

## 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 8¼% preference shares and up to 100 million 8¾% 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