

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:

Member	Period	
	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