

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 Whewey (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 Whewey 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)	<ul style="list-style-type: none"> – 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	<ul style="list-style-type: none"> – 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 	<ul style="list-style-type: none"> – 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	<ul style="list-style-type: 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	<ul style="list-style-type: none"> – 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 	<ul style="list-style-type: none"> – 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.

Directors' remuneration report continued

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.

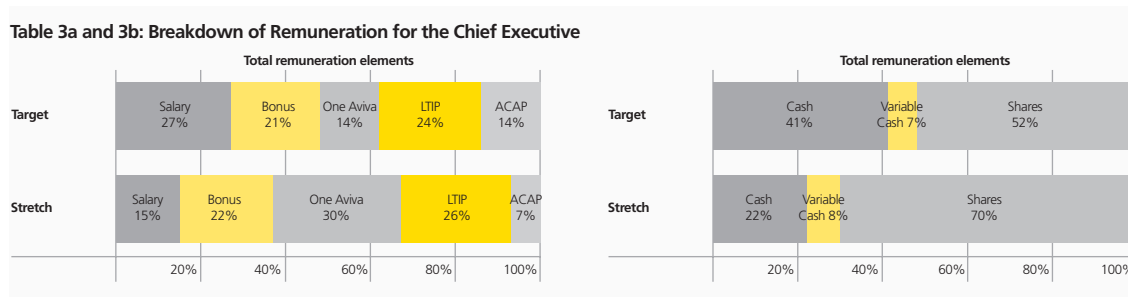


Table 3a shows the breakdown of the package into its main constituent elements. Table 3b gives the proportions of fixed cash, variable cash and shares. For the purposes of Table 3b, fixed cash includes basic salary and the discretionary Aviva Capital Accumulation Plan (ACAP) payment. Variable cash is 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.

Directors' remuneration report continued

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	
<ul style="list-style-type: none"> – 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. 	<ul style="list-style-type: none"> – Basic salary – ABP – OATTV plan – LTIP – Long-term savings – Aviva Staff Pension Scheme (ASPS) – Benefits – All-employee schemes.
Basic salary	
<ul style="list-style-type: none"> – 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. 	<ul style="list-style-type: none"> – Monthly in cash – Reviewed annually in February, with changes taking effect from 1 April.
Discretionary Annual Bonus Plan (ABP)	
<ul style="list-style-type: none"> – 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. 	<ul style="list-style-type: none"> – Annually, one-third is paid in cash and two-thirds in deferred shares.
"One Aviva, Twice the Value" (OATTV) Bonus Plan	
<ul style="list-style-type: none"> – 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: <ul style="list-style-type: none"> – 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. 	<ul style="list-style-type: none"> – 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)	
<ul style="list-style-type: none"> – 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. 	<ul style="list-style-type: none"> – 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
<p>Long-term savings</p> <ul style="list-style-type: none"> – 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. 	<ul style="list-style-type: none"> – Discretionary payments into a trust where they are held for a minimum of five years.
<p>Aviva Staff Pension Scheme (ASPS)</p> <ul style="list-style-type: none"> – 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 $\frac{1}{30}$, $\frac{1}{45}$ or $\frac{1}{60}$ 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. 	<ul style="list-style-type: none"> – Deferred cash payable on retirement in the form of a lump sum/monthly payment.
<p>Other benefits</p> <ul style="list-style-type: none"> – Other benefits are provided on a market competitive basis. 	<ul style="list-style-type: none"> – 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

	Key performance indicators	Weighting (% of total bonus opportunity)		
		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.

Directors' remuneration report continued**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

Year of grant	Performance period	Percentage of award vesting		
		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								
<i>Aviva Long-Term Incentive Plan 2005</i>								
– 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
<i>Aviva Deferred Bonus Plan</i>								
– 2005	61,408	–	61,408	–	–	633.5	635.5	March 2008
<i>Aviva Annual Bonus Plan</i>								
– 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
<i>"One Aviva, twice the value" Bonus Plan</i>								
– 2008	–	93,567	–	–	93,567	598.0	–	March 2011
Philip Scott								
<i>Aviva Long-Term Incentive Plan 2005</i>								
– 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
<i>Aviva Deferred Bonus Plan</i>								
– 2005	68,690	–	68,690	–	–	633.5	635.5	March 2008
<i>Aviva Annual Bonus Plan</i>								
– 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
<i>"One Aviva, twice the value" Bonus Plan</i>								
– 2008	–	52,734	–	–	52,734	598.0	–	March 2011
Mark Hodges								
<i>Aviva Long-Term Incentive Plan 2005</i>								
– 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
<i>Aviva Deferred Bonus Plan</i>								
– 2005	34,344 ⁷	–	34,344	–	–	633.5	635.5	March 2008
<i>Aviva Annual Bonus Plan</i>								
– 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
<i>"One Aviva, twice the value" Bonus Plan</i>								
– 2008	–	41,838 ⁶	–	–	41,838	598.0	–	March 2011

Notes

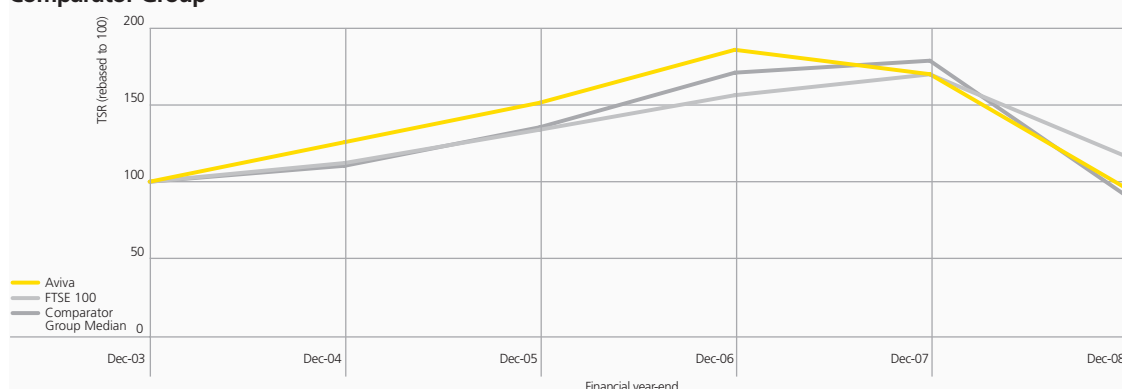
- The actual price used to calculate the ABP and LTIP awards is based on a three-day average price. These were in 2005: 642p; 2006: 820p; 2007: 769p; 2008: 608p. The three-day average price used to grant the 2008 One Aviva twice the value award was 617p.
- The performance period for all awards begins at the commencement of the financial year in which the award is granted.
- The performance conditions for awards granted and vested during 2008 are explained elsewhere in this report.
- The money value of awards will be calculated by multiplying the relevant number of shares by the market price at the date of vesting.
- The award date for the awards which vested in 2008 was 24th March 2005.
- These awards were granted to Mark Hodges before he was appointed to the board, and were held at the date of his appointment.
- 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	– 6 months.								
By the Company	– 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	<table border="0"> <tr> <td>Director</td> <td>Date current contract commenced</td> </tr> <tr> <td>Andrew Moss</td> <td>1 January 2007</td> </tr> <tr> <td>Philip Scott</td> <td>15 November 2006</td> </tr> <tr> <td>Mark Hodges</td> <td>26 June 2008</td> </tr> </table>	Director	Date current contract commenced	Andrew Moss	1 January 2007	Philip Scott	15 November 2006	Mark Hodges	26 June 2008
Director	Date current contract commenced								
Andrew Moss	1 January 2007								
Philip Scott	15 November 2006								
Mark Hodges	26 June 2008								

Directors' remuneration report continued

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	<table border="1"> <thead> <tr> <th>Director</th> <th>Date of last appointment</th> <th>Date appointment ends</th> </tr> </thead> <tbody> <tr> <td>Guillermo de la Dehesa</td> <td>30 May 2006</td> <td>31 December 2008</td> </tr> <tr> <td>Wim Dik</td> <td>7 December 2008</td> <td>AGM 2009</td> </tr> <tr> <td>Mary Francis</td> <td>1 October 2008</td> <td>AGM 2009</td> </tr> <tr> <td>Richard Karl Goeltz</td> <td>3 May 2007</td> <td>31 May 2010</td> </tr> <tr> <td>Carole Pivnica</td> <td>8 May 2006</td> <td>31 May 2009</td> </tr> <tr> <td>Lord Sharman</td> <td>14 January 2008</td> <td>AGM 2011</td> </tr> <tr> <td>Russell Walls</td> <td>3 May 2007</td> <td>31 May 2010</td> </tr> <tr> <td>Nikesh Arora</td> <td>1 July 2007</td> <td>AGM 2010</td> </tr> <tr> <td>Scott Wheway</td> <td>5 December 2007</td> <td>AGM 2010</td> </tr> </tbody> </table>	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 Pivnica	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
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 Pivnica	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 Whewey	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

- 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.
- 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.
- "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.
- 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.
- 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.
- No compensation payment for loss of office was made to any director, or former director, during the year.
- 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					Total fees
				Remuneration	Audit	Nomination	Corporate Social Responsibility	Risk and Regulatory	
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

- 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.
- 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.
- 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.
- 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.
- Members of the Defined Benefit section of the ASPS made a contribution of 5% of their pensionable salary.
- 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.
- 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

- "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.
- "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.
- "Long Term Incentive Awards" are awards granted under the LTIP which vest only if the performance conditions are achieved.
- OATTV awards are granted as a match to the bonus plan awards under the ABP and vest only if the performance conditions are achieved.
- "Options" are options over shares granted under the SAYE
- The interests of connected persons to the Directors are included in the Directors' interests above.
- 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