lines and locations which offer the greatest opportunities.

In order to contribute to Aviva's future growth, our primary goal is to meet the needs of customers in China and South East Asia. We want to grow our businesses in a sustainable way, over the long term.

Alongside the rapid growth of our business in Singapore and China, in January 2014, we announced plans, subject to regulatory approval, to form an equal joint venture partnership with Astra International, Indonesia's largest publicly listed company, to sell and distribute life insurance products in Indonesia. The partnership will also be the preferred life insurer for Astra's 179 affiliated companies including PermataBank<sup>2</sup>, one of Indonesia's top ten banks.

In Singapore, to complement our successful bancassurance business, we have a leading position in the financial advisory channel.

In China, to get closer to our customers, our strategy is to grow our multi-distribution channels in second and third tier cities and we are a leading foreign insurer in five of the 12 provinces in which we operate, with a presence in 54 cities.

We are making it easier and simpler for customers to come to us direct by growing and enhancing our product portfolio, for example offering convenient protection and savings products. In China we recently launched an 'all-in-one' protection product. This product makes it simpler to buy comprehensive life cover as we have bundled together benefits relating to life and critical illness into one product.

We're responding to customers' increased use of technology and providing new ways of buying our products in China and Singapore. An example of this is our travel insurance app in Singapore which allows customers to buy travel insurance on the move, for example on their way to the airport, using their mobile devices. We are one of the first insurers in Singapore to launch an online only, direct-to-consumers general insurance offering, which we continue to strengthen.

We are also servicing and approving policies faster and more efficiently by using straight-through processing technology which means information comes to us directly no matter where our customers purchased our product.

“  
We continue to review  
our product and distribution  
mix to maximise value  
of new business.  
”

**Khor Hock Seng**  
CEO, Aviva Asia

<sup>1</sup> This represents unique customers and not the number of people who are covered by our policies, which is considerably more.

<sup>2</sup> Subject to regulatory approval.

<sup>3</sup> OECD: General assessment of the current economic situation November 2013.

<sup>4</sup> Swiss Re Sigma: World insurance in 2012.

In order to deliver more to our customers we are helping our people to reach their full potential by setting clear performance goals and providing personal growth and learning opportunities. We are focused on attracting, developing and retaining key talent. We remain strongly committed to helping our people move into and across the region, building growth and knowledge from across Aviva.

### Full year performance

Asia		
	2013 £m	2012 £m
Cash remitted to Group	20	25
Operating capital generation	97	80
Operating profit: IFRS basis		
Life	96	69
General insurance & health	1	(5)
	97	64
Expenses		
Operating expenses	86	93
Integration and restructuring costs	7	4
	93	97
Value of New Business (VNB) – excluding Malaysia & Sri Lanka	91	55
Value of New Business (VNB) – total Asia	92	63
Combined Operating Ratio (COR)	108.1%	105.6%
IFRS profit before tax	98	62

Overall operating performance in Asia has been strong, with satisfactory growth in the value of new business and operating profit.

Growing VNB is the critical performance objective in Asia and we achieved 65% growth in 2013 to £91 million (2012: £55 million). Life operating profit also grew by 39% to £96 million (2012: £69 million).

Singapore and China were the main contributors to both VNB and operating profit growth. Singapore grew VNB by 52% to £64 million through a combination of sales growth across all distribution channels and a shift in product mix to protection sales.

China grew VNB by 74% to £16 million as a result of a focus on more profitable protection products and repricing action in the less profitable bancassurance and broker channels. A notable success in China was the launch of our 'all-in-one' protection product in September.

The relatively high general insurance combined operating ratio of 108.1% is due to an increase in reserves in Singapore's motor book following a change in the reserving methodology.

We have continued to strengthen our management team in Asia. In 2013 we appointed Khor Hock Seng as Chief Executive of Aviva Asia. Khor has over 30 years' experience of the Asian insurance market and has the requisite market and cultural knowledge that is critical to success in the region. During the year we also appointed a highly experienced human resources director, Margaret Chiu; Ken Rappold will be joining us shortly as our Asia Regional CFO; and we have appointed Trang Nguyen Ngoc as CEO of our Vietnamese business.

### The market in 2014

South East Asia and China are expected to deliver relatively good GDP growth in 2014<sup>3</sup>. Importantly, life insurance penetration remains low in these markets, ranging from 0.6% in Vietnam to 4.4% in Singapore<sup>4</sup>, and we expect this to increase over the coming years.

The combination of favourable demographic trends, low insurance penetration and the region's rapidly expanding middle class makes Asia attractive to life insurance companies.

China is currently the fourth largest life insurance market in the world, and is expected to overtake Japan as Asia's largest market in the next decade<sup>4</sup>. Singapore has recently been growing at an average annual growth rate of 15% for new business<sup>5</sup>.

Indonesia is one of the world's fastest growing life insurance markets with a population of 245 million, making it the fourth largest population in the world<sup>6</sup>. It also has low insurance penetration and a growing consumer class.

The regulatory landscape continues to evolve with a focus on risk and solvency management as well as greater interest in sales practices. All international insurers, like Aviva, benefit from being able to draw on their experience of other regulatory environments around the world to respond effectively.

Taken together, these trends underline the attractiveness of holding selective positions in Asia, where significant growth over the long term is possible.

## Street to school programme

Aviva Asia takes its responsibilities to society very seriously and supports some of the region's most vulnerable citizens – street-connected children. This year the Asian business helped over 130,000 children and our employees and customers dedicated over 15,000 hours of work to voluntary projects for Aviva's Street to School programme. Over the year we entered into new community projects in Indonesia to help street children in Jakarta, held an awareness campaign on the plight of left-behind children in China and hosted a round table with the United Nations in Singapore on the rights of street children in South East Asia, to name just a few of our initiatives.

For more information on financial performance see 'Other Information – Financial and Operating Performance' in our annual report and accounts

4 Swiss Re Sigma No 3/2013, Swiss Re Asian Insurance Outlook March 2013.

5 Life Insurance Association, Singapore, 2009-2012.

6 World Development Indicators, The World Bank.

Business  
in brief

800

Institutional investors



900

Employees



£241bn

Assets under  
management

## Market type

## Turnaround

Aviva Investors

For more information on financial performance see 'Other Information – Financial and Operating Performance' in our annual report and accounts

For more information about market priorities, turn to page 20

# Aviva Investors

We are Aviva's investment management business, managing funds for Aviva and external clients. We have £241 billion of assets under management.

**Euan Munro**  
CEO, Aviva Investors



## Our strategy

We aim to increase our contribution to the Group by capitalising on our expertise managing Aviva's own funds to become a strong third-party manager. We are focused on capabilities and propositions that build on our experience in managing long-term savings. This includes our expertise in fixed income, real estate, and multi-asset funds.

In January 2014 Euan Munro joined as chief executive. Euan brings substantial expertise in fixed income and multi-asset investing. In the latter area of investing he gained his reputation as the architect and principal manager of the UK's largest absolute return fund. His appointment underlines our commitment to growing our asset management business.

During 2013 we reviewed our strategy with a view to building a stronger, more profitable business with increased third-party business. At the heart of this is a focus on offering investment propositions which deliver predictable returns with low volatility. Future success will be driven by serving Aviva customers and external clients even better, and sharpening the performance of the business.

Aviva Investors will use its existing global, multi-channel distribution network to promote investment strategies and capabilities identified during the strategic review.

## Full year performance

Aviva Investors		
	2013 £m	2012 £m
Cash remitted to Group	14	15
Operating capital generation	23	7
Aviva Investors: Operating profit, IFRS basis		
Fund management	68	39
Long-term insurance and savings business – Pooled Pensions	2	3
Other operations – client compensation costs	(96)	—
	(26)	42
Expenses		
Operating expenses	290	306
Integration and restructuring costs	41	33
	331	339
IFRS (loss)/profit before tax	(89)	2

In 2013 we paid a dividend to Group of £14 million (2012: £15 million). Aviva Investors fund management operating profit was £68 million (2012: £39 million) driven by higher revenues reflecting positive market movements and performance fees together with reduced operating expenses as a result of cost savings initiatives.

In 2013, we identified some breaches of the dealing policy which occurred between 2006 and 2012. The relevant regulatory authorities were notified. A thorough review of internal control processes relating to the trading activities has been carried out.

There is a total adverse impact on Aviva Investors operating profit from this activity of £96 million, reflecting the compensation expected to be claimed in respect of these breaches and associated costs.

## The market in 2014

We are operating in a low interest rate environment and investor risk appetite is slowly returning. However, institutional investor risk appetite is likely to remain subdued. This is due to regulatory factors, giving us the opportunity to help clients achieve more predictable returns with limited risk.

**SouthGate shopping centre**  
*Bath, United Kingdom*

Aviva Investors was the principal investor in the regeneration of an unloved part of the city of Bath, a World Heritage site. The 460,000 sq ft shopping area with 99 residential apartments was designed with environmental sustainability in mind, from conception through to design, planning and construction. Flagged with the distinctive local stone, it is the first major city centre development in Bath since the 1970s. Chris Paterson, real estate fund manager at Aviva Investors, says: "We've created a legacy for Bath in this sustainable, long-term investment. The design complements the city's historic architecture and will stand the test of time, so we won't have to create carbon waste by continually redeveloping it to keep it contemporary."



Key statistics  
in 2013

£8.3bn

Economic capital<sup>1</sup>  
surplus  
(2012: £5.3bn)

182%

Economic capital  
cover ratio  
(2012: 147%)

## Our risks

Our focus on three core business lines with scale – life, general insurance and asset management – means we have chosen to accept and manage the risks inherent to these lines of business.

We achieve significant diversification of risk through our scale, our multi-product offering to customers, the differing countries we choose to operate in and through the different distribution channels we use to sell products to our customers.

Our business is about protecting our customers from the impact of risk. We receive premiums which we invest in order to maximise risk adjusted returns, so that we can fulfil our promises to customers while providing a return to our shareholders. In doing so, we accept the risks set out below.

Risks **customers**  
transfer to us**General insurance risk:**

Includes risks arising from loss events (fire, flooding, windstorms, accidents etc.) covered under the policies we underwrite.

**Life insurance risk:** Includes longevity risk (annuitants living longer than we expect), mortality risk (customers with life protection dying), expense risk (cost to service contracts) and persistency risk (customers not renewing their policies).

Some of our life and savings products provide guaranteed minimum investment returns to customers. As a result we accept from them investment type risks such as **credit** and **market risk** in order to offer upside potential but providing them with protection against the downside.

Risks arising  
through our  
**investments**

Uncertain returns on our investments as a result of **credit risk** (actual defaults and market expectation of defaults) and **market risks** (resulting from fluctuations in asset values, including equity prices, property prices, foreign exchange rates and interest rates) affect our ability to fund our promises to customers and other creditors, as well as pay a return to our shareholders.

**Liquidity risk** is the risk of not being able to make payments as they become due because there are insufficient assets in cash form. The relatively illiquid nature of insurance liabilities is a potential source of additional investment return, by allowing us to invest in higher yielding, but less liquid, assets.

Risks arising from  
our **operations** and  
other business risks

**Operational risk** is the risk of direct or indirect loss, arising from inadequate or failed internal processes, people and systems, or external events including changes in the regulatory environment.

Such operational failures may adversely impact our **reputation** with the public, customers, agents and regulators, and impair our ability to attract new business.

**Asset management risk** is the risk of customers redeeming funds, not investing with us or switching funds, resulting in reduced fee income. We manage funds on behalf of our customers, so they do not have to manage the credit, market and operational risks themselves.

<sup>1</sup> The economic surplus represents an estimated unaudited position. The capital requirement is based on Aviva's own internal assessment and capital management policies, measuring the amount of economic capital at risk in a 1-in-200 year loss event over a one year time horizon. The term 'economic capital' does not imply capital as required by regulators or other third parties.

## How we manage our risks

Our core expertise is understanding and managing these risks, so that we can competitively price our products, deliver on our promises to customers and provide sustainable earnings growth to our shareholders.

We manage risk through our choice of business strategy, underpinned by our business culture and values, continuously seeking to identify opportunities to maximise risk-adjusted returns. Rigorous and consistent risk management is embedded across the Group through our risk management framework, comprising:

- **Our risk appetite:** The risks that we select in pursuit of return, the risks that we accept but seek to minimise and the risks we seek to avoid or transfer, including quantitative expressions of the level of risk we can support (e.g. the amount of capital we are prepared to put at risk)
- **Our risk governance:** Includes risk policies and business standards, risk oversight committees and roles and responsibilities
- **Our processes:** The processes we use to identify, measure, manage, monitor and report risks, including the use of our risk models, and stress and scenario testing.

### How we manage our risks



Line management in the business is accountable for risk management, which together with the risk function and internal audit form our 'three lines of defence' of risk management.

Having identified and measured the risks of our business, depending on our risk appetite, we either accept these risks or take action to reduce, transfer or mitigate them.

## Top risks ranked by economic capital at risk

Ranked according to the amount of economic capital at risk in a 1-in-200 year loss event over a one year time horizon; the three most significant

types of risk affecting our current in-force business and investments are **credit, longevity and equity**.

Our appetite is to retain most of our exposure to these risks due to the better risk-adjusted returns we expect to earn compared to accepting other risks, and our expertise in managing them.

This appetite is supported in part by our belief that longevity risk diversifies well against other risks we retain (i.e. has little or no correlation). While assuming credit risk enables us to take advantage of the structural investment advantages enjoyed by insurers with long-dated, relatively illiquid liabilities to earn superior investment returns.

We manage credit and equity risk through rigorous research and analysis at the point of investment, and continuous monitoring of our exposures and setting investment limits to our exposure by asset class, counterparty, geography, sector and other pre-established risk criteria, such as credit rating. We monitor longevity risk against the latest external industry data and emerging trends.

While we have appetite for our top three risks by type, we transfer or mitigate specific risks within these categories, where the risk-adjusted returns are insufficient or where we believe that we have excess exposure. Specific risk transfer and mitigation solutions which we employ to manage these and other risks include:

- Reinsurance, to transfer insurance risks including longevity risk
- Derivatives, to hedge equity, credit and other risks
- Collateral requirements, to mitigate credit risk
- Business disposals.

## Emerging risks

We also manage and monitor risks which may impact our ability to write profitable new business over the longer term. For example, such risks include:

- **Climate change:** potentially resulting in higher than expected weather related claims and inaccurate pricing of general insurance risk
- **New technologies:** failure to understand and react to the impact of new technology and its effect on customer behaviour and how we distribute products could potentially result in our business model becoming obsolete
- **Regulatory change:** our businesses face considerable regulatory change as a result of Solvency II, our designation by the Financial Stability Board as a Global Systemically Important Insurer (G-SII) and developments in conduct regulation, which will affect how much capital we hold, how we operate and how we sell and distribute our products.

## US disposal – bolstering our financial strength and reducing our credit and interest rate risk exposure

In October 2013 we successfully disposed of our US Life business, resulting in an increase in the Group's economic capital surplus coverage ratio by 19 percentage points (or the economic capital surplus by approximately £1.2 billion). The sale reduced the Group's exposure to credit and interest rate risk, and also reduced the sensitivity of the Group's economic capital results to credit spread movements.

The disposal means the Group is now within its risk appetite for total required economic capital and credit risk.

Read about how we address the risks of climate change through our corporate responsibility programmes **overleaf**

Read about how we address the risks and the opportunities presented by new technologies through our strategic framework on **page 19**

## Our wider impact

Key statistics  
in 2013



200,000

People impacted  
through our carbon  
offset programmes  
across the globe



We are the only  
insurer listed in the  
Global Compact  
100 Index



FTSE4Good

We are one of  
the top global  
organisations in  
the FTSE4Good

# Our wider impact

In the following section, we describe our strategy in relation to our employees, the environment, climate change, as well as social, community and human rights issues.

## People

### Achievement

Recognising exceptional performance and rewarding outcomes; providing clarity and enabling accountability through the way we structure the organisation and the way we operate.



### Potential

Inspiring our people to dream more, learn more, do more and become more; recognising that our performance is improved by embracing people who think and act differently.



### Collaboration

Inviting challenge and asking fierce questions with the right intent; winning together by readily adopting good ideas from others; enabling conversations that are transparent and engaging regardless of hierarchy.



## Corporate responsibility

### Environment and climate change

Controlling our impacts and influencing the actions of others; creating quantifiable positive environmental change with financial and social benefits.



### Trust and transparency

Strengthening Aviva's ethical practice and reputation, clearly demonstrating our sustainability.



### Community development

Acting responsibly in our communities, extending our positive impact through insight, expertise and partnership.



Our people thesis and corporate responsibility (CR) strategy ensure that we meet our commitments to the issues which are material to our employees, the environment, and the communities in which we operate.

As the transformation of Aviva continues, we are focused on maximising our contribution to society while improving financial performance and building resilience.



You can read more about our approach at  
[www.aviva.com/2013cr](http://www.aviva.com/2013cr)

## Our people

Being a responsible business is a vital differentiator. We want to recognise exceptional performance in our people and invite collaboration – key components of our people thesis. Building our leadership capability is critical to achieving this.

Organisational change has had a significant impact on our people. Engaging them is a priority for rebuilding pride.

We focus on attracting the best talent and making the most of their potential. We understand people need to be recognised and appreciated, so we encourage our employees to tell us how we're doing, through regular dialogue and our annual Employee Promise Survey (EPS). Our commitment to ensuring consistency in our people management is reflected in our business standard.

## Values-based culture

In 2013 we challenged ourselves to ensure we have the right values as a company in light of the environment in which we operate, the culture which we wish to nurture and our strategic priorities. Following extensive consultation with our employees across all levels of the organisation in November 2013, we introduced four new values with associated behaviours as part of our people thesis: care more, kill complexity, never rest, create legacy.

Our values will be reinforced throughout the organisation, not only through demonstration by our leaders, but also by their integration into key internal processes, such as performance management. The desired culture will be further enabled through the development of our internal communication channels, to provide employees with effective ways to enter into dialogue about the things that are most important to them.

## Learning and development

In 2013, we focused on supporting our leaders at transition points in their career, so 15% of our senior leaders enrolled in our new Leadership Transitions programme with the Saïd Business School, University of Oxford.

Ireland, Canada, Singapore and the UK now use a common Learning Management System. This enables 20,000 employees to access shared learning materials and create and track personal development plans online.

## Attracting talent

We take a long-term view of the people we need to meet our future priorities and assess individuals' performance and long-term potential.

We consider our apprenticeship programme in the UK to be a credible alternative to higher education. We better aligned our recruitment advertising to the university application calendar and local schools outreach programmes. A further 17 apprentices joined our programme this year.

## Diversity

We aim for a culture which respects difference and recognises individuality. We support people who think and act differently which is essential to reaching our full potential.

Women make up 51% of our employees globally. We still have some way to go to reflect that in our senior management. In 2013, the percentage of women in senior management remains at 21%, 21% of our Group Executive, and 18% of the Board were women. We're committed to achieving 25% female Board membership by the end of 2015.

In 2013, 75% of employees reported that we are an organisation where people from diverse backgrounds can succeed. We are the only insurer in the 2014 Stonewall Workplace Equality Index which benchmarks Britain's most gay-friendly employers.

It is important that we appoint the most appropriate person for the job and that opportunities for development and promotion are available to everyone. Full and fair consideration is given to applications for employment by disabled persons. We are committed to supporting employees who become disabled during their employment including any adaptations to their working life and providing suitable training. All employees are encouraged to agree a training plan with their manager to help them achieve their career goals. Our fairness and equality policies ensure that all employees adhere to these principles.

## Employee engagement

Our annual engagement survey helps us to understand our people and identify where we can do more. This year it told us our employees understand our vision, what is expected of them (93%), and they feel safe to speak up and challenge the way we do things. In 2013, we saw the biggest decline in pride in working at Aviva following a period of restructuring and job losses. There was also a clear request for opportunities to grow and develop their careers.

People managers are required to have honest conversations with their teams about their results, and work together to prioritise areas of focus. Aviva's senior executives have an objective focused on taking action against the EPS results to improve engagement and enablement, and



## Living wage

We are proud to be a partner of the Living Wage Foundation. We've been a London Living Wage (LLW) employer since 2005 and, in 2013, we became an accredited London Living Wage employer. For the rest of the UK, our minimum pay for direct staff exceeds the UK national living wage. We are discussing payment of the Living Wage for onsite contractors with our suppliers, following the value the LLW has brought to our contracted relationships in London.

## Climate-resilient communities

We believe in a more joined-up approach to help build resilience against climate change.

Aviva has supported a series of 'Building Climate Resilience in Cities' workshops. Insurance industry leaders and city stakeholders in Boston, San Diego and Toronto came together to identify opportunities to collaborate and build the resilience of their cities. Key headlines:

- Increasing the resilience of physical infrastructure is a priority
- District level collaboration can be more effective than action at an asset level
- Resilience ratings could help assess and recognise improvements made by stakeholders
- This combination of activities could preserve and enhance the insurability of assets.

In 2013, Aviva France launched a partnership with the Red Cross to improve community resilience to natural disasters. The project educates people and professional bodies on how to rebuild and work together after a natural disaster, such as a flood.

spend time hosting 'town halls' where they share their response to the results and commit to actions they will take as an executive. To support conversations with employees about changes in the business, we have employee consultative forums in both the UK and Europe.

Employee involvement in business performance is encouraged through a number of share plans including Save As You Earn, share matching plan and share awards are given as a long-term incentive for some senior managers.

## Safety and wellbeing

We provide a safe and healthy environment for all our employees, contractors and people on our premises. This is reflected in our health and safety business standard. We aim to provide a supportive working culture and we encourage a healthy work/life balance. We operate flexible working practices including career break options and employee assistance programmes.

## Environment and climate change

We judge the importance of environmental issues based on the impact on our customers, on direct and indirect business impacts and stakeholder concerns. Climate change is society's most pressing environmental challenge. We have a commercial interest in making sure certain risks don't become uninsurable and in understanding the potential long-term impacts on our investments.

Extreme weather events pose a serious risk to our business, with the potential for fluctuations in claims and challenges to risk pricing. We are using our expertise as insurers, such as our knowledge of historical weather events and cutting-edge predictive modelling to map future scenarios, reducing the risk to our business and our customers. For example, Canada suffered two 1-in-100 year flood events within two months of each other in 2013. Due to our effective risk management approach, in these cases we were able to pay customer claims, deliver great service and still make a profit in our insurance business.

Our strategy to mitigate impacts on climate change includes improving energy efficiency, investing in the low-carbon economy and understanding our indirect impacts as an asset owner. We are building environmental considerations into our products, such as Aviva Canada's new Green Assure which offers more environmentally responsible replacements to damaged or destroyed property.

## Controlling our impact

We publish annual Group performance data for CO<sub>2</sub>e emissions, waste and water consumption. Our carbon footprint boundaries identify the scope of the data we monitor and the emissions we offset. We also use Accounting for Sustainability's connected reporting framework.

**Aviva plc – Global greenhouse gas emissions data from 1 January 2013 to 31 December 2013**

Tonnes CO <sub>2</sub> e	2013	2012	2011
Scope 1	<b>21,787</b>	23,849	44,471
Scope 2	<b>56,842</b>	75,733	97,988
Scope 3	<b>37,260</b>	26,920	22,655
Absolute CO <sub>2</sub> footprint	<b>115,889*</b>	126,502*	165,115
CO <sub>2</sub> e tonnes per employee	<b>3.1</b>	2.9	4.6
CO <sub>2</sub> e tonnes per £m GWP	<b>5.26</b>	5.56	6.28
Carbon offsetting **	<b>(115,889)</b>	(132,827)	(173,371)
<b>Total net emissions</b>	<b>0</b>	<b>(6,325)</b>	<b>(8,256)</b>

Scope 1 – operational emissions from owned sources eg. gas, vehicle fleet as part of product/service.

Scope 2 – operational emission from non-owned sources eg. electricity.

Scope 3 – business activity emissions from non-owned sources – eg. business travel.

\*Limited assurance provided by PricewaterhouseCoopers LLP.

\*\* carbon offsetting through the acquisition and surrender of emissions units on the voluntary market.

We report on all of the Greenhouse Gas (GHG) emission sources on a carbon dioxide emissions equivalents (CO<sub>2</sub>e) required under the Companies Act 2006 (Strategic Report and Directors' Reports) 2013 Regulations, which are material to our business operations. We report our emissions using the operational control approach as defined by our organisational boundary. We do not have responsibility for any emission sources that are not included in our business operations or included in our carbon footprint boundaries.

Our reporting follows the GHG Protocol Corporate Accounting and Reporting Standard, and emission factors from UK Government's GHG Conversion Factors for Company Reporting 2013.

We have used the two most appropriate intensity measures to our business CO<sub>2</sub>e per employee and CO<sub>2</sub>e per £ million GWP which are expressed in the table above.

Aviva has also reported on its Scope 3 emissions which goes beyond the requirements of the 2013 Regulations.

We purchase 48% of our electricity from renewable sources round the world. However, the UK Government conversion factors require that the CO<sub>2</sub>e element of UK renewable electricity should be reported as grid average. For our unavoidable remaining carbon emissions we offset these to the value of 100% through the acquisition and surrender of emission units on the voluntary carbon market (VERs).

**Controlling our impacts:  
Aviva's carbon footprint boundaries**

Covering 100% employees

Reporting and offsetting

**Scope 1 – Aviva controls directly**

Greenhouse gases emitted directly from activities Aviva owns or part-owns



Gas



Fugitive emissions\*



Company car fleet

**Scope 2 – Aviva controls indirectly**

Greenhouse gases emitted indirectly from consumption of purchased electricity, heat or steam



Electricity

**Scope 3 – Aviva influences**

Greenhouse gases emitted indirectly from all other sources



All air travel



Rail travel



Grey fleet\*\*



Outsourced data centres, electricity



Waste



Water



Rental cars

\* Greenhouse gas leaks from air-conditioning systems.

\*\* Personal business mileage.

We are liable under the CRC Energy Efficiency Scheme. The boundaries of measurement and reporting differ from our global operations emissions, being restricted to the UK businesses emissions from building energy and including the property portfolio of our investment funds managed by Aviva Investors. Our annual CRC Report 2012–13 showed total emissions of 108,013 tonnes which cost £1,296 million in the purchase of Government allowances.

Our target is to cut CO<sub>2</sub>e emissions by 20% between 2010 and 2020. We aim for a 5% year-on-year reduction. In 2013, we cut our emissions by 7.5% compared with 2012, and we've achieved a 12% reduction since 2010.

In 2013, for the first time, we have been able to measure the additional benefits our carbon offset have had on local communities. Two such projects have positively impacted the lives of more than 200,000 people.

**Trust and transparency**

As a long-term business with long-term commitments, we create legacy through the jobs we create, the products and services we offer, and our investment in community infrastructure. We are focusing on making our products, services and expertise more beneficial and accessible.

Our general insurance philosophy rules out insuring certain business sectors on ethical and risk grounds – such as tobacco, arms and munitions, and GM crops.

Trust is a vital issue for our industry and we are committed to simplifying every aspect of how we deal with customers and making sure our communications with them are straightforward and transparent. This commitment is reflected in our customer thesis and business standard.

We uphold the highest standards in managing our business and this commitment is set out in our business ethics code. In 2013, 95% of Aviva employees agreed to abide by the code (2012: 88%). We aim for 100%, with a 5% variation allowed for employees on long-term leave etc.

**Financial crime**

Financial crime including insurance fraud costs the insurance industry billions of pounds every year. This increases costs to customers industry-wide. It's our responsibility to manage the risks of financial crime so these extra costs are not incurred by the customer. Our financial crime business standard ensures we manage the risks to our global business and customers. Our employees receive training on financial crime prevention including anti-money laundering and fraud.

Should a breach of policy occur, our global confidential malpractice reporting service allows employees to report by email, via the internet or in our larger businesses, over the telephone. All cases are referred for independent investigation. In 2013, 27 cases reached conclusion and four cases remain under investigation.

There has been no material litigation arising from cases reported through our malpractice reporting service in 2013.

**Access to insurance**

We increase our social and economic impact by promoting access to insurance for all areas of society. We invest in social housing and help low-income households access affordable home contents insurance.

We launched a new flexible insurance solution for learner drivers in 2013 in the UK. Dayinsure Learner provides short-term cover from just one day up to three months to allow provisional licence holders to access affordable insurance.

As the largest private micro-insurer on the Indian sub-continent, Aviva provides low-cost insurance policies which cover the lives, health, crops and property of people on low incomes for less than £2 a year.

**Going further  
with our critical  
illness cover**

Over the last five years, we have paid out more than £2.2 million in critical illness claims to customers who didn't realise they could claim under their policies. We identified the claims when customers contacted us to make changes to existing policies or to apply for a new insurance plan.

In 2013, we radically expanded our critical illness cover for new customers to ensure as many cases as possible will be paid. Our cover includes 57 conditions. We also extended the scope under which people will qualify for three of the five most claimed for conditions: multiple sclerosis, stroke and heart attack.

In 2013, we paid out more than 99.2% of critical illness claims.



You can read more about our approach at  
[www.aviva.com/2013cr](http://www.aviva.com/2013cr)



# £500m

Immediate allocation of £500 million in the UK's economic growth plan as part of the insurance industry's commitment of £25 billion to infrastructure investment



# £28m

Over £28 million for student accommodation in York



# £3m

£3 million for a new medical centre in Salford



# £32m

£32 million to help build 11 new fire stations

## Leading responsible investment

As a founding signatory to the UN Principles for Responsible Investment, we believe that companies conducting their business in a sustainable and responsible manner are more likely to succeed. Our dedicated Global Responsible Investment team at Aviva Investors is on-hand to work with fund managers and analysts globally and across all asset classes, to help them integrate environmental, social and corporate governance (ESG) issues into our investment decision-making and analysis, to deliver long-term shareholder value for our clients.

Over 20 years, we have developed a deep understanding of the conflicts, barriers and challenges to good governance. We believe such experience and insight are crucial in identifying and addressing risks and opportunities within our clients' portfolios. We have a strong commitment to international standards and principles of good governance, such as the UK Stewardship Code and International Corporate Governance Network Principles. Our corporate governance and corporate responsibility voting policy outlines our approach and expectation of companies. Where we withhold support for a company, we engage with them to help them address our concerns.

In 2013, Aviva Investors was recognised at the Sustainable City Awards convened by the City of London Corporation, winning the Leadership in Sustainability Award.

## Promoting low carbon

Aviva Investors is targeting long-term profitability with a reduced risk appetite by investing in low-carbon economy infrastructure projects. In 2013, key acquisitions included:

- a 12.3 megawatt portfolio of residential photovoltaic systems, which convert sunlight directly into electricity, installed on 4,000 UK domestic houses
- an 8.6 megawatt portfolio of residential solar photovoltaic systems installed on over 3,000 properties across the UK.

We are funding one of the UK's largest NHS energy centres with the UK Green Investment Bank, a UK Government initiative which aims to accelerate the transition to a green economy. This will provide around £36 million for a new energy innovation centre at Addenbrooke's Hospital in Cambridge.

In the UK investment property portfolio, we aim to have energy performance certificates in place for our entire real estate portfolio by 2018.

## Leading public debate

We take a leadership role in tackling the big social issues relating to our sector through research and open debate with consumers, industry bodies, Government and other stakeholders. In 2013, we carried out our 10th Customer Attitudes Survey, in 13 countries, and we have surveyed more than 250,000 people since 2004 when the survey first started. The three greatest concerns facing people and their finances include: unexpected expenses, significant increases in the price of basic necessities, and serious illness. We also conduct other studies:

- Our Family Finances Report looks into the financial experiences of different family types
- Our biannual Small and Medium Enterprise (SME) Pulse identifies the trends and challenges facing small business owners
- Aviva Spain's Savings and Pensions Institute encourages consumers to save more for their future.

## Human rights

Respect for human rights should go beyond policy setting. It has to become part of the culture and decision-making ethos of an organisation. Aviva is committed to upholding globally accepted human rights principles reflected in standards and other instruments including:

- United Nations Universal Declaration of Human Rights (UNUDHR)
- United Nations Guiding Principles for Business and Human Rights
- International Labour Organisation (ILO) core labour standards
- United Nations Global Compact LEAD
- UN Women's Empowerment Principles
- UNICEF, Global Compact and Save the Children 'Business and Child Rights Principles'.

During 2013, we refreshed our human rights policy in light of the UN Guiding Principles for Business and Human Rights. Our due diligence and risk assessments have shown that our most material human rights risks relate to the five stakeholder groups shown on the next page.

## Community development

Aviva has a rich legacy of community investment. By focusing on the issues that matter most to our customers and those that are most closely aligned to our expertise, we will maximise the value of our investment. This year our community development contribution was £6.2 million, a reduction of £4.8 million due to divestments and reshaping our community investment agenda in the UK.

## Human rights stakeholder groups

**Employees:** We manage our risks by delivering on our commitment to respecting and promoting fair reward, diversity and inclusion, equal opportunities, labour relations and freedom of association.



**Supply chain:** We request suppliers disclose their human rights policies and engage with them where necessary to address any concerns. Our procurement contracts require suppliers to commit to ILO core labour standards and uphold the universal declaration of human rights.



**Customers:** Our business ethics code requires us to conduct business in a way which respects human rights. This includes being clear in our communications, ensuring accessibility to our expert staff and privacy of their data.



**Community:** Our corporate responsibility, climate change and environment practices are aligned to the UNUDHR, ILO core labour standards and UN Global Compact principles.



**Investment:** We embed the Principles of Responsible Investment across all asset classes. Where human rights risks are identified in our holdings, we engage with companies to address our concerns. We do not invest in companies which manufacture cluster munitions.



## Employee involvement

75% of Aviva employees agree we do a good job of contributing to communities. We encourage all our employees to take up to three days of paid volunteering leave a year. As well as contributing towards our community targets, this improves the motivation, wellbeing and skills-base of our people.

In 2013, 27% of employees volunteered time equivalent to 41,223 hours (2012: 56,357). We are continuing to roll out our new volunteering strategy and system which prioritises skills-based volunteering to improve these figures. It was launched in 2012 in the UK, where we have now achieved 58% skills and leadership-based volunteering.

We are proud to have achieved the UK Government's payroll giving Gold Standard award. In 2013, 27% of employees made financial donations through payroll giving (2012: 28%) totalling £536,639.

## Street to School

We launched Street to School in 2009. It now operates in 17 countries and has helped over 800,000 street-connected children.

The third International Day for Street Children took place in April 2013 to raise awareness of the global issue. Since 2011, the number of countries participating has grown from 30 to 128.

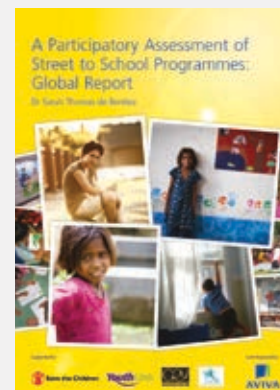
In December 2013, we held a round table in Singapore in partnership with the UN Office of the High Commissioner for Human Rights (OHCHR) and the Consortium for Street Children.

The round table brought together Government representatives with UN agencies, academia and business, to discuss issues related to the rights of street-connected children. The round table discussion was a recommendation of the 2012 OHCHR report on street children, supported by Aviva.

## Oxfam 365

Aviva supports global emergency relief charity Oxfam 365, which provides immediate help to communities suffering life trauma, such as the devastation caused in the Philippines by Typhoon Haiyan. In 2013, our contribution to Oxfam 365 exceeded £1 million.

## PASSPORT 2012



PASSPORT 2012 was the first global study to include the views of children involved in the Street to School programme. They were positive about the benefits they have received, including improved wellbeing and better future prospects.

The report made a number of key recommendations for practitioners and stakeholders involved in supporting young people under similar circumstances.



You can read more about our approach at  
[www.aviva.com/2013cr](http://www.aviva.com/2013cr)



## Ocado

*Hatfield, United Kingdom*

Grocery delivery service Ocado minimises its insurance costs and reduces risk by putting video cameras in its delivery vans. The cameras, triggered by an accelerometer or the driver, film the road ahead and the driver, and were an important consideration when the company agreed its insurance cover with Aviva. The van-cams speed up liability decisions, which helps Ocado to control costs. They have also helped to combat 'crash for cash' incidents, in which fraudsters cause road accidents to make insurance claims – even leading to a successful prosecution. "The cameras encourage safer driving, which reduces our accident rate and they are great for training" says trainer, Steve Grant.

A man in a dark suit and white shirt is sitting on a tufted beige sofa in a cafe. He is looking towards the camera while his hands are on a laptop. The table in front of him has a glass of red juice, a small plate with pastries, and a small potted plant. To his right, another table has two glasses of juice. The background features a large yellow screen held by black stands, and the floor is made of diamond-shaped wooden tiles.

### **Mehmet Ozdemir**

*Istanbul, Turkey*

Mehmet was involved in a serious car accident and spent over two months in intensive care. He suffered serious head injuries, and is now blind and partially deaf. Before the accident Mehmet had taken out an Aviva credit-linked life insurance policy to support a loan. This policy paid for his recuperation and allowed him to take time to recover and plan for the future, without the worry of putting financial pressure on his family. Losing his sight has meant making changes to many aspects of Mehmet's life, including having to install specialist software on the laptop computer from which he is rarely parted. "To be frank, I never really believed in things like insurance before, but Aviva proved me wrong," he says.

# Board of directors

We have a strong, experienced and diverse Board with a good balance of skills.



**Front** (left to right): Sir Adrian Montague CBE, Mark Wilson, John McFarlane, Patrick Regan

**Back** (left to right): Glyn Barker, Gay Huey Evans, Michael Hawker AM, Patricia Cross, Michael Mire, Bob Stein, Scott Wheway

**11** Read the Chairman's governance letter for committee information, **turn to page 62**

**John McFarlane**

Chairman

*b. 1947*

John was appointed to the Board in September 2011 and became Chairman on 1 July 2012. He chairs the Nomination Committee.

He has recently been appointed Chairman of FirstGroup plc (transport operator), and is a Non-Executive Director of Westfield Holdings Ltd (retail mall developer and operator) and Old Oak Holdings Ltd (financial holding company).

Previously, John was Chief Executive Officer of Australia and New Zealand Banking Group Ltd (banking), Executive Director at Standard Chartered plc (banking), Managing Director of Citicorp Investment Bank Ltd and later head of Citicorp and Citibank in the UK and Ireland (banking).

Formerly a Non-Executive Director of National Westminster Bank plc (banking), The Royal Bank of Scotland Group plc (banking), the London Stock Exchange and Capital Radio plc (media). He was also a Non-Executive Director of the Securities Association (UK securities regulator), the Auditing Practices Board (auditing regulator) and the Business Council of Australia.

He has extensive experience in banking, including investment, corporate and retail banking, and in general management, insurance, strategy, risk and cultural change.

**Mark Wilson**

Group Chief Executive Officer

*b. 1966*

Mark joined the Board in December 2012 and became Group Chief Executive Officer on 1 January 2013.

He was formerly Chief Executive Officer and President of AIA Group (insurance) which he repositioned into the leading pan-Asian insurance company, improved its market valuation and successfully navigated the company through the global financial crisis and prepared it for an IPO. The company emerged as a stronger and significantly more valuable independent entity, leading to the largest IPO in corporate history in Hong Kong.

Mark was previously Chief Executive Officer of AXA China and Chief Executive Officer of AXA South East Asia (insurance). He also held a number of senior management positions at National Mutual (insurance) in New Zealand, where he progressed through many of the major business functions, gaining a deep and broad knowledge of the business.

Mark has over 25 years of operational and executive experience in the insurance industry across life assurance, general insurance and asset management, in both mature and growth markets. He has extensive experience of leading major international insurance companies and has an excellent track record as a focused and inspirational business leader.

**Patrick Regan**

Chief Financial Officer

*b. 1966*

Patrick joined the Board in February 2010 as Chief Financial Officer.

He is currently a member of the supervisory board of Delta Lloyd NV (insurance) which was formerly an associate company of Aviva plc.

Prior to joining Aviva, Patrick had been Group Chief Financial Officer and Chief Operating Officer at Willis Group (insurance). He was also Chairman of Willis Capital Markets and Advisory, the investment banking business which he established.

Patrick was also Group Financial Controller at Royal & Sun Alliance plc (insurance), and finance and claims director for UK general insurance at AXA SA (insurance). He began his career in General Electric Capital (financial services), and at Grant Thornton (professional services).

Patrick has extensive global experience in various executive functions within the insurance industry. He has been instrumental in improving the Group's financial strength, resilience and performance against the backdrop of a challenging macroeconomic and regulatory environment.

Patrick resigned on 22 January 2014 and will step down from the Board and leave the Group before the AGM.

**Sir Adrian Montague, CBE**

Senior Independent Director

*b. 1948*

Sir Adrian was appointed to the Board in January 2013 and became Senior Independent Director in May 2013.

He is a member of the Audit, Governance and Nomination Committees.

He is currently Chairman of 3i Group plc (private equity), Anglian Water Group Ltd (utilities) and The Point of Care Foundation (charity) and a non-executive director of Skanska AB (construction) and Cellmark Holdings AB (forest products).

He was formerly Chairman of Friends Provident plc (life insurance), British Energy Group plc (utilities), Michael Page International plc (recruitment), and Cross London Rail Links Ltd (Crossrail) and was formerly Deputy Chairman of Network Rail Ltd (railway network provider), Partnerships UK plc (public private partnership) and UK Green Investment Bank plc (investment bank).

He was also previously Chief Executive of the Treasury Taskforce and a trustee of Historic Royal Palaces.

Sir Adrian has significant experience in the financial services industry and in government and regulatory circles.

He is a qualified solicitor and was formerly a partner at Linklaters & Paines.

**Glyn Barker**

Independent Non-Executive Director

*b. 1953*

Glyn was appointed to the Board in February 2012 and is Chairman of the Audit Committee and a member of the Risk and Nomination Committees.

He is currently Chairman of Irwin Mitchell (law firm), a Non-Executive Director of Transocean Limited (offshore drilling), Berkeley Group Holdings plc (construction) and a trustee of English National Opera.

He was formerly Vice Chairman, UK of PricewaterhouseCoopers LLP with responsibility for leading the executive team for Europe, Middle East, Africa and India region following a long and successful career with the firm.

Glyn has extensive experience as a business leader and a trusted adviser to FTSE100 companies and their boards on a wide variety of corporate and financial issues.

He possesses a deep understanding of accounting and regulatory issues together with in-depth transactional and financial services experience.

**Gay Huey Evans**

Independent Non-Executive Director

*b. 1954*

Gay was appointed to the Board in October 2011, is a member of the Risk, Remuneration and Nomination Committees, and chaired the Governance Committee until February 2014.

She is currently a Non-Executive Director of ConocoPhillips (exploration and production), Falcon Private Wealth Ltd (wealth management), Bank Itaú BBA International Ltd (banking), and the Financial Reporting Council. Gay is also a member of the management board of the panel of finance experts of the Panel of Recognised International Market Experts in Finance and a Trustee of Wellbeing of Women (UK).

She was formerly Chairman of the Board of International Swaps and Derivatives Association, Inc (ISDA), Vice Chairman, Investment Banking & Investment Management at Barclays Capital (banking), a Non-Executive Director of The London Stock Exchange Group plc (stock exchange) and a trustee of The Wigmore Hall Trust (charity). Prior to that, Gay held senior management positions at Citi Alternative Investments (investments) and Bankers Trust Company (banking).

Gay has over 30 years of experience within the financial services industry, having held key positions in government and in a number of global financial and banking institutions and the Financial Services Authority (regulatory predecessor to the PRA and FCA).

**Michael Hawker, AM**

Independent Non-Executive Director

*b. 1959*

Michael was appointed to the Board in January 2010 and is Chairman of the Risk Committee and a member of the Audit and Nomination Committees.

He is currently a Non-Executive Director of Macquarie Group Ltd, Macquarie Bank Ltd (banking) and Washington H Soul Pattinson and Company Ltd (investment).

Michael is Chairman and Non-Executive Director of the Australian Rugby Union and SANZAR Pty Ltd (rugby union) and is a member of the International Rugby Board Council and Executive Committee.

With respect to medical research, Michael is Chairman of The George Institute for Global Health (research institution).

He was formerly Chief Executive and Managing Director of Insurance Australia Group (insurance), Group Chief Executive of business and consumer banking at Westpac Banking Corporation (banking) and Chairman of the Insurance Council of Australia (insurance representative body).

Michael brings to the Board a wealth of knowledge and experience gained over a long career in the banking and insurance industries, in both executive and non-executive roles in Europe, Asia and Australia.

**Patricia Cross**

Independent Non-Executive Director

*b. 1959*

Patricia joined the Board in December 2013. She chairs the Remuneration Committee and is a member of the Audit and Nomination Committees. She is currently a Non-Executive Director of Macquarie Group Limited (banking) and Macquarie Bank Ltd (banking). She is a Director of the Grattan Institute (Australian think tank) and an Ambassador for the Australian Indigenous Education Foundation (charity).

Patricia was formerly a Non-Executive Director of Qantas Airways Ltd (airline) and National Australia Bank Ltd (NAB) (financial services). She was a Non-Executive Director at Wesfarmers Ltd (conglomerate including insurance), Suncorp-Metway Ltd (insurance and banking) and AMP Ltd (wealth management and life insurance). She was formerly Chairman of the Qantas Superannuation Fund (pension fund), Deputy Chairman of Victoria's Transport Accident Commission (statutory insurer, Australia) and served in honorary Australian Government roles including the Australian Financial Centre Forum and the Financial Sector Advisory Council, as well as on numerous charities.

She was also Executive General Manager, wholesale banking and finance at NAB, and held a number of senior executive positions at Chase Manhattan Bank and Banque Nationale de Paris (banking).

Patricia has significant experience as both an executive and non-executive director across a wide range of financial services and other regulated industries in the US, Europe and Australia.

**Michael Mire**Independent Non-Executive  
Director*b. 1948*

Michael was appointed to the Board in September 2013 and is a member of the Governance, Risk and Nomination Committees.

He is currently the Senior Independent Director at the Care Quality Commission (the UK's independent hospital and adult social care regulator).

Michael was a senior partner at McKinsey & Company (consultancy) where he worked for more than 30 years until July 2013. Initially an associate in the financial services practice at McKinsey, he became a partner in 1984 and senior partner in 1991 and his career focused on financial services, retail and transformation programmes.

He started his career at N M Rothschild (financial advisers) in 1970 as an analyst and then a foreign exchange dealer and spent three years seconded to the Central Policy Review Staff (now the Number 10 Policy Unit) to work on major initiatives including industrial policy and social security reform.

Michael has extensive experience of advising companies on the implementation of transformation programmes and also has an in-depth understanding of the financial services sector.

**Bob Stein**Independent Non-Executive  
Director*b. 1949*

Bob was appointed to the Board in January 2013 and is a member of the Nomination, Risk and Remuneration Committees.

He is currently a Non-Executive Director and Chair of the audit committee of Assurant, Inc (US specialty insurance) and is a trustee emeritus of the Board of trustees of the US Actuarial Foundation.

Bob spent most of his working life at Ernst & Young (accountancy) in the US, where he held a number of managing partner roles including actuarial, insurance and financial services practices in the US and globally, culminating in being Managing Partner, Global Actuarial Practice.

Bob brings significant accounting and financial services experience to the Board.

**Scott Whewey**Independent Non-Executive  
Director*b. 1966*

Scott was appointed to the Board in December 2007, is Chairman of the Governance Committee and is a member of the Audit and Nomination Committees.

He is currently a Non-Executive Director of Santander UK plc (retail bank).

He was formerly Chief Executive Officer of Best Buy Europe (retail services), director of The Boots Company plc (now known as The Boots Company Ltd) (pharmacy), Managing Director and Retail Director of Boots the Chemist at Alliance Boots plc and Director of the British Retail Consortium (trade association for the UK retail industry). He has previously held a number of senior executive positions at Tesco plc, including Chief Executive of Tesco in Japan.

Scott has a wealth of business experience in the retail sector and his understanding of customer priorities has been greatly beneficial in driving the customer agenda and excellence in customer service within the business. He has chaired the Remuneration Committee with vigour and has rebuilt the Group's standing with its significant investors in relation to the Group's remuneration policy. Following the issues raised at the 2012 Annual General Meeting, he led an extensive consultation exercise with the Company's major shareholders and a significant review of the Group's remuneration policies and practices.

# Group executive

## Mark Wilson

Group Chief Executive Officer

*b. 1966*

Go to page 55 to read the full biography.

## Patrick Regan

Chief Financial Officer

*b. 1966*

Go to page 55 to read the full biography.

The Group executive is made up of the executive directors and the senior executives whose biographies are below. The Group executive meets broadly twice a month as a forum for the Group CEO to discuss the strategic, financial, reputational and commercial aspects of the Group. The forum does not have decision-making authority in its own right and authority rests with each of the members (within their respective remits), subject to the control and oversight of the Board.

## Nick Amin

Group Transformation Director

*b. 1956*

Nick joined as Group Transformation Director in April 2013 and currently has responsibility for Group Operations. He has a strong international background in consumer banking and insurance, having most recently held a number of senior management roles within AIA Group. He has significant experience of general management, business operations and transformation projects over a 40 year career history.

Within the AIA Group, he was Executive Vice President and Group Chief Administration Officer, responsible for the execution of AIA's transformation strategy which resulted in AIA's successful IPO; Senior Vice President and Chief Transformation Officer; and Senior Vice President, strategic initiatives. He was previously an advisory principal to buy-side private equity transactions, most recently in Asia but also previously in the UK and Europe. He was also previously President and Chief Operating Officer at CIGNA Asia Pacific and senior vice president and Chief Executive Officer of CIGNA Latin America, and has held a number of management roles at Citibank within Europe.

## David Barral

Chief Executive Officer, Aviva UK & Ireland Life Insurance

*b. 1962*

David joined Aviva in 1999 and is Chief Executive Officer, Aviva UK & Ireland Life.

He was previously Aviva's Director of Independent Financial Advisor Business and was appointed Distribution Director in 2005 covering independent financial advisor (IFA), retail, partnership and employee benefit channels. In 2008 he was appointed Marketing Director and led the Aviva rebrand for the UK Life business and then became Chief Operating Officer for Aviva UK Life responsible for customer propositions, pricing and customer operations. During his time at Aviva, he has spearheaded much of the UK Life and pensions business' activities to champion the customer, including supporting a move to the open market option for UK annuity customers.

David has 20 years in financial services including roles in sales, marketing, operations and business transformation at organisations including Eagle Star, Prudential and Morgan Grenfell.

## Paul Boyle, OBE

Chief Audit Officer

*b. 1959*

Paul joined Aviva in November 2010 as Chief Audit Officer.

He is also currently a director of the Financial and Legal Skills Partnership and JSSP (licensed sector skills councils).

Paul was the first Chief Executive of the Financial Reporting Council (FRC), the UK's independent regulator responsible for promoting confidence in corporate reporting and governance.

Whilst in this role, he led the establishment of the International Forum of Independent Audit Regulators, serving as its Chairman and Vice Chairman.

Before joining the FRC, he was a member of the leadership team at the Financial Services Authority (regulatory predecessor to the PRA and FCA), serving as Chief Operating Officer.

He has also held senior management roles in WH Smith Group plc and Cadbury Schweppes plc.

## Kirstine Cooper

Group General Counsel and Company Secretary

*b. 1964*

Kirstine joined Aviva in 1991 and is the Group General Counsel and Company Secretary and heads the Office of the Chairman.

She established the legal and company secretarial function as a global team and is responsible for the provision of legal services to the Group, legal risk management, and compliance with UK and US listing requirements.

She also supports the Chairman and the Board in the discharge of their responsibilities.

Kirstine is a lawyer and held a number of legal roles within Aviva's legacy companies before leading the property division of General Accident and the Group legal function of CGU for eight years.

She was formerly Deputy Group Company Secretary and Legal Counsel of Aviva plc before securing her current role.

She currently sits as a director on the boards of Aviva Insurance Limited and Aviva France SA.

**Left to right:** Khor Hock Seng, Jason Windsor, Amanda Mackenzie OBE, David McMillan, John Lister, Maurice Tulloch, Mark Wilson, Christine Deputy, David Barral, Pat Regan, Kirstine Cooper, Euan Munro, Paul Boyle OBE, Nick Amin



#### **Christine Deputy** Group HR Director

*b. 1965*

Christine joined Aviva in March 2013 as the Group HR Director with responsibility for developing the global HR strategy.

Christine has a significant track record of leading human resources functions and being responsible for the delivery of successful cultural change programmes across a number of businesses.

She was most recently head of HR, global retail and business banking at Barclays where she took a leadership role in the cultural change programme.

She was formerly senior vice president, Chief Human Resources Officer at Dunkin' Brands Group; held a number of roles at Starbucks Coffee Company, culminating in being Vice President, Partner Resources, Asia Pacific and Greater China Regions, and held a number of roles at Thomas Cook Group (Canada) culminating in being Vice President Human Resources.

#### **Amanda Mackenzie, OBE** Chief Marketing and Communications Officer

*b. 1963*

Amanda joined Aviva in 2008 to oversee the rebrand from Norwich Union and to set up a global marketing and communications function.

She has responsibility for customer, marketing, brand, corporate & public affairs and corporate responsibility. She is also the executive sponsor for diversity.

Amanda has a BSc in Psychology from the University of London, is a graduate of the Insead Advanced Management Programme, a Life Fellow of the

RSA and Fellow and past President of the Marketing Society. Amanda has over 25 years of commercial experience, including director roles at British Airways Airmiles, BT and British Gas. She is also a Non-Executive Director and audit committee member of Mothercare plc.

She is on the board of the National Youth Orchestra and is a member of Lord Davies' steering group to increase the number of women on boards.

Amanda was awarded an OBE in the 2014 New Year Honours List for services to marketing.

**John Lister**  
Group Chief Risk and  
Capital Officer*b. 1958*

John joined Aviva in 1986 and is the Group Chief Risk and Capital Officer with responsibility for managing capital across Aviva, preparing the business for Solvency II and ensuring that an appropriate risk management framework is in place.

He has more than 25 years' experience working in the UK Life business. He is an actuary and spent the first nine years of his career in a variety of senior actuarial roles across the UK Life business before becoming its Chief Actuary in 2005. In 2009 John became Finance Director of Aviva UK Life, and in July 2012 he was appointed Group Chief Risk and Capital Officer.

**David McMillan**  
Chief Executive Officer,  
Aviva Europe*b. 1966*

David joined Aviva in November 2002 and is Chief Executive Officer, Aviva Europe with accountability for the Group's businesses in Italy, Lithuania, Poland, Spain and Turkey. He is also Chairman of Aviva France SA.

He was previously Group Transformation Director with responsibility for managing the implementation of Aviva's strategic plan across the Group, refocusing and optimising the Group's business portfolio, achieving financial strength, improving performance, and building a high-performance ethic across Aviva. He was previously Chief Executive Officer, Aviva UK General Insurance, Chief Operating Officer for Aviva UK General Insurance, Chairman of Aviva Global Services and

Non-Executive Director of Aviva Health. He began his career with Aviva as Director of Partnerships (bancassurance).

David has 12 years' experience in management consulting with PricewaterhouseCoopers LLP where he led projects spanning mergers and acquisitions, retail banking, organisational strategy and change.

**Euan Munro**  
Chief Executive Officer,  
Aviva Investors*b. 1970*

Euan joined Aviva in January 2014 and is Chief Executive Officer, Aviva Investors with responsibility for capitalising on Aviva Investors expertise in managing Aviva's own funds, becoming a stronger third-party manager and increasing Aviva Investors profit contribution to the Group.

He was most recently global head of multi-asset investing and fixed income teams at Standard Life Investments with responsibility for the management of all the assets of Standard Life Assurance Company and Standard Life Investments' fixed income and multi-asset investment funds.

He was also a member of Standard Life Investments' board and Standard Life plc's executive leadership team.

Euan has significant experience in fixed income and multi-asset management in an insurance environment.

**Khor Hock Seng**  
Chief Executive Officer,  
Aviva Asia*b. 1959*

Khor joined the Group as Chief Executive Officer, Aviva Asia in March 2013. Khor was formerly Chief Executive and Managing Director of AIA's Malaysian business and regional executive. From 2008 he successfully drove the transformation of AIA Malaysia leading the business to capitalise on development opportunities, generating strong growth in value and cash flow, despite the difficult economic environment.

He has over 30 years of insurance experience with roles in actuarial, operations, sales & marketing and general management at Manulife, Hong Leong, British American Life & General and Malaysian American Insurance. This experience gives him a deep business understanding and extensive knowledge of the Asian market and culture which is critical to our success in the region.

**Maurice Tulloch**  
Chief Executive Officer, Aviva  
UK & Ireland General Insurance*b. 1966*

Maurice joined Aviva in 1992 and is Chief Executive Officer, Aviva UK & Ireland General Insurance with responsibility for leading Aviva's largest general insurance business.

He was previously President and Chief Executive Officer of Aviva Canada with responsibility for the strategic direction and operation of Canada's second largest property and casualty insurer. Prior to that he was Executive Vice President and Chief Operating Officer, Aviva Ontario and specialty distribution and has held several senior management positions in the Group.

Prior to moving to the UK Maurice was Chair of the Insurance Bureau of Canada (IBC), the Property & Casualty Insurance Compensation Corporation (PACICC) Board, and the Insurance Institute of Canada (IIC) Board and a member of a number of other Canadian insurance bodies.

**Jason Windsor**  
Chief Strategy and  
Development Officer*b. 1972*

Jason joined Aviva in August 2010 and is the Chief Strategy and Development Officer. He has responsibility for the development of Aviva's strategic agenda and plans as well as the ongoing monitoring of the financial performance of the Group's portfolio of businesses.

He also oversees the Group's mergers, acquisitions and disposals activity and has led the Group's recent disposal programme, including the sale of Aviva USA.

Jason was previously Strategy and M&A Director with responsibility for M&A, the Group's strategic plan and the oversight of Aviva's Investor Relations function.

Prior to joining Aviva, he was Managing Director in the Financial Institutions Group at Morgan Stanley, with responsibility for the European asset management sector. He also had periods of responsibility for regulatory capital and funding for financial institutions, and a period with a focus on project finance in Asia.

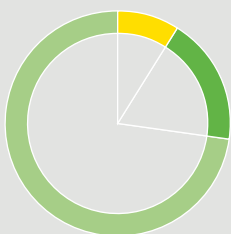
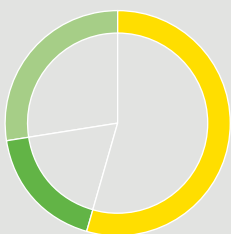
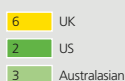
Jason has spent his entire career in financial services, building significant knowledge of insurance, asset management and banking.



**Paul Harley**

*Avon, United Kingdom*

When Mr and Mrs Harley downsized to a bungalow they had to downsize one of their clocks too; they replaced an inherited grandfather clock with an antique Viennese clock. In June 2013, the new clock fell off the wall and was badly damaged. Aviva arranged for the clock to be expertly repaired and it now hangs in its rightful place in the hall, keeping better time than ever. "Without insurance, I would be on edge all the time" says Paul. "You can't always know what's going to happen, but insurance gives you a sense of relief."

Board composition  
in 2013Balance of executive and  
non-executive directorsNationalities of  
Board members

## Dear shareholder

The role of the Board is to set the tone from the top on the Group's governance, culture and values.

**John McFarlane**  
Chairman



The Board ensures through its oversight that the Group's values are adhered to in everything we do. We care about our customers and endeavour to ensure that we provide them with products that meet their needs and that their dealings with us are undertaken in an efficient, simple and fair manner.

For the Board and Board committees this means ensuring we have high standards of internal control and risk management; that we comply with all relevant laws and regulations; that we run our businesses with integrity; that we use our capital efficiently; that we deliver on our strategy; and that we always put our customers first. If we can be consistent in all of these areas we will be able to deliver strong, sustainable returns to our shareholders.

Our values were in action during the year when we found evidence of late allocation of trades on a number of funds within Aviva Investors. The Audit Committee led a thorough investigation of the issue and reviewed the potential financial impact on the investors in the funds, and has agreed and monitored the implementation of measures to improve the controls to prevent a reoccurrence. We engaged the relevant authorities at an early stage and have kept them fully apprised of the issue. We are taking steps to ensure that customers will not ultimately be disadvantaged as a result of these breaches of the dealing policy.

## Key activities during 2013

## Board

The Board has delegated greater authority to its committees during 2013, including expanding the remit of what is now the Governance Committee, and now receives more extensive reporting from the committees. This has allowed the Board to concentrate more on strategy; financial strength and performance; risk management; internal controls and compliance; and succession planning. I believe the Board and management have made good progress in achieving the turnaround aims we set at the beginning of the year. We have agreed a realistic and achievable strategy and plan for the coming years.

## Audit Committee

The Audit Committee has continued to monitor the integrity of the Company's financial statements; the system of internal controls and issues arising through internal audits. It has an open and transparent relationship with the Company's auditor. One area of focus for the committee throughout the year has been the oversight of the project to 'raise the bar' on the internal control environment and the committee is satisfied that good progress is being made. Glyn Barker, the committee chairman, also commissioned an external evaluation of the quality and effectiveness of the Group's internal audit function and the committee. The significant issues discussed by the committee during the year are disclosed in the Audit Committee report in the annual report and accounts in line with the new requirements in the UK Corporate Governance Code.

## Governance Committee

During the year we reviewed the purpose and responsibilities of the Corporate Responsibility Committee and decided to significantly expand its remit. It has been renamed the Governance Committee and now covers the following areas:

- Shareholder (Governance);
- Regulatory and Government;
- Reputation;
- Customer; and
- People and Community.

The key activities that the committee has undertaken during the year include: strengthening subsidiary governance; monitoring reputational issues; initiating a programme of work to develop a greater insight into product governance; reviewing and contributing to the development of the Customer and People theses and reviewing and approving the Group's Corporate Responsibility Plan.

#### Nomination Committee

The Nomination Committee led the process for the appointment of Michael Mire and Patricia Cross as non-executive directors and has also considered and recommended to the Board a number of committee membership changes and Sir Adrian's appointment as senior independent director. We are conscious that we currently have only 18% female representation on the Board and increasing this is a priority for the committee. The committee has considered each non-executive director's independence and each director's contribution to the Board during the year, and their suitability for election or re-election at the 2014 AGM, and fully supports the election or re-election of all Board members.

#### Remuneration Committee

Directors' remuneration continues to be an area of focus for investors and a hot topic in the media. Further to the work carried out following the 2012 AGM, and with the mandatory vote on remuneration policy being introduced this year, the committee has spent considerable time reviewing our remuneration policy and we engaged with institutional investors ahead of publishing the Group's policy in this report. I believe that the policy is clear and aligns executive remuneration with the Company's performance and shareholder outcomes. I hope that you will support the policy at this year's AGM.

“  
We care about our customers, and endeavour to ensure that we provide them with products that meet their needs.  
”

John McFarlane  
Chairman

#### Risk Committee

During the year the Group was designated a Global Systemically Important Insurer (G-SII), which brings the Group within scope of the policy requirements issued by the International Association of Insurance Supervisors (IAIS). The consequences of this include the development by July 2014 of a Systemic Risk Management Plan; the development of recovery and resolution plans; and from January 2019 additional loss absorbency capital requirements, if the Group remains a G-SII.

The committee has closely monitored the Group's capital and liquidity position throughout the year and reviewed all significant transactions with a capital and liquidity impact ahead of Board approval. This included the sale of the US life business and actions taken to reduce leverage. The committee continues to monitor plans to achieve compliance with Solvency II and the EIOPA interim measures effective 1 January 2014.

#### UK Corporate Governance Code

The Company has adopted the new provisions of the 2012 version of the UK Corporate Governance Code (the Code), and is compliant with all provisions. We disclose details of how we comply with the Code throughout the Directors' and Corporate Governance Report and the Directors' Remuneration Report in the annual report and accounts.

#### Subsidiary governance

Governance is important at all levels of the organisation. We apply many of the provisions of the Code to our subsidiaries to ensure that we maintain the same high standards of governance throughout the Group. We have appointed non-executive directors to the boards of all our principal subsidiaries and each principal subsidiary also has a board audit and risk committee. This strengthens the degree of oversight and challenge to the business and also provides a mechanism for information flows up and down the organisation both between management and non-executive directors, and subsidiary and Group non-executive directors.



John McFarlane  
Chairman  
5 March 2014

## Extract of directors' remuneration report

# Dear shareholder

On behalf of the Board, the Remuneration Committee is pleased to present an extract of the Directors' Remuneration Report (DRR) for the year ended 31 December 2013.

### Responding to new requirements

Aviva's 2013 DRR reflects the new reporting requirements introduced by the Department for Business, Innovation & Skills regulations. We have endeavoured to reflect the letter and the spirit of those new requirements in the DRR. We have drawn on the guidance, notably by the GC100 Investor Group, in its preparation.

In addition, we have consulted widely with shareholders on the contents of our new directors' remuneration policy and, following consideration of their comments, we have made a number of amendments in this final version.

### Paying for performance

We believe there is a clear link between the performance of the Group, the value we add for shareholders and the remuneration of our most senior executives. Our remuneration policy and practice reflects performance against the Group's main strategic priorities, which are:

- Improve financial performance – total remuneration is heavily weighted towards pay dependent on outcomes against the Key Performance Indicators (KPIs) of our business, notably cash flow, profit and Return On Equity (ROE)
- Build capital and financial strength – the expenditure on variable pay is very much aligned to the measurement of the financial strength of our business. The Remuneration Committee assures itself that any bonus proposed is justifiable based on the business being sustainable over the long term
- Focus on core businesses – through the measurement of a number of key financial, operational and longer-term return measures, overall remuneration is closely aligned to the achievement of the Group's strategic objectives

### Our reward approach in practice

The application of our policies and practices in the 2014 reward round has resulted in the following outcomes for the Group Chief Executive Officer (Group CEO):

- Basic pay – basic salary of £980,000 will remain unchanged

- Annual bonus – a 2013 bonus of 112.5% of basic salary, equivalent to £1,102,500 was approved. The basis for this decision is set out in the remuneration report in the annual report and accounts
- Long-Term Incentive Plan (LTIP) – an LTIP grant in 2014 with a face value of £2,940,000 which is 300% of basic salary

### Appointment of new CFO

The Board announced on 28 February 2014 the appointment of Tom Stoddard as CFO. Mr Stoddard will join on 5 May 2014. Details of his remuneration arrangements were included in the announcement of his appointment, and are set out in the DRR.

### Continuing the shareholder dialogue

We have met our major institutional shareholders and the main proxy agencies regularly in the course of 2013.

We believe this regular contact is proving beneficial for both parties in increasing mutual understanding, addressing and resolving issues of concern and helping informed decision making. We remain committed to continuing that dialogue.

### Remuneration reward review

Our remuneration policy report reflects our reward framework as we will apply it for senior executive remuneration in 2014.

Usual practice would be that our remuneration policy is put to a vote every three years, although we expect to conduct a strategic review of our executive remuneration in 2014 to ensure our reward frameworks, policies and practices remain fit for purpose, aligned with the wider talent market and compliant with relevant regulation.

If that review leads to proposed changes to our remuneration policy, we expect to consult with shareholders in the latter half of 2014.

Subject to the outcomes of that consultation, we will aim to put proposals to shareholders at our 2015 Annual General Meeting (AGM) for approval.

**Patricia Cross**

Chairman, Remuneration Committee

## Directors' remuneration policy for Executive Directors (EDs)

Element	Operation and recovery provisions (if applicable)	Maximum opportunity	Performance measures
<b>Basic salary</b>  <b>Purpose and link to strategy</b> To provide core, market related pay to attract and retain the required level of talent.	Annual review, with changes normally taking effect from 1 April each year. The review is informed by: <ul style="list-style-type: none"> <li>Relevant pay data including market practice among the 25 FTSE-listed companies either side of Aviva in terms of market capitalisation</li> <li>Levels of increase for the broader UK employee population</li> <li>Individual and business performance</li> </ul>	Current basic salaries are disclosed in the full DRR. There is no maximum increase within the policy. However, basic salary increases take account of the average basic salary increase awarded to UK employees. Different levels of increase may be agreed in certain circumstances at the committee's discretion, such as: <ul style="list-style-type: none"> <li>An increase in job scope and responsibility</li> <li>Development of the individual in the role</li> </ul> The committee is aware of shareholder concern on ED basic salary ratcheting and would consult on proposed increases if they were to significantly exceed the general level of increases for UK staff.	Any movement in basic salary takes account of performance.
<b>Element</b> Annual bonus  <b>Purpose and link to strategy</b> To incentivise EDs to achieve the annual business plan. Deferral provides alignment with shareholder interests and aids retention of key personnel.	Awards are based on performance in the year. Targets are set annually and pay-out levels are determined by the committee based on performance against those targets. Two-thirds of any bonus awarded is deferred into shares which vest after three years. Additional shares are awarded at vesting in lieu of dividends paid on the deferred shares. Unvested awards are subject to reduction for misconduct or materially adverse misstatement of accounts. Discretion remains with the committee to amend the bonus payout taking account of financial, market and other considerations. In particular the committee will review the alignment of bonus awards with the experience of shareholders.	Maximum bonus opportunity is 150% of basic salary with 75% of basic salary payable for performance in line with target. Threshold performance would result in a bonus payment of no more than 25% of basic salary. Performance below threshold would result in no bonus being paid.	Performance is assessed against a range of relevant financial, employee and customer targets and personal objectives as set by the committee. For example, in 2013 the financial KPIs were: <ul style="list-style-type: none"> <li>Net capital returns</li> <li>IFRS profit before tax</li> <li>MCEV value of new business</li> <li>Combined operating ratio</li> <li>Total expenses</li> </ul> Financial performance is the major factor in considering overall expenditure on bonuses.
<b>Element</b> Long-Term Incentive Plan (LTIP)  <b>Purpose and link to strategy</b> To motivate EDs to achieve the Company's longer-term objectives, to align ED's interests with those of shareholders and to aid the retention of key personnel.	Shares are awarded which vest dependent on the achievement of performance conditions over a three year period. Additional shares are awarded at vesting in lieu of dividends on any shares which vest. Unvested awards are subject to reduction in the event of misconduct or materially adverse misstatement of accounts. The committee has discretion to amend vesting downwards depending on business or individual performance or conduct.	The plan rules allow for awards to be made up to a maximum of 350% of basic salary. Threshold performance would result in a vesting level of 20% of maximum. Performance below threshold on both targets would result in the award lapsing in its entirety.	Currently, performance targets over three years are: <ul style="list-style-type: none"> <li>50% vest based on targets for absolute ROE performance</li> <li>50% vest based on relative Total Shareholder Return (TSR) against a comparator group.</li> </ul> Actual targets for ROE and the appropriate TSR comparator group are agreed by the committee annually and disclosed in the annual remuneration section of the full DRR.
<b>Element</b> Pension  <b>Purpose and link to strategy</b> To give a market competitive level of provision for post-retirement income.	EDs are eligible to participate in a defined contribution plan up to the annual limit. Any amounts above the annual or lifetime limits are paid in cash.	The level of benefit takes account of the seniority of EDs and of the local market. Ordinarily, the employer contribution to pension benefits under UK contracts does not exceed 31% of basic salary, minus an employee contribution of 8% of the 'Scheme Specific Earnings Cap', (£141,600 for 2013/14).	N/A
<b>Element</b> Benefits  <b>Purpose and link to strategy</b> To provide EDs with suitable core benefits as part of a competitive remuneration package, which enables us to attract and retain the right level of talent necessary to deliver the Company's strategy.	Benefits are provided on a market related basis. The Company reserves the right to deliver benefits to EDs depending on their individual circumstances, which may include a cash car allowance, life insurance and private medical insurance. In the case of non-UK executives, the committee may consider additional allowance in line with standard relevant market practice. EDs employed under UK contracts are eligible to participate in any HMRC-approved all employee share plans operated by the Company on the same basis as other eligible employees.	Set at a level which the committee considers is appropriate against comparable roles in companies of a similar size and complexity to provide a reasonable level of benefit. Cost would normally be limited to providing a cash car allowance, private medical insurance, life insurance, and reasonable travel benefits, including the tax cost where applicable. In addition, there may be one-off or exceptional items on a case by case basis, which would be reported in the DRR.	N/A
<b>Element</b> Relocation & mobility  <b>Purpose and link to strategy</b> To assist with mobility across the Group to ensure the appropriate talent is available to execute strategy locally.	Employees who are relocated or re-assigned either in country or internationally receive relevant benefits to assist them and their dependants in moving home and settling in to the new location.	Dependent on location and family size, benefits are market related and time bound. They are not compensation for performing the role but to defray costs of a relocation or residence outside the home country. The committee would pay no more than it judged reasonably necessary, in the light of all applicable circumstances.	N/A
<b>Element</b> Shareholding requirement  <b>Purpose and link to strategy</b> To align EDs' interests with those of shareholders.	A requirement to build a shareholding in the Company equivalent to 200% of basic salary for the Group CEO and 150% of basic salary for other EDs.	N/A	N/A

## Single total figures of remuneration for 2013 – Executive Directors and Non-Executive Directors (audited information)

The table below sets out in the required form the total 2013 remuneration for each of our Directors who served with the Company during 2013.

### Total 2013 Remuneration – Executive Directors and Non-Executive Directors

	Basic salary / Fees		Benefits		Annual bonus <sup>4</sup>		LTIP <sup>5</sup>		Pension <sup>7</sup>		Total
	2013 £000	2012 £000	2013 £000	2012 £000	2013 £000	2012 £000	2013 £000	2012 £000	2013 £000	2012 £000	2012 £000
<b>Executive Directors</b>											
Mark Wilson <sup>1</sup>	980	—	239	—	1,103	—	—	—	293	—	2,615
Patrick Regan <sup>2</sup>	720	699	37	34	—	—	—	490 <sup>6</sup>	199	193	956
<b>Former Executive Directors</b>											
Trevor Matthews <sup>3</sup>	311	720	16	85	—	—	450	—	92	212	869
<b>Total emoluments of Executive Directors</b>	<b>2,011</b>	<b>1,419</b>	<b>292</b>	<b>119</b>	<b>1,103</b>	<b>—</b>	<b>450</b>	<b>490</b>	<b>584</b>	<b>405</b>	<b>4,440</b>
<b>Chairman/Executive Chairman</b>											
John McFarlane	550	413	101 <sup>8</sup>	145	—	—	—	—	—	—	651
<b>Current Non-Executive Directors</b>											
Glyn Barker	122	76	—	1	—	—	—	—	—	—	122
Patricia Cross	8	—	1	—	—	—	—	—	—	—	9
Michael Hawker	137	137	1	—	—	—	—	—	—	—	138
Gay Huey Evans	105	96	1	—	—	—	—	—	—	—	106
Michael Mire	29	—	1	—	—	—	—	—	—	—	30
Sir Adrian Montague	113	—	2	—	—	—	—	—	—	—	115
Bob Stein	89	—	1	—	—	—	—	—	—	—	90
Scott Wheway	118	112	1	—	—	—	—	—	—	—	119
<b>Former Non-Executive Directors<sup>9</sup></b>											
Russel Walls	47	129	—	2	—	—	—	—	—	—	47
Richard Karl Goeltz	44	119	—	1	—	—	—	—	—	—	44
<b>Total emoluments of Non-Executive Directors</b>	<b>1,362</b>	<b>1,082</b>	<b>109</b>	<b>149</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>1,471</b>
<b>Total emoluments of All Directors</b>	<b>3,373</b>	<b>2,501</b>	<b>401</b>	<b>268</b>	<b>1,103</b>	<b>—</b>	<b>450</b>	<b>490</b>	<b>584</b>	<b>405</b>	<b>5,911</b>

Notes

- 1 Mark Wilson joined the board with effect from 1 December 2012, and became Group CEO on 1 January 2013. He received no emoluments in respect of 2012.
- 2 Patrick Regan tendered his resignation as Chief Financial Officer on 22 January 2014 and will leave the Board and the Group prior to the AGM and so received no bonus award for 2013. His LTIP awards granted in 2011, 2012 and 2013 will lapse.
- 3 Trevor Matthews left Aviva on 6 June 2013 and so 2013 figures represent the period up to that date.
- 4 Bonus payable in respect of the financial year including any deferred element at face value at date of award.
- 5 Value of the LTIP for 2013 relates to the 2011 award, which had a three year performance period ending on 31 December 2013. 34.48% of the award will vest in March 2014. An assumed Aviva ordinary share price of 431.9 pence has been used to determine the value of the award based on the average share price over the final quarter of the 2013 financial year.
- 6 The LTIP value for Patrick Regan for 2012 has been updated to reflect the actual value at vesting of the award. The figure previously disclosed was £607,302.
- 7 Pension contributions consist of employer contributions into the defined contribution section of the Aviva Staff Pension Scheme, excluding salary exchange contributions made by the employees, plus payments in lieu of pension above the lifetime or annual allowance caps.
- 8 Benefits for John McFarlane include the entitlement previously agreed for him to be reimbursed against evidenced expenditure for reasonable and appropriate costs associated with his relocation to the UK, up to a maximum of £125,000, inclusive of any tax liability, which was rolled forward to 2013.
- 9 Richard Karl Goeltz and Russel Walls retired from the Board with effect from 8 May 2013. The remuneration figures shown in the table are for or relate to the period during which they were a director of the Company.

This Strategic Report was approved by the Board on 5 March 2014.



**Mark Wilson**  
Group Chief Executive Officer

# Independent auditors' report to the members of Aviva plc

We have examined the supplementary financial information included within the Strategic Report for the year ended 31 December 2013, which comprises the Consolidated income statement, the Reconciliation of Group operating profit to profit/(loss) for the year, the Consolidated statement of financial position and related notes.

## Respective responsibilities of the directors and the auditors

The directors are responsible for preparing the Strategic Report, in accordance with the Companies Act 2006, which includes information extracted from the full annual financial statements and the auditable part of the Directors' remuneration report of Aviva plc for the year ended 31 December 2013.

Our responsibility is to report to you our opinion on the consistency of the summary financial information, included within the Strategic Report, with those full annual financial statements and the auditable part of the Directors' remuneration report.

This statement, including the opinion, has been prepared for and only for the Company's members as a body and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this statement is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

## Basis of opinion

Our examination involved agreeing the balances disclosed in the summary financial information to full annual financial statements. Our audit report on the Company's full annual financial statements and the auditable part of the Directors' remuneration report describes the basis of our opinion on those financial statements and the auditable part of that report.

## Opinion

In our opinion the supplementary financial information is consistent with the full annual financial statements and the auditable part of the Directors' remuneration report of Aviva plc for the year ended 31 December 2013.

## PricewaterhouseCoopers LLP

Chartered Accountants and Statutory auditors

London

5 March 2014

1 The maintenance and integrity of the Aviva plc website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the full annual financial statements or the supplementary financial information since they were initially presented on the website.

2 Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The auditors' report in the annual report and accounts for the year ended 31 December 2013 was unqualified and does not contain any statement under section 498(2) (accounting records or returns inadequate or accounts or directors' remuneration report not agreeing with records or returns) or section 498(3) (failure to obtain necessary information and explanations) of the Companies Act 2006 and the auditors' statement in that annual report and accounts under section 496 (whether strategic report and directors' report is consistent with accounts) of that Act was unqualified.

# Summary of consolidated financial statements

## Consolidated income statement

For the year ended 31 December 2013

	2013 £m		Restated <sup>2,3</sup> 2012 £m	
	Continuing operations	Discontinued operations <sup>1</sup>	Continuing operations	Discontinued operations <sup>1</sup>
<b>Income</b>				
Gross written premiums	22,035	1,589	22,744	3,796
Premiums ceded to reinsurers	(1,546)	(100)	(1,571)	(207)
Premiums written net of reinsurance	20,489	1,489	21,173	3,589
Net change in provision for unearned premiums	134	—	(16)	—
Net earned premiums	20,623	1,489	21,157	3,589
Fee and commission income	1,279	28	1,273	23
Net investment income	12,509	2,340	21,135	2,241
Share of profit/(loss) after tax of joint ventures and associates	120	—	(255)	—
Profit/(loss) on the disposal and remeasurement of subsidiaries, joint ventures and associates	115	808	(164)	(2,359)
	<b>34,646</b>	<b>4,665</b>	<b>43,146</b>	<b>3,494</b>
<b>Expenses</b>				
Claims and benefits paid, net of recoveries from reinsurers	(22,093)	(2,037)	(23,601)	(2,721)
Change in insurance liabilities, net of reinsurance	2,493	(312)	(430)	(1,566)
Change in investment contract provisions	(7,050)	(31)	(4,450)	(77)
Change in unallocated divisible surplus	280	—	(6,316)	—
Fee and commission expense	(3,975)	(438)	(4,457)	(498)
Other expenses	(2,220)	(293)	(2,843)	(1,307)
Finance costs	(609)	(16)	(653)	(21)
	<b>(33,174)</b>	<b>(3,127)</b>	<b>(42,750)</b>	<b>(6,190)</b>
<b>Profit/(loss) before tax</b>	<b>1,472</b>	<b>1,538</b>	<b>396</b>	<b>(2,696)</b>
Tax attributable to policyholders' returns	(191)	—	(221)	—
<b>Profit/(loss) before tax attributable to shareholders' profits</b>	<b>1,281</b>	<b>1,538</b>	<b>175</b>	<b>(2,696)</b>
Tax expenses	(594)	(265)	(482)	(152)
Less: tax attributable to policyholders' returns	191	—	221	—
Tax attributable to shareholders' profits	(403)	(265)	(261)	(152)
<b>Profit/(loss) after tax</b>	<b>878</b>	<b>1,273</b>	<b>(86)</b>	<b>(2,848)</b>
<b>Profit/(loss) from discontinued operations</b>	<b>1,273</b>		<b>(2,848)</b>	
<b>Profit/(loss) for the year</b>	<b>2,151</b>		<b>(2,934)</b>	
Attributable to:				
Equity shareholders of Aviva plc	2,008		(3,102)	
Non-controlling interests	143		168	
<b>Profit/(loss) for the year</b>	<b>2,151</b>		<b>(2,934)</b>	
<b>Earnings/(loss) per share</b>				
Basic (pence per share)	65.3p		(109.1)p	
Diluted (pence per share)	64.5p		(109.1)p	
Continuing operations – Basic (pence per share)	22.0p		(11.2)p	
Continuing operations – Diluted (pence per share)	21.8p		(11.2)p	

1 Discontinued operations represent the results of the US Life and related internal asset management businesses (US Life) until the date of disposal (2 October 2013). For further details see IFRS Financial Statements note 4 in our annual report and accounts.

2 Following the adoption of the revised IAS 19 'Employee benefits' the Group has retrospectively applied the changes to the comparative period in these financial statements. This has led to an increase in profit before tax of £150 million for 2012 with a corresponding decrease in other comprehensive income. For further detail of the impact of the restatement please see IFRS Financial Statements note 1 in our annual report and accounts.

3 Following the adoption of IFRS 10 'Consolidated financial statements' the Group has retrospectively applied the change to the comparative period in these financial statements. For further details of the impact of the restatement please see IFRS Financial Statements note 1 in our annual report and accounts.

**Reconciliation of Group operating profit to profit/(loss) for the year**

For the year ended 31 December 2013

	2013 £m			Restated <sup>2</sup> 2012 £m		
	Continuing operations	Discontinued operations <sup>1</sup>	Total	Continuing operations	Discontinued operations <sup>1</sup>	Total
<b>Operating profit before tax attributable to shareholders' profits</b>						
Life business	1,901	272	2,173	1,831	200	2,031
General insurance and health	797	—	797	894	—	894
Fund management	93	31	124	51	55	106
Other:						
Other operations	(90)	(4)	(94)	(177)	(4)	(181)
Corporate centre	(150)	—	(150)	(136)	—	(136)
Group debt costs and other interest	(502)	(9)	(511)	(537)	(12)	(549)
<b>Operating profit before tax attributable to shareholders' profits (excluding Delta Lloyd as an associate)</b>	<b>2,049</b>	<b>290</b>	<b>2,339</b>	<b>1,926</b>	<b>239</b>	<b>2,165</b>
Share of operating profit (before tax) of Delta Lloyd as an associate	—	—	—	112	—	112
<b>Operating profit before tax attributable to shareholders' profits</b>	<b>2,049</b>	<b>290</b>	<b>2,339</b>	<b>2,038</b>	<b>239</b>	<b>2,277</b>
Integration and restructuring costs	(363)	(3)	(366)	(461)	(7)	(468)
<b>Operating profit before tax attributable to shareholders' profits after integration and restructuring costs</b>	<b>1,686</b>	<b>287</b>	<b>1,973</b>	<b>1,577</b>	<b>232</b>	<b>1,809</b>
Adjusted for the following:						
Investment return variances and economic assumption changes on life business	(49)	452	403	(620)	342	(278)
Short-term fluctuation in return on investments on non-life business	(336)	—	(336)	7	—	7
Economic assumption changes on general insurance and health business	33	—	33	(21)	—	(21)
Impairment of goodwill, associates and joint ventures and other amounts expensed	(77)	—	(77)	(60)	(782)	(842)
Amortisation and impairment of intangibles	(91)	(9)	(100)	(128)	(129)	(257)
Profit/(loss) on the disposal and remeasurement of subsidiaries, joint ventures and associates	115	808	923	(164)	(2,359)	(2,523)
<b>Non-operating items before tax (excluding Delta Lloyd as an associate)</b>	<b>(405)</b>	<b>1,251</b>	<b>846</b>	<b>(986)</b>	<b>(2,928)</b>	<b>(3,914)</b>
Share of Delta Lloyd's non-operating items (before tax) as an associate	—	—	—	(523)	—	(523)
<b>Non-operating items before tax</b>	<b>(405)</b>	<b>1,251</b>	<b>846</b>	<b>(1,509)</b>	<b>(2,928)</b>	<b>(4,437)</b>
Share of Delta Lloyd's tax expense, as an associate	—	—	—	107	—	107
<b>Profit/(loss) before tax attributable to shareholders' profits</b>	<b>1,281</b>	<b>1,538</b>	<b>2,819</b>	<b>175</b>	<b>(2,696)</b>	<b>(2,521)</b>
Tax on operating profit	(534)	(83)	(617)	(499)	(78)	(577)
Tax on other activities	131	(182)	(51)	238	(74)	164
	(403)	(265)	(668)	(261)	(152)	(413)
<b>Profit/(loss) for the year</b>	<b>878</b>	<b>1,273</b>	<b>2,151</b>	<b>(86)</b>	<b>(2,848)</b>	<b>(2,934)</b>

1 Discontinued operations represent the results of the US Life and related internal asset management businesses (US Life) until the date of disposal (2 October 2013). For further details see IFRS Financial Statements note 4 in our annual report and accounts.

2 Following the adoption of the revised IAS 19 'Employee benefits' the Group has retrospectively applied the changes to the comparative period in these financial statements. This has led to an increase in profit before tax of £150 million for 2012 with a corresponding decrease in other comprehensive income. For further detail of the impact of the restatement please see IFRS Financial Statements note 1 in our annual report and accounts.

**Consolidated statement of financial position**

As at 31 December 2013

	2013 £m	Restated <sup>1</sup> 2012 £m
<b>Assets</b>		
Goodwill	1,476	1,520
Acquired value of in-force business and intangible assets	1,068	1,084
Interests in, and loans to, joint ventures	1,200	1,390
Interests in, and loans to, associates	267	265
Property and equipment	313	391
Investment property	9,451	9,939
Loans	23,879	24,537
Financial investments	192,961	188,743
Reinsurance assets	7,220	6,684
Deferred tax assets	244	188
Current tax assets	76	67
Receivables	7,060	7,476
Deferred acquisition costs and other assets	3,051	3,778
Prepayments and accrued income	2,498	2,700
Cash and cash equivalents	24,999	23,102
Assets of operations classified as held for sale	3,113	42,603
<b>Total assets</b>	<b>278,876</b>	<b>314,467</b>
<b>Equity</b>		
Capital		
Ordinary share capital	736	736
Preference share capital	200	200
	936	936
Capital reserves		
Share premium	1,165	1,165
Merger reserve	3,271	3,271
	4,436	4,436
Shares held by employee trusts	(31)	(32)
Other reserves	475	1,675
Retained earnings	2,348	1,389
<b>Equity attributable to shareholders of Aviva plc</b>	<b>8,164</b>	<b>8,404</b>
Direct capital instruments and fixed rate tier 1 notes	1,382	1,382
Non-controlling interests	1,471	1,574
<b>Total equity</b>	<b>11,017</b>	<b>11,360</b>
<b>Liabilities</b>		
Gross insurance liabilities	110,555	113,091
Gross liabilities for investment contracts	116,058	110,494
Unallocated divisible surplus	6,713	6,931
Net asset value attributable to unitholders	10,362	9,983
Provisions	984	1,119
Deferred tax liabilities	563	547
Current tax liabilities	116	112
Borrowings	7,819	8,179
Payables and other financial liabilities	9,194	9,398
Other liabilities	2,472	1,842
Liabilities of operations classified as held for sale	3,023	41,411
<b>Total liabilities</b>	<b>267,859</b>	<b>303,107</b>
<b>Total equity and liabilities</b>	<b>278,876</b>	<b>314,467</b>

<sup>1</sup> The statement of financial position has been restated following the adoption of IFRS 10 'Consolidated Financial Statements' – for further details see IFRS Financial Statements note 1 in our annual report and accounts. There is no impact on the result for any year presented as a result of this restatement.

Approved by the Board on 5 March 2014.

**Patrick Regan**

Chief Financial Officer

This strategic report with supplementary material is only an extract from the company's annual report and accounts. It does not contain sufficient information to allow as full an understanding of the results and state of affairs of the Group as would be provided by the full annual report and accounts. A copy of the full accounts can be obtained free of charge as detailed in the Shareholder services section.

# Notes to the summary of consolidated financial statements

## 1 – Basis of preparation

This strategic report comprises the strategic report included in the full annual report and accounts, and supplementary financial information.

The Summary Consolidated Financial Statements included in this strategic report with supplementary material, have been extracted from the Consolidated Financial Statements of Aviva plc ("the Company") and its subsidiaries (collectively known as "Aviva").

This is a summary of information in the consolidated financial statements set out in the Aviva plc annual report and accounts 2013. It does not contain sufficient information to allow as full an understanding of the results and state of affairs of the Group as would be provided by the annual report and accounts 2013.

The consolidated financial statements and those of Aviva plc have been prepared and approved by the directors in accordance with International Accounting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and as endorsed by the European Union (EU) and those parts of the Companies Act 2006 applicable to those reporting under IFRS.

The comparative figures in the consolidated financial statements have been restated following the Group's adoption of IFRS 10 *Consolidated Financial Statements* and IAS 19 *Employee Benefits (revised)* in line with the transitional provisions in the standards. The implementation of IFRS 10 does not have an impact on the profit or loss or on equity reported for 2012. The adoption of IAS 19 (revised) resulted in an increase in profit before tax of £150 million for the year ended 31 December 2012 with a corresponding decrease in other comprehensive income, with no change to the total equity previously reported.

As set out in note 3 below, during the year the Group sold its US Life business. As the Group exited from a major geographical area of operations, and consistent with the presentation in the 2012 annual report and accounts, the results of US Life up to the completion of the disposal, as well as those for preceding years, have been classified as discontinued operations.

Following the announcement in the first quarter of 2013, relating to the restructuring of the Group, the Group's operating segments were changed to align them with the revised organisational reporting structure. The Group has determined its operating segments along market reporting lines, reflecting the management structure whereby a member of the executive management team is accountable to the group chief executive for the operating segment for which he is responsible.

Included in the Summary Consolidated Financial Statements, is the Reconciliation of Group operating profit to profit/(loss) for the year. For management's decision making and internal performance management, the Group focuses on a non-GAAP operating profit measure that incorporates an expected return on investments supporting its long-term and non-long-term businesses. Short-term realised and unrealised gains and losses are treated as non-operating items.

## 2 – Dividends and appropriations

This note analyses the total dividends and other appropriations we paid during the year. The table below does not include the final dividend proposed after the year end because it is not accrued in these financial statements.

	2013 £m	2012 £m
Ordinary dividends declared and charged to equity in the year		
Final 2012 – 9.00 pence per share, paid on 17 May 2013	264	—
Final 2011 – 16.00 pence per share, paid on 17 May 2012	—	465
Interim 2013 – 5.6 pence, paid on 15 November 2013	165	—
Interim 2012 – 10.00 pence per share, paid on 16 November 2012	—	292
	429	757
Preference dividends declared and charged to equity in the year	17	17
Coupon payments on direct capital instruments and fixed rate tier 1 notes	92	73
	538	847

Subsequent to 31 December 2013, the directors proposed a final dividend for 2013 of 9.4 pence per ordinary share (2012: 9.0 pence), amounting to £277 million (2012: £264 million) in total. Subject to approval by shareholders at the AGM, the dividend will be paid on 16 May 2014 and will be accounted for as an appropriation of retained earnings in the year ending 31 December 2014.

Interest payments on the direct capital instruments issued in November 2004 and the fixed rate tier 1 notes issued in May 2012 are treated as an appropriation of retained profits and, accordingly, are accounted for when paid. Tax relief is obtained at a rate of 23.25% (2012: 24.5%).

## 3 – Subsidiaries

### (a) Disposal and remeasurement of subsidiaries, joint ventures and associates

The profit/(loss) on the disposal and remeasurement of subsidiaries, joint ventures and associates comprises:

	2013 £m	2012 £m
Ireland – long-term business	87	—
Spain – long-term business	197	—
Malaysia	39	—
Russia	1	—
Czech Republic, Hungary and Romania	1	7
Italy – long-term business	(178)	—
Korea	(20)	—
Turkey - general insurance	(9)	—
United Kingdom – RAC Limited	—	(21)
Delta Lloyd Associate	—	(129)
Poland	(4)	—
Sri Lanka	—	12
Other small operations	1	(33)
<b>Profit/(loss) on disposal and remeasurement from continuing operations</b>	<b>115</b>	<b>(164)</b>
<b>Profit/(loss) on disposal and remeasurement from discontinued operations (see (b) below)</b>	<b>808</b>	<b>(2,359)</b>
<b>Total profit/(loss) on disposal and remeasurement</b>	<b>923</b>	<b>(2,523)</b>

The figures above include £(104) million (2012: nil) attributable to non-controlling interests.

### 3 – Subsidiaries continued

#### (b) Discontinued operations – US long term business

On 21 December 2012, the Group announced that it had agreed to sell US Life for consideration of £1.0 billion including the shareholder loan. Following classification as held for sale, US Life was remeasured to fair value less costs to sell in 2012 resulting in an impairment loss of £2,359 million recognised as a loss on remeasurement of subsidiaries.

The sale of US Life completed on 2 October 2013 and the transaction proceeds received were based on the estimated earnings and other improvements in statutory surplus over the period from 30 June 2012 to 30 September 2013. The final purchase price is subject to customary completion adjustments. The process to agree completion adjustments is ongoing and is expected to complete by mid-2014. Until the outcome of this process is known there remains uncertainty on the final determination of the completion adjustment.

The transaction resulted in a profit on disposal of £808 million in 2013, reflecting management's best estimate of the completion adjustment. The profit on disposal, calculated as follows, includes £644 million of currency translation and investment valuation reserves recycled to the income statement on completion of the sale.

	2013 £m
<b>Assets</b>	
Acquired value of in-force business and intangible assets	445
Investment property	6
Loans	3,615
Financial investments	28,185
Reinsurance assets	648
Receivables and other financial assets	329
Prepayments and accrued income	340
Other assets	293
Cash and cash equivalents	2,467
<b>Total assets</b>	<b>36,328</b>
<b>Liabilities</b>	
Insurance liabilities	31,219
Liability for investment contracts	1,826
Provisions	172
Reinsurance deposits and collateral payable	654
Current and deferred tax liabilities	704
External borrowings	179
Intra-group liabilities	553
Other liabilities	308
<b>Total liabilities</b>	<b>35,615</b>
<b>Net assets</b>	<b>713</b>
Cash consideration received <sup>1</sup>	1,434
Less: settlement of intercompany loan	(553)
Less: transaction costs	(4)
<b>Net cash consideration</b>	<b>877</b>
Currency translation and investment valuation reserves recycled to the income statement	644
<b>Profit on disposal</b>	<b>808</b>

<sup>1</sup> Cash consideration received of £1,434 million above includes a recognised loss of £4 million related to hedging the currency exposure on the expected proceeds of the sale. As noted above, the process to agree completion adjustments is ongoing. Until the outcome of this process is known there remains uncertainty on the final determination of the consideration.

# Shareholder services

## Shareholder profile as at 31 December 2013

By category of shareholder	Number of shareholders	%*	Number of shares	%*
Individual	548,969	97.03	264,080,246	8.96
Banks and nominee companies	14,031	2.48	2,631,081,144	89.28
Pension fund managers and insurance companies	221	0.04	1,107,028	0.04
Other corporate bodies	2,573	0.45	50,671,204	1.72
<b>Total</b>	<b>565,794</b>	<b>100</b>	<b>2,946,939,622</b>	<b>100</b>

By size of shareholding	Number of shareholders	%*	Number of shares	%*
1–1,000	510,676	90.26	141,776,379	4.81
1,001–5,000	48,894	8.64	93,490,932	3.17
5,001–10,000	3,524	0.62	24,602,884	0.84
10,001–250,000	2,166	0.38	89,126,377	3.02
250,001–500,000	144	0.03	52,216,902	1.77
500,001 and above	389	0.07	2,524,576,690	85.67
American Depositary Receipts (ADRs)*	1	0.00	21,149,458	0.72
<b>Total</b>	<b>565,794</b>	<b>100</b>	<b>2,946,939,622</b>	<b>100</b>

+ The number of registered ordinary shares represented by ADRs. Please note that each Aviva ADR represents two (2) ordinary shares.

\* Percentages do not necessarily add up due to rounding.

## 2014 financial calendar

Annual General Meeting	30 April 2014
Announcement of first quarter Interim Management Statement	15 May 2014
Announcement of unaudited half-year results	7 August 2014
Announcement of third quarter Interim Management Statement	30 October 2014

## 2013 final dividend dates – ordinary shares

Ex-dividend date	2 April 2014
Record date	4 April 2014
Last day for Dividend Reinvestment Plan election	24 April 2014
Dividend payment date*	16 May 2014

\* Please note that the ADR local payment date will be approximately five business days after the proposed dividend date for ordinary shares.

## Annual General Meeting (AGM)

- The 2014 AGM will be held at the QEII Conference Centre, Broad Sanctuary, Westminster, London SW1P 3EE on Wednesday, 30 April 2014 at 11am.
- Details of each resolution to be considered at the meeting are provided in the Notice of AGM, which is available on the Company's website at [www.aviva.com/agm](http://www.aviva.com/agm).
- Shareholders can vote electronically at [www.investorcentre.co.uk/eproxy](http://www.investorcentre.co.uk/eproxy), in person by attending the meeting, or by completing and returning the relevant voting card(s) by post.
- The voting results for the 2014 AGM will be accessible on the Company's website at [www.aviva.com/agm](http://www.aviva.com/agm) shortly after the meeting.
- If you are unable to attend the AGM but would like to ask the directors a question in connection with the business of the meeting, you can do so by sending a question to the group company secretary by email to [aviva.shareholders@aviva.com](mailto:aviva.shareholders@aviva.com). We will endeavour to provide you with a response as soon as possible.

### AGM voting instructions

- Completed proxy instructions must be submitted to the Company's Registrar, Computershare Investor Services PLC (Computershare), as soon as possible, but in any event to arrive by no later than:
  - Monday, 28 April 2014 at 11am for ordinary shareholders; and
  - Friday, 25 April 2014 at 11am for members of the Aviva Share Account, participants in the Vested Share Account and the Aviva All Employee Share Ownership Plan.

## Dividends

- Dividends on ordinary shares are normally paid in May and November – please see the table above for the key dates in respect of the 2013 final dividend.
- Dividends on preference shares are normally paid in March, June, September and December – please visit [www.aviva.com/preferenceshares](http://www.aviva.com/preferenceshares) for the latest dividend payment dates.
- Holders of ordinary and preference shares will receive any dividends payable in sterling and holders of ADRs will receive any dividends payable in US dollars.
- The Company has decided to introduce a Dividend Reinvestment Plan. The plan provides the option for eligible shareholders to reinvest their cash dividend in additional ordinary shares in the Company. For further information please visit [www.aviva.com/ecomms](http://www.aviva.com/ecomms). Completed application forms should be sent to the Company's Registrar, Computershare, by no later than 5pm on Thursday, 24 April 2014.

### Direct credit of dividend payments

- If you would like to have your cash dividends paid directly into your bank or building society account, or if you would like to have your dividends reinvested please visit [www.aviva.com/dividends](http://www.aviva.com/dividends) for more information or contact Computershare using the contact details overleaf.

### Overseas global dividend service

- The Global Payments Service provided by Computershare enables shareholders living overseas to elect to receive their dividends in a choice of over 65 international currencies. For further details and fees for this service please visit [www.investorcentre.co.uk/faq](http://www.investorcentre.co.uk/faq) and select the Dividends and Payments tab, followed by Global Payment Service.

### Manage your holdings online

You can view and manage your shareholding online by visiting [www.aviva.com/ecomms](http://www.aviva.com/ecomms). To log in you will require your 11 digit Shareholder Reference Number (SRN), which you will find on your proxy or voting card, latest dividend stationery, or any share certificate issued since 4 July 2011.

Shareholders can also elect to receive electronic communications by registering their email address online, or by contacting Computershare directly. Making this election will save on printing and distribution costs and has environmental benefits.

## Useful links for shareholders

### Online Shareholder Services Centre

[www.aviva.com/shareholderservices](http://www.aviva.com/shareholderservices)

### Dividend information for ordinary shares

[www.aviva.com/dividends](http://www.aviva.com/dividends)

### Annual General Meeting information and Electronic Voting

[www.aviva.com/agm](http://www.aviva.com/agm)  
[www.investorcentre.co.uk/eproxy](http://www.investorcentre.co.uk/eproxy)

### Aviva share price

[www.aviva.com/shareprice](http://www.aviva.com/shareprice)

### ADR holders

[www.aviva.com/adr](http://www.aviva.com/adr)

### Aviva preference shareholders

[www.aviva.com/preferenceshares](http://www.aviva.com/preferenceshares)

### Aviva preference share price

[www.londonstockexchange.com](http://www.londonstockexchange.com)

### Aviva reports information

[www.aviva.com/reports](http://www.aviva.com/reports)

## Form 20-F

Aviva is a foreign private issuer in the United States of America and is subject to certain reporting requirements of the Securities Exchange Commission (SEC). Aviva files its Form 20-F with the SEC, copies of which can be found at [www.aviva.com/reports](http://www.aviva.com/reports).

### Aviva plc annual report and accounts

Aviva plc annual report and accounts is intended to provide information about the Company's activities and financial performance in the previous year.

This strategic report is only part of the Company's annual report and accounts.

You can view the full Aviva plc annual report and accounts online at: [www.aviva.com/2013ar](http://www.aviva.com/2013ar) or alternatively you can order a printed copy by contacting Computershare.

You can change how you receive shareholder documents and if you would prefer to receive the full annual report and accounts in future, please contact Computershare to make your election.

## Contact details

### Ordinary and preference shares – Computershare

For any queries regarding your shareholding, or to advise of changes to your personal details, please contact our Registrar, Computershare:



#### By telephone: 0871 495 0105

Lines are open from 8.30am to 5pm (UK time), Monday to Friday (excluding public holidays).

Please call +44 117 378 8361 if calling from outside the UK.



#### By email: [avivaSHARES@computershare.co.uk](mailto:avivaSHARES@computershare.co.uk)



**In writing:** Computershare Investor Services PLC  
The Pavilions, Bridgwater Road, Bristol BS99 6ZZ

### American Depositary Receipts (ADRs) – Citibank

For any queries regarding Aviva ADRs, please contact Citibank Shareholder Services (Citibank):



**By telephone:** 1 877 248 4237 (1 877-CITI-ADR), or +1 781 575 4555 if you are calling from outside the US. (Lines are open from 8.30am to 6pm, Monday to Friday US Eastern Standard Time).



#### By email: [citibank@shareholders-online.com](mailto:citibank@shareholders-online.com)



**In writing:** Citibank Shareholder Services,  
PO Box 43077, Providence, Rhode Island 02940-3077  
USA

Please visit [www.citi.com/dr](http://www.citi.com/dr) for further information about Aviva's ADR programme.

### Group Company Secretary

Shareholders may contact the group company secretary as follows:



#### By email: [aviva.shareholders@aviva.com](mailto:aviva.shareholders@aviva.com)



**In writing:** Kirstine Cooper, Group Company Secretary,  
St Helen's, 1 Undershaft, London EC3P 3DQ



#### By telephone: +44 (0)20 7283 2000

## Be on your guard – beware of fraudsters!

Please be very wary of any unsolicited telephone calls or correspondence offering to buy shares at a discount or offering free financial advice or company reports. Boiler rooms use increasingly sophisticated means to approach investors and often leave their victims out of pocket. The Financial Conduct Authority (FCA) has found most share fraud victims are experienced investors who lose an average of £20,000. The FCA has provided tips on how to protect your savings which you can find at [www.fca.org.uk/consumers/scams](http://www.fca.org.uk/consumers/scams).

- Remember: if it sounds too good to be true, it probably is!
- Keep in mind that firms authorised by the FCA are unlikely to call you out of the blue with an offer to buy or sell shares.
- Do not get into conversation, note the name and firm contacting you and hang up.

For more information please visit the warning to shareholders page at: [www.aviva.com/shareholderservices](http://www.aviva.com/shareholderservices).

## Cautionary statement

This document should be read in conjunction with the documents filed by Aviva plc (the "Company" or "Aviva") with the United States Securities and Exchange Commission ("SEC"). This document contains, and we may make other verbal or written "forward-looking statements" with respect to certain of Aviva's plans and current goals and expectations relating to future financial condition, performance, results, strategic initiatives and objectives. Statements containing the words "believes", "intends", "expects", "projects", "potential", "plans", "will", "seeks", "aims", "may", "could", "outlook", "estimates" and "anticipates", and words of similar meaning, are forward looking. By their nature, all forward-looking statements involve risk and uncertainty. Accordingly, there are or will be important factors that could cause actual results to differ materially from those indicated in these statements. Aviva believes factors that could cause actual results to differ materially from those indicated in forward-looking statements in the presentation include, but are not limited to: the impact of ongoing difficult conditions in the global financial markets and the economy generally; the impact of various local political, regulatory and economic conditions; market developments and government actions regarding the sovereign debt crisis in Europe; the effect of credit spread volatility on the net unrealised value of the investment portfolio; the effect of losses due to defaults by counterparties, including potential sovereign debt defaults or restructurings, on the value of our investments; changes in interest rates that may cause policyholders to surrender their contracts, reduce the value of our portfolio and impact our asset and liability matching; the impact of changes in equity or property prices on our investment portfolio; fluctuations in currency exchange rates; the effect of market fluctuations on the value of options and guarantees embedded in some of our life insurance products and the value of the assets backing their reserves; the amount of allowances and impairments taken on our investments; the effect of adverse capital and credit market conditions on our ability to meet assumptions in pricing and reserving for insurance business (particularly with regard to mortality and morbidity trends, lapse rates and policy renewal rates), longevity and endowments; the impact of catastrophic events on our business activities and results of operations; the inability of reinsurers to meet obligations or unavailability of

reinsurance coverage; increased competition in the UK and in other countries where we have significant operations; the effect of the European Union's "Solvency II" rules on our regulatory capital requirements; the impact of actual experience differing from estimates used in valuing and amortising deferred acquisition costs ("DAC") and acquired value of inforce business ("AVIF"); the impact of recognising an impairment of our goodwill or intangibles with indefinite lives; changes in valuation methodologies, estimates and assumptions used in the valuation of investment securities; the effect of legal proceedings and regulatory investigations; the impact of operational risks, including inadequate or failed internal and external processes, systems and human error or from external events; risks associated with arrangements with third parties, including joint ventures; funding risks associated with our participation in defined benefit staff pension schemes; the failure to attract or retain the necessary key personnel; the effect of systems errors or regulatory changes on the calculation of unit prices or deduction of charges for our unit-linked products that may require retrospective compensation to our customers; the effect of simplifying our operating structure and activities; the effect of a decline in any of our ratings by rating agencies on our standing among customers, brokerdealers, agents, wholesalers and other distributors of our products and services; changes to our brand and reputation; changes in government regulations or tax laws in jurisdictions where we conduct business; the inability to protect our intellectual property; the effect of undisclosed liabilities, integration issues and other risks associated with our acquisitions; and the timing/regulatory approval impact and other uncertainties relating to announced acquisitions and pending disposals and relating to future acquisitions, combinations or disposals within relevant industries. For a more detailed description of these risks, uncertainties and other factors, please see Item 3d, "Risk Factors", and Item 5, "Operating and Financial Review and Prospects" in Aviva's most recent Annual Report on Form 20-F as filed with the SEC. Aviva undertakes no obligation to update the forward looking statements in this announcement or any other forward-looking statements we may make. Forward-looking statements in this announcement are current only as of the date on which such statements are made.

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In this report we have included genuine examples of people whose experiences bring to life what we do every day for our customers. We would like to thank the customers who took part and invited us into their homes and businesses, to allow us to share their stories.

To find out more, view our video at [www.aviva.com](http://www.aviva.com)

Designed by **SASLondon** (part of MSL Group)  
Customer portraits by **Alun Callender**

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