

# Our **33** million customers

What's important and  
how we help them  
every step of the way

## What makes us different?

Our strategy in action  
and the benefits it  
brings to our customers

## What's our plan of action?

How we're doing – and how  
we're going to do better

Your  
**Aviva**

“Aviva has  
thought about  
absolutely  
everything”

CUSTOMER FOCUS

Read  
**Anna's  
story**

Page 4



Creating a  
**bright and  
sustainable future**  
for our customers,  
investors, employees  
and communities

**14.05p**

Final dividend, a 15% increase

**£30.7bn**

Paid out in benefits and claims  
to our customers in 2015

**587,000+**

Number of people who have benefited from our  
corporate responsibility programmes in 2015

**320 years**

Protecting our customers since 1696

**29,600**

Number of employees worldwide

**39%**

Reduction in our carbon footprint since 2010

# Who we are

At Aviva, we help our 33 million customers save for the future and manage the risks of everyday life. Our 29,600 people are focused on helping to free our customers from fear of uncertainty



## Our businesses

We have businesses across 16 markets in:

# UK, Europe, Asia and Canada

We offer:

## Life insurance

Retirement income, Savings & Pensions, Life cover, Protection

## General insurance

Home, Motor, Travel, Pet and Commercial

## Accident & health insurance

Private Medical Insurance, Accident & Health

## Asset management

Investing for Aviva and external clients

Read more on  
pages 30-45



## Our performance<sup>1</sup>

Our investment thesis of cash flow plus growth sets out why investors should choose us:

Read more on  
pages 12-13



# £2,665m

Operating profit on IFRS basis up 20%<sup>1,2</sup>

# £1,507m

Cash remittances up 5%<sup>1</sup>

# £1,192m

Value of new business up 19%<sup>1</sup>

# 94.6%

Combined operating ratio improved by 1.1pp

# 50.0%

Operating expense ratio improved by 1.1pp<sup>1,2</sup>

1 2015 numbers include Friends Life from 10 April 2015, the acquisition completion date. 2014 numbers are Aviva stand-alone as previously reported (i.e. do not include Friends Life). Further details can be found on pages 58-61.

2 2014 operating profit on an IFRS basis was restated to exclude amortisation and impairment of acquired value of in-force business which is now shown as a non-operating item.

## Our plan

We have a clear strategy to deliver sustainable and progressive cash flows underpinned by good potential for growth, by ensuring our people always put customers first

## Our strategy

Read more on  
pages 20-27



### True customer composite

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



### Digital first

Emphasising customer experience driven by digital – online and mobile



### Not everywhere

Focusing only in markets and segments where we can win

## Our values and our people

Read more on  
pages 48-51



To provide the best possible service to our customers today and in the future, Aviva must disrupt, lead and transform the industry. And it is our people who will achieve this by living our values every day:



### Care more

We care like crazy about our customers, our communities and each other



### Kill complexity

We are obsessed with making things simpler for our customers and each other



### Never rest

We are driven to think bigger and do better for our customers and each other



### Create legacy

We strive to create a sustainable future for our customers and each other



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“What really makes us different is our ability to offer customers a wide range of life insurance, general insurance, health insurance and investment solutions”

”  
Mark Wilson  
Group Chief Executive Officer

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Our people  
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# A milestone year for Aviva

**Aviva has made remarkable progress in the past three years – and has moved from turnaround to transform and grow. We are well on the way to successfully integrating Friends Life and are focused on delivering to our customers the benefits of the True Customer Composite model**



It has been an honour to serve you, our shareholders, on the Board, first as Senior Independent Director, and then, since April 2015, as your Chairman following John McFarlane's move to Barclays. I want to thank John particularly, as he made an immense contribution to Aviva and its recovery, and to wish him well in his new role.

2015 saw the Group move into a new phase – from turning round the business to transforming it. In 2016 I am confident that we will see the true potential of the Group emerge ever more clearly. Aviva has a clear strategy, strong values, a distinct advantage as a composite insurer, a developing reputation as a digital innovator, an outstanding management team, and an unequivocal mission to deliver much more for customers and shareholders alike.

## Our people

It is thanks to our people and their dedication, loyalty and hard work that we've been able to achieve the progress we have. In the past three years they've had to absorb many changes. But they have faced the challenge professionally, recognised the rationale behind the direction we are taking and focused on seizing the opportunities that are opening up for the Group. They live our values every day (Care More; Kill Complexity; Never Rest; and Create Legacy) and support us in building a high-performance and collaborative culture.

It's a measure of our people that they care, not just in the workplace but outside it too. The Aviva Community Fund, which started in 2008, is now active in six of our global markets and supports inspirational local community projects, not only with grants but also with the hard work of committed volunteers from the staff.

## Our customers

As an insurer and asset manager we are entrusted with a tremendous responsibility by our 33 million customers. We are pledged to help people save for the future and manage the risks of everyday life. As we move progressively into the digital world, we will have more direct contact with the customer than in the more traditional, intermediated forms of business relationship. To all our customers, particularly those digital customers, an essential prerequisite of their relationship with us, as their insurer and asset manager, is that they should feel safe in

## HIGHLIGHTS

IFRS net asset value per share

389p

IFRS profit before tax attributable to shareholders' profits

£1,390m

Total dividend

20.80p

Total shareholder return

10.4%

our hands. Everyone in the organisation knows that, and we all strive to be worthy of the trust our customers place in us.

### Our community

Aviva has become a leading contributor to the role of business in society, speaking out on the impact and costs associated with climate change, the creation of sustainable capital markets and promoting responsible investment. For example, in October 2015 Mark Wilson had the opportunity to address the United Nations General Assembly to call for the UN to agree a resolution on sustainable finance.

### Friends Life integration

Over 2015 we continued to perform strongly against all our targets. The £6 billion acquisition of Friends Life in April 2015 and the ongoing integration work since then have been especially noteworthy features of the last year. The acquisition is in line with our strategic direction, and positions us well to capitalise on the opportunities that exist in the UK.

The integration of Friends Life is progressing well. This will continue to be an area of focus in 2016.

### Regulatory change

We also continue to manage considerable regulatory change, not least from the new Solvency II (SII) regime and the reforms to pensions in the UK. I am confident that the Board and the management team are well equipped to meet these challenges.

### Board composition and governance

The membership of the Board changed during the course of the year. I was appointed Chairman, taking over from John McFarlane, and Sir Malcolm Williamson and Andy Briggs joined the Board following the acquisition of Friends Life, with Sir Malcolm becoming Senior Independent Director. Gay Huey Evans retired from the Board after serving diligently since October 2011 and we wish her well for the future. In June 2015, Belén Romana García was appointed as an Independent Non-Executive Director and we will benefit from her wide experiences in insurance, financial services and European and global regulation. And, since the year end, we have appointed Claudia Arney as an Independent Non-Executive Director, whose experience of the digital world will be of great value to the Board.

I want to thank the entire Board for their significant contribution, commitment and service and I look forward to working with them during 2016 as we continue to guide the Group's strategic transformation.

During the year, we have continued our focus on reviewing and improving our governance, conduct and risk management processes, with customers always central to everything we do. Further details are contained in the directors' and corporate governance report in the annual report and accounts.

### Performance and dividend

Overall operational performance improved in the year, despite having been impacted by a weaker euro exchange rate. The acquisition of Friends Life in April 2015 has had a significant effect on most metrics<sup>1</sup>.

Operating profit on an IFRS basis was up 20% to £2,665 million, including a £554 million contribution from Friends Life and adverse foreign exchange of £117 million. Net asset value increased to 389 pence per share and total shareholder return was 10.4%.

The Board is proposing a final dividend of 14.05 pence per share (2014: 12.25 pence per share), taking the full year dividend to 20.80 pence per share (2014: 18.10 pence per share). This is a 15% increase and reflects the Board's progressive dividend

policy and continuing confidence in the Group's medium-term growth prospects.

### Our future

2015 was a milestone year for Aviva. In 2016 we will continue to exercise the same drive and determination we have shown in the turnaround to achieve our strategic goals. ■

**We continue to focus our decisions on creating a legacy for the long term**

Sir Adrian Montague  
Chairman

Sir Adrian Montague CBE  
Chairman  
9 March 2016

<sup>1</sup> For the avoidance of doubt, 2015 numbers include Friends Life from 10 April 2015, the acquisition completion date. 2014 numbers are Aviva stand-alone as previously reported (i.e. do not include Friends Life). Further details can be found on pages 58-61.



**We launched our new “You, Me, We” package in Poland in 2015. It’s tailored to meet different people’s needs at different times in their lives.**

We can offer this to customers because we’re a True Customer Composite. And we think it means simplicity and convenience for our customers, delivered digitally.

“You” is for young people and offers everything from life insurance to health benefits in the event of injuries like breaks, twists or sprains.

“Me” provides the full spectrum of insurance to single people – with additional benefits like pet care and even housekeeping. And “We” is for young families. It’s not just insurance but offers things like child care and tutoring – and even someone to call when you want advice on caring for your baby.

Anna loves our “Me” package. In addition to the protection and accident cover, she knows her much-loved dog will be cared for if she has to go into hospital. As someone

who looks after herself, she also appreciates the healthy eating recipes we send her every week.

Anna thinks “You, Me, We” shows that “Aviva has thought about absolutely everything”. She describes herself as someone who smiles a lot. We hope Aviva has made her smile that much wider. ■

“Aviva has thought  
about absolutely  
everything”  
**Anna**





# Stability, strength and growth

## INTERVIEW – MARK WILSON, GROUP CHIEF EXECUTIVE OFFICER

### How would you describe 2015?

2015 saw us complete the fix phase of Aviva's transformation, progress the integration of Friends Life and move to a different phase, offering stability and predictability in performance with sustainable growth. Against the backdrop of market volatility, our diversity and strong balance sheet position us well.

Let's look back three years. Then Aviva was complex, sprawling and volatile, with high levels of debt and a lack of clear strategy.



**We are demonstrating stability and strength and performing consistently**



**Mark Wilson**  
Group Chief Executive Officer

Now we have a clear strategy for investors, anchored in our investment thesis of cash flow plus growth. We have financial strength and we focus on markets where we can deliver good financial returns.

A glance at the numbers highlights the point. Not so long ago we were in 28 markets. Now we are in 16. We have grown our economic capital surplus from £3.6 billion in 2011 to £11.6 billion. At the end of 2012, our liquidity was £203 million. Now, at 29 February 2016, it is £1,341 million.

That's not bad for three years' work. But we have hardly begun to make the most of our

significant competitive advantages. One of our Aviva values is "never rest" – and we are certainly not doing that in any shape or form.

### Talk us through some of the numbers for 2015?

Operating profit was up by 20% to £2.7 billion despite headwinds from foreign exchange.

In life insurance, despite the focus on the integration of Friends Life and numerous regulatory developments, we achieved a 19% increase in the Value of New Business. We've now achieved 12 consecutive quarters of VNB growth. That speaks for itself.

In general insurance, we have achieved a Combined Operating Ratio of 94.6%, the best in nine years, despite major weather events like the recent floods in the UK.


I used to call some of our turnaround markets my problem children. Now Ireland and Italy are among our star performers, while Poland and Turkey have shown why we believe they have a big future.

At our investment arm, Aviva Investors, we grew operating profits by 33% to £105 million and the flagship AIMS range of products has continued to deliver, in challenging market conditions. Hitting a three figure profit for Aviva Investors is an important milestone – but it is now in the past. Now our focus is on building on the momentum.

Clearly, the acquisition and integration of Friends Life was a big focus in 2015. The integration has gone faster and better than expected. We are well ahead of schedule in extracting the savings we expected; we have already secured run rate synergies of £168



To hear Mark talk about our preliminary results, visit: [www.aviva.com/AR15](http://www.aviva.com/AR15)



million. We have added c.£45 billion of assets to Aviva Investors. And we expect £1.2 billion of capital benefits, £400 million of which we realised in 2015. Let me be clear, there's still much to do, but we have changed our target and now expect to deliver the £225 million cost target by the end of 2016 – 12 months earlier than we originally said. I would describe that as a highly satisfactory result.

I should also mention the huge amount of effort that's gone into preparing for the new Solvency II capital regime. We have taken a cautious approach to managing our capital and have been proactive in reducing risk – so we took this in our stride and have made a smooth transition to the new regime. Our Solvency II capital ratio of 180% is strong and certainly one of the strongest and most resilient in the UK market.

As a result of this sustained performance and financial strength, we have increased the final dividend by 15% to 14.05p.

#### **What will you be focusing on in 2016?**

With our strong financial position, we will continue to focus on providing customers with the very best of life, general and health insurance and asset management, through the convenience of our digital channels.

I am crystal clear there is no room for complacency – and this is not something you see in the new Aviva. Yes, we have come a long way. But we have much still to do – whether that's becoming more efficient or getting better at allocating our capital where it's going to deliver the best returns or making the most of the composite model as a digital insurer.





## Integration of Friends Life

We completed the acquisition of Friends Life in 2015 to create the largest life insurer in the UK. As a result we are in a strong position to look after our customers' entire savings, pensions and retirement needs. For example, we offer the full range of pension freedoms; we are the number one corporate pension provider and have recently launched our new combined Group protection proposition. The integration is progressing well and we're focused on delivering the benefits of the acquisition.

## HIGHLIGHTS

Operating profit up 20% on an IFRS basis to

**£2,665m**

Cash remittances increase of 5% to

**£1,507m**

Value of new business up 19% to

**£1,192m**

General insurance combined operating ratio improved 1.1 percentage points to

**94.6%**

Final dividend per share

**14.05p**

In terms of capital, we will continue to be rigorous in reallocating our capital and strengthening our positions in the markets where we can win. We can still do a whole lot more on that. We have announced the proposed acquisition of RBC's General Insurance Company operations in Canada – a good example of a bolt-on acquisition in our general insurance business, bolstering our position in an attractive market.

As a composite, we are only starting to scratch the surface of our potential. What really makes us different is our ability to offer customers a wide range of life insurance, general insurance, health and investment solutions. I want customers to see Aviva as their provider of choice for more and more of their insurance and savings needs – so we improve our current average product holding per customer.

And we'll deliver the benefits of the composite model for our customers by putting Digital First – it's what customers want and it's more efficient. Our first task is to increase the number of customers registered with MyAviva. We're only just starting to unlock our digital potential – we're a very long way from where I want us to be.

I should also say that we will continue to focus on being Not Everywhere. That's not just a matter of geographies. It's also about making choices about optimising our business mix and which business we will focus on – markets like accident and health. This is a market where we have historically been underweight. It's a big opportunity – and we can make a real difference for our customers. We've launched our new UK Essentials range – but it is only just the start.

So my message is that we have done a lot in three years – but we will always seek to exceed expectations of what we can achieve. And we'll do this by always being guided by our strategy and values – they are the cornerstones of how we do business.

## What's your final message?

To our shareholders, I say Aviva offers stability and security – and also sustainable cash flows and growth. We have made good progress on efficiency and our balance sheet is strong and resilient, but we have much further to go to unlock our full potential – and deliver consistent, reliable growth in profits and dividends. That's a pretty enticing prospect – and we're not there yet.

To our 29,600 people, I say thank you for your continuing dedication, achievement and service to our customers.

To our 33 million customers, I say you are our greatest asset. We put you at the heart of everything we do – whether that's in the quality of the products and services we offer or the success we've had in campaigning in your interests such as slamming the brakes on the UK's culture of fraudulent whiplash claims. But we know we can do a lot more for you in 2016 and beyond. ■

**Mark Wilson**  
Group Chief Executive Officer  
9 March 2016



## Delivering on a clear plan of action

	Doing what we said we would in <b>2015</b>	Our plan of <b>action</b>
<b>Financial</b> Cash flow plus growth Strong balance sheet	<p><b>We said we would improve:</b></p> <ul style="list-style-type: none"> <li>▶ Cash remittances to Group – increased 5% to £1,507 million</li> <li>▶ Value of New Business (VNB) – up 19% to £1,192 million</li> <li>▶ General insurance Combined Operating Ratio (COR) improved by 1.1 percentage points to 94.6%</li> </ul> <p><b>The acquisition of Friends Life has:</b></p> <ul style="list-style-type: none"> <li>▶ Delivered £168 million run rate synergies</li> <li>▶ Added c.£45 billion of funds to Aviva Investors</li> </ul> <p><b>As planned, we achieved:</b></p> <ul style="list-style-type: none"> <li>▶ Smooth transition to new Solvency II reporting with a solvency capital ratio of 180%<sup>1</sup></li> <li>▶ Reduced leverage – S&amp;P leverage now 27%</li> <li>▶ Reduced internal loan to £1.5 billion<sup>2</sup></li> </ul>	<ul style="list-style-type: none"> <li>▶ Continue to improve cash remittances</li> <li>▶ Drive further increases in VNB from our life business</li> <li>▶ Deliver Friends Life costs savings target one year early, and complete the integration</li> <li>▶ Continue to improve our general insurance underwriting result</li> <li>▶ Focus on external fund flows at Aviva Investors</li> <li>▶ Maintain a resilient Solvency II capital position</li> </ul>
<b>Strategy</b> True Customer Composite Digital First Not Everywhere	<p><b>For our customers, we have:</b></p> <ul style="list-style-type: none"> <li>▶ Developed new multi-product solutions</li> <li>▶ Increased the total number of registrations on MyAviva to 1.8 million in the UK, improved functionality and extended to France and Italy</li> </ul> <p><b>In Digital, we have:</b></p> <ul style="list-style-type: none"> <li>▶ Opened a second digital garage in Singapore</li> <li>▶ Invested in digital and made strong senior management appointments into the business</li> <li>▶ Developed the MyAgent cloud-based tool globally for our 30,000 direct sales force agents</li> </ul> <p><b>Not Everywhere:</b></p> <ul style="list-style-type: none"> <li>▶ Strengthened distribution in the UK, with the acquisition of Friends Life and deals with TSB and Homeserve, reinforcing our home market position</li> <li>▶ Diversified distribution in existing markets with deals in Poland and Canada<sup>3</sup></li> </ul>	<ul style="list-style-type: none"> <li>▶ Build engagement with our customers by increasing registrations on MyAviva and extending it to other countries</li> <li>▶ Make life easier for customers by offering more products digitally through MyAviva</li> <li>▶ Develop more digital multi-product solutions, focused on customer needs, across more markets</li> <li>▶ Extend our Accident &amp; Health offer with simple, accessible products</li> <li>▶ Continue to reallocate capital between business lines and countries to focus on what we do best and drive higher returns</li> </ul>
<b>Culture</b> Care more Kill complexity Never rest Create legacy	<p><b>For our people, we have:</b></p> <ul style="list-style-type: none"> <li>▶ Made good progress with the integration of Friends Life</li> <li>▶ Introduced a new goal setting and performance management approach</li> <li>▶ Launched a new leadership development programme called Leading@Aviva</li> </ul> <p><b>For society, we have:</b></p> <ul style="list-style-type: none"> <li>▶ Led debates on sustainable finance and the risk of climate change</li> <li>▶ Increased community investment by 71% to £10.8 million by extending Aviva's Community Funds around the world</li> </ul>	<ul style="list-style-type: none"> <li>▶ Further develop leaders across Aviva through greater agility, innovation and accountability</li> <li>▶ Continue to build a culture where we consider our customers in every decision</li> <li>▶ Develop an inclusive workforce that reflects the diversity of our customer base</li> <li>▶ Create an environment that attracts and retains talented, committed, entrepreneurial people</li> <li>▶ Continue to lead the debate and take action on sustainable finance and the risk of climate change</li> <li>▶ Extend Community Funds to more countries, targeting 2.5 million beneficiaries and 250,000 hours of volunteering by 2020</li> </ul>

1 The estimated Solvency II ratio represents the shareholder view. This ratio excludes the contribution to Group SCR and Group Own Funds of fully ring-fenced with-profits funds (£2.7 billion) and staff pension schemes in surplus (£0.7 billion) – these exclusions have no impact on Solvency II surplus. The impact from internal reinsurance arrangements between UK Life, UK and Ireland General Insurance and Aviva International Insurance Limited and the securitisation of equity release mortgages held by UK Life, effective 1 January 2016, have also been reflected in the Solvency II position.

2 This was achieved by the end of February 2016.

3 We announced the proposed acquisition of RBC's General Insurance Company operations in Canada on 21 January 2016.





**Life was good for Ricky, his wife, Sarah, and their daughter, Isabella.**

He enjoyed his job as a teacher and they'd just bought a family home with space for brothers and sisters for Isabella.

Then Ricky found he had testicular cancer.

Everything was thrown up in the air. They didn't know what treatment he'd need, what the prognosis was or how they'd pay the mortgage if he was too ill to work.

Their financial adviser told them to check whether they had critical illness cover as part of their life insurance with Aviva. They did – and it would clear their mortgage if either of them fell seriously ill or died.

Ricky talked to us and we paid out on their policy. It was a huge weight off their minds.

Then the best news of all. After an operation, Ricky learnt that his cancer hadn't spread and he wouldn't need chemotherapy.

Ricky encourages people to go to the doctor so illness can be caught early – and he's a convert to insurance: "I was amazed by how many people aren't covered – I've told all my friends they must think about it."

We're delighted that he's better and that, in his words, "everyone at Aviva has been brilliant." Now the Lovelace family can look forward to the future. And they have a new addition – a little sister for Isabella, named Darla. ■

“Everyone at  
Aviva has been  
brilliant”  
Ricky

# The metrics to measure our performance

We use both financial and non-financial metrics to measure our performance, efficiency, customer advocacy, employee engagement and impact on society

## Cash remittances<sup>†</sup>

### Improved cash flow from our businesses

Sustainable cash remittances from our businesses are a key financial priority. The improvement in cash remittances was driven by our UK businesses and includes £101 million from Friends Life. This was partly offset by lower remittances from Canada, where cash generated was largely retained to part fund the proposed acquisition of RBC General Insurance Company, and Europe which mainly reflects adverse foreign exchange movements.

**£1,507m**      2014: **£1,431m**<sup>1</sup>  
2013: **£1,309m**<sup>1</sup>

- 1 Restated to include interest remitted on internal loans.  
2 Dividend from UKGI remitted to Group in January 2014, February 2015 and February 2016 respectively.

## Value of new business (VNB)<sup>†</sup>

### Growing our life insurance business

This measures growth and is the source of future cash flows in our life businesses.

VNB increased by 19% (24% on a constant currency basis) with growth in the UK, Europe and Asia. The result includes a £96 million contribution from Friends Life. In the UK, VNB increased reflecting higher margins on pension and health business and higher sales and improved margins on bulk purchase annuities, offset by lower sales of individual annuities.

**£1,192m**      2014: **£1,005m**<sup>5</sup>  
2013: **£899m**<sup>5</sup>

- 5 Excludes Eurovita, Aseval, CxG, South Korea and Malaysia, which have been sold.

## Adjusted operating profit: IFRS basis<sup>†</sup>

### Measure of operating profitability

Overall, operating profit was £2,665 million which included a £554 million contribution from the Friends Life businesses acquired in April 2015 and an adverse foreign exchange impact of £117 million.

See pages 30 to 45 for further details of the performance of our markets in the year.

**£2,665m**      2014: **£2,213m**<sup>3</sup>  
2013: **£2,097m**<sup>3,4</sup>

- 3 Restated to exclude amortisation and impairment of acquired value of in-force business which is now shown as a non-operating item.  
4 On a continuing basis.

## Combined operating ratio (COR)<sup>†</sup>

### Underwriting that delivers profits

This is a key measure of underwriting profitability of our general insurance business.

Our COR improved by 1.1 percentage points with improvements in Canada, Europe and Ireland primarily driven by higher positive prior year development and better weather experience. The UK result was broadly stable despite the adverse impact of the December storms.

**94.6%**      2014: **95.7%**  
2013: **97.3%**





**In 2015 we successfully navigated regulatory change and turbulent external conditions to deliver a stronger, cleaner balance sheet and continued operating momentum**



Tom Stoddard  
Chief Financial Officer

### Operating expense ratio<sup>†</sup>

## Focusing on our operating efficiency

This measure expresses operating expenses as a percentage of operating income and improved by 1.1 percentage points to 50.0% during 2015.

Within this, operating expenses were £3,030 million (2014: £2,795 million), including £350 million of expenses from Friends Life post-acquisition and a foreign exchange benefit of £100 million.

50.0%

2014: 51.1%<sup>6</sup>  
2013: 53.6%<sup>6,7</sup>

- 6 Restated to exclude amortisation and impairment of acquired value of in-force business which is now shown as a non-operating item.  
7 On a continuing basis.

### Employee engagement<sup>†</sup>

## Listening to our people

We are focused on creating an environment in which our people can thrive through collaboration and recognition. We measure this through our annual global 'Voice of Aviva' survey.

In the September 2015 survey, on a like-for-like basis excluding Friends Life, engagement rose from 65% in 2014 to 66%. As anticipated, uncertainty during the integration of Friends Life meant overall engagement remained broadly stable at 63%.

63%

2014: 65%  
2013: 56%



Read more on  
pages 48-51



See pages 30-45 for further details of the financial performance of our markets during the year.



For definitions of our financial performance indicators, turn to the glossary on pages 83-84.



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

### Customer advocacy<sup>†</sup>

## Making a difference to our customers

Our Relationship Net Promoter Score® (RNPS) measures the likelihood of a customer recommending Aviva.

Our 2015 survey scores remained stable and the majority of our markets are ranked at either upper quartile or market average. However, there is more to do and we are committed to putting our customers first to improve their experience.

50%

In upper  
quartile

2014: 50%

33%

At or above  
market average

2014: 33%

17%

Below market  
average

2014: 17%

### Carbon emissions (CO<sub>2</sub>e)

## Reducing our carbon footprint

Aviva has been carbon neutral for the past ten years and this year, we agreed a new emissions reduction target of 40% by 2020 and 50% by 2030, based on a restated 2010 baseline.

We made strong progress in 2015 and are pleased to say we have already achieved a 39% reduction against a restated 2010 baseline to include Friends Life data.

CO<sub>2</sub>e data includes emissions from our buildings, business travel, outsourced data centres, water and waste to landfill.

39%

2014: 32%  
2013: 20%



Read more on  
pages 52-55

# Where the world is going

We have identified six long-term trends which will impact our industry over the next few years

## 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.

Smartphone users worldwide by 2020<sup>1</sup>

6.1bn



## The power of communities

The economic power of governments will decline further and the power of 'communities' of mutual interests, both virtual and local, will increase.

Daily active Facebook users<sup>2</sup>

1bn



## 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.

"Internet of things" – connected devices by 2020<sup>3</sup>

50bn



## The age of disruption

Agile companies which can make the most of new digital technologies will succeed.

Daily Uber rides completed worldwide<sup>4</sup>

1m



## Older and healthier

The emergence of a generation aged 50 plus who will live longer and who are healthier. Markets will be driven increasingly by this group's attitudes and needs.

% of population aged over 65 in 2050 versus today<sup>5</sup>

2x

## Shifting wealth

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

Insurance premium growth from emerging economies 2005-2015<sup>6</sup>

58%



## Our response

The True Customer Composite and Digital First elements of our Strategic Framework respond to and anticipate the rapid pace of technological change, changing customer expectations, and the potential impact on our business model.

At the same time, our customers need help navigating the increasing complexities of a world in which they need to be more self-reliant when planning for a retirement which could last much longer than previous generations. This can provide opportunities for insurers and asset managers.

As part of the Not Everywhere component of our strategy, we will continue to allocate capital selectively to our growth businesses in Poland, Turkey and Asia, as wealth continues to shift to faster-growing developing markets.

In addition to the six long-term horizons, Aviva closely monitors two further trends which remain relevant to our industry: climate and regulation.

## Climate

We pay close attention to weather patterns and climate change. There is growing evidence that a gradual long-term change in the Earth's weather patterns and average temperatures is occurring due to increased quantities of greenhouse gas in the atmosphere and other man-made causes.

One impact of climate change is an increase in extreme weather events. For example in 2015 there were significant flooding events in parts of the world (including in our home market of the UK), and it was the hottest year on record globally<sup>7</sup>. Climate change will have a significant impact on both society and our business. Some risks are changing, more complex risk management is required and greater losses can be incurred.

## “These long-term trends shape our strategy”

Jason Windsor  
Chief Capital & Investments Officer

Our business is about helping people prepare for the future, which is why we're helping society respond to the challenges of climate change.



For more information on our response to climate change see pages 52-55

## Regulation

We continue to experience regulatory change across many of our markets, for example UK pensions market reform, auto reform in Ontario, Canada and the Financial Advisory Industry Review in Singapore.

In line with our own strategic goals, our regulators are increasingly holding us to high standards of conduct, to protect our customers.

We also face increased scrutiny as a Global Systemically Important Insurer, and as a result of the Solvency II regime, which is intended to harmonise solvency rules across the European Union.

Aviva will continue to work closely with key regulatory bodies on these and on other industry matters. ■

1 Ericsson Mobility Report, June 2015.

2 Facebook.com, stats, September 2015.

3 Association of British Insurers, A Brave New World, 2015.

4 Uber.com, usage statistics and revenue, September 2015.

5 Organisation for Economic Co-operation and Development, population data and projections, December 2015.

6 Swiss Re, Sigma insurance research, May 2015.

7 World Meteorological Organisation, January 2016.



**We're delighted we can meet so many of our customers' insurance and savings needs. You could say we offer all the colours of the rainbow!**

That's especially apt for one of our customers in Changsha, in the province of Hunan, China, known to her friends as Rainbow.

Rainbow has been with us since 2008 to meet her financial and insurance needs – from savings to health cover. And she even goes shopping and eats out with our agent, Ms Liu. Rainbow isn't just a customer, she's a friend.

She's also a fan of our Chunyu Online Doctor, part of her critical illness cover through Aviva. This allows her to hold an online consultation with a doctor when it suits her. She finds it far quicker and more efficient than a time-consuming visit to a hospital or clinic.

Her top priority is her family, not least caring for her elderly parents. But she also has a business to run and must travel for work. So, when she's away and her father has had some of the inevitable aches and pains of age, she can make sure he is getting the right care through the online doctor service.

Rainbow told us about an ancient Chinese saying 未雨绸缪 which roughly translates as "save something for a rainy day" – so you feel safe and can enjoy your life. That's our philosophy too. ■

**“My policy makes me feel safe”**



For video case study visit:  
[www.aviva.com/AR15](http://www.aviva.com/AR15)

# Rainbow





# Helping our customers every step of the way

**...offering simple and convenient products and services to meet customers' insurance, protection, health, savings, retirement and investment needs...**

## Life insurance

**Retirement income, Savings & Pensions, Life cover, Protection**

Customers buy life insurance products to save for the future, to provide reassurance their savings will last through retirement, and to protect against the risks to their family income after illness or death.

## Accident & health insurance

**Private Medical Insurance, Accident & Health**

Customers buy accident insurance products to provide benefit in the event of an accident, injury or disability, health insurance products to protect their health, supplementing any healthcare provision they receive from the state, and use wellness services to motivate and reward healthier living.



## General insurance

**Home, Motor, Travel, Pet and Commercial**

General insurance policies protect customers from loss in the event of damage to their property or assets, or injury to themselves or others for which they are responsible.

## Asset management

**Investing for Aviva and external clients**

We aim to deliver the investment outcomes that matter most to our customers; whether that's capital growth, securing reliable income or meeting future liabilities.

## ...operating across 16 markets...

### UK & Ireland

### Europe

France, Italy, Spain, Poland, Turkey, Lithuania

### Asia

Singapore, China, India, Indonesia, Hong Kong, Taiwan, Vietnam

### Canada



Read more on pages 30-45

## ...using our skills in...

### Underwriting

Underwriting and pricing expertise coupled with our analytics capability allow us to underwrite risk in a way that better reflects our customers' profiles making it more price competitive.

### Risk management

Our scale enables us to manage risk optimally, pooling different risks, maintaining capital strength and working with reinsurance specialists so we will be there for our customers when they need us.

### Customer service

Our strategy is to delight our customers, providing them with simple and convenient products and services that meet their insurance, protection, health, savings, retirement and investment needs.

### Big Data & analytics

Our analytics capability enables us to use Big Data to better serve our customers through accurate risk assessment and to present relevant opportunities to customers at every stage of their lives.

### Multi-distribution

We sell our products through multiple channels, so that customers can access our products and services in the way that they choose.



Read more on pages 62-65

## ...underpinned by...

### Our values

Our values of *Care More, Kill Complexity, Never Rest and Create Legacy* lie at the heart of how we do business.

### Brand strength

The strength of our brand gives customers confidence when they do business with us. Our new brand strategy, "Good Thinking", places the customer firmly at the heart of our business.

### Asset & liability management

Customer premiums are invested by specialist teams to balance investment return with risk and to maintain sufficient funds to pay claims. We match liabilities to assets whenever possible.

### Financial strength

Our financial strength gives customers confidence that we will pay out in the event of a claim and meet our promises many years into the future, as we have done for over 300 years.

### Capital allocation

We focus on markets and products where we have scale, profitability or competitive advantage. We deploy capital selectively to focus on the things we're good at.



Read more on pages 48-51



Read more on page 27

## ...which enables sustainable value creation for

### Customers

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

### Shareholders

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

### Our people

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

### Society

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

**£30.7bn**

**Paid in benefits and claims to customers in 2015**

**10.4%**

**Total shareholder return in 2015**

**29,600**

**Employees worldwide**

**£10.8m**

**Total community investment in 2015**



Read more on pages 21-22



Read more on pages 48-51



Read more on pages 52-55

# A clear strategic framework



**Our strategic framework focuses on the things that really matter and puts the customer at the heart of all 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, and one of only a few in the world.

**Our Purpose** The role we play in customers' lives

**Our Commitment** The investment thesis

**Our Strategy** What we will deliver

**Our Culture** How we will deliver it

We free people from fear of uncertainty  
Cash flow plus growth  
True customer composite

Create legacy

Kill complexity

Care more

Never rest

Digital first

Not everywhere



## 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.

## Digital First

We put Digital First. This is how we will capitalise on being a True Customer Composite. With their busy everyday lives, customers are increasingly turning to digital to make things more convenient, easier and quicker. So, if it is a choice of where we invest, it will be in Digital First across all our distribution channels – it's how customers want to do business with us.







## True Customer Composite

**We** are a True Customer Composite, offering customers life, general, accident & health insurance and asset management. We will provide our customers with tailored offerings to recognise, reward and delight them, in return for their trust and loyalty.

### Why it's important

Operating as a True Customer Composite enables us to deliver more effectively our purpose of 'freeing people from fear of uncertainty'. We understand that customers have a wide range of insurance, protection and savings needs, and can find it challenging to manage all of these.

True Customer Composite means offering all these products individually or in tailored combinations 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

“**At the very heart of it, True Customer Composite is about making life easy for our customers. It is building propositions that are really relevant to them and will add value to their lives**”

Chris Wei

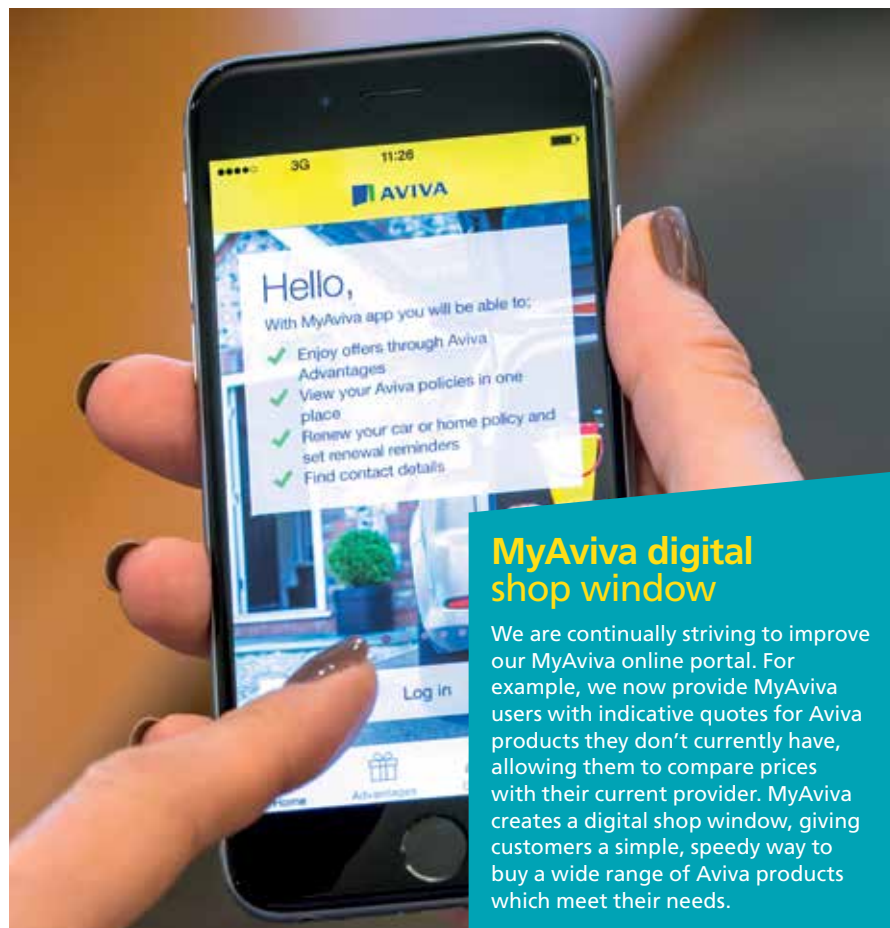
Executive Chairman, Aviva Asia and Global Chairman, Aviva Digital

deeper, more loyal relationship with us, supported by the benefits of 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 digital enables us to provide a wide range of products that meet their needs.

In the past, although the financial



### MyAviva digital shop window

We are continually striving to improve our MyAviva online portal. For example, we now provide MyAviva users with indicative quotes for Aviva products they don't currently have, allowing them to compare prices with their current provider. MyAviva creates a digital shop window, giving customers a simple, speedy way to buy a wide range of Aviva products which meet their needs.

benefits of the composite 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 as 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 different products from different providers. This is not what customers tell us

they want. What they want is a simple way to meet all their insurance needs.

Aviva is the only composite of scale in the UK that can offer life, general, accident & health insurance and asset management, and one of only a few international insurers that can do this.

### How we've progressed

Since its UK launch in February 2014, MyAviva (see case study above) has enabled customers to see an increasing number of their products, from car insurance to pensions, in one place. Over

the last year, we have been working hard to improve the user experience and provide additional functionality for customers. This has included pre-calculated quotes for travel insurance if not currently held by the customer, and a no claims discount online upload functionality which takes away the pain of sending us documents. As at the end of December 2015, we had a total of 1.8 million registered MyAviva customers and an average of two million logins per month.

In 2015, we started to roll-out MyAviva across other Aviva markets. In France, Aviva et Moi was launched in July and most recently, our business in Italy has launched MyAviva. We will extend MyAviva to other markets in 2016.

True Customer Composite is more than MyAviva. For example, in Poland, we have created "You, Me and We", three integrated packages of products which reflect what customers need at different stages of their lives, across life, general, accident & health insurance.

In Singapore, we have an existing life insurance scheme with the Singapore Armed Forces and have now extended a general insurance discount and upgrade scheme to policyholders and their families.

In Canada, we sold over 200,000 Ontario home and auto combined policies in 2015, which means that over 45% of our Ontario customers now have combined policies.

## “Good thinking is a different way to demonstrate what Aviva is all about – it is not a new concept, it is what we do naturally”

Chris Wei

Executive Chairman, Aviva Asia and Global Chairman, Aviva Digital

In Italy, we developed a composite life and general insurance proposition tailored specifically for female customers, with over 13,000 policies sold in 2015. We also launched other combinations of life and protection products, including with-profit, unit-linked and protection, with more than £345 million (€450 million) of premiums in that market in 2015.

### Good thinking

In 2015, we launched a new global brand strategy which supports our True Customer Composite and Digital First ambition 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”, summarised in the brand line “Good thinking”.

It aims to inspire our people to keep coming up with ideas to solve customers’ problems and informs the way we develop future services and propositions so that the customer experience is easy and intuitive. It is anticipated that by the end of 2016 we will have launched

“Good thinking” in all markets in which we have a wholly-owned brand.

### What we plan to do next

We will continue to develop our True Customer Composite proposition across our markets. As well as the further roll-out of MyAviva, we will look to extend our asset management and accident & health offer. The latter is a key part of our composite proposition and an area in which we have historically been under-represented (see Spotlight on page 23).

As part of “Good thinking”, we will continue to develop propositions which make it simple, convenient and intuitive for customers to meet their needs across our full set of life, general insurance, accident & health insurance and asset management products. This will be underpinned by our Digital First strategy as we make the most of digital technology to improve customer experience, increase engagement and reduce cost, leading to longer and more valuable relationships with customers. ■

## Health Essentials

Everyone likes to feel protected – but not everyone can afford a comprehensive policy. So, we believe it’s good thinking to offer healthcare that doesn’t include things our customers would rather not pay for. That’s why we’ve launched Essentials in the UK, with three simple, low cost products: “Cancer”, “Child” and “Physio”. These are available digitally, so customers can easily buy the cover they need with just a few clicks.

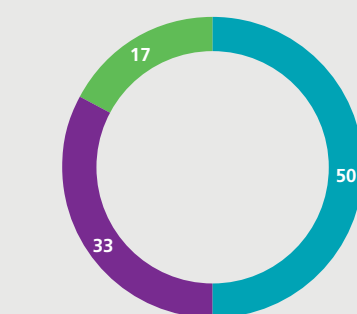


## Ask it once

One of the ways we can make things easier for customers is by never asking for information we already have from another product they hold with us. We’ve already reduced the range of questions we typically ask by two-thirds across our combined products, as well as identifying how our broader understanding of customers can help our underwriting and pricing.



## Customer advocacy %



in upper quartile

at or above market average

below market average

Our Relationship Net Promoter Score® measures the likelihood of a customer recommending Aviva. In 2015 the majority of markets were at upper quartile or market average. Each market develops its own Customer Action Plan in order to improve the customer experience further.

# Spotlight on...

# Accident & Health

**Our vision is to offer a suite of innovative, simple, low cost products that are accessible and relevant to all our customers – whatever their life stage**

**O**ur customers' number one concern is their health<sup>1</sup>.

People are living longer and chronic conditions are more common, but in many countries state funding is under pressure, leaving people with a gap in their healthcare provision. By offering products which are easy to understand, affordable and accessible, we feel we can make a real difference to our customers' wellbeing and peace of mind.

Accident & Health has not previously been a focus for us and as a result we are currently subscale. But that's now changing. The Accident & Health market is large and fast



growing and we believe we are well positioned to take advantage of this growth. We have a trusted brand, powerful distribution networks and an existing customer base of 33 million.

We are developing low cost, digital products, such as Essentials in the UK and MyFamily in Singapore, which have the potential to disrupt the market. We will complement these with wellness services which help our customers to manage and improve their health.

Accident & Health is a key priority for Aviva. We know we have more to do – and we are excited about the opportunities in this space. ■

## Our products

### Personal accident

Benefit in the event of an accident, injury or disability.

### Supplemental health

Fixed benefits in the event of sickness; to supplement state health provision.

### Private medical insurance

Domestic and international comprehensive covers which pay for medical treatments.

### Wellness

Services which encourage and reward healthier living, whilst offering guidance on health and lifestyle.

## Priorities

### Growth potential

We provide Accident & Health products to 2.5 million customers in the UK, Singapore, China, France and Poland, and have small businesses with growth potential in six other countries.

In 2015 we generated sales of over £1.5 billion<sup>2</sup>.

### Clear strategy

We will unlock value from our existing business; mainly through automation and improved supply chain management; and invest this cash to grow through:

- ▶ Product innovation
- ▶ Wider distribution networks
- ▶ Digital wellness services

### Integral to Aviva

Accident & Health is a key component of being a True Customer Composite. It completes and differentiates our insurance package and has the potential to drive deeper customer engagement.



<sup>1</sup> Aviva's Consumer Attitudes Survey (CAS) in 2015 reported that 56% of our customers stated health as their number one concern.

<sup>2</sup> Accident & Health sales include life new business sales (PVNBP) and net written premiums currently reported within our life, general insurance and health business results.





## Digital First

**D**igital remains crucial to our future success and our position as a True Customer Composite gives us a strategic advantage. We put Digital First because our customers are increasingly choosing this as their preferred way to deal with us. Through digital we can support customers more quickly with their enquiries and transactions, wherever they are in the world.

### Why it's important

The environment in which we operate is changing rapidly due to recent advances in technology and digital distribution. Aviva puts Digital First – this is how we will capitalise on being a True Customer Composite. 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 True Customer Composite central to a new relationship with customers which builds on our understanding of how customers want to use our products in a digital world.

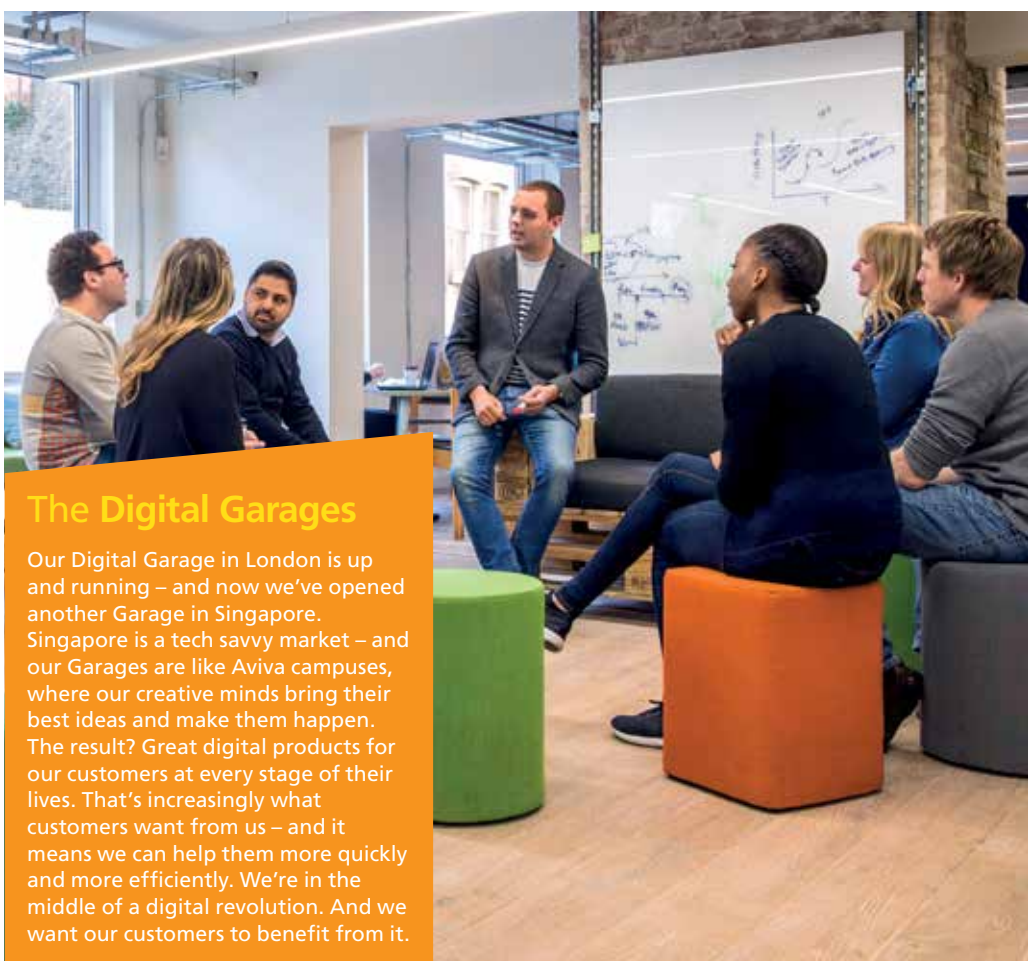
Putting Digital First means putting

**Increase in visits to Aviva.co.uk via mobile and tablet devices in 2015**

# 79%

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 in the evolving digital environment, cyber security is increasingly important to reassure our customers that they can deal with us digitally with confidence.

We will also seek out 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, including active involvement with Fintech start-ups.



## The Digital Garages

Our Digital Garage in London is up and running – and now we've opened another Garage in Singapore. Singapore is a tech savvy market – and our Garages are like Aviva campuses, where our creative minds bring their best ideas and make them happen. The result? Great digital products for our customers at every stage of their lives. That's increasingly what customers want from us – and it means we can help them more quickly and more efficiently. We're in the middle of a digital revolution. And we want our customers to benefit from it.

### Digital distribution

Increasingly customers want to be able to self-serve: researching, buying policies and making changes online. Digital allows customers to connect with us directly, allowing us to improve customer experience, increase interaction with our customers and reduce the cost to serve them.

### How we've progressed

In 2015, we continued to develop our digital infrastructure across our key markets. Our second Digital Garage opened in Singapore in December 2015, building on the successful operation of our first Digital Garage in Hoxton, London. The Digital Garages act as catalysts for our digital innovation effort, where creative minds from across Aviva and the industry come together to turn innovative ideas into real products and services for our customers.

At the same time, good progress has

been made in hiring our global digital leadership team, bringing industry-leading expertise in digital design and digital marketing from outside financial services.

We are seeing encouraging growth in the volume of customer interactions online, for example, logins to MyAviva in December 2015 were 37% higher than the same month the previous year, and visits to Aviva.co.uk through mobile and tablet devices increased by 79% in 2015. We continue to develop our suite of digital propositions to be used across our business units.

### UK Digital and Direct

We have established a new business, based in the UK Digital Garage, to take the lead on Digital First in the UK, and we are making good progress as we continue to develop our digital service and capability. For more information on UK Digital see Spotlight on page 26.

“  
**Our ambition is to allow customers to access all our services and products on any device, 24/7, 365 days a year**  
”

Andrew Brem  
Chief Digital Officer

## Through MyAviva we can present our full range of Aviva products and services, including distinctive composite propositions

Andrew Brem  
Chief Digital Officer

### Digital talent

Digital First is crucial to our future success and we've been working hard to find world class talent to complement the great people we have already. We've made a number of senior appointments in our digital business, who bring expertise from a range of sectors, including retail, media and technology. However, the shortage of digital skills in the current marketplace is unprecedented, and alongside recruitment, we are using more innovative approaches to access the skills we need, such as collaborating with and investing in start-ups, and working with universities. For example in 2015, we held an innovation event, DigitalOn, with the Politecnico university in Milan, and continued to work with start-ups in our Digital Garage.

### Greater digital support for our partners

Digital is also a key part of improving our support to our intermediaries. For example, we have developed MyAgent, a cloud-based sales tool for our 30,000 direct sales force agents. This work has

been led by sales and IT teams from Poland and China, alongside colleagues from France, Turkey, Italy, Singapore and the UK. This will change the life of an agent. Instead of traditional paper-based tools, new applications will be available on tablets, smartphones and laptops making their life easier and much more efficient. This launched first in Poland and China and will be reused in the future by up to nine markets across the globe.

In Ireland, we pioneered a life protection product without the need for a customer signature, a first for the Irish market. This builds on our existing digital platform for brokers – WriteNow – and is an important step in our simplification process to make us the easiest insurance company to do business with.

In the UK, Fast Trade, our proposition for the SME eTrading market, won the Technology Award for Customer Experience from trade magazine Insurance Times. The new tool allows brokers to request business using automatic pre-population of customer information, making the sales process easier and more efficient.

### Beware Hazard!

Simple and accessible – that's what our customers want. Aviva France's Aviva Risques Meteo (Aviva Weather Hazards) app is exactly that – and it's free for our customers. It's simplicity itself: in the event of a major weather hazard such as flooding, the user receives a smartphone alert, giving them time to take preventive action before the event. It's a great example of Digital First – and Aviva putting prevention first.



### Aviva Ventures

In December we announced the launch of our venture capital business, Aviva Ventures, which will look to commit around £20 million per year over five years. It's a wholly owned business which will provide early-stage investment to back entrepreneurs with high growth businesses.

Housed at the Digital Garage in London, Aviva Ventures will target investments in digital and technology companies operating in four areas: 'the internet of things', for example in connected homes, health and cars; data and analytics; innovative customer experiences; and distribution, for example new 'sharing economy' platforms.

It's about identifying new opportunities and making sure we're always learning and up to speed with new developments in technology.

### What we plan to do next

We will continue to focus on developing our digital offering to customers to support True Customer Composite propositions, including the continued development and roll-out of MyAviva and MyAgent. This is an area where there is intense competitor activity and digital is the key to unlocking the potential competitive advantage of our True Customer Composite proposition.

We will also continue to develop our digital infrastructure and talent as we harness the power of digital throughout the organisation and across all our distribution channels to improve processes, reduce costs and improve user experience. ■



### Super 6 – Super Service!

Our Customer Cup Competition captures our people's best ideas so we can improve things for our customers. This year's winners – called Super 6, from our Household Claims Team – know that customers want their claims resolved quickly and conveniently because they talk to them every day. Thanks to their bright idea and by working with our key suppliers – the Super 6 – customers can now get a digital voucher for a replacement item before their call is even over. It's a great example of how we strive to meet our customers' expectations – and then exceed them.

# Spotlight on... UK Digital

**UK Digital was established in 2015 to help our UK businesses provide an outstanding experience and innovative propositions for our 16 million UK customers**

**U**K Digital is currently focused on designing innovative composite propositions which meet customer needs across our different business lines, and supporting the UK business units in distributing their products (with a focus on direct digital distribution through MyAviva). Our ambition is to create an outstanding experience for customers, whenever and however they contact us.

The focus in the second half of 2015 was on working with the UK business units to improve the experience for customers, for example easier registrations, an enhanced MyRetirement planner, a single view of products held and improved self-service online capability. We now have good foundations for the further development of MyAviva and Aviva.co.uk in 2016, which will enhance navigation and connectivity for customers. This will support our composite proposition and put customers' needs first.

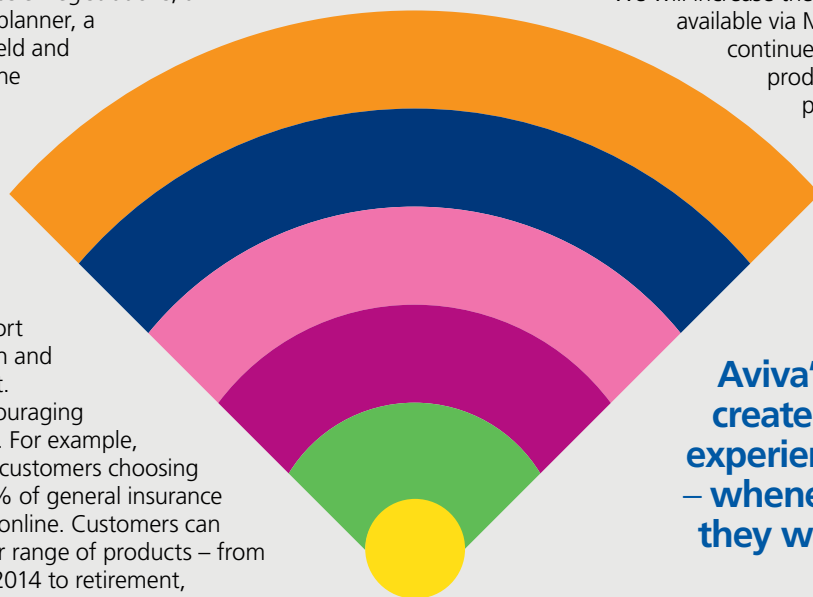
We have seen an encouraging response from customers. For example, we continue to see more customers choosing to renew online: over 40% of general insurance renewals now take place online. Customers can 'quote and buy' a broader range of products – from just general insurance in 2014 to retirement,

investments and an expanded protection range in 2015; and we made a full composite offering available online in January 2016 with the launch of Health Essentials (see case study on page 22).

MyAviva enables our customers to have all of their insurance documentation in one place – making it easier than ever to view policies, make changes or claim.

Looking forward, once it has all the necessary regulatory approvals, UK Digital will take on full responsibility for the distribution of a range of digital products in the UK.

We will increase the range of products available via MyAviva and we will continue to develop innovative products and composite propositions. This will be supported by incentives and offers for existing individual and business customers. ■



“  
**Aviva's ambition is to create an outstanding experience for customers – whenever and however they want to contact us**  
”

Blair Turnbull  
Managing Director, UK Digital

## Highlights and priorities

**We have a dedicated team working to revamp and improve the customer experience. In an increasingly digital world, we need to be agile and respond to our customers' needs**

**We're making good progress:**

**2m**

The average number of monthly visits to Aviva.co.uk

**4.5**

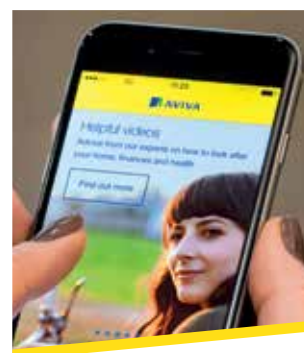
The average number of visits to MyAviva per customer in 2015

**1.8m**

The total number of registrations on MyAviva

**11**

The average number of visits to MyAviva per pension customer in 2015







## Not Everywhere

**O**ur Chief Capital & Investments Officer, Jason Windsor, talks about the Not Everywhere strand of Aviva's strategy.

### What does Not Everywhere mean to you?

Not Everywhere is about focusing on where we can make a difference. It goes without saying that for insurance companies diversification both in products and geography is a good thing. That is the whole premise behind insurance. But we don't want to be too broad or complicated, or we will lose focus.

We believe there is an optimal balance between sufficient diversification to enable us to use our capital efficiently, and maintaining the necessary level of expertise, oversight and risk management.

We think we've got it about right. We are in 16 markets. We are also a British champion – the UK is our home base. We're the largest player in the market. And as a composite we've got an in-built advantage which few can match.

And being the largest player in the UK brings economies of scale which gives us a competitive advantage and enables us to invest in new services and technology, and in our other businesses.

Our strength in our home market also provides reassurance and security that is valued in many of our other markets.

Not Everywhere is also about capital allocation – we see it as a competitive sport. Cash is paid up to the Group, which we then reallocate to markets



“  
**It's about being clear  
what not to do, so we  
can focus on what  
we do best**  
”

Jason Windsor  
Chief Capital & Investments Officer

and businesses which will offer the most attractive returns.

### How does Not Everywhere support other parts of Aviva's strategy?

It is integral. We will only deliver the full benefits of the composite model by putting Digital First if we focus our resources where we can be most competitive. This is underpinned by our core strengths in areas such as underwriting, risk management, asset and liability management, and understanding and using Big Data.

One of our Aviva values is to “Kill complexity”. That is exactly what Not Everywhere is all about. It is about focus. It is about working out where you can best create value – and then delivering.

### How do you decide which markets to focus on?

We are not trying to be all things to all people. We are not interested in planting flags or being in 100 countries or providing every product in every market. Our focus is on a select number of markets where we can have critical mass – scale or profitability or a distinctive competitive advantage.

For example, in January 2016 we announced a new general insurance partnership with the Royal Bank of Canada, Canada's leading bank, including a 15 year distribution deal. We are one of the leading general insurers in Canada and this deal opens up a new distribution channel, complementing the strong broker partnerships that we have in this market.

### Can you give an example of what Aviva has stopped doing?

Given the strength of our relationship with DBS, we would have liked to renew our bancassurance agreement in Singapore, which concluded at the end of 2015.

However, we remain highly disciplined regarding capital allocation, and the cost to renew the agreement was far in excess of what we saw as economically viable or justifiable to our shareholders.

We already have an excellent growth franchise in Asia, with a strong network of leading local partners, and look forward to a bright future in Asia. ■

## How do we decide where to allocate capital?

We look at capital allocation through three lenses: strategic, financial and execution



### Does it fit with our strategy?

We focus our efforts on delivering our strategic ambitions and providing our customers with propositions that they value.



### Does this investment create value?

We aim to invest our Group capital efficiently to get the right balance of risk and return, consistent with our Investment Thesis of cash flow plus growth.



### Can we deliver it?

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





**Imagine if 70 businesses in your community vanished overnight: livelihoods lost, lost income for suppliers, and thousands of disappointed customers.**

That's what happened in St Jacob's, Ontario, when the much-loved St Jacob's Farmers' Market burnt down. Overnight, local people lost the place where they went for everything from antiques to livestock. One business owner said it "felt like losing a home – like you weren't going to see your family anymore."

But local people resolved that the market would rise

again and, as the local mayor said "everybody came together to make it work" – that included Aviva, as the Market's insurer.

Marcus, the Market's President, said "one of the best decisions we made was to review our insurance with our broker regularly, which resulted in us having the right coverage to be able to recover." This was a complex case, but John, our loss adjuster, quickly agreed a plan of action and we made a substantial advance so the resurrection of the Farmers' Market could begin. Within a

few weeks a temporary market was operating. In total, Aviva paid out around £2.7 million or just under \$CAD5 million.

Now a bigger, better St Jacob's Farmers' Market is back as a bustling much-loved place, with a huge diversity of shops and stalls, where people can meet their friends and family. We're proud we helped St Jacob's Farmers' Market to rise from the ashes – and take its place back at the heart of the community. ■



For video case study visit:  
[www.aviva.com/AR15](http://www.aviva.com/AR15)

# Marcus

“One of the  
best decisions  
we made was to review  
our insurance  
regularly”





# UK & Ireland Life insurance

Aviva is a leading insurer in the UK and Ireland life insurance markets, with a 13%<sup>1</sup> share of the UK life and pensions market



## AN INTERVIEW WITH...

**Andy Briggs, Chief Executive Officer, UK&I Life and Chairman, Global Life Insurance**

### What's your strategy?

We help people enjoy a secure and prosperous retirement, and look after them and their loved ones should they fall ill or die. It's a pretty noble endeavour.

I'm keen to make the most of the True Customer Composite model. So, for example, we're working with Aviva Investors so that a greater proportion of our funds flow to them where it is in the best interests of our customers.

We're also helping to build market share in protection, accident and health, focusing on products which require less capital backing. And in line with our strategic goal of being Not Everywhere, we're reinvesting capital from the UK in selected international markets.

We have one of the largest books of existing pensions, savings and protection customers in the UK, and manage this efficiently through rigorous capital management, automation, reducing our costs and improving customer service and retention.

**I've been in insurance for 28 years and I've not seen an insurer with Aviva's potential**

In Ireland our primary focus is to increase our operating profit and value of new business (VNB).

**How is the life business helping to deliver the True Customer Composite model?**

We're bringing

together the products we offer customers, to make their lives easier. We seek to build deep and enduring relationships which support our customers through different stages of their lives.

We're also benefiting from relationships built elsewhere by the Group. For example, we won a group protection contract on the strength of the existing relationship with the general insurance business.

### How are you putting Digital First?

We put Digital First so that our customers can deal with us online and through their mobile devices using the MyAviva portal.

As a result we are simplifying how we do business and improving the service we offer customers, while reducing costs and improving efficiency.

<sup>1</sup> Association of British Insurers (ABI) statistics published Q3, 2015.

## HIGHLIGHTS

### Cash remitted to Group

**£667m**  
(2014: £437m)

### Life operating profit

**£1,432m**  
(2014: £1,049m)<sup>2</sup>

### Operating expenses

**£815m**  
(2014: £565m)

### Value of new business

**£625m**  
(2014: £482m)



## The life business can be the Group's anchor for delivering the benefits of the True Customer Composite model to our customers



Andy Briggs

Chief Executive Officer, UK&I Life and Chairman, Global Life Insurance

### What are your highlights for 2015?

Obviously, the acquisition of Friends Life. We're well into the integration – it's hard work, but vitally important. We're due to deliver the savings we promised by the end of 2016, one year earlier than planned.

While the integration of Friends Life caused some disruption to the business, we have endeavoured to move as quickly as possible to reduce the uncertainty for our people. As we took forward the integration in 2015, we were able to give clarity to three quarters of our people on their futures. We now have the best of both leadership teams in place.

I'd say we're showing strong progress and good growth – and that's before our digital innovations come on stream. Once they do, I'm looking for our growth to accelerate.

Solvency II has also been a big focus. I think we've handled its introduction well. Tom Stoddard talks more about this in the Chief Financial Officer's report on pages 58-61.

### What about the challenges and risks?

For us to achieve the full potential of the True Customer Composite, we will need to deepen our relationship with our customers and increase the average number of products they buy from us. But to do this, we will need to respond to

and anticipate the rapid pace of technological change and changing customer expectations.

By securing a strong, long-term relationship with our customers, the life business can be the Group's anchor for delivering the benefits of the composite model to our customers.

Here in the UK, we've had the challenge of the biggest reform to the pensions market for a generation. But we've managed it well and still grew as a result of our strength, breadth and expertise.

### What are your impressions of Aviva?

It's a hugely exciting time. We've finished the fix phase. Now we are in the transform and grow phase. We've got a strong balance sheet and capital strength, some great people, and a material cost and capital advantage over our peers given we are a composite insurer with scale.

I've been in insurance for 28 years and I've not seen an insurer with Aviva's potential.

As a leading insurer in the UK, we bring to market a number of advantages:

- Our size means we benefit from economies of scale, and so can offer products and services to customers more efficiently than some smaller insurers.

## Our progress and future plans

### What we achieved in 2015

- ▶ Delivered £113 million of integration run-rate synergies and ahead of our target for the year
- ▶ Supported our customers in taking advantage of the UK Government's reforms to the pensions market by providing the full range of retirement products
- ▶ Launched a new Direct-to-Consumer investment platform which provides customers with digital access to easy, ready-made packages, through the MyAviva portal
- ▶ Successfully prepared for Solvency II requirements
- ▶ We won the Gold Standard for Group Pensions, Pension Provider of the Year at the European Pension Awards, Best Equity Release Lender and Best Lifetime Mortgage Provider at the What Mortgage Awards, and Best Protection Provider Service

### What we plan to do in 2016

- ▶ Complete the integration of Friends Life:
  - continue to align Aviva and Friends Life propositions
  - deliver the total cost savings we have promised one year early
  - transfer further Friends Life assets to Aviva Investors where that is in the best interests of our customers
  - complete the cultural transformation
- ▶ Ensure that, following the implementation of Solvency II, we continue to make our balance sheet as capital efficient as possible
- ▶ Continue the transformation of the business to make the most of digital technology, and ensure our products and services are accessible to all our customers, new and existing, including the continuing enhancement of MyAviva

<sup>2</sup> Operating profit has been restated to exclude amortisation and impairment of acquired value of in-force business, which is now shown as a non-operating item.

## UK and Ireland

### Life insurance *continued*

- Our diversity of business means that (under the new Solvency II regime) we benefit from lower capital requirements than insurers who just offer one product line.
- The breadth of our business means that we understand the range of needs of our customers better than others, and can bring them connected propositions and rewards for loyalty that other insurers simply can't, for instance by offering pension customers a discount on their home or motor insurance.

By the end of next year, I want us to be delivering our purpose better and for more people, to be a stronger more diversified business, with a market-leading, engaged workforce, and strong and growing cash flows.

#### What's your final message?

I want our customers to know we're good at three things: we deliver what they want; we're easy to do business with; and we're the natural choice – the insurance company customers can trust and turn to first.

For investors, my message is we've got the right strategy, we're ahead of schedule on the integration and we're delivering cash flow plus growth. Aviva's British heartland is in good health.

#### Overview

Aviva is a leading insurer in the UK and Ireland life insurance markets, with a 13%<sup>1</sup> share of the UK life and pensions market. We offer a comprehensive range of products to individuals and companies, including pensions, retirement solutions, life insurance, and savings and investment products.

In Ireland, we continue to deliver our strategy of growing annuity and investment business, progressing towards being the provider of choice for pre and post retirement solutions.

We are also one of the UK's leading providers of protection insurance. Aviva's UK Life business has around £214 billion of assets under management.

## We're ahead of schedule on the integration of Friends Life, we're growing and we're delivering cash flow plus growth

Andy Briggs

Chief Executive Officer, UK&I Life and Chairman, Global Life Insurance

We offer customers:

- Retirement solutions which help people plan, save for and enjoy a financially secure retirement including annuities, investments, income drawdown, equity release and long-term care insurance.
- Protection insurance which provides peace of mind to customers should they die or fall ill – including life insurance, critical illness cover and income protection.
- Services for companies, both large and small – including workplace pensions, group protection, and bulk annuities.

We deliver our products and services through multiple distribution channels – building on and maintaining our strong existing relationships with intermediaries including independent financial advisers, employee benefit consultants, banks and

estate agents. Increasingly we are offering customers the option of dealing with Aviva directly.

Ireland has made significant progress towards becoming the provider of choice in the retirement market, winning the "Innovation in Pensions" award for the second year running at the Irish Pension Awards.

Completing the acquisition of Friends Life has allowed us to accelerate our turnaround and our ability to deliver cash flow plus growth. Strategically, this transaction secures our position in our home market, and puts us in a strong position to look after our customers' entire insurance, savings and retirement needs.

#### Financial performance

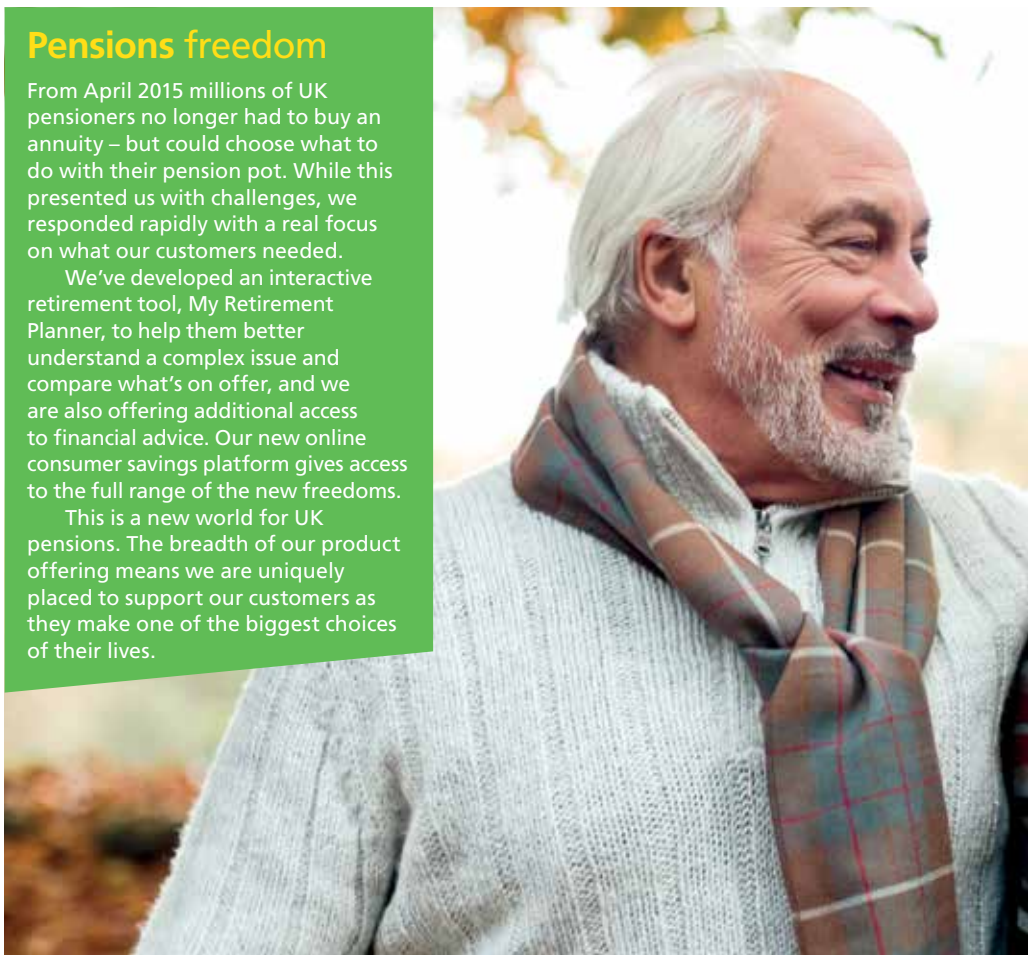
During the year total cash remitted to Group was £667 million, up 53% from 2014.

### Pensions freedom

From April 2015 millions of UK pensioners no longer had to buy an annuity – but could choose what to do with their pension pot. While this presented us with challenges, we responded rapidly with a real focus on what our customers needed.

We've developed an interactive retirement tool, My Retirement Planner, to help them better understand a complex issue and compare what's on offer, and we are also offering additional access to financial advice. Our new online consumer savings platform gives access to the full range of the new freedoms.

This is a new world for UK pensions. The breadth of our product offering means we are uniquely placed to support our customers as they make one of the biggest choices of their lives.





Overall UK & Ireland Life operating profit increased to £1,432 million (2014: £1,049 million<sup>2</sup>). UK life operating profit was £1,408 million (2014: £1,025 million), including a contribution of £358 million from Friends Life following its acquisition in April 2015. Excluding Friends Life, UK profits increased 2% to £1,050 million (2014: £1,025 million), benefitting from lower operating expenses as well as improved new business profitability. In Ireland, profits were stable at £24 million (2014: £24 million).

Overall UK & Ireland Life operating expenses were £815 million (2014: £565 million). In the UK, operating expenses of £788 million (2014: £529 million) included £286 million of post-acquisition expenses from Friends Life. Excluding Friends Life, UK operating expenses decreased by 5% to £502 million (2014: £529 million) reflecting cost savings as a result of process automation and simplification. In Ireland, operating expenses reduced to £27 million (2014: £36 million).

VNB increased to £625 million (2014: £482 million). In the UK, VNB was £609 million (2014: £473 million). Excluding a £91 million contribution from Friends Life, UK VNB improved 10% to £518 million (2014: £473 million), mainly reflecting higher margins on pension and health business, together with increased sales and margins on bulk purchase

annuities. This increase was partly offset by lower individual annuity sales compared to 2014, following the announcements made in the 2014 UK budget. In Ireland, VNB increased to £16 million (2014: £9 million) as a result of higher sales and improved margins on pensions and annuities, partly offset by lower protection sales.

### Market context and challenges

The UK is Aviva's home base and we are a British champion. It is a mature market, but one which offers good prospects for profitable growth.

2015 has been a year of unprecedented change in the market, creating opportunities and challenges. The UK Government's reforms have allowed people more freedom over how they take their pension fund. As a result, we have made significant improvements to our core systems for administering our customers' pensions and how we support our customers as they decide how they wish to take advantage of these reforms.

We focus our resources on providing our customers with the appropriate support and blended solutions to best meet their needs for retirement, supported by our Retirement Centre, available online at [www.aviva.co.uk](http://www.aviva.co.uk) and on the telephone. In this way, we support these customers at, and through, retirement with income drawdown, annuities, equity release and other investments.

Looking ahead, we expect further significant changes in the market over the next two to three years. The Government is expected to announce the outcome of the Financial Advice Market Review (FAMR) which could have significant implications for how we engage with our customers, and their advisers. In addition, the UK Chancellor has indicated he may announce reforms to the taxation of pensions. We expect continued evolution of regulation around retirement income, and 2017 will see the introduction of a secondary market in annuities, as well as a review of Auto-Enrolment. With so much change on the horizon, it is vital that we are engaged with Government and regulators to ensure that their reforms

### Innovative protection platform

ALPS isn't just a mountain range. It's Aviva Life Protection Solutions – our new protection platform for advisers and customers in the UK. It helps them make the right choice when arranging life protection by offering a flexible menu of cover which can be tailored to meet a customer's circumstances – with all the policy documents stored online. 75% of applications are immediately accepted online – and that equals certainty and convenience for customers. It's the biggest change in how we offer life insurance for years. We think ALPS is a game changer for Aviva – and our customers.



are designed to benefit customers, and to help more of them to enjoy a prosperous retirement.

At the same time, our customers themselves are changing. The UK population is growing, and getting older – with people living longer and healthier lives in retirement. More people are renting, and fewer people own their own home. Customers are increasingly using mobile and digital technology to access financial services. Advances in data analytics, wearable technology and the 'Internet of Things' create new opportunities – but also new risks for insurers and their customers. All of this means we need to be agile in anticipating and responding to customers' changing needs, and be innovative in our design of propositions to meet those needs. ■

“  
**We welcome the UK pensions freedoms.  
With our broad product range we are well  
placed to meet customers' needs**  
”

Andy Briggs

Chief Executive Officer, UK&I Life and Chairman, Global Life Insurance



# UK & Ireland General insurance

We are the leading general insurer in both the UK and Ireland, with a market share of 12%<sup>1</sup> in the UK and 13%<sup>2</sup> in Ireland



“Our strategy positions Aviva for future growth by meeting our customers’ changing needs”

## AN INTERVIEW WITH...

**Maurice Tulloch, Chief Executive Officer, UK&I GI and Chairman, Global GI**

### What’s your strategy?

Our strategy positions Aviva for future profitable growth by meeting our customers’ changing needs. We are building an increasingly digital global General Insurance (GI) business, through our strong direct brand and our partnership with brokers and banks.

We have market leading capabilities in the insurance fundamentals: underwriting, pricing, claims management and predictive analytics. We utilise the strength and expertise around the businesses to use and share best practice. For example, we’ve created a single centre of excellence to combat insurance fraud.

Bad things will always happen – and we will be there for our customers when they do. Our aim is to build long-term relationships with customers so we are developing products and services that go beyond insurance to mitigate and prevent – whether that’s delivering risk management advice

to a large corporate customer or using leak-prevention technology in customers’ homes. That’s the future of insurance.

We will grow our business by focusing on our distribution through UK direct and partners, and also through tailoring the range of products we offer to meet customers’ needs.

We will continue to be a customer champion by taking an industry lead on issues that increase costs for our customers, such as our “Road to Reform” campaign which highlights the issues of fraudulent claims. And also help provide industry solutions to meet pressing needs, such as Flood Re securing affordable insurance for properties at risk of flooding.

### How are you helping to deliver the True Customer Composite Model?

We start with the customer and understand their needs and habits at different stages of their lives. As a composite, what Aviva can offer customers is unique in many parts of the world. Take the UK, where we have 16 million GI and Life customers. We already make the lives of our GI customers easier by meeting their insurance needs but we

1 Datamonitor UK Insurance Competitor Analytics 2015

2 Irish Insurance Federation, 2015

can also engage with our Life customers who might not have GI products with us, especially through the MyAviva app. That's a huge number of customers who already have long-term relationships with Aviva. We can better understand their needs by using our existing knowledge. Understanding more about our customers using the vast amount of data already available, without having to ask them more questions, allows us to offer them the right products at the right price, in the best way possible. That's what the composite model could look like – this will change insurance.

### How are you putting Digital First?

It's how we'll deliver the composite model, especially through MyAviva. But we're also putting Digital First in how we deal with our brokers and partners – especially through the major investments we've made in Fast Trade, our online tool for brokers and Guidewire, which brings together underwriting, administration and claims into a single system.

### What have been the highlights of 2015?

We delivered a satisfactory underwriting result. We're also growing the business – premiums are up. And we've seen some great deals for Aviva and our customers – for example, through our agreements with Homeserve and TSB in the UK.

We've also received many accolades, including General Insurer of the Year at the Insurance Times Awards for the second year running.

We have transformed the claims experience – many domestic claims can now be handled in a single call.

We also scored a major victory in the fight against fraudulent whiplash claims with the UK Government's announcement that it plans to put a stop to cash compensation for minor whiplash injuries.

## HIGHLIGHTS

### Cash remitted to Group

**£358m**  
(2014: £294m)

### General insurance and Health operating profit

**£430m**  
(2014: £499m)

### Operating expenses

**£697m**  
(2014: £755m)

### Combined operating ratio

**95.0%**  
(2014: 94.9%)

That's a great result – for us and for honest customers.

But one of our Aviva values is to "Never rest" – and we're certainly not resting. We need to continue to exceed customer expectations and to grow our business.

### What about the challenges and risks?

The challenge of delivering what our customers want is always there – and we're in a highly competitive market. We've got to be more efficient and competitive year on year, delivering what our customers want and how they want it – not least because disrupters will enter

## UK floods

In December 2015, the UK suffered the wettest month ever recorded, with almost double the average rainfall. Our people were with flooded customers right from the start with command centres set up in the worst hit areas to support customers and communities. We received excellent customer feedback. Gary Byrne tweeted "Aviva again goes above and beyond #amazing customer service".



the market and beat us if we don't.

I'm the Chair of Climatewise – the insurance industry's body on climate change. The risks of unmitigated global warming are pretty stark, for individuals, for business and for communities. We need to do all we can to address this challenge. For insurers, a temperature increase of four degrees effectively means insurers will have to bow out. Insurers will not be able to cover the risks. Climate change would be the greatest market failure of all time, the greatest inequality of all time, and it will represent a social catastrophe.

## Our progress and future plans

### What we achieved in 2015

- ▶ Achieved our best ever Customer Satisfaction scores for household claims (Transaction Net Promoter Score® +57)
- ▶ Returned to growth, securing significant new distribution deals, notably TSB (4.7 million UK customers) and Homeserve (Home Emergency Cover – two million UK customers)
- ▶ Made progress in delivering the benefits of the True Customer Composite model for our customers, making our first healthcare and pension sales through GI brokers
- ▶ Implemented Guidewire, our new policy and claims system, across our commercial lines business
- ▶ Invested in using new technologies so that we can settle claims on the same day they are made
- ▶ In Ireland we won three Irish Broker Association awards for most improved service to small medium-sized enterprises and large corporate brokers and for most improved non-life service ranking

### What we plan to do in 2016

- ▶ Grow our business profitably in the UK and Ireland and provide new products and services in areas such as pet insurance, warranty, home services and for high net worth customers
- ▶ Expand the distribution reach of our corporate and speciality commercial lines business to maintain our existing business and provide opportunities to expand into new markets
- ▶ Deliver simpler digital solutions which improve our automated processes and make it even easier for our customers to do business with us
- ▶ Working with the industry as a whole to launch Flood Re in April 2016, securing affordable insurance for millions of properties in England
- ▶ Continue to campaign on issues that are important to our customers, such as motor reforms and tackling insurance fraud



## UK & Ireland

### General insurance *continued*

#### What's your final message?

I believe passionately that our customers have made the right choice by protecting what matters most to them with Aviva. Our promises are not made lightly.

#### Overview

We provide a wide range of products to personal and business customers, including motor, home, travel and pet insurance, commercial property, liability and specialty covers such as classic car and boiler breakdown.

Customers can access our products and services in the manner that they choose through our multi-distribution network; directly from us over the phone or digitally, or via our broker, intermediary and strategic partners.

The quality of the service we provide to our customers is reflected in the number of awards we have received. Most notably, we were the Insurance Times Insurer of the Year in 2014 and 2015, and voted number one for underwriting and claims in both personal and commercial lines in the 2015 Insurance Age Sentiment Survey.

In Ireland we won the Irish Broker Association awards for most improved service.

#### Financial performance

Total cash remitted to Group was £358 million (2014: £294 million).

UK and Ireland general insurance (GI) and health operating profit was £430 million (2014: £499 million).

In the UK, GI operating profit was £368 million (2014: £455 million). Within this, investment return reduced mainly as a result of reductions in the internal loan. The underwriting result was £154 million (2014: £199 million) with adverse weather experience due to the December floods being partly offset by the benefit of expense savings and more favourable prior year claims development. In UK Health, operating profit increased to £21 million (2014: £11 million).

In Ireland, operating profit increased to £41 million (2014: £33 million) mainly driven by favourable weather experience, partly offset by lower prior year claims reserve releases.

UK and Ireland operating expenses reduced by 8% to £697 million (2014: £755 million) reflecting a focus on efficiency and discipline in our cost control as we pushed through the expansion of digital and automation across our business, and a reduction in headcount.

The UK and Ireland GI combined operating ratio (COR) remained stable at 95.0% (2014: 94.9%), reflecting higher claims across both personal and commercial lines, partly offset by cost savings and lower sales commissions.



**Our customers have made the right choice by protecting what matters most to them with Aviva. Our promises are not made lightly**



**Maurice Tulloch**

Chief Executive Officer, UK&I GI and Chairman, Global GI

#### Market context and challenges

Market conditions for personal motor and home insurance have remained competitive, and whilst motor premiums are rising, we expect conditions in both markets to remain highly competitive. We have responded to this challenge by developing increasingly sophisticated pricing, market-leading products and services, and investing in digital to sharpen our competitive edge.

The small medium-sized enterprise

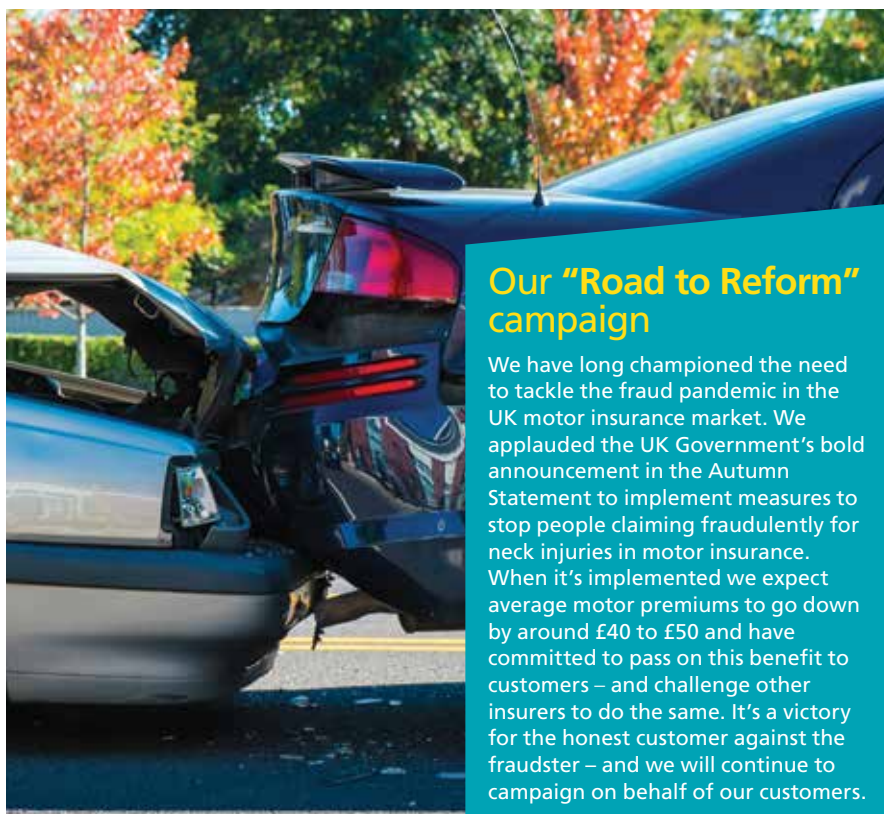
(SME) sector has remained challenging as increased insurance capacity has heightened competition. Aviva is uniquely well-placed to be a trusted advisor and offer a complete one-stop-shop for SMEs, and we have continued to succeed in this market because of the quality of our

service and relationship management for SMEs.

The UK motor market has suffered from insurance fraud at an ever increasing rate over recent years. We welcome the UK Government's decision to act and will continue to work with them and the industry to create and implement effective solutions.

We still have much more to do in this space, including addressing the noise-induced hearing loss epidemic of claims.

The UK's recent large scale flood events have highlighted the need for affordable home insurance. Flood Re, an industry solution, being launched in April 2016, will help support those households with the highest flood risk. The Flood Re scheme will help people better understand their risk of flood and what they can do to reduce that risk. ■



#### Our "Road to Reform" campaign

We have long championed the need to tackle the fraud pandemic in the UK motor insurance market. We applauded the UK Government's bold announcement in the Autumn Statement to implement measures to stop people claiming fraudulently for neck injuries in motor insurance. When it's implemented we expect average motor premiums to go down by around £40 to £50 and have committed to pass on this benefit to customers – and challenge other insurers to do the same. It's a victory for the honest customer against the fraudster – and we will continue to campaign on behalf of our customers.

# Canada General insurance

We are Canada's second largest general insurer<sup>1</sup> providing a range of personal and commercial lines products to over 2.8 million customers

## Overview

We have an 8.4%<sup>1</sup> market share and a top five position in all major provinces.

In 2015, 39% of sales were personal auto, 26% personal property and the remainder in commercial insurance.

Most of our business is intermediated, with our products sold through a network of independent broker partners.

## Strategy

Our objectives are to build on our existing service to customers and distributors, build our digital capabilities, and lead product innovation in Canada.

In January 2016, we announced the proposed acquisition of the Royal Bank of Canada General Insurance Company (RBC General Insurance) and a 15-year distribution agreement with RBC Insurance. Through this agreement, Aviva Canada will provide underwriting, pricing and claims services, and RBC Insurance customers will be able to access our full suite of general insurance products. This diversifies our distribution, giving us exposure to the direct channel in Canada.

We also continue to support our broker partners to help them integrate

digital technology, to better serve our customers and stay competitive.

We were the first in Canada to launch an Overland Water Coverage Option for home insurance, providing water damage coverage for fresh water flooding due to storms and run-off, demonstrating our commitment to our customers.

“  
**We will build our digital capabilities and lead product innovation in Canada**  
”

**Maurice Tulloch**

Chief Executive Officer, UK&I GI and  
Chairman, Global GI

## Financial performance

Canada retained its dividend within the business in anticipation of the proposed acquisition of RBC General Insurance. The £6 million cash remittance represents interest on an internal loan.

Operating profit

increased by 13% to £214 million (2014: £189 million), a 22% increase on a constant currency basis driven by more benign weather compared to last year and favourable prior year development.

Operating expenses were lower at £298 million (2014: £316 million), but up 1% on a constant currency basis, reflecting growth in the business.

Combined operating ratio improved by 2.3 percentage points to 93.8% (2014: 96.1%) reflecting improved underwriting performance.

## HIGHLIGHTS

### Cash remitted to Group

**£6m**  
(2014: £138m)

### General insurance operating profit

**£214m**  
(2014: £189m)

### Operating expenses

**£298m**  
(2014: £316m)

### Combined operating ratio

**93.8%**  
(2014: 96.1%)

## Market context and challenges

As the industry continues to evolve, those insurers who increase their digital capabilities will lead the pack. More business will be purchased via digital channels, so the ability of companies to innovate and adopt new technologies will be crucial. The industry needs to adapt to meet customers' evolving needs in the years ahead.

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. We support the steps taken by the Government so far and will continue to work with them to help customers. ■

<sup>1</sup> Market Security Analysis & Research Inc, 2014 online database

## Our progress and future plans

### What we achieved in 2015

- ▶ Expanded our range of product offering, including Overland Water Coverage and developed an insurance solution for ride sharing drivers
- ▶ Broadened our distribution reach by launching Aviva Direct for Home and Auto
- ▶ Made the most of telematics to develop a usage based insurance product for young drivers
- ▶ Utilised new technology to enhance claims management through predictive analytics and anti-fraud capabilities

### What we plan to do in 2016

- ▶ Complete the proposed acquisition of RBC General Insurance Company
- ▶ Integrate the RBC General Insurance Company business and people into Aviva Canada
- ▶ Continue to work with regulators to influence a positive outcome for customers in Ontario auto
- ▶ Continue to invest in digital so our services and propositions are better for our broker partners and customers
- ▶ Continue to invest in Guidewire technology to make it easier to do business with us

# Europe

We offer a wide range of life, general insurance, health and asset management products to more than ten million customers in five markets – France, Italy, Poland<sup>1</sup>, Turkey and Spain. We operate a composite model in France, Italy and Poland



## AN INTERVIEW WITH...

**David McMillan, Chief Executive Officer, Aviva Europe and Chairman, Global Health Insurance**

### **What is Europe's contribution?**

Europe is a big part of Aviva. We are the second largest cash contributor to the Group, remitting £431 million in 2015, and contributed over 30% of total 2015 Group operating profits.

We have continued to grow our Value of New Business (VNB), as a result of our strategic initiatives to reshape our portfolio, focus on less capital intensive products and improvements in operating efficiency.

We have turned around our general insurance businesses and this is reflected in our general insurance combined operating ratio which improved by 2.3 percentage points to 95.4%.

### **What's your strategy for Europe?**

Over the last few years, we have completed the turnaround of our mature composite businesses in France and Italy, improving margins, refocusing on capital-light products and harnessing our distribution. Our turnaround in Spain is well progressed, benefitting from an

improving economic environment.

In 2015, we have started to shift the emphasis towards digital and True Customer Composite, deploying MyAviva, increasing sales of protection and Accident & Health (A&H), and digitising distribution channels.

Poland and Turkey are our growth markets, with relatively low levels of insurance penetration. We are focused on securing leadership positions in these markets, by deepening and diversifying distribution and building innovative digital solutions for our customers.

### **How are you helping to deliver the True Customer Composite model?**

Our focus is on deepening our relationship with customers by offering them the whole range of our products.

The approach has varied by market. For example, in France and Italy, where we have strong agency businesses, we have implemented multi-access capabilities, allowing customers to choose how they

“Europe is a big part of Aviva. We have strong positions in Europe and we are well-placed for further profitable growth”

<sup>1</sup> Aviva Poland also has management responsibility for Aviva's operation in Lithuania.



transact with us through face-to-face meetings, telephone and digital.

I'm excited by the "You, Me and We" composite product packages we have launched in Poland. These propositions combine life, general and health insurance components and are focused on the needs of customers at different stages of their lives. Anna took out a policy recently and you can read her story on page 4.

### How are you putting Digital First?

Digital is the future of insurance, and our customers and agents are increasingly looking for more direct interactions and customised digital services.

We made some big strides in 2015. We successfully launched MyAviva in France and Italy so customers can access all their contract details in a single place and self-serve on policy administration.

In 2016, we will do even more. We will build digital solutions for our distribution channels. For example, we will implement MyAgent for our sales network in Turkey and develop digitised sales tools in Poland.

### What about challenges and risks?

In the mature savings markets, we continue to face a low interest rate environment but benefit from the early and proactive actions we have taken to reduce product guarantees and shift our mix towards protection, A&H and unit-linked.

In Poland and Turkey, we have had to adapt to a more volatile regulatory environment, with significant changes in the pension system in both countries.

### You are taking responsibility for Ireland – what are the challenges and opportunities there?

Aviva Ireland has undergone a turnaround

over the last couple of years and we are now benefitting from the cost economies and expertise from being branched into the UK Life and General Insurance businesses.

The focus moving forward is to capitalise on our strong brand and market position and build a leadership position across the composite product range.

### What's your final message?

The first stage of the European turnaround is largely complete and we are now moving into a 'transform and grow' phase. We have good businesses and are in a strong position to grow our franchises – digital and True Customer Composite will be at the heart of this.

### Financial performance

Our headline financial performance was impacted across all metrics by a weaker euro (11% down on average) and low interest rates. Prior year results include the benefits of one-off pension changes in Poland and Lithuania.

However we continued to make reasonable progress on a constant currency basis.

Cash remittances were £431 million, up 1% in constant currency terms.

We continued to grow our Value of New Business (VNB) which was up 14%<sup>4</sup> to £400 million, an improvement of 48% over the last three years, while maintaining our expenses at £526 million (broadly flat in constant currency, excluding disposals). Protection VNB improved by 27%<sup>4</sup> in 2015 and now represents 49% of total VNB.

Life operating profit decreased to £766 million. Excluding disposals last year and the one-off regulatory pension

## HIGHLIGHTS

### Cash remitted to Group

**£431m**  
(2014: £473m)

### Life operating profit

**£766m**  
(2014: £882m<sup>2</sup>)

### General insurance and Health operating profit

**£114m**  
(2014: £113m)

### Operating expenses

**£526m**  
(2014: £596m)

### Value of new business<sup>3</sup>

**£400m**  
(2014: £392m)

### Combined operating ratio

**95.4%**  
(2014: 97.7%)

## Our progress and future plans

### What we achieved in 2015

- ▶ Launched MyAviva in France and Italy, delivering digital services for customers, distributors and agents, utilising new technologies
- ▶ Strengthened and diversified our distribution networks by increasing our agency network in France, acquiring Expander in Poland and securing a new bancassurance agreement in Turkey
- ▶ Improved the profitability of our new business, focusing on protection in all markets and launching new unit-linked funds in France and Italy, capitalising on Aviva Investors experience
- ▶ Completed the turnaround in Italy and refocused our distribution agreements
- ▶ Launched innovative products, such as "You, Me and We" in Poland and use of telematics on motor and home in Italy
- ▶ Improved the profitability of our general insurance businesses, rebalanced new business towards the SMEs segment in France and strengthened analytics and anti-fraud capabilities in all markets

### What we plan to do in 2016

- ▶ Expand MyAviva in France, Italy and Poland to increase customer registrations, introducing a suite of additional services and features for our customers and distributors
- ▶ Diversify our distribution, through new partnerships and affinity relationships, and expand the product and service offerings with our current partners, such as AFER in France, Sabancı Group in Turkey and bank partners in Italy, Poland, Spain and Turkey
- ▶ Maintain our leadership positions in life insurance and protection in Poland, pensions in Turkey, GI in Ireland and protection in Italy
- ▶ Grow our position in accident and health through product innovation, wider distribution and digital wellness services
- ▶ Capitalise on our composite potential in France, Italy, Ireland and Poland by offering integrated and innovative solutions
- ▶ Continue to deliver profitable growth in general insurance by improving our underwriting and analytics capabilities

2 Operating profit has been restated to exclude amortisation and impairment of acquired value of in-force business, which is now shown as a non-operating item.

3 Excluding Eurovita and CxG.

4 On a constant currency basis.

## Europe continued

change in Poland in 2014, life operating profit grew by 6% on a constant currency basis. This increase was driven by actions to improve the efficiency of our back book and focus on a profitable mix of new business.

We have grown our general insurance premiums by 3% in constant currency excluding disposals whilst improving our combined operating ratio to a healthy 95.4%. General insurance and health operating profit was £114 million (2014: £113 million), up 12% on a constant currency basis mainly driven by the disposal of the loss-making Turkey GI business in December 2014.

## France

### Overview

We have more than 3.3 million customers in France and offer a full range of life, protection, pension, general insurance, health and asset management products.

We have 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'Épargne et de Retraite (AFER), the largest retirement and savings association in France.

Our tied agency network is growing with over 920 agents. In 2015, we started to build multi-access capabilities, enabling customers to interact with us when and where they want, through our existing face to face channels, online or via call centres.

We also have a majority stake in Union Financière de France (UFF), the largest financial adviser network in France with around 1,200 advisers, and strong direct businesses with Aviva Direct, a leading direct provider of funeral protection, and Eurofil, one of the largest direct general insurers.

### Financial performance

France continued to deliver cash flow and growth, with a robust performance across most metrics, despite low interest rates. The weakening of the euro affected all metrics from a group perspective.

Cash remittances were £252 million (2014: £264 million), up 6% in constant currency. Total operating profit was £449 million (2014: £470 million), a 6% improvement in constant currency, driven by a strong performance in the life business. Operating expenses of £360 million remained broadly stable<sup>5</sup>.

VNB was £198 million (2014: £205 million), up 7% in constant currency, due to increased volumes and an improved margin on protection business.

The combined operating ratio improved by 1.2 percentage points to 95.7% mainly due to better weather experience compared to the prior year.

### Market context and challenges

France is a mature and stable market with a large and well-developed insurance sector. Although GDP growth has been weak at 1.1% in 2015<sup>6</sup>, the life insurance market continued to grow at 4.7%<sup>7</sup>. We expect demand for savings, protection and retirement products to continue to grow ahead of GDP.

In general insurance, regulatory changes ended the tacit renewal practice, transforming the landscape for personal lines and creating new opportunities and challenges. In this context, we strengthened our motor direct business (9% premium growth vs. motor market average of 1.5%)<sup>7</sup>.

## Italy

### Overview

We are a composite insurer, offering 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. We are focused on protection and are in the top four in the market with c.11% market share<sup>8</sup>. In 2016, we will continue to increase our distribution footprint in specific segments and geographical areas.

We also operate through a distribution network of around 700 multi-agents and brokers, and a growing IFA network of over 1,500 advisors.

We have completed our turnaround actions, including lowering the cost of guarantees on with-profit products, improving margins in general insurance and exiting unprofitable distribution agreements.

### Financial performance

Our turnaround strategy delivered continued improvements in profits and cash.

Cash remittances improved to £45 million (2014: £32 million), representing an increase of 55% in constant currency. Total operating profit<sup>9</sup> was £165 million (2014: £166 million), an increase of 11% in constant currency, with growth in the life business more than offsetting lower profits in general insurance. Operating expenses<sup>9</sup> were

### Aviva et Moi

We want our customers to be able to engage with us when and where they want. The new 'Aviva et Moi' platform is transforming our current distribution model to adapt to our customers' needs. It enables our customers to view all their Aviva products in a single place, choose how they want to engage with us (online, through their agents or via call centre), as well as download statements, change their personal details and have access to our products. And what's more, we drew on our experience in developing MyAviva in the UK, so we could bring 'Aviva et Moi' to our French customers that much more quickly. It's a great example of Aviva delivering what our customers want – and it's all the better because of our international expertise and experience.



<sup>5</sup> On a constant currency basis.

<sup>6</sup> Institut national de la statistique et des études économiques.

<sup>7</sup> Fédération Française des Sociétés d'Assurances.

<sup>8</sup> IVASS – Istituto per la Vigilanza sulle Assicurazioni.

<sup>9</sup> Excludes Eurovita.

broadly stable on a constant currency basis at £71 million.

VNB<sup>9</sup> improved to £79 million (2014: £63 million), despite low interest rates, due to improved margins on all product lines and management actions to reduce the cost of guarantees on with-profit products.

In general insurance business, the combined operating ratio of 94.3% remained broadly stable.

### Market context and challenges

The Italian economy showed signs of recovery. Although GDP growth remains limited, the life insurance market grew by 5.8%<sup>10</sup>.

In general insurance, we mitigated competitive pricing in motor and increased claims frequency through rigorous agent and portfolio selection and improved pricing capabilities.

## Poland

### Overview

We are a leading life insurer, also providing health and general insurance products, to more than 1.5 million customers.

We have particular strengths in distribution and own the largest life insurance direct sales network with more than 2,100 advisers. In 2015, we diversified our distribution model through the acquisition and integration of Expander, the second largest financial adviser network. We also have a bancassurance agreement with BZ WBK, the third largest bank in Poland which is part of the Santander Group.

We will continue to build on our existing distribution strengths and diversify our channels, while developing our digital and multi-access capabilities to make all products available online and to capitalise on the potential of our composite model.

We also operate a subsidiary in Lithuania, where we are the largest life insurer<sup>11</sup>.

### Financial performance

VNB of £65 million (2014: £64 million) remained stable despite the weakening of the zloty. VNB grew in Poland by 29% in constant currency due to increased sales of higher margin protection but fell by 33% in Lithuania as the prior year result included a one-off benefit from regulatory pension changes.

Operating profit reduced to £141 million (2014: £194 million), down 19%

on a constant currency basis largely due to a £39 million one-off regulatory pension charge which benefitted the prior period.

Operating expenses remained stable<sup>12</sup> at £65 million and our combined operating ratio improved to 94.7% (2014: 96.0%).

### Market context and challenges

Despite political and economic uncertainties, the relatively low insurance penetration continues to represent a significant opportunity for further growth, driven in life insurance by favourable demographics and growing disposable incomes. In general insurance, competitive pricing on motor continues.

Legislative changes in pension funds in 2014 significantly reduced the size of our pensions business in Poland, affecting our life profits in 2015. We are assessing the impacts of an asset-based levy for bank and insurance companies, introduced in February 2016.

## Turkey

### Overview

Our joint venture with Sabancı Group, one of Turkey's leading conglomerates, offers pension and life insurance to two million customers. In 2015, we became the largest pension provider with 19%<sup>13</sup> market share in assets under management.

The main distribution channel is Akbank, one of the largest privately owned banks, with over 900 branches – part of the Sabancı Group.

We also employ the largest direct sales force and have a fast growing agency channel with over 300 agencies.

We are focused on diversifying our distribution model. We recently secured an exclusive distribution agreement with Odeabank, and launched a number of pilot schemes with large retail companies.

### Financial performance

Life operating profit of £11 million (2014: £13 million) was broadly stable in constant currency. VNB was £27 million (2014: £30 million) up 4% in constant currency despite a lower ownership share of the business following the partial IPO in the second half of 2014. Excluding the effect of this dilution, VNB in Turkey grew 24%<sup>12</sup> mainly driven by higher sales of pension products.

### Market context and challenges

Despite uncertainties and new regulations on pension pricing, Turkey offers strong long-term potential for profitable growth. It is the second largest population in Europe with a young demographic and we anticipate an increasing demand for financial products. The introduction of auto-enrolment pension reform

## We've got you covered

It's part of our job to prevent bad things happening. That's why Aviva Italia offers customers a special white box for their home. It alerts them if there's gas or smoke or if a burst pipe is causing water damage. Your home is monitored and you can access the experts you need through MyAviva. So relax and enjoy your life – we've got you covered.



anticipated in mid-2016 may accelerate further growth in the market and offer additional opportunities.

## Spain

### Overview

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

We have made some progress in the turnaround actions and in improving our operating efficiencies, but we still have more to do. Our objective is to continue the recovery of our protection business, which benefits from improving economic conditions, and to secure the perimeter of our distribution franchises following previous market consolidation.

### Financial performance

VNB<sup>14</sup> was stable at £31 million (2014: £30 million) but up 17% in constant currency, mainly driven by a shift towards higher margin protection business, partly offset by lower sales and reduced margins on with-profits products.

Operating profit<sup>14</sup> of £92 million (2014: £101 million) was up 2% in constant currency with lower operating expenses reflecting ongoing focus on efficiency.

### Market context and challenges

We have seen the Spanish insurance market recover with improved lending conditions, and expect this to benefit our credit linked insurance product sales. ■

10 ANIA – Associazione Nazionale fra le Imprese Assicuratrici.

11 Bank of Lithuania.

12 On a constant currency basis.

13 Pension Monitoring Center, Turkey.

14 Excluding CxG.



# Asia

We have wholly-owned subsidiaries in Singapore and Hong Kong, affinity joint ventures in China, Indonesia and India, and bancassurance joint ventures in Taiwan and Vietnam. Through the acquisition of Friends Life, our presence also covers Friends Provident International Limited (FPI), which has branches in Singapore, Hong Kong and the United Arab Emirates



**I'm confident we're going to carry on doing well for our shareholders and customers**

## AN INTERVIEW WITH...

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

### **What's your strategy?**

Our strategy is about recognising our customers as individuals, giving them a seamless experience with solutions tailored to their needs and reflecting what's important to them. In Asia, we're in different markets in different stages of maturity.

Each requires a different approach – but with the seam of Aviva's strategy running throughout. So we're a composite where appropriate – and Digital First where that's appropriate.

We will deliver Aviva's strengths across life, health, general insurance and asset management, to make the most of the depth of our partnerships.

In markets where we meet the needs of a rapidly ageing population, such as

China, Hong Kong and Singapore, we're focused on savings, protection, healthcare and planning for customers' retirement. In Vietnam and Indonesia – markets with low insurance penetration and young populations – we can help customers with saving for things like their

first home or paying for their child's education, and protecting them against life's uncertainties.

FPI complements Aviva's existing propositions, broadening our reach into the high net worth segment.

### **Why should customers choose Aviva?**

The British brand is very strong – and it really helps that Aviva is its national champion of insurance. But that's not enough. We're different because we're embedding our capabilities in digital and analytics across the business – and are transforming our customers' experience.

### **What are the highlights for 2015?**

We've brought some great ideas to our customers – such as digitising our group employment benefit claims in Singapore – which has transformed our customers' experience and improves efficiency. In China, our Digital Wellness Platform has been well received by customers. In Indonesia – one of the world's fastest growing insurance markets – the first year of our joint venture, Astra-Aviva Life, has gone well.

### What are the risks and challenges?

Our partnership with DBS in Singapore has come to an end – but we were always clear we weren't going to overpay. That's a challenge – but it's also a great opportunity for us to rethink our business and deepen our relationship with customers by investing in platforms and direct digital channels.

It's also a volatile time in Asian markets. But all the work we've done as a Group on capital management and product design bodes well for us.

### What's your final message?

We're not following conventional norms on how insurance businesses are grown, but are going to provide solutions, service and propositions in new ways. I'm confident we're going to carry on doing well for our shareholders and customers.

### Overview

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

### Financial performance

In 2015, cash remittances remained broadly stable at £21 million.

Value of new business<sup>1</sup>, a key measure of growth, increased to £151 million (2014: £122 million) mainly reflecting higher sales of protection in Singapore and a continued shift towards higher margin protection products in China.

Life operating profits were £244 million (2014: £87 million), which includes £151 million from FPI post-acquisition. Net of amortisation of AVIF, FPI's contribution to Asia operating profits was £15 million. Excluding FPI, life profits were up to £93 million (2014: £87 million) reflecting higher profits in Singapore and China.

Operating expenses increased to £141 million (2014: £80 million), principally due to £46 million of FPI expenses and investment to support business growth

## Astra-Aviva Life

We are Not Everywhere – only in markets where we can win. That's certainly true of our joint venture with Astra, a hugely respected household name and one of the largest companies in Indonesia – one of the world's fastest growing insurance markets. We can offer Astra's 10 million customers high quality products – and Astra benefits from our insurance expertise. The early signs are excellent. That's good for Aviva, good for Astra and, most importantly, good for our customers.



across Asia. The general insurance COR was 101.6% (2014: 97.8%), mainly as a result of higher expenses.

### Market context and challenges

Our markets in Asia are expected to continue to deliver moderate GDP growth and interest rate conditions are expected to remain challenging in 2016.

Favourable demographic trends, large protection gaps and low insurance penetration provide us with an opportunity to continue to develop health, retirement and protection propositions for customers. The implementation of C-ROSS (China Risk Oriented Solvency System) in 2016 is expected to promote better industry discipline in product pricing and risk management in China.

Our challenge in this competitive environment is to differentiate ourselves by delighting our customers and delivering an excellent customer experience. ■

### HIGHLIGHTS

#### Cash remitted to Group

**£21m**  
(2014: £23m)

#### Life operating profit

**£244m**  
(2014: £87m)

#### General insurance and Health operating profit

**£6m loss**  
(2014: £2m loss)

#### Operating expenses

**£141m**  
(2014: £80m)

#### Value of new business<sup>1</sup>

**£151m**  
(2014: £122m)

#### General insurance combined operating ratio

**101.6%**  
(2014: 97.8%)

1 Excludes South Korea.

2 AAJ, on an APE basis, as at Q3 2015.

## Our progress and future plans

### What we achieved in 2015

- ▶ Grew our business in Indonesia with Annual Premium Equivalent of £6 million and an overall bancassurance market ranking of 12<sup>2</sup>, following its launch in November 2014
- ▶ Achieved VNB growth from key distribution channels across priority markets, with strong increases in Protection business
- ▶ Our financial advisers in Singapore strengthened their market leading position in Protection with VNB up 20%
- ▶ Grew our agency force in China and Vietnam (a new channel with 1,415 agents) focusing on quality
- ▶ In Singapore, we digitised our group employment benefit claims processes and opened our Digital Garage

### What we plan to do in 2016

- ▶ 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
- ▶ Make the most of Group digital solutions and capabilities to deliver seamless customer and distributor experiences while improving efficiency
- ▶ Generate value by strengthening our distribution platforms and building affinity models.
- ▶ Strengthen capabilities across the region focusing on digital, analytics and customer insights

# Aviva Investors

We are Aviva's investment management business, with £290 billion assets under management



## AN INTERVIEW WITH...

**Euan Munro, Chief Executive Officer, Aviva Investors**

### **What is your strategy?**

Our ambition is to be the global leader in outcome-oriented solutions. This means meeting the specific investment objectives of clients – whether that's capital growth, beating inflation, receiving a reliable income or meeting a future liability. This drives everything we do.

So our focus is on creating solutions based on our understanding of our clients' goals and the challenges they face – and we have significantly improved our investment, distribution and operational capabilities to deliver these solutions.

One good example is the discussions we are having with our institutional clients, particularly pension funds. One of their common challenges is how to secure reliable cash flows. Our heritage as part of an insurance company gives us real credibility in these conversations –

and we are well-placed to respond to these needs.

“Everything we do is anchored in putting our customers' interests first – providing solutions to meet their needs”

### **Why is Aviva Investors important to the Group?**

We provide a competitive advantage for the Group as an asset manager that delivers tailored investment solutions to meet the needs of customers; whether they are customers of

Aviva's life insurance businesses, or external and institutional clients.

We are also a global asset manager, with expertise across the full range of asset classes.

The creation of our AIMS range of products was a critical first step towards achieving our goals. The early success of our multi-strategy AIMS range of funds demonstrates that we are meeting the needs of our customers to achieve better outcomes with their investments.

In 2016 we're going to take further steps with new products that share the same underlying objective – meeting the core financial needs of our customers. Our partnership with Virtus in the United States is a good example of how we're interacting with retail investors.

### **How does being a True Customer Composite help?**

We are integral to the True Customer Composite model. Our ability to provide outcome-oriented investment solutions is a real competitive advantage for the Group.



We're benefiting – and so are our customers – by being able to distribute our range of investment solutions through Aviva channels. That can only help us grow our business.

We also upgraded our distribution capabilities with the addition of Mike Cranston as Global Head of Business Development and Louise Kay as Global Head of Client Solutions.

### Tell us about your Digital First strategy?

Digital First sets us apart. We want all our clients to be able to invest through us with confidence, by anticipating their needs and being easy to do business with – so digital is critical.

## HIGHLIGHTS

### Cash remitted to Group

**£24m**  
(2014: £16m)

### Aviva Investors fund management operating profit

**£105m**  
(2014: £79m)

### Operating expenses

**£345m**  
(2014: £298m)

### Assets under management

**£290bn**  
(2014: £246bn)

We want to be a market leader, providing new solutions, backed by cutting edge technology, to make our customers' lives easier. To do this, we are simplifying our processes and personalising the service we offer customers.

### What's your final message?

We are only two years into our transformation so there is a lot further for us to go in terms of our long-term potential. We have transformed our senior leadership team and invested heavily in risk management and controls to ensure that the interests of shareholders and our customers are safeguarded. Our ambition remains to be the global leader in outcome-oriented solutions. It will require a lot of hard work to get there, but we are making good progress.

### Financial performance

Cash remitted to Group during the year increased by 50% to £24 million, primarily reflecting a higher remittance by Aviva Investors France.

Fund management operating profit generated by Aviva Investors was £105 million (2014: £79 million), an increase of £26 million compared with the prior year. This included a £9 million contribution from Friends Life Investments (FLI). Excluding FLI, the increase of £17 million was driven by higher performance fees partly offset by higher operating expenses.

Operating expenses were £345 million (2014: £298 million), including £11 million expenses from FLI. Excluding FLI, operating expenses increased by £36 million to £334 million, primarily due to investment to support the business.

Assets under management increased by £44 billion to £290 billion, driven by acquisitions. Our flagship AIMS fund range has achieved net external inflows of £1 billion during the year and had £3 billion assets under management at the end of 2015.

## Being a good ancestor

Being a responsible business is just good business. So we've committed to invest £500 million each year for five years in renewable energy and energy efficiency – with an annual carbon reduction target of 100,000 tonnes. 90% of our investments are already covered by environmental, social and governance factors – ESG. Now we're further embedding climate risk in our decisions. We're going to be even more active as shareholders – encouraging companies to look long term and low carbon. Simple steps for good returns today – and tomorrow.



### Market context and challenges

After a sustained period of positive returns in most asset classes, volatility has returned in recent months, with fears of a China slowdown and the slump in commodity prices adding to fears over the global economy. This has caused steep drops in many benchmark indices, and with negligible rates available on low risk assets, such as government bonds, the task of delivering the returns investors expect has become more difficult.

Ultimately, the key challenge for any asset manager is how to stand out from the crowd in a highly competitive market. We operate in an uncertain world – and this means asset managers must deliver solutions that can perform in all market conditions. That is a challenge – but also an opportunity. ■

## Our progress and future plans

### What we achieved in 2015

- ▶ We redefined our client proposition around outcome-oriented solutions, spearheaded by our AIMS funds
- ▶ We improved our investment organisational structure, establishing Global Investment Solutions and Liquid Market teams
- ▶ We signed a strategic partnership with Virtus to give us access to the US retail market
- ▶ The AIMS Target Return and Target Income funds respectively delivered returns of 4.54% and 6.29% in 2015, compared to a 1.37% drop in the FTSE 100 over the same period
- ▶ We made significant investment to strengthen our risk management and controls systems, including comprehensive conduct risk and compliance training for all employees

### What we plan to do in 2016

- ▶ Add to our range of outcome-oriented funds
- ▶ Grow and protect our asset base by investing in distribution and through True Customer Composite initiatives with the rest of the Group
- ▶ Look at further opportunities to form strategic partnerships in key overseas markets
- ▶ Broaden our operating model across all regions and products
- ▶ Continue to invest in our risk and compliance teams to protect customers, shareholders and our reputation



**At Aviva, we put our customers at the heart of everything we do. That's certainly true at Aviva Investors, where our flagship fund range, AIMS, continues to deliver positive returns in volatile investment markets.**

We often work with strong partners who complement our business and in the United States we've found one such partner – Virtus Investment Partners, which provides Aviva Investors' strategies to US customers in US open-ended mutual funds.

It's a great match. Virtus can draw on Aviva's know-how in investing across different markets and asset classes in order to deliver the outcomes customers want.

And Aviva benefits from Virtus's success in articulating sophisticated investment

strategies to financial advisers and clients.

The first fruit of our promising partnership is a mutual fund available to US investors which employs the AIMS investment approach. The fund is managed by a great team – like Ian Pizer, the Head of Investment Strategy, who helps develop the ideas for our partnership with Virtus.

The goal is to deliver a return of 5% per annum above the federal funds target rate (gross of fees), on average, over rolling three-year periods, with a volatility target of less than half that of global equities, over the same rolling three-year periods.

That's a technical way of saying its absolute focus is on achieving the right outcome for customers, regardless of the prevailing stock market environment. ■

“Our goal  
is to deliver better  
outcomes  
for our  
customers”

Ian



# Helping our people do the best work of their lives

**To provide the best possible products and service for our customers today and in the future, Aviva must disrupt, lead and transform the industry. And it is our people who will achieve this**

## Our ambition

To succeed in transforming and growing the business, delivering our strategy, and living our values, we must continue to transform our culture.

We must make Aviva the most attractive choice for talented, committed, entrepreneurial people. We need the best people from diverse backgrounds and with an evolving range of skills, expertise and insight, especially as we put Digital First.

Our goal is to give our people the tools and the freedom to flourish, do the best work of their lives, and successfully compete in a fast-changing marketplace. This is how they can make a real and positive difference to the lives of our customers.

Our culture is anchored in connecting our people with our purpose and in a common commitment to being guided by our values in every decision we take. It demands that our people think and act differently, and can lead and develop through change and uncertainty.

## Turnaround to transformation

During Aviva's turnaround phase we focused our people on alignment, achievement, potential and collaboration, increasing engagement with our strategy and providing clarity on what we expected from them.

And in 2015 we continued to make strong progress, while being clear about how much further we still have to travel.

2015 saw difficult but necessary decisions that had a significant impact on our people as we integrated Friends Life into Aviva. By bringing our people together in core locations we continue to enhance our expertise and collaboration. Current plans remain within the 1,500 role reductions announced in 2015.



“  
**We want our people  
to fulfill their potential  
and do the best work  
of their lives – providing  
truly excellent service  
to our customers and  
helping Aviva achieve  
outstanding performance**  
”

Sarah Morris  
Chief People Officer

We have also continued to focus on engaging with our people, with local and group wide activities to illustrate how their work supports our strategy and values. This has included a programme of discussions within all teams to see how their goals and local plans support the group strategy, and using technology to reach and engage with our global teams, through live interviews, in which senior leaders answer questions posed by colleagues around the world. At the end of 2015, 82% of employees felt they could make a personal connection to our strategy and purpose (up 7 percentage points on 2014).

## Learning and development

In 2015, we maintained our commitment to our people and achieved:

- A focus on learning – learning from our mistakes, learning how to serve our customers better and learning new skills to improve customers' experience. In 2015 alone, over 2,000 of our people experienced our "Moving to Great" programme, more than 250 managers were trained to apply Systems Thinking, to develop better ways of working and simpler processes for our customers, and to their jobs and 500 trained in Agile methodology, which helps them to think differently, kill complexity and deliver solutions quickly.
- A fresh approach to helping new colleagues understand the business and their role within it, through our "Explore Our Strategy" course, with the pre-joining work winning the Employee Engagement Award at the Rad Awards for recruitment communications.
- Investment in our leaders, equipping

Number of employees

29,639

Our people who felt they could make a personal connection with our strategy

82%

People attended our "Moving to Great" programme

2,000+

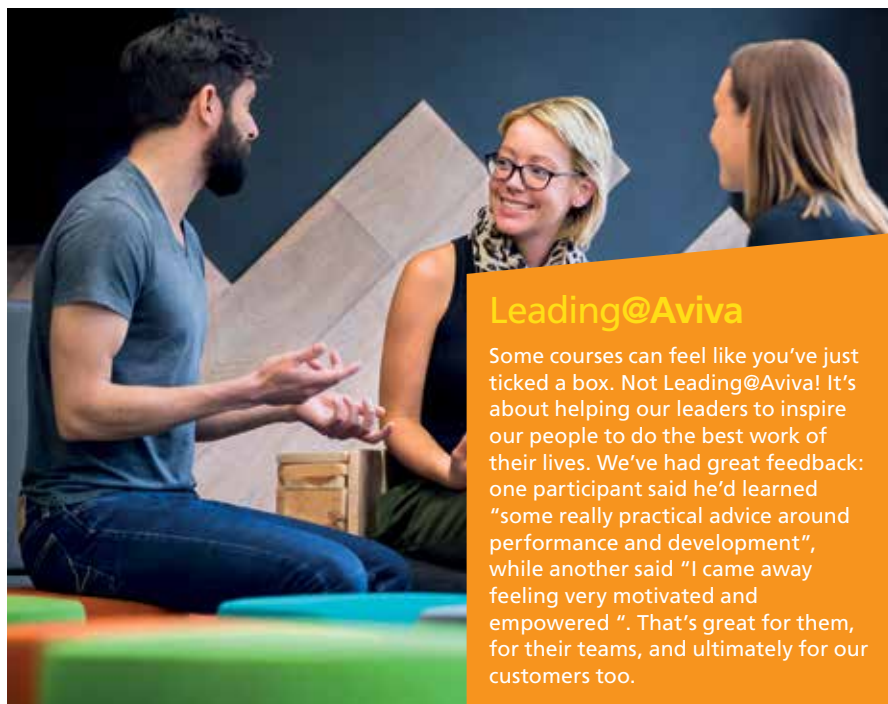
them with the skills they need to lead their teams today and our company tomorrow, especially through our signature leadership programme, "Leading@Aviva".

### Listening to Our People

We use the Voice of Aviva survey as the main formal tool to understand our people's engagement, one of our key measures of progress, and listen to their insight and feedback.

In the September 2015 survey, on a like-for-like basis excluding Friends Life, engagement rose from 65% in 2014 to 66%. As anticipated, uncertainty during the integration of Friends Life meant overall engagement remained broadly stable at 63%.

However, in 2015 78% believed Aviva will achieve its priorities and 75% thought their manager does a good job of recognising individuals who go the extra



### Leading@Aviva

Some courses can feel like you've just ticked a box. Not Leading@Aviva! It's about helping our leaders to inspire our people to do the best work of their lives. We've had great feedback: one participant said he'd learned "some really practical advice around performance and development", while another said "I came away feeling very motivated and empowered". That's great for them, for their teams, and ultimately for our customers too.

“  
**I am extremely proud to work for Aviva. I believe in our strategy and see that the customer is at the heart of what we do**  
”

Voice of Aviva  
employee comment

mile, improvements against the 2014 figures of 75% and 67% respectively.

Our senior leaders are focused on significantly improving these scores in 2016.

### Broadening our perspective

Becoming a more diverse and inclusive business is integral to Aviva's future. Our ambition is that our workforce reflects our increasingly diverse customers around the world. Diversity of thought, experience and backgrounds are critical ingredients as we strive to innovate and make the best decisions. Our people are happier and more successful when they feel they are able to be themselves at work.

We are continuing to build a truly inclusive workplace for our lesbian, gay, bisexual and transgender (LGBT) employees. We are the only insurer in Stonewall's ranking of the UK's most LGBT friendly workplaces – although we

## Our values

At the heart of how we do business



### Care more

We care like crazy about our customers, our communities and each other.



### Kill complexity

We are obsessed with making things simpler for our customers and each other.



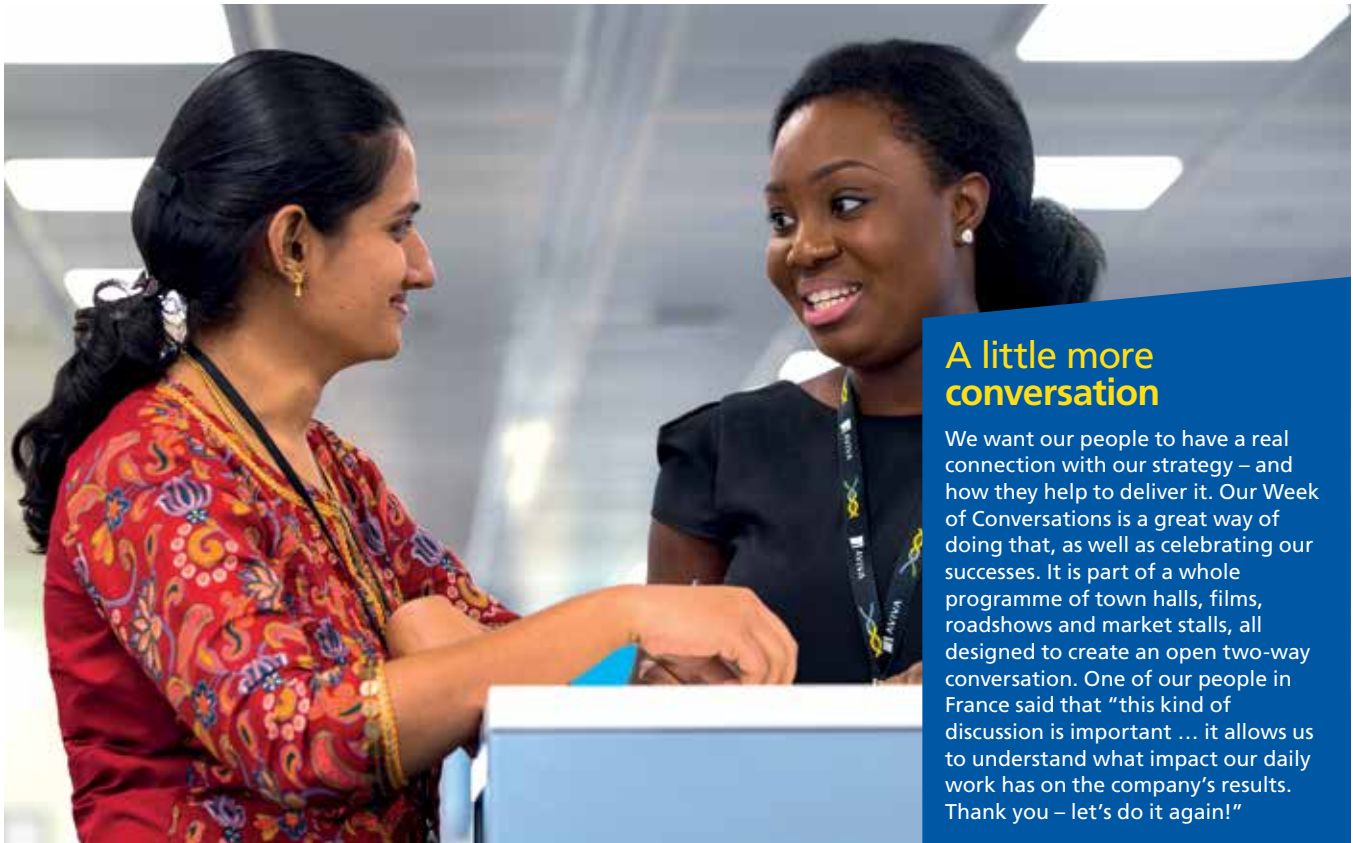
### Never rest

We are driven to think bigger and do better for our customers and each other.



### Create legacy

We strive to create a sustainable future for our customers and each other.



## A little more conversation

We want our people to have a real connection with our strategy – and how they help to deliver it. Our Week of Conversations is a great way of doing that, as well as celebrating our successes. It is part of a whole programme of town halls, films, roadshows and market stalls, all designed to create an open two-way conversation. One of our people in France said that “this kind of discussion is important ... it allows us to understand what impact our daily work has on the company’s results. Thank you – let’s do it again!”

recognise this bar is rising fast – and our LGBT employee network, “Aviva Pride”, with nearly 600 members, has been highly commended by Stonewall. We are committed to developing our LGBT leaders and allies and, in partnership with OUTstanding (the professional network for LGBT and ally senior executives), will enable their development and connect them to peers across other industries.

In 2015, we expanded our Women’s Network to include networks in Italy, Spain, Scotland, Ireland, India and Canada. While 52% of our workforce are women, women are under-represented on the Board, on the Group Executive and in senior management. At Aviva we believe firmly that diversity at every level improves innovation, decision making and our customer focus. We will therefore strengthen our focus on improving the gender balance across the Group by supporting and developing the next generations of female leaders.

We are also contributing to the UK Government’s work on retaining, retraining and recruiting workers aged 50 and over. Underlining our commitment, Andy Briggs, Chief Executive Officer of Aviva UK Life and Chairman of Global Life, is Chair of Business in the Community’s Age at Work Campaign.

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

“  
**I’m pleased we’ve maintained a position in the Stonewall Top 100, and continue to lead the way in the insurance industry. We certainly can’t be complacent and we will never rest in making Aviva a great place to work for LGBT people**  
”

Angela Darlington  
Chief Risk Officer



## It’s Alive!

For Aviva to succeed, our people must be able to hold open, two-way conversations – especially with our leaders. That’s where Aviva Live comes in! We film members of the senior team being quizzed before a live audience and stream to Aviva sites around the world. The questions are searching – and all come from our people. One colleague described Aviva Live as “good, light-hearted in places, but also honest and frank”. That’s the culture we want.





### Women's network

2015 was a milestone year for our Women's Network – with new networks set up in Italy, Spain, Scotland, Ireland, India and Canada and deeper collaboration between our UK networks. In 2016 all the networks are going to share common aims and objectives. To innovate and succeed, Aviva must be inclusive and diverse, stay relevant to our customers and reflect their rich diversity. Our global Women's Network has a big part to play in achieving this!

environment where we can and offer flexible working practices to take into account their personal circumstances. We are also continuing to focus on attracting and keeping the talent we need to deliver the services our customers want and create value for our shareholders. We are focusing in particular on attracting the talented people we need in digital, predictive analytics and actuarial.

In 2016 we will build on our investment in young people who want to learn while they earn, rather than attend university full-time, by launching an apprenticeship scheme, approved by the UK Government, which will be rolled out across different parts of Aviva, including our general insurance, life and digital businesses. This will be aimed at creating opportunities for 16-18 year olds, but also for applicants of all ages and backgrounds who wish to return to work.

### Safety and wellbeing

We want our people to achieve a healthy balance between their working life and

life outside work. We therefore offer our people initiatives such as flexible working hours, career breaks and employee assistance programmes. All colleagues take part in our Essential Learning programme.

### Taking forward our transformation

Our People Strategy for 2016 and beyond sets out how our people will deliver our purpose of freeing customers from the fear of uncertainty by transforming and growing the business. It puts our people and customers at the heart of everything we do.

We are committed to:

- Developing leaders with greater courage to think independently, innovate and lead in times of uncertainty.
- Evolving our culture so we are absolutely focused on the role we play in our customers' lives and letting our values guide every decision we make.

**We are evolving our culture so we are absolutely focused on the role we play in our customers' lives and letting our values guide every decision we make**

Sarah Morris  
Chief People Officer

1 Claudia Arney was appointed to the Board on 8 February 2016.

## Diversity

At 31 December 2015, we had the following gender split:

### Board membership<sup>1</sup>

Males

**10**

Females

**2**

### Senior management

Males

**540**

Females

**153**

### Aviva Group employees

Males

**14,397**

Females

**15,242**

- Empowering our people to take decisions that balance risk and results.
- Combining our existing deep technical expertise with the skills we need to create new, market-leading digital products, services and experiences for our customers.
- Developing talented people so that, through purposeful moves across products, markets and geographies, they have the agility, knowledge and collaborative skills to help Aviva make the most of the composite model.
- Rewarding and recognising outperformance, but balance this against the risks we take, and identify and learn from any mistakes we make.
- Focusing our efforts on developing an inclusive workforce.
- Helping our people to build their careers by improving how we highlight global opportunities and supporting them in thinking through their goals for their careers.
- Providing the opportunities for our people to learn and develop so they are better able to deliver the True Customer Composite model, put Digital First and drive growth. ■



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

# Creating a bright and sustainable future

**At Aviva we focus on tackling the most important issues of our time with bright ideas, for our customers, their communities and the world**

We live in a time of complex global challenges. Changing customer needs, ageing populations, climate change and the power of communities will increasingly affect our customers' lives and, in turn, our business performance. We also know that some of the biggest problems facing the world today are some of the least understood. That is why we are using Good thinking in our new strategy to simplify and tackle the most important issues of our time. We are focusing on:

- Good thinking for you today – protecting the people and things you love and strengthening your local community through the Aviva Community Fund
- Good thinking for your future – acting now for tomorrow by helping you live well for longer, tackling climate change and supporting the United Nations' Sustainable Development Goals
- Good thinking for our industry – championing responsible investment and challenging our industry to work better for everyone.



“  
**Corporate responsibility is integral to our business, it supports the delivery of our strategy and aligns with our values**  
”

**Kirstine Cooper**  
Group General Counsel  
and Company Secretary



Please visit [www.aviva.com/corporate-responsibility](http://www.aviva.com/corporate-responsibility) to find out more about the different aspects of our corporate responsibility strategy.

## Doing the right thing for our customers

Trust is vital when it comes to building strong and healthy relationships with all of our stakeholders. We are committed to communicating with our customers in a simple, clear and helpful way. Complaints and feedback are taken seriously and investigated thoroughly. This commitment is reflected in our customer business standard.

## Business ethics

We aim to uphold the highest ethical standards in the way that we do business. This commitment is set out in our business ethics code which ensures that we operate responsibly and transparently. In 2015, 98% of Aviva employees confirmed they had read, understood and accepted the code (2014: 96%).

Financial crime can severely impact businesses, increasing costs for customers. To manage and mitigate this risk across our business every Aviva employee – from the boardroom to our contact centres – receives training on financial crime prevention, in areas such as market abuse, anti-money laundering and fraud.

Our global malpractice helpline 'Right Call' enables employees to report any

1 Excludes Friends Life employees

## Our progress and future plans

### What we achieved in 2015

- ▶ Reduced our CO<sub>2</sub>e by 39% since 2010 versus restated baseline
- ▶ Became the first insurer to achieve the Carbon Trust Supply Chain Standard, in recognition of work to measure, manage and reduce carbon emissions outside own direct operational control
- ▶ Replicated the Aviva Community Fund in six markets (target five) around the world helping increase community investment by 71%
- ▶ A leading business voice in the debate around the Sustainable Development Goals and the Climate Change Summit in Paris
- ▶ Addressed the UN General Assembly on sustainable finance
- ▶ Published research on the risk of climate change to global assets

### What we plan to do in 2016

- ▶ Replicate the Aviva Community Fund in more markets, targeting 2.5m beneficiaries and 250,000 hours of volunteering by 2020
- ▶ Collaborate with the UN and others to build global capability around sustainable finance
- ▶ Continue progress towards our £2.5 billion target in low carbon infrastructure investment by 2020
- ▶ Continue progress towards our long-term CO<sub>2</sub>e reduction target of 50% by 2030
- ▶ Design simple products and services that meet our customers' needs, help people take control of their finances and also benefit society and the environment
- ▶ We will challenge our industry, leading the fight to cut fraud and cut costs for our customers

## Increase in community investment

# 71%

malpractice issues in confidence. All reported cases are referred for independent investigation. In 2015, 25 cases were reported through Right Call (2014: 39<sup>2</sup>). 20 cases reached conclusion, and five remain under investigation. There has been no material litigation arising from any cases reported in 2015.

### Protecting the things that matter

Our products and services help to make sure that the people and things our customers love are protected if the worst happens. In 2015, we paid out more than £30 billion in benefits and claims to customers. We were also the first insurer in the UK to publish transparent customer reviews of our products and services. (December 2015: overall rating for home: 4.6 out of 5, overall rating for motor: 4.5 out of 5).

We want to make the benefits of insurance more accessible to more people. This way, we can help boost financial resilience across every part of society. For example in the UK, we are the largest provider of social housing tenants' contents insurance and in India, we are one of the largest providers of life micro insurance<sup>2</sup>. Aviva was also the first to offer overland water protection for private domestic insurance in Canada.

We also want our products and services to bring environmental benefits. In the UK, we are working to improve our claims processes to reduce our environmental impact whilst improving customer service and reducing costs.

### Strengthening our local communities

Aviva has a long history of investing in communities. Following its success in Canada and Poland, we launched the Aviva Community Fund in the UK, France, Italy, and Hong Kong in 2015.

In 2015, our community investment increased by 71% and totalled £10.8 million (2014: £6.3 million<sup>3</sup>). Across our community development activity, we helped 587,203 people. 12% of our employees contributed 40,828 hours of volunteering. They also gave and fundraised £1.5 million. As part of our new strategy, we aim to deliver 250,000 hours of volunteering and help 2.5 million people between 2015 and 2020.

Our employees play a big role in supporting local communities. All Aviva employees are entitled to paid



### Backing the causes you care about

Our online Community Fund invites the public to nominate and vote for inspirational projects in their local communities. The Fund has been a great success for Aviva Canada and Poland so we've replicated it in the UK, France, Italy and Hong Kong. It's already making a big difference – in the UK we made 430 awards from £1,000 to £25,000, supporting projects from community safety to young people befriending dementia sufferers. One winner, Purple Patch Arts, said "it's amazing. It's going to allow us to do so much". We're in business to create legacy, for our customers and communities – so we'll be launching the Community Fund in more countries in the future.

volunteering leave each year, and matched giving and fundraising enable our people to make a difference for the causes they are passionate about. This helps us attract, engage and develop talented people. Our Voice of Aviva results show 80% of employees believe that Aviva is a good corporate citizen (the equivalent Financial Services Benchmark for social responsibility is 75%).

In 2015 we agreed a new global disaster response and resilience partnership with the British Red Cross. We are bringing our experience of managing risks to the partnership and we are working together to build community resilience at a local level. Additionally, during 2015 Aviva matched employee donations to global disasters such as the Nepal Earthquake and the European refugee crisis. Together we contributed over £135,000.

### Acting now for a sustainable future

Climate change is one of society's biggest and most complex challenges. Protecting the environment today is the only way to make sure we can enjoy a bright and sustainable future. We have assessed our potential environmental risks and have focused our strategy on the issues with the greatest impact on our customers, our business and our stakeholder community.

We are working hard to understand the long-term impact of our investments and to ensure that assets do not become uninsurable due to environmental risks. We also know that extreme weather events can lead to variations in the claims we receive and potentially impact the pricing of our products. We use our expertise as an insurer – such as our knowledge of historical weather events, flood mapping and predictive modelling – to advise customers on risk reduction and prevention.

### Tackling climate change

Aviva has a long-term commitment to tackle climate change but in December 2015 this commitment featured even more prominently given the critical importance of the United Nations Framework Convention on Climate Change (UNFCCC) negotiations in Paris.

In July 2015 we published a report commissioned from the Economist Intelligence Unit which quantified the value of investments at risk from climate change. We launched this report, as well as Aviva's strategic response to climate change, at an event with a keynote

### Total community investment in 2015

# £10.8m

<sup>2</sup> Micro-insurance promotes financial inclusion by providing affordable protection for those on a low-income.  
<sup>3</sup> 2014 data excludes Friends Life employees.



## Human rights

Respect for human rights is embedded in the way we do business. In 2015 we updated our group-wide Human Rights policy in accordance with the UN Guiding Principles on Business and Human Rights (including the ILO Principles). Our new policy sets out our global commitment in the following areas:



### 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.



### Employees

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



### Due diligence

We conduct human rights due diligence processes periodically to ensure that we are not complicit in human rights abuses in the countries in which we operate.



### 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 have a robust due diligence process which enables us to 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 and we ensure that 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).

In 2016, we will continue work on implementation of the requirements of our human rights policy across the business and to consider our obligations under the UK Modern Slavery Act.

speech by the UK Secretary of State for Energy & Climate Change.

## Championing responsible investment

At Aviva we are an active and responsible investor. With £290 billion assets under management at Aviva Investors, we finance important economic assets, such as infrastructure, which support the wider economy and we promote sustainable business practices in the global markets, encouraging greater transparency and better corporate governance. This helps us to reduce risk and enhance the long term value of our clients' investments. Aviva Investors was a founding signatory to the UN Principles for Responsible Investment. We were also one of the first global fund

managers to integrate environmental, social and governance issues into our investment decision-making across all asset classes (90% AUM) in 2014.

## Reducing our environmental impact

We are reducing our own environmental impact by improving energy efficiency, investing in onsite renewable electricity generation and through working with our suppliers to manage environmental impacts in our supply chain. In 2015, having achieved our long-term carbon reduction target ahead of schedule and with the acquisition of Friends Life, we restated our 2010 baseline and agreed new and ambitious emission reduction targets of 40% by 2020 and 50% by

## COP 21 Summit in Paris

One of our values is to create legacy and unchecked climate change would create a catastrophic legacy. The December 2015 UN Paris Climate Change negotiations were vital in securing a sustainable future for our business and the communities we serve. Unchecked climate change equals risks too great to insure and limited returns on investments. The ambitious agreement reached at Paris is significant, with international commitment to "limit temperature rise to well below 2 degrees" and in addition "to pursue efforts to limit to 1.5 degrees". We think the Paris Conclusions are a good outcome. Now it's time to deliver.



“  
Volunteering through  
Aviva has really helped  
me to grow as a person  
and develop my skills  
”

Christina  
Aviva employee

2030. This year we have achieved a 39% reduction against the restated 2010 baseline. We were the first carbon neutral insurer worldwide in 2006. We also continue to offset any remaining carbon emissions and our offsetting projects have benefitted over 800,000 people since 2012 through improved health and livelihoods (e.g. through the provision of clean cookstoves in Kenya).

## Our carbon footprint

Each year we publish group performance data for our greenhouse gas emissions, waste and water consumption. Our carbon footprint boundaries identify the scope of the data we monitor and the emissions we offset. We report on Greenhouse Gas (GHG) emission sources

## Aviva plc – Global greenhouse gas emissions data boundaries

Tonnes CO <sub>2</sub> e	2015*	2014	2013
Scope 1	19,112	20,031	21,787
Scope 2	49,595	46,231	56,842
Scope 3	19,991	17,662	26,688
Absolute CO <sub>2</sub> e footprint**	88,698	83,924	105,317
CO <sub>2</sub> e tonnes per employee	2.2	2.4	2.8
CO <sub>2</sub> e tonnes per £m GWP	4.05	3.87	4.78
Carbon offsetting***	(88,698)	(83,924)	(115,889)
<b>Total net emissions</b>	<b>0</b>	<b>0</b>	<b>(10,572)</b>

**Scope 1** – operational emissions from owned sources e.g. gas, vehicle fleet as part of product/service.

**Scope 2** – operational emissions from non-owned sources e.g. electricity.

**Scope 3** – business activity emissions from non-owned sources – e.g. business travel.

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

\*\* Assurance provided by PricewaterhouseCoopers LLP in the Independent Limited Assurance Report to the Directors of Aviva plc.

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

## Reduction in CO<sub>2</sub> since 2010

# 39%

on a carbon dioxide emissions equivalents basis (CO<sub>2</sub>e) as required under the Companies Act 2006 (Strategic Report and Directors' Reports) 2013 Regulations.

We follow the GHG Protocol Corporate Accounting and Reporting Standard, and emission factors from the UK Government's GHG Conversion Factors for Company Reporting 2015. We do not have responsibility for any emission sources that are not included in our business operations.

Aviva Investors signed the Montreal Carbon Pledge in 2015, one of the largest asset managers at the time to do so.

As well as reporting in line with the 2013 Regulations, we also report on business travel and other scope three emissions (see table above). 62%

## Creating legacy at the United Nations

The United Nations' Sustainable Development Goals really chimed with us – creating the legacy of an end to extreme poverty, and tackling injustice and inequality and climate change. We've been at the forefront of the debate – and our Group Chief Executive Officer, Mark Wilson, addressed the UN General Assembly in New York, at the launch of the Goals. He talked about the central role of business and the financial markets if we're to succeed. We are also founding partners of Project Everyone, which aims to get the debate into every home in the world.



## Prevention is protection

The best form of protection is prevention. We can't stop bad weather, but we can help to minimise its impact. We recently helped sponsor the free British Red Cross emergency app. It helps you keep an eye on the risks of severe weather or other emergencies affecting you, your friends and family through alerts and practical advice, as well as handy tools such as a strobe light to attract attention if you are in difficulty. We want to improve our communities' resilience to severe weather – this is a practical way of doing exactly that.

of our electricity is purchased from renewable sources.

We offset 100% of unavoidable carbon emissions through the acquisition and surrender of emission units on the voluntary carbon market (VERs).

Under the Carbon Reduction Commitment Energy Efficiency Scheme, we reported total emissions of 312,925 CO<sub>2</sub>e in 2015, costing £2.1 million. This scheme is restricted to UK businesses emissions from building energy, and includes the property portfolio of our investment funds managed by Aviva Investors. ■



We are in the top 10% for our sector in the Dow Jones Sustainability Index and FTSE4Good.



“It doesn't feel like  
**Aviva is just an**  
insurance company”

# Michael

**Everyone knows that life is full of surprises – some of them unwelcome. And Michael, an employee management consultant from Yorkshire, had a very unwelcome surprise in 2012. He was involved in a multi-car accident, leaving him with physical and psychological injuries.**

Michael was very fond of his car and thought it was a write-off, but had a more welcome surprise when Aviva, as his insurer, found a way to repair it. The physical and psychological scars, as he said, “took quite a lot of time to deal with.”

As part of his rehabilitation he joined a gym, and has seen his fitness levels soar. So now it's a healthier, happier Michael who drives to work every day.

We were with him every step of the way. He told us that “the way Aviva treated me throughout the process and the way they dealt with the claim – not just the legal aspects but the health side of things as well – was very personal. It will be a long time before I leave Aviva – it doesn't feel like Aviva is just an insurance company.”

Michael also said “I have motor insurance, income protection and property

insurance with Aviva.” We're delighted to have a long-term relationship with him which allows us to show him the benefits of our True Customer Composite model.

Michael – it's a pleasure to help get you back on the road! ■





# New capital rules bring new opportunities

**TOM STODDARD, CHIEF FINANCIAL OFFICER**

## Overview

In 2015 we successfully navigated regulatory change and turbulent external conditions to deliver a stronger, cleaner balance sheet and continued operating momentum.

Under the new Solvency II capital rules, we ended the year with an estimated £9.7 billion surplus<sup>1</sup>, which translates to a 180% cover ratio<sup>1</sup>, at the top end of our working range. Our transition to Solvency II has avoided

surprises and sudden changes. Aviva strengthened the methodology of its economic capital models over the course of the year, resulting in what we believe to be a conservatively stated cover ratio under both our economic capital model (181%)<sup>2</sup> and the new rules (180%)<sup>1</sup>.

We have benefited from the £6 billion acquisition of Friends

Life in April 2015. IFRS net asset value per share (NAV) increased 14% to 389p at year end, largely as a result of this acquisition. We are ahead of schedule on the integration, and expect to realise the £225 million of run-rate synergies by the end of 2016 – a year ahead of schedule.

In 2015, operating profit<sup>3,4</sup> increased 20% to £2,665 million, with a significant contribution from Friends Life. Operating earnings per share<sup>3,4</sup> (EPS) increased 2% to 49.2p, after the dilutive impact of issuing shares to fund the Friends Life acquisition. Weighted average shares outstanding for the year were 3,741 million, up 27% from 2,943 million in 2014.

In 2016 the full impact of the Friends Life acquisition will affect Aviva, with year end 2015 shares outstanding of 4,048 million.

Operating profit<sup>3,4</sup> after integration and restructuring costs was up 10% from £2,073 million to £2,286 million. Integration and restructuring costs were much higher in 2015, at £379 million reflecting the Friends Life acquisition, Solvency II costs and other restructuring, primarily in the UK. IFRS profit after tax, after economic variances and the expense of amortising acquired value of in-force (AVIF), was down 38% to £1,079 million from £1,738 million.

Excess centre cash flow of £699 million in 2015 did not show improvement from the £692 million in 2014, but this also reflects our decision to retain cash in Canada, rather than pay a planned dividend, to partly fund the proposed acquisition of Royal Bank of Canada General Insurance Company.

Based on our overall stronger capital, cash flow and liquidity position this year, we increased the shareholder total dividend by 15% to 20.8p, following last year's 21% increase to 18.1p.

## Balance Sheet

In addition to transitioning to Solvency II at year end, during 2015 we took a number of steps to reduce risk and free up under-utilised capital, further improving our balance sheet.

In UK Life, we sold £2.2 billion of non-core commercial mortgages. As a result, the average mortgage loan-to-value ratio in our portfolio decreased 24 points from 85% a year ago to 61% at 31 December 2015. In UK general insurance we transferred out £0.7 billion of latent exposures by purchasing an adverse development cover. We also undertook additional equity and credit risk hedging activity

“  
**Our financial discipline and careful management have paid off in 2015: lots of good news and no bad news surprises**  
”

Tom Stoddard  
Chief Financial Officer

1 The estimated Solvency II ratio represents the shareholder view. This ratio excludes the contribution to Group SCR and Group Own Funds of fully ring-fenced with-profits funds (£2.7 billion) and staff pension schemes in surplus (£0.7 billion) – these exclusions have no impact on Solvency II surplus. The impact from internal reinsurance arrangements between UK Life, UK and Ireland General Insurance and Aviva International Insurance Limited and the securitisation of equity release mortgages held by UK Life, effective 1 January 2016, have also been reflected in the Solvency II position.

2 The economic capital surplus represents an estimated position. The economic capital requirement is based on Aviva's own internal assessment and capital management policies. The term 'economic capital' does not imply capital as required by regulators or other third parties.





during the year, which has moderated the impact of recent market volatility on our capital position.

Through a series of non-cash and cash actions, we reduced the balance of the intercompany loan between our main UK general insurance legal entity, Aviva Insurance Limited, and the Group, from £2.8 billion as at the end of February 2015 down to £1.5 billion as at the end of February 2016, below our target of £2.2 billion. Further reductions are possible, but none are planned or considered necessary at this point.

Our external debt leverage improved slightly from 28% to 27% on an S&P basis. It remains under the 30% threshold commensurate with an AA rating, which continues to be our target for debt leverage.

Liquidity at the centre is £1.3 billion as at the end of February 2016 (*February 2015: £1.1 billion*) and within our risk appetite. We took steps during the year to further develop our internal reinsurance company, domiciled in the UK, to enhance our future capital and liquidity management.

### Efficiency gains

We hit our operating expense ratio target of 50% in 2015, a year earlier than expected. On a constant currency basis and excluding Friends Life, operating expenses reduced by 1%. In our business segments, our expense ratios improved in general insurance to 13.9% (*FY14: 14.8%*) and in health to 14.5% (*FY14: 15.7%*). However, the impact of the Friends Life acquisition increased the life insurance expense ratio<sup>3</sup> for the life segment to 32.2% (*FY14: 29.7%*). We expect to achieve more efficiency gains in UK Life over the next few years. Operating expenses have increased in Aviva Investors and Asia as we have funded growth

3 Operating profit has been restated to exclude amortisation and impairment of acquired value of in-force business, which is now shown as a non-operating item. There is no impact on the result or the total equity for any period presented as a result of this restatement.

4 Excludes the impact from an outward quota share reinsurance agreement completed in 2015 in Aviva Insurance Limited (AIL).



## It all adds up

Do you know a polygon from a dodecahedron? How many milligrams in a gram? That's what 7 to 9 year olds are being taught in the UK. We're helping them through Aviva Tackling Numbers; it uses rugby to make learning about numbers fun, exciting and rewarding. It is run by the 12 Aviva Premiership Rugby clubs and integrates classroom maths with practical, number-based rugby games. After taking part in the programme an extra 20% of children described themselves as "really confident in maths". See how Aviva Tackling Numbers really adds up at [www.aviva.co.uk/tacklingnumbers](http://www.aviva.co.uk/tacklingnumbers).



## HIGHLIGHTS

### Leverage – S&P basis

**27%**  
(2014: 28%)

### Solvency II ratio<sup>1</sup>

**180%**

in those businesses and our group expenses include a significant investment in digital.

Having achieved an overall operating expense ratio of 50%, we are shifting our focus more toward improving the segmental expense ratios across all our businesses. The overall Group ratio will be in part a function of our business mix. General insurance, health insurance and fund management tend to raise the overall Group ratio, so as we reallocate resources to those businesses, the overall Group expense ratio may rise. But so should profits and capital generation. We continue to believe that there is more room to rationalise our property, IT, overhead and other costs, especially in the UK and the Group centre.

### Capital generation

In 2015, operating capital generation (OCG) was £2.5 billion (FY14: £1.9 billion) under the former regulatory capital regime. This no longer drives our capital management policies, and we will not report this figure in the future. It is also not directly comparable to our economic surplus generation (ESG) under the new Solvency II capital rules.

Although Solvency II did not apply during 2015, we estimate, based on unaudited figures, that Aviva generated approximately £2.7 billion of economic surplus in 2015, primarily from management actions and operating activity, partly offset by adverse economic variances. This figure is before dividends paid, centre costs and external interest paid, and excludes the impact of both hybrid debt financing in 2015 and the impact of the Friends Life acquisition.

We expect to realise a further £0.8 billion

of capital benefits in UK Life, with liquidity benefits to follow. This should enable UK Life to remit an extra £1 billion of cash, over and above its normal level of remittances, to the Group centre over the next three years. We expect to reallocate and reinvest some of this cash to support growth in other business units. The actions to achieve these capital benefits include Part VII transfers to combine our UK Life business (subject to PRA and court approvals), moving Friends Life to an internal model, Solvency II optimisation and hedging of the Friends Life business.

Since our Solvency II model application was approved in December, we have turned our attention to optimising our business. We start with a Solvency II cover ratio<sup>1</sup> of 180% to begin the year. Additional management actions and operating activities should enable us to add 5 to 10 points to this ratio in 2016 after paying a progressive dividend and before the impact of economic variances.

### Dividend policy

Our commitment is to deliver on the Aviva investment thesis of cash flow plus growth. After rebasing the shareholder dividend in 2013, we have increased it by 21% and 15% over the last two years. This rate of increase exceeds our return on equity and our rate of reinvestment in the business, so we expect dividend increases to moderate in the future.

In 2014 our dividend cover was 2.7x<sup>3</sup> and our payout ratio was 37.5%. In 2015 we improved this to a payout ratio of 42.3% with a cover ratio of 2.4x. As we reduce spending on Solvency II costs, integration and other restructuring costs in



## HIGHLIGHTS

IFRS profit for the year

**£918m**  
(2014: £1,569m)

Excess centre cash flow

**£699m**  
(2014: £692m)

the coming years, this cover ratio should move towards our target of approximately 2:1 coverage.

This cover ratio target is neither a floor nor a ceiling. Rather, it indicates a balance between yield and growth over time, seeking to pay out approximately 50% of operating EPS as a current dividend. Accordingly, once we reach our target coverage ratio, dividend growth will more closely align to our growth of operating EPS and economic surplus generation.

Aviva plans on delivering stable, secure dividend growth for many years to come. Our capital generation may be uneven over time, and we may extract capital from businesses or product lines that do not make the cut under our "Not Everywhere" focus on excellence. In that case, we will consider a range of options including reinvesting in our business and additional distributions to shareholders. The potential for additional distributions will also depend on economic conditions, our view of markets, and having excess capital and liquidity. We are not there yet.

## Future Earnings Growth

We now have strong businesses backed by a stronger balance sheet. In 2016, our focus will be on Solvency II optimisation and increasing operating profit after integration and restructuring costs.

Based on our current positioning, and subject to all the usual caveats about weather and economic conditions, we would normally expect Aviva's operating EPS to average in the mid-single digit growth rates annually. In 2016 operating EPS will suffer the dilutive impact of a full year of shares outstanding from the Friends Life acquisition, which closed 10 April 2015.

To deliver earnings growth and increase economic surplus generation, management will prioritise (1) additional expense efficiencies in all our markets, (2) business mix shift to less capital intensive products, (3) realising volume and margin benefits from our True Customer Composite and Digital strategies, (4) reallocating capital, (5) Solvency II optimisation, and (6) growth in Aviva Investors and our growth markets of Poland, Turkey and Asia. We are not satisfied with normal results, and will keep repositioning Aviva to outperform.

**Thomas D. Stoddard**  
Chief Financial Officer  
9 March 2016

## IFRS net asset value

The table below shows the movement in IFRS net asset value (NAV) during 2015, which increased to 389 pence per share.

The acquisition of Friends Life has had a significant effect<sup>5</sup> on all our metrics this year, including NAV. We issued 1,086 million shares for a consideration of £5,975 million, increasing NAV by 55 pence per share. Further details, including details of the amount of goodwill, acquired value of in-force business (AVIF) and other intangible assets arising on the transaction, can be found in note 3 of the financial statements.

2015 results were also adversely affected by foreign exchange, mainly due to the euro weakening against sterling by 11%. The NAV impact of foreign exchange was a reduction of 8 pence.

IFRS profit for the year<sup>6</sup> was £918 million (2014: £1,569 million). Within this, operating profit, one of our key financial metrics, was £2,665 million (2014: £2,213 million<sup>3</sup>). Details of operating performance in our markets can be found on pages 30-45.

Non-operating profit items were a charge of £1,275 million (2014: £68 million profit). The adverse movement includes higher integration and restructuring costs of £379 million (2014: £140 million) and AVIF and intangible asset amortisation charges of £653 million (2014: £130 million). It also includes a charge of £53 million relating to a UK reinsurance transaction (which provides significant protection against claims volatility), lower profits from disposal of subsidiaries and negative investment variances (2014: positive variances). Further details can be found in the "Reconciliation of group operating profit to profit for the year" in the financial statements.

Dividends and appropriations<sup>6</sup> were £709 million.

	£m	pence per share
<b>At 31 December 2014</b>	<b>10,018</b>	<b>340p</b>
Operating profit	2,665	66p
Non-operating items	(1,275)	(30)p
Tax and non-controlling interests	(472)	(12)p
Profit for the year	918	24p
Acquisition of Friends Life	5,975	55p
Dividends and appropriations	(709)	(18)p
Foreign exchange movements	(325)	(8)p
Other net equity movements	(113)	(4)p
<b>At 31 December 2015</b>	<b>15,764</b>	<b>389p</b>

<sup>5</sup> For the avoidance of doubt, 2015 numbers include Friends Life from 10 April 2015, the acquisition completion date. 2014 numbers are Aviva stand-alone as previously reported (i.e. do not include Friends Life).

<sup>6</sup> Net of tax and non-controlling interests.

# Rigorous and consistent risk management

## As a True Customer Composite, we have chosen to accept the risks inherent in our core business lines of life, accident & health, general insurance and asset management

We achieve significant diversification of risk through our scale, our multi-product offering to customers, the differing countries we choose to operate in and through the different distribution channels we use to sell products to our customers.

Our business is about protecting our customers from the impact of risk.

We receive premiums which we invest in order to maximise risk-adjusted returns, so that we can fulfil our promises to customers whilst providing a return to our shareholders. In doing so, we accept the inherent risks set out below, with a preference for those risks we believe we are capable of managing to generate a return:

	Risks customers transfer to us	Risks from investments	Risks from our operations and other business risks
<b>Inherent risks to our chosen lines of business</b>	<p><b>General insurance risk</b> is the risk arising from loss events (fire, flooding, windstorms, accidents etc).</p> <p><b>Accident &amp; Health insurance risk</b> covers healthcare costs and loss of earnings arising from customers falling ill.</p> <p><b>Life insurance risk</b> includes longevity risk (annuitants living longer than we expect), mortality risk (customers with life protection dying), critical illness risk, expense risk (the amount it costs us to administer policies) and persistency risk (customers lapsing or surrendering their policies).</p>	<p>Uncertain returns on our investments as a result of <b>credit risk</b> (actual defaults and market expectation of defaults) and <b>market risks</b> (resulting from fluctuations in asset values, including equity prices, property prices, foreign exchange, inflation and interest rates) affect our ability to fund our promises to customers and other creditors, as well as pay a return to our shareholders.</p> <p>Some of our life and savings contracts provide guaranteed minimum investment returns to customers and as a result we accept from them investment type risks such as <b>credit</b> and <b>market risk</b> in order to offer upside potential but provide protection against the downside.</p> <p><b>Liquidity risk</b> is the risk of not being able to make payments as they become due because there are insufficient assets in cash form.</p>	<p><b>Operational risk</b> is the risk of direct or indirect loss, arising from inadequate or failed internal processes, people and systems, or external events including changes in the regulatory environment.</p> <p>Such operational failures may impact our customers or our reputation with the public, customers, agents and the regulator, and impair our ability to attract new business.</p> <p><b>Asset management risk</b> is the risk of customers redeeming funds, not investing with us, or switching funds, resulting in reduced fee income. We manage funds on behalf of our customers so they do not have to manage the credit, market and operational risks which otherwise they would have to manage themselves.</p>
<b>The risks we prefer</b>	<p>We take measured amounts of life, health and general insurance risks, in line with our core skills in underwriting and pricing.</p> <p>We have a preference for those risks that we understand well, which are intrinsically well-managed and where there is a spread of risks in the same category.</p> <p>We like longevity risk as it diversifies well (i.e. has little or no correlation) against other risks we retain. General insurance risk diversifies well with our life insurance and other risks.</p>	<p>We like credit risk because we believe we have the expertise to manage it. As an insurer, our long-dated, relatively illiquid liabilities enable us to earn superior investment returns by allowing us to invest in higher-yielding, but less liquid, assets such as commercial mortgages.</p> <p>While actively seeking some market risks as part of our investment and product strategy, we have a limited appetite for interest rate, foreign exchange and inflation risks as we do not believe that these are adequately rewarded.</p>	<p>We aim to reduce operational and asset management risks to as low a level as is commercially sensible, on the basis that taking operational risk will rarely provide us with an upside.</p>





“  
**We believe a strong system of risk management is essential in ensuring that our business runs smoothly, supports good decision making and helps to deliver our strategic aims**  
 ”

Angela Darlington  
 Chief Risk Officer

### Principal risk types

While the types of risk to which the Group is exposed, set out on the previous page, have not changed significantly over the year, the successful completion of the acquisition of Friends Life has increased our relative exposure to equity price risk and UK life insurance risks, in particular persistency risk. Our top three risks assessed on the basis of their potential impact on our economic balance sheet are credit risk, longevity risk and persistency risk.<sup>1</sup>

We also assess risks on the basis of their potential impact on the value of our franchise, which is supported by our reputation, brand and good customer relationships. Conduct and operational risks, such as cyber security breaches, data loss and IT systems failure, in particular have the potential to significantly impact our franchise value.

### How we manage our risks

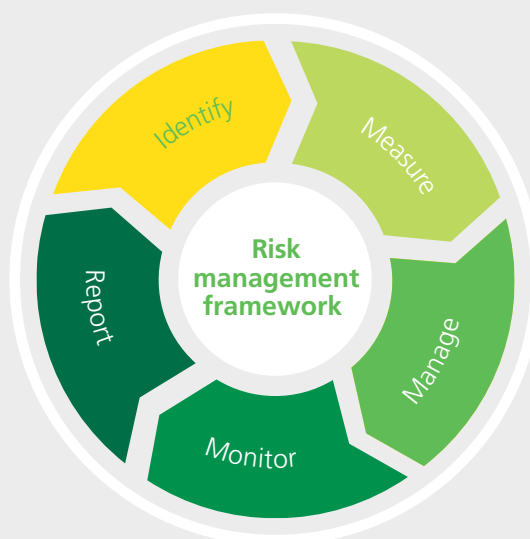
Our core expertise is in understanding and managing risks, so that we can competitively price our products, deliver on our promises to customers and provide sustainable earnings growth to our shareholders.

Rigorous and consistent risk management is embedded across the group through our Risk Management Framework and is underpinned by:

- ▶ **Our risk appetite:** The risks that we select in pursuit of return, the risks we accept but seek to minimise and the risks we seek to avoid or transfer, including quantitative expressions of the level of risk we can support (e.g. the amount of capital we are prepared to put at risk)

- ▶ **Our risk governance:** Includes risk policies and business standards, risk oversight committees 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.

- ▶ **Our processes:** The processes we use to identify, measure, manage, monitor and report risks, including the use of our risk models and stress and scenario testing. Having identified and measured the risks of our business, depending on our risk appetite, we either accept these risks or take action to reduce, transfer or mitigate them.



<sup>1</sup> Ranked by diversified Solvency II Solvency Capital Requirement

## Conduct risk Management

This is about delivering good outcomes for our customers at each stage of the product lifecycle: the design and development of our products, the sales process, servicing policies and handling claims. Failure to do so undermines our reputation and as a result our ability to attract new customers. As part of our conduct risk management framework, we have been developing more granular and relevant conduct risk management information, insights from which have resulted in changes to product terms and conditions as well as improving key customer related processes.



### Risk mitigation

The risks we have a preference for are managed principally through:

- extensive use of data, financial models and analysis at point of risk selection (i.e. investment or underwriting)
- setting underwriting and investment limits to our underwriting exposures to single risks and classes of business and investment exposures by asset class, counterparty, geography, sector and other pre-established risk criteria, such as credit rating

“  
For us, conduct risk management is all about doing the right thing for our customers  
”

Kirstie Caneparo  
Group Compliance Officer

To help ensure our risk exposures are within appetite, specific risk mitigation actions taken in 2015 included:

- Renewal of catastrophe reinsurance programme
- Reinsurance of our exposure, currently estimated at £0.7 billion, to future claims arising from historic UK employers' liability business which may take a number of years to emerge
- Hedging activity, including use of interest rate swaps, to match our cashflow to our annuity portfolio more effectively, as well as continuation of our equity, credit and foreign exchange risk hedging programmes
- RAC staff pension scheme longevity swap covering circa £0.6 billion of pensioner in payment scheme liabilities reducing our longevity risk exposure
- Investment in our Security Transformation programme to improve our residual risk position for cyber security
- On-going investment in simplifying our technology estate to improve the resilience and reliability of our systems

# 90%

of major UK businesses had a cyber breach of security in the last year<sup>1</sup>

### Current and emerging risks and causal factors

We also manage and monitor risks and causal factors which may impact our current and longer term profitability and viability, in particular our ability to write profitable new business. We take account of these risks and possible causal factors when developing our long-term business strategy and contingency plans. We may take short-term tactical risk mitigation actions as these risks become proximate, and, if appropriate, engage with governments and regulators to help inform the development of public policy, as set out on the following page. ■

<sup>1</sup> Research quoted by UK Government's Department for Culture, Media and Sport

## Risks and causal factors

### Ensuring a sustainable Business Strategy

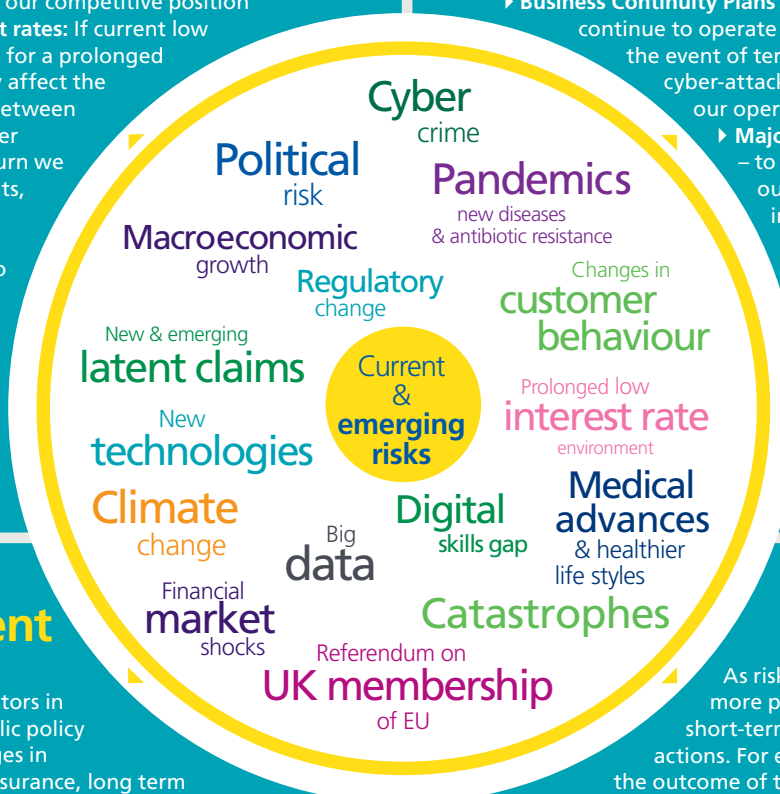
In developing our business strategy we consider trends in risks which, without adapting our business model, could make it obsolete. For example:

- **New technologies:** Failing to understand and react to the impact of new technology and its effect on customer behaviour and how we distribute products, could potentially undermine our competitive position
- **Prolonged low interest rates:** If current low interest rates continue for a prolonged period it will adversely affect the 'spread' we can earn between the returns we can offer customers and the return we earn on our investments, as well as the attractiveness of the returns we can offer to new customers
- **Cyber and data loss:** Increasing threat of cyber criminals requires ongoing improvement in our IT security and data encryption.

### Ensuring resilience through Contingency Planning

We have plans in place to ensure a swift and effective response in case risks crystallise into major loss events, including:

- **Financial Event Response Plans** – to ensure we can respond promptly to severe adverse financial events (e.g. an equity market crash, sovereign default etc.) which may weaken the financial position of Aviva
  - **Business Continuity Plans** – to ensure we can continue to operate and serve our customers in the event of terrorism, a pandemic, a cyber-attack or other events disrupting our operations
  - **Major Incident Response Plans** – to ensure we can maintain our level of customer service in response to a spike in demand resulting from a major weather event (e.g. floods, windstorms) or other loss events.
- We use 'war-gaming' to test the effectiveness of our plans in the event these risks crystallise.



### Public policy Engagement

We actively engage with governments and regulators in the development of public policy and regulation, as changes in government policy on insurance, long term savings and pension provision, and in regulation, can significantly impact demand for our products, the types of product we offer customers, how we sell them and how much capital we need to hold.

We also engage in key public policy debates, for example, the risks and impacts of climate change to our business and customers.

### Tactical Action

As risks or causal factors become more proximate, we may take short-term tactical risk mitigation actions. For example, uncertainty over the outcome of the UK General Election in May 2015 and Greece's Eurozone membership were factors behind temporary increases in equity hedges taken out in April 2015.



See page 15 for further information

This Strategic Report (on pages 1 – 65) was approved by the Board of Directors on 9 March 2016 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, which is my first as Chairman**



As Chairman and as a Board, we take our governance responsibilities extremely seriously: we take pride not only in what we do but also in the way that we conduct our business and deliver our strategy. Our governance structure is key to this: good governance helps to deliver value for customers and shareholders and to manage the inherent risks of the business prudently.

## Governance in 2015

During the year, we have sought to ensure that our governance structures at Board, committee and subsidiary company levels continue to be appropriate for the businesses and the markets in which we operate around the world, while supporting our overall strategy and culture. It is important that our approach to governance matches our values: Care More; Kill Complexity; Never Rest; and Create Legacy.

In 2015, we have strengthened governance within the Group by codifying the principles for subsidiary governance and issuing specific guidance for individual legal entities. This has supported effective decision-making by providing clarity on

the relationship between Aviva plc, as ultimate shareholder and subsidiary boards. These principles also articulate our governance expectations at every level in our corporate structure.

In other areas of the business, we have announced our desire to maximise our competitive advantage as a composite insurer and asset manager by launching UK Digital, a new business structure to develop our digital service and capability. UK Digital has required an evolution in our governance processes. An example of how our governance structure has adapted over the year to support our work on UK Digital is contained within the Annual report and accounts. Other areas of business focus which have featured on our governance agenda have included Solvency II readiness, IT infrastructure, conduct risk and the integration of Friends Life.

## Board changes and succession planning

There were several changes to the composition of the Board in 2015 which are detailed in the directors' and corporate governance report in the Annual report and accounts. During the year, the Nomination Committee discussed matters relating to Board composition, succession and talent planning at executive level and this is an area that will continue to be part of its agenda during 2016. In addition to those changes made in 2015, on 8 February 2016 we were pleased to announce the appointment of Claudia Arney to the Board as an Independent Non-Executive Director. Our Board and executive team have a wide and diverse range of skills as indicated in the charts opposite. Gender diversity is considered as one aspect of those discussions: we have made progress towards achieving our target of 25% female representation on the Board, and we remain committed to improving this position further when the appropriate opportunity arises. The Nomination Committee report in the Annual report and accounts contains further information on our approach.

## Effectiveness and evaluation

As Chairman it is my role to provide leadership to ensure that it is possible to make high-quality decisions and ensure the operation of an effective Board. I am supported by all the directors but particularly by Sir Malcolm Williamson, the Senior Independent Director, who meets independently with the other directors and with the Company's major shareholders when required.

“  
**Good governance helps to deliver value for customers and shareholders and to manage the inherent risks of the business prudently**  
”

Sir Adrian Montague  
Chairman

During 2015, the Board and each committee conducted its annual evaluation of its own performance. This was externally facilitated and the findings provided a clear agenda for us to continue to improve as a Board, including the opportunity to focus on succession planning and on the quantity and quality

of information being presented to the Board. Further detail on the results of the Board evaluation can be found in the directors' and corporate governance report in the Annual report and accounts.

### Governance framework

This year the Board and each of its committees have applied the revised UK Corporate Governance Code (the Code), to the Group for the 2015 financial year. Whilst many of the recommendations were adopted in our 2014 annual report, one new element for 2015 is that the Board is required to make a statement of Aviva's longer-term viability. The Board has decided to present a viability statement that will cover the three year period to 2018 and the assessment of the Group's prospects are underpinned by management's 2016-2018 business plan. The longer-term viability statement can be found in Other Statutory Information in the Annual report and accounts.

The directors' and corporate governance report and the directors' remuneration report in the Annual report and accounts have been prepared in order to provide shareholders with a comprehensive understanding of how the Board and its committees operate within Aviva's governance framework. The reports demonstrate how we meet the requirements of the Code and other guidance and how we structure ourselves to meet the changing regulatory environment and deliver value for customers and shareholders.

Communication with shareholders is extremely important to the Board and I very much look forward to discussing the Group's progress with you at our forthcoming Annual General Meeting. ■

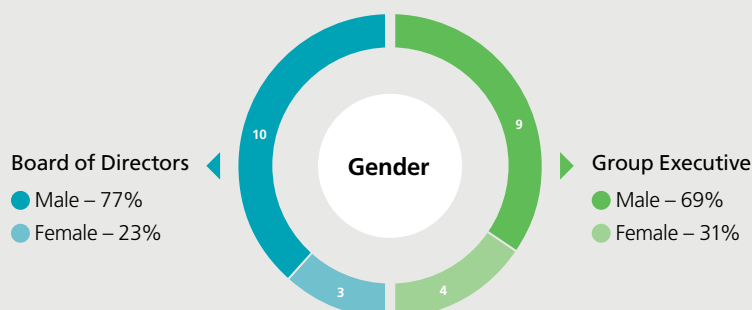
*Adrian Montague*

**Sir Adrian Montague CBE**

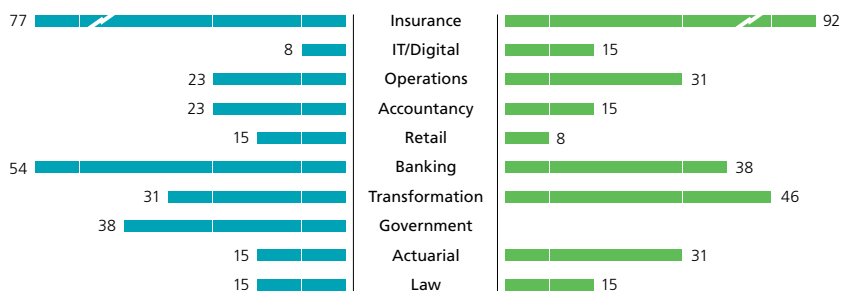
Chairman  
9 March 2016

## Board and Group Executive Diversity

At Aviva we believe that diverse leadership in terms of experience, skills, tenure and gender is important. The charts below illustrate our diversity at both Board and senior management level. Figures are correct as of 9 March 2016.

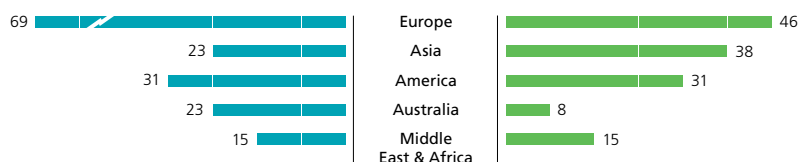


### Experience & skills %



Note: percentages are shown as a proportion of the Board/Group Executive and do not equal 100%.

### International experience %

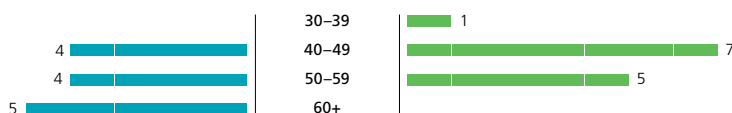


Note: percentages are shown as a proportion of the Board/Group Executive and do not equal 100%.

### Tenure



### Age



# Board of Directors

**We have a strong, experienced and diverse Board with a good balance of skills**



● **Sir Adrian Montague, CBE**  
▶ Chairman

**Nationality:**  
British

**Appointment date:**  
14 January 2013

8 May 2013 as Senior Independent Director

29 April 2015 as Chairman

**Committee membership:**  
Nomination Committee (Chair)

#### Skills and Experience:

Sir Adrian's previous experience as a Board member and as Senior Independent Director brings continuity to the Board and a deep knowledge of the Company and its businesses.

Sir Adrian has significant experience of the financial services industry, government affairs and regulatory matters. He has previously been the chairman of a number of companies across a variety of sectors including Friends Provident plc, Anglian Water Group Ltd, British Energy Group plc, Michael Page International plc, UK Green Investment Bank plc, 3i Group plc and Cross London Rail Links Ltd.

He was formerly a partner at Linklaters & Paines.

#### External Appointments:

Sir Adrian is currently Chairman of The Manchester Airports Group plc and The Point of Care Foundation (charity) and non-executive director of Cellmark Holdings AB (forest products).



● **Mark Wilson**  
▶ Group Chief Executive Officer

**Nationality:**  
New Zealander

**Appointment date:**  
1 December 2012

1 January 2013 as Chief Executive Officer

**Committee membership:**  
N/A

#### Skills and Experience:

Mark has extensive experience of leading major international insurance companies and has an excellent track record as a focused and inspirational business leader.

Under his leadership, Aviva has emerged with a strong financial position and a clear strategy to fully maximise the potential of the business. In 2015 Mark led the £6 billion acquisition by Aviva of the Friends Life Group and the subsequent integration which is progressing ahead of schedule.

Mark continues to lead campaigns on issues of importance to Aviva's customers and has emerged as a major commentator in debates about the role of business in society.

Previously, Mark worked for 14 years in Asia, including as chief executive officer of AIA Group, based in Hong Kong. He repositioned AIA into the leading pan-Asian insurance company, creating a stronger and significantly more valuable independent entity, leading to the largest initial public offering in the corporate history of Hong Kong.

**External Appointments:**  
None.



● **Tom Stoddard**  
▶ Chief Financial Officer

**Nationality:**  
American

**Appointment date:**  
28 April 2014

**Committee membership:**  
N/A

#### Skills and Experience:

Tom brings to his position as Chief Financial Officer diverse experience, having held senior positions in highly respected US firms including his role as head of Global Financial Institutions Advisory at the investment and advisory firm Blackstone Advisory Partners LP.

Tom has played a fundamental role in our strategic decision making and has continued to drive forward our investment thesis of cash flow plus growth. Tom's considerable experience and financial expertise has also been invaluable in the Board's deliberations concerning the acquisition of the Friends Life business and in our preparations for Solvency II.

Prior to joining the Company, Tom worked primarily as an investment banker, which included advising Aviva. He also has experience as a corporate lawyer and as an asset based lender. His other senior positions were at companies such as Credit Suisse; Donaldson, Lufkin & Jenrette; and Cravath, Swaine & Moore LLP.

#### External Appointments:

Tom is a trustee of Trout Unlimited (conservation).



● **Andy Briggs**  
▶ Chief Executive Officer of Aviva UK Life and Chairman of Global Life

**Nationality:**  
British

**Appointment date:**  
29 April 2015

**Committee membership:**  
N/A

#### Skills and Experience:

Andy joined the Board to lead Aviva's enlarged UK Life business following the acquisition of Friends Life where he was group chief executive.

He has more than 25 years of operational and executive experience across life assurance and general insurance, both in the UK and overseas. He has extensive knowledge of the UK regulated environment combined with experience in capital and risk management. At Friends Life he led the transformation of the three acquired businesses and brings his strategic and business skills, experience of organisational change, and knowledge of the Friends Life business, to the Board.

Andy was formerly chief executive officer of Scottish Widows plc, the life insurance business of Lloyds Banking Group plc and the Prudential Group's retirement income business.

#### External Appointments:

Andy is deputy chair of the board of the Association of British Insurers (ABI) and represents the ABI at the Financial Conduct Authority Practitioner Panel. He is also a member of the NSPCC's fundraising committee.



- Executive
- Non-Executive



- **Sir Malcolm Williamson**
- ▶ Senior Independent Non-Executive Director

**Nationality:**  
British

**Appointment date:**  
29 April 2015

**Committee membership:**  
Audit Committee  
Governance Committee  
Nomination Committee  
Remuneration Committee

**Skills and Experience:**

Sir Malcolm brings to the Board more than 50 years' leadership experience in the insurance and banking sectors and has extensive knowledge of the UK life insurance market. Sir Malcolm also brings a detailed knowledge of Friends Life, providing vital continuity during the integration of the businesses.

Sir Malcolm gained extensive experience while fulfilling a number of senior positions including his role as chairman of Clydesdale Bank plc, group chief executive of Standard Chartered plc and deputy chairman of Resolution plc.

**External Appointments:**

Sir Malcolm is currently chairman of Cass Business School's Strategy and Development Board, the Board of Trustees of Youth Business International Ltd, the Governing Council of the Centre for the Study of Financial Innovation and NewDay Group Ltd (banking).



- **Claudia Arney**
- ▶ Independent Non-Executive Director

**Nationality:**  
British

**Appointment date:**  
8 February 2016

**Committee membership:**  
Nomination Committee

**Skills and Experience:**

Claudia has a wide range of experience as both an executive and non-executive director across a number of sectors including financial services, digital and government.

Previously Claudia was deputy chairman and senior independent director of Telecity plc, chairman of the Public Data Group and a non-executive director of Which?, Doctors.net.uk, Transport for London and Partnerships UK. 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.

**External Appointments:**

Currently Claudia is a non-executive director of Derwent London plc (commercial real estate), Halfords Group plc and the Premier League. She is also a member of the Advisory Board of the Shareholder Executive.



- **Glyn Barker**
- ▶ Independent Non-Executive Director

**Nationality:**  
British

**Appointment date:**  
27 February 2012

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

**Skills and Experience:**

Glyn has extensive experience as a business leader and a trusted adviser to FTSE100 companies and their boards on a wide variety of corporate and finance issues. He possesses a deep understanding of accounting and regulatory issues together with in-depth transactional and financial services experience.

Glyn was formerly vice chairman, UK of PricewaterhouseCoopers LLP with responsibility for leading the executive team for the Europe, Middle East, Africa and India regions.

**External Appointments:**

Currently Glyn is chairman of Interserve plc (support services and construction), Irwin Mitchell (law firm) and Transocean Partners LLC (offshore drilling); non-executive director of Transocean Ltd and Berkeley Group Holdings plc (construction); and a trustee of English National Opera.



● **Patricia Cross**

- ▶ Independent Non-Executive Director

**Nationality:**

Australian

**Appointment date:**

1 December 2013

**Committee membership:**

Remuneration Committee (Chair)  
Audit Committee  
Nomination Committee

**Skills and Experience:**

Patricia brings a broad range of experience and skills to the Board gained over more than 30 years across financial services and other regulated industries in the United States, Europe and Australia.

She was previously group executive, wholesale banking and finance at National Australia Bank Ltd and has worked in senior roles with JP Morgan Chase and BNP Paribas.

Patricia was formerly a non-executive director at Suncorp-Metway Ltd (insurance and banking), AMP Ltd (insurance), Westfarmers Ltd (ASX10 conglomerate including insurance), Qantas Airways Ltd and National Australia Bank Ltd.

**External Appointments:**

Patricia is currently chair of the Commonwealth Superannuation Corporation and a non-executive director of Macquarie Group Ltd and Macquarie Bank Ltd. She is an ambassador for the Australian Indigenous Education Foundation.



● **Belén Romana García**

- ▶ Independent Non-Executive Director

**Nationality:**

Spanish

**Appointment date:**

26 June 2015

**Committee membership:**

Governance Committee  
Nomination Committee  
Risk Committee

**Skills and Experience:**

Belén brings to the Board significant experience of the financial services industry, including a detailed knowledge of insurance and European regulation.

As a former Spanish civil servant, Belén has held senior positions at the Spanish Treasury, the International Monetary Fund, the European Central Bank, the Organisation of Economic Co-operation and Development and the European Commission.

Belén has held non-executive positions at Ageas (insurance), Acerinox (stainless steel manufacturing conglomerate) and Banesto (banking).

**External Appointments:**

Belén is currently an independent non-executive director of Banco Santander.



● **Michael Hawker, AM**

- ▶ Independent Non-Executive Director

**Nationality:**

Australian

**Appointment date:**

1 January 2010

**Committee membership:**

Risk Committee (Chair)  
Audit Committee  
Nomination Committee

**Skills and Experience:**

Michael brings to the Board a wealth of knowledge and experience gained over a long career in the banking and insurance industries, in both executive and non-executive roles in Europe, Asia and Australia.

Michael was formerly chief executive and managing director of Insurance Australia Group, group chief executive of business and consumer banking at Westpac Banking Corporation and chairman of the Insurance Council of Australia.

**External Appointments:**

Michael is currently a non-executive director of Macquarie Group Ltd, Macquarie Bank Ltd and Washington H Soul Pattinson Pty and Company Ltd (investment).

Michael is chairman of The George Institute for Global Health.



● **Michael Mire**

- ▶ Independent Non-Executive Director

**Nationality:**

British

**Appointment date:**

12 September 2013

**Committee membership:**

Governance Committee  
Nomination Committee  
Remuneration Committee  
Risk Committee

**Skills and Experience:**

Michael has extensive experience of implementing transformation programmes and also brings an in-depth understanding of the financial services sector.

He has more than 30 years of experience in the financial services and retail sectors. He was formerly a senior partner at McKinsey & Company and started his career at N M Rothschild as an analyst.

Michael also gained governmental experience at the Central Policy Review Staff (now the Number 10 Policy Unit).

**External Appointments:**

Michael is currently the senior independent director at the Care Quality Commission.

- Executive
- Non-Executive
- Group General Counsel and Company Secretary



● **Bob Stein**  
▶ Independent  
Non-Executive Director

**Nationality:**  
American

**Appointment date:**  
28 January 2013

**Committee membership:**  
Audit Committee  
Nomination Committee  
Remuneration Committee  
Risk Committee

**Skills and Experience:**

Bob brings significant accounting and financial services experience to the Board from his roles in actuarial, insurance and financial services practices.

He has had a number of managing partner roles at Ernst & Young, culminating in being managing partner, Global Actuarial Practice.

Bob is a certified public accountant and a fellow of the Society of Actuaries. He is a member of the American Institute of Certified Public Accountants and a member of the American Academy of Actuaries.

**External Appointments:**

Bob is currently a non-executive director of Assurant, Inc (US specialty insurance), a director of Resolution Life Holdings, Inc. and is a trustee emeritus of the board of trustees of the US Actuarial Foundation.



● **Scott Whewey**  
▶ Independent  
Non-Executive Director

**Nationality:**  
British

**Appointment date:**  
5 December 2007

**Committee membership:**  
Governance Committee (Chair)  
Nomination Committee  
Risk Committee

**Skills and Experience:**

Scott has a wealth of business experience in the retail sector and a good understanding of customer priorities. He brings expertise in driving excellence in customer service within the business.

Scott has served on the Board for more than eight years giving him extensive historical knowledge of the Company and providing valuable continuity to the Board.

He was former chief executive officer of Best Buy Europe, director of The Boots Company plc (now known as The Boots Company Ltd), managing director and retail director of Boots the Chemist at Alliance Boots plc, and director of the British Retail Consortium. He formerly held a number of senior executive positions at Tesco plc, including chief executive of Tesco in Japan.

**External Appointments:**

Scott is currently a non-executive director of Santander UK plc.



● **Kirstine Cooper**  
▶ Group General Counsel  
and Company Secretary

**Nationality:**  
British

**Appointment date:**  
22 December 2010

**Committee membership:**  
N/A

**Skills and Experience:**

Kirstine joined Aviva in 1991 and is the Group General Counsel and Company Secretary for Aviva plc and heads the Office of the Chairman.

She 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. She also supports the Chairman and the Board in the discharge of their responsibilities.

Kirstine is a lawyer and held a number of legal and senior management roles within Aviva's legacy companies before leading the Group legal function of Aviva for eight years.

**External Appointments:**

Kirstine is a board member of the English National Ballet, ENB Productions Ltd and English National Ballet Enterprises Ltd.



# Group Executive

The Group Executive focuses on our strategy, business model, financial and business performance and ensures that the Group remains committed to being a True Customer Composite



**Mark Wilson**

► Group Chief Executive Officer

Go to page 68 to read Mark's biography.



**Tom Stoddard**

► Chief Financial Officer

Go to page 68 to read Tom's biography.



**Andy Briggs**

► Chief Executive Officer of Aviva UK Life and Chairman of Global Life

Go to page 68 to read Andy's biography.



**Kirstine Cooper**

► Group General Counsel and Company Secretary

Go to page 71 to read Kirstine's biography.



**Nick Amin**

► Chief Operations and Transformation Officer

**Joined Aviva in 2013**

Nick is responsible for the transformation programme across the Group, which includes driving the integration and cost synergies associated with the Friends Life integration. Nick has a strong international background in consumer banking, insurance and transformation projects over a 40 year career.



**Angela Darlington**

► Chief Risk Officer

**Joined Aviva in 2001**

Angela is responsible for Aviva's risk function, providing oversight and challenge on the Group's management of risks, and the continual development of the Solvency II internal model and risk management framework. Angela has held a variety of actuarial roles within Aviva, including UK Life chief actuary.



**David McMillan**

► Chief Executive Officer, Aviva Europe and Chairman Global Health Insurance

**Joined Aviva in 2002**

David is responsible for Aviva's European, Indian and health business across the Group. David was previously group transformation director with responsibility for managing the implementation of Aviva's strategic plan across the Group.



**Sarah Morris**

► Chief People Officer

**Joined Aviva in 2015**

Sarah is responsible for the leadership of Aviva's people and communication strategy. Sarah has significant international experience, particularly in transformation and change across a number of industries. She was most recently global human resources director for a division of Thomson Reuters.



#### **Euan Munro**

- ▶ Chief Executive Officer, Aviva Investors

#### **Joined Aviva in 2014**

Euan is responsible for driving Aviva Investors' expertise in managing Aviva's own funds, and has widened Aviva Investors' distribution network whilst achieving scalability within the organisation. Euan has significant experience in fixed income and multi-asset management in an insurance environment.



#### **Chris Wei**

- ▶ Executive Chairman of Aviva Asia and Global Chairman of Aviva Digital

#### **Joined Aviva in 2014**

Chris is responsible for the strategic growth of Aviva's Asian businesses and overall leadership of Aviva's digital product transformation. Prior to joining Aviva, Chris was group chief executive officer and executive director of Great Eastern Holdings Ltd.



#### **Monique Shivanandan**

- ▶ Chief Information Officer

#### **Joined Aviva in 2014**

Monique has led the transformation of Aviva's information security capability, and established a three year programme to simplify Aviva's IT estate, whilst continuing to deliver a high-volume of change to support the business. Monique previously worked as chief technology officer at Capital One and had responsibility for defining and driving their technology strategy.



#### **Jason Windsor**

- ▶ Chief Capital & Investments Officer

#### **Joined Aviva in 2010**

Jason is responsible for the Group's strategy, capital and insurance investments, which includes capital management and allocation, asset liability management, treasury, reinsurance and mergers & acquisitions. He was previously managing director in the Financial Institutions Group at Morgan Stanley, with management responsibility for the European asset management sector.



#### **Maurice Tulloch**

- ▶ Chief Executive Officer, Aviva UK and Ireland General Insurance and Chairman, Global General Insurance

#### **Joined Aviva in 1992**

Maurice has repositioned the global General Insurance business within the Group, whilst championing the "Road to Reform" campaign to reform the UK motor insurance market to the benefit of customers. Prior to his appointment Maurice held the role of chief executive officer of Aviva Canada.

## 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 2015. For full details on both our proposed remuneration policy and our application of the current remuneration policy during 2015 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 2015 – Executive Directors and Non-Executive Directors (audited information)

The table below sets out in the required form the total 2015 remuneration for each of our Directors who served with the Company during 2015.

Total 2015 remuneration – Executive Directors and Non-Executive Directors														
	Basic salary/Fees		Benefits		Annual bonus <sup>2</sup>		LTIP <sup>3</sup>		Buyout Award – CFO Award 2014 <sup>4</sup>		Pension <sup>5</sup>		Total	
	2015 £000	2014 £000	2015 £000	2014 £000	2015 £000	2014 £000	2015 £000	2014 £000	2015 £000	2014 £000	2015 £000	2014 £000	2015 £000	2014 <sup>6</sup> £000
<b>Executive Directors</b>														
Mark Wilson	980	980	65	54	1,783	1,274	2,562	—	—	—	280	292	5,670	2,600
Thomas Stoddard	675	458	152	83	877	526	—	—	1,000	—	185	120	2,889	1,187
Andrew Briggs <sup>1</sup>	466	—	30	—	673	—	—	—	—	—	139	—	1,308	—
<b>Total emoluments of Executive Directors</b>	<b>2,121</b>	<b>1,438</b>	<b>247</b>	<b>137</b>	<b>3,333</b>	<b>1,800</b>	<b>2,562</b>	<b>—</b>	<b>1,000</b>	<b>—</b>	<b>604</b>	<b>412</b>	<b>9,867</b>	<b>3,787</b>
<b>Chairman/executive chairman</b>														
Sir Adrian Montague <sup>7</sup>	417	138	64	15	—	—	—	—	—	—	—	—	481	153
<b>Non-Executive Directors</b>														
Glyn Barker	138	136	2	1	—	—	—	—	—	—	—	—	140	137
Patricia Cross	128	123	—	1	—	—	—	—	—	—	—	—	128	124
Belén Romana García <sup>7</sup>	54	—	—	—	—	—	—	—	—	—	—	—	54	—
Michael Hawker	138	136	—	1	—	—	—	—	—	—	—	—	138	137
Michael Mire	113	103	—	1	—	—	—	—	—	—	—	—	113	104
Bob Stein	114	104	—	1	—	—	—	—	—	—	—	—	114	105
Scott Wheway <sup>8</sup>	128	124	—	1	—	—	—	—	—	—	—	—	128	125
Sir Malcolm Williamson <sup>7</sup>	101	—	7	—	—	—	—	—	—	—	—	—	108	—
<b>Former Non-Executive Directors</b>														
John McFarlane <sup>7</sup>	182	550	19	61	—	—	—	—	—	—	—	—	201	611
Gay Huey Evans <sup>7</sup>	35	104	5	1	—	—	—	—	—	—	—	—	40	105
<b>Total emoluments of NEDs<sup>9</sup></b>	<b>1,548</b>	<b>1,518</b>	<b>97</b>	<b>83</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>1,645</b>	<b>1,601</b>
<b>Total emoluments of all Directors</b>	<b>3,669</b>	<b>2,956</b>	<b>344</b>	<b>220</b>	<b>3,333</b>	<b>1,800</b>	<b>2,562</b>	<b>—</b>	<b>1,000</b>	<b>—</b>	<b>604</b>	<b>412</b>	<b>11,512</b>	<b>5,388</b>

#### Notes

- 1 Remuneration in relation to services to Aviva from 29 April 2015.
- 2 Bonus payable in respect of the financial year including any deferred element at face value at date of award.
- 3 The value of the LTIP for 2015 relates to the 2013 award, which had a three-year performance period ending 31 December 2015. 53.0% of the award will vest in April 2016. An assumed share price of 491.68p has been used to determine the value of the award based on the average share price over the final quarter of the 2015 financial year.
- 4 As disclosed in last year's report, Tom Stoddard was eligible to receive a buyout award on a strict "like for like" basis to replace deferred compensation he had forfeited on resignation from his previous employer. This award was made in 2015 once share dealing restrictions that applied during 2014 because of the Friends Life Group acquisition had lifted.
- 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 defined 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 office during all or part of the current year and excludes remuneration of directors that left in the prior year.
- 7 Sir Adrian Montague was appointed Chairman at the 2015 AGM, when John McFarlane and Gay Huey Evans stepped down from the Board. Sir Malcolm Williamson was appointed on 29 April 2015. Subsequently, Belén Romana García was appointed to the Board on 26 June 2015.
- 8 Scott Wheway acts as non-executive chairman to Aviva Insurance Limited and was appointed 13 April 2015. The emoluments he received in respect of this directorship for the 2015 financial year was £75,654.
- 9 The total amount paid to NEDs in 2015 was £1,645,000 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 2015, which comprises the Consolidated income statement, the Consolidated statement of comprehensive income, the Reconciliation of Group operating profit to profit for the year, the Consolidated statement of financial position and related notes.

### 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 2015.

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 2015.

### PricewaterhouseCoopers LLP

Chartered Accountants and Statutory auditors  
London  
9 March 2016

- 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 2015 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 2015

	2015 £m	2014 £m
<b>Income</b>		
Gross written premiums	21,925	21,670
Premiums ceded to reinsurers	(2,890)	(1,614)
Premiums written net of reinsurance	19,035	20,056
Net change in provision for unearned premiums	(111)	1
Net earned premiums	18,924	20,057
Fee and commission income	1,797	1,230
Net investment income	2,825	21,889
Share of profit after tax of joint ventures and associates	180	147
Profit on the disposal and remeasurement of subsidiaries, joint ventures and associates	2	174
	23,728	43,497
<b>Expenses</b>		
Claims and benefits paid, net of recoveries from reinsurers	(21,985)	(19,474)
Change in insurance liabilities, net of reinsurance	6,681	(5,570)
Change in investment contract provisions	(1,487)	(6,518)
Change in unallocated divisible surplus	984	(3,364)
Fee and commission expense	(3,347)	(3,389)
Other expenses	(2,784)	(1,979)
Finance costs	(618)	(540)
	(22,556)	(40,834)
<b>Profit before tax</b>	1,172	2,663
Tax attributable to policyholders' returns	218	(382)
<b>Profit before tax attributable to shareholders' profits</b>	1,390	2,281
Tax expense	(93)	(983)
Less: tax attributable to policyholders' returns	(218)	382
Tax attributable to shareholders' profits	(311)	(601)
<b>Profit after tax</b>	1,079	1,680
<b>Profit from discontinued operations<sup>1</sup></b>	—	58
<b>Profit for the year</b>	1,079	1,738
Attributable to:		
Equity holders of Aviva plc	918	1,569
Non-controlling interests	161	169
<b>Profit for the year</b>	1,079	1,738
<b>Earnings per share</b>		
Basic (pence per share)	22.6p	50.4p
Diluted (pence per share)	22.3p	49.6p
Continuing operations – Basic (pence per share)	22.6p	48.4p
Continuing operations – Diluted (pence per share)	22.3p	47.7p

1 Discontinued operations relates to the US Life and related internal asset management businesses (US Life) sold in 2013.

## Consolidated statement of comprehensive income

For the year ended 31 December 2015

	2015 £m	2014 £m
<b>Profit for the year from continuing operations</b>	<b>1,079</b>	1,680
<b>Profit for the year from discontinued operations<sup>1</sup></b>	<b>—</b>	58
<b>Total profit for the year</b>	<b>1,079</b>	1,738
<b>Other comprehensive income from continuing operations:</b>		
<i>Items that may be reclassified subsequently to income statement</i>		
Investments classified as available for sale		
Fair value (losses)/gains	(9)	62
Fair value losses transferred to profit on disposals	—	(7)
Share of other comprehensive income of joint ventures and associates	(14)	22
Foreign exchange rate movements	(378)	(396)
Aggregate tax effect – shareholder tax on items that may be reclassified into profit or loss	13	(9)
<i>Items that will not be reclassified to income statement</i>		
Owner-occupied properties – fair value gains	27	7
Remeasurements of pension schemes	(235)	1,662
Aggregate tax effect – shareholder tax on items that will not be reclassified into profit or loss	93	(347)
<b>Other comprehensive income, net of tax from continuing operations</b>	<b>(503)</b>	994
<b>Other comprehensive income, net of tax from discontinued operations<sup>1</sup></b>	<b>—</b>	—
<b>Total other comprehensive income, net of tax</b>	<b>(503)</b>	994
<b>Total comprehensive income for the year from continuing operations</b>	<b>576</b>	2,674
<b>Total comprehensive income for the year from discontinued operations<sup>1</sup></b>	<b>—</b>	58
<b>Total comprehensive income for the year</b>	<b>576</b>	2,732
Attributable to:		
Equity holders of Aviva plc	460	2,642
Non-controlling interests	116	90
	<b>576</b>	2,732

1 Discontinued operations relates to the US Life and related internal asset management businesses (US Life) sold in 2013.

## Reconciliation of Group operating profit to profit for the year

For the year ended 31 December 2015

	2015 £m	Restated <sup>1</sup> 2014 £m
<b>Operating profit before tax attributable to shareholders' profits</b>		
Life business	2,419	2,019
General insurance and health	765	808
Fund management	106	86
Other:		
Other operations	(84)	(105)
Corporate centre	(180)	(132)
Group debt costs and other interest	(361)	(463)
<b>Operating profit before tax attributable to shareholders' profits</b>	<b>2,665</b>	2,213
Integration and restructuring costs	(379)	(140)
<b>Operating profit before tax attributable to shareholders' profits after integration and restructuring costs</b>	<b>2,286</b>	2,073
Adjusted for the following:		
Investment return variances and economic assumption changes on long-term business	14	72
Short-term fluctuation in return on investments on non-long-term business	(84)	261
Economic assumption changes on general insurance and health business	(100)	(145)
Impairment of goodwill, associates and joint ventures and other amounts expensed	(22)	(24)
Amortisation and impairment of intangibles	(155)	(90)
Amortisation and impairment of acquired value of in-force business	(498)	(40)
Profit on the disposal and remeasurement of subsidiaries, joint ventures and associates	2	174
Other <sup>2</sup>	(53)	—
<b>Non-operating items before tax</b>	<b>(896)</b>	208
<b>Profit before tax attributable to shareholders' profits</b>	<b>1,390</b>	2,281
Tax on operating profit	(598)	(563)
Tax on other activities	287	(38)
	<b>(311)</b>	(601)
<b>Profit after tax</b>	<b>1,079</b>	1,680
Profit from discontinued operations <sup>3</sup>	—	58
<b>Profit for the year</b>	<b>1,079</b>	1,738

1 Operating profit has been restated to exclude amortisation and impairment of acquired value of in-force business, which is now shown as a non-operating item. See note 1 for further details. There is no impact on the result or the total equity for any period presented as a result of this restatement.

2 Other items represents a day one loss upon the completion of an outwards reinsurance contract by the UK General Insurance business which provides significant protection against claims volatility from mesothelioma, industrial deafness and other long tail risks. The £53 million loss comprises £712 million in premiums ceded less £659 million in reinsurance recoverables recognised.

3 Discontinued operations relates to the US Life and related internal asset management businesses (US Life) sold in 2013.



**Consolidated statement of financial position**

As at 31 December 2015

	2015 £m	2014 £m
<b>Assets</b>		
Goodwill	1,955	1,302
Acquired value of in-force business and intangible assets	5,731	1,028
Interests in, and loans to, joint ventures	1,590	1,140
Interests in, and loans to, associates	329	404
Property and equipment	449	357
Investment property	11,301	8,925
Loans	22,433	25,260
Financial investments	274,217	202,638
Reinsurance assets	20,918	7,958
Deferred tax assets	131	76
Current tax assets	114	27
Receivables	6,875	5,933
Deferred acquisition costs and other assets	5,061	5,091
Prepayments and accrued income	3,094	2,466
Cash and cash equivalents	33,676	23,105
Assets of operations classified as held for sale	—	9
<b>Total assets</b>	<b>387,874</b>	<b>285,719</b>
<b>Equity</b>		
Capital		
Ordinary share capital	1,012	737
Preference share capital	200	200
	1,212	937
Capital reserves		
Share premium	1,185	1,172
Merger reserve	8,974	3,271
	10,159	4,443
Treasury shares	(29)	(8)
Other reserves	(114)	229
Retained earnings	4,736	4,617
<b>Equity attributable to shareholders of Aviva plc</b>	<b>15,964</b>	<b>10,218</b>
Direct capital instruments and tier 1 notes	1,123	892
<b>Equity excluding non-controlling interests</b>	<b>17,087</b>	<b>11,110</b>
Non-controlling interests	1,145	1,166
<b>Total equity</b>	<b>18,232</b>	<b>12,276</b>
<b>Liabilities</b>		
Gross insurance liabilities	140,556	113,445
Gross liabilities for investment contracts	181,173	117,245
Unallocated divisible surplus	8,811	9,467
Net asset value attributable to unitholders	11,415	9,482
Provisions	1,416	879
Deferred tax liabilities	2,074	1,091
Current tax liabilities	177	169
Borrowings	8,770	7,378
Payables and other financial liabilities	12,448	12,012
Other liabilities	2,802	2,273
Liabilities of operations classified as held for sale	—	2
<b>Total liabilities</b>	<b>369,642</b>	<b>273,443</b>
<b>Total equity and liabilities</b>	<b>387,874</b>	<b>285,719</b>

Approved by the Board on 9 March 2016.

**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 2015. 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 2015.

The consolidated financial statements and those of Aviva plc have been prepared and approved by the directors in accordance with International Financial Reporting 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 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.

During the year, management has changed the definition of Group operating profit on an IFRS basis to exclude amortisation and impairment of acquired value of in-force business ("AVIF"), aligning the presentation of this item with the amortisation and impairment of intangible assets as non-operating items. Comparatives have been restated as shown below. This change in presentation had no impact on reported profit or loss or equity or the statement of financial position.

### Effect of restatements from change in definition of operating profit – IFRS basis

	2014		
	As previously reported £m	Effect of change £m	Restated £m
<b>Operating profit before tax attributable to shareholders' profit</b>	2,173	40	2,213
<b>Non-operating items before tax</b>	108	(40)	68
<b>Profit before tax attributable to shareholders' profits</b>	2,281	—	2,281
Tax on operating profit	(561)	(2)	(563)
Tax on other activities	(40)	2	(38)
	(601)	—	(601)
<b>Profit after tax</b>	1,680	—	1,680
<b>Operating profit per share (p)</b>	47.0	1.3	48.3
<b>Diluted operating profit per share (p)</b>	46.3	1.3	47.6

## 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.

	2015 £m	2014 £m
Ordinary dividends declared and charged to equity in the year		
Final 2014 – 12.25 pence per share, paid on 15 May 2015	362	—
Final 2013 – 9.40 pence per share, paid on 16 May 2014	—	277
Interim 2015 – 6.75 pence per share, paid on 17 November 2015	273	—
Interim 2014 – 5.85 pence per share, paid on 17 November 2014	—	172
	635	449
Dividends waived/unclaimed returned to the company	—	(3)
Preference dividends declared and charged to equity in the year	17	17
Coupon payments on direct capital instruments and tier 1 notes	72	88
	724	551

Subsequent to 31 December 2015, the directors proposed a final dividend for 2015 of 14.05 pence per ordinary share (2014: 12.25 pence), amounting to £569 million (2014: £362 million) in total. Subject to approval by shareholders at the AGM, the dividend will be paid on 17 May 2016 and will be accounted for as an appropriation of retained earnings in the year ending 31 December 2016.

Interest on the direct capital instruments 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 20.25% (2014: 21.50%).

### 3 – Subsidiaries – acquisition of Friends Life

On 10 April 2015, the Group completed the acquisition of 100% of the outstanding ordinary shares of Friends Life Group Limited ("Friends Life") through an all share exchange which gave Friends Life shareholders 0.74 Group shares for every Friends Life share held. In total, 1,086,326,606 Group shares were issued and commenced trading on 13 April 2015.

Friends Life is a leading insurance business which provides a range of pension, investment and insurance products and services to both individual customers and corporates. Prior to the acquisition, Friends Life operated through three distinct divisions: the Heritage division which administers products which are no longer actively marketed for new business; the UK division whose main lines of business are corporate benefits, retirement income and protection; and the International division which provides savings, investment and protection products for customers in Asia and the Middle East. The acquisition accelerates the Group's investment thesis of cash flow plus growth and is expected to benefit the Group over time through the realisation of significant incremental capital, financial and revenue synergies as well as supporting the Group to secure its position as a leading insurance and savings business.

£768 million of the shares transferred to the shareholders of Friends Life represents the fair value of the liabilities, based on discounted cash flows substantiated against internally modelled and external market values, held by the Group related to the settlement of a pre-existing insurance contract between the Group and Friends Life held by the Friends Provident pension scheme.

The remaining £5,207 million represents the consideration exchanged for £4,536 million of net assets of Friends Life and £671 million of goodwill, as follows:

	Book value £m	Fair Value and Accounting Policy Adjustments £m	Fair Value £m
<b>Assets</b>			
Acquired value of in-force business and intangible assets	3,055	2,219	5,274
Investment property	2,685	—	2,685
Financial investments	97,580	(11,314)	86,266
Reinsurance assets	1,254	11,251	12,505
Deferred tax assets	51	54	105
Other assets	2,619	(854)	1,765
Cash and cash equivalents	7,878	—	7,878
<b>Total assets</b>	<b>115,122</b>	<b>1,356</b>	<b>116,478</b>
<b>Liabilities</b>			
Insurance liabilities	36,068	12	36,080
Liability for investment contracts	68,778	(129)	68,649
Unallocated divisible surplus	724	—	724
Net asset value attributable to unitholders	212	—	212
Deferred tax liabilities	1,203	240	1,443
Borrowings	1,064	243	1,307
Other liabilities	2,355	668	3,023
<b>Total liabilities</b>	<b>110,404</b>	<b>1,034</b>	<b>111,438</b>
<b>Net assets</b>	<b>4,718</b>	<b>322</b>	<b>5,040</b>
<b>Non-controlling interests (NCI) including tier 1 notes</b>	<b>329</b>	<b>175</b>	<b>504</b>
<b>Net assets excluding NCI</b>	<b>4,389</b>	<b>147</b>	<b>4,536</b>
<b>Goodwill arising on acquisition</b>			<b>671</b>
<b>Fair value of shares exchanged for net assets</b>			<b>5,207</b>
<b>Fair value of Group liabilities related to pre-existing relationship</b>			<b>768</b>
<b>Fair value of total shares exchanged<sup>1</sup></b>			<b>5,975</b>

1 Fair value of consideration based on the opening market price on the date of acquisition.

The issue of new shares in the Company in exchange for shares of Friends Life has attracted merger relief under section 612 of the Companies Act 2006. Of the £5,975 million, £272 million (25 pence per ordinary share) has been credited to share capital and the remaining £5,703 million has been credited to the merger reserve within equity, increasing the reserve from £3,271 million to £8,974 million.

#### Acquired value of in-force business and intangible assets

An asset of £4,790 million was recognised upon acquisition representing the present value of future profits from the acquired in-force business ("AVIF") as of 10 April 2015. This will be amortised in accordance with the Group's accounting policies. Deferred acquisition costs ("DAC") are not recognised upon acquisition. Intangible assets of £484 million represent Friends Life's distribution agreements and customer contracts. These assets have been assessed as having a useful life of between five and ten years and will be amortised over that period in accordance with the Group's accounting policies, along with the corresponding release of the applicable deferred tax provision.

#### Fair value and accounting policy adjustments

A reclassification of £11.3 billion was made from financial investments to reinsurance assets to align to the Group's presentation policy for reinsurance assets. The adjustments to other liabilities are primarily related to a Group insurance contract held within the Friends Provident pension scheme. The adjustment to non-controlling interests represents the fair value adjustment of the 2003 and 2005 Step-up Tier one Insurance Capital Securities ("STICS") issuances based on the market quoted price which were classified as equity instruments within NCI on acquisition.

#### Goodwill

The residual goodwill on acquisition of £671 million, none of which is expected to be deductible for tax purposes, represents future synergies expected to arise from combining the operations of Friends Life with those of the Group as well as the value of the workforce in place and other future business value.



## Shareholder profile as at 31 December 2015

By category of shareholder	Number of shareholders	%*	Number of shares	%*
Individual	592,515	97.61	254,442,278	6.28
Banks and nominee companies	11,815	1.95	3,760,660,092	92.89
Pension fund managers and insurance companies	339	0.06	1,775,061	0.04
Other corporate bodies	2,335	0.38	31,587,742	0.78
<b>Total</b>	<b>607,004</b>	<b>100</b>	<b>4,048,465,173</b>	<b>100</b>

By size of shareholding	Number of shareholders	%*	Number of shares	%*
1–1,000	553,644	91.21	138,713,646	3.43
1,001–5,000	47,387	7.81	89,801,821	2.22
5,001–10,000	3,258	0.54	22,643,173	0.56
10,001–250,000	2,075	0.34	89,084,399	2.20
250,001–500,000	169	0.03	58,295,300	1.44
500,001 and above	470	0.08	3,609,400,848	89.15
American Depositary Receipts (ADRs)+	1	0.00	40,525,986	1.00
<b>Total</b>	<b>607,004</b>	<b>100</b>	<b>4,048,465,173</b>	<b>100</b>

+ 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.

## 2016 financial calendar

Annual General Meeting	11am on 4 May 2016
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The full financial calendar is available at [www.aviva.com/investor-relations/financial-calendar](http://www.aviva.com/investor-relations/financial-calendar)

## 2015 final dividend dates – ordinary shares

Ex-dividend date (ordinary)*	7 April 2016
Record date (ordinary and ADR)	8 April 2016
Last day for Dividend Reinvestment Plan election	25 April 2016
Dividend payment date*	17 May 2016

\* 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 6 April 2016.

## Dividends

- **Ordinary Dividends** – are normally paid in May and November – please see the table above for the key dates in respect of the 2015 final dividend
- **Preference share dividends** – are normally paid in March, June, September and December
- **Currency** – holders of ordinary and preference shares will receive any dividends payable in sterling and holders of ADRs will receive any dividends payable in US dollars
- **Direct payment of dividends** – receive your payments directly into your UK bank or building society account on the dividend payment date. Using this option will prevent any postal delay, risk of loss or having to visit your bank or building society to deposit cheques
- **Global payment service** – provided by the Company's Registrar, Computershare Investor Services PLC (Computershare), this service enables shareholders living overseas to elect to receive their dividends in a choice of over 60 international currencies. For further details and fees for this service please visit [www.investorcentre.co.uk/faq](http://www.investorcentre.co.uk/faq) and select the Dividends and Payments tab, followed by Global Payment Service
- **Dividend Reinvestment Plan** – enables eligible shareholders to reinvest their cash dividend in additional ordinary shares in the Company
- **Further information** – including the 2016 dividend timetable can be found at [www.aviva.com/dividends](http://www.aviva.com/dividends) or by contacting Computershare using the details on the following page

## Form 20-F

Aviva is a foreign private issuer in the United States of America and is subject to certain reporting requirements of the Securities Exchange Commission (SEC). Aviva files its Form 20-F with the SEC, copies of which can be found at [www.aviva.com/reports](http://www.aviva.com/reports).

## Annual General Meeting (AGM)

- The 2016 AGM will be held at The Queen Elizabeth II Centre, Broad Sanctuary, Westminster, London SW1P 3EE, on Wednesday, 4 May 2016, 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](http://www.aviva.com/agm)
- The voting results of the 2016 AGM will be accessible on the Company's website at [www.aviva.com/agm](http://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/2015ar](http://www.aviva.com/2015ar) or alternatively you can order a printed copy by contacting Computershare.

You can change how you receive shareholder documents and if you would prefer to receive the full annual report and accounts in future, please contact Computershare to make your election.

## ShareGift

ShareGift is a UK registered charity (No. 1052686) which specialises in realising the value locked up in small shareholdings for charitable purposes. During 2015, Aviva shareholders have donated £55,000 (including Gift Aid) to ShareGift, which in turn supported local, national and international charities large and small. To donate your Aviva plc shares to ShareGift please visit [www.ShareGift.org/donate-shares](http://www.ShareGift.org/donate-shares)

Manage your shares online using the Investor Centre at [www.aviva.com/online](http://www.aviva.com/online)



**Change your address**



**Change payment options**



**Switch to electronic communications**



**View your shareholding**





**View any outstanding payments**

### Group Company Secretary

Shareholders may contact the Group Company Secretary as follows:

 **By email:** [Aviva.shareholders@aviva.com](mailto: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

### Useful Links for Shareholders

**Shareholder services centre:**  
[www.aviva.com/shareholders](http://www.aviva.com/shareholders)

**Manage your shares online:**  
[www.aviva.com/online](http://www.aviva.com/online)

**Dividend information:**  
[www.aviva.com/dividends](http://www.aviva.com/dividends)

**Annual General Meeting information and electronic voting:**  
[www.aviva.com/agm](http://www.aviva.com/agm)  
[www.investorcentre.co.uk/eproxy](http://www.investorcentre.co.uk/eproxy)


**Aviva reports information:**  
[www.aviva.com/reports](http://www.aviva.com/reports)

**Aviva share price:**  
[www.aviva.com/shareprice](http://www.aviva.com/shareprice)


**Aviva preference share price:**  
[www.londonstockexchange.com](http://www.londonstockexchange.com)

### Ordinary and preference shares – Contact:

For any queries regarding your shareholding, or to make changes to your personal details, please contact the Company's Registrar, 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 1173 788361 if calling from outside of the UK.

 **By email:** [AvivaSHARES@computershare.co.uk](mailto: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 outside the US – Lines are open 8.30am to 6pm, Monday to Friday US Eastern Standard Time.

 **By email:** [Citibank@shareholders-online.com](mailto:Citibank@shareholders-online.com)

 **In writing:** Citibank Shareholder Services, PO Box 43077, Providence, Rhode Island, 02940-3077 USA

### Be on your guard – beware of fraudsters!

Please be very wary of any unsolicited telephone calls or correspondence offering to buy shares at a discount or offering free financial advice or company reports.

The Financial Conduct Authority (FCA) takes action against fraudsters; for tips on how to protect your savings please visit [www.fca.org.uk/scams](http://www.fca.org.uk/scams). Alternatively please visit our warning to shareholders page at [www.aviva.com/shareholders](http://www.aviva.com/shareholders).

Remember:

- If it sounds too good to be true, it probably is
- Keep in mind that firms authorised by the FCA are unlikely to call you out of the blue
- Do not get into a conversation, note the name of the firm and hang up

## Product definitions

### Annuities

A type of policy that pays out regular amounts of benefit, 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. Annuities may be guaranteed, unit-linked or index-linked.

### Bonds and savings

These are accumulation products with single or regular premiums and unit-linked or guaranteed investment returns.

### Critical illness cover

Pays out a lump sum if the insured person is diagnosed with a serious illness that meets the plan definition.

### 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.

### Group pension

A pension plan that covers a group of people, which is typically purchased by a company and offered to their employees.

### Health insurance

Provides cover against loss from illness or bodily injury. 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.

### Income drawdown

The policyholder can transfer money from any pension fund to an income drawdown plan from which they receive an income. The remainder of the pension fund continues to be invested, giving it the potential for growth.

### Investment sales

Comprise retail sales of mutual fund-type products such as unit trusts, individual savings accounts (ISAs) and open ended investment companies (OEICs).

### Individual savings account (ISAs)

Tax-efficient plans for investing in stocks and shares, cash deposits or life insurance investment funds, subject to certain limits.

### Mortgage endowment

An insurance contract combining savings and protection elements which is designed to repay the principal of a loan or mortgage.

### Mortgage life insurance

A protection contract designed to pay off the outstanding amount of a mortgage or loan in the event of death of the insured.

### Pension

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

### Personal pension

A pension plan tailored to the individual policyholder, which includes the options to stop, start or change their payments.

### Protection

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

### Stakeholder pensions

Low cost and flexible pension plans available in the UK, governed by specific regulations.

### Term assurance

A simple form of life insurance, offering cover over a fixed number of years during which a lump sum will be paid out if the life insured dies.

### Unit trusts

A form of open ended collective investment constituted under a trust deed, in which investors can buy and sell units.

### Whole life

A protection policy that remains in force for the insured's whole life; a lump sum will be paid out on death. Traditional whole life contracts have fixed premium payments that typically cannot be missed without lapsing the policy. Flexible whole life contracts allow the policyholder to vary the premium and/or amount of life cover, within certain limits.

## General terms

### Annual premium equivalent (APE)

Used as a measure of annual sales, taking the annual premium of regular premium contracts plus 10% of single premium contracts.

### Association of British Insurers (ABI)

A major trade association for UK insurance companies, established in July 1985.

### Acquired value of in-force business (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 a subsidiary.

### Bancassurance/Affinity

An arrangement whereby banks and building societies or other groups sell insurance and investment products to their customers or members 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 businesses to the Group, comprising dividends and interest on internal loans.

### Combined operating ratio (COR)

A financial measure 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.

### Economic capital

A measure of the financial strength of the business; an economic capital surplus represents the excess of available economic capital over required economic capital where the capital requirement is based on Aviva's own internal assessment and capital management policies; the term "economic capital" does not imply capital as required by regulators or third parties.

### Excess centre cashflow

A measure of excess cash flow, calculated by deducting central operating expenses and debt financing costs from cash remitted by business units.



**Fair value**

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

**Financial Conduct Authority (FCA)**

The FCA is a company limited by guarantee and is independent of the Bank of England. It is responsible for the conduct business regulation of all 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.

**Financial Reporting Council Guidance on Internal Control**

The Guidance on Risk Management, Internal Control and Related Financial and Business Reporting sets out best practice on internal controls for UK listed companies, and provides additional guidance in applying certain sections of the UK Corporate Governance Code.

**Funds under management**

Represents all assets actively managed or administered by or on behalf of the Group including those funds managed by third parties.

**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 under the FCA, to give advice on financial matters.

**International financial reporting standards (IFRS)**

These are accounting regulations designed to ensure comparable financial statements preparation and disclosure, and are the standards that all publicly listed companies in the European Union are required to use.

**Latent claims**

General insurance claims that are often not made until many years after the period of cover provided, due to the impact of perils or causes not becoming evident for a number of years. Sources of latent claims include asbestos-related diseases, environmental pollution and industrial deafness.

**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 the value of the shareholders net assets and today's value of the future profits that are expected to emerge from the business already written, where the assumptions used to calculate future profits are consistent with current market prices for traded assets.

**Net flows**

Investment sales and acquisitions less client redemptions and disposals.

**Net written premiums**

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

**New business strain (NBS)**

The name given to the initial impact on shareholders' net assets when an insurance contract is sold. This "strain" arises because, in addition to meeting costs associated with the sale of contracts, insurance companies must meet capital and reserving requirements at the outset of a contract that are often significantly higher than the premiums received.

**Operating expenses**

The day-to-day expenses involved in running a business, such as sales and administration, as opposed to production costs.

**Operating expense ratio**

Operating expenses expressed as a percentage of operating profit before Group debt costs and operating expenses.

**Operating profit**

This is a non-GAAP financial performance measure also referred to as adjusted operating profit or operating profit (IFRS basis). It is based on expected investment returns, and stated before tax and before non-operating items including impairment of goodwill, amortisation and impairment of acquired value of in-force (AVIF) and other items.

**Present value of new business premiums (PVNBP)**

Present value of new regular premiums plus 100% of single premiums, calculated using assumptions consistent with those used to determine the value of new business under Market Consistent Embedded Value (MCEV) principles published by the CFO Forum.

**Prudential Regulatory Authority (PRA)**

The PRA is a part of the Bank of England and is responsible for the prudential

regulation of deposit taking institutions, insurers and major investment firms. The PRA has two statutory objectives: to promote the safety and soundness of these firms and, specifically for insurers, to contribute to the securing of an appropriate degree of protection for policyholders.

**Risk-adjusted returns**

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

**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.

**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.

**Total shareholder return**

A measure of company performance based on the overall value to shareholders of their investment in a stock over a given period of time. Includes movement in the share price and dividends paid and reinvested, expressed as a percentage of the initial value of the investment or share price at the beginning of the period.

**UK Corporate Governance Code**

The code sets out guidance in the form of principles and provisions on how companies should be directed and controlled to follow good governance practice.

**Value of new business (VNB)**

VNB is the present value of future profits from new business written at the point of sale. It is calculated on a market consistent basis using economic and operating assumptions set at the start of each quarter or more frequently and the same operating assumptions as those used to determine the embedded value at the end of the reporting period and is stated after the effect of any frictional costs. Unless otherwise stated, it is quoted net of tax and non-controlling interests.

This report should be read in conjunction with the documents filed by Aviva plc (the "Company" or "Aviva") with the United States Securities and Exchange Commission ("SEC").

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 political, regulatory and economic conditions; market developments and government actions regarding 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 from 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 Item 3d, "Risk Factors", and Item 5, "Operating and Financial Review and Prospects" in Aviva's most recent Annual Report on Form 20-F as filed with the SEC.

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.

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#### CUSTOMER FOCUS

## Read Rainbow's story

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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/AR15](http://www.aviva.com/AR15)

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