“We will only succeed by meeting customers’ needs”

our

Board of directors

Lord Sharman of Redlynch OBE
Chairman
Age 66

Appointed to the Board in January 2005 and became chairman in January 2006. Currently an independent non-executive director of BG Group plc (*utility*) and Reed Elsevier plc (*publishing*). Former chairman of Aegis Group plc (*media services*) and KPMG International (*auditors*), former deputy chairman of Group 4 Securicor plc (*security services*), former member of the supervisory board of ABN AMRO N.V. (*banking*) and a former independent non-executive director of Young & Co.'s Brewery plc (*drinks*) and AEA Technology plc (*commercial/technology*).

Chairman of the Board and nomination committee and member of the corporate social responsibility committee

Andrew Moss
Group chief executive
Age 51

Appointed to the Board in May 2004. Joined as group finance director and became group chief executive in July 2007. Previously director – finance, risk management and operations in Lloyd's (*insurance*) and formerly held a number of senior management positions at HSBC plc (*banking*).

Member of the corporate social responsibility and nomination committees

Philip Scott FIA
Chief financial officer
Age 55

Appointed to the Board in May 2000 and became chief financial officer in July 2007. Joined Norwich Union in 1973 and held a number of senior positions before joining the Norwich Union board in 1993. Formerly, responsible for the group's insurance businesses outside Europe and Aviva Investors, the group's UK fund management operations. Currently a non-executive director of Diageo plc (*drinks*) and chairman of the European Insurance CFO Forum.

Nikesh Arora
Independent non-executive director
Age 41

Appointed to the Board in July 2007. Currently Senior Vice President, and President of Europe, Middle East and Africa Operations at Google (*consumer services*). Non-executive director of Bharti Airtel (*telecommunications*). Formerly chief marketing officer and a member of the management board at T-Mobile (*communications*) and held senior management positions at Deutsche Telekom (*telecommunications*), Fidelity Investments (*financial services*) and Putnam Investments (*financial services*).

Member of the nomination and the risk and regulatory committees

Mark Hodges
Executive director
Age 43

Appointed to the Board in June 2008. Joined Norwich Union in January 1991 and held a number of senior roles within the finance function before becoming finance director of Norwich Union Insurance in 1998 and managing director of Norwich Union Insurance in 2005. Appointed chief executive of Norwich Union Life, the group's long-term savings business in the UK, in April 2006.

Wim Dik
Non-executive director
Age 70

Appointed to the Board in December 1999. Currently chairman of the supervisory board of Ziggo Holdings B.V. (*telecommunications*), a non-executive director of Unilever N.V. and Unilever plc (*consumer*), of LogicaCMG plc (*computer services*) and vice-chairman of Stage Entertainment B.V. (*entertainment*). Former Minister for Foreign Trade in the Netherlands. A former chairman of Nederlandse Unilever Bedrijven B.V. (*consumer*) and former chairman and chief executive officer of KPN Royal Dutch Telecom (*telecommunications*). A former chairman of the supervisory board of Holland Casino (*gaming*) and of Tele Atlas N.V. (*information systems*), a former member of the supervisory boards of TNT Post Group (*mail services*) and ABN AMRO N.V. (*banking*).

Member of the corporate social responsibility and the risk and regulatory committees

Mary Francis CBE
Independent non-executive director
Age 60

Appointed to the Board in October 2005. Currently senior independent director of Centrica plc (*utilities*), a non-executive director of St Mowden Properties plc (*property development*) and a director of Almeida Theatre Company Limited. A senior adviser to Chatham House and Governor of the Pensions Policy Institute. Formerly Director General of the Association of British Insurers, non-executive director of the Bank of England, Alliance & Leicester plc (*banking*) and Fund Distribution Limited and a senior civil servant.

Chairman of the risk and regulatory committee and a member of the audit and remuneration committees

Carole Piwnica
Independent non-executive director
Age 51

Appointed to the Board in May 2003. Currently a member of the New York and Paris bars, a director of Naxos UK (*private equity*) and a non-executive director of Toepfer International GmbH (*trading*), Dairy Crest Group plc (*dairy foods*) and a member of the biotech advisory board of Monsanto (*biotechnology*). Former non-executive director and vice-chairman of governmental affairs for Tate & Lyle plc (*agricultural/industrial*) and a non-executive director of S A Spadel N.V. (*food and beverages*) and former chairman of Amylum Group (*agricultural/industrial*).

Chairman of the corporate social responsibility committee and member of the remuneration committee

Richard Karl Goeltz
Senior independent non-executive director
Age 66

Appointed to the Board in May 2004. Currently a non-executive director of the Warnaco Group Inc (*clothing*) and the New Germany Fund (*investment trust*), the Central Europe and Russia Fund (*investment trust*), the European Equity Fund (*investment trust*) and a governor of The London School of Economics and Political Science. Former chief financial officer of American Express Company (*financial services*) and NatWest Group plc (*banking*). Former non-executive director of Delta Air Lines,Inc (*transport*) and Federal Home Loan Mortgage Corporation (Freddie Mac) (*financial services*) and a former member of the Accounting Standards Board (UK).

Member of the audit and nomination committees

Russell Walls
Independent non-executive director
Age 65

Appointed to the Board in May 2004. Currently non-executive director of Signet Jewelers Ltd (*retail*) and chairman of its audit committee, non-executive director of Delphic Diagnostics Limited (*medical*) and treasurer and trustee of The British Red Cross. Former group finance director of BAA plc (*transport*), Wellcome plc (*pharmaceuticals*) and Coats Viyella plc (*textiles*). Former senior independent non-executive director of Stagecoach Group plc (*transport*) and Hilton Group plc (*leisure*) and a former non-executive director of the Mersey Docks and Harbour Company (*transport*).

Chairman of the audit committee and a member of the nomination and the risk and regulatory committees

Euleen Goh
Independent non-executive director
Age 53

Appointed to the Board in January 2009. Currently a non-executive director of Singapore Airlines Limited *(transport)*, MediaCorp Pte Ltd (*broadcasting*), DBS Bank Limited, DBS Group Holdings Ltd (*banking*) and the Singapore Exchange Limited. Former Chief Executive Officer of Standard Chartered Bank in Singapore *(banking)*.

Member of the audit and corporate social responsibility committees

Scott Wheway
Independent non-executive director
Age 42

Appointed to the Board in December 2007. Former director of The Boots Company plc (now known as The Boots Company Limited) (*pharmacy*) and managing director of Boots the Chemist at Alliance Boots plc. Formerly held a number of senior management positions at Tesco plc (*retail services*).

Chairman of the remuneration committee and member of the corporate social responsibility committee

Graham Jones
Group company secretary

Executive management

Andrew Moss

Group chief executive

Age 51

See page 84

Philip Scott FIA

Chief financial officer

Age 55

See page 84

Mark Hodges

Executive director and chief executive, Norwich Union Life

Age 43

See page 84

John Ainley

Group human resources director

Age 52

Joined the Group in 1999. Formerly held senior HR positions with WH Smith plc, ICL plc, Priory Hospitals Group and General Electric plc. Previously also Group HR Director for Norwich Union plc and HR Director for Norwich Union Insurance and Norwich Union Life. Holds a law degree and is a companion of the Chartered Institute of Personnel Development.

Alain Dromer

Chief executive, Aviva Investors

Age 54

Joined the Group in September 2007. Formerly global head of group investment businesses at HSBC, senior executive vice president and head of asset management and insurance at Credit Commercial de France and director of capital markets at La Compagnie Financiére Edmond de Rothschild. Previously at the French Treasury in the Ministry of Finance and the French Institute for Statistics and Economic Studies. Educated at l'École Polytechnique, Paris and l'École Nationale de la Statistique l'Administration Économique, Paris.

Thomas Godlasky

Chief executive, Aviva North America

Age 53

Joined the Group in 2006. Formerly chairman, president and chief executive officer of AmerUs Group and chief investment officer of AmerUs Capital. Previously with Providian Corporation, Federated Investors, Inc and Mellon Bank. Holds a Bachelor of Science degree in urban and regional planning from Indiana University of Pennsylvania and a master's degree in public administration from the University of Pittsburgh. A graduate of Harvard Business School's Advanced Management Program and a Chartered Financial Analyst.

Simon Machell

Chief executive, Aviva Asia Pacific

Age 45

Joined the Group in 1994. Formerly chief executive of Norwich Union Insurance in the UK and managing director of the RAC. Previously held positions with Ernst & Young LLP and Legal & General. Holds a BA Honours in Economics from the University of Durham and is a Fellow of the Institute of Chartered Accountants of England and Wales.

Amanda Mackenzie

Chief marketing officer

Age 45

Joined the Group in 2008. Previously commercial and marketing director for British Gas and has more than 20 years of experience in the marketing and advertising profession. Holds a Bachelor of Science degree in Psychology from the University of London and is a graduate of the INSEAD advanced management programme. She is a fellow of the Royal Society of Arts, a member of the Government Strategic Marketing Advisory Board, a fellow of the Marketing Society and a governor of the National Youth Orchestra.

Igal Mayer

Chief executive, Norwich Union General Insurance

Age 47

Joined the Group in 1989. Formerly chief executive officer of Aviva Canada, chief financial officer and executive vice-president. Previously finance director for Norwich Union Insurance and managing director for CGU Insurance in London. Holds a BA Honours in Commerce and Economics from the University of Toronto, is a chartered accountant and has received an honorary Chartered Insurance Professional designation from the Insurance Institute of Canada.

Andrea Moneta

Chief executive, Aviva Europe

Age 43

Joined the Group in 2008. Previously managing director of Dubai Financial Group. Has extensive experience of European financial services, having held senior executive positions at UniCredit, the European Central Bank and Accenture. Holds honours degrees in Political Sciences and Economics and Business Administration. Qualified Dottore Commercialista and Revisore Contabile.

Anupam Sahay

Group strategy and development director

Age 39

Joined the Group in 2007. Formerly a partner with the global financial services group at McKinsey & Company, advising leading insurers and banks in Europe, USA, Asia and Australia. Holds an engineering degree and an MBA from the Indian Institute of Management.

Directors' report

The directors submit their report and accounts for Aviva plc, together with the consolidated accounts of the Aviva Group of companies, for the year ended 31 December 2008. The Business review for the Company is contained on pages 14 to 81 and includes a review of the Group's operations, current position and future prospects together with a description of the principal activities of the Group and other information required to be included. Details of material acquisitions and disposals made by the Group during the year are contained in note 3 to the accounts.

Results

The Group results for the year are shown in the consolidated income statement on page 140.

Dividends

The directors are recommending a final dividend of 19.91 pence per share *(2007: 21.10 pence)*, which together with the interim dividend of 13.09 pence paid on 17 November 2008 *(2007: 11.90 pence)*, produces a total dividend for the year of 33.00 pence per share (2007: 33.00 pence). The total cost of ordinary dividends paid in 2008, was £902 million *(2007: £801 million)*. The final dividend for 2008 will be paid on 15 May 2009 to all holders of ordinary shares on the Register of Members at the close of business on 27 March 2009.

Share capital

The issued ordinary share capital of the Company was increased by 35.9 million ordinary shares during the year. 35,908,796 shares were allotted under the Group's employee share and incentive plans and the Aviva Scrip Dividend Scheme for the May 2008 dividend. At 31 December 2008 the issued ordinary share capital totalled 2,658 million shares of 25 pence each and the issued preference share capital totalled 200 million shares of £1 each. Accordingly, the issued ordinary share capital constituted 77% of the Company's total issued share capital and the issued preference share capital constituted 23% of the Company's total issued share capital at 31 December 2008. All the Company's shares are fully paid up and quoted on the London Stock Exchange. Details of the Company's share capital and shares under option at 31 December 2008 and shares issued during the year are given in notes 28 to 31 to the financial statements.

The rights and obligations attaching to the Company's ordinary shares and preference shares as well as the powers of the Company's directors, are set out in the Company's articles of association, copies of which can be obtained from Companies House, or by writing to the Company Secretary and can also be found on the Company's website. With the exception of restrictions on transfer of shares under the Company's share incentive plan while the shares are subject to the plan, there are no restrictions on the voting rights attaching to the Company's ordinary shares or the transfer of securities in the Company.

Where, under an employee share plan operated by the Company, participants are the beneficial owners of shares, but not the registered owners, the voting rights are normally exercised at the discretion of the participants. No person holds securities in the Company carrying special rights with regard to control of the Company. The Company is not aware of any agreements between holders of securities that may result in restrictions in the transfer of securities or voting rights. Unless expressly specified to the contrary in the articles of association of the Company, the Company's articles of association may be amended by special resolution of the Company's shareholders. There are a number of agreements that take effect, alter or terminate upon a change of control of the Company, such as commercial contracts and joint venture agreements. None is considered to be significant in terms of their potential impact on the business of the Group as a whole. All of the Company's share plans contain provisions relating to a change of control. Outstanding awards and options would normally vest and become exercisable on a change of control, subject to the satisfaction of any performance conditions.

At the forthcoming Annual General Meeting, shareholders will be asked to consider an increase in the authorised share capital of the Company, to renew the directors' authority to allot shares and to reintroduce the Scrip Dividend Plan. Details are contained in the Notice of Meeting.

Authority to purchase own shares

At the Company's Annual General Meeting held on 1 May 2008, shareholders renewed the Company's authorities to make market purchases of up to 262 million ordinary shares, up to 100 million 8¾% preference shares and up to 100 million 8⅜% preference shares. These authorities were not used during the year and, at the forthcoming Annual General Meeting, shareholders will be asked to renew them for another year. Details are contained in the Notice of Meeting. The Company held no Treasury shares during the year.

Directors

The following persons served as directors of the Company during the year:

Nikesh Arora
Guillermo de la Dehesa (retired on 31 December 2008)
Wim Dik
Mary Francis
Richard Karl Goeltz
Mark Hodges (appointed 26 June 2008)
Andrew Moss
Carole Piwnica
Philip Scott
Lord Sharman of Redlynch
Russell Walls
Scott Wheway

The biographical details of the persons currently serving as directors appear on pages 84 and 85.

Directors' report continued

The Company's articles of association require one-third of the directors to retire by rotation each year and also require each director to retire at intervals of not more than three years. At the forthcoming Annual General Meeting, Mary Francis, Richard Goeltz, Carole Pwinica and Russell Walls, all non-executive directors, will retire and, being eligible, will offer themselves for re-election. Euleen Goh and Mark Hodges will offer themselves for election by shareholders at this year's Annual General Meeting being the first such meeting after their appointment. Euleen Goh is a non-executive director and was appointed to the Board on 1 January 2009. Mark Hodges is an executive director with a service contract with the Company, details of which can be found in the Directors' remuneration report. Guillermo de la Dehesa retired from the Board on 31 December 2008 and Wim Dik will retire at this year's Annual General Meeting in line with the Board's plans to renew and refresh its composition.

Directors' interests and indemnity arrangements

At no time during the year did any director hold a material interest in any contract of significance with the Company or any of its subsidiary undertakings other than an indemnity provision between each director and the Company and service contracts between each executive director and a Group company. The Company has purchased and maintained throughout the year directors' and officers' liability insurance in respect of itself and its directors. The directors also have the benefit of the indemnity provision contained in the Company's articles of association. The Company has executed deeds of indemnity for the benefit of each director of the Company, and each person who was a director of the Company during the year, in respect of liabilities that may attach to them in their capacity as directors of the Company or of associated companies. These indemnities were granted at different times according to the law in place at the time and where relevant are qualifying third-party indemnity provisions as defined by Section 309B of the Companies Act 1985 and Section 234 of the Companies Act 2006. These indemnities were in force throughout the year and are currently in force. Details of directors' remuneration, service contracts and interests in the shares of the Company are set out in the Directors' remuneration report.

Substantial shareholdings

As at 27 February 2009 the Company had received the following notification in accordance with the provisions of the Disclosure and Transparency Rules of the Financial Services Authority; the holdings of Legal & General Group plc had fallen below 5% of the total voting rights attaching to the issued ordinary share capital of the Company.

Financial instruments

Aviva Group companies use financial instruments to manage certain types of risks including those relating to credit, foreign currency exchange, cash flow, liquidity, interest rates, and equity and property prices. Details of the objectives and management of these instruments are contained on page 32 of the Business review and an indication of the exposure of the Group companies to such risks is contained in note 55 to the accounts.

Health and safety

The health and safety of the Group's employees is a priority and is reviewed at regular intervals. Each business within the Group has an appointed health and safety representative, whose role is to bring to the attention of senior management any areas of concern that should be addressed within the health and safety programme. Information on health and safety matters is communicated to staff through the normal communication channels. Under the Group's Health and Safety Policy the Group chief executive is accountable for health and safety.

Charitable donations

The Company has continued to support community initiatives and charitable causes worldwide and the total Group commitment during the year was £9.6 million *(2007: £6.8 million)*.

In 2008, the Group's community investment in the United Kingdom totalled £5.6 million *(2007: £4 million)* of which £2.2 million *(2007: £1.4 million)* was given in the form of donations to charitable organisations. The Company continues its global partnership with the Oxfam 365 Alliance which ensures that Oxfam can maintain a state of constant preparedness, enabling them to respond immediately to emergencies wherever they occur in the world. The Company promotes a strong volunteering policy and employees are entitled to up to three days annually to support volunteering activities. The Company allocates a part of its budget to matching contributions to charitable causes raised by staff and for providing financial support to charities and communities where members of staff give a personal commitment in terms of their time.

In addition, the Group's businesses are committed to supporting their local communities in line with the Company's strategy which focuses on education, financial literacy and life trauma. For example, in the United Kingdom the business partners with schools to deliver education citizenship modules into schools (for 14 – 19 year olds) with a focus upon economics, as part of the "Paying For It" scheme. Since 2007, Aviva Canada has partnered with ThinkFirst Foundation of Canada. ThinkFirst seeks to prevent brain and spinal cord injuries through education by promoting healthy behaviour in children and youths.

Political donations

At the Annual General Meeting held in 2008, shareholders passed a resolution, on a precautionary basis, to authorise the Company to make political donations and/or incur political expenditure (as such terms are defined in Sections 362 to 379 of the Companies Act 2006) in amounts not exceeding £100,000 in aggregate.

The definitions used in the Companies Act 2006 are broad in nature and this authority was sought to ensure that any activities undertaken throughout the Group's businesses which could otherwise be construed to fall within these provisions could be undertaken without inadvertently infringing them. During the year the Company sponsored events in support of the rebranding of Norwich Union to Aviva amounting to a total of £8,627 which could be construed to fall within these provisions. It is not the policy of the Company to make donations to EU political organisations or to incur other political expenditure.

As the authority granted at the 2008 Annual General Meeting will expire on 29 April 2009 renewal of this authority is being sought at this year's Annual General Meeting. Further details are available in the Notice of Meeting.

Group employees

The Group's statement on its employees is set out in the Business review.

In summary, the Group's commitment to communication and dialogue with employees continues. The introduction of a truly group-wide intranet has enabled, for the first time, engagement and communication with all employees throughout the Group on a single platform. It also helps management to share information, ideas and opportunities much faster across the entire business. A strong emphasis is placed on the provision of news and information through a range of media. Employees have opportunities to voice their opinions and ask questions through intranet sites, Q&A telecon sessions, opinion surveys and the Group's climate survey which is open to all employees. Face-to-face briefings and team meetings are actively encouraged and are held in all business units across the Group. The Group's businesses in the United Kingdom have established employee consultative forums and a European Consultative Forum convenes annually to discuss matters impacting the business across Europe.

Employee practice

The Group respects all fundamental human rights and will be guided in the conduct of its business by the provisions of the United Nations Universal Declaration of Human Rights and the International Labour Organisation core labour standards. Aviva also supports the United Nations Global Compact Principles. Aviva Group companies are committed to providing equal opportunities to all employees, irrespective of their gender, sexual orientation, marital status, race, nationality, ethnic origin, disability, age, religion or union membership status. Aviva is an inclusive employer and values diversity in its employees. These commitments extend to recruitment and selection, training, career development, flexible working arrangements, promotion and performance appraisal. In the event of employees becoming disabled, every effort is made to ensure that their employment with the Group continues and to provide specialised training where this is appropriate.

Creditor payment policy and practice

It is the Group's policy to pay creditors when they fall due for payment. Terms of payment are agreed with suppliers when negotiating each transaction and the policy is to abide by those terms, provided that the suppliers also comply with all relevant terms and conditions. The Company has no trade creditors. In respect of Group activities in the UK, the amounts due to trade creditors at 31 December 2008 represented approximately 37 days of average daily purchases through the year (2007: 23 days).

Reappointment of the auditor and disclosure of information to the auditor

In accordance with Section 489 of the Companies Act 2006, a resolution is to be proposed at the Annual General Meeting to reappoint Ernst & Young LLP as auditor of the Company. A resolution will also be proposed authorising the directors to determine the auditor's remuneration. The Audit Committee reviews the appointment of the auditor, the auditor's effectiveness and relationship with the Group, including the level of audit and non-audit fees paid. Further details on the work of the auditor and the Audit Committee are set out below in the Audit Committee report.

The directors in office at the date of this report confirm that, so far as they are each aware, there is no relevant audit information of which Ernst & Young LLP are unaware and each director has taken all steps that ought to have been taken as a director to be aware of any relevant audit information and to establish that Ernst & Young are aware of that information.

Annual General Meeting

The 2009 Annual General Meeting of the Company will be held on 29 April 2009 at The Barbican Centre, Silk Street, London EC2Y 8DS at 11am. A separate document accompanying the Annual Report and Accounts contains the Notice convening the Meeting and a description of the business to be conducted thereat.

By order of the Board.

Graham Jones
Group company secretary
4 March 2009
Registered Office: St. Helen's, 1 Undershaft, London EC3P 3DQ Registered in England No. 2468686

Corporate governance report

The Combined Code on Corporate Governance

The Combined Code on Corporate Governance sets out guidance in the form of principles and provisions on how companies should be directed and controlled to follow good governance practice. The Financial Services Authority requires companies listed in the UK to disclose, in relation to Section 1 of the Combined Code, how they have applied its principles and whether they have complied with its provisions throughout the accounting year. Where the provisions have not been complied with companies must provide an explanation for this.

It is the Board's view that the Company has been fully compliant throughout the accounting period with the provisions set down in Section 1 of the Combined Code, apart from a period of 29 days in 2008 when the majority of the members of the Nomination Committee were not independent non-executive directors. This report sets out details of how the Company has applied the principles and complied with the provisions of the Combined Code during 2008. Further information on the Combined Code can be found on the Financial Reporting Council's website, www.frc.org.uk

The Board

The directors are responsible to shareholders for ensuring that the Company is appropriately managed and that it achieves its objectives. It meets regularly to determine the Company's strategic direction, to review the Company's operating and financial performance and to provide oversight that the Company is adequately resourced and effectively controlled. The specific duties of the Board are clearly set out in its terms of reference that address a wide range of corporate governance issues and list those items that are specifically reserved for decision by the Board. Matters requiring Board approval include:

- Group strategy and business plans;
- Acquisitions, disposals and other transactions outside delegated limits;
- Financial reporting and controls;
- Capital structure;
- Dividend policy;
- Shareholder documentation;
- The constitution of Board committees; and
- Key business policies, including the remuneration policy.

The full terms of reference for the Board are available from the Group Company Secretary. Matters that are not specifically reserved for the Board and its committees under its terms of reference, or for shareholders in general meeting, are delegated to the Group Chief Executive. The Board's terms of reference also set out those matters that must be reported to the Board, such as significant litigation or material regulatory breaches, and cover how matters requiring consideration by the Board that arise between scheduled meetings should be dealt with.

The Board and its committees operate in line with work plans agreed prior to the start of each year. At Board and committee meetings, directors receive regular reports on the Group's financial position, risk management, regulatory compliance, key business operations and other material issues. Directors are fully briefed in advance of Board and committee meetings on all matters to be discussed. The Group Company Secretary is responsible for following Board procedures and advising the Board, through the Chairman, on governance matters. All directors have access to his advice and services.

The Board has adopted a procedure whereby directors may, in the performance of their duties, seek independent professional advice at the Company's expense if considered appropriate. During the year the members of the Remuneration Committee sought independent advice from New Bridge Street Consultants on a review of senior executive remuneration.

The Directors

The Board currently comprises the Chairman, seven independent non-executive directors, one non-independent non-executive director and three executive directors. Each non-executive director serves for a fixed term not exceeding three years that may be renewed by mutual agreement. Subject to the Board being satisfied with a director's performance, independence and commitment, there is no specified limit regarding the number of terms a director may serve. Each director is required to be elected by shareholders at the Annual General Meeting following his/her appointment by the Board and to be re-elected at least once every three years. Any non-executive director who has served on the Board for nine years or more is required to submit himself/herself for re-election annually. The Board's policy is to appoint and retain non-executive directors who can apply their wider knowledge and experiences to their understanding of the Aviva Group, and to review and refresh regularly the skills and experience the Board requires through a programme of rotational retirement. In addition to the strengths of experience, diversity and an international perspective, the Board also seeks to comply with the requirements of the Combined Code on the independence of directors. The process for appointing new directors is conducted by the Nomination Committee whose report, including a description of its duties, is set out on page 95.

The Combined Code requires that at least half the Board, excluding the Chairman, should comprise independent non-executive directors as determined by the Board. The Nomination Committee performs an annual review of directors' interests in which all potential or perceived conflicts, including time commitments, length of service and other issues relevant to their independence, are considered. It is the Board's view that an independent non-executive director also needs to be able to present an objective, rigorous and constructive challenge to management, drawing on his/her wider experiences to question assumptions and viewpoints and where necessary defend their beliefs. To be effective, an independent director needs to acquire a sound understanding of the industry and the Company so as to be able to evaluate properly the information provided. Having considered the matter carefully the Board is of the opinion that all of the current non-executive directors are independent and free from any relationship or circumstances that could affect, or appear to affect, their independent judgement, except Wim Dik due to his length of service as a non-executive director of the Company. Accordingly, over half of the directors, excluding the Chairman, are independent non-executive directors. Each of the directors being proposed for re-election at the 2009 Annual General Meeting has been subject to a formal performance evaluation and took part in a peer evaluation review during 2008. Details of the Directors standing for re-election at this year's Annual General Meeting are set out in the Notice of Meeting. Wim Dik will retire at this year's Annual General Meeting. Biographical details of all the directors are set out on pages 84 and 85.

The Chairman and Group Chief Executive

The respective roles of the Chairman and Group Chief Executive are set out in the Board's terms of reference. The Chairman's priority is the leadership of the Board and the Group Chief Executive's priority is the management of the Company. The Chairman's commitment to the Company is two to three days per week and his main interests outside the Company are set out in his biographical details on page 84. During the year the Chairman retired as the chairman and from the board of Aegis plc.

Senior Independent Director

Under the Combined Code the Board appoints one of the non-executive directors to act as Senior Independent Director. The main responsibility of the Senior Independent Director is to be available to shareholders should they have concerns that they have been unable to resolve through normal channels, or when such channels would be inappropriate. The Senior Independent Director is also responsible for leading the Board's discussion on the Chairman's performance and the appointment of a new chairman, when appropriate. Wim Dik served as the Senior Independent Director from 2004 to December 2008 and was succeeded in January 2009 by Richard Goeltz.

Board effectiveness

The effectiveness of the Board is vital to the success of the Group and the Company undertakes a rigorous evaluation each year in order to assess how well the Board, its committees, the directors and the Chairman are performing. The aim is to improve the effectiveness of the Board and its committees and the Group's performance. The process is led by the Chairman and supported by the Group Company Secretary. This year the evaluation was carried out by Boardroom Review, an independent consultancy, and interviews were conducted with each Board member. All directors also completed a questionnaire evaluating the Board and committees' processes, their effectiveness and where improvements may be considered. Boardroom Review prepared a report based on the interviews with the directors and the questionnaire circulated and the overall results of the evaluation were presented to and reviewed by the Board in January 2009.

The performance of the Chairman is also included in the above process and takes into account the views of both the executive and non-executive directors. The Chairman's evaluation is managed by the Senior Independent Director who provides feedback to the Chairman. As part of the Chairman's evaluation the non-executive directors meet separately under the chairmanship of the Senior Independent Director.

The Board evaluation process assesses the executive directors in their capacities as directors of the Company. They are evaluated in respect of their executive duties through a separate process whereby the Chairman and the non-executive directors assess the Group Chief Executive and the Group Chief Executive assesses the executive directors.

Following this comprehensive review, the directors have concluded that the Board and its committees operate effectively and agreed actions in respect of certain processes identified for improvement. Additionally, the Chairman has concluded that each director contributes effectively and demonstrates full commitment to his/her duties.

Training and development

The Board believes strongly in the development of all its employees and directors and it is a requirement of each director's appointment that they commit to continue their development. The form that this development takes is subject to individual director's requirements and the quality and relevance of the training available.

During the year, directors attended a number of courses ranging from external seminars for members of the Audit and Remuneration Committees and internal seminars on market risk. In addition, members of the Audit and the Risk and Regulatory Committees received tailored training sessions. Training sessions have also been built into the Board's and committees' work plans for 2009. The Board made visits to the Group's businesses located in the United Kingdom and Europe during the year to gain a closer understanding of their operations.

The Board has a comprehensive induction programme consisting of several separate sessions which take place over a number of months at times convenient for the director. The sessions include presentations from key members of senior management, visits to the Group's main operating businesses, and meetings with the external auditor and one of the Company's corporate brokers. Further or follow-up meetings are arranged where a director requires a deeper understanding on a particular item.

Directors' attendance

The Company requires directors to attend all meetings of the Board and the committees on which they serve and to devote sufficient time to the Company in order to perform their duties. The attendance of the directors at the Board and committee meetings held in 2008 was as follows:

Board and Board committee attendance 2008

	Board	Audit Committee	Corporate Social Responsibility Committee	Nomination Committee	Risk and Regulatory Committee	Remuneration Committee
Number of meetings held	12	7	4	2	5	9
Nikesh Arora	10	–	–	1#	4	–
Mary Francis	12	6	–	–	5	9
Richard Goeltz	12	7	–	1#	–	9
Euleen Goh (appointed 1 January 2009)	n/a	n/a	n/a	n/a	n/a	n/a
Mark Hodges (appointed 26 June 2008)	7	–	–	–	–	–
Andrew Moss	11	–	3	2	–	–
Carole Piwnica	12	6	3	–	–	9
Philip Scott	11	–	–	–	–	–
Lord Sharman	12	–	3	2	–	–
Russell Walls	11	6	–	2	5	–
Scott Wheway	11	–	4	–	–	9
Wim Dik (will retire on 29 April 2009)	9	–	3	1*	5	–
Former directors						
Guillermo de la Dehesa (retired 31 December 2008)	10	–	3	1*	–	–

– Indicates not a member of that committee.

* Ceased to be a member of the Nomination Committee on 29 July 2008.

Became a member of the Nomination Committee on 29 July 2008

During 2008 the Chairman and the non-executive directors met in the absence of the executive directors and there was one meeting of the non-executive directors chaired by the Senior Independent Director at which the Chairman was not present in order to appraise the Chairman's performance.

Board committees

The Board has established the following standing committees to oversee and debate important issues of policy and oversight outside the main Board meetings.

- Audit Committee;
- Corporate Social Responsibility Committee;
- Nomination Committee;
- Risk and Regulatory Committee; and
- Remuneration Committee.

Throughout the year the chairman of each committee provided the Board with a summary of the key issues considered at the meetings of the committees and the minutes of the meetings were circulated to the Board. The committees operate within defined terms of reference which are available from the Group Company Secretary upon request. Board committees are authorised to engage the services of external advisers as they deem necessary in the furtherance of their duties at the Company's expense.

Reports of the committee chairmen are set out on pages 95 to 119.

Conflicts of interest

In line with the Companies Act 2006, the articles of association were amended at the 2008 Annual General Meeting to allow the Board to authorise potential conflicts of interest that may arise and to impose such limits or conditions as it thinks fit. The decision to authorise a conflict of interest can only be made by non-conflicted directors (those who have no interest in the matter being considered) and in making such decision the directors must act in a way they consider in good faith will be most likely to promote the Company's success. The Company has established a procedure whereby actual and potential conflicts of interest are regularly reviewed and for the appropriate authorisation to be sought prior to the appointment of any new director or if a new conflict arises. During 2008 this procedure operated effectively.

Internal controls

The Combined Code requires directors to review and report annually to shareholders on the effectiveness of the Company's systems of internal control which include financial, operational and compliance controls and risk management. The Board has the overall responsibility for maintaining the systems of internal control of the Company and for monitoring their effectiveness; while the implementation of internal control systems is the responsibility of management. The Group's systems of internal control are designed to manage rather than eliminate the risk of failure to achieve business objectives and can provide only reasonable and not absolute assurance against material financial misstatement or loss.

The systems are designed to:

- Safeguard assets;
- Maintain proper accounting records;
- Provide reliable financial information;
- Identify and manage business risks;
- Maintain compliance with appropriate legislation and regulation; and
- Identify and adopt best practice.

The principal features of the control framework and the methods by which the Board satisfies itself that it is operating effectively are detailed below.

Control environment

The Group has an established risk management and governance framework, the key features of which include:

- Terms of reference for the Board and each of its committees;
- A clear organisational structure, with documented delegation of authority from the Board to executive management;
- A Group policy framework, which sets out risk management and control standards for the Group's operations worldwide;
- Defined procedures for the approval of major transactions and capital allocation; and
- Committees of senior executives responsible for reviewing the Group's financial risks (Asset and Liability Management Committee) and non-financial, ie strategic and operational risks (Group Operational Risk Committee).

The Group's risk management and governance framework is consistent with the requirements of the Financial Services Authority's risk-based framework for integrating the embedding risk and capital management (Prudential Sourcebook).

Risk identification, assessment and management

There is in place an ongoing process for identifying, evaluating and managing the significant risks faced by the Group which has operated throughout 2008 and up to the date of signing this report. The Group's risk management and governance framework is designed to support the identification, assessment, monitoring, management and control of risks that are significant to the achievement of the Group's business objectives. The Group has a set of formal policies which govern the management and control of both financial and non-financial risks. The adoption of these policies throughout the Group enables a consistent approach to the management of risk at regional and business unit level. At Group level, policy owners maintain policy content and guidance material and are responsible for the definition of the management information requirements from the businesses to support the risk oversight committees in the discharge of their responsibilities. Policy owners are also responsible for the Group-wide aggregation and oversight of their specific risks. During 2008 the Group policy set has been embedded, the risk management framework has been reviewed and a new Chief Risk Officer appointed.

Management monitors the completeness of the Group's risk profile on a regular basis. Each quarter, businesses report risk profiles and the adequacy of the mitigating action programmes, where risks are outside of the Group's risk appetite. These assessments are based on financial, reputational and operational criteria. This enables the Group risk function to assess the overall risk exposure and to develop a Group-wide risk profile that is refreshed quarterly. Material items in the Group risk report are reported to the committee of the Group's senior executives (Executive Committee), the Risk and Regulatory Committee and in respect of social, environmental and ethical risks, the Board's Corporate Social Responsibility Committee. The Executive Committee considers whether the residual risks are within the Group's risk appetite, and the adequacy of the mitigating actions. In addition the Executive Committee receives a fortnightly Group-wide risk update report.

The Boards, audit committees and management of the operational businesses also consider local risk reports in a similar way. Regular reports are supplemented by escalation procedures for new or deteriorating risks. In addition, business units provide a certificate every six months to confirm compliance with the Group's risk management framework and governance, and the terms of their delegated authority. Any risk or control issues not already reported through the regular risk management processes must be specifically highlighted.

Control procedures and monitoring systems

The Group has a well-developed system of planning, incorporating Board approval of a rolling three-year Group plan. Performance against the plan is subsequently monitored and reported to the Board each time it meets. This report also includes updates on relevant measures of solvency and liquidity. Performance is reported through the half-yearly publication of the Company's results based on accounting policies that are applied consistently throughout the Group. Operational management reports quarterly to the Executive Committee on a wide range of key performance and other significant matters and the Board receives regular representations from the senior executives responsible for each region and business function.

The Risk and Regulatory Committee has the overall responsibility of monitoring the Group's internal control and risk management systems on behalf of the Board. In addition, the Audit Committee performs an annual review of the effectiveness of the internal audit function and the framework for the Group's internal financial controls and financial reporting. Throughout 2008, the Audit Committee and the Risk and Regulatory Committee received quarterly reports from the Chief Audit Officer on issues arising and updates on previously reported items. More detailed reports on the work of these committees during 2008 are set out on pages 96 and 98.

The Board has conducted a review of the effectiveness of the Group's systems of internal control. This annual review has been supplemented by a major review of the adequacy and effectiveness of financial reporting controls across the Group. This additional review is being undertaken so that the Group will be able to meet the financial reporting requirements of the Sarbanes-Oxley Act 2002 in the event of a possible listing of the Company on the New York Stock Exchange. The necessary actions have been or are being taken to remedy significant failings or weaknesses identified from these reviews. These actions are being monitored by the Risk and Regulatory Committee or the Audit Committee as appropriate on behalf of the Board.

Internal audit

The Group's internal audit function advises management on the effectiveness of its internal control systems, the adequacy of these systems to manage business risk and to safeguard the Group's assets and resources. Through the Chief Audit Officer, the internal audit function provides objective assurance on risk and control to both the Audit Committee and the Risk and Regulatory Committee. The effectiveness of the Group's internal audit function is reviewed each year by the Audit Committee.

Communication with shareholders

The Company places considerable importance on communication with shareholders and engages with them on a wide range of issues.

The Group has an ongoing programme of dialogue and meetings between the executive directors and institutional investors, fund managers and analysts. At these meetings a wide range of relevant issues including strategy, performance, management and governance are discussed within the constraints of information already made public.

The Company's Investor Relations department is dedicated to facilitating communication with institutional investors. The directors consider it important to understand the views of shareholders and, in particular, any issues which concern them. The Board receives reports on matters that have been raised with management at the regular meetings held with the large investors. During the year the Chairman held a meeting with the major institutional investors and attended investor meetings with management. In addition, the Senior Independent Director is available to meet with major shareholders to discuss any areas of concern that cannot be resolved through normal channels of investor communication and arrangements can be made to meet with the Senior Independent Director through the Group Company Secretary. Similarly, arrangements can be made for major shareholders to meet with newly appointed directors. In addition, the Board consults with shareholders in connection with specific issues where it considers appropriate. For example, the chairman of the Remuneration Committee consulted with investors in 2008 regarding the introduction of the One Aviva, Twice the Value Bonus Plan which is outlined in the Remuneration Committee report on page 103.

The Board is equally interested in the concerns of private shareholders and, on its behalf the Group Company Secretary oversees communication with these investors. It is the practice of the Company to issue a postage paid reply form with its Annual General Meeting documentation to enable shareholders to put relevant questions to the directors. This is considered to be particularly helpful for those shareholders who are unable to attend the meeting. Written responses are provided through a brochure containing answers to the most frequently asked questions which is also placed on the Company's website. All material information reported to the regulatory news services is simultaneously published on the Company's website affording all shareholders full access to Company announcements.

The Company has taken full advantage of the provisions within the Companies Act 2006 allowing communications to be made electronically to shareholders where they have not requested hard copy documentation. As a result the Company's website has become the primary method of communication for the majority of its shareholders. Details of the information available for shareholders on the website can be found on the Shareholder information pages 330 to 332.

Corporate governance report continued

The Company's Annual General Meeting provides a valuable opportunity for the Board to communicate with private investors. At the meeting, the Company complies with the Combined Code as it relates to voting, the separation of resolutions and the attendance of committee chairmen. Whenever possible, all directors attend the Annual General Meeting and shareholders are invited to ask questions during the meeting and have an opportunity to meet with the directors following the conclusion of the formal part of the meeting. In line with the Combined Code, details of proxy voting by shareholders, including votes withheld, are made available on request and are placed on the Company's website following the meeting.

The Company's annual report and accounts and annual review, together with the Company's interim reports, interim management statements and other public announcements are designed to present a balanced and understandable view of the Group's activities and prospects and are available on the Company's website. The Chairman's statement, Group Chief Executive's review, and Business review provide an assessment of the Group's affairs and they will be supported by a presentation to be made at the Annual General Meeting.

Institutional investor

Aviva Investors, the Group's core asset management company, believes that good governance plays an important role in protecting and enhancing shareholder value. In keeping with the Group's values, Aviva Investors looks to act as a responsible investor, monitors the governance of the companies in which it invests and seeks to maintain an effective dialogue and engagement with companies on matters which may affect the future performance of those companies.

Aviva Investors maintains a detailed Corporate Governance and Voting Policy as part of its investment strategy, which underpins its approach to engaging and voting at company general meetings. The policy encompasses social, environmental and ethical issues and is applied pragmatically after careful consideration of all relevant information. In addition, Aviva Investors makes detailed voting reports available to clients, as well as providing some summary reporting on its website www.avivainvestors.com.

Directors' responsibilities

The directors are required to prepare accounts for each accounting period that comply with the relevant provisions of the Companies Act 1985, the Companies Act 2006 (where applicable) and International Financial Reporting Standards (IFRS) as adopted by the European Union, and which present fairly the financial position, financial performance and cash flows of the Company and the Group at the end of the accounting period. A fair presentation of the financial statements in accordance with IFRS requires the directors to:

- select suitable accounting policies and verify that they are applied consistently in preparing the accounts, on a going concern basis unless it is inappropriate to presume that the Company and the Group will continue in business;
- present information, including accounting policies, in a manner that is relevant, reliable, comparable and understandable;
- provide additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Company and the Group's financial position and financial performance; and
- state that the Company and the Group have complied with applicable IFRS, subject to any material departures disclosed and explained in the accounts.

The directors are responsible for maintaining proper accounting records which are intended to disclose with reasonable accuracy, at any time, the financial position of the Company and the Group. They are also ultimately responsible for the systems of internal control maintained by the Group for safeguarding the assets of the Company and the Group and for the prevention and detection of fraud and other irregularities. Further details of the systems of internal controls maintained by the Group are more fully described on page 92.

Directors' responsibility statement pursuant to the Disclosure and Transparency Rule 4

The directors confirm that, to the best of each person's knowledge:

(a) the Group and Company financial statements in this report, which have been prepared in accordance with IFRS as adopted by the EU, International Financial Reporting Interpretations Committee's interpretation and those parts of the Companies Act 1985 applicable to companies reporting under IFRS, give a true and fair view of the assets, liabilities, financial position and results of the Company and of the Group taken as a whole; and

(b) the management report contained in this report includes a fair review of the development and performance of the business and the position of the Company and the Group taken as a whole, together with a description of the principal risks and uncertainties that they face.

By order of the Board

Andrew Moss
Group Chief Executive

Philip Scott
Chief Financial Officer

Going concern

The group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Overview on pages 1 to 11 and the Business Review on pages 12 to 81. The business review includes sections on Group Performance (pages 22 to 27), Capital Management (pages 28 to 31), and Risk Management (pages 32 to 35). In addition the financial statements include notes on the group's borrowings (note 47); its contingent liabilities and other risk factors (note 50); its capital structure and position (notes 53 and 54); management of its major risks including market, credit and liquidity risk (note 55); and derivative financial instruments (note 56).

The group has considerable financial resources together with a diversified business model, with a spread of businesses and geographical reach. As a consequence, the directors believe that the group is well placed to manage its business risks successfully despite the current uncertain economic outlook.

After making enquiries, the directors have a reasonable expectation that the Company and the Group as a whole have adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the accounts.

Nomination Committee report

This report provides details of the role of the Nomination Committee and the work it has undertaken during the year.

The main purpose of the Committee is to assist the Board by keeping the composition of the Board under review and conducting a rigorous and transparent process when making or renewing appointments of directors to the Board. It also advises the Board on issues of directors' conflicts of interest and independence. The full terms of reference for the Committee can be found on the Company's website, www.aviva.com, and are also available from the Group Company Secretary.

The following directors served on the Committee during the year:

	Period	
Member	From	To
Lord Sharman (Chairman)	25 January 2006	To date
Nikesh Arora	29 July 2008	To date
Guillermo de la Dehesa	21 June 2000	29 July 2008
Wim Dik	26 April 2004	29 July 2008
Richard Goeltz	29 July 2008	To date
Andrew Moss	12 July 2007	To date
Russell Walls	23 January 2007	To date

The Committee met on two occasions in 2008 and the members' attendance record is set out in the Corporate Governance report on page 91. Nikesh Arora and Richard Goeltz were appointed as members of the Committee on 29 July 2008 and Guillermo de la Dehesa and Wim Dik ceased to be members from that date. The Group Company Secretary acts as the secretary to the Committee.

The Committee keeps under review the balance of skills on the Board and the knowledge, experience, length of service and performance of the directors. It also reviews their external interests with a view to identifying any actual, perceived or potential conflicts of interests, including the time available to commit to their duties to the Company. The Committee monitors the independence of each non-executive director and makes recommendations concerning such to the Board. The results of these reviews are important when the Board considers succession planning and the re-election and reappointment of directors and members of the Committee take no part in any discussions concerning their own circumstances.

During the year the Board accepted the Committee's recommendations that Mark Hodges and Euleen Goh join the Board. Mark Hodges was appointed as an executive director of the Board, increasing the number of executive directors to three. The appointment of Euleen Goh as a new non-executive director from 1 January 2009 also helps to maintain the balance of the Board in the context of the retirement of Wim Dik during 2009. In respect of Ms Goh's appointment the Committee engaged a search agency to help it identify suitable candidates with the skills and capabilities required and to assist with the preparation of an interview list.

In line with the Combined Code requirement the Board undertook a review of the effectiveness of all its committees during the year, including the Nomination Committee.

This report was reviewed and approved by the Board on 4 March 2009.

Lord Sharman of Redlynch
Chairman, Nomination Committee

Audit Committee report

This report provides details of the role of the Audit Committee and the work it has undertaken during the year. The purpose of the Committee is to assist the Board in discharging its responsibilities for the integrity of the Company's financial statements, the assessment of the effectiveness of the systems of internal financial controls and monitoring the effectiveness and objectivity of the internal and external auditors. The full terms of reference for the Committee can be found on the Company's website, www.aviva.com, and are also available from the Group Company Secretary.

The following independent non-executive directors, served on the Committee during the year:

	Period	
Member	From	To
Russell Walls (Chairman)	1 July 2004	To date
Mary Francis	1 January 2007	To date
Richard Karl Goeltz	1 July 2004	To date
Euleen Goh	1 January 2009	To date
Carole Piwnica	24 September 2003	31 December 2008

The Committee met on seven occasions in 2008 and the members' attendance record is set out in the Corporate Governance report on page 91. In addition, the Committee held separate meetings with members of senior management for the purpose of induction and training. The Group Company Secretary acts as the secretary to the Committee. Russell Walls, a Fellow Chartered Certified Accountant, is a former Group Finance Director of BAA plc, Wellcome plc and Coats Viyella plc. Richard Karl Goeltz is a former Chief Financial Officer of American Express Company and NatWest Group plc. Euleen Goh, a Chartered Accountant and member of the Chartered Institute of Taxation, is a former Financial Controller of Pontiac Land and Chief Executive of Standard Chartered Bank, Singapore. The Board is satisfied that these directors have recent and relevant financial experience.

The Group Chief Executive, Chief Financial Officer, Chief Audit Officer, Group Chief Accountant, Chief Risk Officer and the external auditor normally attend, by invitation, all meetings of the Committee. Other members of senior management are also invited to attend as appropriate to present reports. It is the Committee's practice at each meeting to meet separately with the Chief Audit Officer and the external auditor without any members of management being present. In performing its duties, the Committee has access to the services of the Chief Audit Officer, the Group Company Secretary and external professional advisers.

The Committee follows an agreed annual work plan. It reviews, with members of management and the internal and external auditors, the Company's financial announcements including the annual report and accounts to shareholders and associated documentation. It places particular emphasis on their fair presentation and the reasonableness of the judgemental factors and appropriateness of significant accounting policies used in their preparation. At each meeting, the Committee receives a report from the Chief Audit Officer concerning the Company's systems of internal financial control, including any significant new issues and actions taken on previously reported issues. Twice each year, the Committee receives reports on the adequacy of the Group's life assurance and general insurance reserves. The Committee also reviews the annual work plan for the Group's internal audit function. The Committee reports to the Board regarding the effectiveness of the Group's overall systems of internal financial control including the risk management systems in relation to the financial reporting process. The Committee works closely with the Risk and Regulatory Committee, which reviews the Company's overall internal controls and risk management systems.

During the year the Committee and the Risk and Regulatory Committee held a joint meeting in Paris with the chairman of the Aviva France audit committee. This meeting allowed the Committee to gain a deeper understanding of the relevant local issues and assess the effectiveness of the systems of internal financial controls and the effectiveness and objectivity of the internal and external auditors in that business.

Each of the Group's major business units has an audit committee that provides an oversight role for its business. The Chief Audit Officer reviews the papers and minutes from these committees and brings all significant matters to the Committee's attention.
In addition during 2008 the members of the Committee attended several local audit committee meetings including those in Aviva USA, Norwich Union Life, Norwich Union Insurance, Aviva Canada, Aviva France, Hibernian and Aviva Italy. This programme of attendance at local audit committee meetings will continue during 2009.

The Committee receives reports from the external auditor and regularly holds discussions with both the internal and external auditors in the absence of management. The chairman of the Committee reports to the subsequent meeting of the Board on the Committee's work and the Board receives a copy of the minutes of each meeting of the Committee.

Internal audit

The Group's internal audit function reports to management on the effectiveness of the Company's systems of internal controls, the adequacy of these systems to manage business risk and to safeguard the Group's assets and resources. The internal audit function is fully centralised and each country/region head has a full reporting line to the Chief Audit Officer (with the exception of Delta Lloyd). Through the Chief Audit Officer, the internal audit function provides objective assurance on risks and controls to the Committee. The plans, the level of resources and the budget of the internal audit function are reviewed at least annually by the Committee, which also undertakes an annual review of the effectiveness of the Group's internal audit function against guidance criteria provided by the Institute of Chartered Accountants in England and Wales and by the Institute of Internal Auditors (IIA). This year the review has been undertaken by PricewaterhouseCoopers to meet the IIA standards requiring that an independent review of internal audit effectiveness be undertaken at least every five years. The results of the review confirmed that Group Internal Audit generally conformed with the International Standards for the Professional Practice of Internal Auditing. In addition, the Group Audit Committee is consulted in determining the objectives and remuneration of the Chief Audit Officer.

The deteriorating economic and market environment required even greater attention to internal financial controls in 2008. During 2008 the Group internal audit function carried out an assurance review of the Group's management of the economic crisis conditions and the management actions put in place to maintain business as usual activities.

External auditor

Ernst & Young LLP (Ernst & Young) was appointed auditor of the Company in 2001 having previously been the auditor of Norwich Union plc. Following the annual external audit effectiveness review the Committee concluded that the audit was fit for purpose and recommended that a re-tender process should not be undertaken in 2008 but that the relationship and the effectiveness of the auditor be kept under review. The audit signing partner changed as part of a rotation process in 2007. Ernst & Young audits all significant subsidiaries of the Group.

The Company introduced a revised external auditor policy on 1 January 2008 aimed at safeguarding and supporting the independence and objectivity of the external auditors. The policy was updated to reflect current global best practice on auditor independence, and is in full compliance with all UK, US and International Federation of Accountants (IFAC) rules. The revised policy aims to be simpler to interpret, providing greater clarity on what services may and may not be provided by the Group's external auditors.

The policy regulates the appointment of former audit employees to senior finance positions in the Group and sets out the approach to be taken by the Group when using the services of the external auditor, including requiring that all services provided by the external auditor are pre-approved by the Aviva plc Audit Committee. It distinguishes between those services where an independent view is required and that should be performed by the external auditor (such as statutory and non-statutory audit and assurance work), prohibited services where the independence of the external auditor could be threatened and they must not be used, and other non-audit services where the external auditor may be used. Non-audit services where the external auditor may be used include: non-recurring internal controls and risk management reviews (i.e. excluding outsourcing of internal audit work), advice on financial reporting and regulatory matters, due diligence on acquisitions and disposals, project assurance and advice, tax compliance services, and employee tax services.

Annually, the Committee reviews a formal letter provided by the external auditor confirming its independence and objectivity within the context of applicable regulatory requirements and professional standards.

The Group paid £12.1 million to Ernst & Young for audit services in 2008, relating to the statutory audit of the Group and Company financial statements and the audit of Group subsidiaries and associates pursuant to legislation *(2007: £10.2 million)*. The fees for other services which included advice on accounting and regulatory matters, reporting on internal controls, corporate governance matters, and due diligence work were £12.9 million giving a total fee to Ernst & Young of £25.0 million *(2007: £19.1 million)*. Further details are provided in note 12 to the accounts. In addition, the Group engaged the Corporate Citizenship in relation to certain assurance work including verification of its Corporate Social Responsibility report.

During the year, the Committee performed its annual review of the independence, effectiveness and objectivity of the external auditor; assessing the audit firm, the audit partner and audit teams. The process was conducted by means of a questionnaire, completed Group-wide by members of senior management and members of the Group's finance community. The questionnaire sought opinions on the importance of certain criteria and the performance of the external auditor against those criteria. Based on this review, the Committee concluded that the audit service of Ernst & Young was fit for purpose and provided a robust overall examination of the Group's business and the risks involved.

In line with the Combined Code requirement the Board undertook a review of the effectiveness of all its committees during the year, including the Audit Committee. In addition, the Committee also carried out a self-evaluation of its effectiveness.

This report was reviewed and approved by the Board on 4 March 2009.

Russell Walls
Chairman, Audit Committee

Governance **82 – 119**

Risk and Regulatory Committee report

This report provides details of the role of the Risk and Regulatory Committee and the work it has undertaken during the year, and should be read in conjunction with the report on the Group's approach to risk and capital management on pages 28 to 35.

The purpose of the Committee is to assist the Board in providing leadership, direction and oversight with regard to the Group's risk and regulatory policies and procedures, including those related to compliance, risk management, financial malpractice and internal controls. The Committee also monitors the Group's risk exposures relative to appetite. The full terms of reference for the Committee can be found on the Company's website, www.aviva.com, and are also available from the Group Company Secretary.

The following independent non-executive directors served on the Committee during the year:

	Period	
Member	From	To
Mary Francis (Chairman)	14 January 2006	To date
Nikesh Arora	1 July 2007	To date
Wim Dik	14 January 2006	To date
Russell Walls	14 January 2006	To date

The Committee met on five occasions in 2008 and the members' attendance record is set out in the Corporate Governance report on page 91. In addition the Committee held separate meetings with members of senior management and Ernst & Young for the purposes of induction and training. The Group Company Secretary acts as the secretary to the Committee.

The Group Chief Executive, Chief Financial Officer, Chief Audit Officer, Chief Risk Officer, Group Regulatory Director and the external auditor normally attend, by invitation, all meetings of the Committee. Other members of senior management are also invited to attend as appropriate to present reports. It is the Committee's practice at each meeting to meet separately with the Chief Audit Officer and the external auditor without any members of management being present. In performing its duties, the Committee has access to the services of the Chief Audit Officer, the Chief Risk Officer, the Group Regulatory Director, the Group Company Secretary and external professional advisers.

During the year the work of the Committee fell into the following broad areas:

Risk management

The deteriorating economic and market environment required even greater attention to risk management in 2008, and heightened the interest of external stakeholders in the Company's processes and controls. The Committee's oversight focused on: continuing to improve the framework for identifying, monitoring and mitigating risks across the Group; ensuring that key financial risks – especially market and credit risks – were being identified and managed effectively; ensuring that operational risks, especially in IT and business protection and continuity, were well monitored and controlled; and monitoring how risk is managed at local and regional level within the Group through presentations from business unit leaders and risk teams. Between its formal meetings, the Committee received regular information from management on the Group's risk exposures and mitigating actions. Financial risk and capital management issues occupied the largest part of the Committee's time during the year, and are likely to continue to do so for the foreseeable future.

Regulation and compliance

The Committee works with management to ensure that the Group has a constructive relationship with its lead regulator, the FSA, and with the local regulators who oversee its businesses worldwide. During the year the Committee received regular reports on ongoing compliance issues and regulatory and other public policy initiatives. In particular, the Committee monitored the actions being taken by management in relation to the Risk Mitigation Programme agreed with the FSA; encouraged measures to strengthen oversight of the Group's compliance functions outside the UK; and received presentations on the Group's Treating Customers Fairly Programme in the UK and global customer centricity initiative.

Internal Audit

The Group's internal audit function provides the Committee with independent and objective assurance over the appropriateness, effectiveness and sustainability of the Company's system of internal controls in place to mitigate significant risks. The Group Internal Audit plan is based on a robust and structured planning process using a risk based methodology that allows for quarterly updates to reflect changes to the Company's risk profile. Key control issues reported by Group Internal Audit to management and to the Committee members are monitored on a quarterly basis until the risk exposure has been properly mitigated. Reports on financial malpractice are also presented to the Committee including incidence of fraud, anti-money laundering procedures and, at least on an annual basis, arrangements whereby persons can report in confidence any concerns about lack of probity (whistleblowing).

During the year the Committee and the Audit Committee held a joint meeting in Paris with the chairman of the Aviva France audit committee. This meeting allowed the Committee to gain a deeper understanding of the relevant local issues and assess how the Group's risk management framework, and regulatory policies and procedures were being embedded in the business.

The chairman of the Committee reports at the subsequent meeting of the Board on the Committee's work and the Board receives a copy of the minutes of each meeting of the Committee.

In line with the Combined Code requirement the Board undertook a review of the effectiveness of all its committees during the year, including the Risk and Regulatory Committee.

This report was reviewed and approved by the Board on 4 March 2009.

Mary Francis
Chairman, Risk and Regulatory Committee

Corporate Social Responsibility Committee report

This report provides details of the role of the Corporate Social Responsibility Committee and the work it has undertaken during the year.

The purpose of the Committee is to provide guidance and direction to the Group's corporate social responsibility (CSR) programme, review the key CSR risks and opportunities and to monitor progress. The full terms of reference for the Committee can be found on the Company's website, www.aviva.com, and are also available from the Group Company Secretary.

The following directors served on the Committee during the year:

	Period	
Member	From	To
Wim Dik (Chairman)	14 January 2006	31 December 2008
Guillermo de la Dehesa	14 January 2006	31 December 2008
Euleen Goh	1 January 2009	To date
Andrew Moss	12 July 2007	To date
Carole Piwnica	14 January 2006	To date
Lord Sharman	14 January 2006	To date
Scott Wheway	5 December 2007	To date

The Committee met on four occasions in 2008 and the members' attendance record is set out in the Corporate Governance report on page 91. The Group Company Secretary acts as the secretary to the Committee.

During the year the Committee reviewed and approved the content and scope of the Company's 2008 CSR Report, monitored the management of the CSR risks affecting the Group and helped establish a process by which regions could report performance and progress to the Committee.

The Committee reviewed each region's performance and progress during the year. During the Board's visit to the Group's French operations in September 2008 the Committee held a meeting with the senior managers responsible for CSR. The meeting allowed the Committee to gain a deeper understanding of the relevant local issues and assess how CSR was being embedded in the business.

The Committee received ongoing updates on the Group's key CSR programme activities, including climate change, community investment, diversity and external benchmarking. The Committee also reviewed the Group's carbon offset projects as part of management's commitment to be carbon neutral on a global basis.

Aviva's Chairman, the Chairman of the Committee and a non-executive director committee member participated in the Group's Annual CSR Conference that took place in September 2008. Members of the Committee are interviewed as part of the external assurance process of the CSR programme and the subsequent management report, including Aviva's action plan, is reviewed by the Committee to assist the strengthening and future direction of the programme.

In line with the Combined Code requirement the Board undertook a review of the effectiveness of all its committees during the year, including the Corporate Social Responsibility Committee.

This report was reviewed and approved by the Board on 4 March 2009.

Wim Dik
Chairman, Corporate Social Responsibility Committee

Directors' remuneration report

Highlights

– In 2008 the Committee agreed and implemented, with shareholder approval, the One Aviva Twice the Value Bonus Plan. It also decided to maintain the 2008 financial targets set in December 2007 despite the unprecedented shocks to the macro-economic system and volatility in markets.

– The Committee approved the Executive Directors' request to freeze their basic salaries for 2009. It is not proposing any major adjustments to Aviva's executive remuneration structure in the coming year. It has further approved stretching financial targets for 2009 and agreed to review in mid 2009 their continued appropriateness

– The demanding financial and non-financial targets set for the 2008 annual bonus were met in-part during the year. The combination of financial outcomes, along with those targets relating to employees, customers, and personal objectives mean the Chief Executive received a 2008 bonus of 54.2% of his maximum opportunity *(2007: 65%)*.

– The Committee entered the 2009 reward review conscious of the economic background and widespread comment on over-generous executive remuneration. The Committee believes Aviva's 2008 business results are strong and that Aviva's remuneration practices already closely link pay to performance. The Committee has, however, looked to ensure prudent and proportionate reward outcomes.

– The Committee has decided to defer for one year Aviva's five-yearly comprehensive compensation review. The existing authorities and approvals, granted by shareholders in 2005, will allow the current schemes to continue to operate up until the Annual General Meeting in 2010.

– Mark Hodges, Chief Executive, Norwich Union Life, was appointed an Executive Director of Aviva plc in June 2008. Information on his remuneration therefore appears in this report for the first time.

Introduction

This report sets out the remuneration policy for the Company's directors, describes its implementation and discloses the amounts paid in 2008. In addition to meeting statutory requirements, particularly the Companies Act 1985, Schedule 7A, the Remuneration Committee (the "Committee") has aimed to comply with best practice guidelines, including guidance produced by the Association of British Insurers (ABI) and the National Association of Pension Funds, in producing this report. Relevant sections of this report have been audited in accordance with Corporate Governance best practice and legislation

This report covers the following:

– The Committee's objectives, membership and main activities in 2008;

– A review of Aviva's remuneration policy and practice;

– Commentary on the alignment between remuneration and Aviva's business strategy and objectives;

– Details of the terms of executive directors' (EDs) service contracts;

– Aviva's share ownership policy with respect to EDs;

– Aviva's policy on external board appointments;

– Aviva's UK all employee share plans and Share Incentive plans;

– Aviva's position against dilution limits;

– Non-executive directors (NEDs), and;

– Tables summarising the 2008 position on:
  – Directors' remuneration
  – EDs' pension arrangements
  – Share incentive plans
  – Directors' interests in shares

The Committee's objectives

The Committee is a committee of the Board. Its terms of reference are available from the Group Company Secretary and can be found on the Company's website **www.aviva.com**. The Committee's key objectives are to:

– Establish a competitive remuneration package to attract, retain and motivate scarce, high quality leaders;

– Promote the achievement of both the Company's annual plans and its strategic objectives by providing a remuneration package that contains appropriately motivating targets; and

– Align senior executives' remuneration with the interests of shareholders and other stakeholders, including customers and employees.

The Committee's main responsibilities are to:

– Recommend to the Board the Group's remuneration policy for the EDs and members of senior management, covering basic salary, bonus, long term incentives, retirement provision, long term wealth creation and other benefits;

– Strike an appropriate balance between (i) the fixed and variable and (ii) the cash, equity and equity related components of the total remuneration package;

– Ensure the remuneration package is congruent with, and provides the incentives to realise, short and long term goals;

– Review and determine the terms of employment and remuneration of the individual EDs, including any specific recruitment or severance terms;

– Assess and, within the broad policy from time to time approved by the Board, determine the remuneration terms of the Chairman of the Board;

– Recommend to the Board the establishment of any employee share plans and exercise all the Board's powers in relation to the operation of all share and incentive plans, including the granting of awards, the setting and testing of performance conditions (where appropriate), and any discretion on behalf of the Board regarding any material amendments to the plans' rules not requiring the approval of shareholders; and

– Select, appoint and determine terms of reference for independent remuneration consultants to advise the Committee on remuneration policy and levels of remuneration.

Committee membership

Table 1 below shows the independent NEDs who served on the Committee during the year:

Table 1: Members of the Committee during 2008

Member	From	To
Richard Karl Goeltz (Chairman from January 2006)	3 May 2004	1 January 2009
Mary Francis	25 January 2006	To date
Carole Piwnica	25 January 2006	To date
Scott Wheway (Chairman from 1 January 2009)	5 December 2007	To date

Aviva announced on 4 December 2008 the appointment of Mr Goeltz as its Senior Independent Director with effect from 1 January 2009. From the same date Mr Goeltz ceased to be a member of the Committee and Mr Wheway succeeded him as Chairman.

The Committee met on nine occasions in 2008 and the meeting attendance record is set out in the Corporate Governance report on page 91.

Committee meetings are attended by the Chief Executive (other than when his own remuneration is being discussed) and John Ainley, the Group Human Resources Director. The Group Company Secretary acts as secretary to the Committee. The Chairman attends when discussing the remuneration of the Chief Executive.

The Committee was advised in 2008 by David Hope, the Group Human Resources Strategy Director, on market practice and the alignment of reward arrangements to business strategy and by the Group Chief Accountant on matters relating to the performance measures and targets for the Group's incentive plans. Tim Harris held that role for part of 2008 and was succeeded by David Rogers.

In addition, the Committee appointed New Bridge Street Consultants (NBSC) to advise them on a review of senior executive remuneration (see below). NBSC provided no other material assistance to the Company in 2008. Deloitte LLP, which provided other services to the Group in 2008, advised the Committee on the calculation of Total Shareholder Return (TSR) in respect of the Long Term Incentive Plan (LTIP) vesting. The Group Company Secretary and Linklaters LLP (Linklaters) advised the Committee in relation to the operation of the Company's share plans. Linklaters provided other legal services to the Company during 2008.

In line with Combined Code requirements, the Board undertook a review of the effectiveness of the Committee during the year. Additionally, the Committee reviewed its own performance and agreed steps to enhance its effectiveness.

Directors' remuneration report continued

Committee activities during 2008

The Committee is required by its Terms of Reference to meet at least three times per year and has a standing calendar of items within its remit. In addition to these standing items, the Committee discusses matters relating to the operation of the remuneration policy and emerging market practices. In 2008 the Committee met nine times and discussed, amongst others, the issues set out in Table 2 below:

Table 2: Matters discussed by the Committee during its 2008 meetings

Meeting	Standing agenda items	Other agenda items
January	– None	– Consideration of proposals for the creation of a "One Aviva, Twice the Value" Bonus Plan (OATTV)
February (Twice)	– A review of EDs' basic salaries and benefits in kind – Consideration and approval of EDs' bonus awards for 2007 and approval of share awards under the Annual Bonus Plan (ABP) – A review and approval of LTIP grants to the EDs and approval of the performance conditions for the 2008 grants – A performance test of subsisting LTIP grants – A decision on the operation of the UK's All Employee Share Ownership Plan and the Hibernian's All Employee Share Scheme – A review of dilution limits – A review and approval of recommendations on contributions into the Aviva Capital Accumulation Plan (ACAP) – Approval of the 2007 Directors' Remuneration Report	– Approval of revised proposals for the OATTV plan
April	– None	– A review and approval of grants under the OATTV plan
June	– None	– Approval of Mark Hodges' appointment terms as an ED
July	– Approval of the performance targets for the US Long-Term Incentive Plan – A review of EDs' bonus targets following a rebase for exchange rates and capital assumptions – Approval of an invitation to UK employees to participate in a Save As You Earn scheme	– A review of the proposed Aviva Investors' reward strategy – Consideration of EDs' 2008 bonus targets
August	– None	– Further consideration of EDs' 2008 bonus targets
September	– None	– Review of a paper on the proposed approach to future targets given Aviva's move from an EEV to an MCEV basis for reporting results – A review of market practice on NED shareholding requirements – A review of Aviva's remuneration for its senior management below ED level
December	– Approval of the proposed 2009 financial and employee targets for the operation of the Annual Bonus Plan – Comment upon and noting of the EDs' personal objectives for 2009 – A review of the proposed approach to the 2008 Directors' Remuneration report – An update on progress with the Committee's 2008 and proposed 2009 work plans	– Note the final Aviva Investors' Reward Strategy – Consideration of the findings of a review of remuneration in Aviva's US business. – A review of the Executive Remuneration regulatory environment

The Company's EDs elected to take a basic pay freeze in 2009 and the Committee endorsed that proposal. A further 45 members of senior management have similarly accepted a 2009 basic pay freeze. The EDs will receive 2008 bonuses below (as a percentage of basic salary) those awarded in 2007 against the background of the overall performance of the Group, as set out in pages 22 to 27. This is due to some of the demanding targets originally set in December 2007 not being met in full.

The Committee is conscious of the shareholders' loss of value over the last year. This loss was also felt by the EDs directly through the significantly lower value of the deferred ABP shares and LTIP shares granted in 2006, both of which will vest in March 2009. This is a direct consequence of our reward strategy that seeks alignment between the shareholder and Executives' interests.

Financial targets for the 2008 bonus
Despite the unprecedented changes in the economic position over the year no changes were made to the targets for Executive Directors for 2008 which were set in December 2007.

The introduction of a "One Aviva, Twice the Value" (OATTV) Bonus Plan
Details of how the OATTV plan operates are provided later in this report. This plan is designed to align senior management firmly behind the Chief Executive's aim of doubling Earnings per Share (EPS) from its end 2007 baseline by the end of 2012. After significant debate the Committee satisfied itself that this additional element of remuneration would assist the delivery of a key part of the Group's strategy. It was also satisfied that all or part of the bonus will vest only if stretching performance conditions are met. Furthermore, grants under the plan are only expected to be made in 2009 and 2010 in addition to the grants made in 2008. The plan was subject to extensive formal consultation with institutional shareholders and other stakeholders in advance of being put to Aviva's Annual General Meeting (AGM) in 2008 where it was approved.

Planned Future Changes

The Company does not anticipate any significant changes to the structure of EDs' compensation packages in 2009, compared with that outlined below. There are, however, two points to note:-

– Aviva is changing its financial reporting from a European Embedded Value (EEV) to a Market Consistent Embedded Value (MCEV) approach. This required the Committee to consider how financial targets should be stated on the new MCEV basis. In particular, the Committee has discussed how to treat the Return on Capital Employed (ROCE) element of new and subsisting LTIP grants on an MCEV basis. It is comfortable that a move to MCEV ROCE will not make targets materially easier or more difficult to achieve.

– The external economic climate against which financial targets for 2009 have been set is unprecedentedly volatile. The level of stretch in the targets is very sensitive to the depth and duration of the economic downturn, which is currently highly uncertain. The Committee have therefore decided to review mid year the financial targets used for bonus purposes for EDs and other senior managers. Only in exceptional circumstances would the Committee consider amending financial targets, either up or down, and any significant change would be the subject of appropriate consultation. Any changes would be fully disclosed and explained in the 2009 Annual Report issued in 2010.

The Company is required every five years to seek shareholder approval for the operation of its share based incentive plans. The Committee has, in the past, carried out a comprehensive review of senior executive remuneration to coincide with this. This has allowed the Company to put to shareholders proposals that reflect a thorough review of the Company's remuneration package taking into account changing market and regulatory practice and the requirement to ensure that the package remains competitive. It had been the Committee's intention to carry out such a review in 2009 with a view to putting proposals to the AGM in 2010. Following due consideration, the Committee has determined that this review should be deferred until 2010. Given the current turbulence in the economy, significant developments in relation to shareholder attitudes on executive pay, and emerging regulatory involvement from the Financial Services Authority (FSA), the Committee considers that a more durable outcome will be obtained from a review carried out in 2010, when a number of these factors will be more settled.

The permission from shareholders given in 2005 will allow grants to be made under current arrangements up until the AGM in 2010. New proposals will therefore be put to shareholders in 2011.

Notwithstanding this deferral of the full review, the Committee has undertaken a high level review of Aviva's remuneration practices against the preliminary good practice criteria issued by the FSA. The initial assessment identified generally strong alignment of the Company's current practices with the FSA criteria. However, this is an area that will be kept under closer review during the year as the FSA develops its guidance both generally and specifically in relation to the insurance sector.

Remuneration policy

Alignment with Group Strategy
The Committee considers alignment between Group strategy and the remuneration of its senior executives, including EDs, to be critical. It believes that senior executives should be highly rewarded (on a market competitive basis) for the delivery of stretching goals but should receive reduced rewards when the business performs poorly. To achieve this alignment Aviva's remuneration package is leveraged, with a high percentage of pay "at risk" against the achievement of stretching goals. Furthermore two-thirds of any bonus and any LTIP grant are delivered in the form of Aviva shares. The element of deferred bonus that is matched under the OATTV bonus plan only vests if very demanding EPS targets are met. The requirements to defer bonus, participation in the LTIP and the OATTV bonus plan closely tie the long term value of executive remuneration to the Company's share price performance.

Senior executives thus have high exposure to the same benefits and drawbacks of share price movement as all shareholders. The belief that senior executives should be shareholders is reinforced through formal guidelines requiring EDs to build up and maintain a significant holding of shares in the Company.

The Group's strategic priorities and targets are set out elsewhere in this report. Those priorities are reflected closely in the remuneration package:

– Basic Salary: Internal and external equity in basic salary positioning is an important contributor to a motivational remuneration package. A range of market data is used to inform decision making taking into account the Company's policy with regard to the FTSE 30 and FTSE 50.

– Annual Bonus Plan (ABP): Bonus structures are effective only if they drive, through the targets, the maintenance of the Company on a sound financial footing and sustained profitable growth. In addition, the targets must not provide an incentive to promote behaviours which could be detrimental to the Company's long term interests. Management must justify the targets it recommends. The Committee assures itself that the targets, first, provide appropriate incentives and, second, are challenging.

  The Committee also considers how, given changing economic circumstances, the Group's priorities and consequently the targets underpinning its bonus structures need to change. Given the challenging current environment the Committee has agreed that financial targets for 2009 should focus more on capital conservation and strengthening the Group's liquidity than in previous years. Financial targets sit alongside targets on customer advocacy and employee engagement introduced in 2005 that the Committee believes are critical to long-term organisational health. The personal objectives of executive committee members are reviewed by the Committee to ensure they adequately reflect the strategic aims of the Group, good governance and best practice.

– The One Aviva Twice the Value Bonus Plan (OATTV): This plan was introduced to emphasise the Chief Executive's clear strategic imperative for the Group to deliver growth in Earnings Per Share (EPS), with a target of doubling EPS in five years from an end 2007 baseline. No other element of executive remuneration was focused on EPS growth, and this bonus scheme directly aligns a portion of executive remuneration to this key strategic goal.

– Long Term Incentive Plan (LTIP): The LTIP encourages a longer-term management focus on ROCE and relative Total Shareholder Return (TSR). These metrics measure how the Company is performing in both absolute and relative terms.

The Committee considers all these elements, plus pension and other benefits, as a whole. It looks to ensure that an appropriate balance is maintained between them so that the need for both short-term success and long-term sustainable growth is recognised. The Committee also ensures that the non-financial business measures and individual objectives reflect adequately the Company's environmental, social and governance responsibilities.

Constituent elements of reward as a percentage of total remuneration

Tables 3a and 3b below shows how the Group's remuneration policy translates in practice into the Chief Executive's remuneration package. It shows the contribution each element makes to overall compensation at both "target" and "stretch" levels of performance. More than half of EDs' total remuneration is performance related.

Table 3a and 3b: Breakdown of Remuneration for the Chief Executive

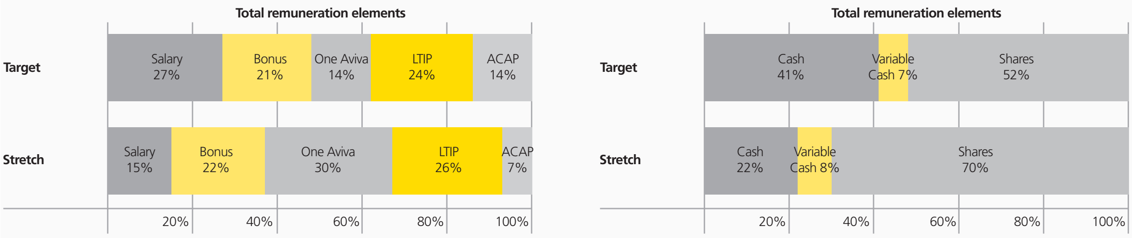


Table 3a shows the breakdown of the package into its main constituent elements. Table 3b gives the proportions of fixed cash, variable cash and shares. For the purposes of Table 3b, fixed cash includes basic salary and the discretionary Aviva Capital Accumulation Plan (ACAP) payment. Variable cash is the one-third of bonus paid in cash annually. The share element includes the two-thirds of bonus deferred into shares, the OATTV match and the LTIP.

– "Target" performance means a target ABP outcome (75% of basic salary), a 50% vesting of the LTIP (87.5% of basic salary) and 1:1 match from the OATTV bonus plan (50% of basic salary).

– "Stretch" performance means a stretch ABP outcome (150% of basic salary), 100% vesting of the LTIP (175% of basic salary) and a 2:1 match from the OATTV bonus plan (200% of basic salary).

The breakdown does not include any share price growth, the dividends on the ABP deferred shares or other benefits (eg. cash car allowance, value of Private Medical Insurance (PMI) and all-employee share ownership plans.

Remuneration policy in practice for executive directors

Table 4, below, summarises Aviva's remuneration policy as it is applied in practice to EDs.

Table 4: Remuneration policy in practice

Policy	How delivered
Total remuneration – Total remuneration package levels are informed by relevant pay data, in particular the lower quartile to median range of the FTSE 30 and the median to upper quartile range of the FTSE 50. – These reference points are chosen to reflect Aviva's market capitalisation and comparability to other large, sophisticated multinational companies and the positioning that is appropriate to Aviva in those different comparator groups.	– Basic salary – ABP – OATTV plan – LTIP – Long-term savings – Aviva Staff Pension Scheme (ASPS) – Benefits – All-employee schemes.
Basic salary – Benchmarked as for total remuneration but with positioning and progression taking account of individual and business performance and the levels of increase provided for the broader UK employee population (basic salaries of the UK staff increased by 3.5% on average in 2008). – The Committee takes seriously institutional investors' concerns on the ratcheting of basic salaries and does not unquestioningly accept a particular market position or salary.	– Monthly in cash – Reviewed annually in February, with changes taking effect from 1 April.
Discretionary Annual Bonus Plan (ABP) – The ABP is intended to motivate executives to achieve the annual business plan, based on a series of key financial, employee and customer performance indicators (KPIs), which make up 70% of the bonus opportunity, and personal objectives (30%). – 75% of basic salary is payable for "on target" performance and up to 150% for "stretch" performance. – Deferred shares vest on the third anniversary of the date of grant, subject to the recipient remaining in service. On resignation during the three-year deferral period all or part of the grant is forfeited (100% in year of grant, 50% in following year and 25% in year after that). Additional shares are awarded in lieu of the dividends paid on the deferred shares during the deferral period.	– Annually, one-third is paid in cash and two-thirds in deferred shares.

"One Aviva, Twice the Value" (OATTV) Bonus Plan
– The OATTV bonus aligns senior executives with the Chief Executive's clear strategic imperative of doubling EPS by the end of 2012.
– The plan matches 100% of the deferred ABP shares for the Chief Executive (75% for the other EDs).
– For the 2008 awards, the vesting of these matched shares is dependent on the average annual growth in EPS during the three-year performance period, thus:
  – Less than 10% growth pa: Nil
  – 10% growth pa: 0.1 for 1
  – 26% growth pa: 2 for 1
– Matching is on a straight-line basis for performance from 10% to 26%. No additional shares are awarded for the dividends paid during the three year performance period on those shares that vest.
	– Annually, a proportion of the deferred element of the ABP is matched in shares
	– Shares vest based on demanding EPS growth targets.

Long-Term Incentive Plan (LTIP) – The LTIP is intended to motivate achievement of the Company's longer term objectives, to aid the retention of key personnel and to align executive interests to those of shareholders. – The Chief Executive is eligible to receive an annual award of shares equal to 175% of basic salary. Other EDs are eligible to receive an annual award of shares equal to 150% of basic salary. – No share-based award may exceed 200% of basic salary. However, in 2008 6 grants were made in Aviva's US business above 200% to a maximum of 300% of basic salary through a phantom scheme. The levels of grant made took into account US market practice. No additional shares are awarded for the dividends paid during the three year performance period on those shares that vest.	– Annual awards in restricted shares that vest, subject to ROCE and relative TSR performance conditions being met at the end of a three-year performance period – Awards that do not vest lapse.

Policy	How delivered
Long-term savings – The Aviva Capital Accumulation Plan (ACAP) is a long-term savings vehicle which aids retention whilst recognising a need for flexibility in long-term wealth planning. – Company contributions are discretionary and vary year-on-year, but would not normally exceed 50% of basic salary. Contributions for the executive directors are shown in the table on page 116. – No one who participates in the ACAP is currently accruing benefits in the ASPS. A resignation or departure for breach of contract generally results in forfeiture of contribution for the relevant year.	– Discretionary payments into a trust where they are held for a minimum of five years.
Aviva Staff Pension Scheme (ASPS) – The UK ASPS provides a competitive post retirement package. No ED is currently accruing service based benefits in the ASPS. – The scheme provides accrual at 1/30, 1/45 or 1/60 of annual basic salary depending on seniority and the date of joining the scheme. – Lump sum death in service benefit of four times basic salary is provided, as is a spouse's or partner's pension equal to two-thirds of actual or, on death in service and in certain other circumstances, prospective pension. Post retirement increases are equivalent to RPI up to a maximum of 10%. Retirement benefits can be accessed from age 60.	– Deferred cash payable on retirement in the form of a lump sum/monthly payment.
Other benefits – Other benefits are provided on a market competitive basis.	– Cash car allowance – Private Medical Insurance (PMI) – All-employee share ownership plans.

Overview of the effect on current Executive Directors

The effect of these policies in 2008 for current EDs is set out below. It should be emphasised that the figures shown for both the LTIP grant and OATTV bonus plan grant represent the face value of those grants, which would only be realised if very stretching performance conditions were to be met. Details on pension benefits are set out later in this report.

Table 5: Overview of current Executive Directors' remuneration

Andrew Moss, Chief Executive

Element	Amount	Commentary
Basic salary	£913,750 during the year As at 1 January £880,000 As at 31 December £925,000	Mr Moss received a basic salary increase from 1 April of £45,000 (5.1%). His basic salary is frozen for 2009
ABP	£752,164 (81.3% of basic salary) (£250,721 delivered in cash and £501,443 deferred into shares for three years)	Bonus is a function of the degree of achievement of 2008 targets as follows: Financial 22.9% (maximum 50%) Employee 5.6% (maximum 10%) Customer 2.9% (maximum 10%) Personal 22.8% (maximum 30%).
OATTV bonus plan	£568,891	The face value of 100% of the two-thirds deferred element of 2007 annual bonus.
LTIP – face value of grant	£1,540,000	The face value of the grant represented 175% of basic salary on 29 February 2008.
ACAP	£462,500	The Trustee of the Plan accepted Aviva's recommendation and made an award into the plan equivalent to 50% of Mr Moss' basic salary as at 1 April.
Other benefits	£18,280 cash car allowance 2% basic salary cash supplement Private medical insurance	Mr Moss receives 2% of basic salary as a non-pensionable cash supplement provided in consideration of his surrendering his Unapproved Unfunded Retirement Benefit (UURB) promise at the point when accrual in the ASPS ceased.

Directors' remuneration report continued

Philip Scott, Chief Financial Officer

Element	Amount	Commentary
Basic salary	£592,500 during the year As at 1 January £570,000 As at 31 December £600,000	Mr Scott received a basic salary increase from 1 April of £30,000 (5.3%). His basic salary has been frozen for 2009
ABP	£487,890 (81.3% of basic salary) (£162,630 delivered in cash and £325,260 deferred into shares for three years)	Bonus is a function of the degree of achievement of 2008 targets as follows: Financial 22.9% (maximum 50%) Employee 5.6% (maximum 10%) Customer 2.9% (maximum 10%) Personal 22.8% (maximum 30%).
OATTV bonus plan	£320,625	The face value of 75% of the two-thirds deferred element of 2007 annual bonus.
LTIP – face value of grant	£855,000	The face value of the grant represented 150% of Mr Scott's basic salary on 29 February 2008.
ASPS	Membership of the Aviva Staff Pension Scheme	Mr Scott has a fully accrued pension equivalent to two thirds of his pensionable salary at retirement. He therefore no longer accrues service related benefits but does continue to accrue additional benefits as a result of pensionable salary increases.
Other Benefits	£16,120 cash car allowance Private Medical Insurance	

Mark Hodges, Chief Executive, Norwich Union Life

Element	Amount	Commentary
Basic salary	£462,500 during the year As at 1 January £395,000 As at 31 December £520,000	Mr Hodges was appointed an executive director of Aviva plc on 26 June 2008 and received an increase in basic salary from that date. His basic salary is frozen for 2009.
ABP	£532,077 (102.3% of basic salary) (£177,359 delivered in cash and £354,718 deferred into shares for three years)	Mr Hodges' bonus is a function of the degree of achievement of 2008 targets as follows: Financial 35.4% (maximum 50%) Employee 8.3% (maximum 10%) Customer 1.7% (maximum 10%) Personal 22.8% (maximum 30%).
OATTV bonus plan	£254,380	The face value of 75% of the two-thirds deferred element of 2007 annual bonus.
LTIP – face value of grant	£592,500	The face value of the grant represented 150% of Mr Hodges' basic salary on 29 February 2008.
ACAP	£207,500	The Trustee of the Plan accepted Aviva's recommendation and made an award into the plan equivalent to 50% of Mr Hodges' basic salary as at 1 April.
Other benefits	£14,710 cash car allowance Private medical insurance	

Annual Bonus Plan (ABP) – target setting

The financial targets which underpinned the ABP (accounting for 50% of annual bonus) in 2008 were derived from Aviva's return, growth and capital efficiency/capital generation goals. Three of the financial targets (operating profit, volume and new business contribution) were "stretched" (as set out in Table 6) due to their importance in achieving these aspirations.

Employee and customer targets (each accounting for up to 10% of annual bonus) are set taking into account performance to date and aspirations for the future. The employee targets on leadership and engagement are derived from the Group's employee climate survey in which all business units participate and which over 42,000 staff completed in 2008. This survey is delivered through an independent third party able to provide extensive external benchmark data. Our aspiration is to reach the upper quartile positions compared to the relevant global and national norms on leadership and engagement over time.

Customer metrics do not yet have the same degree of consistency and external comparability in all business units as our employee climate survey. During 2008 we moved towards a more consistent metric to measure customer advocacy. Although there is still not complete alignment, all business units do have customer satisfaction and/or advocacy targets from which we can derive suitable performance targets. We expect our new measure to be used in most business units during 2009 and in all business units in 2010.

Internal assurance that the outcomes on employee and customer targets were accurately calculated and reported was provided to the Committee by Group Audit.

Personal objectives based on delivery of key strategic priorities, personal leadership and operating performance of the relevant portion of the business account for up to 30% of annual bonus.

The Group's performance against its financial, employee and customer KPIs in 2008, as they affected the bonus of the Chief Executive, is shown in Table 6 below.

Table 6: Group performance in 2008 against its KPIs

		Weighting (% of total bonus opportunity)		
	Key performance indicators	On target (%)	Stretch (%)	Actual payment (%)
Business measures (70%)	Operating profit (EEV/IFRS)	4.2	16.7	6.2
	Volume	4.2	10.4	–
	New Business Contribution	4.2	10.4	8.8
	Costs	4.2	4.2	4.2
	Operating Profit (IFRS basis)	4.2	4.2	3.8
	Combined Operating Ratio (COR) – General Insurance only	4.2	4.2	–
	Customer	5	10	2.9
	Employee	5	10	5.6
Personal measures (30%)	Personal – individual strategic	15	30	22.8
	Total*	50	100	54.2

* Totals in columns do not add up due to rounding.

The Committee is sensitive to the current environment in relation to executive pay, and particularly relating to the payment of bonuses in circumstances where financial targets have not been met and share prices have fallen. However, the combination of financial and non-financial measures is central to the structure of the ABP. The Committee wants to ensure a balanced focus on both short-term financial performance and on the objective non-financial measures that are leading indicators of future financial success. This balance is, in the Committee's view, reflective of good practice in incentive design and is consistent with the FSA's guidance on creating incentive schemes that have a focus on long-term sustainable performance.

As described above, the Committee took the view that it was important to maintain the integrity of the financial targets for the EDs, and so these were not adjusted during the year. In the same way, the Committee believes that it is appropriate to pay bonus based on pre-agreed rigorous targets when these have been met. As outlined earlier in this report, given the overall 2008 performance against the demanding targets set, the bonuses of the EDs fell in 2008 compared with 2007 as a percentage of basic salary.

To align with the business priorities for 2009, the financial measures at Group level for 2009 are operating profit, volume, new business margin, the Combined Operating Ratio (COR) of our general insurance businesses, net capital returns and cost savings.

One Aviva Twice the Value (OATTV) Bonus Plan

The OATTV bonus plan aligns senior executives with the Chief Executive's clear strategic imperative of doubling EPS by the end of 2012. The plan matches 100% of the deferred ABP shares for the Chief Executive (75% for other EDs). For the grant made in 2008 the vesting of these matched shares is dependent on the average annual growth in EPS during the three year performance period, thus:

– Less than 10% growth pa	Nil
– 10% growth pa	0.1 for 1
– 26% growth pa	2 for 1

Matching is on a straight-line basis for performance between 10% and 26%. The maximum match of 2 shares for each deferred share is paid for delivering a doubling of EPS by the end of 2010. The threshold matching of 0.1 of a share for each share deferred is equivalent to doubling EPS by 2014. The Committee reviews the performance conditions of this plan annually.

Long-Term Incentive Plan – target setting

The LTIP vests subject to the degree of achievement of two equally weighted performance measures chosen to reflect shareholders' long-term interest in absolute ROCE and relative TSR performance.

Return on Capital Employed (ROCE) targets
ROCE targets are set annually within the context of the Company's three year business plan and have to date been set on an EEV basis. Vesting depends upon performance over the three year period against a target return. The Company's external auditor provides a formal opinion on the ROCE vesting calculation. The 2008 LTIP award ROCE targets are set out in Table 7 below:

Table 7: 2008 LTIP ROCE targets

ROCE over the three year performance period	Percentage of shares in award that vests based on achievement of ROCE targets
Less than 31.5%	0%
31.5%	15%
Between 31.5% and 37.5%	Pro rata between 15% and 50% on a straight-line basis
37.5% and above	50%

The same performance targets will apply for the 2009 LTIP, except that the measure will be calculated using an MCEV reporting basis and not EEV.

Total Shareholder Return (TSR) targets
Relative TSR determines the vesting of the other 50% of any LTIP award. The comparator group for the assessment of relative TSR performance at the time of the 2008 grant comprised Aegon, Allianz, Axa, Fortis, Friends Provident, Generali, HBOS, ING, Legal and General, Lloyds TSB, Prudential, Royal Bank of Scotland, Royal and Sun Alliance, Standard Life and Zurich. HBOS has since been delisted. The 2006 and 2007 LTIP grants are based on the same comparator group, with the exception of Standard Life which was not included in 2006.

TSR vesting operates as set out in Table 8 below:

Table 8: TSR vesting schedule for the 2008 award

TSR position over the three year performance period	Percentage of shares in award that vests based on achievement of TSR targets
Below median	0%
Median	15%
Between median and upper quintile	Pro rata between 15% and 50% on a straight-line basis
Upper quintile and above	50%

The same targets will apply for the 2009 LTIP awards. The comparator group will remain unchanged other than the removal of HBOS. The Committee has agreed a shortlist of companies that would be considered for inclusion in the comparator group, subject to final review, should any further member of the group be delisted.

Details of subsisting LTIP awards are provided on page 112 and Table 9 below shows the vesting projections (non-audited) of those awards as at 31 December 2008. For subsisting grants where HBOS was a member of the comparator group the Committee has determined that HBOS TSR performance to the end of 2008 should be used and thereafter replaced by a "synthetic" TSR based on the average TSR performance of the remaining constituents of the comparator group for the remainder of the performance period.

Table 9: Projections of vesting of subsisting LTIP awards

LTIP award	31 December 2008 vesting projection (% of award)
Aviva LTIP 2008	59.8%
Aviva LTIP 2007	37.8%
Aviva LTIP 2006	56.3%

Details of the assumptions used in valuing the LTIP for accounting purposes can be found on page 206 of this report. The vesting assumption made in respect of the 2009 award for accounting purposes is 50%.

Since the LTIP has performance conditions attached to it, then one potential outcome is that neither performance condition is met and the whole of the LTIP lapses. Table 10 below has been drawn up to assist in understanding the potential value of the LTIP awards made to executive directors in 2008 should the performance conditions be met in part or in whole.

Table 10: Potential value of 2008 LTIP awards (rounded to nearest £100)

LTIP	Andrew Moss	Philip Scott	Mark Hodges
Face value of grant	£1,540,000	£855,000	£592,500
Threshold vesting	£462,000	£256,500	£177,800
Expected value	£891,400	£494,900	£342,900
Maximum vesting	£2,049,700	£1,138,000	£788,600

Assumptions are as follows:

– Threshold vesting assumes TSR and ROCE elements vest at the minimum level, producing a 30% vesting of the total award. No share price growth is assumed;

– Expected value, based on the vesting assumption made for accounting purposes, assumes TSR and ROCE elements vest at a combined rate of 50% of the total award. Share price growth of 5% per annum is assumed over the three year performance period;

– Maximum vesting assumes both TSR and ROCE elements vest in full, producing a 100% vesting. Share price growth of 10% per annum is assumed over the three year performance period.

At the end of the performance period for the 2005 LTIP grant, which vested in 2008, the Company was ranked 12th out of the 15 companies in the TSR comparator group (0% vesting) and ROCE was 39.4% (50% vesting). The total vesting was therefore 50%. The 50% of the award which did not vest lapsed.

The LTIP vesting history is set out in Table 11 below. Prior to the 2005 award vesting history is based on an earlier LTIP plan, the last award under which was made in 2004.

Table 11: Vesting history of LTIP awards

		Percentage of award vesting		
Year of grant	Performance period	ROCE	TSR	Total
2002	January 2002 to December 2004	23.3	23.0	46.3
2003	January 2003 to December 2005	30.0	34.9	64.9
2004	January 2004 to December 2006	30.0	34.9	64.9
2005	January 2005 to December 2007	50.0	0.0	50.0

Aviva does not award additional shares for the dividends that were paid during the three year performance period on those shares that vest.

Directors' remuneration report continued

Share awards

Table 12 below sets out the current position of those share based awards made to EDs under current remuneration arrangements.

Table 12: ABP, OATTV Bonus Plan and LTIP Awards

	At 1 January 2008 Number	Awards granted during year Number	Awards vesting during year Number	Awards lapsing during year Number	**At 31 December 2008 Number**	Market price at date awards granted[1] Pence	Market price at date awards vested Pence	Vesting date
Andrew Moss								
Aviva Long-Term Incentive Plan 2005								
– 2005	102,803	–	51,401	51,402	**–**	633.5	635.5	March 2008
– 2006	87,804	–	–	–	**87,804**	814.0	–	March 2009
– 2007	136,540	–	–	–	**136,540**	778.5	–	March 2010
– 2008	–	253,289	–	–	**253,289**	617.5	–	March 2011
Aviva Deferred Bonus Plan								
– 2005	61,408	–	61,408	–	**–**	633.5	635.5	March 2008
Aviva Annual Bonus Plan								
– 2006	47,648	–	–	–	**47,648**	814.0	–	March 2009
– 2007	64,273	–			**64,273**	778.5	–	March 2010
– 2008	–	93,567	–	–	**93,567**	617.5	–	March 2011
"One Aviva, twice the value" Bonus Plan								
– 2008	–	93,567	–	–	**93,567**	598.0	–	March 2011
Philip Scott								
Aviva Long-Term Incentive Plan 2005								
– 2005	116,822	–	58,411	58,411	**–**	633.5	635.5	March 2008
– 2006	95,121	–	–	–	**95,121**	814.0	–	March 2009
– 2007	107,282	–	–	–	**107,282**	778.5	–	March 2010
– 2008	–	140,625	–	–	**140,625**	617.5	–	March 2011
Aviva Deferred Bonus Plan								
– 2005	68,690	–	68,690	–	**–**	633.5	635.5	March 2008
Aviva Annual Bonus Plan								
– 2006	47,138	–	–	–	**47,138**	814.0	–	March 2009
– 2007	58,647	–	–	–	**58,647**	778.5	–	March 2010
– 2008	–	70,312	–	–	**70,312**	617.5	–	March 2011
"One Aviva, twice the value" Bonus Plan								
– 2008	–	52,734	–	–	**52,734**	598.0	–	March 2011
Mark Hodges								
Aviva Long-Term Incentive Plan 2005								
– 2005	35,046[7]	–	17,523	17,523	**–**	633.5	635.5	March 2008
– 2006	44,207	–	–	–	**44,207**	814.0	–	March 2009
– 2007	56,892	–	–	–	**56,892**	778.5	–	March 2010
– 2008	–	97,450[6]	–	–	**97,450**	617.5	–	March 2011
Aviva Deferred Bonus Plan								
– 2005	34,344[7]	–	34,344	–	**–**	633.5	635.5	March 2008
Aviva Annual Bonus Plan								
– 2006	32,725	–	–	–	**32,725**	814.0	–	March 2009
– 2007	37,366	–	–	–	**37,366**	778.5	–	March 2010
– 2008	–	55,785[6]	–	–	**55,785**	617.5	–	March 2011
"One Aviva, twice the value" Bonus Plan								
– 2008	–	41,838[6]	–	–	**41,838**	598.0	–	March 2011

Notes

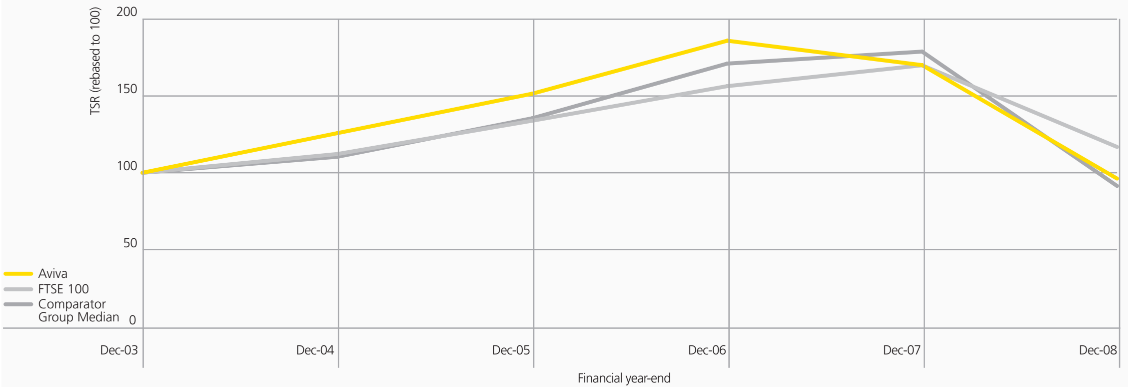
1. The actual price used to calculate the ABP and LTIP awards is based on a three-day average price. These were in 2005: 642p; 2006: 820p; 2007: 769p; 2008: 608p. The three-day average price used to grant the 2008 One Aviva twice the value award was 617p.
2. The performance period for all awards begins at the commencement of the financial year in which the award is granted.
3. The performance conditions for awards granted and vested during 2008 are explained elsewhere in this report.
4. The money value of awards will be calculated by multiplying the relevant number of shares by the market price at the date of vesting.
5. The award date for the awards which vested in 2008 was 24th March 2005.
6. These awards were granted to Mark Hodges before he was appointed to the board, and were held at the date of his appointment.
7. These awards were released to Mark Hodges before he was appointed to the board, and were not held at the date of his appointment.

Performance graph

Table 13 below compares the TSR performance of the Company over the past five years with the TSR of the FTSE 100 Return Index. This index has been chosen because it is a recognised equity market index, of which Aviva is a member.

The companies which comprise the current LTIP comparator group for TSR purposes were chosen on the basis of product and geographic match to Aviva and are listed above. The TSR graph for the comparator group has been plotted using the 20 companies (including Aviva) in the comparator group for pre-2005 grants, the 15 companies (including Aviva) in the comparator group for 2005-07 grants and the 16 companies (including Aviva) in the comparator group for the 2008 grant.

Table: 13: Aviva plc 5-year TSR performance against the FTSE 100 Index and median of the Comparator Group



Executive Directors' service contracts

Service contracts agreed with each ED incorporate their terms and conditions of employment. Contracts were reviewed during 2006 and new contracts issued, bringing them into line with good market practice, particularly in respect of mitigation and phased payments. The aim is to strike a fair balance between the Company's and the employee's interests taking into account good market practice. The key terms are set out in Table 14 below.

Table 14: Executive Directors' key terms and conditions of employment

Provision	Policy	
Notice period By the director By the Company	 – 6 months. – 12 months, rolling. No notice or payment in lieu to be paid where the Company terminates for cause.	
Termination payment	– Pay in lieu of notice up to a maximum of 12 months' basic salary. This may be increased by a discretionary redundancy payment (where appropriate) but any such further termination payment is capped at 12 months' basic salary. – Any amount is subject to phased payment and mitigation requirements.	
Remuneration and benefits	– As described in this report. The operation of the ABP, the OATTV bonus plan, and LTIP plans is at the Company's discretion and in the case of the long-term savings plans at the trustees' discretion.	
Expenses	– Reimbursement reasonably incurred in accordance with their duties.	
Holiday entitlement	– 30 working days plus public holidays.	
Sickness	– In line with senior management terms ie 100% basic salary for 52 weeks, and 75% thereafter.	
Non-compete	– During employment and for six months after leaving.	
Contract dates	Director Andrew Moss Philip Scott Mark Hodges	Date current contract commenced 1 January 2007 15 November 2006 26 June 2008

Share ownership requirements

A requirement was introduced in 2005 that the Chief Executive and any EDs should build, over a five year period, a shareholding in the Company equivalent to 175% of basic salary and 150% of basic salary respectively. Shares held in compulsory bonus deferrals and performance shares held in unvested LTIPs are not taken into account in applying this test.

As at 31 December 2008, based on that day's closing share price of 390p, Mr Moss' shareholding of 176,067 shares represented 74% of his basic salary of £925,000 (his holding of 73,208 shares at 1 January 2008 represented 30.8% of his basic salary of £925,000 using the 31 December 2008 share price). Mr Scott's shareholding of 400,973 shares represented 261% of his basic salary of £600,000 (his holding of 291,106 shares at 1 January 2008 represented 189%) and Mr Hodges' shareholding of 100,086 shares represented 75% of his basic salary of £520,000 (his holding of 79,873 shares at 26 June 2008 represented 59.9%).

External Board appointments

Aviva recognises its senior executives can benefit from serving in a personal capacity as a non-executive director (NED) of non-Aviva Group companies. It is, at the same time, conscious of the corporate governance recommendations that EDs should take account of the time commitment required by a NED position and ensure any such role does not impact their ability to carry out fully their executive duties. The Company therefore has a policy of normally allowing senior executives to serve as a NED of one external company, subject to approval by the Board, and to retain any board fees.

The only ED who held an external NED appointment during 2008 was Philip Scott who was appointed to the Board of Diageo plc on 17 October 2007. As an NED of Diageo plc Mr Scott received fees totalling £90,000 in 2008.

All-employee share plans

EDs are eligible to participate in a number of HM Revenue & Customs (HMRC) approved all-employee share plans on the same basis as other eligible employees.

These plans include a share element of the Aviva All-Employee Share Ownership Plan (AESOP). Under this plan, eligible employees can receive up to a maximum of £3,000 per annum in shares based upon the profits of the Company's UK businesses. The shares are free of tax subject to a retention period. In addition, the partnership element of the AESOP, which the Company also operates, allows participants to invest up to £125 per month out of their gross salary in the Company's shares. There is no matching to this investment by the Company.

The Aviva Savings Related Share Option Scheme (SAYE) allows eligible employees to acquire options over the Company's shares at a discount of up to 20% of their market value at the date of grant. In order to exercise these options, participants must have saved through a three, five or seven-year HMRC approved savings contract, subject to a maximum savings limit of £250 per month.

Details of holdings under these plans can be found on page 119.

Dilution

Awards granted under the Aviva employee shares plans are met by the funding of an employee trust administered by an external trustee that acquires shares in the market. New issue shares will only be used where it is not possible to use trust shares and the funding policy is kept under review by the Committee and the Board. Details of the shares currently held in the employee trusts are set out in note 30 to the accounts.

During November 2008 a loan of £32 million was made to RBC Trustees (CI) Limited to ensure sufficient shares were available to meet its ongoing liabilities.

Non-executive directors (NEDs)

The NEDs, including the Chairman, have letters of appointment which set out their duties and responsibilities. The key terms of the appointments are set out in Table 15 below.

Table 15: NED key terms of appointment

Provision	Policy		
Period	– Three year term which can be extended by mutual consent.		
Termination	– By the director or the Company giving the other one month's written notice without compensation.		
Fees	– As described below.		
Expenses	– Reimbursement of travel and other expenses reasonably incurred in the performance of their duties.		
Time commitment	– Between 25 and 50 days per annum depending upon Board and committee requirements and corporate activity.		
Non-compete	– During term of directorship and for six months after leaving.		
Appointment dates	Director	Date of last appointment	Date appointment ends
	Guillermo de la Dehesa	30 May 2006	31 December 2008
	Wim Dik	7 December 2008	AGM 2009
	Mary Francis	1 October 2008	AGM 2009
	Richard Karl Goeltz	3 May 2007	31 May 2010
	Carole Piwnica	8 May 2006	31 May 2009
	Lord Sharman	14 January 2008	AGM 2011
	Russell Walls	3 May 2007	31 May 2010
	Nikesh Arora	1 July 2007	AGM 2010
	Scott Wheway	5 December 2007	AGM 2010

It is the Company's policy to set the fees paid to its Chairman and NEDs taking account of the median market payments in international companies of similar size and complexity. NEDs receive a basic annual fee in respect of their Board duties. A further fee is paid to NEDs (other than the Chairman) in respect of membership and, where appropriate, chairmanship of Board Committees.

Fees are reviewed annually and are set by the Board to attract individuals with the required range of skills and experience. In determining the level of fees paid to the NEDs the Board receives recommendations from the EDs, who consider the NEDs duties and responsibilities, together with the time commitment required in preparing for and attending meetings, and the amounts paid by competitors and similar-sized companies.

The Chairman and NEDs do not participate in any incentive or performance plans or pension arrangements.

The Company's Articles of Association provide that the total aggregate remuneration paid to the Chairman and NEDs will be determined by the Board within the limits set by shareholders. The current aggregate limit of £1.5 million was approved by shareholders at the Company's 2005 Annual General Meeting. The amount paid in 2008 was £1.23 million. EDs are remunerated under their service contracts and receive no additional fee for serving as directors.

Directors' remuneration report continued

NED fees payable from 1 April 2008 are set out in Table 16 below.

Table 16: NED fees from 1 April 2008

Chairman	£495,000
Board membership fee	£63,000
Additional fees are paid as follows:	
Senior independent director	£20,000
Committee Chairman	
– Audit	£35,000 (inclusive of committee membership fee)
– Remuneration	£20,000 (inclusive of committee membership fee)
– Risk and Regulatory	£17,500 (inclusive of committee membership fee)
Committee Membership	
– Audit	£10,000
– Remuneration	£10,000
– Nomination	£5,000
– Risk and Regulatory	£5,000
– Corporate Social Responsibility	£5,000

Directors' service contracts and letters of appointment are available for inspection at the Company's registered office during normal hours of business.

Directors' remuneration in 2008
Table 17 below sets out the remuneration paid or payable to the directors in respect of the year to 31 December 2008. This section (Directors' remuneration in 2008) and those sections headed "Executive directors' pension arrangements" and "Share incentive plans" along with their associated footnotes have been subject to audit.

Table 17: Directors' remuneration in 2008

	Basic salary/fees		Bonuses[1]		ACAP[2]		Benefits[3]		Total	
	2008 £'000	2007 £'000	**2008 £'000**	2007 £'000	**2008 £'000**	2007 £'000	**2008 £'000**	2007 £'000	**2008 £'000**	2007 £'000
Chairman										
Lord Sharman	**490**	450	**–**	–	**–**	–	**15**	–	**505**	450
Executive directors										
Andrew Moss	**914**	790	**752**	853	**463**	398	**91**	56	**2,220**	2,097
Philip Scott	**593**	565	**488**	641	**–**	–	**35**	55	**1,116**	1,261
Mark Hodges[4]	**463**	–	**532**	–	**208**	–	**99**	–	**1,302**	–
Non-executive directors										
Guillermo de la Dehesa	**109**	95	**–**	–	**–**	–	**–**	–	**109**	95
Wim Dik	**95**	90	**–**	–	**–**	–	**–**	–	**95**	90
Mary Francis	**99**	90	**–**	–	**–**	–	**–**	–	**99**	90
Richard Karl Goeltz	**94**	87	**–**	–	**–**	–	**–**	–	**94**	87
Carole Piwnica	**87**	82	**–**	–	**–**	–	**–**	–	**87**	82
Russell Walls	**107**	102	**–**	–	**–**	–	**–**	–	**107**	102
Nikesh Arora	**69**	32	**–**	–	**–**	–	**–**	–	**69**	32
Scott Wheway	**77**	5	**–**	–	**–**	–	**–**	–	**77**	5
Total emoluments of directors	**3,197**	2,388	**1,772**	1,494	**671**	398	**240**	111	**5,880**	4,391

Notes

1. Bonuses show the value at the date of award inclusive of the two thirds of bonus which Aviva requires its EDs to defer into Aviva shares for three years.
2. During the year, shares granted to certain former EDs under the Company's incentive plans vested. Details of these awards were fully disclosed in the year of grant.
3. "Benefits". All the EDs received life assurance benefits during the year that relate to the cost incurred by the Company of insuring the directors' life and relevant spouses' benefits which, had the director died during the year, could not have been wholly paid by the pension scheme and would therefore have been met by the Company had the insurance not been in place. The disclosure also includes the cost of private medical insurance and, where appropriate, accompanied travel, accommodation and car benefits. All the numbers disclosed include the tax charged on the benefits. No directors received an expense allowance during the year.
4. Mark Hodges' 2007 data is not disclosed as he was not an ED during the year. Mark Hodges' 2008 data shown above includes all sums paid to him during 2008, not just those paid in respect of his services as a director.
5. For the purposes of the disclosure required by Schedule 6 to the Companies Act 1985 the total aggregate emoluments of the directors in respect of 2008 was £5.2 million (2007: £6.6 million, which included three Executive Directors who left in 2007). This reflects the total aggregate emoluments of Mark Hodges in respect of the period that he served as a director during the year, comprising basic salary of £269,000, bonus of £275,000 and benefits of £53,000.
6. No compensation payment for loss of office was made to any director, or former director, during the year.
7. Annual bonuses are one-third paid in cash and two-thirds deferred into shares for three years.

Fees earned in 2008 by the non-executive directors are set out in Table 18 below.

Table 18: Non-Executive Directors' fees paid in 2008

	Board membership fees	Senior independent director	Fees as non-executive Chairman of the Group's operations in Spain	Committee chairman/Membership: Remuneration	Audit	Nomination	Corporate Social Responsibility	Risk and Regulatory	Total fees
Colin Sharman, Chairman	£490,000	–	–	–	–	–	–	–	£490,000
Nikesh Arora	£62,250	–	–	–	–	£2,126	–	£5,000	£69,376
Guillermo de la Dehesa	£62,250	–	£38,941	–	–	£2,897	£5,000	–	£109,088
Wim Dik	£62,250	£20,000	–	–	–	£2,897	£5,000	£5,000	£95,147
Mary Francis	£62,250	–	–	£10,000	£10,000	–	–	£16,875	£99,125
Richard Goeltz	£62,250	–	–	£20,000	£10,000	£2,126	–	–	£94,376
Carole Piwnica	£62,250	–	–	£10,000	£10,000	–	£5,000	–	£87,250
Russell Walls	£62,250	–	–	–	£35,000	£5,000	–	£5,000	£107,250
Scott Wheway	£62,250	–	–	£10,000	–	–	£5,000	–	£77,250

Notes

Following a review in March 2008 of Aviva's fees against market benchmarks the following changes in NEDs' emoluments were made with effect from 1 April 2008:

– The Chairman's fee was increased from £475,000 pa to £495,000 pa (an increase of 4.2%).

– Board membership fees were increased from £60,000 pa to £63,000 pa (an increase of 5%).

– The fee for chairing the Risk and Regulatory Committee (inclusive of membership fee) was increased from £15,000 pa to £17,500 pa (an increase of 16.7%).

– Other fees remained unchanged.

The following changes to NED responsibilities took place during the year:

– Guillermo de la Dehesa ceased to be a member of the Nomination Committee from 29 July 2008 and retired from the Board and Corporate Social Responsibility Committee from 31 December 2008.

– Wim Dik ceased to be a member of the Nomination Committee from 29 July 2008 and retired as Senior Independent Director on 31 December 2008. He remains a member of the Corporate Social Responsibility and Risk Regulatory Committees

– Richard Goeltz joined the Nomination Committee from 29 July 2008.

– Nikesh Arora joined the Nomination Committee from 29 July 2008.

Senior executives' remuneration

The total compensation paid during the year to key management personnel, being those having authority and responsibility for planning, directing and controlling the activities of the Company, including the Company's EDs and NEDs (as required to be disclosed by International Accounting Standard 24) was £53 million *(2007 restated: £60 million) and* is set out below in note 58 to the Accounts.

Directors' remuneration report continued

Executive directors' pension arrangements

The positions of the EDs with respect to accumulated pension benefits under the defined benefits section of the ASPS is set out in Table 19 below.

Table 19: Executive Directors' pension benefits

	Andrew Moss[1] £'000	Philip Scott[2] £'000	Mark Hodges[3] £'000
Accrued annual pension at 1 January 2008	20	376	81
Increase in accrued annual pension during the year as a result of inflation	1	19	–
Accrued annual pension at 31 December 2008[4]	21	395	81
Employee contributions during the year[5]	–	30	–
Transfer value of accrued pension at 31 December 2007	248	5,609	549
Transfer value of accrued pension at 31 December 2008	231	6,300	660
Change in transfer value during the period less employee contributions[6]	(17)	661	111
Age at 31 December 2008 (years)	50	54	43

Notes

1. Mr Moss ceased accrual in the ASPS with effect from 31 March 2006, and as a result, his post March 2006 Pension Benefit was £19,556 pa. This will increase in line with deferred pensions (the lower of the increase in RPI or 5%) subject to the life time allowance. At 31 December 2008 it had increased to £21,042 pa.
2. Mr Scott has been accruing benefits in the ASPS since before June 1989, so was not therefore subject to the HMRC's Earnings Cap. Following pensions' simplification Mr Scott registered with HMRC for enhanced protection. He remains a member of the scheme and continues to accrue benefits as a result of salary increases. However, he is not accruing benefits as a result of additional service. Mr Scott's pension will be based upon his final pensionable salary and years of service at retirement, subject to an overriding limit of two-thirds of final pensionable salary. Mr Scott has a pre-existing commitment that were he to retire up to two years before his normal retirement age of 60, then he would receive a non-discounted pension. This commitment was entered into prior to the publication of ABI Guidelines issued in December 2006, which made reference to early retirement terms for directors.
3. Mr Hodges ceased accrual in the ASPS with effect from 31 March 2006, and as a result, his post March 2006 Pension Benefit was £75,000 pa. This will increase in line with deferred pensions (the lower of the increase in RPI or 5%). Mr Hodges was appointed as an ED from 26 June 2008. His benefits shown above are therefore as at that date (not 1 January 2008) and as at 31 December 2008. At 31 December 2008 his "accrued pension" was £80,700 pa.
4. The "accrued pension" is the amount of annual pension to which the Directors would have been entitled to at age 60, had they left service at 31 December 2008.
5. Members of the Defined Benefit section of the ASPS made a contribution of 5% of their pensionable salary.
6. The change in transfer values over the year include the effect of changes made by the Trustee of the ASPS to the assumptions used in respect of changes to market values and expected future investment returns. The Trustees changed the long term financial and mortality assumptions for transfer values with an effective date of 1 July 2008. Transfer values represent the estimated liability on the Scheme to pay the stated level of benefits. They are not sums paid or due to a Director, and do not represent the true cost of providing the pension benefit.
7. No former Directors received any increase in retirement benefits in excess of the amount to which they were entitled, on the later of the date when the Benefits first became payable, or 31 March 1997.

Share incentive plans

Details of the directors who held executive office for any part of the financial year, and hold or held options to subscribe for ordinary shares of the Company or hold or held awards over shares in the Company, pursuant to the Company's share-based incentive plans, are set out in Table 20 below.

Savings related share options in Table 20 refer to options granted under the HMRC approved SAYE. Options are normally exercisable during the six month period following the end of the relevant (three, five or seven year) savings contract.

Table 20: Directors' options to subscribe for, or awards over, Company shares

	At 1 January 2008 Number	Options granted during year Number	Options exercised during year Number	Options lapsing during year Number	**At 31 December 2008 Number**	Exercise price Pence	Exercise period
Andrew Moss Savings related options 2005	3,279	–	–	–	**3,279**	491.0	December 2010 – May 2011
Philip Scott Savings related options 2008	–	2,341	–	–	**2,341**	410.0	December 2011 – May 2012
Mark Hodges Savings related options 2007	1,705	–	–	–	**1,705**	563.0	December 2010 – May 2011

Notes

The mid-market price of an ordinary share in the Company on 31 December 2008, being the last business day of the year, was 390.0 pence, and the mid-market prices during the year ranged from 670.0 pence to 245.3 pence. During the year, no share options were exercised by directors.

Directors' interests in Aviva shares

The interests held by each person who was a director at the end of the financial year in the ordinary shares of 25 pence each in the Company are shown in Table 21 below. All the disclosed interests are beneficial. The table also summarises the interests in shares held through the Company's various all-employee and executive share schemes. Details of the options and long term incentive awards are shown above.

Table 21: Directors' interests in Aviva shares

	Shares[1]		Bonus Plan Awards[2]		Long-term Incentive Awards[3]		OATTV[4]		Options[5]	
	1 January 2008	**31 December 2008**	1 January 2008	**31 December 2008**	1 January 2008	**31 December 2008**	1 January 2008	**31 December 2008**	1 January 2008	**31 December 2008**
Nikesh Arora	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**
Guillermo de la Dehesa	144	**144**	–	**–**	–	**–**	–	**–**	–	**–**
Wim Dik	200	**214**	–	**–**	–	**–**	–	**–**	–	**–**
Mary Francis	1,800	**1,800**	–	**–**	–	**–**	–	**–**	–	**–**
Richard Karl Goeltz	2,500	**2,500**	–	**–**	–	**–**	–	**–**	–	**–**
Mark Hodges[7]	46,507	**100,086**	104,435	**125,876**	136,145	**198,549**	–	**41,838**	1,705	**1,705**
Andrew Moss	73,208	**176,067**	173,329	**205,488**	327,147	**477,633**	–	**93,567**	3,279	**3,279**
Carole Piwnica	2,500	**2,500**	–	**–**	–	**–**	–	**–**	–	**–**
Philip Scott	291,106	**400,973**	174,475	**176,097**	319,225	**343,028**	–	**52,734**	–	**2,341**
Lord Sharman	5,000	**20,000**	–	**–**	–	**–**	–	**–**	–	**–**
Russell Walls	4,000	**4,000**	–	**–**	–	**–**	–	**–**	–	**–**
Scott Wheway	–	**1,677**	–	**–**	–	**–**	–	**–**	–	**–**

Notes

1. "Shares" are the directors' beneficial holdings in the ordinary shares of the Company and in respect of the EDs include shares held in trust under the Company's All-Employee Share Ownership Plan (AESOP) being shares purchased by them under the partnership element and shares granted under the free share element of the AESOP.
2. "Bonus Plan Awards" relates to entitlements to shares arising through the current, or former, Aviva Bonus Plans. Under these plans some of the earned bonuses are paid in the form of shares and deferred for three years. The transfer of the shares to the director at the end of the period is not subject to the attainment of performance conditions but a proportion of the shares can be forfeited if the executive leaves service before the end of the period.
3. "Long Term Incentive Awards" are awards granted under the LTIP which vest only if the performance conditions are achieved.
4. OATTV awards are granted as a match to the bonus plan awards under the ABP and vest only if the performance conditions are achieved.
5. "Options" are options over shares granted under the SAYE
6. The interests of connected persons to the Directors are included in the Directors' interests above.
7. Mark Hodges was appointed as a director on 26 June 2008. On this date he held 79,873 shares, 125,876 bonus plan awards, 198,549 long term incentive awards, 41,838 OATTV awards and 1,705 options.

The following changes to directors' interests which relate to shares acquired each month under the partnership element of the AESOP during the period 1 January 2009 to 27 February 2009 have been reported to the Company.

	Number of shares
Philip Scott	81
Mark Hodges	81

This report was reviewed and approved by the Board on 4 March 2009.

Scott Wheway
Chairman, Remuneration Committee