AVIVA

Strategic Report 2016

| Retirement | Investments | Insurance | Health |

WHAT WE DO

We help people protect what's important to them and save for a comfortable future. We offer a wide range of insurance and savings products

£34.4bn

Paid out in benefits and claims to our customers in 2016

Pages 16-17

2016 FINANCIALS

2016 was a successful year despite challenging market conditions

Operating profit‡[1]
£3,010m
Up 12% on 2015[2]

Cash remittances‡
£1,805m
Up 20% on 2015

Total dividend
23.30p
Up 12% on 2015

Profit after tax[1]
£859m
Down 22% on 2015[2]

Net asset value per share‡
414p
Up 6% on 2015[2]

Solvency II cover ratio‡[3]
189%
Up 9ppts on 2015

1 Impact of the change in the Ogden discount rate is an exceptional item and therefore not recognised within operating profit. The impact to profit before tax is £475 million, with an after tax impact of £380 million. Please refer to the CFO review on pages 64-65 for further information.
2 Prior period comparatives have been restated. Refer to note 1 on page 83 for further information.
3 The estimated Solvency II cover ratio represents the shareholder view. Refer to the Glossary for further information.

OUR STRATEGY

Our strategic framework focuses on the things that really matter and puts the customer at the heart of everything we do. It provides clear direction across all our markets for how we run our business

True Customer Composite

Meeting customer needs across life, general, accident & health insurance and asset management

Pages 20-23

Digital First

Emphasising customer experience driven by digital – online, mobile and tablet

Pages 26-27

Not Everywhere

Focusing on markets and segments where we can win

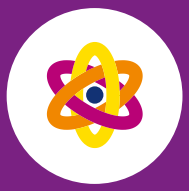
Pages 28-29

OUR VALUES AND CULTURE

Our values are deliberately edgy, thought-provoking and challenging. We strive to live them every day. We want them to guide everything we do and the decisions we take

Care More

We start with the customer and prioritise delivering a great outcome for them. We're in it together



Kill Complexity

We can list our priorities on one hand, picking a few things to do brilliantly. We join forces and build it once

Never Rest

We are dissatisfied with the status quo. We test and learn at pace. We embrace digital

Create Legacy

We invest with courage, taking smart risks and good decisions. We take the long view

Pages 30-33

Scan to view film on our purpose

Defy **Uncertainty**

We're there for our **33 million customers**, protecting what's important to them and helping them save for the future. We help our customers look to the future with confidence

£34.4bn

Paid out in benefits and claims to our customers in 2016 – a £3.7 billion increase on last year

74%

Employee engagement has increased by four percentage points, and is above the financial services average[1]

58%

Our global businesses are either at or above the upper quartile for customer advocacy compared to our competitors[2]

7.5m

Registered users on our global digital platforms up 97% from 3.8 million in 2015

£450bn

Assets under management[‡] an increase of £59 billion on last year

1,600

Community projects supported in 2016, 60% more than our target

We want to be a **320 year old disruptor,** benefitting from the strength of our past while leading the way in digital innovation

VIEW MORE – To access supplementary digital content, simply open a QR app on your mobile device and scan the QR code. Please note that the link is provided for ease of reference only and the information in the link does not form part of the 2016 annual report and accounts.

1 We can externally benchmark four of the ten questions we use to calculate employee engagement.
2 GfK Annual Relationship Survey, 2016. Net Promoter Score® (NPS) is a measure of the likelihood to recommend (brand) to a friend or colleague.
‡ Please refer to the glossary for further details on non-GAAP Alternative Performance Measures (APMs). All APMs are referenced using "‡" within the strategic report.
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Putting our customers first

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Disrupting through digital

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Helping to prevent and protect

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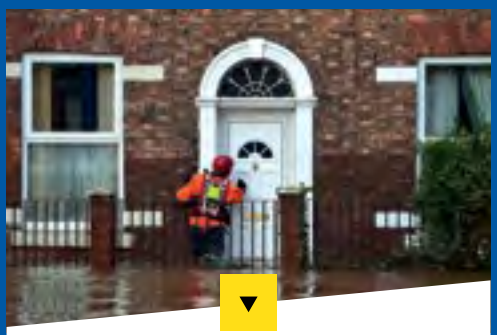

Being a good ancestor

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By continuing to **serve our customers well** we can grow earnings, cash and dividends

HIGHLIGHTS FOR 2016

We have tremendous advantages as a Company: a clear strategy, a well-respected brand, strong values and outstanding technical skills. And more than that, we have the energy and drive to make the most of them.

Our people

I would like to thank our 29,500 people in 16 markets around the world for their contribution in delivering on our purpose. They strive to live our values - Care More, Kill Complexity, Never Rest and Create Legacy. We are building an innovative, energetic, supportive culture which is anchored in these strong values and focused on our customers' needs, enabling us to make the most of our strategic advantages now and in the future. I am delighted that our overall colleague engagement score in 2016 has increased by four percentage points to 74%.

SIR ADRIAN MONTAGUE CBE

Chairman

KEY HIGHLIGHTS

Net asset value per share‡

414p

(2015: 390 pence[1])

Profit after tax (including the impact of the change in the Ogden rate)

£859m

(2015: £1,097 million[1])

Total dividend

23.30p

(2015: 20.80 pence)

1 Prior period comparatives have been restated. Refer to Note 1 on page 83 for further information.

Read more about the net asset value and profit after tax in the CFO review on pages 64-67

Aviva has had a good year and there is more to come. We have a clear purpose to help our customers Defy Uncertainty. We are embracing digital to deliver more effectively and our financial performance sets us well for the future.

BREXIT

The European Union (EU) referendum introduced considerable volatility to UK markets however Brexit does not have a significant operational impact for Aviva. The vast majority of our businesses are locally incorporated and regulated, and we have limited reliance on passporting, which allows some companies to serve customers across the EU. We are of course developing contingency plans to cover any potential adverse consequences that might arise for our business.

OUR COMMUNITY AND CUSTOMERS

We believe in acting sustainably and responsibly, which supports our strategy and aligns with our values. We aim to reduce our impact on the environment, and increase our support to our communities and charity partners.

In 2016 we launched our three year partnership with the British Red Cross to help communities across the world prepare for, and respond to, disasters, through skills-sharing, innovation and fundraising. The Aviva Community Fund continued to make a difference to the causes that are important to our people, customers and stakeholders.

The Board recognises our responsibility to our 33 million customers, to help protect what is important to them and to help save for a comfortable future. Further details can be found on pages 14-15 of the report.

BOARD COMPOSITION AND GOVERNANCE

During the year Claudia Arney and Keith Williams joined the Board as Non-Executive Directors, and Scott Wheway stepped down on 31 December 2016 after nine years' service on the Board. I would like to thank Scott for his significant contribution to the Group over this time. In March 2017 we announced a number of Board changes. Further details on this and our approach to succession planning are set out in the Chairman's Governance letter. We remain conscious of the need to enhance Board diversity, our progress on which is also set out in the Chairman's Governance letter.

CHALLENGES DURING 2016

The Board and its committees of course faced some challenges during the year, including increased market uncertainty and volatility. In addition, the Governance Committee examined the customer and conduct implications following suspension of dealings in the Aviva Property Trust Funds. The Board also reviewed the steps taken following the fine issued by the Financial Conduct Authority (FCA) in October 2016 in response to the breaches of FCA client money rules. These challenges did not lead to any loss for our customers or have any material impact on our performance, as set out later in this report.

PERFORMANCE

Net asset value increased 6% to 414 pence per share *(2015: 390 pence per share[1])*. Profit after tax was down 22% to £859 million *(2015: £1,097 million[1])* which includes the adverse impact of the change in the Ogden discount rate announced by the Lord Chancellor on 27 February 2017. Excluding Ogden, profit after tax increased 13%. We have considered this change an exceptional item which is not reflected in Aviva's operating profit and will not result in a change in dividend policy.

DIVIDEND

The Board proposes a final dividend of 15.88 pence per share (*2015: 14.05 pence per share*). This is a 13% increase and reflects the Board's confidence in the Group's prospects.

LOOKING FORWARD

During 2017, we will continue to focus on increasing customer advocacy, becoming a digital disruptor, capital optimisation, managing our risk environment and increasing shareholder value. Your Board remains confident in Aviva's ability to deliver on our commitment to increase the dividend payout ratio to 50% of operating earnings per share in 2017.

Sir Adrian Montague CBE
Chairman
8 March 2017

Living our values

Our values are edgy, challenging and thought-provoking.
We Care More, Kill Complexity, Never Rest and Create Legacy.
We want our values to guide everything we do and the decisions we take

DOING THE RIGHT THING FOR OUR PEOPLE

We want our people to be able to enjoy a decent standard of living – that's why we're proud to be a real Living Wage Employer in the UK. And that doesn't apply just to our people, but also to contractors and suppliers who work on our sites – people like Lynne (right), who do a great job helping to keep our offices in Norwich clean and safe. Why? Because it's the right thing to do.

Scan to see Lynne's story

INCLUSIVE DIVERSITY

Inclusive diversity is at the heart of how we do business. If people can be themselves, they'll be happier and perform better. Our Lesbian, Gay, Bisexual and Transgender (LGBT) network, Aviva Pride, launched its Allies Programme in 2016, so that everyone can show how important LGBT colleagues are to our success. Our photo shows our people celebrating diversity at Dublin Pride in June 2016. Diversity is something we can all celebrate.

5,000+

Visible LGBT Allies across six locations, showing that it's important to spend energy being yourself, not hiding it. We also recently launched our Aviva Pride and Allies group in Toronto, Canada

87%

Of our people believe Aviva is a place where people from diverse backgrounds can succeed (up 11 percentage points from 2015)

LIVING LEGENDS AWARDS

Each year we look to all corners of Aviva to find the true values legends. Those people who live by and champion our values every day. We celebrate these colleagues at our annual CEO Forum where we share their stories, and recognise their contribution by donating £5,000 to a charity of their choice. Alongside individual values legends, we recognise one individual as our Global Living Legend. A colleague who epitomises all our values. This year we celebrated Hugh Hessing as our Global Living Legend. Hugh is passionate about the customer and tireless in living our values every day. That's why he is our new UK customer operations director.

Turning Aviva into a 320 year old **disruptor**

MARK WILSON

Group Chief Executive Officer

Q How would you describe 2016?

MW By any standards 2016 was a year of global uncertainty – with a few political surprises. Aviva's results however are simple and clear cut: more operating profit, more capital, more cash, more dividend. And there is more to come.

Aviva's results reflect the considerable progress we've made in recent years. Operating profits are up, our balance sheet is now a key point of strength, and our results are reflected in the total dividend which increased by 12% to 23.30 pence.

We enjoy a clear strategic advantage as a composite insurer – providing customers with a wide range of insurance and savings products from car, home and health insurance to pensions and investments.

We're taking a leadership position in digital insurance and this is our future. In the UK, all of our customer systems now talk to each other. That's no mean feat and gives us a big advantage in how we serve customers in a simple and transparent way.

We have completed the fix phase of our transformation and we are now moving to the growth phase, redefining our business model and our relationship with our customers as we become a 320 year old digital disruptor.

Q Talk us through the numbers for 2016?

MW The numbers speak for themselves. Aviva is building a track record of delivery and growth. For the third year in a row we have grown operating profits, up 12% and further strengthened the balance sheet. Fund management delivered a break-out year with strong positive net flows and profits up 30%. UK Life and GI grew profits by 7% and 10% respectively, and Canada grew by 26%.

There were plenty of highlights during the year. We delivered the integration benefits of Friends Life a year ahead of schedule and secured run rate synergies of £270 million - in excess of our £225 million target. We also acquired RBC General Insurance which will increase our scale and broaden our distribution in Canada. And in Hong Kong we're reinventing insurance for the digital age with our new joint venture with Hillhouse Capital, a leading investment management firm, and Tencent, the world's fourth largest internet company. Together we're going to disrupt the market.

We also note the surprise decision on the Ogden discount rate which we believe is not sustainable in the long term. The UK Government has announced a consultation to review the methodology behind the rate and we hope that common sense will prevail. That said, we recognised the full impact of the minus 0.75% rate as an exceptional item in our 2016 results outside of our operating profit measure. This does not affect our dividend policy. We await a fuller Government review to ascertain what the rate will be.

TRANSFORMING AVIVA: THE NEXT PHASE

Over the past three years we have transformed Aviva. We have fixed the balance sheet and turned around the operating performance. As we now enter the growth phase of our transformation, we have a clear strategy to deliver that growth. And we are going to accelerate how we deliver that strategy. We'll do so by recognising that strategy alone is just not enough. To go faster and further, we need the right culture, the right way of doing things. Our values aren't optional or incidental. They crystallise how we are going to leave behind anything that holds us back, by killing complexity and making sure the customer is at the heart of our thinking.

In addition to the cultural change we have also addressed how Aviva is structured to deliver the best of Aviva to our customers, simply and conveniently. We're structuring ourselves so they deal with just one business. Our priorities are to

continue to deepen our position in our home UK market and to continue growing in our core international markets in order to diversify and strengthen Aviva.

In 2017, we announced that we are bringing together our UK insurance businesses – life insurance, general insurance and health insurance – under Andy Briggs, who becomes CEO UK Insurance[1]. We have also strengthened our international focus, with Maurice Tulloch becoming CEO International Insurance[1], responsible for Aviva's insurance operations in Canada, France, Ireland, Spain, Italy, Poland, Turkey and India. Chris Wei remains Executive Chairman of Asia & FPI and Global Chairman of Aviva Digital and Euan Munro remains CEO of Aviva Investors. This new structure better reflects our focus on meeting our customers' needs and is reflected in how we report on our performance in this report.

1 Subject to regulatory approval.

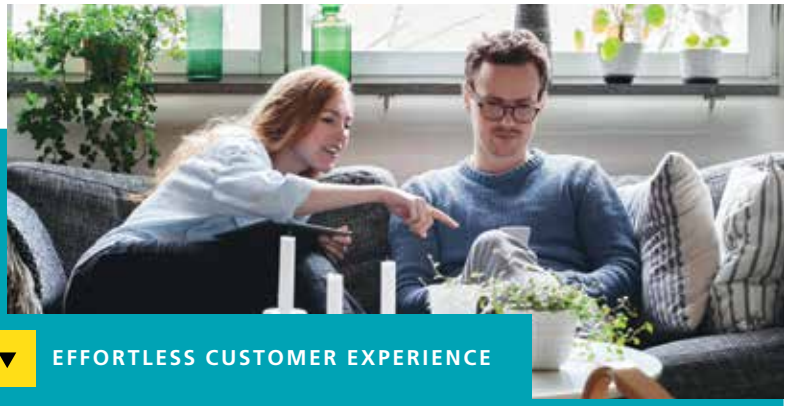
DIGITAL CAPABILITY

We have two enviable advantages: our brand and customer base. But to become the successful digital disruptor that we want to be, we need much more than excellent insurance and finance people. We also need data scientists, innovators, entrepreneurs and start-up magicians.

Over the past two years, we've recruited some of the world's best digital talent - stars from the online gaming, technology and entertainment sectors; customer experience gurus, passionate designers and world-class app-developers. They have joined us because they want to break the mould and help us disrupt the market. Whether it's the established digital experts we've attracted to Aviva or the graduates and apprentices who are choosing Aviva as the launch pad for their digital careers, this new talent is helping to drive a rapid cultural shift to a 'Digital First' mindset across Aviva.

Whatever their background, our digital people have a real passion for delivering excellent customer experience and are choosing to be part of an organisation that is disrupting its industry.

Scan to see Mark Wilson talking about our performance



EFFORTLESS CUSTOMER EXPERIENCE

Being a True Customer Composite means we can build deeper relationships with customers. MyAviva gives us the right tool to deliver what they expect, a simple and effortless digital experience – whatever they're buying. Nothing is more annoying than being asked the same questions again and again. Our customers want us to save them time as well as money. So our plan is to ask customers questions – once. With the right systems in place, we can use data more intelligently, to offer a pre-underwritten and pre-approved quote. It's a fundamentally different way of thinking. Customers are more likely to buy additional products with us because we know them better and can meet their needs better. What's our long-term goal? To go from Ask it Once to Ask it Never – so customers don't have to answer any questions at all.

KEY HIGHLIGHTS

Operating profit[‡2] up 12% to

£3,010m

(2015: £2,688 million[1])

Cash remittances[‡] up 20% to

£1,805m

(2015: £1,507 million)

Digital registrations up 97% to

7.5m

(2015: 3.8 million)

Final dividend per share

15.88p

(2015: 14.05 pence)

Q How important is digital?

MW Leading with digital is how we will maximise our competitive advantage as a composite insurer. It's how our customers increasingly want to deal with us. Aviva was born in an age of quills and parchment – 320 years ago. Now digital is fundamental to our future. Everything we do must be through a digital lens.

We are rapidly increasing the number of customers on MyAviva in the UK, doubling to 4.7 million.

The insurance industry is ripe for disruption. Aviva must be the world's oldest digital disruptor. We're a long way from where I know we need to be. But now let's see how far and fast we can travel.

Q What's your approach to capital allocation?

MW As I've said before, I see capital allocation in Aviva as a competitive sport. And we're going to carry on being absolutely ruthless in how we allocate it, investing where we will get the best returns and stopping things where we won't be clear winners. Not everything in the garden is rosy and we will continue to take action to address areas which do not meet our exacting expectations.

We think of our markets in terms of "oaks" – which deliver solid growth and sustainable cash; as "acorns", which promise fast future growth and "apple trees", which we will simplify, restructure, focus and improve. It is through this strategic lens that we make decisions around capital to simplify, strengthen and grow the business.

For example, we've reallocated capital by selling our Irish health business and we've announced the sale of Antarius, our joint venture with SocGen in France. And we've invested for growth through our exciting new partnership with Tencent and Hillhouse, and through our deal with RBC General Insurance in Canada.

Aviva's financial position has been transformed and an unmistakably stronger balance sheet and excess capital gives Aviva options. We will invest further to grow our businesses and we are now actively planning a capital return to our shareholders and a debt reduction in 2017.

Q What will you be focusing on in 2017?

MW We are focused on delivering consistent growth year after year. 2017 is no exception. We aim to grow profits and increase our dividend payout ratio to 50% of operating earnings per share. With our high quality franchises and strong balance sheet, we enter the year with optimism.

We will keep transforming our business for the digital age, to make it simple and convenient for our customers. To do this, we will continue to transform our culture. We've made great strides. 78% of our people believe, understand and agree with our strategy. But I want us to have the mentality and agility of a start-up combined with the prudence, risk management and discipline of an established business. With the right culture, we can fundamentally change the world of insurance.

Q What's your final message?

MW To our shareholders, I say Aviva's strong financial position, resilience and diversity mean we are well insulated from external events. We remain confident in our ability to deliver on our key commitments of cash flow and growth.

To our people, I say thank you. You've achieved a tremendous amount. But I'm relying on you to do a whole lot more. 2017 is going to be a year of change – exciting, innovative change.

And to our customers, I say thank you for putting your trust in us. You are the reason we're in business. We are here to help you defy uncertainty in this uncertain world.

Mark Wilson
Group Chief Executive Officer
8 March 2017

DELIVERING ON A CLEAR PLAN OF ACTION

Financial	Strategic	Cultural
Cash flow plus growth	True Customer Composite	Care More
Dividend	Digital First	Kill Complexity
Strong balance sheet	Not Everywhere	Never Rest
		Create Legacy

WHAT WE ACHIEVED

For our key metrics, we have:

- Increased operating profit‡ by 12%[1] to £3,010 million[2]. Operating earnings per share‡ increased 3%[1] to 51.1p[2]
- Increased cash remittances‡ to Group by 20% to £1,805 million
- Increased total dividend per share by 12% to 23.30 pence
- Delivered a strong Solvency II capital position with a Solvency II cover ratio‡ of 189%[3] up 9ppts

For the acquisition of Friends Life, we have:

- Delivered the integration benefits a year ahead of schedule
- Secured run rate synergies of £270 million – in excess of our £225 million target

For our customers, we have:

- Added around 30% more products to MyAviva in the UK during 2016
- Campaigned for our customers e.g. tackling motor fraud

In Digital, we have:

- Opened digital garages in Poland and Canada, alongside our existing ones in London and Singapore
- Agreed a new digital insurance joint venture in Hong Kong with Hillhouse and Tencent

Not Everywhere:

- Sold our Ireland Health business and announced the sale of Antarius in France
- Launched Aviva Financial Advisers in Singapore
- Diversified and strengthened distribution with the RBC General Insurance acquisition in Canada

For our people, we have:

- Continued to build a culture where we consider our customers in every decision
- Launched the GROW portal to help our people develop new skills
- Created an environment which attracts and retains talented, committed, entrepreneurial people

For society, we have:

- Continued to lead the debate and take action on sustainable finance and the risk of climate change
- Supported 1,600 community projects

WHAT WE PLAN TO DO

- Target mid-single digit increase in operating profit over the medium term
- Aim to deliver £7 billion of cash remittances between 2016-2018
- Focus on achieving a 50% dividend pay out ratio in 2017
- Target a Solvency II cover ratio working range of between 150%–180%

- Build and deepen engagement with our customers by increasing registrations on MyAviva
- Disrupt in digital to do more for our customers
- Continue to campaign for what's important to our customers
- Continue to reallocate capital to focus on what we do best and drive higher returns

- Further develop our leaders across Aviva through greater innovation, agility and accountability
- Build a culture where we consider our customers in every decision
- Develop an inclusive workforce that reflects the diversity of our customers
- Extend the Aviva Community Fund to more countries and continue towards our target of helping 2.5 million beneficiaries through our projects by 2020

1 Prior period comparatives have been restated. Refer to note 1 on page 83 for further information.
2 The adverse impact of the change in the Ogden rate of £475 million is an exceptional item and therefore not recognised within operating profit. Please refer to the CFO review on pages 64-65 for further information.
3 The estimated Solvency II cover ratio represents the shareholder view. Refer to the Glossary for further information.

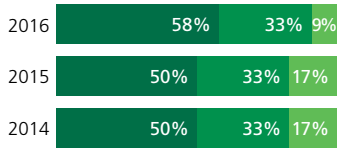
How our performance is measured

We use a range of financial and non-financial metrics to measure our performance, financial strength, customer advocacy, employee engagement and impact on society[1]

MAKING A DIFFERENCE TO OUR CUSTOMERS R

Our Net Promoter Score® (NPS) measures the likelihood of a customer recommending Aviva. Our 2016 relationship survey scores have improved slightly compared to 2015, with seven of our 12 markets[2] (58%) measured being ahead of the competition. Our overall global Net Promoter Score® improved by three points to +13 and is in line with our competitors. There is still more to do and we are committed to putting customers first and improving their experience.

58% 33% 9%



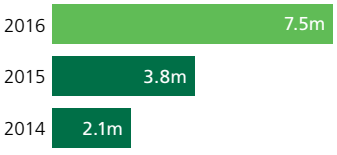
In upper quartile
At or above market average
Below market average

Read more on True Customer Composite on pages 20-23

DIGITAL CONVENIENCE FOR OUR CUSTOMERS R

We continue to make strong progress with our digital transformation. MyAviva remains at the heart of our digital revolution and registrations on our digital platforms have surpassed 7.5 million. Our digital platforms enable customers to deal with us whenever and however they choose.

7.5m



Read more on Digital First on pages 26-27

ENGAGING OUR PEOPLE R

We give our people the freedom to act in line with our values to create an environment in which they can thrive through collaboration and recognition. We measure this through our annual global 'Voice of Aviva' survey. Since 2015, engagement has risen by four percentage points driven by increases in the UK, France, Ireland and within our Aviva Investors and Digital businesses. People who joined Aviva through the Friends Life acquisition are significantly more positive than a year ago. This is a key measure of success for our integration work.

74%

Read more on our people pages 30-33

REDUCING OUR CARBON FOOTPRINT

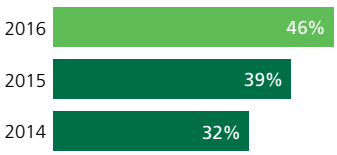
We are carbon neutral. We've reduced the level of carbon emissions (CO_2e) from our day-to-day operations by 46% since 2010.

In the UK alone we installed solar panels to generate renewable electricity, replaced over 250,000 lightbulbs with LED equivalents and reduced water consumption per tap in our bathrooms and kitchens by 80% during 2016.

CO_2e data includes emissions from our buildings, business travel, water and waste to landfill.

Long-term target
Carbon emissions reduction target of 50% by 2020 and 70% by 2030

46% reduction since 2010



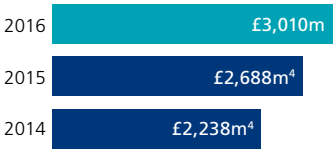
Read more on our environmental performance on pages 58-61

MEASURING OPERATING PROFITABILITY R

Overall, operating profit‡ increased 12% to £3,010 million which includes an additional quarter's contribution from Friends Life, six months results from RBC General Insurance acquired in July 2016 and a favourable foreign exchange impact of £141 million. This excludes the impact of the change in the Ogden discount rate of £475 million, which is treated as an exceptional non-operating item.

Medium-term target
Target mid-single digit growth

£3,010m



Read more on our markets on pages 38-53

MAINTAINING A STRONG BALANCE SHEET

We continue to maintain our strong financial position. The Solvency II shareholder cover ratio‡[5] excludes the contribution from fully ring fenced with-profits funds (£2.9 billion) and staff pension schemes in surplus (£1.1 billion). The impact of the announced sale of Antarius and the changes to UK tax rules announced in the November 2016 Autumn statement have also been reflected in the Solvency II position.

Working range
150%–180%

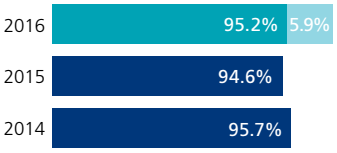
189%

Read more on our financials on pages 64-67

UNDERWRITING THAT DELIVERS PROFITS R

The combined operating ratio (COR)‡ is a measure of general insurance underwriting profit. The lower the COR is below 100%, the more profitable we are. COR is 101.1% including the impact of the change in the Ogden discount rate. Excluding the Ogden rate change, COR increased 0.6 percentage points to 95.2%, reflecting the new HomeServe partnership agreement and the Flood Re Levy in the UK, partly offset by better weather experience and claims cost saving initiatives.

95.2%



Reflects Ogden impact of 5.9ppts (total including Ogden is 101.1%)

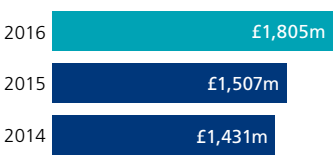
Read more on our markets on pages 38-53

IMPROVING CASH FLOW FROM OUR BUSINESSES R

Sustainable cash remittances‡ from our businesses are a key financial priority. The increase in cash remittances included £250 million from the Friends Life integration and a contribution of £130 million from our Canadian business. This was partly offset by lower remittances from UK General Insurance, as cash was used to fund an increase in the internal reinsurance arrangement.

2016-2018 target
£7 billion of cash remittances

£1,805m

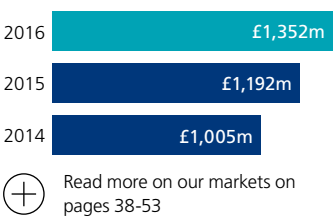


Read more on our financials on pages 64-67

GROWING OUR LIFE INSURANCE BUSINESS R

Value of New Business (VNB)‡ measures growth and is the source of future cash flows in our life businesses. VNB increased by 13%, primarily driven by growth of new business in Europe, the UK and Aviva Investors. VNB includes a foreign exchange benefit of £65 million.

£1,352m



Read more on our markets on pages 38-53

R Symbol denotes key performance indicators used as a base to determine remuneration.

1 2015 numbers include Friends Life from 10 April 2015. 2014 numbers are Aviva stand-alone.
2 Excludes Indonesia, India, Taiwan and Vietnam.
3 Restated to reflect a new methodology used to measure employee engagement in 2016.
4 Prior period comparatives have been restated. Refer to note 1 on page 83 for further information.
5 The estimated Solvency II cover ratio represents the shareholder view. Refer to the Glossary for further information.

My life, my way

Customers will be much more in control, expecting to self-serve and self-solve. They will want to be able to access data and insight, and use it to guide their own decisions

For more information on our customer strategy, see pages 20-23.

Banking app logins a day during 2015 in the UK – up 50% on the previous year

11m

Source: Way we Bank Now, BBA, June 2016

The power of communities

Government influence is reducing as the role of 'communities' of mutual interests and connected networks, both virtual and local, increases

For more information on our role in society, see pages 58-61.

Daily active Facebook users on average

1.23bn

Source: facebook.com, stats, December 2016

Where the world is going

Our strategic framework responds to and anticipates the seven long-term trends which will impact our industry over the next few years. We acknowledge the risks they present but aim to turn these trends into opportunities for future growth.

Winning through data

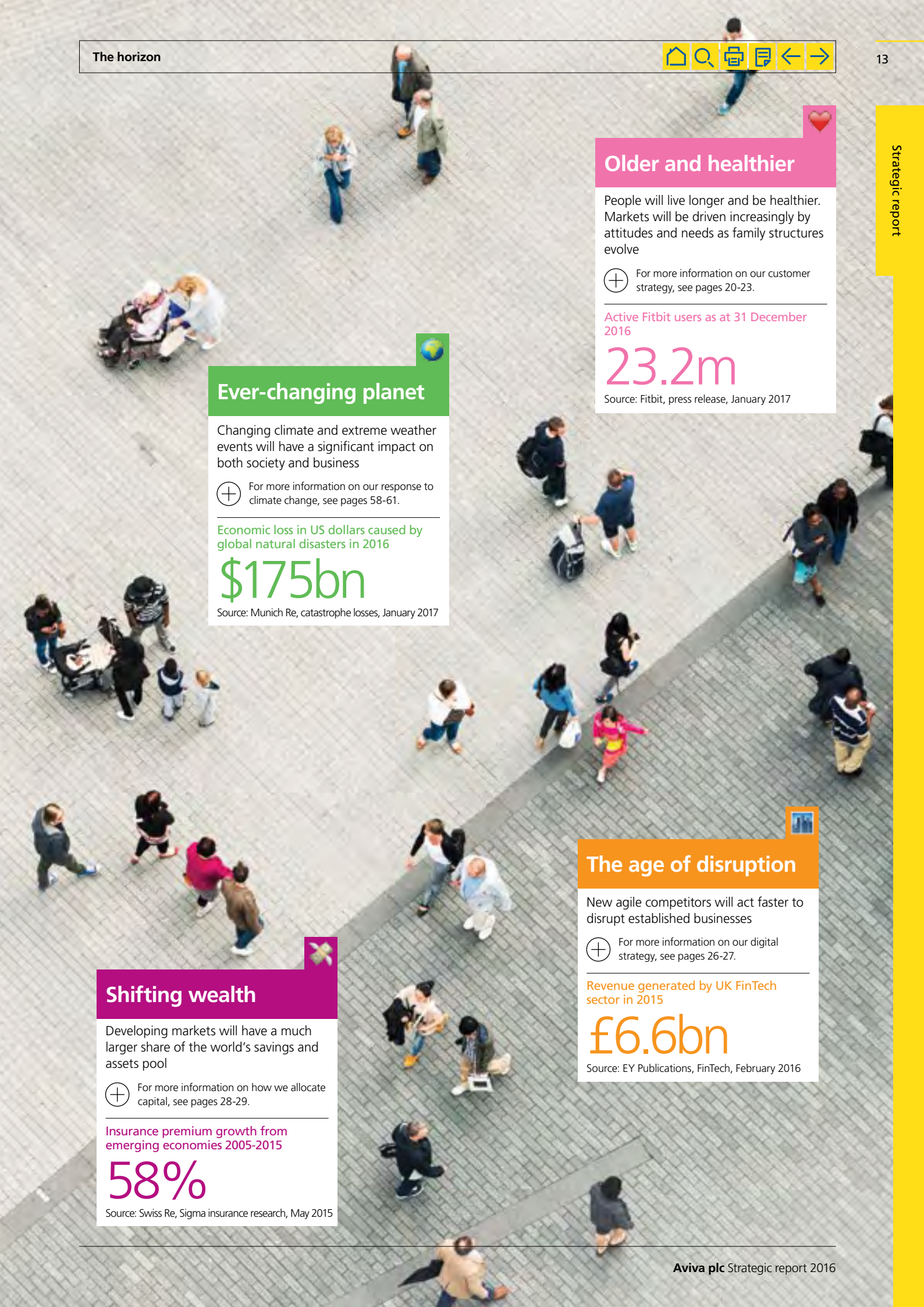
Those who interpret data quickly and intuitively to inform the development of products and services that provide real value for customers will lead the way

For more information on our digital strategy, see pages 26-27.

Number of vehicles in use globally with built-in telematics by 2025

430m

Source: Navigant Research Newsroom, October 2016



Older and healthier

People will live longer and be healthier. Markets will be driven increasingly by attitudes and needs as family structures evolve

For more information on our customer strategy, see pages 20-23.

Active Fitbit users as at 31 December 2016

23.2m

Source: Fitbit, press release, January 2017

Ever-changing planet

Changing climate and extreme weather events will have a significant impact on both society and business

For more information on our response to climate change, see pages 58-61.

Economic loss in US dollars caused by global natural disasters in 2016

$175bn

Source: Munich Re, catastrophe losses, January 2017

The age of disruption

New agile competitors will act faster to disrupt established businesses

For more information on our digital strategy, see pages 26-27.

Revenue generated by UK FinTech sector in 2015

£6.6bn

Source: EY Publications, FinTech, February 2016

Shifting wealth

Developing markets will have a much larger share of the world's savings and assets pool

For more information on how we allocate capital, see pages 28-29.

Insurance premium growth from emerging economies 2005-2015

58%

Source: Swiss Re, Sigma insurance research, May 2015

Putting our **customers** first

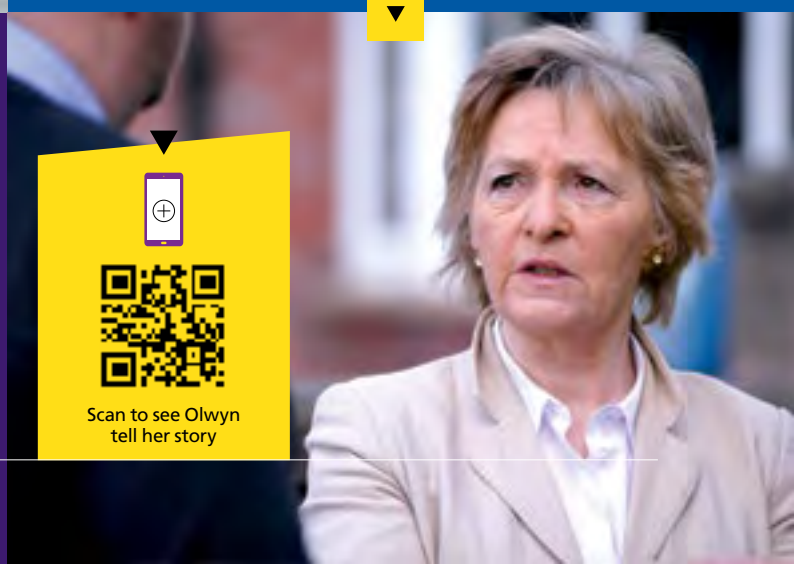
We help people protect what's important to them and save for a comfortable future. We're here to help our customers Defy Uncertainty

AIMS: OUTCOME-ORIENTED SOLUTIONS

Our goal at Aviva Investors is to use our international reach and expertise to solve our clients' problems, most notably with the AIMS range of funds. These are totally focused on meeting customers' needs – that's especially important in an uncertain world. Aviva Investors CEO, Euan Munro, thinks Aviva Investors is the one to watch in 2017 – whether you're a shareholder or a customer.

CARING ABOUT OUR CUSTOMERS

When our customers talk to us, it's often because something bad has happened and they want our help. That's what happened when Olwyn (below) called us after her home flooded. We've rolled out training from the British Red Cross so our people can do more to help customers with their claims at these moments of crisis. The scheme also helps our people look after their own well-being. It's a great example of caring more about our customers and one another.



Scan to see Olwyn tell her story

CUSTOMER-FIRST ADVICE IN SINGAPORE

In Singapore, lions are considered auspicious. So when a business opens, the way to get it off to a great start is to have a lion dance. We think Aviva Financial Advisers, launched in August 2016, can be pretty auspicious too for our customers. Our service promotes independence and customer-first advice on a wide range of insurance and investment services to meet their needs.

YOU NEVER KNOW WHAT'S ROUND THE CORNER

Chris Wall (below) works at a property company and lives in Winchester in the South of England with her husband and two lovely working cocker spaniels. A few years ago she bought an Aviva critical illness policy. Money was tight – but she saw it as a wise precaution. She's very glad she did because in October 2015 she was diagnosed with a rare form of bowel cancer. That led to many questions – not least whether she would be able to pay the bills if she couldn't work. Chris talked to Aviva – and within a month we had paid out on her critical illness cover. It was one less thing to worry about. She was delighted with how we handled her claim, telling us the service was "exceptional". We're delighted Chris has recovered and we were happy to help so she could concentrate on getting better.

£34.4bn

Paid out in benefits and claims to our customers in 2016. That's billions of good reasons why we're in business

Scan to see Chris tell her story

We help people protect what's important to them and save for a comfortable future

We have a distinctive approach. It defines and differentiates us. It helps us meet our customers' needs…

Values

Our values are at the heart of how we do business. They are how we must operate:

- Care More
- Kill Complexity
- Never Rest
- Create Legacy

Read more on page 32

Strengths

We have unique strengths as a business that give us a significant competitive advantage:

- Brand strength
- Financial strength
- Customer understanding
- Multi-distribution
- Multi-product

Skills

We have a great range and blend of skills:

- Underwriting
- Risk management
- Customer service
- Digital innovation
- Big Data & Analytics
- Asset & liability management
- Capital allocation

Strategy

Our strategic framework focuses on the things that really matter and puts the customer at the heart of what we do:

- True Customer Composite
- Digital First
- Not Everywhere

Read more on pages 18-29

…through our products, services and markets…

Operating profit[‡] split by geography:

UK & Ireland 59%
Canada 8%
Europe 27%
Asia 6%

…where premiums and cash are reinvested, creating sustainable value for…

Customers

Customers benefit from a range of products to meet their needs, with easy access when and how they want it.

£34.4bn

Paid out in benefits and claims to our customers in 2016

Shareholders

We create value for shareholders by using our profits to reinvest and grow the business and pay out dividends.

23.30p

Total dividend up 12%

Our people

Our aim is for our people to achieve their potential within a diverse, collaborative and customer-focused organisation.

74%

Increased our engagement score by four percentage points

Society

We play a significant role in our communities, including as a major employer and a long-term responsible investor.

1,600

Community projects supported in 2016

Our strategic framework provides clear direction

OUR STRATEGY

Our strategic framework focuses on the things that really matter and puts the customer at the heart of everything we do. It provides clear direction across all our markets for how we run our business

True Customer Composite

We can provide customers with life, general, accident and health insurance and asset management – a True Customer Composite. This is what differentiates us. We are the only composite insurer of scale in the UK.

Read more on pages 20-23

Digital First

We put Digital First. This is how we will capitalise on being a True Customer Composite. With their busy lives, customers are increasingly turning to digital to make things more convenient, easier and quicker.

Read more on pages 26-27

Not Everywhere

We focus our resources where we can be most competitive. We are not interested in planting flags or being in 100 countries. We will focus on a select number of markets and business lines where we have scale and profitability or a distinct competitive advantage – where we can win.

Read more on pages 28-29

True Customer Composite
Digital First
Not Everywhere

We are a **True Customer Composite** helping customers protect what's important to them and save for a comfortable future

WHY IT'S IMPORTANT

Operating as a True Customer Composite means we can help our customers protect what's important to them and save for a comfortable future. We understand that customers have a wide range of insurance, protection and savings needs, and can find it challenging to manage them all.

True Customer Composite means offering all these products individually or in tailored combinations to meet customers' needs in a convenient, easy to understand and timely manner.

Furthermore, True Customer Composite means valuing and rewarding customers for making the choice to have a deeper, more loyal relationship with us.

For Aviva, this means increased customer retention and engagement, and lower-cost administration.

WHY NOW?

In a digital world, the advantages of being a True Customer Composite become more tangible. We have a much greater opportunity to deal directly with customers and provide them with a wide range of products to meet their needs.

In the past, although the financial benefits of our composite model were clear (such as lower capital requirements through diversifying our risk), the operational benefits were more elusive. Very few customers held more than one Aviva product because our business was distributed almost solely through intermediaries.

If customers are not relying on intermediaries to analyse their needs and recommend a suitable package of products, they could find themselves managing multiple products from different providers. This is not what customers tell us they want: what they want is a simple way to meet their insurance and savings needs.

HOW WE'VE PROGRESSED

In the UK, our focus in 2016 was to improve the functionality and significantly increase customer registrations for MyAviva, our digital platform. This was enabled by a major programme to bring all of our UK customers onto the same database, so that they can see their products in one place.

We also extended the range of products available to MyAviva customers in the UK, with around 30% more products added to the platform during 2016.

MyAviva now shows pre-calculated quotes for travel, home and health products, together with a 20% discount for existing customers so that they can share the benefits of doing business with us digitally.

True Customer Composite

Digital First

Not Everywhere

By the end of 2016, we had a total of 7.5 million customers registered on our global digital platforms compared to 3.8 million at the start of the year.

We have also been making progress on True Customer Composite in other areas. In Singapore we launched Aviva Financial Advisers, a fully-owned financial advisory firm providing customers with financial solutions across life, health, general insurance and investments.

In the UK, we announced a new partnership with TSB, distributing our 'Pick and Protect' modular home insurance both digitally and through TSB branches. 'Pick and Protect' breaks down traditional home insurance, allowing TSB customers the flexibility to tailor cover for their own insurance needs.

In Italy, we have seen strong sales via our bank and IFA partners of our hybrid savings product, generating €660 million of premiums to outpace the market in 2016. This provides customers with an efficient medium/ long-term investment solution with lower volatility and the option of life and illness protection.

In Spain we launched an online service for our life protection customers to encourage healthy living, physical activity and nutrition.

Of course, our aim is always to get it right for our customers. But sometimes we don't. Our objective is to fix any issues as quickly as possible, so that we restore the level of service our customers rightly expect.

GOOD THINKING

Aviva's global brand strategy "Good Thinking" supports our True Customer Composite and Digital First ambitions by placing the customer firmly at the heart of our business. The essence of the idea is "everything we do is full of good thinking for you".

In 2016, this approach inspired two campaigns in the UK - #DriveSafer and #SaveSmarter. As well as putting our strategy and values into action we have a key social purpose too: tackling issues that matter most to our customers, like safer roads and saving for retirement.

WHAT WE PLAN TO DO NEXT

As part of "Good Thinking", we will continue to develop new propositions for customers in the UK, including home insurance and services for small and medium-sized enterprises. We will extend MyAviva to more countries, as part of our Digital First strategy, which includes creating a common approach to customer-facing digital developments.

To accelerate our strategy for growth and provide a simple, more convenient and better value service to our customers, we are bringing together our UK insurance businesses - life insurance, general insurance and health insurance – all under one roof.

We aim to broaden our offering of accident and health products across several Aviva markets. This will be underpinned by our Digital First strategy which is the key to unlocking the benefits of the True Customer Composite.

DIGITAL CLAIMS

We put Digital First so we can help customers put their health first. It makes dealing with us quick, simple and convenient. If you're not well the last thing you want is to deal with forms – we want customers to focus on getting better.

In Singapore, customers can log in online to file and manage medical claims. It's convenient, quick, and totally paperless – and there's a host of other features to make life easier; whether that's taking a photo of a letter or receipt and submitting it electronically, monitoring your claim, locating clinics, or working out what you're entitled to.

In the UK, some of our health customers can now make claims online through MyAviva. Customers claiming for back, neck, muscle and joint pain can now book an appointment online in just three easy steps, leaving them free to concentrate on the all-important business of getting better. With a range of helpful information and guidance and lots more in the pipeline in 2017, we're working hard to help our customers quickly access the care they need, when they need it most.

KEY HIGHLIGHTS

Global customer advocacy

+13NPS®

Improved by three points[1]

UK customer advocacy

+14NPS®

Compared to -2 NPS® for UK competitors' customers[1]

True Customer Composite – greater UK customer advocacy

+47NPS®

Aviva's UK customers who have three or more products[1]

Global digital customers

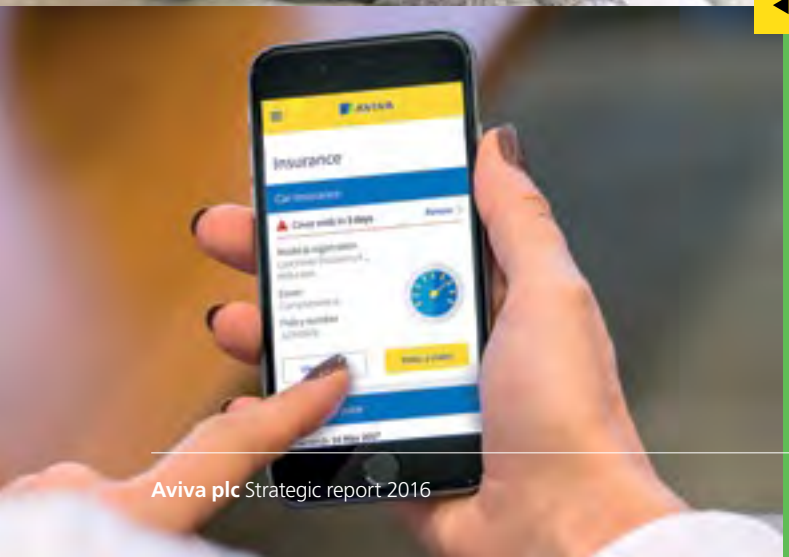
69%

Likely to consider Aviva for other products, compared to 52% of non-digital customers

1 GfK Annual Relationship Survey, 2016. The Net Promoter Score® (NPS) is a measure of the likelihood to recommend (brand) to a friend or colleague.

Disrupting through digital

The insurance industry is ripe for disruption by digital. We want Aviva to be a 320 year old disruptor, which puts Digital First so we can offer customers better, more personalised products and services



MAKING DIGITAL EASY FOR EVERYONE

We put Digital First – because that's great for the customer. But it also means we've got to go the extra mile for customers who aren't confident or comfortable with digital, tailoring what we do so it works for them. We're making MyAviva accessible and convenient, and our retirement hub is designed with ease of use in mind. The Aviva Community Fund has supported local projects that help people of all ages get the skills they need to do more online. We want our customers to be confident enough to be Digital First with us.

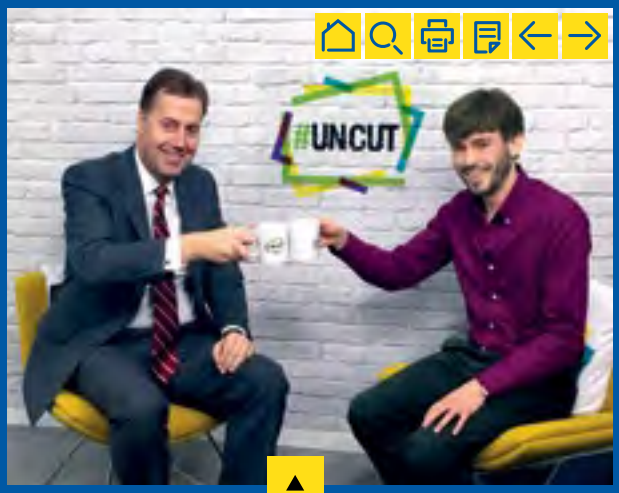
We want everyone to be able to enjoy the ease of dealing with us digitally

#Aviva2016

Mark Wilson / Group Chief Executive Officer

WECHAT, YOU SAVE

In China, WeChat, a leading messaging platform, is part of people's everyday lives and is used by 850 million people. With our partner COFCO, we've set up a savings account available on WeChat called FuBaoBao. It offers a simple, easy, convenient way to build up long-term savings, especially for children. Anyone can pay in as little as 10 yuan (approximately £1). Mr. Derek Wang Tianshan from Guangzhou (below) is one of FuBaoBao's developers. He opened an account for his six year old son and has topped it up more than 500 times. Derek shares pictures of his son with friends and family in other cities through WeChat, and they show their love for the boy by sending him "hong bao" digitally – gifts of money at Chinese New Year – which is paid directly into FuBaoBao. So distance is no longer a barrier for this wonderful tradition.



IN THE HOT SEAT

Aviva #Uncut is a great way to help build a culture in which we have open, transparent, challenging conversations and do better for our customers. One of our senior managers is filmed answering any question without any warning and streamed live to our people. It's a great way to ask burning questions – and stimulate a lively debate. And in 2016, we launched a new mobile streaming app that enables colleagues to watch #Uncut live on their phones.

Scan to see Derek's story

True Customer Composite
Digital First
Not Everywhere

Everything just clicks with **Digital First**

Digital remains crucial to our True Customer Composite strategy. We put Digital First because our customers are increasingly choosing this as their preferred way to deal with us.

WHY IT'S IMPORTANT

The environment in which we operate continues to see rapid change in technology and digital distribution. We have to think Digital First across all our distribution channels – it's how customers want to connect and do business with us.

Digital First helps make being a True Customer Composite central to a new relationship with customers. It builds on our understanding of how customers want to use our products in a digital world.

Increasingly customers want to be able to self-serve: researching, buying policies and making changes online.

Putting Digital First means putting digital at the forefront of all change and development activity across Aviva.

This includes working to maintain and improve our IT security and data encryption, because cyber security is increasingly important to reassure our customers that they can deal with us digitally with confidence.

JUST ASK ALEXA

Let's face it, business is full of jargon and confusing words. We already Kill Complexity through our jargon buster on www.aviva.co.uk. Now we've gone one step further, with Amazon's voice-activated assistant, Alexa, providing people with more than 300 insurance terms and their definitions. We're the first UK insurer to deliver a Skill for Alexa and it's a new way for our customers to interact with us. So if you don't know your no claims discount from your accidental damage cover, just ask Alexa!

HOW WE'VE PROGRESSED

The implementation of our Digital First strategy focuses on our larger markets: UK, France, Poland, Canada and Singapore.

We are adapting our strategies to reflect the distribution landscape in each market, whether that's via direct, intermediaries or our partners, bringing simplicity and an effortless experience.

In all markets the objective is to grow the share of customers we acquire and interact with digitally.

Our Digital Garages in London, Singapore and Canada act as catalysts for digital innovation, where creative minds from across Aviva and the industry collaborate to turn innovative ideas into real products and services for our customers.

We also look to find and apply new ways of doing business, and we are working in partnership with a range of new and existing players in the digital space.

Our Digital Garages act as catalysts for digital innovation – turning innovative ideas into real products

#Aviva2016

Chris Wei / Executive Chairman, Asia & FPI and Global Chairman, Aviva Digital

Scan to see Alexa in action

REINVENTING INSURANCE

We want to reinvent insurance for the digital age; to make it as simple, convenient and accessible as possible for our customers, and challenge traditional distribution, selling and marketing methods. Our new joint venture in Hong Kong aims to do just that. Our partners, Hillhouse and Tencent, have tremendous investment and digital expertise. Together we want to shake up the Hong Kong insurance market, which currently relies on expensive intermediaries, by offering a superior digital solution so that insurance fits with our customers' lives and meets their needs.

SPACE TO INNOVATE

We want to be a 320 year old disruptor. Our aim is to deliver outstanding customer service in a simpler and more cost-effective way – through digital channels. To achieve this, we are bringing together our experts and encouraging them to break the insurance industry's traditional way of doing things. To help our teams collaborate, focus on customers' needs, think bigger and work differently, we've created dedicated digital spaces. Aviva Canada recently opened their Digital Garage in Toronto, joining our Garages in London and Singapore and spaces in our offices in Paris, Warsaw, Bristol and Norwich.

AVIVA VENTURES GLOBAL LAUNCH

Aviva Ventures is our corporate venture capital fund. It looks for cutting edge tech start-ups that can help shape the future of insurance and invests in them. In 2016 it went global. First came London, then Canada, and finally Singapore. We have partnered with businesses like Cocoon (above) – which uses smart tech to deliver next generation home security. We've also announced partnerships with Opun, AppyParking and Founders Factory.

KEY METRICS

Global digital platform registrations

7.5m

(2015: 3.8m)

MyAviva customer satisfaction

75%

Online satisfaction tool shows three quarters are very happy with their online experience

Aviva Ventures investment

£100m

We've committed to a total investment of up to £100 million through Aviva Ventures by 2020

True Customer Composite
Digital First
Not Everywhere

Not Everywhere is all about focusing on creating value and then delivering it

How do we decide where to allocate capital?

1

Does it fit with our strategy?

We focus on delivering our strategic ambitions and providing solutions to meet our customers' needs

WHY IT'S IMPORTANT
Not Everywhere is about focusing our resources where we can be most competitive. It's about focusing on doing a relatively small number of things very well, rather than casting our net too widely. It's about focusing on where we can win.

But Not Everywhere is also about capital allocation – something we see as a competitive sport at Aviva. We allocate capital to the markets, businesses and products that offer the most attractive returns, looking at it through three lenses: strategic, financial and execution.

We expect to continue to narrow our focus on what we can do best throughout 2017.

NOT EVERYWHERE IN PRACTICE
We completed the acquisition of RBC General Insurance in Canada. It strengthened our market position, increasing profit and providing consumers with improved choice about how they access insurance solutions.

We focus on allocating capital to areas where we can generate strong returns. If we're not getting the results we want, we will take action. In 2016, we disposed of our 70% shareholding in Aviva Health Insurance Ireland and in 2017, we announced the sale of Antarius, our joint venture with SocGen in France.

In 2016, we launched Aviva Financial Advisers in Singapore. The business advises on a full range of life, health, general insurance and investment products focused on meeting our customers' needs.

OAKS, ACORNS AND APPLE TREES
Our Oaks, Acorns and Apple trees categorisation shows how each of Aviva's businesses contributes to our overall portfolio, either now or in the future.

Scan to see Mark Wilson talking about our portfolio of businesses

It's about being clear what not to do, so we can focus and invest in what we do best

#Aviva2016

Mark Wilson / Group Chief Executive Officer

2

Does this investment create value?

We aim to invest our Group capital efficiently to get the right balance of risk and return

3

Can we deliver it?

We ensure outcomes can be delivered with a high degree of confidence and that the risks are manageable and understood

Oaks

Solid growth, sustainable cash

UK: Deepen
France: Focus
Poland: Grow
Canada: Diversify

Acorns

Future, fast growth

Aviva Investors: Accelerate
Digital: Innovate
Asia: Disrupt
Turkey: Grow

Apple trees

Simplify, restructure, focus, improve

Spain
Italy
FPI
India/Taiwan

Transforming Aviva from the inside out

To disrupt insurance, we must transform our culture. With the right culture, Aviva will be agile, innovative and visionary. We will delight and serve our customers brilliantly.

We employ around 29,500 people globally and are particularly proud to support the regional economies in our home market, where we employ more than 16,000 people across the UK.

OUR STRATEGY
Our global people strategy sets out how we will accelerate our performance from the inside out. We will:

- Focus on our customers by connecting the day-to-day activities of our people with our purpose;
- Give our people the freedom to act in line with our values, particularly paying attention to Kill Complexity;
- Make leadership a way of life so all our people contribute to delivering our strategy, think independently and inspire high performance;
- Create an inclusive and diverse environment so that everyone can be themselves; and
- Create competitive advantage by actively investing in the skills, mindsets and future talent we need to win in a digital age.

To disrupt insurance we must transform our culture

#Aviva2016

Sarah Morris / Chief People Officer

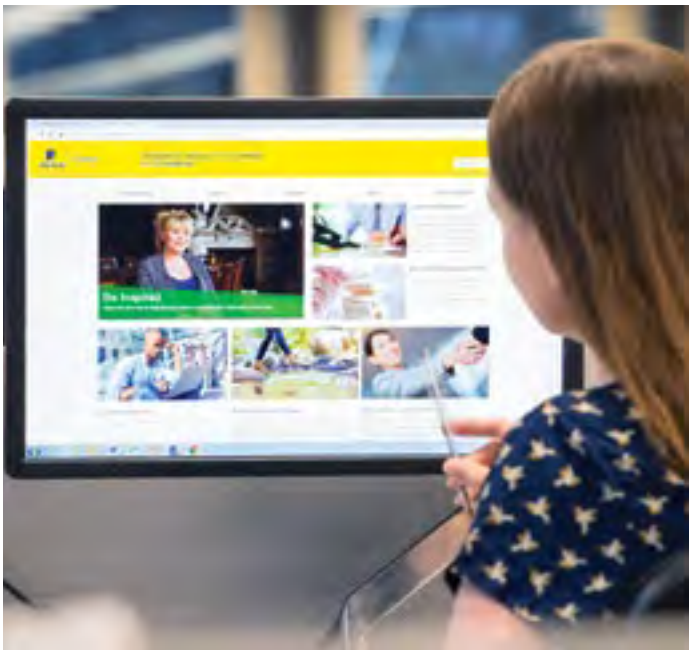
DEVELOPING OUR TALENT
To succeed we need to empower our people to develop the skills and experiences they need to thrive and deliver for our customers. In 2016, we:

- Strengthened our executive team succession by investing in innovative programmes for future leaders and women in leadership;
- Moved 22% of our high potential people into new roles which will develop and stretch them, and benefit Aviva;
- Launched #disruptivedigitaltalent for 23 future leaders in our UK Digital business;
- Ran the second cohort of our Finance Future Talent programme which helps transition technical finance managers to senior management; and
- Relaunched our global graduate programmes, so that Aviva builds a full pipeline of new talent.

BECOMING A DIGITAL TALENT DESTINATION
We have taken steps to encourage digital and future talent to join Aviva. In 2016, we:

- Opened a digital garage in Toronto to provide an agile environment and encourage collaboration and creativity;
- Launched secondment opportunities with our Plug and Play partners, a global digital start-up accelerator, in Silicon Valley; and
- Introduced a software developer apprenticeship programme into our UK Digital team with places offered in Norwich and Hoxton.

GROW – OUR DIGITAL LEARNING PORTAL



GROW is our new online learning and career portal, which we piloted in Canada. It brings together the tools and resources people need to do their jobs, develop their career and ultimately fulfil their potential. It features details of secondments and job opportunities across the world, essential learning and skills pathways for our people in underwriting and claims. We've had almost 11,000 hits since its launch in September 2016. In 2017, we'll add user-generated content and map out more skills pathways for our people. GROW will also be available on all devices, including mobiles, to make it accessible and convenient.

Our people are more positive than last year on a wide range of areas, but there's more we can do

#Aviva2016

Sarah Morris / Chief People Officer

We are proud to be a Living Wage Foundation partner and a fully accredited Living Wage employer in the UK

WHAT WE ACHIEVED

Improved engagement

We increased our employee engagement score to 74% – by four percentage points. Support for Aviva's strategy is at its highest level up nine percentage points to 78%.

Agile communications

We launched Aviva #Uncut in 2016, where our senior leaders are streamed live on a weekly basis answering any question, from anyone, anywhere about anything.

Inclusive diversity

87% of our people feel that people from diverse backgrounds can succeed at Aviva. We are accelerating our strategy through innovative practices and expert partners.

WHAT WE PLAN TO DO

Culture

We are accelerating our focus on customers, innovation and simplicity in our culture, fuelled by our purpose of Defy Uncertainty and our values.

Digital capability

We will develop outstanding digital capability and agile work practices to disrupt the industry, encourage creative problem-solving, speed and flexibility, with a philosophy of test and learn.

Leadership

We will reinvent the way we identify, select, develop and motivate leaders to inspire our people to create breakthroughs for our customers and foster an inclusive work environment.

OUR VALUES

CARE MORE
We start with the customer and prioritise delivering a great outcome for them. We do the right thing, making sure we and those around us are acting with positive intent. We don't shrink from the tough conversations. We're in it together.

KILL COMPLEXITY
We can list our priorities on one hand, picking a few things to do brilliantly. We make the call with the right information. We join forces and build it once.

NEVER REST
We fail fast and learn fast, testing and learning at pace. We embrace digital. We are dissatisfied with the way things are done now. We challenge ourselves to learn about the cutting edge and harness it. We get it done at pace.

CREATE LEGACY
We invest with courage, taking smart risks and making good decisions to ensure we allocate our resources where they can do most. We think like an owner, taking responsibility. We go for more than quick wins. We take the long view.

OUR VALUES IN ACTION

Each year we look to all corners of Aviva to find the true values legends. Those people that champion our values every day. We celebrate these colleagues at our Living Legends Awards at our annual CEO Forum where we share their stories, and recognise their contribution by donating £5,000 to a charity of their choice. In 2016, we received over 80 nominations, and the winners included:

CARE MORE: Joanne Cann, UK Life, for increasing morale and setting up a Women's network in Bristol

KILL COMPLEXITY: Alison Blowers, Aviva Investors, for digitising over 30 million documents in one system

NEVER REST: Lionel Chee, Singapore, for being an individual who is driven and never satisfied

CREATE LEGACY: Damian Cross, UKGI, for helping our flood customers and his work with the Department for Environment, Food and Rural Affairs

INCLUSION AND DIVERSITY

Becoming a more inclusive and diverse organisation is a business imperative. Jan Gooding, our Global Inclusion Director, also chair of LGBT equality charity Stonewall, is leading the agenda.

In 2016, gender diversity was a big focus for us. Mark Wilson, Group CEO, was the first FTSE 100 CEO to sign up to the Executive Committee commitment outlined by the 30% Club - a commitment for 30% of our Group Executive to be women by 2020.

We want to achieve inclusion through leadership, developing leaders and visible role models across Aviva who embody and exemplify inclusive diversity. For example, we've launched our Accelerating Leadership from the Inside Out programme for 30 women. It's designed to develop our future female talent – by exploring purpose, authenticity, influence and confidence. It's a great way for our talent to develop the skills they need to be successful.

In 2017, we will evolve our working culture and work hard to actively embrace everyone.

We will hardwire inclusion into everything we do to allow our people to do their best work

#Aviva2016

Sarah Morris / Chief People Officer

DIVERSITY

ENGAGING OUR PEOPLE

More than 50,000 comments were provided and analysed in this year's global Voice of Aviva survey. Employee engagement is up by four percentage points to 74%[1], led by significant improvements within our UK Life, global functions, French, Irish and Aviva Investors businesses. Importantly former Friends Life colleagues' engagement significantly strengthened (up 11 percentage points) highlighting how successful the integration work has been over the past 12 months.

Our people are more positive than last year on a wide range of areas, in particular strong rises in their perception of diversity and inclusion, recognition and a significant jump in support for the strategy with 78% saying they believe, understand and agree with our strategy.

As we focus on our growth and digital agenda, employees shared strong alignment on how we achieve this – with 57% requesting simpler systems and processes and 41% requesting greater collaboration and cross team working. Action planning is taking place at a global level and in every large team to address this alongside responding to the local feedback and results.

However, we recognise there is more to do to transform our culture and this is a focus in 2017.

At 31 December 2016, we had the following gender split:

BOARD MEMBERSHIP

Male
10

Female
3

SENIOR MANAGEMENT

Male
527

Female
151

AVIVA GROUP EMPLOYEES

Male
14,302

Female
15,228

INCLUSIVE DIVERSITY

We will build an agile and diverse workforce to reflect the population make-up of each country we operate in and the customers we seek to serve.

We are building on the existing strengths of our networks and partnerships. Aviva Pride now has over 5,000 visible lesbian, gay, bisexual and transgender (LGBT) Allies in the UK, and we are establishing it in Ireland and Canada. The Aviva Pride Allies programme has significantly raised the profile of Aviva Pride and issues still affecting the LGBT community.

We are committed to ensuring we provide full and fair consideration for job applications from people with disabilities, as well as supporting any of our people who become disabled while working for Aviva. For example, we adapt the working environment where we can and offer flexible working practices to take into account their personal circumstances.

HEALTH AND WELLBEING

We help our people blend the demands of work and home through initiatives like our new maternity policy in Asia and time off for parents when their children start school. We're also transforming the workplace. In Poland, we are piloting a new office environment as well as the opportunity to work flexibly up to four days a week.

OUR PLANS FOR 2017

Culture, leadership and developing digital capabilities are high priorities for us as we transform our business. We have mapped out how we will accelerate Aviva's transformation into a company that puts the customers at the centre of everything we do and in which our people can deliver in an innovative and simple way.

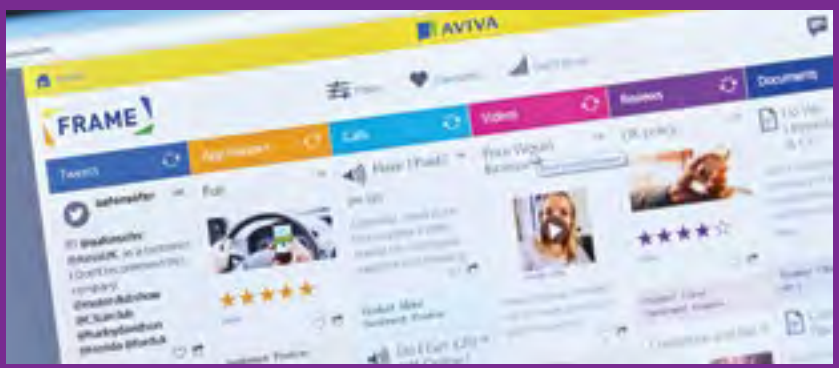
In 2017 we will continue to build on our strengths in gender, age, sexual orientation and socio-economic mobility. We will also gather better data and insight, so we will be well-placed to make progress on race and ethnicity, and disability from 2018.

- Gender: continue to unlock the potential of gender diversity - including improving our understanding of issues relating to gender identity, and strengthening the pool of future women leaders.
- Age: focusing our effort in the UK on ways we can increase the proportion of our workforce who are over 50.
- Sexual orientation: we will continue to build our Aviva Pride 'allies' network across the group, and find ways to achieve our aspiration that LGBT colleagues can be themselves at work.
- Socio-economic mobility: making sure that development and growth are open to all regardless of social background.

We have a clear strategy and we will accelerate the delivery of that strategy by having the right culture, the best people, and by always putting customers first.

1 Restated to reflect a new methodology used to measure employee engagement in 2016.

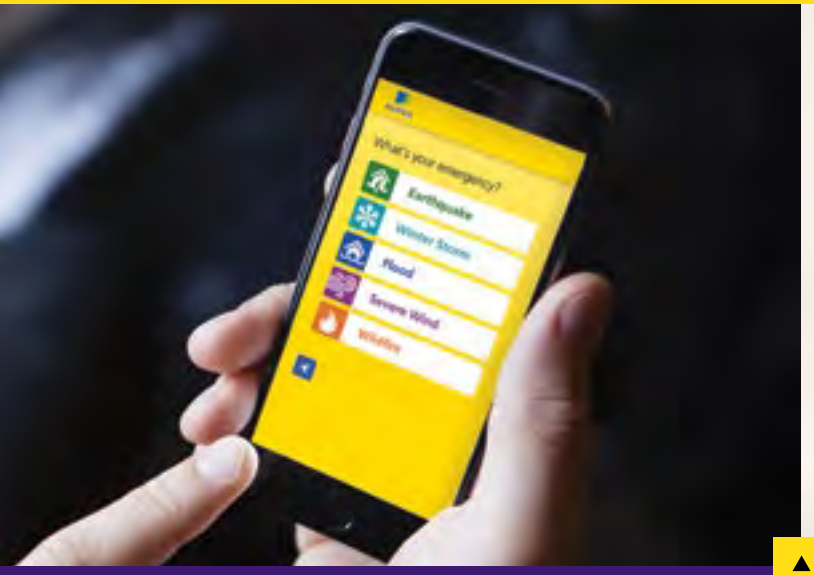
KEEPING OUR CUSTOMER FOCUS



To make sure our customers are front-of-mind for every one of our UK people – whatever their role – we have developed Frame. It brings together genuine real-time customer feedback, in the form of videos, social media comments, telephone calls or online reviews. It's a great way of keeping everyone focused on what matters to our customers – and how we can serve them better.

Helping to **prevent** and protect

We're there for our customers when bad things happen. But we can also help prevent bad things happening in the first place



PLAN AND PROTECT

Knowing about natural disasters in advance can be a matter of life and death – and certainly means you're better prepared to withstand them. Our Canadian business has teamed up with the Institute for Catastrophic Loss Reduction to create the Plan and Protect app, which sends you personalised information so you can better prepare.

Prevention, not just protection, is key to helping our customers Defy Uncertainty

#Aviva2016

Maurice Tulloch / Chief Executive Officer, International

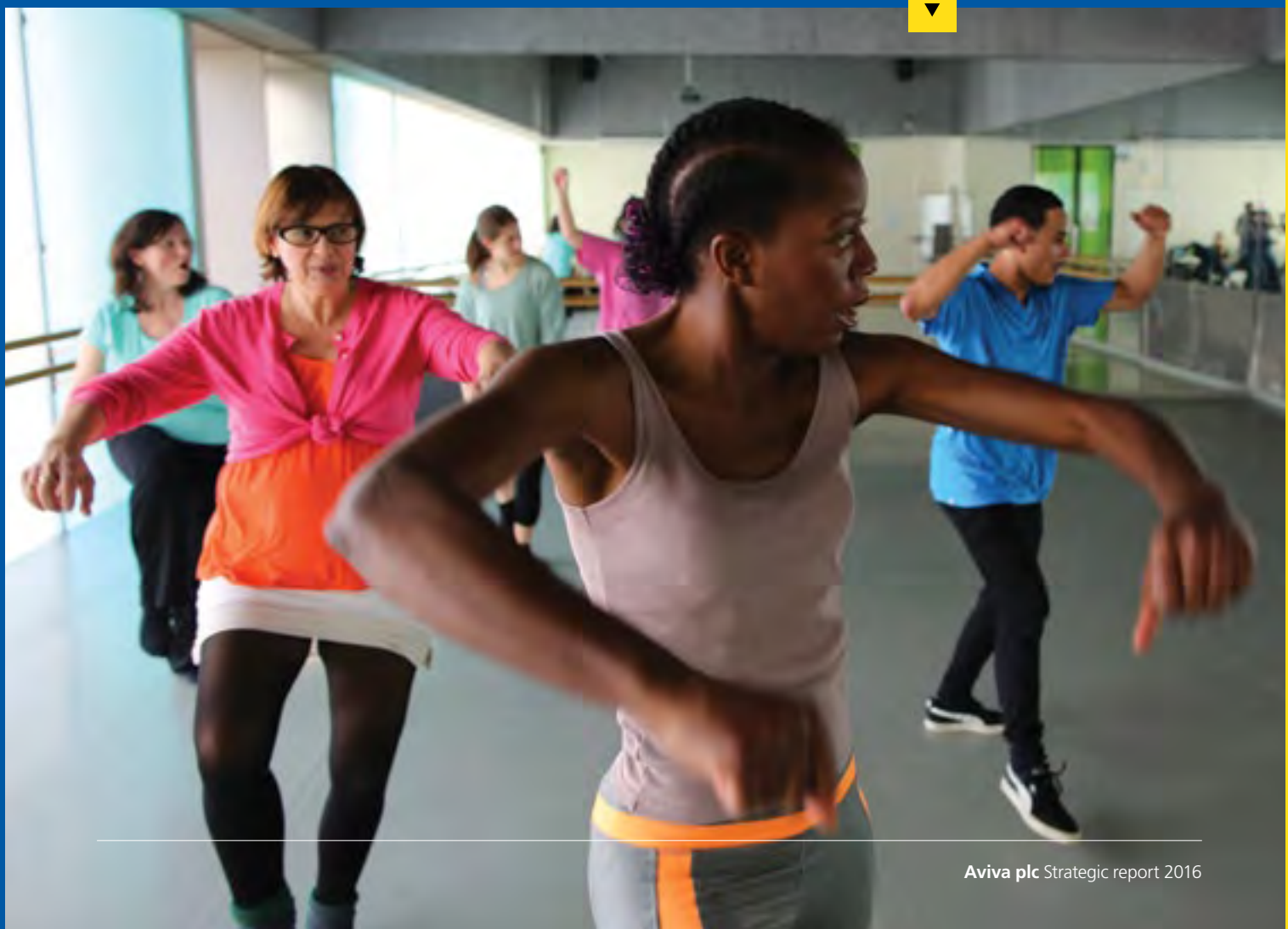
MINIMISE LEAK DAMAGE IN YOUR HOME

Many of us will know the damage leaking pipes can cause in our homes. Through our partnership with HomeServe we're the first insurer to be able to offer LeakBot – a great way to help selected UK customers to detect leaks anywhere in the water mains supply to their home. It never rests in monitoring your system and sends you an alert to your phone if it finds a leak. It's a great way of making sure small leaks don't become big problems.

LEAKBOT

GETTING FIT AND STAYING HEALTHY

We've all got busy lifestyles – so it's often hard to make sure you eat well and exercise properly. Our online service for our life protection customers in Spain provides a wealth of information on getting healthy and staying healthy – everything from exercise programmes to advice on diet. It's a first for the industry – but more importantly, it helps our customers.



We help and support our

33m

customers

Our businesses deliver consistent and predictable growth

UK & Ireland

Aviva has brought its UK insurance businesses together - life insurance, general insurance and health insurance – under Andy Briggs, who has become CEO UK Insurance[1], responsible for all Aviva's insurance businesses in the UK

Interview with Andy Briggs
Chief Executive Officer, UK Insurance

Q What's your strategy?

AB Our strategy is to demonstrate the benefits of the composite model for our customers. The strategy puts Digital First and helps us deliver our promises to shareholders. We can meet our customers' insurance needs, whether that's helping our customers enjoy a secure and prosperous retirement, looking after them and their loved ones should they fall ill or die, or protecting what's most precious to them. And by bringing our UK life, general insurance and health operations together in 2017, we can serve our customers more simply and conveniently and deepen our presence in the UK.

The UK is our home market – and the third largest in the world. We have 15 million customers and a compelling competitive advantage as a True Customer Composite. We are investing and growing in the UK.

The UK life business is the Group's cornerstone – and it's a market we expect to double in the next decade. It delivers more than half the Group's profits. That's a major contribution to capital generation and being able to keep our promises on the dividend. It's the base for the rest of the Group to grow, and the nucleus for delivering the composite model.

We are uniquely well-positioned in general insurance, and enjoy an unrivalled brand and offer customers a wide range of products, underpinned by strong capabilities in pricing, underwriting and indemnity management.

Our health business is a leading provider of private medical insurance, winning health insurer of the year at the Health Insurance Awards for the seventh year running in 2016.

Q How are you putting Digital First?

AB Digital will help us deliver the benefits of the composite model for our customers. We have moved our UK motor insurance business from being mainly via brokers towards a digital platform. We're already writing close to £1 billion of digital business through brands like Quotemehappy. But we can do more to help UK customers deal directly with us.

We know that many people like to hold multiple products with a single provider. We want that to be with Aviva – so we can use data and analytics to assess risk and provide them with personalised products and an effortless experience.

So firstly, we want to improve the quality of our customers' experience. For pension customers, getting their monthly valuation online is much easier and more convenient than having to ring us up. In fact, they look at their valuation around once a month.

And because we have a whole variety of information about them we can easily and conveniently pre-populate quotes for other products and services too.

Secondly, putting Digital First gives us the means to create new propositions for customers, not least by linking up different services. For instance, we are linking up

We have a real opportunity and responsibility to help our customers look to the future with confidence

#Aviva2016

Andy Briggs / Chief Executive Officer, UK Insurance

1 Subject to regulatory approval.

health and wellness services to our protection products. Customers want to stay healthy and we can help them do so.

Q What are the operational highlights?

AB One significant highlight was delivering the integration of Friends Life ahead of plan, ahead of schedule, with greater run rate synergies than we originally said.

Our general insurance business is really starting to grow. HomeServe is a key example and our five year partnership with them means we can do more for customers to protect their homes. We are also founding members of Flood Re. Since its launch in April 2016, we've transferred around 11,000 policies to the scheme, with new customers in high flood risk areas saving an average of £500 on their premium.

I'm also delighted by our continuing work on transforming our culture. We've brought in new expertise and revitalised our graduate programme. And our people are also growing in confidence, with engagement scores improving. We've got some great people and in Colm Holmes, Chief Executive of Aviva UK General Insurance, we have someone making a big impact. He epitomises our values, in particular Never Rest.

But not all our highlights were positive. In October, we reached a settlement with the Financial Conduct Authority (FCA) regarding historical breaches of FCA rules relating to oversight of administration for client money and assets on the UK life adviser platform and agreed to pay a fine of £8.2 million. We have taken action to address the areas of concern and customers have not suffered any loss.

Q What are the challenges and risks?

AB Brexit is a challenge but we are well placed to deal with the uncertainty.

We see decent growth over the next decade. The fundamental drivers for our business – an ageing population, digital and auto-enrolment – are all the same.

We'll also continue to innovate for customers, for instance by protecting them against new threats such as cyber security which is increasingly important in this digital age.

Q What's your final message?

AB Our purpose is to help people Defy Uncertainty – and to be there for customers in uncertain times. And the world got a whole lot more uncertain in 2016. We have a real opportunity and responsibility to help our customers look to the future with confidence.

MAKING ENDS MEET

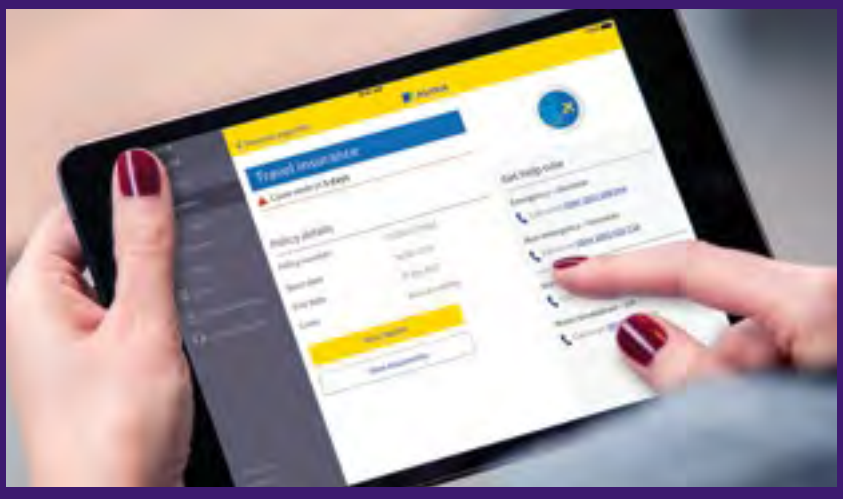
Making ends meet can be tough, especially if you're retired. Gill Duncan, who lives near Sunderland in the North of England, was certainly finding things hard. In fact, she told us she'd started to feel trapped in her own home.

Gill's niece told her about equity release – a lifetime mortgage on her home – and recommended Aviva. We were delighted to help.

Equity release has given Gill a whole new freedom. She's bought a new car so it's easier to get out and about and enjoy life and she's having some essential repairs done to the roof of her home. Gill said that "equity release has dramatically changed my life for the better".

Gill has a very special companion – Spot, her cocker spaniel. Now the two of them can enjoy their daily walk with an extra spring in their step.

THREE CLICKS TO BUY



MyAviva, whether that's as an app or online, is at the heart of our digital revolution. It's where our customers can see and manage all of their policies in one place and benefit from a 20% discount on further Aviva products. In fact, we offer instant quotes with a three clicks to buy process so we don't ask questions we already have the answers to. We're creating an effortless experience for our customers so they can engage with us exactly when and how they want. We've made lots of improvements over the year to make it even better. The registration process is a whole lot easier – and we've also added guest registration. You can change your personal details online. We've overhauled the pension tracker – and we're showing customers the benefits of the composite model through a wide range of bespoke products and offers. It's beautifully simple.

MyAviva is effortlessly simple and rewards loyalty

#Aviva2016

Blair Turnbull / Managing Director, UK Digital

Scan to see more about MyAviva

Life insurance

OVERVIEW

Aviva is a leading insurer in the UK and Ireland life insurance markets, with a 14.7%[1] share of the UK life and pensions market. We offer a market leading range of propositions to individual and corporate customers, including long-term savings, equity release, annuities and protection. We have one of the largest back books in the UK life and pensions market.

We have competitive advantages through the strength of our balance sheet, cost efficiencies, and being a composite with a strong brand.

In Ireland, we continue to grow our annuity and long-term savings business, progressing towards being the provider of choice, winning the "Innovation in Pensions" award for the third year running at the Irish Pension Awards.

We are one of the UK's leading protection providers in both the individual and group protection markets, providing peace of mind to customers should they die or fall ill – including life insurance, critical illness cover and income protection. This is supported by our market leading digital Aviva Life Protection System (ALPS), a protection platform for advisers and customers in the UK.

We look after around £250 billion of assets for our customers through long-term savings and pensions, and we are the third fastest growing Platform business in the market[2].

We help people save for a comfortable retirement. We are the number one provider of equity release and annuities in the UK[3].

We are also a leading supplier of services to the corporate marketplace. We offer pensions, protection, flexible benefits packages and bulk annuity propositions to both large and small companies, having the largest bundled workplace (defined contribution pensions) business[4] (£61 billion assets) in the UK.

We have access to customers across the UK through our unparalleled distribution network, with a growing Digital Direct offering for sales and service, strong relationships with independent financial advisers, employee benefit consultants, banks and estate agents.

FINANCIAL PERFORMANCE

During the year, UK and Ireland Life operating profit increased by 7% to £1,555 million *(2015: £1,455 million[5])*. In the UK, operating profit has increased to £1,523 million *(2015: £1,431 million[5])*, benefiting from an additional quarter of contribution from Friends Life and integration synergies. Growth in protection, long-term savings and individual annuities was partly offset by lower bulk purchase annuity (BPA) volumes and investment in digital. Ireland operating profit has increased to £32 million *(2015: £24 million)* as we continue to grow market share.

Cash remittances to Group increased 64% in 2016 to £1,096 million. The 2016 payment includes £250 million, the first instalment of the planned £1 billion Friends Life integration remittance.

Operating expenses increased 6% to £867 million. In the UK, operating expenses increased to £827 million *(2015: £788 million)* due to the inclusion of the additional quarter of Friends Life in 2016. Excluding this, operating expenses are lower due to an increase in realised integration synergies partially offset by investment in digital.

KEY HIGHLIGHTS

Life operating profit‡

£1,555m

(2015: £1,455m[5])

Cash remittances‡ to Group

£1,096m

(2015: £667m)

Operating expenses‡

£867m

(2015: £815m)

Value of new business‡

£695m

(2015: £625m)

WHAT WE ACHIEVED

Fixed the balance sheet

Implemented Solvency II and managed market turbulence following the Brexit vote.

Friends Life integration

Delivered the integration benefits one year ahead of schedule.

Financial advice

Launched Aviva Financial Advice Service - our new retirement focused in-house advice service.

UK and Ireland Life VNB increased by 11% to £695 million *(2015: £625 million)*. UK Life VNB increased to £671 million *(2015: £609 million)*. UK VNB has benefitted from an additional quarter of Friends along with continued momentum in long-term savings, increased volumes in individual protection and individual annuities, partly offset by lower sales of BPAs.

MARKET CONTEXT AND CHALLENGES

We continue to support our customers through the wide range of choices they have as they approach and move through their retirement with market leading propositions (investment, drawdown, annuity, Equity Release), information through our Aviva Retirement Centre, online guides and tools and our newly launched in-house advice service, Aviva Financial Advice.

We look forward to further improvements to the market over the next two to three years. We would like to see a fairer pension taxation system and a simpler regulatory environment which allows us to better serve the needs of our customers. The Government has set up a working group to take forward recommendations assigned to it by the Financial Advice Market Review (FAMR) and the outcome of this could have significant implications for how we engage with our customers and their advisers.

2017 will also see a review of Auto-Enrolment, where UK employers must offer and enrol their employees into a suitable pension scheme. The review will consider the success to date and explore ways to further develop the policy.

1 Association of British Insurers (ABI) 9 months to end Q3 2016.
2 Fundscape, Q3 2016.
3 Equity Release Council and ABI.
4 PRA returns and Aviva analysis.
5 Prior period comparatives have been restated. Refer to Note 1 on page 83 for further information.

SUPPORTING CUSTOMERS IN RETIREMENT CHOICES

UK Pension customers now have far more choices and decisions to take about their retirement. We want to help them make the decision that's right for them. So we've set up Aviva Financial Advice. 2016 saw our team working with customers in parts of the UK, both in person or digitally. Now we're widening the scope of our advice and covering the whole of the UK. We want customers to enjoy a secure and prosperous retirement. Aviva Financial Advice is one way to help them do that.

We have competitive advantages through the strength of our balance sheet and being a composite with a strong brand

#Aviva2016

Andy Briggs / Chief Executive Officer, UK Insurance

WHAT WE PLAN TO DO

Welcome Friends customers

Transferring the Friends Life customers' policies to the Aviva brand and welcoming them to the wide range of Aviva services and products.

Focus on digital

All UK customers will be able to manage their policies online.

Help businesses de-risk

To support business customers wishing to reduce defined benefit (DB) pension risk from their balance sheets, we will build up and broaden our existing DB de-risking and bulk annuity capability.

General insurance

OVERVIEW

We provide propositions to consumers, small, medium-sized enterprises (SMEs) and large businesses, with a wide range of insurance products. We have a market share of 10.9%[1] in the UK and 12.3%[2] in Ireland. Customers are able to access our multi-distribution footprint; digitally direct or via aggregators; over the phone; through our broker and partner relationships; or via our strategic partners.

Market leading service is at the heart of our business. Customers publicly review their claims experiences with ratings over 4.5 out of 5 for both our Motor and Home policies. We have won the Insurance Times Insurer of the Year award three years running and been named Best Large Call Centre at the Top 50 Companies for Customer Service Awards.

FINANCIAL PERFORMANCE

Excluding the exceptional charge associated with the change in the Ogden discount rate, UK and Ireland general insurance and health operating profit increased 10% to £471 million *(2015: £430 million)*. Our UK underwriting result increased to £232 million *(2015: £154 million)*, reflecting improvements in underlying performance and lower absolute weather costs. Investment return was lower mainly due to reductions in the internal loan.

In UK Health, operating profit increased to £31 million *(2015: £21 million)*.

Ireland general insurance operating profit increased to £41 million *(2015: £30 million)*, reflecting continued rating and account improvement actions.

Cash remittances to Group were £91 million *(2015: £358 million)* as cash was

WE'LL TAKE CARE OF BUSINESS

We want to help our customers Defy Uncertainty – not least our small business customers. We want to make things as simple and convenient as possible for them – so they can concentrate on making their business a success. So by putting Digital First we've got rid of all the small print and have made what's covered as clear as possible. We've also protected customers against innocent underinsurance – so they're far more likely to receive the right payment on their claim when they need it. And in another industry first, our Disclosure Guarantee means customers applying online can easily meet their obligations under the new UK Insurance Act by answering a few simple questions. Just three examples of how we take care of business – so our business customers can take care of theirs.

WHAT WE ACHIEVED

Customers at the heart

We grew by putting our customers at the heart of our business, launching new propositions such as Aviva Private Clients, We'll Take Care of Business and Multi-national.

Tackling fraud

We continued to defend our customers against claims fraud, taking over 1,500 cases to court and winning 70%.

Market leading

We've been independently voted the "Insurer of the Year" for the third year in a row – recognising our work to improve customer outcomes and be the partner of choice for intermediaries.

KEY HIGHLIGHTS

General insurance and health operating profit[‡3]

£471m

(2015: £430m)

Cash remittances[‡] to Group

£91m

(2015: £358m)

Operating expenses[‡]

£665m

(2015: £697m)

Combined operating ratio[‡] (excluding Ogden)

94.9%

(2015: 95.0%)

Combined operating ratio[‡]

106.3%

(2015: 95.0%)

1 Verdict Financial Services 2016.
2 Central Bank of Ireland Insurance Statistics, 2015.
3 The adverse impact of the change in the Ogden discount rate of £475 million is an exceptional item and therefore not recognised within operating profit.

used to fund an increase in the internal reinsurance arrangement. Our operating expenses reduced to £665 million *(2015: £697 million)*, despite a £23 million new Flood Re Levy.

UK and Ireland general insurance net written premiums increased 9% to £4,308 million *(2015: £3,967 million)*. The combined operating ratio (COR) increased 11.4 percentage points to 106.3% due to the change in the Ogden rate. Excluding Ogden, COR remained stable at 94.9% *(2015: 95.0%)*.

MARKET CONTEXT AND CHALLENGES

Market conditions have remained competitive across our entire product range, and we expect that to continue.

In this environment, it's important that we listen to what our customers tell us, responding with products and services to meet their needs.

In February 2017, an announcement was made by the UK Government to change the Ogden discount rate, which is used by the courts to calculate awards for cases involving bodily injury. The cost of bodily injury compensation claims will increase significantly as a result of this decision. Injured claimants should be fully compensated for the injuries they receive but it is also vital that individuals are not over-compensated to a level which creates significant consequences for the cost of insurance premiums for individuals and businesses, large and small.

This is one of a number of significant changes influencing the motor insurance market at the moment.

We have supported the need for motor insurance reform through our Road to Reform campaign. We will continue to champion Road to Reform until it becomes law and Aviva has promised to pass on 100% of the savings to its customers when it does.

We're also reducing the number of variations of our personal lines products from 800 to 40. To keep it simple, we're publishing guides to explain how an insurance premium is calculated and

TAKING THE HEAT OUT OF FIRE RISK

Electrical fires are the biggest cause of fire in the workplace, causing significant disruption. In fact, 70% of businesses that suffer from a fire do not reopen. That's why we equip our risk consultants with thermographic cameras to help businesses protect employees from injury, property from damage and reduce unscheduled interruptions to normal trading. Thermal imaging allows then to identify any 'hot spots' in electrical installations, machinery and equipment, as well as issues with light fittings, water leaks and condensation. White areas denote increased temperatures that could be dangerous and therefore require further investigation.

offering specialist training programmes to help our customer-facing teams recognise the needs of vulnerable customers.

The floods suffered by UK customers during the 2015/16 winter once again demonstrated the importance of flood resilience. We support the Government's flood reinsurance scheme (FloodRe) and Flood Resilience Action Plan to reduce the impacts of severe weather on communities and businesses across the UK.

In the SME and corporate markets we are prioritising efforts to protect businesses and reduce the impact of any accidents. We have equipped our risk management experts with thermographic cameras which identify early warning signs of risks and prevent interruptions to normal trading.

WHAT WE PLAN TO DO

Target markets

Grow our business and deepen customer relationships by expanding our propositions in targeted markets such as Lifestyle, Home, Digital SME and Corporate Multinational.

Digital interactions

Further digitise our interactions with customers and intermediaries across all areas of our business.

Customer focus

We'll continue to lead the industry on the big customer issues by simplifying products, increasing transparency and launching disruptive solutions to market.

International

Aviva has simplified and strengthened its international focus, bringing together its insurance operations in Canada, Ireland[1], France, Spain, Italy, Poland, Turkey and India[1] under Maurice Tulloch, who has become CEO International Insurance

Interview with Maurice Tulloch
Chief Executive Officer, International Insurance

Q What's your strategy?

MT Our international markets are a major contributor to the Group, accounting for 36% of total operating profit in 2016, and providing a valuable source of diversification for the Group.

We have 14 million customers across our markets, and operate a composite model in France, Poland, Ireland and Italy.

We have strong positions in large and attractive markets such as Canada, France, Italy, Ireland and Spain; and are well placed in Poland, Turkey and India – our growing markets with relatively low insurance penetration.

We believe Canada and Europe offer us clear potential for future profitable growth.

Each of our international markets has a slightly different emphasis. But ultimately we're there to help our customers Defy Uncertainty so everything we do is focused on delivering that objective – and delivering our promises to shareholders.

As the second[2] largest general insurer in Canada, we want to be a customer champion. We listen to our customers and have responded to how they want to purchase insurance by working with our broker partners and striking new partnerships, such as a partnership with Royal Bank of Canada General Insurance (RBC GI).

In Europe we are focusing on building leadership positions in specific segments, such as SMEs in France, Italy, Ireland and Poland. We also chose our product and customer segments carefully – and focus on areas where we can win, in line with the Group's strategic objective of being Not Everywhere. We need to capitalise on our composite potential by offering tailored, integrated and innovative solutions to our customers.

In general insurance, we have further opportunities to improve performance and build scale in our markets.

Q How are you putting Digital First?

MT Our focus is to build a digital ecosystem for our intermediaries and develop simpler processes, products and streamlined services for our customers.

We have strong and diversified distribution across our international markets, which are digitally immature compared to the UK. Through digital, we've got the potential to disrupt our markets. I'd say, we aim to fundamentally change insurance!

We're working closely with our intermediaries. In Poland, we offer a fully digital sales tool with over 90% of agents adopting it in a couple of months. We launched new ways to use social media for our agents in Poland and France and redesigned websites for agents in France, Italy and Poland.

We're also building and enhancing our digital capabilities in France, Italy, Poland

We have the right products in the right markets and the right people and skills to deliver our strategy

#Aviva2016

Maurice Tulloch / Chief Executive Officer, International Insurance

1 In 2017, we announced that Maurice Tulloch will have management responsibility for Ireland and India. However, the 2016 figures for these businesses are reported in the UK & Ireland and Asia sections respectively.
2 Market Security Analysis & Research Inc, 2015 online database.

and Canada – and we already have 2.2 million registered users on digital platforms in those markets. We'll continue to upgrade and add new functionalities to MyAviva – so it offers our customers more.

In Canada, we have opened a Digital Garage, a new space designed to help to drive spontaneous conversations, ignite innovation and bring Digital First to life through digital, web and mobile.

Q What are the operational highlights?

MT The acquisition of RBC GI in Canada was a definite highlight. It's a great marriage of RBC Insurance's powerful brand and sales force and our depth and manufacturing expertise. Our market position is growing and gross written premiums increased by around CAD$470 million.

In our European businesses, we've seen an improved performance in the second half of the year.

Building on the success in Canada, we have launched this year Community Funds in France, Italy and Poland. We're committed to Care More about our communities and invest in local and sustainable projects to make a difference.

The personal loss experienced in the Alberta fires was terrible – but our people did a wonderful job to help our customers. If we don't tackle climate change we're going to see further increases in natural catastrophes occurring. This goes to our role in society – to protect people and to be a responsible investor – and our value of Create Legacy. That's especially important to me as the Chair of Climatewise and a member of the Insurance Development Forum.

Q What about the challenges and risks?

MT Well Brexit is clearly a challenge. But we don't expect any significant operational impact for Aviva. Our European operations operate locally within each country, are well capitalised and locally regulated.

We also continue to manage our life and general insurance businesses in a low interest rate environment, fine-tuning our business mix and focusing on customer segments where we can win.

Q What's your final message?

MT We're working tirelessly so customers win in an insurance market undergoing major change. We will continue to focus on transforming our businesses, to be a low cost customer-focused insurance business that puts Digital First, and reduces complexity for our customers. We have the right products in the right markets and the right people and skills to deliver our strategy.

A MOMENT OF TRUTH

The Alberta wildfires in 2016 were the costliest disaster in Canadian history, spreading across 1,500,000 acres, destroying 2,400 homes and leading to the evacuation of 80,000 people. It was a moment of truth for us – and we mobilised every resource we could to help our customers. We used digital to direct customers and brokers to our claims hotline, got our teams on the ground within 24 hours and mobilised our teams of volunteers, especially through our partnership with the Red Cross, to help thousands of people affected. And we made sure we were there for them once it was safe to return home. This is exactly why we're in business: to help customers when bad things happen.

Scan to watch a film about the Alberta fires

Canada

OVERVIEW

We are Canada's second largest general insurer providing a range of personal and commercial lines products to over 2.9 million customers. We have a 10.6%[1] market share and a top five position in all major provinces.

83% of our business is intermediated, sold through a network of independent broker partners, 16% is sold through RBC General Insurance (RBC GI) agents and the remainder makes up our direct offering.

Our objective is to be the customer champion in Canadian insurance through building on our existing service to customers and distributors, building our digital capabilities, and leading product innovation in Canada.

On 1 July 2016, we acquired RBC GI and entered into a 15-year distribution agreement with RBC Insurance. Through this agreement, Aviva Canada provides underwriting, pricing and claims services. This diversifies our distribution, giving us increased access to customers. The deal combines RBC Insurance's powerful Canadian brand and sales force with Aviva's depth of products and guidewire (new policy and claims) system.

We continue to support our largest channel, our broker partners, to help them integrate digital technology. We want to lead the Canadian market with new product innovation to allow brokers to better serve customers and stay competitive.

FINANCIAL PERFORMANCE

Operating profit increased by 26% to £269 million *(2015: £214 million)*, a 16% increase on a constant currency basis primarily driven by the RBC GI acquisition and partially offset by increased catastrophe experience, in particular the Alberta fires.

Cash remittances of £130 million were paid in 2016. In 2015, Canada retained its dividend within the business as a result of the RBC GI acquisition.

Operating expenses increased to £396 million *(2015: £298 million)* mainly driven by the RBC acquisition and the impact of foreign exchange movements.

MARKET CONTEXT AND CHALLENGES

Insurer merger and acquisition activity has been significant over the past five years. The top five insurers currently represent around half of the overall market. This is projected to increase in the near to medium term. The broker channels also continue to face consolidation both amongst brokers and through vertical integration with insurers. Due to continued consolidation coupled with a mature market, focusing on our competitive advantage is crucial.

In our opinion, further regulatory and product reforms are necessary in the Ontario auto market to drive both costs and fraud out of the system. A panel of Canadian insurers proposed to shift the regulators' focus from rate regulation to market conduct. We support the steps taken by the Government so far and will continue to work with them to help customers.

1 Market Security Analysis & Research Inc, online database.

WHAT WE ACHIEVED

Expanding distribution

Increased our access to customers through acquiring RBC GI and entering into a 15-year distribution agreement with RBC Insurance. Integrated over 550 RBC GI colleagues into Aviva Canada.

Guidewire transition

Successfully moved Ontario direct business from a legacy system to the new Guidewire personal lines platform. The new platform is a more automated policy management and billing system.

WHAT WE PLAN TO DO

Disrupt in digital

Invest further in our digital businesses to produce innovative digital customer experiences and propositions for our customers and broker partnerships.

Customer champion

Continue to influence the market and regulators to help drive out costs and fraud for our customers in the Ontario motor market

KEY HIGHLIGHTS

General insurance operating profit‡

£269m

(2015: £214m)

Cash remittances‡ to Group

£130m

(2015: £6m)

Operating expenses‡

£396m

(2015: £298m)

Combined operating ratio‡

94.6%

(2015: 93.8%)

We want to be the customer champion in Canadian insurance

#Aviva2016

Maurice Tulloch / Chief Executive Officer, International Insurance

Europe

EUROPE'S FINANCIAL PERFORMANCE

Our European businesses have shown resilient performance during 2016, reflecting the strength and diversity of our franchise. Despite a challenging start to the year, management actions led to an improved performance in the second half of the year.

Life operating profit increased by 10% to £844 million *(2015: £766 million)* but decreased marginally on a constant currency basis, with growth and margin improvements more than offset by adverse market movements and the impact of a new asset levy in Poland.

Our general insurance and health premiums grew by 5%[1] to £1,673 million *(2015: £1,410 million)*, a significant achievement in markets that have been either flat or reducing over the year. Our combined operating ratio marginally increased to 95.8% *(2015: 95.4%)* with underlying results remaining strong.

Cash remittances of £449 million were broadly stable compared to prior year *(2015: £431 million)*.

VNB was up 7%[1] to £480 million *(2015: £400 million)* largely driven by a strong performance in Italy and despite challenging conditions in other markets.

FRANCE

OVERVIEW

We offer a full range of life, general, health insurance and asset management products to our 3.4 million customers through a well-diversified distribution model, with half of our profits generated from channels we own or control.

We enjoy a long-standing relationship with Association Française d'Epargne et de Retraite (AFER), the largest retirement and savings association in France, as well as a growing tied agency network. We also have a majority stake in Union Financière de France (UFF), a leading financial adviser network in the market with 1,200 advisers and strong direct businesses.

In February 2017, we announced the sale of our entire shareholding in Antarius, our joint venture with Crédit du Nord, to Sogecap (both subsidiaries of Société Générale), for c.£425 million.

This transaction follows Crédit du Nord's decision to exercise its option to purchase Aviva's shareholding. The sale will realise a strong return for our shareholders.

In addition, Aviva Investors France entered into a new agreement with Sogecap to continue managing in excess of £10 billion of assets held by Antarius.

FINANCIAL PERFORMANCE

France delivered resilient results, despite strong headwinds in the market.

Total operating profit was £481 million *(2015: £449 million)*, an increase of 7% but a 5% decrease in constant currency driven by increased investment in the business and weather events. Cash remittances were £185 million *(2015: £252 million)*. Operating expenses increased due to investment required for growing and reorganising the business.

VNB was up 13% at £224 million *(2015: £198 million)* however flat on a constant currency basis as higher protection and with-profit sales were offset by lower demand in unit-linked products.

The combined operating ratio increased by 1.2 percentage points to 96.9% as a result of weather events in the first half of the year.

KEY HIGHLIGHTS

Life operating profit‡

£844m

(2015: £766m)

General insurance and Health operating profit‡

£120m

(2015: £114m)

Cash remittances‡ to Group

£449m

(2015: £431m)

Operating expenses‡

£641m

(2015: £526m)

SUPPORTING GREAT IDEAS

La Fabrique Aviva is one way in which the Aviva Community Fund in France invests in great ideas that create a wider social profit, not just a financial profit. One of the winners of the 2016 competition was a social enterprise called Myjobglasses.com, a website which matches up students with professionals in business to help them better understand the demands and prospects in different careers. It's a great way to tackle a real problem; 45% of students say they don't know what job they really want to do when they start out in working life and around a third of permanent contracts are broken before the end of the first year. Myjobglasses.com helps people really think about what they want to do – and it's clearly hit the target, with over 1,000 students and 300 professionals taking part already.

MARKET CONTEXT AND CHALLENGES

France is a mature and stable market with a large and well-developed insurance sector. The combination of hardening market conditions due to persistent low interest rates, lower demand for equity linked products and increased financial regulations contributed to a challenging environment. To respond to this, we reorganised our business and renewed our strategy to be aligned around our key customer segments, such as SMEs.

ITALY

OVERVIEW

We offer life, general and health insurance to 2.2 million customers. We operate through strong bancassurance partnerships with three of the five top banks in Italy – Banco Popolare, UBI Banca and UniCredit – a distribution network of around 650 multi-agents and brokers, and a growing IFA network.

FINANCIAL PERFORMANCE

Total operating profit was £205 million *(2015: £165 million)*, up 10%[1] with growth in both life and general insurance. Cash remittances improved to £76 million *(2015: £45 million)*. Operating expenses increased due to investment supporting business growth.

VNB improved to £124 million *(2015: £79 million)*, with growth in all product lines including over 30% growth in sales of unit-linked versus a market that contracted by over 30%. The combined operating ratio of 92.7% *(2015: 94.3%)* improved by 1.6 percentage points as a result of pricing actions.

BEING THERE FOR OUR CUSTOMERS

Leszek and Renata Kotula were longstanding life and critical illness customers with Aviva Poland and enjoyed an excellent relationship with our agent, Wanda Jadach. Sadly Leszek was diagnosed with cancer in 2015, dying shortly afterwards. With Wanda's help we paid claims on his critical illness cover within a few days and on his life policy after his death, so Renata had one less thing to worry about. She describes Wanda as resourceful, competent, empathic and friendly. That's the service we aim to give to all our customers in their time of need.

Everything we do is focused on helping our customers

#Aviva2016

Maurice Tulloch / Chief Executive Officer, International Insurance

WHAT WE ACHIEVED

2.2m

Increase in registrated users on our digital platforms across France, Poland, Italy and Turkey and introduced a suite of additional services and features for our customers and distributors.

Community funds

Launched a community fund in France, Italy and Poland to support individuals and entrepreneurs in realising innovative projects which have a positive impact on local communities and economy.

Digitising networks

Successfully launched a fully digital tool in Poland to facilitate sales processes of our agents. We also developed social media tools for agents in Poland and France and new agency websites in Italy and France.

Our European businesses have shown resilient performance during 2016, reflecting the strength and diversity of our franchise

#Aviva2016

Maurice Tulloch / Chief Executive Officer, International Insurance

POLAND

MARKET CONTEXT AND CHALLENGES

The Italian economy continued to show signs of recovery, although financial market conditions hardened in the second half of the year. In a shrinking life insurance market and stable general insurance market, Aviva Italy has produced significant operating profit and volume growth, benefitting from the completion of its turnaround actions in the past few years.

OVERVIEW

We are a leading life insurer, also providing health and general insurance products, with 1.6 million customers.

We continued to strengthen our distribution channels. We have the largest life insurance direct sales network with 2,200 advisers and own the second largest financial adviser network Expander, as well as a bancassurance agreement with BZ WBK, the third largest bank in Poland.

Our subsidiary in Lithuania is the country's largest life insurer[2].

FINANCIAL PERFORMANCE

Operating profit was £146 million *(2015: £141 million)*, down 5%[1] due to a new asset levy. Operating expenses increased due to the impact of the asset levy and additional expense from the acquisition of Expander in July 2015.

MARKET CONTEXT AND CHALLENGES

In 2016, the insurance sector was affected by the low interest rate environment and the introduction of an asset-based levy for bank and insurance companies.

Despite political and economic uncertainties, the relatively low insurance penetration continues to represent a significant opportunity for further growth, driven by favourable demographics and growing disposable incomes.

SPAIN

OVERVIEW

We provide life and pensions products to 1.1 million customers. We have strong bancassurance relationships, and operate a growing retail business.

FINANCIAL PERFORMANCE

Operating profit of £107 million *(2015: £92 million)* was resilient despite increased pressure on savings margins from the low interest rates. VNB was higher at £42 million *(2015: £31 million)*.

MARKET CONTEXT AND CHALLENGES

The Spanish economy continues to recover, with one of the highest GDP growth in Europe, and this is starting to benefit our business. We grew our protection business, maintaining our market position, and increased our share in individual pensions, with sales outperforming the market.

TURKEY

OVERVIEW

We are a leading pension provider with 19%[3] market share, serving two million customers through our joint venture with Sabancı Group, one of Turkey's leading conglomerates. We mainly operate through Akbank, part of the Sabancı Group, with over 900 branches.

FINANCIAL PERFORMANCE

Life operating profit of £6 million *(2015: £11 million)* decreased due to market turbulence. VNB was down 9%[1] at £25 million *(2015: £27 million)* as a result of market volatility and uncertainty on the pension reforms.

MARKET CONTEXT AND CHALLENGES

Despite political uncertainties, Turkey offers long-term potential. It has the second largest population in Europe with a young demographic and we anticipate an increasing demand for financial products. We are well placed to seize further growth opportunities in the pensions market following the introduction of auto-enrolment in early 2017.

1 On a constant currency basis.
2 Bank of Lithuania.
3 Pension Monitoring Center, Turkey.

WHAT WE PLAN TO DO

Invest in digital

Expand and upgrade our digital solutions to enhance the seamless customer and distributor experiences in France and Poland, and develop a digital platform for our Corporate pensions customers in Turkey.

Customer focus

Realign our organisation and simplify our processes to deliver an outstanding customer service and offer attractive customer propositions in targeted markets.

Growth markets

Continue to develop market-leading positions in our growth markets – Poland and Turkey – and grow profitably our businesses in France and Italy capitalising on our True Customer Composite potential.

Asia

We have wholly-owned subsidiaries in Singapore and Hong Kong[1], affinity joint ventures in China, Indonesia and India[2], bancassurance joint ventures in Taiwan and Vietnam, and Friends Provident International Limited (FPI), with branches in Singapore, Hong Kong and the United Arab Emirates

Interview with Chris Wei
Executive Chairman, Asia & FPI and Global Chairman, Aviva Digital

Q What's your strategy?

CW Our strategy is to change fundamentally how we engage with our customers. That will mean different things in different markets – but digital runs through much of what we're doing.

Q What are the highlights for 2016?

CW It's been a year of transition for us as we reinvested into our businesses to make up for the discontinuance of the DBS bancassurance agreement at the end of 2015. By the end of the year, we were already seeing solid progress in our shift towards financial advisory and digital.

We recorded solid growth, especially in markets with large populations and low insurance penetration, like China and Indonesia.

In China we've made real progress in developing the agency model. And in Indonesia we're developing new distribution channels with our partner, Astra International.

In Singapore we've done everything we said we would do – and more. We expanded our contract with the Singaporean government to include not just the armed forces, but also the Ministry of Home Affairs. One in four adult Singaporeans is now an Aviva customer. We also successfully launched Aviva Financial Advisers which disrupted the traditional agency channel, as well as a direct sales force which is already proving to be among the industry's most productive.

But there's much more to come from us. In particular, we're going to work more closely with digital leaders in countries like China, which is really leaping ahead in digital innovation.

1 In 2017, we agreed to develop a joint venture in Hong Kong, with Hillhouse Capital and Tencent Holdings.
2 The 2016 figures for India are reported in Asia, however management responsibility will transfer to International, under Maurice Tulloch, as announced in 2017.

WHAT WE ACHIEVED

FuBaoBao savings

Launched FuBaoBao in China which allows friends and family to celebrate key milestones in a child's life by contributing to a savings plan for them via a social media payment platform, WeChat.

Aviva FA launch

In August we launched Aviva Financial Advisers in Singapore to offer our customers a wide range of insurance and investment services that exactly meet their needs.

Digital joint venture

Agreed a new digital insurance joint venture in Hong Kong with Hillhouse Capital Group, a leading investment management firm, and Tencent Holdings Limited, the world's fourth largest internet company.

KEY HIGHLIGHTS

Life operating profit‡

£241m

(2015: £244m)

General insurance and Health operating loss‡

£(13)m

(2015: £(6)m)

Cash remittances‡ to Group

nil

(2015: £21m)

Operating expenses‡

£177m

(2015: £141m)

Q What are the risks and challenges?

CW Our future is in our hands. So we have to focus on delivering what we said we'd deliver. Having said that, it's a volatile time in global geopolitics and that can have an impact on currency and interest rates.

Q What's your final message?

CW We're not following traditional insurance models. We're fundamentally changing the way we engage with our customers and deliver a service that is transparent, high quality, digital – and in line with our values.

We know the great responsibility we have to our customers and the trust we have to earn from them. We don't take that for granted.

OVERVIEW

We have 3.5 million customers across our markets in Asia, and operate a multi-distribution strategy which includes bancassurance, agents, financial advisers, direct and telemarketing, and direct sales force.

FINANCIAL PERFORMANCE

Life operating profit decreased to £241 million *(2015: £244 million)* which was driven by the discontinuance of the bancassurance agreement with DBS and continuous investment to support business growth across Asia particularly in distribution, digital and analytics capabilities. These investments together with the additional quarter of FPI impacted operating expenses which increased to £177 million *(2015: £141 million)*.

The general insurance and health business reported a £13 million loss as a result of higher claims experience from the Singapore Health business.

No dividends were remitted to the Group during the financial year *(2015: £21 million)* as we continued to reallocate capital to support growth initiatives in the region.

VNB declined to £148 million *(2015: £151 million)* impacted by the discontinuance of the bancassurance agreement with DBS, partly offset by growth in sales from Singapore's core financial advisory channel. VNB in other Asian markets fell due to the adverse impact of lower sales and higher expense overruns.

MARKET CONTEXT AND CHALLENGES

While most analysts expect the Asian economy to record only moderate growth in the year ahead, we believe the long-term favourable trends of emerging middle-class, increasing awareness in retirement planning, growing market share in healthcare will persist across the region, and Asia will continue to outperform in insurance growth.

We also see an acceleration towards digital in our daily life, and a heightened sense of fintech's development, which play to Aviva's strength in digital and innovation. We are encouraged by multiple Asian governments' support in this area, and are ever more enthused in seeing consumers' rapid adoption, such as our FuBaoBao online sales platform in China.

In this rapidly evolving and highly competitive market, where distribution and technologies revolutionise at an ever faster pace, our challenge is to deliver truly unique customer propositions that help to solve our clients' problems, and to continually improve our propositions to keep ahead.

DISRUPTING TRADITIONAL FINANCIAL ADVISORY

We strongly believe in a needs-based financial advisory service which offers a broad range of insurance and investment choices to best meet customers' needs. That's why we're disrupting the way insurance has traditionally been sold, from tied agents to financial advisers, with the launch of Aviva Financial Advisors in Singapore. In a matter of months, we have already built up a team of 400 financial advisers whose results far outperform the industry.

WHAT WE PLAN TO DO

Tailored offer

Further embrace the True Customer Composite model by delivering Aviva's strengths in Life and Health, plus Aviva Investors and General Insurance, tailored to different markets.

Seamless experiences

Make the most of Group digital solutions and capabilities to deliver seamless customer and distributor experiences while improving efficiency.

Strengthen and build

Generate value by strengthening our distribution platforms and building affinity models.

Aviva Investors

We are a global investment management business, with £345 billion assets under management, focused on outcome-oriented solutions

Interview with Euan Munro
Chief Executive Officer, Aviva Investors

Q What is your strategy?

EM We want to become a global leader in outcome-oriented investing. We're bringing our international reach and expertise to solve our clients' problems, most notably with the AIMS range of funds, as well as investing more in illiquid assets like infrastructure.

In a world of low interest rates and Solvency II, we provide the solutions for the Group to achieve the returns it needs. We offer winning solutions to the Group and external investors alike.

We're excited by the development of the Aviva digital platform. If direct customers select Aviva Investors funds, Aviva wins twice.

In terms of Not Everywhere, if we can't do something to an exceptional standard we won't do it. We have stopped activities for exactly that reason, including closing funds that were sub-scale and did not meet the needs of our customers.

Q What are your highlights for 2016?

EM We're really starting to see the benefits of AIMS. I'm delighted by the inflows of funds we're starting to see, especially from institutional investors. I'm pleased with the outcomes that our AIMS strategies are delivering, adding real value in difficult markets with very low levels of volatility.

We're also working harder to develop alternative sources of income, such as infrastructure debt and real estate – and benefit from the scale we bring to these and other asset classes.

We Never Rest in scanning the horizon for new investment ideas. We've also made real progress in Killing Complexity. We've reduced the number of funds we offer without diluting our focus on delivering client outcomes. We demonstrate Care More through building world class controls and being responsible investors – engaging with companies on governance and sustainability.

We're also Creating Legacy by building a winning culture. We're much more outward facing now and delivering what clients need.

Q What are the risks and challenges?

EM Brexit is a challenge for the whole of the UK. In fact, in the immediate aftermath of the Brexit vote, we temporarily suspended dealing in one of our daily priced commerical property funds, along with many of our competitors. While suspension was a last resort, we took this action to protect the interests of our customers and to avoid a

KEY HIGHLIGHTS

Fund management operating profit‡
£139m
(2015: £105m)

Cash remittances‡ to Group
£39m
(2015: £24m)

Operating expenses‡
£367m
(2015: £345m)

Assets under management
£345bn
(2015: £290bn)

WHAT WE ACHIEVED

New funds

Added to our range of outcome-oriented funds with launch of Global Equity Endurance and AIMS Fixed Income funds.

Sun Life

Strategic partnership with Sun Life in Canada

AIMS growth

In 2016, the combined assets under management of our AIMS range increased from £3bn to £9bn.

WHAT WE PLAN TO DO

Investment

Grow and protect our asset base by investing in distribution and through True Customer Composite initiatives with the rest of the Group

Overseas markets

Look at further opportunities to form strategic partnerships in key overseas markets

Risk and compliance

Continue to invest in our risk and compliance teams to protect customers, shareholders and our reputation

INVESTING FOR THE FUTURE

Better infrastructure underpins a better society – whether that's hospitals, schools or railways. And investing in infrastructure is also good for our customers, as it can deliver stable long-term returns. To date, we've invested more than £2.2 billion in hospitals and medical centres in the UK alone. That isn't just bricks and mortar.

We're also major investors in low carbon and renewables. In 2016 we made one of our largest investments yet – four wind farms in the UK, with the capacity to produce 60.5MW – that's enough to power over 3,500 UK homes.

damaging fire sale of assets. The suspension on trading was lifted in mid-December but the environment for the economy remains uncertain. However, we take a global view and there are interesting opportunities out there for clients.

Q **What's your final message?**

EM I want Aviva Investors to be the one to watch! Overall, I'm excited. We're winning mandates and taking positive earnings momentum into 2017.

OVERVIEW

We are Aviva's global asset management business with expertise in real estate, fixed income, equity, multi-asset and alternative investments. We currently invest £345 billion on behalf of our customers, spanning major markets. This gives us the size and scale to successfully seek out opportunities that will deliver specific investor outcomes.

FINANCIAL PERFORMANCE

Fund management operating profit has increased by 32% to £139 million in 2016 *(2015: £105 million)*. The growth in operating profit is driven by a £56 million increase in revenue from positive external net flows, the transfer to Aviva Investors of a further £14 billion of Friends Life assets during 2016, taking the total Friends Life assets transferred to £59 billion and the change in pricing to manage funds on behalf of other Aviva entities. Cost increases have been controlled as we invest to grow the business.

Aviva Investors Multi-Strategy (AIMS) assets under management have continued to grow to £9.0 billion *(2015: £3.0 billion)*. Working closely with UK Life, origination of infrastructure assets has increased by 16% to £3.3 billion. Overall net flows have continued to improve to £1.0 billion and the externalisation of the business is progressing with 32% of revenue coming from external clients.

MARKET CONTEXT AND CHALLENGES

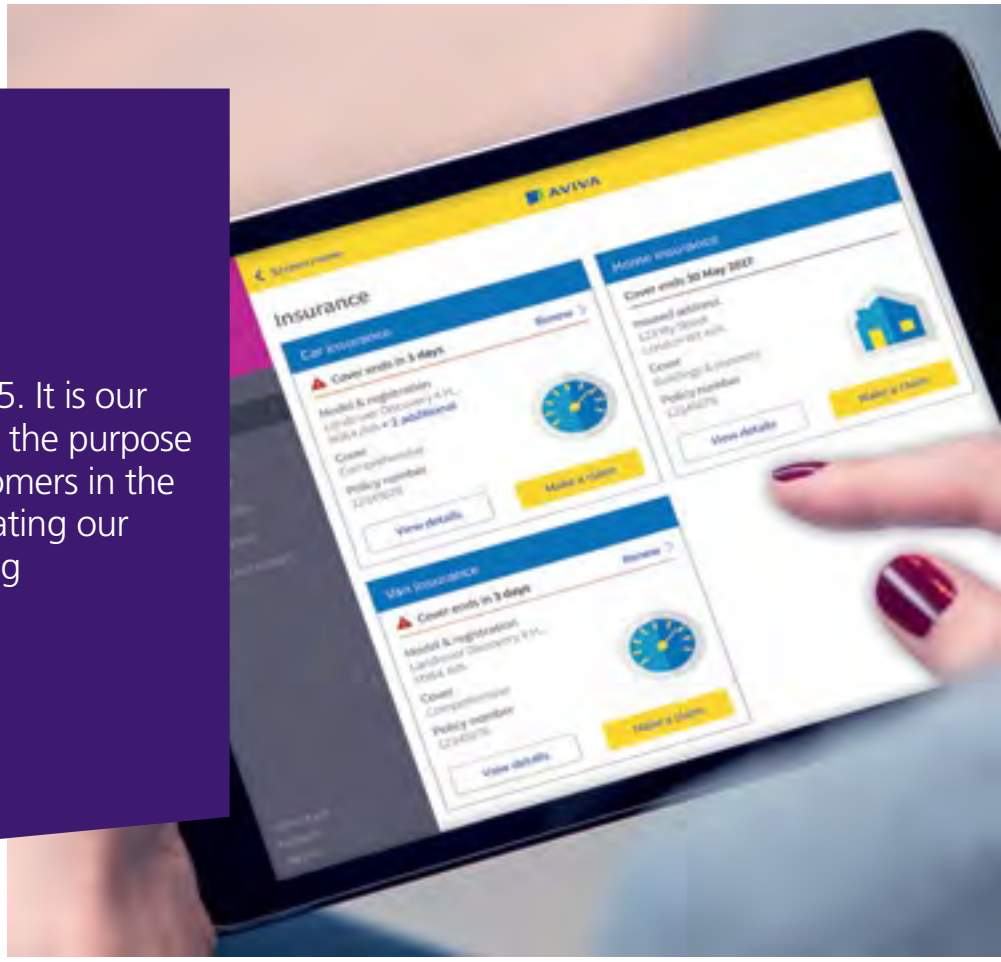
The last 12 months highlighted the unpredictability of markets, with political events having a sizeable impact. That is set to continue, while the era of easy returns in most asset classes – fuelled by central bank policy – is finally coming to an end.

The asset management industry is under intense pressure to demonstrate value to customers, with the interim report from the UK Financial Conduct Authority, published in November 2016, highlighting that there is room for improvement.

We have to meet these challenges head on. With volatility returning to markets, it will be clear which asset managers are able to deliver good outcomes for customers, and those that can't. For Aviva Investors, it is imperative we can prove our value to society and what we do to support economic growth and development.

Digital review

UK Digital was set up in 2015. It is our flagship digital business with the purpose of connecting with our customers in the UK, and significantly accelerating our digital and composite offering



OVERVIEW

Customers want to be more in control, expecting to self-serve and self-solve. They want to be able to access data in clicks.

For us to disrupt in digital, we need to interpret data quickly and intuitively to develop the products and services that provide real value for customers.

We are focused on designing innovative and easy-to-understand solutions which meet our customers' needs.

Customers buy products from us direct, through intermediaries and via our partnerships. We want to grow our direct business through UK Digital across the full range of our products. And regardless of how customers buy, we want to offer them the ease and convenience of managing their product online.

MyAviva, whether that's as an app or online, is at the heart of our digital revolution. It's where our customers can see and manage all of their policies in one place and benefit from a 20% discount on further Aviva products, as a reward for their loyalty. In fact, we offer instant quotes with a three-clicks-to-buy process so we don't ask questions we already have the answers to. Our long-term goal is to go from Ask it Once to Ask it Never. We're creating a beautifully simple experience for our customers.

In 2016, the focus was on putting all of our customer information onto a single database so our customers can see all their products and services in one place. By the end of 2016, we had more than 95% of our customers on one database, giving us a single view of our customers.

We also focused on delivering an effortless experience for our customers. Our new pension tracker service lets customers view their pension as well as make changes, such as switching funds.

WHAT WE ACHIEVED

Single customer view

As part of the integration with Friends Life we now have more than 95% of our customers on a single database.

Registrations up

Doubled the number of customers who are registered on our UK digital platforms from 2.3 million to 4.7 million.

Self-service

Customers can now do much more on online, from changing their details, managing their investments and viewing their documents.

INTERVIEW WITH CHRIS WEI

Chris Wei is the Executive Chairman, Asia & FPI and Global Chairman, Aviva Digital. We asked him about his priorities for the coming year.

Q How do you think digital has progressed at Aviva?

CW In a year, we've achieved a lot. We have significantly improved the customer experience by fixing the basics and laying the foundations for disruptive innovation in 2017.

We've listened to our customers and fixed their pain points. They can now do much more on online, from changing their details, managing their investments and viewing their documents. We're making it effortless for them.

And we're going further to try to limit the number of questions we ask our customers to make dealing with us beautifully simple.

Q What are your priorities for next year?

CW We will continue to disrupt in digital. New agile competitors will act faster to disrupt established businesses. We want to be the world's oldest disrupter.

Underpinning all of this is our agile start up culture blending our expertise in insurance and investments with significantly enhanced capability in the new digital essentials of data and digital product design. With its base in the Digital Garage in Hoxton, and new Digital environments in Bristol and Norwich, UK Digital is helping to transform the culture of Aviva to ensure we are fully able to meet the digital needs of 21st century consumers.

We've already made progress, but there's much more we can do.

FIRST DIGITAL SUCCESS

Quotemehappy.com was our first Digital First success story and it keeps on growing. It offers low-cost car and home insurance in the UK and is only available online. Our fully self-service insurance gives customers the flexibility to manage their policies online, such as downloading documents and making changes to their policy. And because they deal with us digitally, we are able to offer our customers lower prices.

KEY HIGHLIGHTS

Aviva.co.uk visits

32m

Up 6% on 2015

Aviva registrations in the UK

4.7m

Up from 2.3m in 2015

Online direct sales in the UK

88%

Up from 75% in 2015

UK digital customers

72%

Consider Aviva for buying other products, compared to 63% for our competitors[1]

1 GfK Annual Relationship Survey, 2016. Net Promoter Score® (NPS).

WHAT WE PLAN TO DO

Redesign web

Rolling out a beautifully simple new online experience across devices that is easier for customers to use and for us to maintain.

New launches

Leveraging new technology such as Cocoon (next generation home security) to create compelling reasons for customers to continue to choose Aviva.

Invest in data

Data is the lifeblood of our great Digital experience – we will continue to invest in the core IT infrastructure and people expertise.

Being a **good** ancestor

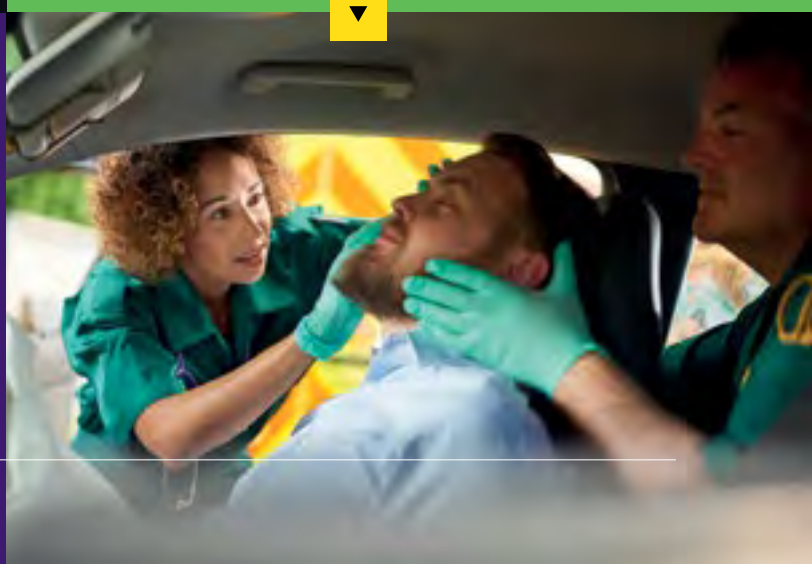
Good ancestors do the right thing. Good ancestors make responsible, sustainable choices, and those decisions are judged over the long term

#SAVESMARTER

The savings gap between low and high income families in the UK has grown 25% year-on-year to £62,790 in winter 2016/7. We want to help close it. Our Save Smarter Campaign challenges people to understand how they can save and live on their predicted pensions – and features informative but fun films. Take a look now at www.avivasavesmarter.co.uk.

ROAD TO REFORM

We want to slam the brakes on the fraudsters profiting from the UK's whiplash compensation culture. It pushes up premiums for genuine customers, puts innocent motorists at risk from crash for cash scams and wastes scarce public resources such as ambulance, police and A&E time on these entirely bogus claims. We have campaigned tirelessly for change and welcome the Government's recent whiplash reforms. However, they will only be successful if crash for cash no longer puts innocent motorists at risk. We will pass on 100% of savings to customers. Read more in our report at www.aviva.co.uk/roadtoreform.



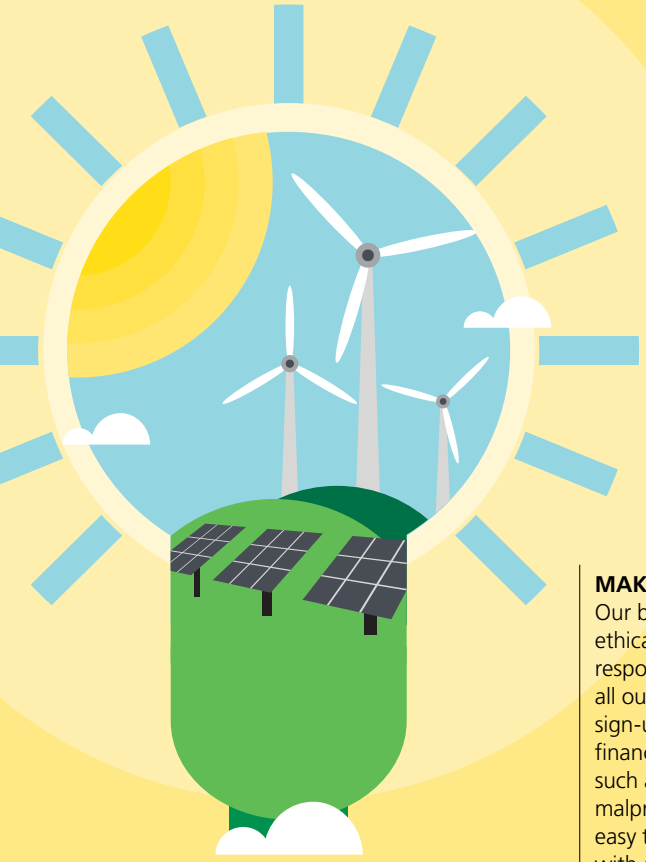
AFFORDABLE HOME INSURANCE

We all know the devastation a flood can cause – and then people can find it difficult to get affordable insurance. To help, the UK insurance industry launched a scheme called Flood Re in April 2016. Flood Re will provide affordable home insurance to many of the estimated 350,000 of UK households at high risk of flooding, funded by an insurance levy. Since its launch last April, we have transferred around 11,000 policies to the scheme, with new customers in high flood risk areas saving an average of £500 on their premiums.

Scan here to see Peter tell his story

CREATING A SUSTAINABLE FUTURE

The United Nations Sustainable Development Goals (SDGs) in 2015 represent a milestone in our efforts to create sustainable future. But we will only create legacy if we deliver them. We have set out ways to create incentives so that business invests and act sustainably. Our Group Chief Executive, Mark Wilson, spoke twice at United Nations events in 2016, making the case for benchmarks and sustainability league tables for business. We think what gets measured gets managed. We're making progress but there's a long way to go.



Good thinking for everyone

Since issuing our first fire insurance policy over 320 years ago, we have never been afraid to help tackle the big issues. With current challenges such as ageing populations and climate change, our ambition needs to be bigger than at any time in our history. That is why we are using our bright ideas for the good of our customers, our communities and the world.

PUTTING CUSTOMERS FIRST

Our approach always starts with the customer and to build trust we must always do the right thing for them. An example of this is the simplification of our products and services to ensure they meet our customers' needs. In the UK, we have done this through the launch of MyAviva and in Aviva Singapore we now accept paperless death claims, reducing pay-out times from 60+ days to just three, helping to support customers when they really need it. In Poland, we talked to our customers about improving our standard communications and are rewriting them to remove any insurance jargon. We know that we are not always perfect and any complaints and feedback we receive are taken seriously and investigated thoroughly. This commitment is reflected in the customer business standard all our markets abide by (see the policies section of aviva.com/cr).

MAKING THE RIGHT CALL

Our business ethics code outlines our high ethical standards and ensures we operate responsibly and transparently. We require all our people, at every level, to read and sign-up to our code every year. We provide financial crime prevention training, in areas such as fraud and market abuse and our malpractice helpline Right Call makes it easy to report any concerns in confidence, with all reports referred to independent investigation. In 2016, 25 cases were reported through Right Call *(2015: 25)*. 18 cases reached conclusion, and seven remain under investigation. There has been no material litigation arising from any cases reported in 2016.

SUPPORTING COMMUNITIES

In 2016, we used our expertise to give hundreds of organisations across our markets the support they need to make a difference in their local communities through the Aviva Community Fund. In 2016, we increased our community investment, by 5%, totalling £11.3 million *(2015: £10.8 million)* and helped 939,000 people. We also harnessed the passion and talent of our employees, who contributed 41,700 hours of volunteering time and gave or fundraised over £1.9 million. Our people are the lifeblood of our corporate responsibility strategy and our Voice of Aviva results show that 84% of our people believe that Aviva is a good corporate citizen[1] and these employees are 59% more likely to be proud of Aviva.

In February 2016 we launched a group wide three year strategic partnership with the British Red Cross. We are investing in global disaster response and resilience, sharing our risk management expertise to help communities to be better informed, prepared, and therefore more resilient if disaster strikes. We are using our digital skills with our global mapathon and British Red Cross psychosocial training is helping us look after our customers even better in times of crisis.

I'm proud of what we've achieved in 2016 and am focused on ensuring we continue to build a bright and sustainable future for Aviva and our customers

#Aviva2016

Kirstine Cooper / Group General Counsel and Company Secretary

1 The equivalent Financial Services Benchmark for social responsibility is 75%.

AVIVA COMMUNITY FUND

Our online Aviva Community Fund (ACF) shows our values of Create Legacy and Care More in action. Anyone can nominate and vote for inspirational projects in their local communities, with the winners getting funding and support. The ACF is now operating in six of our markets across the world. We're delighted to support so many wonderful causes. The Happy Community Service in Hong Kong (above) was one of ten projects that won funding to help strengthen different aspects of local community life. Now young families in the Kwun Tong District can enjoy free family activities, helping to support their community – thanks to ACF.

RED CROSS MAPATHON

We're in business to help people to Defy Uncertainty. So we're a natural partner for the British Red Cross. That takes many forms, but one of the most enjoyable was when 1,000 of our people across 13 markets took part in the Aviva Global Mapathon. They used their computers to map 75,000 buildings in some of the most vulnerable communities in the world. Their mapping will help the planning work in Malawi for a childhood Measles and Rubella immunisation initiative and in Haiti, where many rural communities were devastated by Hurricane Matthew. Every £1 invested in reducing the risk of disaster saves £4 in emergency response and reconstruction.

FTSE4Good

ROBECOSAM Sustainability Award Bronze Class 2016

Aviva is one of the top-scoring companies in the 2016 Dow Jones Sustainability Index (run in partnership with RobecoSAM) and a long-standing member of the FTSE4Good Index.

WHAT WE ACHIEVED

46%

We are carbon neutral and we've reduced our CO_2e by 46% since 2010 (our baseline year), offsetting 1.3 million tonnes over the last ten years.

1,600 projects

Our community development activity, including the Aviva Community Fund and carbon offset projects, have benefited 1,600 community projects and 939,000 people globally.

UN collaboration

Following our global commitment to the Sustainable Development Goals, Mark Wilson set out to world leaders Aviva's practical recommendations to accelerate progress towards sustainable capital markets.

Upholding business ethics

Ensured that 98% of our people globally confirmed they had read, understood and accepted the business ethics code.

WHAT WE PLAN TO DO

Strengthening local communities

Replicate the Aviva Community Fund in more markets and target 2.5 million beneficiaries and 200,000 hours of volunteering by 2020.

Red Cross Partnership

Build on the successful launch of our British Red Cross partnership, sharing our skills and working together to help our customers and vulnerable communities become safer and stronger in times of uncertainty and crisis.

Tackling climate change

Continue progress towards our £2.5 billion target in low carbon infrastructure investment by 2020 and our long-term CO_2e reduction target of 70% by 2030.

HELPING PROTECT OUR CUSTOMERS

Storms during the winter of 2015/2016 had a terrible impact in parts of the North of England and the Scottish Borders. Storm Desmond saw the UK's record for rainfall in a 24 hour period smashed and thousands of homes flooded. Aviva had over 250 claims in Carlisle alone. We were on the ground as quickly as possible to sort things out for our customers and help them access the flood resilience grants they needed. Reinstating our customers' homes was our top priority but we've also made sure their homes are more resilient, so if there's another flood they'll be better protected. It was a moment of truth when we showed we Care More about our customers.

MONEY TALKS – WHAT DOES YOURS SAY?

Many people know how important it is to save for a comfortable retirement. But they may not know much about the companies in which their savings for retirement are invested. While pensions are all about savings for the long term, it's possible they're being invested in companies that make short term profits, rather than creating a sustainable long term legacy. We've made a short film to explain how everyone can help to make sure more money is invested sustainably and responsibly. You can see it using the QR code below.

Scan to watch our sustainable investment film

OUR HUMAN RIGHTS APPROACH

In 2016 we have continued to implement the requirements of our human rights policy across the business. Additionally, as required by the UK Modern Slavery Act, we have taken steps to ensure slavery and human trafficking are not taking place in our business or supply chain.

This included risk assessing our UK suppliers, and updating supplier contract templates, our supplier code of behaviour and our business ethics code, to ensure all employees understand the role they play. We also engaged suppliers to understand their risk of modern slavery and provided training to our procurement function on this topic. For our complete modern slavery statement please see aviva.com/cr.

OUR GLOBAL COMMITMENT TO HUMAN RIGHTS COVERS:

Customers
We respect the rights of our customers by treating them fairly and ensuring their data is managed in an ethical, lawful and responsible way.

Our people
We promote fair reward, diversity and inclusion, equal opportunities, the freedom of association and other human rights through our interactions with our people. We provide a secure, safe and healthy environment for all our people.

Due diligence
We conduct human rights due diligence periodically to ensure we are not complicit in human rights abuse in the countries we operate in.

Investment
We are committed to investing our money and our customers' money in a responsible manner. Aviva Investors is a founding signatory to the UN Principles of Responsible Investment and founding partner of the Corporate Human Rights Benchmark Initiative.

Suppliers
We evaluate, select and ask suppliers to disclose their human rights policies as part of our selection criteria. In the UK, we were an early adopter in achieving accreditation by the Living Wage Foundation. We ensure suppliers pay at least the Living Wage to employees subcontracted to Aviva.

Governance
We have a set of Policies, Business Standards and internal procedures which support delivery of our commitment to human rights.

Reporting
We are committed to ensuring that we adequately report human rights performance according to suitable benchmarks and frameworks for financial services.

Grievance mechanisms
Customers or other external stakeholders can report human rights concerns to the Group Corporate Responsibility Directorate (CR.team@aviva.com) or to Right Call (rightcall@expolink.co.uk).

USING DORMANT MONEY FOR GOOD

Sometimes people lose track of their investments. Despite companies' efforts to trace the owner and re-unite them with their funds, it is not always possible. Aviva has contributed our bright ideas and people to the Dormant Assets Commission to help it recommend ways for 'dormant' or lost funds to go to charity, whilst protecting the rights of owners to reclaim their funds at any time.

CHAMPIONING RESPONSIBLE INVESTMENT

Aviva is committed to responsible investment, using our influence to support more sustainable businesses and ultimately a more sustainable economy and society. Aviva Investors is a proud founding signatory to the UN Principles for Responsible Investment. For over two decades we have focused on good stewardship, taking considered voting action and actively engaging with our holdings. We use our environmental, social and governance (ESG) insight to make better longer term investment decisions. We recognise the challenges of financing action on the Sustainable Development Goals and the particular urgency to take action on climate change. We actively engage with policymakers to help unlock capital markets to deliver on these priorities.

STARTING WITH OURSELVES

We have a proud history of taking action to reduce the environmental impact of our business and were the first carbon neutral insurer worldwide in 2006. We continue to offset 100% of any remaining carbon emissions and our offsetting projects have helped over 970,000 people since 2012 live better lives (e.g. through provision of clean cook-stoves in Kenya). In 2016 our solar panel (solar pv) power systems began generating renewable electricity in three Aviva office sites across the UK. In light of our progress in reducing our carbon emissions against the 2020 target, we have recently revised our ambitions, setting a higher target of 50% reduction by 2020 and 70% by 2030. To date we have achieved a 46% reduction against the 2010 baseline. Under the Carbon Reduction Commitment Energy Efficiency Scheme, we reported total emissions of 55,517 tonnes of CO_2e in 2016, costing £883,623. This mandatory scheme is limited to UK businesses emissions from building energy, and includes the property portfolio of our investment funds managed by Aviva investors.

ENSURING A SUSTAINABLE FUTURE

Protecting the environment today means we can all enjoy a bright and sustainable future. We have assessed our potential environmental risks, focusing our strategy on the issues that matter most to our customers, business and stakeholders (see page 70 for more details). We work hard to ensure that assets remain insurable despite environmental risks and use our expertise to advise customers on how they can help protect the people and things they love. This included partnering with the Institute for Catastrophic Loss Reduction (ICLR) in Canada to develop the Plan & Protect app to help people prepare for and minimise the impact of unforeseen weather events and natural disasters.

A CHALLENGE FOR TODAY, NOT TOMORROW

Aviva has a long-term commitment to tackle climate change and in November we published progress on our strategy to act on climate-related investment risk over the next five years (2015-2020). This can be found on aviva.com/reports and includes details of our progress a year on from the historic COP21 agreement in a number of areas, including low carbon investment, supporting policy action, active stewardship and divestment.

CLIMATE RELATED FINANCIAL DISCLOSURE

Aviva was represented on the Financial Stability Board's Taskforce on Climate-related Financial Disclosure this year. We have provided an initial high-level response to Taskforce recommendations in our roles as an asset owner, insurer and asset manager (Aviva Investors) – this can be found in the Annual Report and Accounts.

If business isn't sustainable then society is at risk. And if society isn't sustainable then business is at risk.

#Aviva2016

Mark Wilson / Group CEO, Aviva

OPERATIONAL GLOBAL GREENHOUSE GAS EMISSIONS DATA BOUNDARIES

Our carbon footprint boundaries show the scope of the data we monitor and the emissions we offset. We report on Greenhouse Gas (GHG) emission sources on a carbon dioxide emissions equivalents basis (CO_2e) as required under the Companies Act 2006 (Strategic Report and Directors' Reports) 2013 Regulations. We also refer to the GHG Protocol Corporate Accounting and Reporting Standard, and emission factors from the UK Government's GHG Conversion Factors for Company Reporting 2016.

Tonnes CO_2e				Absolute CO_2e footprint**	Carbon offsetting***	Total net emissions
2016	19,210	41,008	19,193	79,410	(79,410)	**0**
2015*	19,112	49,595	19,991	88,698	(88,698)	**0**
2014	20,031	46,231	17,662	83,924	(83,924)	**0**

Scope 1 – natural gas, fugitive emissions, oil, company owned cars.

Scope 2 – electricity.

Scope 3 – business travel and grey fleet, waste and water.

	CO_2e tonnes per employee	CO_2e tonnes per £m GWP
2016	2.0	3.12
2015*	2.2	4.05
2014	2.4	3.87

* This includes Friends Life business operations for the whole of 2015.

** 2016 Assurance provided by PricewaterhouseCoopers LLP in the Independent Limited Assurance Report to the Directors of Aviva plc in the Annual Report and Accounts

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

Operating profit‡

Up 12%

to £3,010m

Prior period comparatives have been restated.
Refer to Note 1 on page 83 for further information.

Cash remittances‡

Up 20%

to £1,805m

Financial flexibility to **drive returns**

TOM STODDARD

Chief Financial Officer

LOOKING FORWARD

- Operating profit‡[1] increased 12%[2] to £3,010 million. We target mid-single digit increase in operating earnings per share‡ over the medium term
- Cash remittances‡ to Group - increased 20% to £1,805 million. Between 2016-2018 we will deliver £7 billion of cash remittances
- Dividend per share up 12% to 23.30 pence. We aim to achieve a 50% dividend pay out ratio in 2017
- Stable Solvency II capital position with a solvency II cover ratio‡[3,4] of 189%. Our target working range is 150%-180%

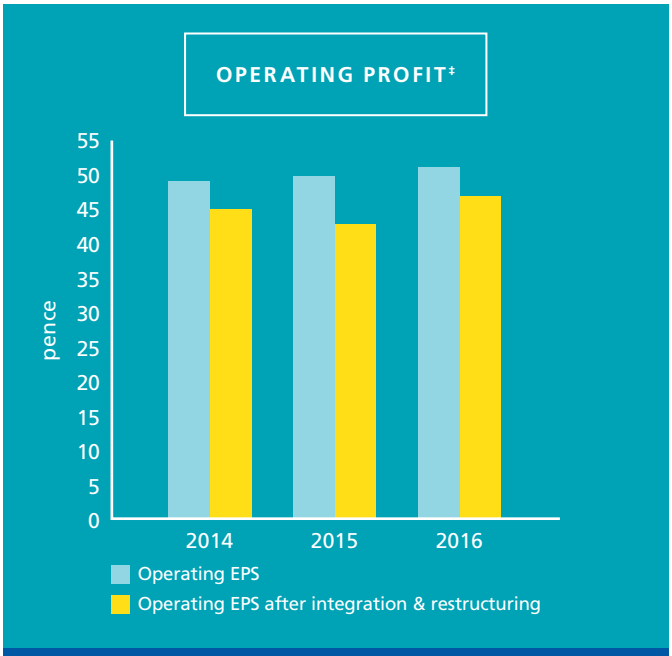
1 2016 and 2015 exclude the impact from an outward quota share reinsurance agreement written in 2015 and completed in 2016 in Aviva Insurance Limited (AIL).
2 Prior period comparatives have been restated. Refer to Note 1 on page 83 for further information.

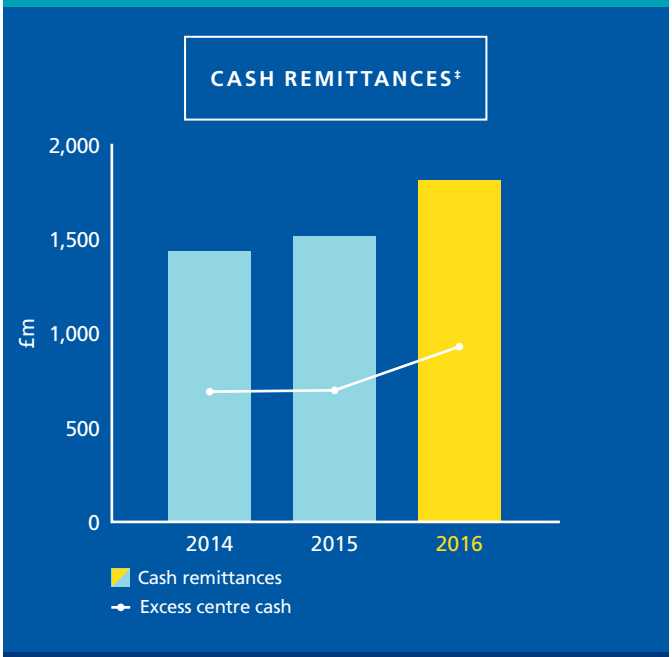
OVERVIEW

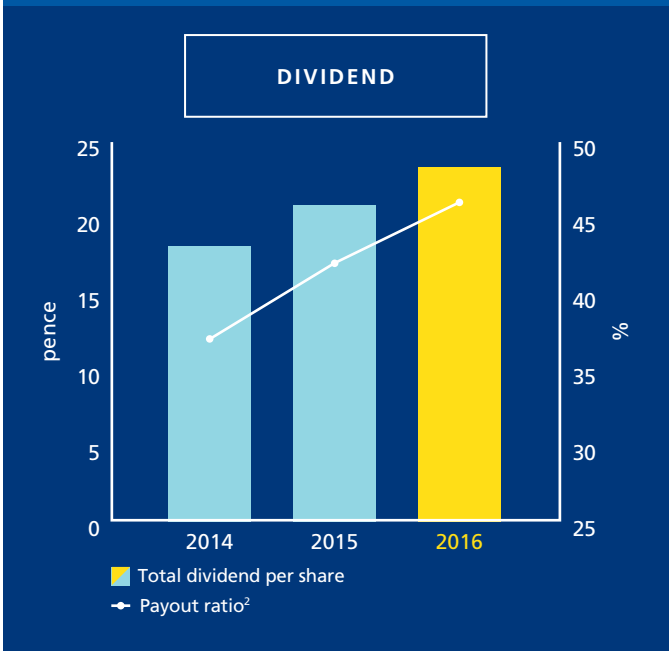
Aviva has delivered another year of progress in 2016. We have grown operating profit, significantly strengthened Solvency II capital surplus and increased cash remittances. Reflecting these financial results and in view of our confidence in the outlook for Aviva, the Board of Directors has proposed a 12% increase in our total shareholder dividend in 2016 to 23.30p.

Operating profit[1] increased 12% to £3,010 million *(2015: £2,688 million[2])*. Growth in operating profit was underpinned by strong performances from UK and Ireland General Insurance, Canada and Aviva Investors, while UK Life benefitted from a full-year contribution from Friends Life and improved cost efficiency from realised integration synergies. After incorporating an increase in weighted average shares on issue arising from the Friends Life acquisition, operating EPS[1] increased 3% to 51.1p *(2015: 49.7p[2])*.

Operating profit excludes the impact of the reduction in the Ogden discount rate (£475 million, *2015: nil*). The Lord Chancellor's and subsequent Chancellor of the Exchequer's statements confirm that a consultation will be launched in the coming weeks that will allow the Government to consider the methodology for setting the discount rate. This gives rise to uncertainty with respect to the ultimate level of claims payable and we believe the volatility in our operating profit arising from the "catch up" impact on prior year claims coupled with the potential impact from a subsequent adjustment to the discount rate in 2017 or 2018 would provide a distorted view of the Group's year to year financial performance. Our target of paying a progressive dividend with a dividend payout ratio of 50% of operating EPS for 2017 remains, and we have maintained the alignment of our dividend trajectory and operating EPS by







treating the Ogden impact as an exceptional item.

IFRS profit after tax was £859 million in 2016, down from £1,097 million[2] in 2015. This includes a £380 million after-tax charge due to the reduction in the Ogden discount rate. Integration and restructure costs declined to £212 million *(2015: £379 million)* but remained elevated as we completed the Friends Life and RBCI integrations. Investment variances were £(381) million *(2015: £(170) million)*. Net asset value per share rose 6% to 414p *(2015: 390p[2])* as operating profits, foreign exchange gains and increase in IAS 19 pension surplus offset the Ogden charge, negative investment variances and higher amortisation expenses.

The Solvency II coverage ratio increased to 189%[3,4] *(2015: 180%)*. Operating capital generation‡ was £3.5 billion in 2016, comprising £4.0 billion generated by our business units, net of £0.5 billion of debt interest, head office and other costs. Operating capital generation included benefits from non-recurring items such as approved model changes as we optimised capital for Solvency II. Remittances from our business units were £1.8 billion *(2015: £1.5 billion)* and excess centre cash flow‡ was £0.9 billion *(2015: £0.7 billion)*.

Our financial results in 2016 demonstrated the benefits of Aviva's diversity and the strength of our franchises. We continue to target consistent mid-single digit growth in operating EPS over the medium term.

BUSINESS UNIT PERFORMANCE

UK and Ireland Life increased operating profit 7% to £1,555 million *(2015: £1,455 million[2])*. In the UK, operating profit was £1,523 million *(2015: £1,431 million[2])* reflecting a full year contribution from Friends Life (acquired April 2015), integration synergies and growth in sales and managed assets. Our core growth engines in UK Life all delivered strong momentum. Operating profit from long term savings increased 39% to £142 million *(2015: £102 million)*, protection grew 52% to £242 million *(2015: £159 million)* and retirement (annuities and equity release) gained 26% to £656 million

3 The estimated Solvency II cover ratio represents the shareholder view. Refer to the Glossary for further information.

4 The estimated Solvency II position includes an estimated adverse impact of a notional reset of the transitional measure on technical provisions ("TMTP") to reflect interest rates at 31 December 2016. Removing this notional reset of TMTP would increase the estimated Solvency II surplus by £0.4 billion. Amortisation of TMTP since 1 January 2016 is also reflected.

FINANCE FUTURE TALENT

One of our values is to Create Legacy. That includes making sure our people are fit to tackle the challenges of today – and tomorrow. That's why our Finance Future Talent programme is so important. It's about making sure our best people in our Global Finance, Risk and Internal Audit teams are developed, engaged, retained and equipped for senior leadership roles. It's pretty intensive; two years of four six month assignments that build experience, skills and networks across a variety of finance and control teams. They are supported by a senior mentor and external executive coaches. It's a great opportunity – and helps Aviva make the most of our own opportunities.

(2015: £519 million). These were partially offset by a modest reduction in legacy profits to £332 million *(2015: £341 million)* and a 51% reduction in income from other to £151 million *(2015: £310 million)*. In Ireland, life insurance operating profit increased 33% to £32 million.

Aviva Investors delivered 32% growth in fund management operating profit to £139 million *(2015: £105 million)*. Revenue increased 12% to £506 million driven by increased external new business flow, significantly increased origination of infrastructure and other illiquid assets primarily for Aviva and completion of on-boarding of Friends Life assets. Operating expenses increased 6% to £367 million reflecting continued investment in the business. Assets under management increased 19% to £345 billion *(2015: £290 billion)* due to positive net flows, the inward transfer of a further £14 billion of Friends Life assets and positive market returns.

Excluding the exceptional charge associated with the change in the Ogden discount rate, operating profit[1] from UK and Ireland General Insurance and Health increased by 23% to £471 million *(2015: £384 million[5])*. In UK general insurance, net written premiums[1] increased 7% due to new distribution relationships with Homeserve and TSB. Excluding the exceptional Ogden discount rate impact, the combined operating ratio of the UK business remained relatively stable at 95.3% in 2016 *(2015: 95.1%)* with lower weather claims and the positive effect of portfolio re-balancing and cost initiatives offsetting the Flood Re levy and commission strain from new distribution partnerships. In Ireland, general insurance operating profits increased to £41 million *(2015: £30 million)* reflecting strong growth in net written premiums (19% in local currency) and an improvement in combined ratio to 91.2% *(2015: 94.6%)*. Operating profit from Health increased 19% to £38 million *(2015: £32 million)* due to a 30% improvement in underwriting profit to £35 million.

Europe responded well to challenging market conditions by delivering resilient results in 2016. Operating profit fell 3% in local currency terms but benefitted from foreign currency translation to reach £964 million *(2015: £880 million)*. In France, operating profit fell 5% in constant currency terms to £499 million *(2015: £466 million)* due to weak investment markets, an increase in weather claims in general insurance and higher operating expenses. Italy increased operating profits by 9% in constant currency to £212 million *(2015: £172 million)* as a result of growing sales volumes and improved margins in life insurance. In Poland, the underlying performance remained solid, though the cost of the financial sector asset levy implemented by the Polish Government caused operating profits to decline 7% in local currency to £140 million *(2015: £139 million)*.

Canada delivered operating profit of £269 million *(2015: £214 million)*, an increase of 16% in local currency terms. Net written premiums increased 14% in local currency to £2,453 million *(2015: £1,992 million)* and benefitted from a six month contribution from the acquired RBCI business. The underwriting result increased to £168 million *(2015: £120 million)* with higher premium volumes associated with the acquisition of RBCI more than offsetting a modest increase in the combined operating ratio to 94.6% *(2015: 93.8%)*.

In Asia, operating profit fell 8% in constant currency terms to £228 million *(2015: £238 million)* reflecting the discontinuation of the DBS bancassurance relationship, lower profits from Friends Provident International and investment into nascent markets such as Indonesia and Vietnam. The Singapore and Hong Kong businesses have repositioned and are pursuing innovative and disruptive distribution strategies.

CAPITAL MANAGEMENT

At the end of 2016, our Solvency II coverage ratio[3,4] was 189% *(2015: 180%)*, above the top end of our 150-180% working range. The Solvency II surplus[4] increased to £11.3 billion *(2015: £9.7 billion)* as exceptionally strong operating capital generation of £3.5 billion (of which £1.7 billion underlying) was only partially offset by negative variances from investment market fluctuations and dividend payments to shareholders. Included within 2016 operating capital generation were a number of initiatives such as Friends Life capital synergies and approved model changes that improved our position under the new Solvency II regime. In total, these accounted for approximately £1.8 billion of capital generation. While there remain opportunities for further Solvency II optimisation and capital synergies, the contribution from such actions is likely to be lower in the future than was the case in 2016.

5 2016 comparatives have been rebased for the reduction in the internal loan.

In view of our strong Solvency II ratio, there is now capacity to deploy surplus capital. In addition to underpinning a progressive dividend, we have four priorities for capital deployment:

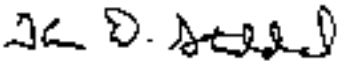
1. Organic growth, including capital required to support new distribution partnerships;
2. Bolt-on acquisitions that strengthen our core markets;
3. Returning capital to shareholders, via a share re-purchase program or special dividend; and
4. Paying down hybrid debt obligations.

These priorities are not mutually exclusive and we expect to pursue all of these options. Specifically, we plan to take steps to return additional capital to shareholders and reduce hybrid debt during 2017. Liquidity at the centre is £1.8 billion at the end of February 2017 *(February 2016: £1.3 billion)*. We generally intend to maintain centre liquidity balances in excess of £1 billion.

While capital return options are now on our current agenda, we continue to invest in our businesses, with organic priorities being digital, fund management and general insurance. In 2016, we acquired RBCI, increasing the scale of our Canadian business and strengthening our distribution. We also established partnerships with Homeserve and TSB to expand our UK General Insurance business. We will continue to consider bolt-on acquisitions and distribution partnerships that grow operating profit and strengthen our position in core markets.

OUTLOOK

Our three financial targets are to deliver mid-single digit percentage growth in operating EPS over the medium term, for our business units to remit £7 billion of cash to group centre in 2016 to 2018 inclusive and to increase our dividend payout ratio to 50% by the end of 2017, following which the dividend trajectory is expected to align with growth in operating EPS. We remain confident that we can deliver on these objectives.



Thomas D. Stoddard
Chief Financial Officer
8 March 2017

MAKING GOOD DECISIONS

We've finished the fix and now we're in the transform and grow phase. It's important for all our people to be making the right decisions, at the right time. We 're also continuing to improve our risk and control culture. So we've come up with a set of five clear principles, with our values at the core, to help guide our people in their everyday roles. It's been rolled out to ten markets and our approach has been profiled by the Institute of Ethics.

MOVEMENT IN NET ASSET VALUE

The table below shows the movement in Net Asset Value (NAV) during 2016, which increased by 24 pence to 414 pence per share‡.

Profit after tax attributable to equity holders was £703 million *(2015: £936 million[1])*. Within this, operating profit‡, one of our key financial metrics, was £3,010 million *(2015: £2,688 million[1])*. Details of operating performance in our markets can be found on pages 38-53.

Non-operating items including integration and restructuring costs were a charge of £1,817 million *(2015: £1,275 million)*. The movement includes:

- the change in the Ogden rate had an adverse impact of £475 million (12 pence per share)
- investment return variances on long term business of £379 million *(2015: £14 million)*
- short-term fluctuation on non-long-term business of £(518) million *(2015: £(84) million)*
- economic assumption changes on general insurance and health business of £(242) million *(2015: £(100) million);*
- integration and restructuring costs of £212 million *(2015: £379 million)*; and
- a charge of £23 million *(2015: £53 million)*, relating to a UK reinsurance transaction which provides significant protection again claims volatility.

Further details can be found in the "Reconciliation of group operating profit to profit for the year" in the consolidated financial statements.

Favourable foreign exchange movements of £945 million *(2015: £(325) million)* is due to the weakening of sterling, particularly compared to the euro and Canadian dollar.

Other net equity movements of £309 million *(2015: £(113) million)* includes the remeasurement of pension schemes (£242 million, *2015: £(142) million)*.

	£m	pence per share*
At 1 January 2016[1]	**15,802**	**390p**
Operating profit‡	3,010	73p
Non-operating items	(1,817)	(44)p
Tax and non-controlling interests	(490)	(12)p
Profit after tax attributable to shareholders	703	17p
Dividends and appropriations	(956)	(24)p
Foreign exchange	945	23p
Other net equity movements	309	8p
At 31 December 2016	**16,803**	**414p**

* Number of shares as at 31 December 2016: 4,062 million *(31 December 2015: 4,048 million)*.

Rigorous and consistent risk management

Risk management is key to Aviva's success. We accept the risks inherent to our core business lines of life, accident & health, and general insurance and asset management. We diversify these risks through our scale, geographic spread, the variety of the products and services we offer and the channels through which we sell them.

We receive premiums which we invest in order to maximise risk-adjusted returns, so that we can fulfil our promises to customers while providing a return to our shareholders. In doing so, as set out in the next page, we have a preference for retaining those risks we believe we are capable of managing to generate a return.

Looking forward, these risks may be magnified or dampened by current and emerging external trends which may impact upon our current and longer term profitability and viability, in particular our ability to write profitable new business. This includes the risk of failing to adapt our business model to take advantage of these trends. Pages 70 to 71 describe what these trends are, their impact, future outlook and how we manage these risks.

We prefer risks we understand, have the expertise to manage and which are well-rewarded

#Aviva2016

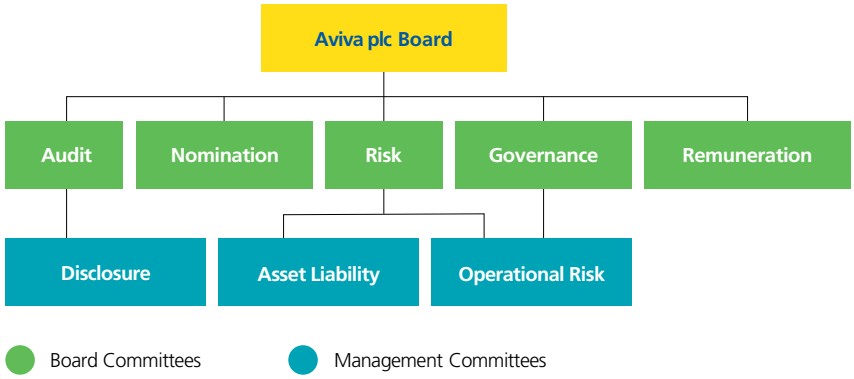
Angela Darlington / Chief Risk Officer

HOW WE MANAGE RISK

Rigorous and consistent risk management is embedded across the Group through our Risk Management Framework, comprising our systems of governance, our risk management processes and risk preferences (see next page).

Our Governance

Includes risk policies and business standards, risk oversight committees (see below) and roles and responsibilities. Line management in the business is accountable for risk management which, together with the risk function and internal audit, form our 'three lines of defence' of risk management. The roles and responsibilities of the Governance, Audit and Risk Committees and Disclosure, Asset Liability and Operational Risk management committees in the oversight of risk management and internal control is set out in the Directors' and corporate governance report.



Our process

The processes we use to identify, measure, manage, monitor and report risks, including the use of our risk models and stress and scenario testing:

OUR RISK PREFERENCES

This includes qualitative statements on the risks that we select for reward, the risks we accept but seek to minimise and the risks we seek to avoid or transfer, as well as quantitative expressions (risk appetite statements) of the level of risk we can support (e.g. the amount of capital we are prepared to put at risk). The table below sets out our preference for those risks arising from our business model. Where our inherent risk exposure exceeds our risk preference, we seek to reduce our residual risk exposure through management actions, such as reinsurance, investment hedges and enhanced operational controls. We prefer those risks which we believe we understand well and have the expertise to manage so we can generate superior returns.

1 Our top three risks ranked by diversified Solvency II Solvency Capital Requirement

2 At a business level we have minimal appetite for foreign exchange risk. At Group level we accept some foreign exchange risk, against predetermined limits, from the translation on consolidation of the net assets of our overseas subsidiaries from local currency into pounds sterling to the extent not offset by foreign currency borrowings and derivative hedges.

3 The most critical residual operational risks to which the Group is exposed are aligned to the Group's Major Control Improvement Topics, set out in the Audit Committee Report in the Annual Report and Accounts.

PRINCIPAL RISK TRENDS

This table describes the external trends and causal factors impacting our inherent risks, their impact, future outlook and how we take action to manage these risks:

KEY TRENDS AND MOVEMENT	RISK MANAGEMENT	OUTLOOK
▲ **Uncertain interest rate environment** – if current low interest rates continue for a prolonged period it will adversely affect the return we earn on our investments, as well as the attractiveness of the returns we can offer to new customers. **Risks impacted:** Credit risk Market risks Liquidity risk	**Over the last few years we have taken significant steps to reduce the sensitivity of our balance sheet to interest rates.** Our exposure to interest rates movements is mitigated by investing in fixed interest securities which closely match the interest rate sensitivity of our liabilities. Actions taken include close asset liability matching, reducing sales of products with guarantees (in particular in Italy and France), shifting our sales towards protection and unit-linked products.	Since the US election there has been a shift in sentiment on the limitations of loose monetary policy in favour of fiscal stimulus to support growth, resulting in a rebound in the record low long term interest rates experienced after the UK-EU referendum. While it remains likely UK and Eurozone interest rates will remain low for some time to come, there is a risk that a rapid increase in rates could result in a collapse in bond prices and widening spreads.
▲ **UK-EU relations (Brexit uncertainty)** – Following the referendum result there is considerable uncertainty over the UK's future relationship with the EU (including access to the single market), and economic growth and financial markets, as well as the status of our EU employees working in the UK and longer term implications for financial services regulation, including Solvency II. **Risks impacted:** Credit risk Market risks Operational risk	**Brexit does not have a significant operational impact.** We are actively engaged through the Association of British Insurers and directly with the UK Government to ensure the interests of our industry and stakeholders are appropriately taken into account. We are developing contingency plans to cover potential adverse operational outcomes for our business, in particular with regards to the loss of the ability for UK firms to passport business into the EU. Given our corporate structure, this is not a major risk. Our Financial Event Response Plan ensures that we will be able to respond swiftly and effectively to any severe adverse financial event.	We expect greater clarity to emerge once Article 50 is invoked. However, until negotiations are concluded there will remain considerable uncertainty over their outcome, and in particular whether any transitional arrangements will be in place when the UK exits the EU, which may adversely impact financial markets and economic growth.
◀▶ **People living longer** – Medical advances and healthier life styles contribute to an increase in life expectancy of our annuitants and thus future payments over their lifetime may be in excess of the amounts we currently expect. **Risks impacted:** Life insurance risk (longevity)	**We monitor our own experience carefully and analyse external population data to identify emerging trends.** Detailed analysis of the factors that influence mortality informs our pricing and reserving policies. We add qualitative medical expert inputs to our statistical analysis and analyse factors influencing mortality and trends in mortality by cause of death. Aviva's Staff Pension Scheme hedges its longevity risk covering approximately £5 billion of pensioner in payment liabilities. In 2016 we started to use longevity reinsurance for bulk purchase annuities and Aviva guaranteed annuity options. We continue to evaluate emerging reinsurance market solutions.	There is considerable uncertainty over the extent that improvements in life expectancy experienced over the last 40 years will continue into the future. Indeed, despite continued medical advances emerging lifestyle changes may begin to slow or even reverse this trend.
▲ **Climate change** – potentially resulting in higher than expected weather-related claims (including business continuity claims) and inaccurate pricing of general insurance risk, as well as adverse secondary impacts on economic growth and investment markets. **Risks impacted:** General insurance risk Credit risk Market risk	**We are actively engaged in public policy debate on the risks and impacts of climate change to our business and customers.** We use reinsurance to reduce the financial impact of catastrophic weather events. Our flood mapping analytics helps us identify properties most at risk and improve our risk selection. Our responsible investment strategy ensures climate change, as well as other environmental and social issues are integrated into our investment decisions. We actively seek to reduce our own direct carbon emissions (46% reduction since 2010) as well as indirect emissions through supplier agreements and as a criteria for supplier selection. For further information see pages 58-61.	Global average temperatures in 2016 were the hottest on record. Despite the UNFCCC Paris agreement, the current trend of increasing CO_2 emissions is expected to continue with global temperatures likely to exceed pre-industrial levels by at least 2°C and weather events (floods, droughts, windstorms) increasing in frequency and severity.

KEY TRENDS AND MOVEMENT	RISK MANAGEMENT	OUTLOOK
▲ **Impact of new technologies** – Failure to understand and react to the impact of new technology and its effect on customer behaviour and how we distribute products could potentially result in our business model becoming obsolete. While failure to keep pace with the use of data to price more accurately and to detect insurance fraud could lead to loss of competitive advantage and underwriting losses. **Risks impacted:** Operational risk (developing the right strategy)	▸ **Aviva's strategy is focused on transformation into a digital leader by taking a bold and enterprise-wide approach to digital and automation.** In July 2014, Aviva announced its strategic anchors and embarked on a digital strategy leveraging the building blocks of predictive analytics, automation and digital sales channels. We are currently integrating data analytics into our operations, enabling new means of underwriting, personalised customer propositions and operational efficiency. For further information on our digital strategy see pages 26-27 and 54-55.	▸ There is expected to be a five-fold growth in digital data between now and 2020. Big data is becoming a critical driver of competitive advantage for insurers. Artificial intelligence and robotic automation are likely to increasingly transform the efficiency of insurance operations such as underwriting and claims.
◀▶ **Changes in public policy** – Any change in public policy (government or regulatory) could influence the demand for, and profitability of, our products. In some markets there are (or could be in the future) restrictions and controls on premium rates, rating factors and charges. **Risks impacted:** Operational risk (developing the right strategy, regulatory compliance)	▸ **We actively engage with governments and regulators in the development of public policy and regulation.** We do this to understand how public policy may change and to help ensure better outcomes for our stakeholders, including customers. The Group's multi-channel distribution and product strategy and geographic diversification underpin the Group's adaptability to public policy risk, and often provides a hedge to the risk. For example, since the end of compulsory annuitisation in 2015 we have compensated for falling sales of individual annuities by increasing sales of other life and pension products including bulk purchase annuities.	▸ In the UK pressure on public finances may result in further erosion of tax relief for pension savings, while further restrictions on pension charges are also possible, as well as increases in Insurance Premium Tax, extension in Flood Re coverage and changes to the asset management industry following the FCA's review. Also, the Polish government is consulting on pension changes which will radically impact the pensions industry.
▲ **Cyber crime** – criminals may attempt to access our IT systems to steal or utilise company and customer data, or plant malware viruses, in order to access customer or company funds, and/or damage our reputation and brand. **Risks impacted:** Operational risk (fraud, business interruption)	▸ **We are not complacent.** We continue to invest significantly in IT Security, introducing additional automated controls to protect our data, detect and prevent cyber-attacks. In addition to implementing secure development practices we employ our own "white hat" hackers to regularly test our IT security defences. We undertake regular activities with our people to promote awareness of cyber and data security, including: employee phishing exercises, computer based training and more regular communications about specific threats as they are identified.	▸ In 2016 there were a number of high profile cyber security incidents for corporates in the UK and elsewhere, and we expect this to increase in 2017 as cyber criminals become ever more sophisticated and given the growing importance of digital automation in business strategy.
◀▶ **Changes in customer behaviour** – will impact how customers wish to interact with us and the product offering they expect from us, including the exercise of options embedded in contracts already sold by us. **Risks impacted:** Operational risk (developing the right strategy, regulatory compliance)	▸ **We listen to our customers to ensure we meet their needs.** For information on how we are mitigating this risk through execution of our strategy, focused on Digital First, see pages 26-27, and True Customer Composite, see pages 20-23, with further examples provided in the market review section on pages 38-53.	▸ We expect customers will be much more in control, expecting to self-service and self-solve. They will want to access data and insight and use it to guide their own decisions.

▲ Increased during 2016 ◀▶ Remained stable ▼ Decreased during 2016

This Strategic Report (up to page 71) was approved by the Board of Directors on 8 March 2017 and signed on its behalf by

Mark Wilson
Group Chief Executive Officer

Dear Shareholder

I am pleased to present this year's directors' and corporate governance report

EMBEDDING OUR VALUES

The Board is accountable for setting and leading our culture and, along with the Group Executive, for ensuring the correct tone from the top. Our culture is reflected in our values: Care More; Never Rest; Kill Complexity; and Create Legacy, and through certain initiatives and our remuneration structures, we ensure these guide the organisation and are reflected in our decision making.

One example is the launch of 'Good Decisions'. Comprising a toolkit and principles that help our colleagues use the values to make 'Good Decisions' in the course of their everyday work. The cultural shift achieved is measured bi-annually via metrics including customer satisfaction, risk and control metrics, and through questions within our annual Voice of Aviva survey. The initiative ensures our values are at the heart of all decisions that the Board and our colleagues make.

INTRODUCTION

The Board and I are pleased to report that Aviva has made considerable progress in the past three years as we have grown operating profit, increased cash remittances and strengthened the balance sheet. This performance has been delivered against a backdrop of significant political, market and regulatory change, in particular following the national election in America and the result of the European Union (EU) referendum. Change breeds uncertainty, and during this period, strong governance has supported the organisation in successfully anticipating and adapting to the more volatile environment.

CULTURE IN THE ORGANISATION

During the year I led the Board through a number of discussions on our culture and how it is manifested throughout the organisation. We engaged our management to develop a series of metrics through which the culture within Aviva could be measured. I believe that there is no single measure that can define an organisation's culture, but that a broad dashboard can provide the Board with a holistic view of the culture in our business. As we define these cultural metrics we can better understand the actions we, as a Board, can take to develop our culture to meet our strategic objectives.

REFRESHING THE BOARD

During the year Claudia Arney and Keith Williams joined the Board as Non-Executive Directors and Scott Wheway stepped down on 31 December 2016 after nine years' service on the Board. I would like to thank Scott for his significant contribution to the Group over this time. As we moved into 2017 we announced that Sir Malcolm Williamson and Bob Stein would not seek re-election at the 2017 Annual General Meeting (AGM) and that Glyn Barker will become Senior Independent Director. Following the announcement of the half year results in August 2017, it is intended that Glyn will step down as Chair of the Audit Committee (but remain as a member), with Keith Williams assuming this role, subject to regulatory approval.

EXECUTIVE SUCCESSION

The Board focused extensively on, and invested in, executive succession and contingency planning during the year, and further detail is contained in the Nomination Committee report.

CHALLENGES DURING 2016

During 2016 the Board and its committees of course faced some challenges, with the Governance Committee in particular examining the conduct implications

following the suspension of dealings in the Aviva Property Trust Funds. The Board also reviewed the steps taken following the breaches of the Financial Conduct Authority's Principles with regard to client money. This is an area we have invested in and will continue to monitor.

GOVERNANCE STRUCTURE

To drive forward our True Customer Composite strategy, we have combined the UK Insurance businesses[1] to provide a single interface to our UK customers. We have also appointed an Aviva plc non-executive director to the boards of Aviva Life Holdings UK Limited, Aviva Investors Holdings Limited and Aviva UK Digital Limited to strengthen the link between the Board and key operating companies.

GOVERNANCE

In November 2016, the Government issued a green paper on corporate governance highlighting greater stakeholder involvement at Board level, and on executive pay. The Board supports the drive for greater stakeholder engagement generally, and we have participated in the consultation process, and look forward to reviewing the resulting legislation.

DIRECT CREDIT OF DIVIDENDS FOR SHAREHOLDERS

In November 2016 we sent a newsletter to shareholders relating to the forthcoming change to our dividend payment procedures, specifically that we will cease to pay cash dividends by cheque from November 2017. Cash dividends will be paid by direct bank credit as the Board believes this directly aligns with our Digital First strategy, will increase the speed and security of payments, reduces printing and postage costs and will minimise the impact of Aviva's activities on the environment.

The Board recognise that a strong governance framework is fundamental to the execution of our strategic objectives, underpinned by a clear purpose and well understood culture and values, and this will remain a focus during 2017.

Sir Adrian Montague CBE
Chairman
8 March 2017

1 Subject to regulatory approval.

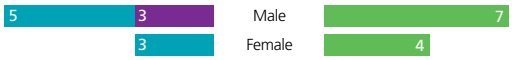
BOARD AND GROUP EXECUTIVE DIVERSITY

We believe in having a diverse leadership team with regard to experience, skills, tenure, age, geographical expertise, professional background and gender. The charts below illustrate the diversity of our Board and senior management following the Board changes effective as at the date of the Annual General Meeting (AGM), and are materially the same as at the date of this report.

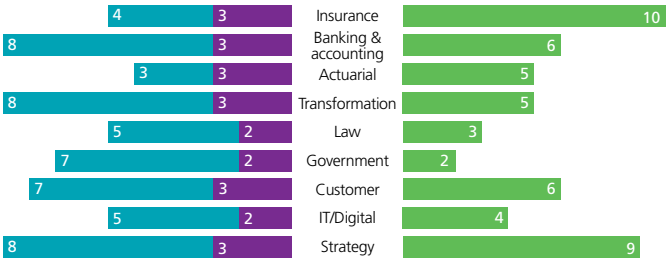
BOARD OF DIRECTORS ▼ ▼ GROUP EXECUTIVE

COMPOSITION

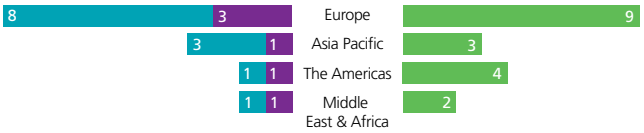
GENDER



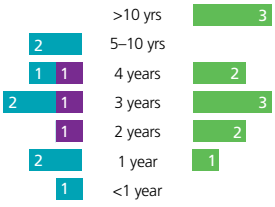
EXPERIENCE & SKILLS*



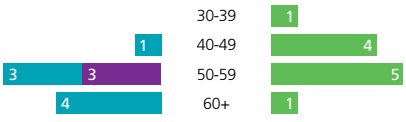
INTERNATIONAL EXPERIENCE*



TENURE



AGE



Executive Non-Executive Group Executive

*Individual Directors may fall into one or more categories

We continue to progress towards greater diversity on the Board and throughout the Company. The Board is supportive of the Lord Davies report and Hampton-Alexander review target for women to represent 33% of boards by 2020; at the date of this report women represent 23% of the Board membership and 36% of the Group Executive. Following the Board changes effective from the 2017 AGM, women will represent 27% of the Board membership. We actively support women advancing into senior roles, as evidenced by our participation in initiatives such as the Future Board Scheme and the 30% club.

Our Board of Directors bring a wealth of **industry experience**

Sir Adrian Montague, CBE

Position: Chairman

Nationality: British

Committee membership: Nomination Committee (Chair)

Tenure: 4 years 2 months. Appointed to the Board as a Non-Executive Director in January 2013, as Senior Independent Director in May 2013, and as Chairman in April 2015

Qualifications: MA, Law (Cambridge); Qualified Solicitor

Skills and Experience: Sir Adrian is an experienced chairman with extensive leadership skills and a wealth of knowledge of the financial services industry, government affairs and regulatory matters. His diverse skill-set and strategic awareness facilitate open discussion and challenge in the Boardroom.

Sir Adrian has led the Board in discussions on corporate culture and ethics and is an active advocate for these throughout the Group. He is also a champion for the Aviva Community Fund, creating legacy and supporting the communities in the markets in which Aviva operates.

External Appointments: Chairman of The Manchester Airports Group plc and The Point of Care Foundation and a non-executive director of Cellmark AB.

Mark Wilson

Position: Group Chief Executive Officer

Nationality: New Zealander

Committee Membership: N/A

Tenure: 4 years 3 months. Appointed to the Board in December 2012 and as Group Chief Executive Officer (CEO) in January 2013

Qualifications: MSc Management Studies (Waikato University)

Skills and Experience: Mark is an inspirational CEO with exceptional business acumen and he has extensive experience of leading major international insurance companies, in both mature and growth markets.

A dynamic leader and effective communicator, Mark has enabled the successful transfer and integration of the Friends Life companies and continues to develop the Company's strategy and embed its core values, whilst delivering strong financial performance.

Mark is a champion for sustainable business and is a key commentator on the role of business in society, particularly in creating sustainable, long-term investment. He is also an advocate of championing consumer interests, particularly in the motor insurance industry.

External Appointments: N/A

Tom Stoddard

Position: Chief Financial Officer

Nationality: American

Committee membership: N/A

Tenure: 2 years 11 months. Appointed to the Board and as Chief Financial Officer in April 2014

Qualifications: BA Economics (Swarthmore College); Juris Doctor (University of Chicago Law School)

Skills and Experience: Tom's financial expertise and strategic decision-making skills play a fundamental role in driving Aviva's strategy and he has continued to deliver Aviva's investment thesis of cash flow plus growth.

Tom has a strong track record of leading the finance function of Aviva including successfully steering the Group through the implementation of Solvency II.

Prior to joining Aviva, Tom worked primarily as an investment banker and has held senior positions in highly respected US firms, including Blackstone Advisory Partners LP, where he was responsible for successfully driving Blackstone's business advising banks, insurers and other financial institutions globally on mergers and acquisitions and financial restructuring.

External Appointments: N/A

Andy Briggs

Position: Chief Executive Officer, UK Insurance

Nationality: British

Committee membership: N/A

Tenure: 1 year 11 months. Appointed to the Board and as Executive Director in April 2015

Qualifications: Fellow of the Institute of Actuaries

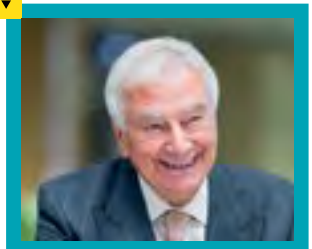
Skills and Experience: Andy became CEO UK Insurance[1] in 2017 and is responsible for all Aviva's insurance businesses in the UK, further strengthening Aviva's position in the UK market. His strategic insight and business transformation skills are supported by his extensive operational and executive experience gained over more than 25 years in the insurance industry.

Previously CEO of the Friends Life business, Andy's knowledge and experience of the UK Life sector is invaluable to the Board.

Additionally, his position as chairman of the Association of British Insurers (ABI) gives him a unique perspective of the UK insurance and regulatory environment.

External Appointments: Chairman of the ABI and on the Board of Trustees of the NSPCC. Andy is also the Government's Business Champion for Older Workers.

1 Subject to regulatory approval.



Sir Malcolm Williamson

Position: Senior Independent Non-Executive Director

Nationality: British

Committee membership: Audit Committee, Governance Committee, Nomination Committee, Remuneration Committee

Tenure: 1 year 11 months. Appointed to the Board and as Senior Independent Director in April 2015

Qualifications: Fellow of the Institute of Bankers

Skills and Experience: Sir Malcolm brings over 50 years' leadership experience in the insurance and banking sectors and an in-depth knowledge of the UK life insurance market to the Board. His comprehensive understanding of the regulated financial services environment and thought leadership facilitates constructive challenge in the Boardroom and assists him with his duties in his role as a non-executive director.

Sir Malcolm has been vital in overseeing the successful integration of the Friends Life business, having previously been Chairman of the Friends Life Board.

External Appointments: Chairman of Cass Business School's Strategy and Development Board, the Board of Trustees of Youth Business International Limited, the Governing Council of the Centre for the Study of Financial Innovation and NewDay Group Limited.

Claudia Arney

Position: Independent Non-Executive Director

Nationality: British

Committee membership: Governance Committee (Chair), Nomination Committee, Remuneration Committee, Risk Committee

Tenure: 1 year 1 month. Appointed to the Board in February 2016

Qualifications: MBA (INSEAD)

Skills and Experience: Claudia brings a broad range of skills to the Board, notably, extensive expertise of building digital businesses, strategy formulation, business transformation and customer strategy. Additionally, as Chair of the Governance Committee, Claudia brings challenge and a fresh perspective to customer, conduct and governance issues.

She has considerable experience, both executive and non-executive, across a number of sectors including financial services, publishing, digital and government.

In her executive career, Claudia was group managing director of Emap and was responsible for transforming the predominantly print trade publishing business into a digital data and information business. This experience positions her well in her role as a non-executive director of Aviva's UK Digital business.

External Appointments: Non-executive director of Derwent London plc, Halfords Group plc and the Premier League.

Glyn Barker

Position: Independent Non-Executive Director

Nationality: British

Committee membership: Audit Committee (Chair), Nomination Committee, Risk Committee

Tenure: 5 years 1 month. Appointed to the Board in February 2012

Qualifications: Fellow of the Institute of Chartered Accountants of England and Wales; BSc Economics and Accounting (Bristol)

Skills and Experience: Glyn possesses a deep understanding of accounting and regulatory issues together with in-depth transactional and financial services knowledge. He has extensive experience as a business leader and as a trusted adviser to FTSE 100 companies and their boards on a wide variety of corporate and finance issues. Glyn has extensive knowledge of the Aviva Group which gives him a balanced understanding of the issues and concerns of shareholders, allowing him to support the Chairman and the Board in instilling the appropriate culture, values and behaviours in the Boardroom.

Formerly, Glyn was vice chairman of PricewaterhouseCoopers LLP (PwC) with responsibility for leading the strategy and business development for Europe, the Middle East, Africa and India region.

External Appointments: Chairman of Irwin Mitchell, and Interserve plc, and a non-executive director of Berkeley Group Holdings plc and Transocean Limited.

Patricia Cross

Position: Independent Non-Executive Director

Nationality: Australian

Committee membership: Remuneration Committee (Chair), Audit Committee, Nomination Committee

Tenure: 3 years 3 months. Appointed to the Board in December 2013

Qualifications: BSc (Hons), International Economics (Georgetown University)

Skills and Experience: Patricia has diverse international expertise, gained from more than 30 years of executive and non-executive experience in financial services, other regulated industries and government in the United States, Europe and Australia.

She brings strategic financial capability, and a deep knowledge of international capital markets and financial risk management to the Board.

Patricia is also a recipient of the Australian Centenary Medal for service to Australian society through the finance industry.

External Appointments: Chairman of the Commonwealth Superannuation Corporation, a non-executive director of Macquarie Group Limited and Macquarie Bank Limited. She is an ambassador for the Australian Indigenous Education Foundation.

Executive
Non-Executive

Michael Hawker, AM

Position: Independent Non-Executive Director

Nationality: Australian

Committee membership: Risk Committee (Chair), Audit Committee, Nomination Committee

Tenure: 7 years 2 months. Appointed to the Board in January 2010

Qualifications: Fellow of the Financial Services Institute of Australia

Skills and Experience: Michael brings to the Board his comprehensive knowledge and experience of the financial services industry, broad strategic insight and a deep knowledge of the Company and its businesses. He brings continuity to the Board and his experience at Aviva makes him well placed in determining the nature and extent of the potential risks in achieving the Company's strategic objectives.

Michael's long career and leadership positions in the banking and insurance industries, in both executive and non-executive roles across Europe, Asia and Australia, enable his constructive challenge to discussion in the Boardroom and also in maintaining sound risk management and internal controls.

External Appointments: Non-executive director of Macquarie Group Ltd, Macquarie Bank Ltd, Washington H Soul Pattinson Pty and Company Ltd (investment) and Rugby World Cup Limited. Michael is also chairman of The George Institute for Global Health.

Michael Mire

Position: Independent Non-Executive Director

Nationality: British

Committee membership: Governance Committee, Nomination Committee, Remuneration Committee, Risk Committee

Tenure: 3 years 6 months. Appointed to the Board in September 2013

Qualifications: MBA, (Harvard)

Skills and Experience: Michael has a detailed understanding of the financial services sector and extensive experience of advising companies on, and in implementing transformation programmes.

Formerly a senior partner at McKinsey & Company, where he focused on the strategies for retail and financial services companies, and having gained governmental experience at the Central Policy Review Staff (now the Number 10 Policy Unit), Michael brings a unique perspective and insight to the Board.

External Appointments: Chairman of the Land Registry and senior independent director at the Care Quality Commission.

Belén Romana García

Position: Independent Non-Executive Director

Nationality: Spanish

Committee membership: Governance Committee, Nomination Committee, Risk Committee

Tenure: 1 year 8 months. Appointed to the Board in June 2015

Qualifications: BSc, Business and Economics (Universidad Autonomo de Madrid)

Skills and Experience: Belén has a wealth of government and regulatory experience and possesses a detailed knowledge of the financial services industry, particularly, insurance and European regulation, which is valuable in the Board's decision-making process.

In addition to her non-executive director experience in financial services and other regulated industries, as a former Spanish civil servant, Belén has held senior positions at the Spanish Treasury and represented the Spanish Government at the Organisation for Economic Co-operation and Development and serves on various EU Committees.

External Appointments: Independent non-executive director of Banco Santander.

Bob Stein

Position: Independent Non-Executive Director

Nationality: American

Committee membership: Audit Committee, Nomination Committee, Remuneration Committee, Risk Committee

Tenure: 4 years 2 months. Appointed to the Board in January 2013

Qualifications: Certified Public Accountant, Fellow of the Society of Actuaries and a member of the American Institute of Certified Accountants and the American Academy of Actuaries

Skills and Experience: Bob has a deep knowledge of accounting and actuarial practices, and the insurance and broader financial services sector.

His background as a former global managing partner for actuarial services at Ernst & Young and in the various leadership roles he held in the firm's actuarial and insurance practice allow him to effectively challenge and determine the risks facing the Group and the successful execution of its strategy. He brings to the Board a deep and broad knowledge of the global life insurance industry and of dealing with regulators internationally.

External Appointments: Non-executive director of Assurant, Inc. (US speciality insurance), director of Resolution Life Holdings, Inc. and a trustee emeritus of the Board of Trustees of the US Actuarial Foundation.

Non-Executive
Group General Counsel and Company Secretary

Scott Wheway retired from the Board as at 31 December 2016.

Keith Williams

Position: Independent Non-Executive Director

Nationality: British

Committee membership: Audit Committee, Governance Committee, Nomination Committee

Tenure: 7 months. Appointed to the Board in August 2016

Qualifications: Associate member of the Institute of Chartered Accountants

Skills and Experience: Keith has extensive financial experience including a detailed knowledge of business planning, capital projects and project finance gained in a number of industries and over 10 years of executive experience as chief financial officer at British Airways Plc.

Keith also brings to the Board his broad experience of leading transformation and implementing technology, particularly through his role as chairman of British Airways where he transformed the company into a customer focused organisation.

His previous roles provide him with an understanding of the challenges and opportunities faced by an international business with a multi-channel distribution strategy.

External appointments: Non-executive deputy chairman of John Lewis and member of the Audit Committee of the British Museum.

Kirstine Cooper

Position: Group General Counsel and Company Secretary

Nationality: British

Committee membership: N/A

Tenure: 6 years 3 months. Appointed as Company Secretary in December 2010

Qualifications: Bachelor of laws degree (Glasgow) and qualified solicitor. Graduate of the general manager programme (INSEAD)

Skills and Experience: Kirstine has over 25 years of experience at Aviva and is an experienced and trusted adviser to the Board. Previously Kirstine was the Deputy Group Company Secretary and Legal Counsel and her experience as a lawyer together with the various senior management roles she has held within Aviva make her well qualified to advise the Board on governance issues and the regulatory agenda.

She has significant experience of managing legal risk in connection with corporate acquisitions and disposals, partnerships, joint ventures and agency relations, financial transactions and litigation.

Kirstine established the legal and secretarial function as a global team and is responsible for the provision of legal services to the Group, legal risk management, regulatory compliance, public policy and corporate responsibility.

External appointments: Trustee of the Royal Opera House and Commissioner on the Cabinet Office's Dormant Assets Commission.

OUR GROUP EXECUTIVES

Mark Wilson
Group Chief Executive Officer

Tom Stoddard
Chief Financial Officer

Andy Briggs
Chief Executive Officer, UK Insurance

Kirstine Cooper
Group General Counsel and Company Secretary

Nick Amin
Group Chief Operations and IT Officer

Angela Darlington
Group Chief Risk Officer

Sarah Morris
Chief People Officer

Euan Munro
Chief Executive Officer, Aviva Investors

Monique Shivanandan
Group Chief Technologist and Chief Information Officer

Maurice Tulloch
Chief Executive Officer, International Insurance

Chris Wei
Executive Chairman, Asia & FPI and Global Chairman, Aviva Digital

For a more detailed biography of each of our Group Executive please go to: www.aviva.com/ge/

EXTRACT OF DIRECTORS' REMUNERATION REPORT

This section of the Strategic report shows a summary of the pay received by executive and non-executive directors in respect of 2016. For full details on both our proposed remuneration policy and our application of the current remuneration policy during 2016 please refer to the full Directors' Remuneration Report (DRR) section of the Annual Report and Accounts. The DRR also contains a detailed letter from the Chairman of the Remuneration Committee, Patricia Cross.

Single total figures of remuneration for 2016 – Executive Directors (EDs) and Non-Executive Directors (NEDs)

The table below sets out in the required form the total 2016 remuneration for each of our Directors who served with the Company during 2016.

TOTAL 2016 REMUNERATION – EXECUTIVE DIRECTORS AND NON-EXECUTIVE DIRECTORS (AUDITED INFORMATION)

	Basic salary[1]/Fees		Benefits[2]		Annual bonus[3]		LTIP[4]		Buyout Award – CFO Award 2014		Pension[5]		Total	
	2016 £000	2015 £000	**2016 £000**	2015 £000	**2016 £000**	2015 £000	**2016 £000**	2015 £000	**2016 £000**	2015 £000	**2016 £000**	2015 £000	**2016 £000**	2015[6] £000
Executive Directors														
Mark Wilson	**1,002**	980	**99**	65	**1,837**	1,783	**1,133**	2,330	—	—	**281**	280	**4,352**	5,438
Thomas Stoddard	**690**	675	**73**	152	**939**	877	**585**	—	—	1,000	**193**	185	**2,480**	2,889
Andrew Briggs[7]	**707**	466	**51**	30	**926**	673	—	—	—	—	**198**	139	**1,882**	1,308
Total emoluments of EDs	**2,399**	2,121	**223**	247	**3,702**	3,333	**1,718**	2,330	—	1,000	**672**	604	**8,714**	9,635
Chairman														
Sir Adrian Montague	**550**	417	**77**	64	—	—	—	—	—	—	—	—	**627**	481
Non-Executive Directors														
Claudia Arney[8]	**84**	—	**2**	—	—	—	—	—	—	—	—	—	**86**	—
Glyn Barker	**137**	138	**3**	2	—	—	—	—	—	—	—	—	**140**	140
Patricia Cross	**127**	128	**2**	—	—	—	—	—	—	—	—	—	**129**	128
Belén Romana García	**105**	54	**11**	—	—	—	—	—	—	—	—	—	**116**	54
Michael Hawker	**138**	138	—	—	—	—	—	—	—	—	—	—	**138**	138
Michael Mire	**117**	113	**2**	—	—	—	—	—	—	—	—	—	**119**	113
Bob Stein	**120**	114	**16**	—	—	—	—	—	—	—	—	—	**136**	114
Keith Williams[8]	**44**	—	**1**	—	—	—	—	—	—	—	—	—	**45**	—
Sir Malcolm Williamson	**152**	101	**7**	7	—	—	—	—	—	—	—	—	**159**	108
Former NEDs														
Scott Wheway[9]	**128**	128	—	—	—	—	—	—	—	—	—	—	**128**	128
Total emoluments of NEDs[10]	**1,702**	1,331	**121**	73	—	—	—	—	—	—	—	—	**1,823**	1,404
Total emoluments of all Directors	**4,101**	3,452	**344**	320	**3,702**	3,333	**1,718**	2,330	—	1,000	**672**	604	**10,537**	11,039

Notes

1 Basic salary received during 2016.

2 The benefits disclosure includes the cost, where relevant, of private medical insurance, life insurance, accommodation, travel and car benefits. In the case of Mark and Andy this also includes benefits resulting from the UK HMRC tax-advantaged Save As You Earn (SAYE) plan, and for Andy the UK HMRC tax advantaged (share incentive plan) All Employee Share Ownership Plan (AESOP), in which they participate on the same basis as all eligible employees. All numbers disclosed include the tax charged on the benefits, where applicable. The year on year increase in the value of Mark's benefits results mainly from higher death in service (life insurance) costs, and a change during 2015 in the administration of Aviva's shared car service for senior executives. The actual car service arrangements provided to Mark were unchanged in 2015 and 2016. For Tom, his 2015 benefits included expenditure in terms of his relocation from the US to the UK, which were not incurred in 2016. In the case of NEDs, benefits include the gross taxable value of expenses relating to accommodation, travel and other expenses incurred on Company business in accordance with our expense policy and may vary year-on-year dependent on the time required to be spent in the UK.

3 Bonus payable in respect of the financial year including any deferred element at face value at date of award.

4 The value of the LTIP for 2016 relates to the 2014 award, which had a three-year performance period ending 31 December 2016. 41.3% of the award will vest in April 2017. An assumed share price of 456.27 pence has been used to determine the value of the award based on the average share price over the final quarter of the 2016 financial year. The LTIP amounts shown in last year's report in respect of the LTIPs awarded in 2013 were also calculated with an assumed share price of 491.68 pence. The actual share price at vesting was 447.01 pence, leading to a decrease in value. Estimated value £2,562,000; actual value £2,330,000 (decrease of £232,000).

5 Pension contributions consist of employer contributions into the defined contribution section of the Aviva Staff Pension Scheme, excluding salary exchange contributions made by the employees, plus payments in lieu of pension above the lifetime or annual allowance caps. From 1 May 2015, EDs are eligible to participate in a defi ned contribution plan and receive pension contributions or a cash pension allowance from the Company of 28% of basic salary. The cash pension allowance is payable where the annual or lifetime limits have been reached.

6 The prior year total has been recalculated to show the directors that continued in offi ce during all or part of the current year and excludes remuneration of directors that left in the prior year.

7 For Andy, his 2015 values only relate to his services to Aviva from 29 April 2015, whereas 2016 represents a full year.

8 Claudia Arney was appointed to the Board on 8 February 2016 and Keith Williams was appointed to the Board on 1 August 2016.

9 Scott Wheway acts as non-executive chairman to Aviva Insurance Limited and was appointed on 13 April 2015. The emoluments he received in respect of this directorship for the 2016 financial year was £105,000.

10 The total amount paid in fees to NEDs in 2016 was £1,702,000 which is within the limits set in the Company's articles of association, which have previously been approved by shareholders.

We have examined the supplementary financial information included within the Strategic Report for the year ended 31 December 2016, which comprises the Consolidated income statement, the Consolidated statement of comprehensive income, the Reconciliation of Group operating profit to profit for the year then ended, the Consolidated statement of financial position and related notes, and the auditable part of the Directors' Remuneration Report.

RESPECTIVE RESPONSIBILITIES OF THE DIRECTORS AND THE AUDITORS

The directors are responsible for preparing the Strategic Report, in accordance with the Companies Act 2006, which includes information extracted from the full annual financial statements and the auditable part of the Directors' Remuneration Report of Aviva plc for the year ended 31 December 2016.

Our responsibility is to report to you our opinion on the consistency of the summary financial information, included within the Strategic Report with those full annual financial statements and the auditable part of the Directors' Remuneration Report.

This statement, including the opinion, has been prepared for and only for the Company's members as a body and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this statement is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

BASIS OF OPINION

Our examination involved agreeing the balances disclosed in the summary financial information to full annual financial statements. Our audit report on the company's full annual financial statements and the auditable part of the Directors' Remuneration Report describes the basis of our opinion on those financial statements and the auditable part of that report.

OPINION

In our opinion the supplementary financial information is consistent with the full annual financial statements and the auditable part of the Directors' Remuneration Report of Aviva plc for the year ended 31 December 2016.

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
8 March 2017

1 The maintenance and integrity of the Aviva plc website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly the auditors accept no responsibility for any changes that may have occurred to the full annual financial statements or the supplementary financial information since they were initially presented on the website.
2 Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The auditors' report in the annual report and accounts for the year ended 31 December 2016 was unqualified and does not contain any statement under section 498(2) (accounting records or returns inadequate or accounts or directors' remuneration report not agreeing with records or returns) or section 498(3) (failure to obtain necessary information and explanations) of the Companies Act 2006 and the auditors' statement in that annual report and accounts under section 496 (whether strategic report and directors' report is consistent with accounts) of that Act was unqualified.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2016

	2016 £m	Restated[1] 2015 £m
Income		
Gross written premiums	**25,442**	21,925
Premiums ceded to reinsurers	**(2,364)**	(2,890)
Premiums written net of reinsurance	**23,078**	19,035
Net change in provision for unearned premiums	**(210)**	(111)
Net earned premiums	**22,868**	18,924
Fee and commission income	**1,962**	1,797
Net investment income	**30,257**	2,825
Share of profit after tax of joint ventures and associates	**216**	180
(Loss)/profit on the disposal and remeasurement of subsidiaries, joint ventures and associates	**(11)**	2
	55,292	23,728
Expenses		
Claims and benefits paid, net of recoveries from reinsurers	**(23,782)**	(21,985)
Change in insurance liabilities, net of reinsurance	**(6,893)**	6,681
Change in investment contract provisions	**(14,039)**	(1,487)
Change in unallocated divisible surplus	**(381)**	984
Fee and commission expense	**(3,885)**	(3,324)
Other expenses	**(3,853)**	(2,784)
Finance costs	**(626)**	(618)
	(53,459)	(22,533)
Profit before tax	**1,833**	1,195
Tax attributable to policyholders' returns	**(640)**	218
Profit before tax attributable to shareholders' profits	**1,193**	1,413
Tax expense	**(974)**	(98)
Less: tax attributable to policyholders' returns	**640**	(218)
Tax attributable to shareholders' profits	**(334)**	(316)
Profit for the year	**859**	1,097
Attributable to:		
Equity holders of Aviva plc	**703**	936
Non-controlling interests	**156**	161
Profit for the year	**859**	1,097
Earnings per share		
Basic (pence per share)	**15.3p**	23.1p
Diluted (pence per share)	**15.1p**	22.8p

1 Following a correction to accounting and modelling for annual management charge rebates in UK Life, prior year comparatives have been restated. This has led to an increase in operating profit and profit before tax of £23 million for 2015 and an increase in opening retained earnings for 2015 of £20 million with an increase in equity at 31 December 2015 of £38 million. See note 1 for further details.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2016

	2016 £m	Restated[1] 2015 £m
Profit for the year	**859**	1,097
Other comprehensive income:		
Items that may be reclassified subsequently to income statement		
Investments classified as available for sale		
Fair value gains/(losses)	**12**	(9)
Fair value losses transferred to profit on disposals	**(2)**	—
Share of other comprehensive income of joint ventures and associates	**(6)**	(14)
Foreign exchange rate movements	**1,128**	(378)
Aggregate tax effect – shareholder tax on items that may be reclassified subsequently to income statement	**(34)**	13
Items that will not be reclassified to income statement		
Owner-occupied properties – fair value gains	**4**	27
Remeasurements of pension schemes	**311**	(235)
Aggregate tax effect – shareholder tax on items that will not be reclassified subsequently to income statement	**(70)**	93
Total other comprehensive income, net of tax	**1,343**	(503)
Total comprehensive income for the year	**2,202**	594
Attributable to:		
Equity holders of Aviva plc	**1,901**	478
Non-controlling interests	**301**	116
	2,202	594

1 Following a correction to accounting and modelling for annual management charge rebates in UK Life, prior year comparatives have been restated. This has led to an increase in operating profit and profit before tax of £23 million for 2015 and an increase in opening retained earnings for 2015 of £20 million with an increase in equity at 31 December 2015 of £38 million. See note 1 for further details.

RECONCILIATION OF GROUP OPERATING PROFIT TO PROFIT FOR THE YEAR

For the year ended 31 December 2016

	2016 £m	Restated[1] 2015 £m
Operating profit before tax attributable to shareholders' profits		
Life business	**2,642**	2,442
General insurance and health	**833**	765
Fund management	**138**	106
Other:		
Other operations	**(94)**	(84)
Corporate centre	**(184)**	(180)
Group debt costs and other interest	**(325)**	(361)
Operating profit before tax attributable to shareholders' profits	**3,010**	2,688
Integration and restructuring costs	**(212)**	(379)
Operating profit before tax attributable to shareholders' profits after integration and restructuring costs	**2,798**	2,309
Adjusted for the following:		
Investment return variances and economic assumption changes on long-term business	**379**	14
Short-term fluctuation in return on investments on non-long-term business	**(518)**	(84)
Economic assumption changes on general insurance and health business	**(242)**	(100)
Impairment of goodwill, associates and joint ventures and other amounts expensed	**—**	(22)
Amortisation and impairment of intangibles	**(175)**	(155)
Amortisation and impairment of acquired value of in-force business	**(540)**	(498)
(Loss)/Profit on the disposal and remeasurement of subsidiaries, joint ventures and associates	**(11)**	2
Other[2]	**(498)**	(53)
Non-operating items before tax	**(1,605)**	(896)
Profit before tax attributable to shareholders' profits	**1,193**	1,413
Tax on operating profit	**(706)**	(603)
Tax on other activities	**372**	287
	(334)	(316)
Profit for the year	**859**	1,097

1 Following a correction to accounting and modelling for annual management charge rebates in UK Life, prior year comparatives have been restated. This has led to an increase in operating profit and profit before tax of £23 million for 2015 and an increase in opening retained earnings for 2015 of £20 million with an increase in equity at 31 December 2015 of £38 million. See note 1 for further details.

2 Other items include an exceptional charge of £475 million *(2015: £nil)* relating to the impact of the change in the Ogden discount rate from 2.5% set in 2001 to minus 0.75% announced by the Lord Chancellor on 27 February 2017. Other items also include a charge of £23 million *(2015: £53 million charge)*, which represents the recognition of the loss upon the completion of an outwards reinsurance contract, written in 2015 by the UK General Insurance business, which provides significant protection against claims volatility from mesothelioma, industrial deafness and other long tail risks. The £23 million loss comprises £107 million in premiums ceded, less £78 million in reinsurance recoverables recognised and £6 million claims handling provisions released *(2015: £53 million charge comprises £712 million in premiums ceded, less £659 million reinsurance recoverables recognised)*.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2016

	2016 £m	Restated[1] 2015 £m
Assets		
Goodwill	**2,045**	1,955
Acquired value of in-force business and intangible assets	**5,468**	5,731
Interests in, and loans to, joint ventures	**1,604**	1,590
Interests in, and loans to, associates	**481**	329
Property and equipment	**487**	449
Investment property	**10,768**	11,301
Loans	**24,784**	22,433
Financial investments	**299,835**	274,217
Reinsurance assets	**26,343**	20,918
Deferred tax assets	**180**	131
Current tax assets	**119**	114
Receivables	**7,794**	6,875
Deferred acquisition costs and other assets	**5,893**	5,018
Prepayments and accrued income	**2,882**	3,094
Cash and cash equivalents	**38,708**	33,676
Assets of operations classified as held for sale	**13,028**	—
Total assets	**440,419**	387,831
Equity		
Capital		
Ordinary share capital	**1,015**	1,012
Preference share capital	**200**	200
	1,215	1,212
Capital reserves		
Share premium	**1,197**	1,185
Merger reserve	**8,974**	8,974
	10,171	10,159
Treasury shares	**(15)**	(29)
Other reserves	**797**	(114)
Retained earnings	**4,835**	4,774
Equity attributable to shareholders of Aviva plc	**17,003**	16,002
Direct capital instrument and tier 1 notes	**1,123**	1,123
Equity excluding non-controlling interests	**18,126**	17,125
Non-controlling interests	**1,425**	1,145
Total equity	**19,551**	18,270
Liabilities		
Gross insurance liabilities	**151,183**	140,556
Gross liabilities for investment contracts	**197,095**	181,082
Unallocated divisible surplus	**9,349**	8,811
Net asset value attributable to unitholders	**15,638**	11,415
Provisions	**1,510**	1,416
Deferred tax liabilities	**2,413**	2,084
Current tax liabilities	**421**	177
Borrowings	**10,295**	8,770
Payables and other financial liabilities	**17,751**	12,448
Other liabilities	**2,719**	2,802
Liabilities of operations classified as held for sale	**12,494**	—
Total liabilities	**420,868**	369,561
Total equity and liabilities	**440,419**	387,831

1 Following a correction to accounting and modelling for annual management charge rebates in UK Life, prior year comparatives have been restated. This has led to an increase in operating profit and profit before tax of £23 million for 2015 and an increase in opening retained earnings for 2015 of £20 million with an increase in equity at 31 December 2015 of £38 million. See note 1 for further details.

Approved by the Board on 8 March 2017

Thomas D. Stoddard
Chief Financial Officer

This strategic report with supplementary material is only an extract from the company's annual report and accounts. It does not contain sufficient information to allow as full an understanding of the results and state of affairs of the Group as would be provided by the full annual report and accounts. A copy of the full accounts can be obtained free of charge as detailed in the Shareholder services section.

Company number: 2468686

1 – BASIS OF PREPARATION

This strategic report comprises the strategic report included in the full annual report and accounts, and supplementary financial information.

The Summary Consolidated Financial Statements included in this strategic report with supplementary material, have been extracted from the Consolidated Financial Statements of Aviva plc ("the Company") and its subsidiaries (collectively known as "Aviva").

This is a summary of information in the consolidated financial statements set out in the Aviva plc annual report and accounts 2016. It does not contain sufficient information to allow as full an understanding of the results and state of affairs of the Group as would be provided by the annual report and accounts 2016.

The consolidated financial statements and those of Aviva plc have been prepared and approved by the directors in accordance with International Accounting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and as endorsed by the European Union (EU) and those parts of the Companies Act 2006 applicable to those reporting under IFRS.

Included in the Summary Consolidated Financial Statements, is the Reconciliation of Group operating profit to profit/(loss) for the year. For management's decision making and internal performance management, the Group focuses on a non-GAAP operating profit measure that incorporates an expected return on investments supporting its long-term and non-long-term businesses. Short-term realised and unrealised gains and losses are treated as non-operating items. Other items are those items that, in the Directors' view, are required to be separately disclosed by virtue of their nature or incidence to enable a full understanding of the Group's financial performance.

During the year, UK Life reviewed its accounting and modelling for annual management charge rebates relating to unit-linked investment contracts. It was concluded that an associated liability should be released partly offset by a reduction in deferred acquisition costs in accordance with IFRS. The impact has been presented as a prior period adjustment and the comparatives have been restated as shown below.

▼ PRIOR PERIOD ADJUSTMENTS

	2015		
	As reported £m	Effect of prior period adjustments £m	Restated £m
Operating profit before tax attributable to shareholders' profits	2,665	23	2,688
Total expenses	(22,556)	23	(22,533)
Effect analysed as:			
Fee and commission expense	(3,347)	23	(3,324)
Profit before tax	1,172	23	1,195
Tax expense	(93)	(5)	(98)
Profit for the period	1,079	18	1,097
Profit attributable to equity holders of Aviva plc	918	18	936
Operating earnings per share			
Basic (pence per share)	49.2p	0.5p	49.7p
Diluted (pence per share)	48.7p	0.5p	49.2p
Earnings per share			
Basic (pence per share)	22.6p	0.5p	23.1p
Diluted (pence per share)	22.3p	0.5p	22.8p

	31 December 2015		
	As reported £m	Effect of prior period adjustments £m	Restated £m
Total assets	387,874	(43)	387,831
Effect analysed as:			
Deferred acquisition costs and other assets	5,061	(43)	5,018
Total liabilities	369,642	(81)	369,561
Effect analysed as:			
Gross liabilities for investment contracts	181,173	(91)	181,082
Deferred tax liabilities	2,074	10	2,084

	31 December 2015		
	As reported £m	Effect of prior period adjustments £m	Restated £m
Total equity			
Balance at 1 January	12,276	20	12,296
Total comprehensive income for the period	576	18	594
Other equity movements	5,380	–	5,380
Balance at 31 December	18,232	38	18,270

2 – DIVIDENDS AND APPROPRIATIONS

This note analyses the total dividends and other appropriations we paid during the year. The table below does not include the final dividend proposed after the year end because it is not accrued in these financial statements.

DIVIDENDS AND APPROPRIATIONS

	2016 £m	2015 £m
Ordinary dividends declared and charged to equity in the year		
Final 2015 – 14.05 pence per share, paid on 17 May 2016	**570**	—
Final 2014 – 12.25 pence per share, paid on 15 May 2015	—	362
Interim 2016 – 7.42 pence per share, paid on 17 November 2016	**301**	—
Interim 2015 – 6.75 pence per share, paid on 17 November 2015	—	273
	871	635
Preference dividends declared and charged to equity in the year	**17**	17
Coupon payments on direct capital instrument and tier 1 notes	**85**	72
	973	724

Subsequent to 31 December 2016, the directors proposed a final dividend for 2016 of 15.88 pence per ordinary share *(2015: 14.05 pence)*, amounting to £645 million *(2015: £570 million)* in total. Subject to approval by shareholders at the AGM, the dividend will be paid on 17 May 2017 and will be accounted for as an appropriation of retained earnings in the year ending 31 December 2017.

Interest on the direct capital instrument and tier 1 notes is treated as an appropriation of retained profits and, accordingly, is accounted for when paid. Tax relief is obtained at a rate of 20.00% *(2015: 20.25%)*.

GLOSSARY

PRODUCT DEFINITIONS

Annuity
A type of policy that pays out regular amounts, either immediately and for the remainder of a person's lifetime, or deferred to commence from a future date. Immediate annuities may be purchased for an individual and his or her dependants or on a bulk purchase basis for groups of people. Deferred annuities are accumulation contracts, which may be used to provide benefits in retirement and may be funded by a policyholder by payment of a series of contributions or by a capital sum. Annuities may be guaranteed, unit-linked or index-linked.

Critical illness cover
Pays out a lump sum if the insured person is diagnosed with a serious illness that is specified within the insurance policy.

Equity Release
Equity release mortgages allow a homeowner to receive a lump sum in return for a mortgage secured on their house. No interest is payable on the loan; instead, interest is rolled-up on the loan and the loan and accrued interest are repayable at redemption (upon death or moving into long-term care).

General insurance
Also known as non-life or property and casualty insurance. Property insurance covers loss or damage through fire, theft, flood, storms and other specified risks. Casualty insurance primarily covers losses arising from accidents that cause injury to other people or damage to the property of others.

Health insurance
Provides cover against loss from illness or bodily injury. It can pay for medicine, visits to the doctor, hospital stays, other medical expenses and loss of earnings, depending on the conditions covered and the benefits and choices of treatment available on the policy.

Pension
A means of providing income in retirement for an individual and possibly his/her dependants.

Protection
An insurance contract that protects the policyholder or his/her dependants against financial loss on death or ill-health.

GENERAL TERMS

Alternative performance measures
Alternative performance measures ('APMs') are non-GAAP measures used by the Aviva Group within its financial publications to supplement disclosures prepared in accordance with other regulations such as International Financial Reporting Standards (IFRS) and Solvency II to enhance the understanding of the financial performance.

The APMs should be viewed as complementary to, rather than a substitute for, the figures determined according to other regulatory measures.

The Group's APMs have been referenced within the Strategic Report using the following symbol '‡'.

The Group's most recent financial publications are available online at http://www.aviva.com/investor-relations/ which includes the Aviva plc annual report and accounts and the Aviva plc 2016 Preliminary Results Announcement. For further details on useful links for shareholders, please refer to the 'Shareholder services' section.

Acquired value of in force (AVIF)
The present value of future profits on a portfolio of long-term insurance and investment contracts, acquired either directly or through the purchase of, or investment in, a business.

Assets under management‡
Assets under management represents all assets managed or administered by or on behalf of the Group, including those assets managed by third parties. Assets under management include managed assets that are included within the Group's statement of financial position and those assets belonging to external clients outside the Aviva Group which are therefore not included in the Group's statement of financial position.

Association of British Insurers (ABI)
A major trade association for UK insurance companies, established in July 1985.

Available for sale (AFS)
Securities that have been acquired neither for short-term sale nor to be held to maturity and are not classified as other than trading. These are shown at fair value on the statement of financial position and changes in value are taken straight to equity instead of the income statement.

Bancassurance/Affinity
An arrangement whereby banks and building societies sell insurance and investment products to their customers on behalf of other financial providers.

Big data
Large volumes of data which are a valuable source of information used to identify customer behaviours.

Cash remittances‡
Amounts paid by our operating businesses to the Group, comprising dividends and interest on internal loans. These amounts eliminate on consolidation and are hence not directly reconcilable to the Group's IFRS consolidated statement of cash flows within the primary statements of the Aviva plc annual report and accounts.

Combined operating ratio (COR)‡
A financial measurement of general insurance underwriting profitability calculated as incurred claims expressed as a percentage of net earned premiums, plus written commissions and written expenses expressed as a percentage of net written premiums. A COR below 100% indicates profitable underwriting.

The components used to calculate COR for the Group are detailed in note 7.ii – General insurance and health, within the Aviva plc 2016 Preliminary Results Announcement.

Cost of non-hedgeable risks (CNHR)
This is the cost of undertaking those risks for which a deep and liquid market in which to hedge that risk does not exist. This can include both financial risks and non-financial risks such as mortality, persistency and expense. The cost of non-hedgeable risks reduces the MCEV value of new business.

Excess centre cash flow‡
A measure of excess cash flow, calculated by deducting central operating expenses and debt financing costs from cash remittances by business units. It is a measure of the cash available to pay dividends, reduce debt, pay exceptional charges or invest back into our business. The cash remittances from business units eliminate on consolidation and hence the excess centre cash flow is not directly reconcilable to the Group's IFRS consolidated statement of cash flows within the primary statements of the Aviva plc annual report and accounts.

Fair value
The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e. an exit price).

Financial Conduct Authority (FCA)
The FCA is an independent public body and is independent of the Bank of England. It is responsible for the conduct business regulation of financial services firms (including those firms subject to prudential regulation by the PRA) and the prudential regulation of firms not regulated by the PRA. The FCA has three statutory objectives: securing an appropriate degree of protection for consumers, protecting and enhancing the integrity of the UK financial system and promoting effective competition in the interests of consumers.

Frictional costs
The additional taxation and investment costs incurred by shareholders through investing required capital in the Company rather than directly. Frictional costs reduce the MCEV value of new business.

Gross written premiums
The total earnings or revenue generated by sales of insurance products, before any reinsurance is taken into account. Not all premiums written will necessarily be treated as income in the current financial year, because some of them could relate to insurance cover for a subsequent period.

Independent Financial Advisers (IFAs)
A person or organisation authorised to give independent advice on financial matters. IFAs are authorised by the FCA in the UK.

International financial reporting standards (IFRS)
These are international accounting regulations that all publicly listed companies in the European Union are required to use.

Life business
Businesses selling life and pensions contracts that are classified as covered business within MCEV VNB.

Long-term and savings business
Collective term for life insurance, pensions, savings, investments and related business.

Market consistent embedded value (MCEV)
A measure of the value of a life business to its shareholders. It is the sum of shareholders net assets and today's value of the future profits that are expected to emerge from business already written, where the assumptions used to calculate future profits are consistent with current market prices for traded assets.

MCEV value of new business (VNB)‡
VNB is the present value of future profits from new business written at the point of sale. and any changes to existing contracts which were not anticipated at the outset of the contract that generate additional shareholder risk and associated premium income, of the nature of a new policy. An example of a change to existing contracts that is considered to be generating value of new business is an internal transfer of annuities from with-profits funds to our shareholder fund. It is calculated on a market consistent basis using economic assumptions set at the start of each quarter or more frequently and best estimate operating assumptions. It is stated after the effect of any frictional costs and the cost of non-hedgeable risks.

MCEV VNB can be reconciled to adjusted Solvency II VNB and Solvency II Own Funds impact of new business; however there is no equivalent IFRS metric. The reconciliation is detailed in note 4 – Value of new business, within the Aviva plc 2016 Preliminary Results Announcement.

Mortality
Rate of death, varying by such parameters as age, gender and health, used in pricing and calculating liabilities for policyholders of life and annuity products, which contain mortality risks.

Net asset value (NAV) per share‡
Net asset value (NAV) per share is calculated as the equity attributable to shareholders of Aviva plc, less preference share capital (both within the Consolidated statement of financial position), divided by the actual number of shares in issue as at the balance sheet date.

Net written premiums
Total gross written premiums for the given period, minus premiums paid over or 'ceded' to reinsurers.

Ogden discount rate
The Ogden discount rate is used by courts in the UK to calculate awards for cases involving bodily injury. The UK Government announced a reduction to the Ogden discount rate in February 2017 which will see the cost of bodily injury compensation claims increase significantly as a result.

Operating capital generation (OCG)‡
OCG is the Solvency II surplus movement in the period due to operating items including the impact of new business, expected investment returns on existing business, operating variances, operating assumption changes and management actions. It excludes economic variances, economic assumption changes and integration and restructuring costs.

Operating earnings per share (EPS)‡
Operating EPS is calculated based on the operating profit attributable to ordinary shareholders net of tax, non-controlling interests, preference dividends, the direct capital instrument (DCI) and tier one notes divided by the weighted average number of ordinary shares in issue, after deducting treasury shares.

The components used to calculate the operating EPS are detailed in note 14 – Earnings per share, in the Aviva plc annual report and accounts.

Operating expenses‡
The day-to-day expenses involved in running the business including staff costs. For the avoidance of doubt, operating expenses excludes commission, non-operating integration and restructuring costs, and amortisation and impairment of AVIF and intangible assets. The components of operating expenses are detailed in note 3 – Expenses, within the Aviva plc 2016 Preliminary Results Announcement.

Operating profit‡
This is a non-GAAP financial performance measure. It is based on expected investment returns and stated before tax and before non-operating items including impairment of goodwill and amortisation and impairment of acquired value of in-force business, the profit or loss on disposal and remeasurement of subsidiaries, joint ventures and associates, integration and restructuring costs and other items. Other items are those items that, in the Directors' view, are required to be separately disclosed by virtue of their nature or incidence to enable a full understanding of the Group's financial performance.

A reconciliation of Group operating profit to profit for the year is presented in the primary financial statements and is also defined in the accounting policies (refer to section B), both of which are in the Aviva plc annual report and accounts.

Paid out in benefits and claims
Paid out in benefits and claims comprises claims and expenses as per the IFRS financial statements (net of reinsurance) and amounts paid relating to investment contracts which are not included within the income statement. This measure is not directly reconcilable to the IFRS financial statements.

Persistency
The rate at which policies are retained over time and therefore continue to contribute premium income and assets under management.

Risk-adjusted returns
Adjusting profits earned and investment returns by how much risk is involved in producing that return or profit.

Solvency II
These are insurance regulations designed to harmonise EU insurance regulation. Primarily this concerns the amount of capital that European insurance companies must hold under a measure of capital and risk. Solvency II became effective from 1 January 2016.

Solvency II cover ratio‡
Own funds divided by the Solvency Capital Requirement, as calculated on a shareholder view. The shareholder view excludes the contribution to Group Solvency Capital Requirement (SCR) and Group own funds of fully ring fenced with-profits funds and staff pension schemes in surplus – these exclusions have no impact on Solvency II surplus.

Solvency II cover ratio is detailed in note 8.iv – Solvency II, within the Aviva plc 2016 Preliminary Results Announcement.

Solvency capital requirement (SCR)
The Solvency Capital Requirement is the amount of capital the regulator requires an insurer to hold to meet the requirements under the Solvency II regulatory framework. Holding capital in excess of the SCR demonstrates an insurer has adequate financial resources in place to meet all its liabilities as and when they fall due and that there is sufficient capital to absorb significant losses. Firms may use their own internal model, the European Insurance and Occupational Pensions Authority (EIOPA) prescribed standard formula or a partial internal model to determine SCR.

Underwriting result
The profit or loss from general insurance and health activities, excluding investment performance. It is calculated as net earned premiums less net insurance claims, commission and expenses. The underwriting result is calculated in note 7ii of the Aviva plc 2016 Preliminary Results Announcement.

DON'T MISS OUT ON YOUR FUTURE DIVIDENDS!

From November 2017, we are simplifying the way we pay dividends to shareholders by only paying cash dividends directly into a nominated bank account. This provides shareholders with the following benefits:

- A faster, more secure, environmentally friendly way of paying dividends – we currently send out over 200,000 cheques for each dividend
- No more fees for the replacement of lost cheques – one in five dividend cheques issued in 2015 remains uncashed

If you are currently receiving your dividend by cheque, take action now and choose from the dividend payment options detailed below. If you already receive your dividend directly to your bank account, your current payment instruction will apply.

DIVIDEND PAYMENT OPTIONS

Shareholders will be able to receive their dividends in the following ways:

- Directly into your nominated UK bank account
- Directly into your nominated Eurozone bank account
- The Global Payment Service provided by our Registrar, Computershare Investor Services PLC (Computershare). This enables shareholders living outside of the Single European Payment Area (SEPA) to elect to receive their dividends or interest payments in a choice of over 60 international currencies
- The Dividend Reinvestment Plan enables eligible shareholders to reinvest their cash dividend in additional Aviva ordinary shares

You can find further details regarding these payment options at www.aviva.com/dividends and register your choice by contacting Computershare using the contact details on the next page, online at www.aviva.com/online or by returning a dividend mandate form. You must register for one of these payment options to receive dividend payments from November 2017.

PARTNERING WITH THE BRITISH RED CROSS

We are a year into our three year strategic partnership with the British Red Cross and already we have achieved a huge amount together to help communities in the UK and globally, be safer and stronger in times of uncertainty and crisis.

This includes training our people to spot the signs of stress in our customers during times of crisis, and continuing our support of the British Red Cross emergency app. Together, we are helping to make people better informed, prepared and therefore more resilient if disaster should strike.

HELP AVIVA SUPPORT THE BRITISH RED CROSS

During November and December 2016, Aviva shareholders completed 1,500 online dividend mandate instructions, meaning a donation of £1,500 to the British Red Cross to help people become safer and stronger in times of uncertainty and crisis.

You can help achieve even more – for every online dividend mandate and every voting instruction received online for the 2017 Annual General Meeting, Aviva will donate £1 to the British Red Cross.

DIVIDEND CHANGES TIMELINE

25 April 2017	Last date to complete a mandate instruction for the dividend payable in May 2017
17 May 2017	Last dividend payment that can be made by cheque
27 October 2017*	Last date to complete a mandate instruction to receive the dividend payable in November 2017
17 November 2017*	First dividend where direct credit is the only method of payment for cash dividends – a reminder will be sent to shareholders who have not received their dividend
Spring 2019	An annual dividend confirmation will be sent to shareholders who have had dividends withheld during the previous year

*Any dates marked with an asterisk are provisional and may be subject to change

MANAGE YOUR SHAREHOLDING ONLINE

www.aviva.com/online:
You can access Computershare online services directly using the above address where you can log in using your Computershare details to:

- Change your address
- Change payment options
- Switch to electronic communications
- View your shareholding
- View any outstanding payments
- Access useful information and view your Aviva policies

www.aviva.co.uk/myaviva:
If you've already registered for MyAviva you'll be able to view useful shareholder information. You can also check the details of Aviva policies you may have. Our online portal brings all this information together into one safe and secure place at a time that suits you. Just login as normal using your email address via **www.aviva.co.uk/myaviva**.

MyAviva also includes a link to the Investor Centre, where you can log in and manage your shareholding as outlined above.

www.aviva.com/shareholders:
For access to our shareholder services centre.

www.aviva.com/dividends:
To find the latest information on Aviva dividends.

www.aviva.com/agm:
To find the latest information on our Annual General Meeting.

www.investorcentre.co.uk/eproxy:
For access to electronic voting for our Annual General Meeting.

www.aviva.com/reports:
To access our latest reports, such as our annual report and accounts.

www.aviva.com/shareprice:
To find out the latest Aviva plc Ordinary share price.

www.londonstockexchange.com:
To find out the latest Aviva plc Preference share price.

SHAREHOLDER UPDATES

In 2017, we want to keep you informed with quarterly online shareholder updates. This will provide a summary on how Aviva is doing as well as information for shareholders. Sign up for email communications at **www.aviva.com/online** to receive a notification when the latest update is available.

SHAREHOLDER PROFILE AS AT 31 DECEMBER 2016

By category of shareholder	Number of shareholders	%*	Number of shares	%*
Individual	578,993	98.22	248,881,261	6.13
Banks and nominee companies	7,906	1.34	3,758,032,990	92.53
Pension fund managers and insurance companies	221	0.04	1,040,014	0.03
Other corporate bodies	2,368	0.40	53,584,941	1.32
Total	**589,488**	**100**	**4,061,539,206**	**100**

By size of shareholding	Number of shareholders	%*	Number of shares	%*
1–1,000	539,400	91.50	134,735,003	3.32
1,001–5,000	44,611	7.57	83,697,278	2.06
5,001–10,000	3,000	0.51	20,785,611	0.51
10,001–250,000	1,861	0.32	78,749,554	1.94
250,001–500,000	154	0.03	54,803,042	1.35
500,001 and above	461	0.08	3,648,142,024	89.82
American Depositary Receipts (ADRs)+	1	0.00	40,626,694	1.00
Total	**589,488**	**100**	**4,061,539,206**	**100**

\+ The number of registered ordinary shares represented by ADRs. Please note that each Aviva ADR represents two (2) ordinary shares.
* Percentages do not necessarily add up due to rounding.

2017 FINANCIAL CALENDAR

Ordinary 2016 final dividend ex-dividend date*	6 April 2017
2016 final dividend record date (Ordinary and ADR)	7 April 2017
Last day for Dividend Reinvestment Plan and currency election for 2016 final dividend	25 April 2017
Annual General Meeting	11am on 10 May 2017
2016 final dividend payment date*	17 May 2017

The full financial calendar is available at **www.aviva.com/financial-calendar**
* Please note that the ADR local payment date will be approximately five business days after the proposed dividend date for ordinary shares. The ex-dividend date for ADR holders will be 5 April 2017.

GROUP COMPANY SECRETARY

Shareholders may contact the Group Company Secretary:

By Email: Aviva.shareholders@aviva.com

In Writing: Kirstine Cooper, Group Company Secretary, St Helen's, 1 Undershaft, London, EC3P 3DQ

By Telephone: +44 (0)20 7283 2000

ORDINARY AND PREFERENCE SHARES – CONTACT:

For any queries regarding your shareholding, please contact Computershare:

By Telephone: 0371 495 0105 – Lines are open 8.30am to 5.30pm (UK time), Monday to Friday (excluding public holidays). Please call +44 117 378 8361 if calling from outside of the UK

By Email: AvivaSHARES@computershare.co.uk

In Writing: Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol, BS99 6ZZ

AMERICAN DEPOSITARY RECEIPTS (ADRS) – CONTACT:

For any queries regarding Aviva ADRs, please contact Citibank Shareholder Services (Citibank):

By Telephone: 1 877 248 4237 (1 877-CITI-ADR), or +1 781 575 4555 if calling from outside of the US – Lines are open 8.30am to 6pm, Monday to Friday US Eastern Standard Time

By Email: Citibank@shareholders-online.com

In Writing: Citibank Shareholder Services, PO Box 43077, Providence, Rhode Island, 02940-3077 USA

ANNUAL GENERAL MEETING (AGM)

The 2017 AGM will be held at The Queen Elizabeth II Centre, Broad Sanctuary, Westminster, London SW1P 3EE, on Wednesday, 10 May 2017, at 11am.

Details of each resolution to be considered at the meeting and voting instructions are provided in the Notice of AGM, which is available on the Company's website at www.aviva.com/agm. The voting results of the 2017 AGM will be accessible on the Company's website at **www.aviva.com/agm** shortly after the meeting.

AVIVA PLC ANNUAL REPORT AND ACCOUNTS

Aviva plc annual report and accounts are intended to provide information about the Company's activities and financial performance in the previous year. This strategic report is only part of the Company's annual report and accounts. You can view the full Aviva plc annual report and accounts online at **www.aviva.com/2016ar** or order a printed copy using the contact details opposite.

FORM 20-F

On 1 December 2016, the Company announced that it had resolved to voluntarily delist its American Depositary Shares (ADS) from the NYSE and to terminate the registration of its ADS and the underlying ordinary shares under the Exchange Act and to continue its ADS programme as a 'Level 1' sponsored programme, which will enable investors to trade ADS in the US over-the-counter market. The last day of trading on the NYSE was 22 December 2016 and the Company's obligations to file certain reports with the SEC were suspended on the same date. The Company expects the deregistration of its ADS and the underlying ordinary shares to become effective on 22 March 2017. Copies of the Company's Form 20-F for the financial year ended 31 December 2015 and for prior financial years can be found at **www.aviva.com/reports**.

This document should be read in conjunction with the documents distributed by Aviva plc (the "Company" or "Aviva") through the Regulatory News Service (RNS).

This announcement contains, and we may make other verbal or written "forward-looking statements" with respect to certain of Aviva's plans and current goals and expectations relating to future financial condition, performance, results, strategic initiatives and objectives. Statements containing the words "believes", "intends", "expects", "projects", "plans", "will," "seeks", "aims", "may", "could", "outlook", "likely", "target", "goal", "guidance", "trends", "future", "estimates", "potential" and "anticipates", and words of similar meaning, are forward-looking. By their nature, all forward-looking statements involve risk and uncertainty. Accordingly, there are or will be important factors that could cause actual results to differ materially from those indicated in these statements. Aviva believes factors that could cause actual results to differ materially from those indicated in forward-looking statements in the announcement include, but are not limited to: the impact of ongoing difficult conditions in the global financial markets and the economy generally; the impact of simplifying our operating structure and activities; the impact of various local and international political, regulatory and economic conditions; market developments and government actions (including those arising from the referendum on UK membership of the European Union); the effect of credit spread volatility on the net unrealised value of the investment portfolio; the effect of losses due to defaults by counterparties, including potential sovereign debt defaults or restructurings, on the value of our investments; changes in interest rates that may cause policyholders to surrender their contracts, reduce the value of our portfolio and impact our asset and liability matching; the impact of changes in short or long term inflation; the impact of changes in equity or property prices on our investment portfolio; fluctuations in currency exchange rates; the effect of market fluctuations on the value of options and guarantees embedded in some of our life insurance products and the value of the assets backing their reserves; the amount of allowances and impairments taken on our investments; the effect of adverse capital and credit market conditions on our ability to meet liquidity needs and our access to capital; changes in, or restrictions on, our ability to initiate capital management initiatives; changes in or inaccuracy of assumptions in pricing and reserving for insurance business (particularly with regard to mortality and morbidity trends, lapse rates and policy renewal rates), longevity and endowments; a cyclical downturn of the insurance industry; the impact of natural and man-made catastrophic events on our business activities and results of operations; our reliance on information and technology and third-party service providers for our operations and systems; the inability of reinsurers to meet obligations or unavailability of reinsurance coverage; increased competition in the UK and in other countries where we have significant operations; regulatory approval of extension of use of the Group's internal model for calculation of regulatory capital under the European Union's Solvency II rules; the impact of actual experience differing fr om estimates used in valuing and amortising deferred acquisition costs ("DAC") and acquired value of in-force business ("AVIF"); the impact of recognising an impairment of our goodwill or intangibles with indefinite lives; changes in valuation methodologies, estimates and assumptions used in the valuation of investment securities; the effect of legal proceedings and regulatory investigations; the impact of operational risks, including inadequate or failed internal and external processes, systems and human error or from external events (including cyber attack); risks associated with arrangements with third parties, including joint ventures; our reliance on third-party distribution channels to deliver our products; funding risks associated with our participation in defined benefit staff pension schemes; the failure to attract or retain the necessary key personnel; the effect of systems errors or regulatory changes on the calculation of unit prices or deduction of charges for our unit-linked products that may require retrospective compensation to our customers; the effect of fluctuations in share price as a result of general market conditions or otherwise; the effect of simplifying our operating structure and activities; the effect of a decline in any of our ratings by rating agencies on our standing among customers, broker-dealers, agents, wholesalers and other distributors of our products and services; changes to our brand and reputation; changes in government regulations or tax laws in jurisdictions where we conduct business, including decreased demand for annuities in the UK due to changes in UK law; the inability to protect our intellectual property; the effect of undisclosed liabilities, integration issues and other risks associated with our acquisitions; and the timing/regulatory approval impact, integration risk and other uncertainties, such as non-realisation of expected benefits or diversion of management attention and other resources, relating to announced acquisitions and pending disposals and relating to future acquisitions, combinations or disposals within relevant industries, the policies, decisions and actions of government or regulatory authorities in the UK, the EU, the US or elsewhere, including the implementation of key legislation and regulation. For a more detailed description of these risks, uncertainties and other factors, please see 'Other Information—Shareholder Information—Risks relating to our business' in the Annual Report and Accounts.

Aviva undertakes no obligation to update the forward looking statements in this announcement or any other forward-looking statements we may make. Forward-looking statements in this report are current only as of the date on which such statements are made.

The report has been prepared for, and only for, the members of the Company, as a body, and no other persons. The Company, its directors, employees, agents or advisers do not accept or assume responsibility to any other person to who this document is shown or into whose hands it may come, and any such responsibility or liability is expressly disclaimed.

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In this report we have included genuine examples of people whose experiences bring to life what we do every day for our customers. We would like to thank the customers who took part and invited us into their homes and businesses, to allow us to share their stories, and our people for their dedication to our customers.

View our online summary and download the full report at **www.aviva.com/AR16**