

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. PART II OF THIS DOCUMENT, TOGETHER WITH THE REST OF THIS DOCUMENT, COMPRISES AN EXPLANATORY STATEMENT IN COMPLIANCE WITH PART VIII OF THE COMPANIES (GUERNSEY) LAW, 2008 (AS AMENDED). This document relates to a proposed acquisition which, if implemented, will result in the cancellation of the listing of Friends Life Shares on the Official List and of trading of Friends Life Shares on the London Stock Exchange's main market for listed securities. If you are in any doubt as to the action you should take, you should consult, and seek your own independent financial advice immediately from, your stockbroker, bank manager, solicitor, accountant, fund manager or other appropriate independent financial adviser authorised under the Financial Services and Markets Act 2000 if you are in the United Kingdom or, if not, from another appropriately authorised independent financial adviser.

If you sell, have sold or otherwise transferred all of your Friends Life Shares, please send this document, together with any accompanying documents (but not the accompanying personalised Forms of Proxy or Forms of Instruction), as soon as possible to the purchaser or transferee or to the stockbroker, bank or other agent through whom the sale or transfer was effected for onward delivery to the purchaser or transferee. If you have sold or otherwise transferred part of your holding of Friends Life Shares, please consult the bank, stockbroker or other agent through whom the sale or transfer was effected.

The distribution of this document and any accompanying documents in jurisdictions other than the United Kingdom, the United States or Guernsey may be restricted by the laws of those jurisdictions and therefore persons into whose possession this document and any accompanying documents come should inform themselves about and observe any such restrictions. Any failure to comply with those restrictions may constitute a violation of the securities laws of any such jurisdiction. In particular, such documents should not be distributed in, forwarded to or transmitted in or into or from any Restricted Jurisdiction or any jurisdiction where offering the New Aviva Shares or making them available for subscription or purchase would breach any applicable law.

The accompanying Forms of Proxy or Forms of Instruction are personalised. If you have recently purchased or been transferred Friends Life Shares, you should contact Friends Life's Registrar on the telephone number set out on page 6 of this document, to obtain replacements of these Forms of Proxy or Forms of Instruction (as applicable).

Recommended All-Share Acquisition

of

Friends Life Group Limited

(incorporated and registered in Guernsey with registered number 49558)

by

Aviva plc

(incorporated and registered in England and Wales with registered number 2468686)

to be effected by means of a Scheme of Arrangement under Part VIII of the Companies (Guernsey) Law, 2008 (as amended)

You should carefully read the whole of this document and the Aviva Prospectus (including any documents incorporated into this document and/or the Aviva Prospectus by reference), together with the Forms of Proxy or Forms of Instructions accompanying this document.

Your attention is drawn, in particular, to the letter from the Chairman of Friends Life in Part I of this document, which contains the unanimous recommendation of the Friends Life Directors that you vote in favour of the Scheme at the Court Meeting and the Special Resolution at the General Meeting. A letter from Goldman Sachs International explaining the Proposed Acquisition in greater detail and the action to be taken by you is set out in Part II of this document.

Notices of the Court Meeting and the General Meeting, both to be held at Glaziers Hall, 9 Montague Close, London SE1 9DD on 26 March 2015, are set out at Parts X and XI of this document, respectively. The Court Meeting will start at 2.00 p.m. and the General Meeting at 2.15 p.m. (or as soon thereafter as the Court Meeting has concluded or been adjourned).

The action to be taken in respect of the Shareholder Meetings is set out on pages 8 to 10 of this document. Scheme Shareholders (excluding Share Account Holders) will find accompanying this document a BLUE Form of Proxy for use in connection with the Court Meeting and a YELLOW Form of Proxy for use in connection with the General Meeting or, alternatively, you will receive a link to the Shareholder Centre accessed via Friends Life's Investor Relations page at www.friendslifegroup.com for submission of your Forms of Proxy electronically. Share Account Holders should not complete the Forms of Proxy for the Court Meeting or the General Meeting but should instead complete the enclosed separate WHITE Form of Instruction for use in connection with the Court Meeting and the RED Form of Instruction for use in

connection with the General Meeting. If you wish to attend and vote at the Court Meeting and the General Meeting, Computershare Nominee will appoint you as its proxy to do so in respect of the Friends Life Shares held for you through the Friends Life Group Limited Share Account. Otherwise, Computershare Nominee will appoint the Chairman of the Court Meeting and the General Meeting, or any third party nominated by you to attend and vote on your behalf, as its proxy to vote as you instruct in respect of the Friends Life Shares held for you through the Friends Life Group Limited Share Account.

Whether or not you intend to attend the Shareholder Meetings in person, please complete and sign both the accompanying Forms of Proxy or Forms of Instruction (as applicable) in accordance with the instructions printed on them and return them to Friends Life's proxy processing agent, Computershare Investor Services PLC, at The Pavilions, Bridgwater Road, Bristol BS99 6ZY, United Kingdom, or submit them electronically, as soon as possible and in any event so as to be received by, in the case of the Forms of Proxy, 2.00 p.m. on 24 March 2015 (for the Court Meeting) and 2.15 p.m. on 24 March 2015 (for the General Meeting) and, in the case of the Forms of Instruction, 2.00 p.m. on 20 March 2015 (for the Court Meeting) and 2.15 p.m. on 20 March 2015 (for the General Meeting). A pre-paid envelope is provided for this purpose for use in the UK or the Channel Islands only.

If the BLUE Form of Proxy is not returned by the specified time, it may be handed to Friends Life's proxy processing agent, Computershare Investor Services PLC, or the Chairman of the Court Meeting at the start of the Court Meeting. However, in the case of the Court Meeting, unless the WHITE Form of Instruction is returned by the specified time, it will be invalid and, in the case of the General Meeting, unless the YELLOW Form of Proxy or the RED Form of Instruction is returned by the specified time, it will be invalid.

If you hold your Friends Life Shares in uncertificated form (i.e. in CREST), you may vote using the CREST proxy voting service in accordance with the procedures set out in the CREST Manual (please also refer to the accompanying notes to the Notice of the General Meeting set out at the end of this document). Proxies submitted via CREST (under CREST participation ID 3RA50) must be received by Friends Life's proxy processing agent, Computershare Investor Services PLC, at least 48 hours before the time appointed for the relevant Shareholder Meeting or, in the case of any adjournment, not later than 48 hours before the time fixed for the adjourned meeting.

The return of a completed Form of Proxy, submitting a proxy vote electronically or transmitting a CREST proxy instruction will not prevent you from attending in person the Court Meeting or the General Meeting, or any adjournment thereof, and voting in person if you so wish and are so entitled. **Share Account Holders will only be entitled to attend and vote at the Court Meeting and the General Meeting if they have submitted the Forms of Instruction by the specified time and completed them in accordance with the instructions printed on them.**

As an alternative to completing and returning the Forms of Proxy or Forms of Instruction, Scheme Shareholders and Share Account Holders may complete the Forms of Proxy or Forms of Instruction (as applicable) online through the Shareholder Centre accessed via Friends Life's Investor Relations website at www.friendslifegroup.com. You will need your Shareholder Reference Number, Control Number and PIN, which can be found on the Forms of Proxy or Forms of Instruction sent to you. Electronic proxy appointments must be made by, in the case of Forms of Proxy, 2.00 p.m. on 24 March 2015 (for the Court Meeting) and 2.15 p.m. on 24 March 2015 (for the General Meeting) and, in the case of Forms of Instruction, 2.00 p.m. on 20 March 2015 (for the Court Meeting) and 2.15 p.m. on 20 March 2015 (for the General Meeting).

Important Notices

Goldman Sachs International, which is authorised in the United Kingdom by the PRA and regulated by the FCA and the PRA, is acting exclusively for Friends Life and no one else in connection with the Proposed Acquisition and will not be responsible to anyone other than Friends Life for providing the protections afforded to clients of Goldman Sachs International nor for providing advice in connection with the transaction or any other matters referred to in this document.

Barclays, which is authorised by the PRA and regulated by the FCA and the PRA, is acting exclusively for Friends Life and no one else in connection with the Proposed Acquisition and will not be responsible to anyone other than Friends Life for providing the protections afforded to its clients or for providing advice in relation to the Proposed Acquisition or in relation to the contents of this document or any transaction or any other matters referred to herein.

RBC (trading as RBC Capital Markets), which is authorised by the PRA and regulated by the FCA and the PRA in the United Kingdom, is acting for Friends Life and no one else in connection with the matters referred to in this document and will not be responsible to anyone other than Friends Life for providing the protections afforded to clients of RBC Capital Markets, or for providing advice in connection with the matters referred to in this document.

Morgan Stanley, which is authorised and regulated by the FCA, is acting as joint financial adviser to Aviva and no one else in connection with the Proposed Acquisition or the contents of this document and will not be responsible to anyone other than Aviva for providing the protections afforded to its clients or for providing advice in connection with the Proposed Acquisition, the contents of this document or any matter referred to in this document.

J.P. Morgan Cazenove, which is authorised and regulated by the FCA, is acting as joint financial adviser to Aviva and no one else in connection with the Proposed Acquisition or the contents of this document and will not be responsible to anyone other than Aviva for providing the protections afforded to its clients or for providing advice in connection with the Proposed Acquisition, the contents of this document or any matter referred to in this document.

Robey Warshaw, which is authorised and regulated by the FCA, is acting as joint financial adviser to Aviva and no one else in connection with the Proposed Acquisition or the contents of this document and will not be responsible to anyone other than Aviva for providing the protections afforded to its clients or for providing advice in connection with the Proposed Acquisition, the contents of this document or any matter referred to in this document.

You should read the rest of this document and consult an independent financial adviser. If you have any further questions, including in relation to the completion and return of the Forms of Proxy or Forms of Instruction, or submitting your votes or proxies electronically or via CREST, please call the Friends Life Shareholder Helpline on 0870 707 1444 (from within the UK) or on +44 (0) 870 707 1444 (if calling from outside the UK). Calls to the 0870 707 1444 number are typically charged at up to 12 pence per minute from a landline. Lines are open from 8.30 a.m. to 5.30 p.m. (London time) Monday to Friday. Calls to the Friends Life Shareholder Helpline from outside the UK will be charged at the applicable international rate. From mobile networks, calls cost between 5 pence and 40 pence per minute. Calls may be recorded and randomly monitored for security and training purposes. Please note that the Friends Life Shareholder Helpline operators cannot provide advice on the merits of the Scheme or the Proposed Acquisition, nor give financial, tax, investment or legal advice.

Applications will be made by Aviva to the UK Listing Authority for all the New Aviva Shares to be admitted to the premium listing segment of the Official List and to the London Stock Exchange for the New Aviva Shares to be admitted to trading on the London Stock Exchange's main market for listed securities. On the basis of current expectations as to the timing of regulatory approvals and Guernsey Court availability, it is expected that Admission will become effective and unconditional dealings in the New Aviva Shares on the London Stock Exchange's main market will commence on 13 April 2015. Scheme Shareholders are also advised to read the Aviva Prospectus which contains information relating to the New Aviva Shares. The Aviva Prospectus will be available on Friends Life's website at www.friendslifegroup.com and on Aviva's website at www.aviva.com. A hard copy of the Aviva Prospectus can also be requested, free of charge, by contacting Aviva's Registrar, Computershare Investor Services PLC, whose contact details are set out on page 64 of this document.

The contents of this document are not to be construed as legal, business, financial or tax advice. If you are in any doubt about the contents of this document, you should consult your own legal adviser, financial adviser or tax adviser for legal, business, financial or tax advice.

The statements contained in this document are made as at the date of this document, unless some other time is specified in relation to them, and service of this document shall not give rise to any implication that there has been no change in the facts set forth in this document since such date. Nothing contained in this document shall be deemed to be a forecast, projection or estimate of the future financial performance of Friends Life or Aviva, except where otherwise stated.

No person has been authorised to make any representations on behalf of Friends Life or Aviva concerning the Proposed Acquisition or the Scheme which are inconsistent with the statements contained in this document and any such representations, if made, may not be relied upon as having been so authorised.

Notice to Overseas Shareholders

General

The release, publication or distribution of this document in certain jurisdictions may be restricted by law and the availability of the Proposed Acquisition to Scheme Shareholders who are not resident in the UK, US or Guernsey may be affected by the laws of the relevant jurisdictions in which they are resident. Persons who are not resident in the UK, US or Guernsey, or who are subject to other jurisdictions, should inform themselves of, and observe, any applicable requirements.

This document does not constitute, and may not be used for the purposes of, an offer to sell or an invitation or the solicitation of an offer to subscribe for or buy any New Aviva Shares by any person in any jurisdiction: (i) in which such offer or invitation is not authorised; (ii) in which the person making such offer or invitation is not qualified to do so; or (iii) in which, or to any person to whom, it is unlawful to make such offer, solicitation or invitation or would impose any unfulfilled registration, publication or approval requirements on Friends Life, Aviva or any of their respective directors, officers, agents and advisers. No action has been taken nor will be taken in any jurisdiction by any such person that would permit a public offering of the New Aviva Shares in any jurisdiction where action for that purpose is required, nor has any such action been taken with respect to the possession or distribution of this document other than in any jurisdiction where action for that purpose is required. Neither Friends Life, Aviva nor their respective directors, officers, agents or advisers accept any responsibility for any violation of any of these restrictions by any other person.

Unless otherwise determined by Friends Life or Aviva or required by the Code, and permitted by applicable law and regulation, the Proposed Acquisition will not be made available, directly or indirectly, in, into or from a Restricted

Jurisdiction where to do so would violate the laws in that jurisdiction and no person may vote in favour of the Scheme by any such means from within a Restricted Jurisdiction or any other jurisdiction if to do so would constitute a violation of the laws of that jurisdiction. Accordingly, copies of this document and all documents relating to the Proposed Acquisition are not being, and must not be, directly or indirectly, mailed or otherwise forwarded, distributed or sent in, into or from a Restricted Jurisdiction where to do so would violate the laws in that jurisdiction, and persons receiving this document and all documents relating to the Proposed Acquisition (including custodians, nominees and trustees) must not mail or otherwise distribute or send them in, into or from such jurisdictions where to do so would violate the laws in that jurisdiction.

This document has been prepared for the purposes of complying with English law, Guernsey law, the Code and the Listing Rules and the information disclosed may not be the same as that which would have been disclosed if this document had been prepared in accordance with the laws and regulations of any other jurisdiction. The contents of this document are not to be construed as legal, business, financial or tax advice. Overseas Shareholders should consult their own legal and tax advisers with respect to the legal and tax consequences of the Proposed Acquisition in their particular circumstances.

Notice to Scheme Shareholders in the US

This document does not constitute an offer of securities for sale in the United States or an offer to acquire or exchange securities in the United States. The New Aviva Shares have not been and will not be registered under the US Securities Act or under the securities laws of any state or other jurisdiction of the United States. Accordingly, the New Aviva Shares may not be offered, sold, resold, delivered, distributed or otherwise transferred, directly or indirectly, in or into the United States absent registration under the US Securities Act or an exemption therefrom. The New Aviva Shares are expected to be issued in reliance upon the exemption from the registration requirements of the US Securities Act provided by Section 3(a)(10) thereof. Scheme Shareholders (whether or not US persons) who are or will be affiliates (within the meaning of the US Securities Act) of Aviva or Friends Life prior to, or of Aviva after, the Effective Date will be subject to certain US transfer restrictions relating to the New Aviva Shares received pursuant to the Scheme. For a description of these and certain further restrictions on offers, sales and transfers of the New Aviva Shares and the distribution of this document, see paragraph 22 of Part II of this document.

None of the securities referred to in this document have been approved or disapproved by the SEC, any state securities commission in the United States or any other US regulatory authority, nor have such authorities passed upon or determined the adequacy or accuracy of the information contained in this document. Any representation to the contrary is a criminal offence in the United States.

The Proposed Acquisition relates to the shares of a Guernsey company and is to be made by means of a scheme of arrangement provided for under the laws of Guernsey. A transaction effected by means of a scheme of arrangement is not subject to the proxy solicitation or tender offer rules under the US Exchange Act. Accordingly, the Proposed Acquisition is subject to the disclosure requirements, rules and practices applicable in Guernsey to schemes of arrangement, which differ from the requirements of US proxy solicitation or tender offer rules. However, if Aviva exercises its right to implement the Proposed Acquisition by means of an Offer, such Offer will be made in compliance with all applicable laws and regulations, including Section 14(e) of the US Exchange Act and Regulation 14E thereunder. Such an Offer would be made in the United States by Aviva and no one else. In addition to any such Offer, Aviva, certain affiliated companies and the nominees or brokers (acting as agents) may make certain purchases of, or arrangements to purchase, shares in Friends Life outside such Offer during the period in which such Offer would remain open for acceptance. If such purchases or arrangements to purchase were to be made they would be made outside of the United States and would comply with applicable law, including the US Exchange Act. Any information about such purchases will be disclosed as required in the UK or Guernsey, reported to a Regulatory Information Service and available on the London Stock Exchange website www.londonstockexchange.com.

Aviva is organised under the laws of England. Friends Life is organised under the laws of Guernsey. A majority of the officers and directors of Aviva and all the officers and directors of Friends Life are residents of countries other than the United States. The significant majority of the assets of Aviva and Friends Life are located outside of the United States. As a result, it may not be possible to effect service of process within the United States upon Aviva, Friends Life or any of their respective officers or directors, or to enforce outside the United States judgments obtained against Aviva, Friends Life or any of their respective officers or directors in US courts, including, without limitation, judgments based upon the civil liability provisions of the US federal securities laws or the laws of any state or territory within the United States. It may not be possible to sue Aviva or Friends Life or their respective officers or directors in a non-US court for violations of US securities laws. It may be difficult to compel Aviva, Friends Life and their respective affiliates to subject themselves to the jurisdiction and judgment of a US court.

The financial information included in this document relating to Friends Life has been prepared in accordance with IFRS and therefore may not be comparable to the financial information of US companies or companies whose financial statements are prepared in accordance with US generally accepted accounting principles (“US GAAP”). US GAAP differs in certain significant respects from IFRS. None of the financial information in this document has been audited in accordance with auditing standards generally accepted in the United States or the auditing standards of the Public Company Accounting Oversight Board (United States).

Forward-looking statements

This document contains statements about Aviva, Friends Life and the Enlarged Group which are, or may be deemed to be, “forward-looking statements” and which are prospective in nature. All statements other than statements of historical fact included in this document may be forward-looking statements. They are based on current expectations and projections about future events, and are therefore subject to risks and uncertainties which could cause actual results to differ materially from the future results expressed or implied by the forward-looking statements. Often, but not always, forward-looking statements can be identified by the use of forward-looking words such as “plans”, “expects”, “is expected”, “is subject to”, “budget”, “scheduled”, “estimates”, “forecasts”, “predicts”, “intends”, “anticipates”, “believes”, “targets”, “aims”, “projects”, “future-proofing” or words or terms of similar substance or the negative of such words or terms, as well as variations of such words and phrases or statements that certain actions, events or results “may”, “could”, “should”, “would”, “might” or “will” be taken, occur or be achieved. Such statements are qualified in their entirety by the inherent risks and uncertainties surrounding future expectations. Forward-looking statements may include statements relating to the following: (i) future capital expenditures, expenses, revenues, earnings, synergies, economic performance, indebtedness, financial condition, dividend policy, losses and future prospects; (ii) business and management strategies and the expansion and growth of Aviva’s, Friends Life’s or the Enlarged Group’s operations and potential synergies resulting from the Proposed Acquisition; and (iii) the effects of global economic conditions on Aviva’s, Friends Life’s or the Enlarged Group’s business.

Such forward-looking statements involve known and unknown risks and uncertainties that could significantly affect expected results and are based on certain key assumptions. Many factors may cause the actual results, performance or achievements of Aviva, Friends Life or the Enlarged Group to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Important factors that could cause actual results, performance or achievements of Aviva, Friends Life or the Enlarged Group to differ materially from the expectations of Aviva, Friends Life or the Enlarged Group, as applicable, include, among other things, general business and economic conditions globally, industry trends, competition, changes in government and other regulation (including changes to capital regulation under Solvency II), changes in political and economic stability, disruptions in business operations due to reorganisation activities (whether or not Aviva combines with Friends Life), interest rate and currency fluctuations, the failure to satisfy the conditions of the Proposed Acquisition if and when implemented (including approvals or clearances from regulatory and other agencies and bodies) on a timely basis or at all, the failure of Aviva to combine with Friends Life on a timely basis or at all, the inability of the Enlarged Group to realise successfully any anticipated synergy benefits when the Proposed Acquisition is implemented, the inability of the Enlarged Group to integrate successfully Aviva’s and Friends Life’s operations and programmes when the Proposed Acquisition is implemented, the Enlarged Group incurring and/or experiencing unanticipated costs and/or delays or difficulties relating to the Proposed Acquisition when the Proposed Acquisition is implemented. Relevant factors also include, but are not limited to, the risk factors set forth in the documents filed with or furnished to the SEC by Aviva, including Aviva’s most recently filed annual report on Form 20-F and subsequent reports on Form 6-K. Such forward-looking statements should therefore be construed in light of such factors.

Neither Aviva nor Friends Life, nor any of their respective associates or directors, officers or advisers, provides any representation, assurance or guarantee that the occurrence of the events expressed or implied in any forward-looking statements in this document (including the information incorporated by reference into this document) will actually occur. You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof.

Other than in accordance with its legal or regulatory obligations (including under the Listing Rules and the Disclosure and Transparency Rules of the FCA), neither Aviva nor Friends Life is under any obligation and Friends Life and Aviva each expressly disclaim any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Except as expressly provided in this document, no forward-looking or other statements have been reviewed by the auditors of the Aviva Group or the Friends Life Group. All subsequent oral or written forward-looking statements attributable to any member of the Aviva Group or the Friends Life Group, or any of their respective associates, directors, officers, employees or advisers, are expressly qualified in their entirety by the cautionary advice above.

No profit forecasts or estimates

No statement in this document or incorporated by reference into this document is intended to constitute a profit forecast or profit estimate for any period, nor should any statement in this document or incorporated by reference into this document be interpreted to mean that earnings or earnings per ordinary share for Friends Life or Aviva, as appropriate, for the current or future financial years will necessarily match or exceed the historical published earnings or earnings per ordinary share for Friends Life or Aviva, as appropriate.

Quantified financial benefits

Statements of estimated cost savings and synergies relate to future actions and circumstances which, by their nature, involve risks, uncertainties and contingencies. As a result, the cost savings and synergies referred to may not be achieved, may be achieved later or sooner than estimated, or those achieved could be materially different from those estimated. For the purposes of Rule 28 of the Code, quantified financial benefits statements contained in this document are the responsibility of Aviva and

the Aviva Directors. Neither these statements nor any other statement in this document should be construed as a profit forecast or interpreted to mean that the Enlarged Group's earnings in the first full year following implementation of the Proposed Acquisition, or in any subsequent period, would necessarily match or be greater than or be less than those of Aviva or Friends Life for the relevant preceding financial period or any other period.

Dealing disclosure requirements

Under Rule 8.3(a) of the Code, any person who is interested in 1 per cent. or more of any class of relevant securities of an offeree company or of any securities exchange offeror (being any offeror other than an offeror in respect of which it has been announced that its offer is, or is likely to be, solely in cash) must make an Opening Position Disclosure following the commencement of the offer period and, if later, following the announcement in which any securities exchange offeror is first identified. An Opening Position Disclosure must contain details of the person's interests and short positions in, and rights to subscribe for, any relevant securities of each of (i) the offeree company and (ii) any securities exchange offeror(s). An Opening Position Disclosure by a person to whom Rule 8.3(a) applies must be made by no later than 3.30 p.m. (London time) on the 10th business day following the commencement of the offer period and, if appropriate, by no later than 3.30 p.m. (London time) on the 10th business day following the announcement in which any securities exchange offeror is first identified. Relevant persons who deal in the relevant securities of the offeree company or of a securities exchange offeror prior to the deadline for making an Opening Position Disclosure must instead make a Dealing Disclosure.

Under Rule 8.3(b) of the Code, any person who is, or becomes, interested in 1 per cent. or more of any class of relevant securities of the offeree company or of any securities exchange offeror must make a Dealing Disclosure if the person deals in any relevant securities of the offeree company or of any securities exchange offeror. A Dealing Disclosure must contain details of the dealing concerned and of the person's interests and short positions in, and rights to subscribe for, any relevant securities of each of (i) the offeree company, and (ii) any securities exchange offeror, save to the extent that these details have previously been disclosed under Rule 8. A Dealing Disclosure by a person to whom Rule 8.3(b) applies must be made by no later than 3.30 p.m. (London time) on the business day following the date of the relevant dealing.

If two or more persons act together pursuant to an agreement or understanding, whether formal or informal, to acquire or control an interest in relevant securities of an offeree company or a securities exchange offeror, they will be deemed to be a single person for the purpose of Rule 8.3.

Opening Position Disclosures must also be made by the offeree company and by any offeror and Dealing Disclosures must also be made by the offeree company, by any offeror and by any persons acting in concert with any of them (see Rules 8.1, 8.2 and 8.4).

Details of the offeree and offeror companies in respect of whose relevant securities Opening Position Disclosures and Dealing Disclosures must be made can be found in the Disclosure Table on the Takeover Panel's website at www.thetakeoverpanel.org.uk, including details of the number of relevant securities in issue, when the offer period commenced and when any offeror was first identified. You should contact the Panel's Market Surveillance Unit on +44 (0) 20 7638 0129 if you are in any doubt as to whether you are required to make an Opening Position Disclosure or a Dealing Disclosure.

Publication and availability of this document

A copy of this document will be available free of charge (subject to any applicable restrictions with respect to persons resident in Restricted Jurisdictions) on Friends Life's website at www.friendslifegroup.com and on Aviva's website at www.aviva.com by no later than 12 noon (London time) on the Business Day following the publication of this document. For the avoidance of doubt, save as expressly referred to in this document, the contents of those websites are not incorporated into, and do not form part of, this document.

Electronic communications

You may request a hard copy of this document, free of charge, by calling the Friends Life Shareholder Helpline on +44 (0) 870 707 1444 or contacting Computershare either by email to info@computershare.co.je or in writing to Computershare Investor Services (Jersey) Limited at Queensway House, Hilgrove Street, St Helier, Jersey JE1 1ES stating your name, your Shareholder Reference Number and the address to which the hard copy version should be sent. You may also request that all future documents, announcements and information to be sent to you in relation to the Proposed Acquisition should be in hard copy form. Unless you have previously elected to receive hard copies of any such documents, announcements or information, hard copies shall not be sent but you may request them.

Rounding

Certain figures included in this document have been subjected to rounding adjustments. Accordingly, figures shown for the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures that precede them.

Date: 19 January 2015

TABLE OF CONTENTS

	Page
ACTION TO BE TAKEN	8
EXPECTED TIMETABLE OF PRINCIPAL EVENTS	11
PART I LETTER FROM THE CHAIRMAN OF FRIENDS LIFE GROUP LIMITED	13
PART II EXPLANATORY STATEMENT	26
PART III THE SCHEME OF ARRANGEMENT	46
PART IV CONDITIONS AND CERTAIN FURTHER TERMS OF THE SCHEME AND THE PROPOSED ACQUISITION	53
PART V FINANCIAL INFORMATION ON FRIENDS LIFE	61
PART VI FINANCIAL INFORMATION ON AVIVA	63
PART VII TAXATION	65
PART VIII ADDITIONAL INFORMATION	70
PART IX DEFINITIONS	96
PART X NOTICE OF COURT MEETING	104
PART XI NOTICE OF AN EXTRAORDINARY GENERAL MEETING	106
APPENDIX 1 EMPLOYEE REPRESENTATIVES' OPINION ON THE EFFECTS OF THE PROPOSED ACQUISITION ON EMPLOYMENT	111
APPENDIX 2 PENSION SCHEME TRUSTEES' OPINION ON THE EFFECTS OF THE PROPOSED ACQUISITION ON THE FPPS	112

ACTION TO BE TAKEN

Voting at the Shareholder Meetings

The Scheme will require approval at the meeting of Scheme Shareholders (other than Non-Voting Persons) convened by order of the Guernsey Court to be held at Glaziers Hall, 9 Montague Close, London SE1 9DD. The Court Meeting will start at 2.00 p.m. on 26 March 2015. Implementation of the Scheme also requires approval of Scheme Shareholders at the General Meeting to be held at the same venue at 2.15 p.m. on 26 March 2015 (or as soon thereafter as the Court Meeting has concluded or been adjourned). Notices of the Shareholder Meetings are set out at Parts X and XI of this document.

Please check that you have received the following with this document:

If you are a registered Scheme Shareholder:

- a BLUE Form of Proxy for use in respect of the Court Meeting on 26 March 2015;
- a YELLOW Form of Proxy for use in respect of the General Meeting on 26 March 2015;
- a copy of the Shareholder Guidance Booklet; and
- a pre-paid envelope for use in the UK or the Channel Islands only.

If you hold your Friends Life Shares through the Friends Life Group Limited Share Account:

- a WHITE Form of Instruction for use in respect of the Court Meeting on 26 March 2015;
- a RED Form of Instruction for use in respect of the General Meeting on 26 March 2015;
- a copy of the terms and conditions of the Aviva Share Account, together with a copy of a letter from Computershare describing the material differences between the terms and conditions of the Friends Life Group Limited Share Account and the Aviva Share Account;
- a copy of the Shareholder Guidance Booklet; and
- a pre-paid envelope for use in the UK or the Channel Islands only.

If you have not received the documents relevant to you, please contact Friends Life's Registrar on the Friends Life Shareholder Helpline referred to on page 6 of this document.

It is important that, for the Court Meeting in particular, as many votes as possible are cast so that the Guernsey Court may be satisfied that there is a fair representation of Scheme Shareholder opinion. You are therefore strongly encouraged to complete, sign and return both your Forms of Proxy or Forms of Instruction in accordance with the instructions thereon, or to appoint a proxy electronically or through CREST, or submit your Forms of Instruction electronically, as soon as possible.

The Forms of Proxy and the Forms of Instruction must be received by Friends Life's proxy processing agent, Computershare Investor Services PLC, at The Pavilions, Bridgwater Road, Bristol BS99 6ZY, United Kingdom by no later than the following times and dates:

- BLUE Forms of Proxy for the Court Meeting by 2.00 p.m. on 24 March 2015;
- WHITE Forms of Instruction for the Court Meeting by 2.00 p.m. on 20 March 2015;
- YELLOW Forms of Proxy for the General Meeting by 2.15 p.m. on 24 March 2015; and
- RED Forms of Instruction for the General Meeting by 2.15 p.m. on 20 March 2015.

Alternatively, BLUE Forms of Proxy (but NOT YELLOW Forms of Proxy) may be handed to Friends Life's proxy processing agent, Computershare Investor Services PLC, or the Chairman of the Court Meeting at the start of the Court Meeting on 26 March 2015 (or any adjournment thereof). However, in the case of the Court Meeting, unless the WHITE Form of Instruction is returned by the time and date mentioned above, it will be invalid and, in the case of the General Meeting, unless the YELLOW Form of Proxy or the RED Form of Instruction is returned by the time and date mentioned above, it will be invalid.

As an alternative to completing and returning the Forms of Proxy or Forms of Instruction, Scheme Shareholders and Share Account Holders may complete the Forms of Proxy or Forms of Instruction (as applicable) online

through the Shareholder Centre accessed via Friends Life's Investor Relations website at www.friendslifegroup.com. You will need your Shareholder Reference Number, Control Number and PIN, which can be found on the Forms of Proxy or Forms of Instruction sent to you. Electronic proxy appointments must be made by, in the case of Forms of Proxy, 2.00 p.m. on 24 March 2015 (for the Court Meeting) and 2.15 p.m. on 24 March 2015 (for the General Meeting) (or, in the case of an adjourned meeting, not less than 48 hours prior to the time and date set for the adjourned meeting) and, in the case of Forms of Instruction, 2.00 p.m. on 20 March 2015 (for the Court Meeting) and 2.15 p.m. on 20 March 2015 (for the General Meeting) (or, in the case of an adjourned meeting, not less than 96 hours prior to the time and date set for the adjourned meeting).

The completion and return of a Form of Proxy will not prevent you from attending and voting in person at the Court Meeting or the General Meeting (or any adjournment thereof), if you so wish and are so entitled.

Share Account Holders will only be entitled to attend and vote at the Court Meeting and the General Meeting if they have submitted the Forms of Instruction and completed them in accordance with the relevant instructions.

Please refer to the Shareholder Guidance Booklet for further information.

Multiple proxy voting instructions

As a registered Scheme Shareholder, you are entitled to appoint a proxy in respect of some or all of your Friends Life Shares. You are also entitled to appoint more than one proxy. A space has been included on the Forms of Proxy to allow you to specify the number of Friends Life Shares in respect of which that proxy is appointed.

If you wish to appoint more than one proxy in respect of your shareholding, photocopy the Forms of Proxy or please call the Friends Life Shareholder Helpline on 0870 707 1444 (from within the UK) or on +44 (0) 870 707 1444 (from outside the UK) for further Forms of Proxy. Calls to the 0870 707 1444 number are typically charged at up to 12 pence per minute from a landline. Lines are open from 8.30 a.m. to 5.30 p.m. (London time) Monday to Friday. Calls to the Friends Life Shareholder Helpline from outside the UK will be charged at the applicable international rate. From mobile networks, calls cost between 5 pence and 40 pence per minute. Please note that calls may be monitored or recorded and the Friends Life Shareholder Helpline operators cannot provide advice on the merits of the Scheme or the Proposed Acquisition, nor give any financial, tax, investment or legal advice.

Electronic appointment of proxies by registered Scheme Shareholders holding shares through CREST

Registered Scheme Shareholders who hold Friends Life Shares through CREST and who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual (available via www.euroclear.com/CREST). CREST personal members or other CREST sponsored members, and those CREST members who have appointed (a) service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "**CREST Proxy Instruction**") must be properly authenticated in accordance with Euroclear's specifications, and must contain the information required for such instruction, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy, must, in order to be valid, be transmitted so as to be received by Computershare (ID number 3RA50) by 2.00 p.m. on 24 March 2015 (for the Court Meeting) and 2.15 p.m. on 24 March 2015 (for the General Meeting). For this purpose, the time of receipt will be taken to be the time (as determined by the time stamp applied to the message by the CREST Application Host) from which Computershare is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time, any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

CREST members and, where applicable, their CREST sponsors or voting service provider(s) should note that Euroclear does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed (a) voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by

means of the CREST system by any particular time. CREST members and, where applicable, their CREST sponsor or voting service provider(s) are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

Friends Life may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 34 of the Uncertificated Securities (Guernsey) Regulations, 2009 and Friends Life's Articles.

The Friends Life Group Limited Share Account

If you hold shares in the Friends Life Group Limited Share Account, you will receive a WHITE Form of Instruction for the Court Meeting and a RED Form of Instruction for the General Meeting. **You are requested to complete each form in accordance with the instructions printed thereon and return them to** Computershare Investor Services PLC at The Pavilions, Bridgwater Road, Bristol BS99 6ZY so as to reach Computershare by 2.00 p.m. (for the Court Meeting) and 2.15 p.m. (for the General Meeting), both times on 20 March 2015 (or, in the case of an adjournment of either Shareholder Meeting, not later than 96 hours before the time and date set for the adjourned Shareholder Meeting).

Mark the box in Part A of each form with an 'X' and then sign where indicated **if you wish to attend** the Court Meeting (WHITE Form of Instruction) and/or the General Meeting (RED Form of Instruction). This will enable Computershare Nominee, which is the registered holder of your Friends Life Shares, to appoint you as its proxy in respect of the Friends Life Shares it holds on your behalf. By completing this section of the form, you will also be able to vote and speak at both Shareholder Meetings. If you wish to attend the Court Meeting and/or the General Meeting but do NOT indicate your intention to attend by marking an 'X' in the box in Part A of the WHITE and/or RED Form(s) of Instruction, respectively, and sign and return the Form(s) of Instruction by 2.00 p.m. (for the Court Meeting) and 2.15 p.m. (for the General Meeting), both times on 20 March 2015 (or, in the case of an adjournment of either Shareholder Meeting, not later than 96 hours before the time and date set for the adjourned Shareholder Meeting), then you may be admitted at Friends Life's discretion but you will not be able to exercise your right to vote as the beneficial owner of the Friends Life Shares held on your behalf by Computershare Nominee.

Complete Part B of each form and then sign where indicated **if you wish to appoint someone else to attend** the Court Meeting (WHITE Form of Instruction) and/or the General Meeting (RED Form of Instruction) on your behalf.

If you wish to appoint the Chairman of the relevant Shareholder Meeting to attend and vote on your behalf, please do NOT complete Part A or B of the WHITE and/or RED Form(s) of Instruction but sign the Form(s) of Instruction where indicated and return to Computershare Investor Services PLC at The Pavilions, Bridgwater Road, Bristol BS99 6ZY by 2.00 p.m. (for the Court Meeting) and 2.15 p.m. (for the General Meeting), both times on 20 March 2015 (or, in the case of an adjournment of either Shareholder Meeting, not later than 96 hours before the time and date set for the adjourned Shareholder Meeting).

If you propose to attend the Shareholder Meetings, please detach and bring with you the attendance slip to assist your admission.

Assistance

If you have not received all of the documents relevant to you or have any questions relating to this document, either of the Shareholder Meetings, the completion and return of the Forms of Proxy or Forms of Instruction, or submitting your votes, your Forms of Proxy or your Forms of Instruction electronically or through CREST, please call the Friends Life Shareholder Helpline on 0870 707 1444 (or +44 (0) 870 707 1444 if calling from outside the UK), between 8.30 a.m. and 5.30 p.m. (London time) Monday to Friday.

Calls to the 0870 707 1444 number are typically charged at up to 12 pence per minute from a landline. Calls to the Friends Life Shareholder Helpline from outside the United Kingdom will be charged at the applicable international rate. From mobile networks, calls cost between 5 pence and 40 pence per minute. Calls may be recorded and randomly monitored for security and training purposes. Please note that Friends Life Shareholder Helpline operators cannot provide advice on the merits of the Scheme or the Proposed Acquisition nor give any financial, tax, investment or legal advice.

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

<i>Event</i>	<i>Time and/or date⁽¹⁾</i>
Publication of this document	19 January 2015
Publication of Friends Life's 2014 Preliminary Results	5 March 2015
Publication of Aviva's 2014 Preliminary Results	5 March 2015
Latest time for lodging WHITE Forms of Instruction for the Court Meeting	2.00 p.m. on 20 March 2015 ⁽²⁾
Latest time for lodging RED Forms of Instruction for the General Meeting	2.15 p.m. on 20 March 2015 ⁽³⁾
Latest time for lodging BLUE Forms of Proxy for the Court Meeting	2.00 p.m. on 24 March 2015 ⁽⁴⁾
Latest time for lodging YELLOW Forms of Proxy for the General Meeting	2.15 p.m. on 24 March 2015 ⁽⁵⁾
Voting Record Time	6.00 p.m. on 24 March 2015 ⁽⁶⁾
Aviva General Meeting	11.00 a.m. on 26 March 2015
Court Meeting	2.00 p.m. on 26 March 2015
General Meeting	2.15 p.m. on 26 March 2015⁽⁷⁾
Last day of dealings in, and for registration of transfers of, and disablement in CREST of, Friends Life Shares	5.00 p.m. on 9 April 2015 ⁽⁸⁾
Friends Life Dividend Record Date	6.00 p.m. on 9 April 2015 ⁽⁸⁾
Scheme Record Time	6.00 p.m. on 9 April 2015 ⁽⁸⁾
Suspension of listing of, and dealings in, Friends Life Shares	7.30 a.m. on 10 April 2015 ⁽⁸⁾⁽⁹⁾
Guernsey Court Hearing to sanction the Scheme	10 April 2015 ⁽⁸⁾
Effective Date	10 April 2015 ⁽⁸⁾⁽⁹⁾
Delisting of Friends Life Shares	By 8.00 a.m. on 13 April 2015 ⁽⁸⁾⁽⁹⁾
New Aviva Shares listed and crediting of New Aviva Shares to CREST accounts	By 8.00 a.m. on 13 April 2015 ⁽⁸⁾⁽⁹⁾
Commencement of dealings in the New Aviva Shares on the London Stock Exchange	8.00 a.m. on 13 April 2015 ⁽⁸⁾⁽⁹⁾
Despatch of definitive share certificates and Aviva Share Account statements in relation to the New Aviva Shares (in each case, where applicable)	within 14 days of the Effective Date
Payments in respect of fractional entitlements, where applicable	within 14 days of the Effective Date
Payment of Friends Life's 2014 second interim dividend	within 14 days of the Effective Date
Long Stop Date	31 July 2015 ⁽¹⁰⁾

Notes:

- (1) All times shown in this document are London times unless otherwise stated. **The dates and times given are indicative only and are based on Friends Life's current expectations and may be subject to change (including as a result of changes to the regulatory timetable).** If any of the times and/or dates above change, the revised times and/or dates will be notified to Scheme Shareholders by announcement through a Regulatory Information Service.
- (2) The WHITE Form of Instruction for the Court Meeting must be lodged with Friends Life's proxy processing agent, Computershare Investor Services PLC, by no later than 2.00 p.m. on 20 March 2015 in order for it to be valid, or, if the Court Meeting is adjourned, no later than 96 hours before the time fixed for the adjourned meeting. If the WHITE Form of Instruction is not returned by such time, it will be invalid.
- (3) The RED Form of Instruction for the General Meeting must be lodged with Friends Life's proxy processing agent, Computershare Investor Services PLC, by no later than 2.15 p.m. on 20 March 2015 in order for it to be valid, or, if the General Meeting is adjourned, no later than 96 hours before the time fixed for the adjourned meeting. If the RED Form of Instruction is not returned by such time, it will be invalid.
- (4) The BLUE Form of Proxy for the Court Meeting may, alternatively, be handed to Friends Life's proxy processing agent, Computershare Investor Services PLC, or the Chairman of the Court Meeting at the start of the Court Meeting (or any adjournment thereof). However, if

possible. Scheme Shareholders are requested to lodge the BLUE Form of Proxy with Friends Life's proxy processing agent, Computershare Investor Services PLC, by no later than 2.00 p.m. on 24 March 2015, or, if the Court Meeting is adjourned, no later than 48 hours before the time fixed for the adjourned meeting.

- (5) The YELLOW Form of Proxy for the General Meeting must be lodged with Friends Life's proxy processing agent, Computershare Investor Services PLC, by no later than 2.15 p.m. on 24 March 2015 in order for it to be valid, or, if the General Meeting is adjourned, no later than 48 hours before the time fixed for the adjourned meeting. If the YELLOW Form of Proxy is not returned by such time, it will be invalid.
- (6) If either Shareholder Meeting is adjourned, the Voting Record Time for the adjourned Shareholder Meeting will be 6.00 p.m. on the date which is two days before the date set for the adjourned Shareholder Meeting.
- (7) To commence at the time fixed or, if later, immediately after the conclusion or adjournment of the Court Meeting.
- (8) These times and dates are indicative only and will depend, amongst other things, on the dates upon which the Conditions are satisfied or (where permitted) waived.
- (9) These times and dates are indicative only and will depend, amongst other things, on the date upon which the Guernsey Court sanctions the Scheme.
- (10) This is the latest date by which the Scheme may become Effective unless Friends Life and Aviva agree upon, and (if required) the Guernsey Court and the Panel allow, a later date.

PART I
LETTER FROM THE CHAIRMAN OF FRIENDS LIFE GROUP LIMITED

(Registered in Guernsey with company number 49558)

Directors:

Sir Malcolm Williamson, *Chairman*
Andy Briggs, *Group Chief Executive Officer*
Tim Tookey, *Chief Financial Officer*
David Allvey, *Senior Independent Non-Executive Director*
Tim Wade, *Independent Non-Executive Director*
Nick Lyons, *Independent Non-Executive Director*
Karl Sternberg, *Independent Non-Executive Director*
Mel Carvill, *Independent Non-Executive Director*
Marian Glen, *Independent Non-Executive Director*
Peter Gibbs, *Independent Non-Executive Director*
Roger Perkin, *Independent Non-Executive Director*
Robin Phipps, *Independent Non-Executive Director*
Belinda Richards, *Independent Non-Executive Director*

Registered office:

Friends Life Group Limited
PO Box 25
Regency Court
Glategny Esplanade
St Peter Port
Guernsey GY1 3AP

19 January 2015

To Friends Life Shareholders and, for information only, participants in the Friends Life Incentive Schemes and persons with information rights in Friends Life

Dear Friends Life Shareholder,

RECOMMENDED ALL-SHARE ACQUISITION OF FRIENDS LIFE GROUP LIMITED BY AVIVA PLC

1 Introduction

On 2 December 2014, the boards of Friends Life and Aviva announced that they had agreed the terms of a recommended all-share acquisition of Friends Life by Aviva.

It is intended that the Proposed Acquisition will be implemented by way of a court-sanctioned scheme of arrangement under Part VIII of the Companies (Guernsey) Law, 2008 (as amended) pursuant to which Aviva will acquire the entire issued and to be issued ordinary share capital of Friends Life. The Scheme requires, among other things, the approval of the Scheme Shareholders (other than Non-Voting Persons) at the Court Meeting and the sanction of the Guernsey Court.

I am writing to you to set out a summary of the terms of the Proposed Acquisition and to explain why your Board considers the terms of the Proposed Acquisition to be fair and reasonable and why it unanimously recommends that you vote in favour of the Scheme at the Court Meeting and in favour of the Special Resolution at the General Meeting, both of which will be held on 26 March 2015 at Glaziers Hall, 9 Montague Close, London SE1 9DD. The Court Meeting will start at 2.00 p.m. and the General Meeting will start at 2.15 p.m. (or as soon thereafter as the Court Meeting has concluded or been adjourned).

This letter also explains the actions you are now asked to take. Further details of the Scheme are set out in the Explanatory Statement in Part II of this document.

2 Summary of the terms of the Proposed Acquisition

Under the Scheme, which will be subject to the Conditions and terms set out in Part IV of this document, Scheme Shareholders (other than Restricted Persons) will receive:

0.74 New Aviva Shares for each Friends Life Share

In addition, assuming the Proposed Acquisition completes, Scheme Shareholders who are on the Friends Life shareholder register at the Friends Life Dividend Record Date will also be entitled to receive, in place of Friends Life's 2014 final dividend, Friends Life's proposed second interim dividend of

24.1 pence per share, in respect of the 2014 financial year, resulting in a 2014 full year dividend of 31.15 pence per share. In the event that the Proposed Acquisition does not complete, Friends Life expects that its 2014 final dividend and therefore its 2014 full year dividend would be in line with Friends Life's 2013 final dividend and 2013 full year dividend, respectively. Scheme Shareholders will have no entitlement to Aviva's proposed 2014 final dividend of 12.25 pence per share, regardless of whether or not (and of when) the Proposed Acquisition completes.

The Exchange Ratio and implied premium have been agreed between Aviva and Friends Life having taken into account the impact of the Value Share and the consideration that will be due from Friends Life to RCAP under the terms of the Limited Partnership Agreement. At completion of the Proposed Acquisition, Friends Life is required to settle the Value Share in cash. The cash consideration payable to RCAP is expected by Friends Life to be approximately £220 million. However, under the terms of the Limited Partnership Agreement, RCAP can elect to receive the consideration in Friends Life Shares. If RCAP elects for shares, any Friends Life Shares would be acquired by Aviva immediately following completion of the Proposed Acquisition at the Exchange Ratio in connection with implementation of the Scheme.

The New Aviva Shares issued to Scheme Shareholders pursuant to the Scheme will be issued credited as fully paid and will rank *pari passu* in all respects with existing Aviva Shares, including the right to receive dividends and other distributions declared, made or paid on Aviva Shares by reference to a record date falling after the Effective Date. The New Aviva Shares will be issued in registered form and will trade under the same ISIN as the existing Aviva Shares.

Fractions of New Aviva Shares will not be allotted or issued pursuant to the Proposed Acquisition to Scheme Shareholders, but entitlements of Scheme Shareholders will instead be rounded down to the nearest whole number of New Aviva Shares and all fractions of New Aviva Shares to which Scheme Shareholders would otherwise have been entitled will be aggregated, allotted and issued to a person appointed by Aviva, and sold in the market as soon as practicable after the Effective Date. The net proceeds of sale (after the deduction of all expenses and commissions incurred in connection with such sale) will be distributed by Aviva in due proportions to Scheme Shareholders who would otherwise have been entitled to fractions of New Aviva Shares.

The Scheme requires that Scheme Shareholders (other than Non-Voting Persons) vote in favour of the Scheme at the Court Meeting to be held at 2.00 p.m. on 26 March 2015 and that the Scheme Shareholders vote in favour of the Special Resolution at the General Meeting to be held at 2.15 p.m. on 26 March 2015 (or as soon thereafter as the Court Meeting has concluded or been adjourned). The Scheme also requires the sanction of the Guernsey Court. The Scheme will become Effective at the time it is sanctioned by the Guernsey Court at the Guernsey Court Hearing. Further details of the Court Meeting, the General Meeting and the Guernsey Court process are set out in paragraph 13 of this letter and in paragraph 13 of Part II of this document.

Owing to its size, the Proposed Acquisition constitutes a "class 1 transaction" for Aviva for the purposes of the Listing Rules and therefore requires the approval of Aviva Shareholders. Accordingly, the Aviva General Meeting has been convened for 11.00 a.m. on 26 March 2015.

Subject to the satisfaction or waiver of the Conditions (other than those Conditions which relate to Admission), it is expected that the Scheme will become Effective on 10 April 2015, with Admission becoming effective and dealings for normal settlement in the New Aviva Shares expected to commence at 8.00 a.m. on 13 April 2015. If the Scheme becomes Effective, it will be binding on all Scheme Shareholders irrespective of whether or not they attended or voted, or were precluded from attending or voting, at either of the Shareholder Meetings (and, if they attended and voted, whether or not they voted in favour).

If successful, the Proposed Acquisition will result in Scheme Shareholders, together, owning approximately 26 per cent. of the ordinary share capital of the Enlarged Group.

The Scheme is described in further detail in paragraph 13 of Part II of this document. If you are an Overseas Shareholder, please refer to paragraph 22 of Part II of this document.

3 Background to and reasons for the Proposed Acquisition

Summary

Over the past two years, Aviva has undertaken a major transformation, creating significant value for its shareholders. Aviva believes that the Proposed Acquisition has a financial and strategic rationale that

would accelerate Aviva's transformation in line with its investment thesis, "cash flow plus growth". It is expected to increase the quantum, resilience and diversification of group cash flows and improve Aviva's ability to invest for growth in its chosen markets and products, leveraging the respective strengths of Aviva and Friends Life to establish a compelling opportunity to create value for both Aviva and Friends Life shareholders.

Aviva also has a focused, clear, simple and differentiated business strategy. Aviva's strategic anchor has three elements:

- True Customer Composite. Aviva is the only composite of scale in the UK and one of the few in the world that can offer a full range of insurance and asset management products, underpinned by the most recognised insurance brand in the UK;
- Digital First. This is how Aviva is capitalising on being a composite insurer. It is how customers increasingly want to do business with Aviva. If there is a choice of where to invest, it will be in digital first across any channel; and
- Not Everywhere. Aviva is not interested in geographic regions but individual markets where it has scale and profitability or a distinct competitive advantage. It will focus on markets, like the UK, where it will win.

Aviva believes that the Proposed Acquisition reinforces its investment thesis and provides the opportunity for "accelerating cash flow plus growth".

Increases the Quantum, Resilience and Diversification of Cash flows

The Proposed Acquisition is expected to leverage the complementary strengths of Aviva and Friends Life to create a stronger, more diversified and resilient business better positioned to serve customer needs, combining Aviva's brand, broad product range, scale and composite benefits with Friends Life's strong cash flow, corporate pensions leadership, balance sheet strength and proven back book expertise.

Substantial Value from Potential Synergies

Aviva envisages achieving an annual synergy run-rate of approximately £225 million by the end of 2017, through *inter alia*, integrating life companies' operations, recapturing previously outsourced asset management contracts and the possible reduction of corporate and development costs across the two businesses. Aviva has valued these potential cost synergies at approximately £1.8 billion¹, which reflects both the potential benefits of and the expected costs of achieving the potential synergies. One-off integration costs of £350 million are expected by Aviva to be incurred by mid-2017 to realise these potential synergy benefits, of which approximately £200 million are currently expected to be incurred in 2015, approximately £100 million in 2016 and the balance in 2017. In addition to the targeted operating efficiency synergies, the Aviva Directors believe there is likely to be significant additional value through the capital, financial and revenue synergies that are expected to be available to the Enlarged Group over time.

The Aviva Directors believe the Aviva and Friends Life management teams have the right experience and expertise to maximise the value from the Proposed Acquisition. Specifically, Friends Life's management team has a proven track record in successfully integrating acquisitions and delivering value from back books, rationalising seven legal entities into two and securing approximately £160 million of run-rate synergy benefits from 2011 to 2013. This complements the Aviva management team's track record in delivering cost savings and the successful turnaround of the Aviva business, having reduced Aviva's UK Life expenses by 28 per cent. from 2011 to 1H2014 (on an annualised basis) and realising run-rate annual Aviva cost reductions of £568 million over the same period.

The Proposed Acquisition would, over time, present the opportunity for Aviva Investors to manage up to approximately £70 billion of Friends Life's UK assets under administration², increasing Aviva Investors' assets under management by up to 29 per cent., to up to approximately £309 billion³. The Proposed Acquisition would also increase scale in core asset classes (based on the aforementioned increase of

¹ The synergy net present value is calculated using a discounted cash flow method (using a discount rate of 10 per cent.) based on the expected phased cost synergy benefits of £225 million calculated using a terminal growth rate of 2 per cent., net of restructuring costs of £350 million and assuming a normalised tax rate of 20 per cent.

² The Friends Life UK Life assets under administration opportunity breaks down into over £19 billion of directed in-house funds and over £49 billion of directed externally managed funds.

³ £309 billion / 29 per cent. increase combines approximately £70 billion of Friends Life assets that are non-customer directed funds for which the asset manager is pre-selected with approximately £241 billion of Aviva Investors' assets under management. Excludes £33 billion of Friends Life customer directed funds, which give customers the ability to choose their asset manager.

assets under management to up to approximately £309 billion), as well as enhance Aviva Investors' overall profit contribution and its relevance in the context of the Enlarged Group. Aviva currently estimates that the insourcing of these assets under administration could, over time, contribute approximately £40 million of profit per annum to the Enlarged Group as part of the synergy benefits of the Proposed Acquisition. The Proposed Acquisition will provide an opportunity to create a stronger platform from which to execute Aviva Investors' strategy and in doing so create more cash flow for the Enlarged Group.

Further detail on quantified synergies is given in paragraph 5 below.

Increases Scale in Attractive Segments of the UK Life Market

The Proposed Acquisition is expected to result in Aviva having leadership positions across key product areas, with a total of approximately 12 million UK Life customers (prior to the deduction of overlapping customers), with combined UK Life assets under management of £215 billion⁴, and provides a substantial opportunity to deliver improved customer proposition cross-selling through Aviva's True Customer Composite and Digital First strategies.

The Enlarged Group's UK Life platform is expected to result in:

- the UK's largest back book⁵, with the scale to achieve improved efficiencies when coupled with Friends Life's leading management team with a track record of back book value creation;
- a leadership position in Corporate Pensions with assets under administration of £39 billion⁶;
- significant increase in Protection value of new business, with complementary product mix and distribution focus and potential efficiencies through alignment of new business platforms; and
- an increased opportunity in the At-Retirement market, with the Enlarged Group representing one in four retiring defined contribution pension customers and accessing £4 billion⁷ of annual maturing pensions.

In addition, the Proposed Acquisition is expected to enable the Enlarged Group to unlock further value and cash flow from the combined back books in UK Life through reduced unit costs, improved retention and capital actions in the near-term.

Accelerates Financial Transformation of Aviva

The Proposed Acquisition is expected to result in an immediate reduction in financial leverage to a level that achieves Aviva's stated medium term objectives of external debt leverage below 40 per cent. on a TNNAV basis and AA equivalent on a Standard & Poor's basis, with no expected requirement to further deleverage the Enlarged Group and no impact on existing plans to reduce the internal loan to approximately £2.2 billion by the end of 2015 (this level has been set such that Aviva Insurance Limited places no reliance on the loan to meet its stressed insurance liabilities, as assessed on a 1:200 basis). Immediately following the Proposed Acquisition, external debt leverage on an IFRS tangible capital basis⁸ is expected to reduce from 44 per cent. to 38 per cent. for the Enlarged Group, and S&P Leverage is also expected to reduce from 30 per cent. to 28 per cent.⁹, providing Aviva with increased financial and strategic flexibility. Following the Proposed Acquisition, the Enlarged Group's debt leverage focus will be on the S&P Leverage metric, targeting a level that is consistent with an AA rating.

Aviva believes that its capital and liquidity position will be stronger and more resilient following the Proposed Acquisition. Aviva's Economic Capital surplus of approximately £8.0 billion would benefit from Friends Life's Economic Capital surplus (on a Friends Life standalone basis) of approximately £4.0 billion¹⁰, with the Enlarged Group position expected to be further strengthened by additional capital

⁴ As at 31 December 2013.

⁵ Based on analysis of 2013 PRA returns of UK gross reserves. Back book defined as per Friends Life's methodology and includes with-profit products, unit-linked bonds and other legacy products.

⁶ As at 31 December 2013. Includes £5 billion of Friends Life workplace pensions assets under administration which are currently under the Heritage division.

⁷ For 2013 financial year.

⁸ Adjusted definition to deduct only goodwill from "tangible capital" i.e. AVIF maintained within capital base.

⁹ Both calculated as at 30 June 2014 by reference to Aviva's and Friends Life's unaudited consolidated accounts for the six months ended 30 June 2014.

¹⁰ Both calculated as at 30 June 2014 by reference to Aviva's and Friends Life's unaudited consolidated accounts for the six months ended 30 June 2014.

synergies over time. In addition, the Proposed Acquisition is expected to reduce the relative sensitivity of the Enlarged Group's Economic Capital to movements in credit and equity markets, as a result of Friends Life's lower market risk exposures relative to Aviva. Aviva's central liquidity position of approximately £1.25 billion would benefit from Friends Life's central liquidity position of approximately £1.15 billion.¹¹

The stronger capital, cash flow and liquidity profile of the Enlarged Group is expected to be further strengthened by balance sheet synergies over time and improve the foundation for future growth.

The Proposed Acquisition is expected to have the following effect on key operating financial metrics:

- approximately £0.6 billion of incremental Holdco Excess Cash Flow per annum including the benefit from realisation of expected synergies by the end of 2017¹²;
- operating EPS broadly neutral once full run-rate synergies achieved;
- day-1 IFRS NAV per share accretion; and
- reduction in Enlarged Group operating expense ratio, by approximately 2 percentage points after realisation of expected synergies.

Increased Dividend and Dividend Growth Trajectory

The Aviva Directors propose to pay a 2014 final dividend of 12.25 pence per share, representing a 30 per cent. increase compared to the 2013 final dividend per share, and resulting in a 2014 full year dividend of 18.1 pence per share.

The Aviva Directors expect the Proposed Acquisition to be accretive to Aviva's cash flow per share and cash flow coverage, given Friends Life's existing standalone cash flows and the expected synergy benefits of the combination. The Proposed Acquisition is expected to deliver approximately £0.6 billion incremental Holdco Excess Cash Flow per annum. In the medium term, Aviva intends to move dividend cover to approximately 2x operating EPS on an IFRS basis.

Customer Benefits

Aviva and Friends Life believe customers of the Enlarged Group stand to benefit from being part of a stronger and more diversified group with a wider product range.

In line with Aviva's true customer composite strategy, Friends Life's five million customers will be able to benefit from Aviva's ability, as a single provider, to offer General Insurance, Health, and Asset Management as well as Life Insurance, packaged to meet customer needs and its strategy to put digital at the heart of how it deals with customers. Aviva's customers will be able to benefit from, *inter alia*, Friends Life's scale and expertise in Corporate Pensions with its market leading administration platforms serving the employee benefits market.

Aviva considers that the UK Life market is attractive, particularly in retirement, protection and workplace pensions, three segments in which the Enlarged Group would have a leadership position¹³ and is expected to be well placed to invest, innovate and serve. Specifically, the Proposed Acquisition would lead to an increased opportunity to serve the 'At-Retirement' market, providing a broad range of retirement solutions to one in four retiring defined contribution pension customers. The Enlarged Group would be well positioned to provide new products to customers as they seek to take advantage of the new pensions freedoms which come into effect in April 2015.

The Enlarged Group would also have a leadership position in Protection, providing a broad suite of products across Life, Critical Illness and Health Insurance. In workplace pensions, a market which is expected to grow by 3.5 times in the next ten years¹⁴, the Enlarged Group would be well placed to serve both mid to large employers, where Friends Life has a leadership position, and small/medium enterprises (SME), where Aviva has a leadership position.

¹¹ Calculated by reference to Friends Life's Available Shareholder Assets as at 30 September 2014 of £911 million, adjusted for the proceeds received from the disposal of Lombard (£260 million), less the amount spent on the Friends Life Share Buyback Programme before it was suspended of £29 million.

¹² Based on 2013 actual Friends Life cash flow plus expected run rate synergies.

¹³ Based on market research conducted on behalf of Aviva.

¹⁴ Market growth projections from 2013 are based on market research conducted on behalf of Friends Life.

Transaction Reinforces Wider Growth Agenda

The Proposed Acquisition is expected to provide greater financial flexibility to drive growth in the rest of the Aviva Group by accelerating Aviva's balance sheet transformation as well as increasing cash flow generation and growth in UK Life. This enables the Enlarged Group to access its broader growth objectives, including:

- Growth markets: organic growth plus potential distribution / bancassurance opportunities in Poland, Turkey, Greater China and S.E. Asia;
- True Customer Composite: improve cross-sell ratio of 1.6 products to 36 million customers¹⁵ (16 million in the UK, equivalent to accessing 1 in 4 households prior to the deduction of overlapping customers), supported by enhanced digital offering and customer platforms (e.g. workplace);
- Asset management: new products to drive net external funds flow and increased scale supports investment to broaden capabilities (e.g. Aviva Investors Multi Strategy Fund);
- General insurance: opportunity to cross-sell non-life products to life customers, with particular focus on building out existing businesses (e.g. France, Italy and Poland);
- Health: Aviva writes £1 billion¹⁶ premiums, compared to market opportunity of £90 billion premiums in Aviva's markets¹⁷; and
- Digital: increasing direct access to customers (e.g. MyAviva app).

4 Background to and reasons for recommending the Proposed Acquisition

Over the last four years, during a period of substantial change within the industry, Friends Life's management have successfully transformed the financial position and strategic outlook for the Friends Life Group. A core element of this journey has been the reorganisation of the business into two UK life companies for legacy and for open business, accompanied by a prioritisation of shareholder value, both on immediate shareholder returns and also on longer term value creation.

This strategy has delivered "cash today", in the form of sustainable free surplus growing from under £100 million in 2010 to over £330 million in 2013, capital synergies generating free surplus in excess of £290 million, and a consistent and increasingly well covered dividend. The strategy has also delivered investment in "cash tomorrow", through the restructured open business in the UK, focusing on markets where Friends Life has the scale and expertise to grow profitably, namely Retirement Income, Corporate Pensions and Protection. This has been enhanced by the launch of Friends Life's in-house fixed income asset manager, Friends Life Investments Limited, and the delivery of significant change in the International division, where Friends Life's management have successfully disposed of Lombard and are currently repositioning Friends Provident International's business onto its own standalone platform, improving customer service and operating efficiency.

The result of this work is that Friends Life now has a clear and consistent strategy, focused on efficiently managing the Heritage platform and on capturing value in the retirement savings market. Throughout this period, Friends Life has maintained rigorous financial discipline. It is now more efficient, more customer-focused and more profitable, with a strong balance sheet and robust cash and capital positions.

The legislative and regulatory changes announced as part of the Budget in March 2014 represented some of the most significant developments for the industry for many years. In the new environment, Friends Life believes that its large existing customer base is a significant strategic asset that will become increasingly valuable as more customers transition towards retirement.

The Friends Life Directors believe that a transaction with Aviva offers an attractive opportunity to accelerate delivery of its strategy for Friends Life's policyholders and shareholders. The combination will create the largest UK life insurer, with a strong brand, broad product offering, 12 million UK Life customers (prior to the deduction of any overlap) and leadership positions in a number of the key segments of the market. This increased scale, brand recognition and resourcing is expected to provide significant cost benefits and efficiencies, enhancing the ability for the Enlarged Group to succeed and grow its new world retirement proposition. These benefits will be over and above the opportunities Friends Life has in back book consolidation. Aviva's large closed back book of business represents a sizeable opportunity to utilise Friends Life's strong skills in managing closed businesses to unlock value for both customers and shareholders whilst providing good levels of service and engagement with those customers.

¹⁵ Total number of Friends Life and Aviva customers as at 31 December 2013.

¹⁶ As at 31 December 2013.

¹⁷ As at 31 December 2013.

The Friends Life Directors believe that the terms of the Proposed Acquisition recognise and reflect Friends Life's cash generation and longer term prospects as well as the settling of the Value Share. In reaching their conclusion, the Friends Life Directors considered the prospects for Friends Life's business, the potential benefits which Aviva expects to achieve from the Proposed Acquisition and the prospects for the Enlarged Group.

5 Potential synergies and integration planning

The Aviva Directors, having reviewed and analysed the potential synergies of the Proposed Acquisition, based on their experience of operating in the insurance and savings sectors, and taking into account the factors they can influence, believe that the Proposed Acquisition can deliver shareholder value through expected realisation of approximately £225 million of cost synergies on an annual run-rate basis. It is expected that the full run-rate synergies will be achieved by the end of 2017.

The potential sources of quantified synergies include integrating Life companies' operations, recapturing previously outsourced asset management contracts and the possible reduction of corporate and development costs across the two businesses.

Whilst the integration plans are still being compiled and will, in due course, be subject to engagement with all appropriate stakeholders, it is currently envisaged that approximately 60 per cent. of these potential synergies will be derived from the Life business with the balance being achieved in approximately equal measures from the two other potential sources referred to above, namely recapturing previously outsourced asset management contracts (which Aviva currently estimates could, over time, contribute approximately £40 million of profit per annum to the Enlarged Group as part of the synergy benefits of the Proposed Acquisition) and the possible reduction of corporate and development costs across the two businesses.

In addition to these potential quantified synergies, the Aviva Directors believe that significant further value can be created through realisation of incremental capital, financial and revenue synergies, including:

- capital synergies through legal entity simplification, realisation of diversification benefits, de-risking and greater use of reinsurance and Solvency II optimisation;
- financial benefits including lower financing costs for the Enlarged Group and harmonisation of respective tax attributes; and
- enhanced revenue opportunities from increased cross-sell, improved retention of Friends Life's existing business and increased At-Retirement conversion through an improved combined product offering.

The integration of the businesses will require combining the Friends Life businesses and group functions into Aviva, with selection of the optimal platforms and operating model. It is anticipated that, following a suitable transition period, the Enlarged Group will operate under the Aviva brand for all UK Life new business. However, the selection of new business platforms will be on a "best of breed" basis. For example, Aviva would anticipate using the Friends Life corporate pensions platform and the Aviva annuities platform. Other platform selection decisions will be made as part of the integration process.

It is envisaged that the realisation of the potential quantified synergies will result in one-off integration costs of approximately £350 million (in aggregate), largely incurred by mid-2017 of which approximately £200 million are currently expected to be incurred in 2015, approximately £100 million in 2016 and the balance in 2017. Aside from these one-off exceptional costs, no material dis-synergies are expected in connection with the Proposed Acquisition. The identified synergies will accrue as a direct result of the Proposed Acquisition and would not be achieved on a standalone basis.

A full integration team is being established, bringing together the best relevant capabilities of both businesses, to ensure that the synergies of the Proposed Acquisition are maximised. Nick Amin has been appointed as Integration and Transformation Director to oversee all integration activity. Jonathan Moss will assume an expanded role to manage the back books of Friends Life and Aviva. The Aviva Directors are confident that the integration of Aviva and Friends Life can be achieved without undue disruption to the underlying operations of either business and continue to enhance the UK strategy, as well as deliver customer benefits.

The integration process will operate according to the following important principles:

- protect the current business momentum and deliver synergies and long term growth potential;

- identify and retain the best talent from both Friends Life and Aviva;
- select the best platforms for writing new business from both Friends Life and Aviva;
- maintain existing back book administration for Friends Life and Aviva and avoid large scale IT migration (unless scale benefits dramatically improve the cost per policy); and
- focus on improving customer engagement to support the True Customer Composite strategy.

As at the date of this document, integration planning is being undertaken but more detailed consideration will need to be undertaken in relation to both the planning and the integration process. As soon as practicable following completion of the Proposed Acquisition, the Enlarged Group will aim to have fully validated its initial synergy assumptions, agreed the proposed target operating model of the Enlarged Group and completed the proposed integration plan across the Enlarged Group's business. The integration plan, once it is further developed, will set out the proposed scope of the integration process and quantified objectives, proposed organisation structures and processes to be reviewed and subsequently implemented, together with an overall proposed integration programme and stakeholder communication and consultation timetable. Finalisation of the integration plan will be subject to engagement with appropriate stakeholders, including employee representative bodies and unions.

These statements of estimated cost savings and synergies relate to future actions and circumstances which, by their nature, involve risks, uncertainties and contingencies. As a result, the cost savings and synergies referred to may not be achieved, may be achieved later or sooner than estimated, or those achieved could be materially different from those estimated. For the purposes of Rule 28 of the Code, the statements of estimated cost savings and synergies contained in this document are solely the responsibility of Aviva and the Aviva Directors.

These statements are not intended as a profit forecast and should not be interpreted as such.

The Aviva Directors have confirmed that there have been no material changes to these statements which were set out in Appendix 4 of the Announcement and which remain valid. Deloitte LLP, and its joint financial advisers, Morgan Stanley, J.P. Morgan Cazenove and Robey Warshaw, have also confirmed to Aviva that the reports they produced in connection with these statements continue to apply.

6 Directors, management and employees

Directors and management

Following the Proposed Acquisition, it is anticipated that Andy Briggs, the current Group Chief Executive Officer of Friends Life, will become Chief Executive Officer of Aviva UK & Ireland Life and will join the board of Aviva as an Executive Director (subject to regulatory approval). Tim Tookey (Chief Financial Officer of Friends Life) has agreed to remain with the Enlarged Group for a transitional period.

Shortly after the Scheme becomes Effective, it is expected that Sir Malcolm Williamson, the current Chairman of Friends Life, will join the board of Aviva as Senior Independent Director (subject to regulatory approval) and it is anticipated that a further Non-Executive Director of Friends Life will join the board of Aviva. Consideration will also be given to appointing a number of the Non-Executive Directors of Friends Life to the subsidiary boards of the Enlarged Group (also subject to regulatory approval).

The remaining Non-Executive Directors of Friends Life have confirmed that they intend to resign as directors of Friends Life on completion of the Proposed Acquisition.

Employees

The Aviva Directors attach great importance to the skills and experience of Friends Life's executive team and employees and believe that they will benefit from greater opportunities within the Enlarged Group. The Aviva Directors recognise, however, that in order to achieve the expected benefits of the Proposed Acquisition, operational restructuring is likely to be required following implementation of the Proposed Acquisition. The initial synergy work carried out to date has highlighted the potential to generate savings for the Enlarged Group in areas where there may be duplication. The Aviva Directors anticipate that this may involve headcount reduction and some rationalisation of locations.

As identified in paragraph 5 above, integration planning has begun but more detailed consideration will need to be undertaken. Until such detailed consideration is complete, Aviva cannot be certain what impact there will be on the employment of the management and employees of the Enlarged Group, or the location of their places of business or any redeployment of fixed assets.

Based on the preliminary analysis completed to date, Aviva expects to generate £225 million of run rate annual cost synergies by the end of 2017. This analysis has identified potential areas of overlap and synergies through the integration of Friends Life with Aviva, recapturing previously outsourced asset management contracts, and the possible reduction of corporate and development costs across the two businesses.

Aviva is looking to achieve cost synergies in those areas where it identifies there to be duplication, and to take opportunities to leverage the additional scale of becoming an enlarged group. Aviva anticipates that this may result in a reduction of approximately 1,500 roles from the headcount of the Enlarged Group of approximately 31,500.

Aviva will engage and consult with employees and their representative bodies in accordance with its legal obligations once more detailed consideration has been undertaken which will provide a more informed view of the areas and teams which may be potentially impacted. At this stage, no specific teams, roles or locations have been identified.

Finalisation of the proposed integration plan will be subject to engagement with appropriate stakeholders, including employee representative bodies and unions. Aviva has given assurances to the Friends Life Directors that the existing contractual and statutory employment rights, including pension rights, of all retained management and employees of Friends Life will be fully respected following completion of the Proposed Acquisition and that any changes that are proposed will be subject to appropriate consultation.

Proposals regarding appropriate incentivisation arrangements for relevant management and employees are under consideration.

On 9 January 2015, Friends Life received the Employee Representatives' Opinion from Unite the Union, as set out in Appendix 1 to this document.

Pension scheme information

Friends Life sponsors a defined benefit pension scheme in the UK known as the Friends Provident Pension Scheme (the "FPPS") which was closed to new members on 1 July 2007 and closed to active membership on 31 December 2012.

The trustees of the FPPS hold a bulk annuity contract with Aviva Annuity UK Limited which reassures benefits for pensioners in payment up to 30 June 2013. The contract is an investment of the trustees whereby ring-fenced assets of the FPPS are being paid as premiums to Aviva Annuity UK Limited over the duration of the contract.

As at 31 December 2013, Friends Life recognised a deficit in respect of the FPPS of £4 million on an IAS 19 Employee Benefits (Revised 2011) accounting basis (based on a fair value of assets of £1,410 million, including ring-fenced assets in respect of the bulk annuity contract with Aviva Annuity UK Limited of £586 million, and a present value of liabilities of £1,414 million). As at 30 June 2014, Friends Life recognised a deficit in respect of the FPPS of £12 million on an IAS 19 Employee Benefits (Revised 2011) accounting basis.

As part of the triennial review of the FPPS as at 30 September 2011, the trustees of the FPPS and Friends Life recognised a deficit of £185 million on a technical provisions basis. A deficit reduction plan commenced in January 2013, under which further deficit reduction contributions totalling £172 million will be paid to the FPPS, with payments of £21.5 million to be made by 31 July each year for the next eight years from 2014 to 2021.

The next triennial funding valuation of the FPPS commenced as at September 2014. The results of the valuation and any revised deficit contributions that might be payable are unlikely to be agreed with the FPPS trustees until the end of 2015.

Friends Life operates a main defined contribution ("DC") arrangement and two further legacy DC arrangements. Friends Life's contributions to the DC arrangements were £19 million for the year ended 31 December 2013 (of which £17.1 million were to the main DC arrangement).

On 7 January 2015, Friends Life received the Pension Scheme Trustees' Opinion from the trustees of the FPPS, as set out in Appendix 2 to this document.

7 Irrevocable undertakings

The Friends Life Directors who hold or are beneficially entitled to Friends Life Shares have irrevocably undertaken to vote (or procure the vote) in favour of the Scheme and the associated resolutions to be

proposed at the Court Meeting and the General Meeting, in respect of 930,749 Friends Life Shares representing, in aggregate, approximately 0.066 per cent. of Friends Life's ordinary share capital in issue on 15 January 2015 (being the last practicable date prior to the publication of this document).

The Aviva Directors who hold or are beneficially entitled to Aviva Shares have irrevocably undertaken to vote (or procure the vote) in favour of all of the resolutions to be proposed at the Aviva General Meeting which will be convened in connection with the Proposed Acquisition, in respect of 263,847 Aviva Shares representing, in aggregate, approximately 0.009 per cent. of Aviva's ordinary share capital in issue on 15 January 2015 (being the last practicable date prior to the publication of this document).

Further details of the irrevocable undertakings in relation to the Proposed Acquisition are set out in paragraph 7 of Part VIII of this document.

8 Friends Life Incentive Schemes

Further details of the arrangements proposed to be implemented in relation to the Friends Life Incentive Schemes in connection with the Proposed Acquisition are set out in paragraph 21 of Part II of this document.

9 Listing, dealings and settlement

The attention of Scheme Shareholders is drawn to paragraph 17 of Part II of this document in relation to Aviva's intentions with regards to the cancellation of the listing of the Friends Life Shares and the admission to trading on the LSE of the New Aviva Shares.

10 Risk Factors

Scheme Shareholders should consider fully and carefully the risk factors associated with the Enlarged Group and the Proposed Acquisition. Your attention is drawn to the "Risk Factors" section of the Aviva Prospectus, which contains further information on Aviva, Friends Life, the Enlarged Group and the New Aviva Shares. The Aviva Prospectus will be available on Friends Life's website at www.friendslifegroup.com and on Aviva's website at www.aviva.com and a hard copy of the Aviva Prospectus can be requested by contacting Aviva's Registrar, Computershare Investor Services PLC, whose contact details are set out on page 64 of this document.

11 Taxation

Scheme Shareholders should read Part VII of this document, which provides a summary of certain UK, Guernsey and US tax consequences of the Scheme relevant to Scheme Shareholders who are resident (or, in the case of individuals, domiciled and resident) in the UK, Guernsey or the US for tax purposes. If you are in any doubt about your tax position, or are subject to taxation in any jurisdiction other than the UK, Guernsey or the US, you are strongly advised to consult an appropriate independent professional adviser.

12 US and other Overseas Shareholders

US Scheme Shareholders and other Overseas Shareholders should refer to paragraph 22 of Part II of this document.

13 Shareholder Meetings

The Scheme requires the approval of Scheme Shareholders (other than Non-Voting Persons) by the passing of a resolution at the Court Meeting to be held on 26 March 2015. The resolution must be approved by a majority in number of those Scheme Shareholders (other than Non-Voting Persons) who are present and vote, either in person or by proxy, and who represent not less than 75 per cent. in value of the Scheme Shares voted by such Scheme Shareholders.

Implementation of the Scheme will also require the passing of the Special Resolution (requiring the approval of Scheme Shareholders representing at least 75 per cent. of the votes cast either in person or by proxy) at the General Meeting, which will be held immediately after the Court Meeting, to authorise the Friends Life Directors to take all such action as they may consider necessary or appropriate for carrying the Scheme into effect and approve certain amendments to the Friends Life Articles.

Following the Shareholder Meetings, the Scheme must be sanctioned by the Guernsey Court and will become Effective at the time it is sanctioned by the Guernsey Court at the Guernsey Court Hearing. Upon

the Scheme becoming Effective, it will be binding on all Scheme Shareholders irrespective of whether or not they attended or voted, or were precluded from attending or voting, at either of the Shareholder Meetings (and, if they attended and voted, whether or not they voted in favour).

Your attention is drawn to paragraph 13 of Part II of this document which contains further information with respect to the Shareholder Meetings.

It is important that, for the Court Meeting in particular, as many votes as possible are cast so that the Guernsey Court may be satisfied that there is a fair representation of Scheme Shareholder opinion. You are therefore strongly urged to complete, sign and return the Forms of Proxy or Forms of Instruction, or to appoint a proxy electronically or through CREST, or submit your Forms of Instruction electronically, as soon as possible.

Scheme Shareholders should note that given the expected timetable for the Proposed Acquisition, Friends Life is not currently intending to convene an annual general meeting prior to completion of the Proposed Acquisition. In the event that the Proposed Acquisition does not complete, or is not implemented in accordance with the expected timetable, Friends Life may convene and notify shareholders of an annual general meeting in due course.

14 Action to be taken

Notices convening the Court Meeting and the General Meeting are set out in Parts X and XI, respectively, of this document. You will find accompanying this document:

If you are a registered Scheme Shareholder:

- a BLUE Form of Proxy for use in respect of the Court Meeting on 26 March 2015;
- a YELLOW Form of Proxy for use in respect of the General Meeting on 26 March 2015;
- a copy of the Shareholder Guidance Booklet; and
- a pre-paid envelope for use in the UK or the Channel Islands only.

If you hold your Friends Life Shares through the Friends Life Group Limited Share Account:

- a WHITE Form of Instruction for use in respect of the Court Meeting on 26 March 2015;
- a RED Form of Instruction for use in respect of the General Meeting on 26 March 2015;
- a copy of the terms and conditions of the Aviva Share Account, together with a copy of a letter from Computershare describing the material differences between the terms and conditions of the Friends Life Group Limited Share Account and the Aviva Share Account;
- a copy of the Shareholder Guidance Booklet; and
- a pre-paid envelope for use in the UK or the Channel Islands only.

Share Account Holders should not complete the Forms of Proxy for the Court Meeting or the General Meeting but should instead complete the enclosed separate WHITE Form of Instruction for use in connection with the Court Meeting and the RED Form of Instruction for use in connection with the General Meeting. If you wish to attend and vote at the Court Meeting and the General Meeting, Computershare Nominee will appoint you as its proxy to do so in respect of the Friends Life Shares held for you through the Friends Life Group Limited Share Account. Otherwise, Computershare Nominee will appoint the Chairman of the Court Meeting and the General Meeting, or any third party nominated by you to attend and vote on your behalf, as its proxy to vote as you instruct in respect of the Friends Life Shares held for you through the Friends Life Group Limited Share Account.

Whether or not you intend to be present at either Shareholder Meeting, you are requested to complete, sign and return both the accompanying Forms of Proxy or Forms of Instruction (as applicable) for the Court Meeting and for the General Meeting in accordance with the instructions printed on the respective forms.

If you hold your Friends Life Shares in uncertificated form, you may vote using the CREST proxy voting service in accordance with the procedures set out in the CREST Manual (please also refer to the notes to the Notices of the Court Meeting and the General Meeting set out in Parts X and XI respectively of this document).

Scheme Shareholders and Share Account Holders may complete the Forms of Proxy or Forms of Instruction (as applicable) online through the Shareholder Centre accessed via Friends Life's Investor

Relations website at www.friendslifegroup.com. You will need your Shareholder Reference Number, Control Number and PIN, which can be found on the Forms of Proxy or Forms of Instruction sent to you. Full details of the procedure to be followed to appoint a proxy electronically are given on the website. Further information is also included in the instructions included on the Forms of Proxy or Forms of Instruction.

If you have any further questions about this document, the Court Meeting, the General Meeting, the Scheme or the Proposed Acquisition, including in relation to the completion and return of the Forms of Proxy or Forms of Instruction, or in relation to submitting your votes or proxies electronically or through CREST, please call the Friends Life Shareholder Helpline on 0870 707 1444 (from within the UK) or on +44 (0) 870 707 1444 (if calling from outside the UK). Calls to the 0870 707 1444 number are typically charged at up to 12 pence per minute from a landline. Lines are open from 8.30 a.m. to 5.30 p.m. (London time) Monday to Friday. Calls to the Friends Life Shareholder Helpline from outside the UK will be charged at the applicable international rate. From mobile networks, calls cost between 5 pence and 40 pence per minute. Calls may be recorded and randomly monitored for security and training purposes. Please note that the Friends Life Shareholder Helpline operators cannot provide advice on the merits of the Scheme or the Proposed Acquisition, nor give any financial, tax, investment or legal advice.

Your attention is drawn to pages 8 to 10 of this document which set out in detail the action you should take in relation to the Proposed Acquisition and the Scheme.

15 Further information

Your attention is drawn to the Aviva Prospectus which will be available on Friends Life's website at www.friendslifegroup.com and on Aviva's website at www.aviva.com, and which contains further information on Aviva, Friends Life, the Enlarged Group and the New Aviva Shares. A hard copy of the Aviva Prospectus can also be requested, free of charge, by contacting Aviva's Registrar, Computershare Investor Services PLC, whose contact details are set out on page 64 of this document.

You are advised to read the whole of this document, the Aviva Prospectus and the information incorporated by reference into this document and/or the Aviva Prospectus, and not just rely on the summary information contained in this letter. Your attention is further drawn to the information contained in Part II (Explanatory Statement), Part III (The Scheme of Arrangement), Part IV (Conditions and Certain Further Terms of the Scheme and the Proposed Acquisition), Part V (Financial Information on Friends Life), Part VI (Financial Information on Aviva), Part VII (Taxation) and Part VIII (Additional Information) of this document, and to the expected timetable of principal events set out on page 11 of this document.

Aviva intends to publish a supplementary prospectus in relation to the Aviva Prospectus on or around 5 March 2015 following the publication of Aviva's 2014 Preliminary Results and Friends Life's 2014 Preliminary Results. Copies of this supplementary prospectus, together with Aviva's 2014 Preliminary Results and Friends Life's 2014 Preliminary Results, will be available on Friends Life's website at www.friendslifegroup.com and on Aviva's website at www.aviva.com once published. Further information is set out in paragraph 16 of Part VIII (Additional Information) of this document.

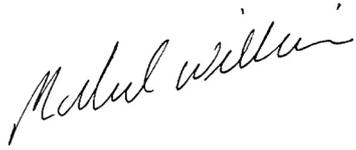
16 Recommendation

The Friends Life Directors, who have been so advised by Goldman Sachs International, consider the terms of the Proposed Acquisition to be fair and reasonable. In providing advice to the Friends Life Directors, Goldman Sachs International has taken into account the commercial assessments of the Friends Life Directors.

Barclays and RBC have also provided financial advice to the Friends Life Directors in relation to the Proposed Acquisition.

Accordingly, the Friends Life Directors unanimously recommend that Scheme Shareholders vote in favour of the Scheme and the associated resolutions to be proposed at the Court Meeting and the General Meeting, as those Friends Life Directors with beneficial holdings have irrevocably undertaken to do, or procure, in respect of their own beneficial holdings of 930,749 Friends Life Shares representing, in aggregate, approximately 0.066 per cent. of Friends Life's ordinary share capital in issue on 15 January 2015 (being the last practicable date prior to the publication of this document).

Yours faithfully,

A handwritten signature in black ink, appearing to read 'Malcolm Williamson', written in a cursive style.

Sir Malcolm Williamson

Chairman

Friends Life Group Limited

PART II
EXPLANATORY STATEMENT

(in compliance with section 108 of Part VIII of the Companies Law)

Goldman Sachs International
Peterborough Court
133 Fleet Street
London EC4A 2BB
United Kingdom

19 January 2015

To all Friends Life Shareholders and, for information only, participants in the Friends Life Incentive Schemes and persons with information rights

Dear Sir or Madam,

RECOMMENDED ALL-SHARE ACQUISITION OF FRIENDS LIFE GROUP LIMITED BY AVIVA PLC

1 Introduction

On 2 December 2014, the boards of Friends Life and Aviva announced that they had agreed the terms of a recommended all-share acquisition of Friends Life by Aviva.

It is intended that the Proposed Acquisition will be implemented by way of a court-sanctioned scheme of arrangement under Part VIII of the Companies Law pursuant to which Aviva will acquire the entire issued and to be issued ordinary share capital of Friends Life. The Scheme requires, among other things, the approval of the Scheme Shareholders (other than Non-Voting Persons) at the Court Meeting and the sanction of the Guernsey Court.

Your attention is drawn to the letter from the Chairman of Friends Life, Sir Malcolm Williamson, set out in Part I of this document, which forms part of this Explanatory Statement. That letter contains, among other things, information on the background to and reasons for the unanimous recommendation by the Friends Life Directors to Scheme Shareholders to vote in favour of the Scheme at the Court Meeting and the Special Resolution at the General Meeting.

We have been authorised by the Friends Life Directors to write to you to explain the terms of the Proposed Acquisition and to provide you with other relevant information. This Explanatory Statement contains a summary of the terms of the Proposed Acquisition, which is to be implemented by way of the Scheme. The terms of the Scheme are set out in full in Part III of this document. Your attention is also drawn to the other parts of this document, which are deemed to form part of this Explanatory Statement, including the letter from the Chairman of Friends Life in Part I, the Conditions and certain further terms in Part IV and the Additional Information in Part VIII of this document.

If you wish to vote in favour of the Scheme and the Special Resolution, please take the actions described on pages 8 to 10 (inclusive) of this document within the time frames stipulated.

2 Summary of the terms of the Proposed Acquisition

It is intended that the Proposed Acquisition will be implemented by way of a court-sanctioned scheme of arrangement under Part VIII of the Companies Law.

Under the Scheme, which will be subject to the Conditions and terms set out in Part IV of this document, Scheme Shareholders (other than Restricted Persons) will receive:

0.74 New Aviva Shares for each Friends Life Share

The Exchange Ratio and implied premium (as set out below) have been agreed between Aviva and Friends Life having taken into account the impact of the Value Share, and the consideration that will be due from Friends Life to RCAP under the terms of the Limited Partnership Agreement. At completion of the Proposed Acquisition, Friends Life is required to settle the Value Share in cash. The cash consideration payable to RCAP is expected by Friends Life to be approximately £220 million. However,

under the terms of the Limited Partnership Agreement, RCAP can elect to receive the consideration in Friends Life Shares. If RCAP elects for shares, any Friends Life Shares would be acquired by Aviva immediately following completion of the Proposed Acquisition at the Exchange Ratio in connection with implementation of the Scheme.

Based on the Exchange Ratio and the Closing Prices of Aviva and Friends Life Shares as at 20 November 2014 (being the last date prior to talks between Aviva and Friends Life being made public), the Proposed Acquisition, excluding the payment to RCAP in relation to the Value Share and Friends Life's proposed second interim dividend payment in respect of the 2014 financial year, values each Friends Life Share at 394p and Friends Life's existing issued ordinary share capital at approximately £5.6 billion.

Based on the Exchange Ratio and the Closing Prices of Aviva and Friends Life Shares as at 20 November 2014 (being the last date prior to talks between Aviva and Friends Life being made public), the terms of the Proposed Acquisition, excluding the payment to RCAP in relation to the Value Share and Friends Life's proposed second interim dividend payment in respect of the 2014 financial year, represent:

- a premium of 15 per cent. to the Closing Price of 343 pence per Friends Life Share on 20 November 2014;
- a premium of 27 per cent. to the average Closing Price of 310 pence per Friends Life Share for the three-month period ended 20 November 2014; and
- a multiple of 1.0x Friends Life's Market Consistent Embedded Value per share as at 30 June 2014 (adjusted for the sale of Lombard and the Friends Life Share Buyback Programme).

Based on the Exchange Ratio and the Closing Price of Aviva as at 15 January 2015 (being the last practicable date prior to the publication of this document), the Proposed Acquisition values each Friends Life Share at 375 pence per share, which represents a premium of 9 per cent. to the Closing Price of 343 pence per Friends Life Share on 20 November 2014.

Fractions of New Aviva Shares will not be allotted or issued pursuant to the Proposed Acquisition to Scheme Shareholders, but entitlements of Scheme Shareholders will instead be rounded down to the nearest whole number of New Aviva Shares and all fractions of New Aviva Shares to which Scheme Shareholders would otherwise have been entitled will be aggregated, allotted and issued to a person appointed by Aviva, and sold in the market as soon as practicable after the Effective Date. The net proceeds of sale (after the deduction of all expenses and commissions incurred in connection with such sale) will be distributed by Aviva in due proportions to Scheme Shareholders who would otherwise have been entitled to fractions of New Aviva Shares.

The implementation of the Proposed Acquisition is subject to the Conditions, which are summarised in paragraph 14 of this Part II and set out in full in Part IV of this document. The Scheme can only become Effective in accordance with its terms if all the Conditions to the Proposed Acquisition have been satisfied or, where relevant, waived.

The Scheme requires that Scheme Shareholders (other than Non-Voting Persons) vote in favour of the Scheme at the Court Meeting to be held at 2.00 p.m. on 26 March 2015 and Scheme Shareholders vote in favour of the Special Resolution at the General Meeting to be held at 2.15 p.m. on 26 March 2015 (or as soon thereafter as the Court Meeting has concluded or been adjourned). The Scheme also requires the sanction of the Guernsey Court. The Scheme will become Effective at the time it is sanctioned by the Guernsey Court at the Guernsey Court Hearing. Further details of the Court Meeting, the General Meeting and the Guernsey Court process are set out in paragraph 13 of Part I of this document and in paragraph 13 of this Part II.

Owing to its size, the Proposed Acquisition constitutes a "class 1 transaction" for Aviva for the purposes of the Listing Rules and therefore requires the approval of Aviva Shareholders. Accordingly, the Aviva General Meeting has been convened for 11.00 a.m. on 26 March 2015.

The Friends Life Shares will be acquired by Aviva pursuant to the Scheme fully paid up, free from all liens, charges, encumbrances, rights of pre-emption and any other third party rights of any nature whatsoever and together with all rights attaching thereto, including, without limitation, voting rights and the right to receive and retain, in full, all dividends and other distributions (if any) declared, made or paid, or any other return of capital (whether by way of reduction of share capital, repurchase or redemption or otherwise) made on or after the date of the Announcement (other than Friends Life's proposed second interim dividend of 24.1 pence per share).

Insofar as a dividend and/or a distribution and/or a return of capital is proposed, declared, made, paid or payable by Friends Life in respect of a Friends Life Share on or after the date of the Announcement, other than the proposed second interim dividend of 24.1 pence per share, Aviva reserves the right to reduce, with the consent of the Panel, by the amount of the dividend and/or distribution and/or return of capital, the number of New Aviva Shares to be issued under the terms of the Proposed Acquisition in respect of a Friends Life Share, except insofar as the Friends Life Share is or will be transferred on a basis which entitles Aviva alone to receive the dividend and/or distribution and/or return of capital, but if that reduction in the number of New Aviva Shares has not been effected, the person to whom the New Aviva Shares are issued under the terms of the Proposed Acquisition in respect of that Friends Life Share, will be obliged to account to Aviva for the amount of such dividend and/or distribution and/or return of capital.

Subject to the satisfaction or waiver of the Conditions, it is expected that the Scheme will become Effective on 10 April 2015, with Admission becoming effective and dealings for normal settlement in the New Aviva Shares expected to commence at 8.00 a.m. on 13 April 2015. Upon the Scheme becoming Effective, it will be binding on all Scheme Shareholders irrespective of whether or not they attended or voted, or were precluded from attending or voting, at either of the Shareholder Meetings (and, if they attended and voted, whether or not they voted in favour).

If successful, the Proposed Acquisition will result in Scheme Shareholders, together, owning approximately 26 per cent. of the ordinary share capital of the Enlarged Group.

The Scheme is described in further detail in paragraph 13 of this Part II.

Aviva reserves the right, subject to the prior consent of the Panel and in accordance with the Co-operation Agreement, to implement the Proposed Acquisition by way of an Offer. In such event, the Proposed Acquisition will be implemented on the same terms, so far as applicable, as those which would apply to the Scheme, subject to appropriate amendments to reflect the change in method of effecting the Proposed Acquisition.

3 Background to and reasons for the Friends Life Board's recommendation

Information relating to the background and reasons for the Friends Life Board's recommendation of the Proposed Acquisition is set out in paragraph 4 of Part I of this document and information relating to the potential synergies and integration benefits of the Proposed Acquisition is set out in paragraph 5 of Part I of this document.

4 Irrevocable undertakings

Information relating to the irrevocable undertakings which have been received by Friends Life and Aviva in respect of the Friends Life Shares and the Aviva Shares is set out in paragraph 7 of Part I of this document.

Further details of the irrevocable undertakings in relation to the Proposed Acquisition are set out in paragraph 7 of Part VIII of this document.

5 Information on Friends Life

Friends Life is a FTSE 100 listed company focused on providing financial security for over five million customers, with a heritage dating back over 200 years. Friends Life's strategy is focused on helping customers to save for and achieve a good standard of living in retirement and on providing them with financial protection during their working lives.

The business is made up of three divisions:

- a specialist Heritage division, looking after customers with products which are no longer actively marketed for new business. The Heritage division also includes Friends Life Investments, providing asset management services on fixed income assets for Friends Life Group businesses;
- the UK division, which provides core business lines of corporate pensions (with over £20 billion of assets under administration with a focus on mid to large corporates), retirement income (with a focus on individual annuities markets and in particular lifestyle products) and protection (which is a top five business in the UK, selling both individual and group protection policies); and
- the International division, which provides savings, investment and protection products for expatriates and local nationals in Asia and the Middle East.

Friends Life has the expertise and experience to meet the changing needs of its customers as the life and pensions market continues to evolve. Friends Life is a sustainable business which supports its customers' financial futures throughout all key life stages whilst creating value for shareholders by growing cash generation and generating returns.

For the six months ended 30 June 2014, Friends Life reported IFRS profit before tax from continuing operations of £80 million and as at 30 June 2014 had total assets of £130,166 million. For the 12 months ended 31 December 2013, Friends Life reported IFRS profit before tax from continuing operations of £415 million¹⁷ and as at 31 December 2013 had total assets of £130,091 million.

Friends Life current trading and prospects

Current trading for Friends Life continues in line with statements made in its announcement on 11 November 2014 in respect of its unaudited interim management statements for the nine months ended 30 September 2014.

6 Information on Aviva

The Aviva Group's history and expertise dates back over the past 300 years. It is one of the world's leading insurance groups and one of the leading providers of life and general insurance products in the UK and Europe. Its main activities are the provision of products and services in relation to long-term insurance and savings, general and health insurance and fund management. Aviva has around £241 billion of funds under management¹⁸ and operates across 16 countries globally¹⁹, focusing on markets where it has scale and a defined competitive advantage. It currently serves 31 million customers across a range of insurance, savings and investment products and paid out £27.5 billion in claims and benefits in 2013²⁰.

Aviva's strategy is driven by its investment thesis of achieving cash flow plus growth. Its financial strength means it can be there for its customers, now and in the future. Aviva's strategic anchor sets out what it does, how it does it and where it does it, as described in further detail in paragraph 3 of Part I of this document.

For the six months ended 30 June 2014, Aviva reported IFRS profit before tax from continuing operations of £1,234 million and as at 30 June 2014 had total assets of £278,861 million. For the 12 months ended 31 December 2013, Aviva reported IFRS profit before tax from continuing operations of £1,472 million and as at 31 December 2013 had total assets of £281,627 million.

Aviva Shares are traded on the main market of the London Stock Exchange with a premium listing and the company is a member of the FTSE 100 index. Aviva Shares are also traded on the New York Stock Exchange in the form of American Depositary Shares.

Aviva current trading and prospects

Current trading for Aviva continues in line with statements made in its announcement on 30 October 2014 in respect of its unaudited interim management statements for the nine months ended 30 September 2014, except for the rate of growth of the value of new business ('VNB') which has moderated in the final quarter of 2014.

7 New Aviva Shares

The New Aviva Shares will be listed on the premium listing segment of the Official List, admitted to trading on the London Stock Exchange's main market for listed securities and issued free from all liens, charges, encumbrances and other third party rights and/or interests. On the basis of current expectations as to the timing of regulatory approvals, it is expected that the New Aviva Shares will be issued. Admission will become effective and dealings for normal settlement in the New Aviva Shares will commence at 8.00 a.m. on 13 April 2015.

The New Aviva Shares issued to Scheme Shareholders pursuant to the Scheme will be issued credited as fully paid and will rank *pari passu* in all respects with existing Aviva Shares, including the right to receive dividends and other distributions declared, made or paid on Aviva Shares by reference to a record date falling after the Effective Date (other than Aviva's proposed 2014 final dividend). The New Aviva Shares will be issued in registered form and will trade under the same ISIN as the existing Aviva Shares.

¹⁷ As restated in Friends Life's Interim Results Announcement 2014. The restated consolidated income statement for the financial year ended 31 December 2013 includes the results of Lombard as a discontinued operation.

¹⁸ As at 31 December 2013; funds managed by Aviva Investors.

¹⁹ As at 31 December 2014.

²⁰ Aviva 2013 Annual Report.

Fractions of New Aviva Shares will not be allotted or issued pursuant to the Proposed Acquisition to Scheme Shareholders, but entitlements of Scheme Shareholders will instead be rounded down to the nearest whole number of New Aviva Shares and all fractions of New Aviva Shares to which Scheme Shareholders would otherwise have been entitled will be aggregated, allotted and issued to a person appointed by Aviva, and sold in the market as soon as practicable after the Effective Date. The net proceeds of sale (after the deduction of all expenses and commissions incurred in connection with such sale) will be distributed by Aviva in due proportions to Scheme Shareholders who would otherwise have been entitled to fractions of New Aviva Shares.

8 Dividends and Aviva dividend policy

Friends Life's proposed second interim dividend

Assuming that all shareholder and regulatory approvals are received and the Proposed Acquisition completes, Scheme Shareholders who are on the Friends Life shareholder register at the Friends Life Dividend Record Date will also be entitled to receive, in place of Friends Life's 2014 final dividend, Friends Life's proposed second interim dividend of 24.1 pence per share, in respect of the 2014 financial year, resulting in a 2014 full year dividend of 31.15 pence per share. In the event that the Proposed Acquisition does not complete, Friends Life expects that its 2014 final dividend and therefore its 2014 full year dividend would be in line with Friends Life's 2013 final dividend and 2013 full year dividend, respectively. Scheme Shareholders will have no entitlement to Aviva's proposed 2014 final dividend, regardless of whether or not (and of when) the Proposed Acquisition completes.

Aviva's final dividend and dividend policy

In respect of Aviva, the Aviva Directors propose to pay a 2014 final dividend of 12.25 pence per share, representing a 30 per cent. increase compared to the 2013 final dividend per share, and resulting in a 2014 full year dividend of 18.1 pence per share. As noted above, Scheme Shareholders will have no entitlement to Aviva's proposed 2014 final dividend, regardless of whether or not (and of when) the Proposed Acquisition completes.

In the medium term, and in respect of the Enlarged Group, Aviva intends to move dividend cover to approximately 2x operating EPS on an IFRS basis. The Aviva Directors believe the Proposed Acquisition would be broadly neutral to Aviva's operating EPS once full run-rate synergies are achieved.

Friends Life Dividend Reinvestment Plan

Existing arrangements between Friends Life and Scheme Shareholders in relation to the Friends Life Dividend Reinvestment Plan will cease immediately prior to the Friends Life Dividend Record Date. Further information is set out in paragraph 17 of Part VIII of this document.

Aviva operates a dividend reinvestment plan for its own shareholders, under which participants may be subject to different fees and charges to those which apply under the Friends Life Dividend Reinvestment Plan. If holders of New Aviva Shares wish to participate in Aviva's dividend reinvestment plan following the Effective Date, they will need to make an election to do so. Aviva intends to write to holders of New Aviva Shares in due course to provide information in respect of its dividend reinvestment plan and how to make an election to participate.

Further information on the current terms of Aviva's dividend reinvestment plan is available on Aviva's Investor Relations website at www.aviva.com.

9 Accounting considerations

For accounting purposes, it is expected that Friends Life will be consolidated into Aviva's IFRS financial statements. A fair value exercise in respect of Friends Life's assets and liabilities will be conducted following completion of the Proposed Acquisition, resulting in Friends Life's assets and liabilities being included at fair value on the Enlarged Group's statement of financial position. Intangible assets arising will include goodwill, other intangibles, including acquired value of in-force business, and brands.

10 Financial effects of the Proposed Acquisition

On a pro forma basis and assuming completion of the Proposed Acquisition had occurred on 30 June 2014, the Enlarged Group would have had net assets of £16,760 million at that date (based on the net assets of Friends Life as at 30 June 2014 and Aviva as at 30 June 2014).

The Aviva Directors, having reviewed and analysed the potential synergies of the Proposed Acquisition, based on their experience of operating in the insurance and savings sectors, and taking into account the factors they can influence, believe that the Proposed Acquisition can deliver shareholder value through expected realisation of approximately £225 million of cost synergies on an annual run-rate basis. It is expected that the full run-rate synergies will be achieved by the end of 2017. Further detail on the financial effects of the Proposed Acquisition is set out in paragraph 5 of Part I of this document.

If the Scheme becomes Effective, Scheme Shareholders (other than Restricted Persons) will receive 0.74 New Aviva Shares for every Friends Life Share held. The following table shows, for illustrative purposes only, and on the bases and assumptions set out in the notes below, the financial effects of the Proposed Acquisition on capital value for a holder of 100 Friends Life Shares if the Scheme becomes effective. Column (A) is based on the market value of Aviva Shares on 15 January 2015 (the latest practicable date before publication of this document). Column (B) is based on the market value of Aviva Shares on 20 November 2014 (the last dealing day before commencement of the Offer Period).

	(A)	(B)
Increase in capital value under the Proposed Acquisition		
Market value of 74 New Aviva Shares ⁽¹⁾	375	394
Cash payment (dividends) ⁽²⁾	24	24
Less: Aviva dividend not payable ⁽³⁾	(9)	(9)
Total value of consideration in respect of 100 Friends Life Shares	390	409
Less: Market value of 100 Friends Life Shares ⁽⁴⁾	(343)	(343)
Increase in capital value	47	66
<i>Percentage difference</i>	<i>14%</i>	<i>19%</i>

Notes:

- (1) The market value of Aviva Shares is based on the closing middle market prices of:
 - (a) 507.0 pence per share as derived from the Daily Official List for 15 January 2015 (the last practicable date before publication of this document); and
 - (b) 532.5 pence per share as derived from the Daily Official List for 20 November 2014 (the last dealing day before the commencement of the Offer Period).
- (2) The cash payment receivable from 100 Friends Life Shares in respect of Friends Life's proposed second interim dividend of 24.1 pence per Friends Life Share to be paid in place of Friends Life's final dividend for the financial year ended 31 December 2014.
- (3) The equivalent cash amount will not be paid on the 74 New Aviva Shares received by Scheme Shareholders in respect of Aviva's proposed final dividend of 12.25 pence per Aviva Share for the financial year ended 31 December 2014.
- (4) The market value of Friends Life Shares is based on the closing middle market prices of 343.3 pence per share as derived from the Daily Official List for 20 November 2014 (the last dealing day before the commencement of the Offer Period).

As noted in paragraph 8 of this Part II, in the event that the Proposed Acquisition does not complete, Friends Life expects that its 2014 full year dividend would be in line with Friends Life's 2013 full year dividend of 21.14 pence per share. The Aviva Directors propose to pay a 2014 final dividend of 12.25 pence per share, resulting in a 2014 full year dividend of 18.1 pence per share. (For the avoidance of doubt, Scheme Shareholders will have no entitlement to Aviva's proposed 2014 final dividend, regardless of whether or not (and of when) the Proposed Acquisition completes.) However, following the Proposed Acquisition, Aviva intends to move dividend cover to approximately 2x operating EPS on an IFRS basis in the medium term.

11 The Friends Life Directors and the effect of the Scheme on their interests

The Friends Life Shares held by the Friends Life Directors will be subject to the Scheme. Information on the Friends Life Shares held by the Friends Life Directors and awards over Friends Life Shares granted to the Friends Life Directors is set out in paragraph 4 of Part VIII of this document.

The effect of the Scheme on awards held by Friends Life Directors in common with those held by other participants in the Friends Life Incentive Schemes is described in paragraph 21 of this Part II.

The effect of the Scheme on the composition of the Friends Life Board and the composition of the New Aviva Board is described in paragraph 6 of Part I of this document.

Particulars of the service contracts and letters of appointment of the Friends Life Directors are each set out in paragraph 5 of Part VIII of this document.

For the purposes of Section 108(2)(b) of the Companies Law, save as set out above, the effect of the Scheme on the interests of the Friends Life Directors (whether as directors, members, creditors or otherwise) does not differ from its effect on the like interest of any other Scheme Shareholder.

12 Debentures

No debentures have been issued in respect of Friends Life and there are therefore no trustees of any deed securing the issuance of any debentures in respect of Friends Life and no explanation is required to be given for the purposes of Section 108(3) of the Companies Law.

13 Structure of the Proposed Acquisition

13.1 Scheme of arrangement

It is intended that the Proposed Acquisition will be implemented by way of a court-sanctioned scheme of arrangement between Friends Life and the Scheme Shareholders under Part VIII of the Companies Law (although Aviva reserves the right to elect to implement the Proposed Acquisition by way of an Offer, subject to Panel consent and to the terms of the Co-operation Agreement).

The procedure involves an application by Friends Life to the Guernsey Court to call the Court Meeting to approve the Scheme and, subject to approval of the Scheme at the Court Meeting, an application to the Guernsey Court to sanction the Scheme, including the transfer of all the Scheme Shares to Aviva, in consideration for which Scheme Shareholders (other than Restricted Persons) who are on the register of members of Friends Life at the Scheme Record Time will receive New Aviva Shares (on the basis described above).

The Restricted Persons are prohibited by law (specifically, the statutory provisions under the Companies Act which, subject to certain exemptions, prevent a member of the Aviva Group or nominee acting on its behalf from holding legal title to shares in Aviva) from receiving New Aviva Shares. To the extent that any Restricted Person continues to hold Friends Life Shares at the Scheme Record Time, in accordance with the terms of the Scheme, that Restricted Person will receive cash equal to the market value of the New Aviva Shares which it would otherwise have received. That market value will be determined by the average price obtained pursuant to the sale of entitlements of certain Overseas Shareholders to New Aviva Shares as described in paragraph 22 of this Part II or, if no such sales are made, the average of the Closing Price for a New Aviva Share in the first three days of trading in such shares commencing on the Business Day following the Effective Date. Non-Voting Persons (who as at 15 January 2015 (being the latest practicable date prior to the publication of this document) hold less than 3 per cent. of the issued share capital of Friends Life) will undertake to the Guernsey Court to be bound by the Scheme.

In order for the Scheme to become Effective:

- (a) the Scheme must be approved at the Court Meeting by a majority in number of those Scheme Shareholders (other than Non-Voting Persons) who are present and vote, either in person or by proxy, and who represent not less than 75 per cent. in value of the Scheme Shares voted by such Scheme Shareholders;
- (b) the Special Resolution must be approved at the General Meeting by Scheme Shareholders representing at least 75 per cent. of the votes cast (either in person or by proxy). The General Meeting will be held on the same day and immediately after the Court Meeting; and
- (c) the Guernsey Court must sanction the Scheme at the Guernsey Court Hearing.

The Scheme can only become Effective if all the Conditions to the Proposed Acquisition have been satisfied or, where relevant, waived. The Scheme will become Effective at the time it is sanctioned by the Guernsey Court at the Guernsey Court Hearing.

All Scheme Shareholders are entitled to attend the Guernsey Court Hearing in person or through counsel to support or oppose the sanctioning of the Scheme.

Once the Scheme becomes Effective, it will be binding on all Scheme Shareholders irrespective of whether or not they attended or voted, or were precluded from attending or voting, at either of the Shareholder Meetings (and, if they attended and voted, whether or not they voted in favour).

13.2 The Shareholder Meetings

Before the Guernsey Court is asked to sanction the Scheme, the Scheme will require the approval of Scheme Shareholders (other than Non-Voting Persons) at the Court Meeting and the passing of the Special Resolution by Scheme Shareholders at the General Meeting.

Notices of the Court Meeting and the General Meeting are set out in Parts X and XI of this document respectively.

The Court Meeting and the General Meeting will be held at Glaziers Hall, 9 Montague Close, London SE1 9DD on 26 March 2015.

13.2.1 Court Meeting

The Court Meeting, which has been convened for 2.00 p.m. on 26 March 2015, is being held at the direction of the Guernsey Court to seek the approval of Scheme Shareholders (other than Non-Voting Persons) for the Scheme.

At the Court Meeting, voting will be by way of poll and each Scheme Shareholder present (in person or by proxy) (other than Non-Voting Persons) will be entitled to one vote for each Scheme Share held. In order for the resolution to be passed, it must be approved by a majority in number of those Scheme Shareholders who are present and vote, either in person or by proxy, and who represent 75 per cent. or more in value of all the Scheme Shares voted by such Scheme Shareholders.

It is important that, for the Court Meeting in particular, as many votes as possible are cast so that the Guernsey Court may be satisfied that there is a fair representation of Scheme Shareholder opinion. You are therefore strongly urged to complete, sign and return your Forms of Proxy or Forms of Instruction, or to appoint a proxy electronically or through CREST, or submit your Forms of Instruction electronically, as soon as possible.

You will find the Notice of the Court Meeting in Part X of this document.

13.2.2 The General Meeting

The General Meeting has been convened for 2.15 p.m. on 26 March 2015, or as soon thereafter as the Court Meeting has concluded or been adjourned, to consider and, if thought fit, pass the Special Resolution (which requires votes in favour representing at least 75 per cent. of the votes cast by Scheme Shareholders attending either in person or by proxy) to:

- (a) authorise the Friends Life Directors to take all such action as they may consider necessary or appropriate for carrying the Scheme into effect; and
- (b) approve certain amendments to the Friends Life Articles (as described below).

Amendments to the Friends Life Articles

It is proposed that the Friends Life Articles be amended to:

- (a) ensure that any Friends Life Shares which are issued after the Articles are amended and before the Scheme Record Time (other than to Aviva) will be issued subject to the terms of the Scheme and the holders of such shares will be bound by the terms of the Scheme; and
- (b) ensure that, subject to the Scheme becoming Effective, any Friends Life Shares issued at or after the Scheme Record Time (other than to Aviva) will be compulsorily acquired by Aviva.

The proposed amendments to the Friends Life Articles referred to above are set out in the Notice of Extraordinary General Meeting in Part XI of this document.

13.2.3 Entitlement to vote at the Shareholder Meetings

Registered Scheme Shareholders

Each holder of Scheme Shares who is entered in Friends Life's register of members at the Voting Record Time (expected to be at 6.00 p.m. on 24 March 2015) will be entitled to attend and vote at the Court Meeting (other than Non-Voting Persons) and at the General Meeting. If either Shareholder Meeting is adjourned, only those Scheme Shareholders on the register of members at 6.00 p.m. two days before the date set for the adjourned Shareholder Meeting(s) will be entitled to attend and vote.

Each Scheme Shareholder is entitled to appoint a proxy or proxies to attend and, on a poll, to vote instead of him or her. A proxy need not be a shareholder of Friends Life. A BLUE Form of Proxy for the Court Meeting and a YELLOW Form of Proxy for the General Meeting accompany this document.

To be valid, those Forms of Proxy must be duly completed and signed and must be received by Friends Life's proxy processing agent, Computershare Investor Services PLC, by 2.00 p.m. (for the Court Meeting) and 2.15 p.m. (for the General Meeting), both times on 24 March 2015 (or, in the case of an adjournment of either Shareholder Meeting, not later than 48 hours before the time and date set for the adjourned Shareholder Meeting).

As an alternative to completing and returning the Forms of Proxy, Scheme Shareholders may complete the Forms of Proxy online through the Shareholder Centre accessed via Friends Life's Investor Relations website at www.friendslifegroup.com. You will need your Shareholder Reference Number, Control Number and PIN, which can be found on the Forms of Proxy sent to you. Electronic proxy appointments must be made by 2.00 p.m. on 24 March 2015 (for the Court Meeting) and 2.15 p.m. on 24 March 2015 (for the General Meeting) (or, in the case of an adjourned meeting, not less than 48 hours prior to the time and date set for the adjourned meeting).

In the case of the Court Meeting only, the BLUE Form of Proxy can also be handed to Friends Life's proxy processing agent, Computershare Investor Services PLC, or the Chairman of the Court Meeting at the start of the Court Meeting and will still be valid.

Scheme Shareholders who return completed Forms of Proxy may still attend the Shareholder Meetings and vote in person if they wish. In the event of a poll on which a Scheme Shareholder votes in person, his/her proxy votes lodged with Friends Life will be excluded.

Scheme Shareholders are entitled to appoint a proxy in respect of some or all of their Friends Life Shares. Scheme Shareholders are also entitled to appoint more than one proxy. A space has been included in the Forms of Proxy to allow Scheme Shareholders to specify the number of Friends Life Shares in respect of which that proxy is appointed. Scheme Shareholders who return a Form of Proxy duly executed but leave this space blank will be deemed to have appointed a proxy in respect of all of their Friends Life Shares.

Scheme Shareholders who wish to appoint more than one proxy in respect of their shareholding should photocopy the Forms of Proxy or call the Friends Life Shareholder Helpline on 0870 707 1444 (from within the UK) or on +44 (0) 870 707 1444 (from outside the UK), for further Forms of Proxy. Calls to the 0870 707 1444 number are typically charged at up to 12 pence per minute from a landline. Lines are open from 8.30 a.m. to 5.30 p.m. (London time) Monday to Friday. Calls to the Friends Life Shareholder Helpline from outside the UK will be charged at the applicable international rate. From mobile networks, calls cost between 5 pence and 40 pence per minute. Please note that calls may be monitored or recorded and the Friends Life Shareholder Helpline operators cannot provide advice on the merits of the Scheme or the Proposed Acquisition, nor give any financial, tax, investment or legal advice.

If you hold your Friends Life Shares in uncertificated form (i.e. in CREST), you may vote using the CREST proxy voting service in accordance with the procedures set out in the CREST Manual (please also refer to the accompanying notes to the Notice of Extraordinary General Meeting set out at the end of this document). Proxies submitted via CREST (under CREST participant ID 3RA50) must be received by Friends Life's proxy processing agent, Computershare Investor Services PLC, not later than 2.00 p.m. on

24 March 2015 (in the case of the Court Meeting) and by 2.15 p.m. on 24 March 2015 (in the case of the General Meeting) or, in the case of an adjournment of either Shareholder Meeting, not later than 48 hours before the time and date set for the adjourned Shareholder Meeting.

The completion and return of a Form of Proxy or the appointment of a proxy or proxies electronically or through CREST shall not prevent a Scheme Shareholder from attending and voting in person at either Shareholder Meeting or any adjournment thereof, if a Scheme Shareholder so wishes and is so entitled.

If you propose to attend the Shareholder Meetings, please detach and bring with you the attendance slip to assist your admission.

Further information on the action to be taken is set out on pages 8 to 10 of this document.

Friends Life Group Limited Share Account

If you hold shares in the Friends Life Group Limited Share Account, you will receive a WHITE Form of Instruction for the Court Meeting and a RED Form of Instruction for the General Meeting.

You are requested to complete each form in accordance with the instructions printed thereon and return them to Computershare Investor Services PLC at The Pavilions, Bridgwater Road, Bristol BS99 6ZY so as to reach Computershare by 2.00 p.m. (for the Court Meeting) and 2.15 p.m. (for the General Meeting), both times on 20 March 2015 (or, in the case of an adjournment of either Shareholder Meeting, not later than 96 hours before the time and date set for the adjourned Shareholder Meeting).

Mark the box in Part A of each form with an 'X' and then sign where indicated **if you wish to attend** the Court Meeting (WHITE Form of Instruction) and/or the General Meeting (RED Form of Instruction). This will enable Computershare Nominee, which is the registered holder of your Friends Life Shares, to appoint you as its proxy in respect of the Friends Life Shares it holds on your behalf. By completing this section of the form, you will also be able to vote and speak at both Shareholder Meetings. If you wish to attend the Court Meeting and/or the General Meeting but do NOT indicate your intention to attend by marking an 'X' in the box in Part A of the WHITE and/or the RED Form(s) of Instruction respectively, and sign and return the Form(s) of Instruction by 2.00 p.m. (for the Court Meeting) and 2.15 p.m. (for the General Meeting), both times on 20 March 2015 (or, in the case of an adjournment of either Shareholder Meeting, not later than 96 hours before the time and date set for the adjourned Shareholder Meeting), then you may be admitted at Friends Life's discretion but you will not be able to exercise your right to vote as the beneficial owner of the Friends Life Shares held on your behalf by Computershare Nominee.

Complete Part B of each form and then sign where indicated **if you wish to appoint someone else to attend** the Court Meeting (WHITE Form of Instruction) and/or the General Meeting (RED Form of Instruction) on your behalf.

If you wish to appoint the Chairman of the relevant Shareholder Meeting to attend and vote on your behalf, please do NOT complete Parts A or B of the WHITE and/or the RED Form(s) of Instruction but sign the Form(s) of Instruction where indicated and return to Computershare Investor Services PLC at The Pavilions, Bridgwater Road, Bristol BS99 6ZY by 2.00 p.m. (for the Court Meeting) and 2.15 p.m. (for the General Meeting), both times on 20 March 2015 (or, in the case of an adjournment of either Shareholder Meeting, not later than 96 hours before the time and date set for the adjourned Shareholder Meeting).

As an alternative to completing and returning the Forms of Instruction, Share Account Holders may complete the Forms of Instruction online through the Shareholder Centre accessed via Friends Life's Investor Relations website at www.friendslifegroup.com. You will need your Shareholder Reference Number, Control Number and PIN, which can be found on the Form(s) of Instruction sent to you. Electronic instructions must be made no later than 2.00 p.m. on 20 March 2015 (for the Court Meeting) and 2.15 p.m. on 20 March 2015 (for the General Meeting).

Share Account Holders will only be entitled to attend and vote at the Court Meeting and the General Meeting if they have submitted the Forms of Instruction and completed them in accordance with the relevant instructions.

If you propose to attend the Shareholder Meetings, please detach and bring with you the attendance slip to assist your admission.

Further information on the action to be taken is set out on pages 8 to 10 of this document.

13.3 Sanction of the Scheme by the Guernsey Court

The Scheme also requires that the Scheme is sanctioned by the Guernsey Court. The Guernsey Court Hearing to sanction the Scheme is expected to be held on 10 April 2015. Aviva will undertake to the Guernsey Court to do all that it needs to do for the purpose of giving effect to the Scheme.

The Scheme will become Effective at the time it is sanctioned by the Guernsey Court at the Guernsey Court Hearing.

If the Scheme becomes Effective, it will be binding on all Scheme Shareholders irrespective of whether or not they attended or voted, or were precluded from attending or voting, at either of the Shareholder Meetings (and, if they attended and voted, whether or not they voted in favour). If the Scheme is not implemented by the Long Stop Date (or such later date (if any) as Friends Life and Aviva may, with the consent of the Panel, agree and the Guernsey Court may allow), the Scheme will not be implemented and the Proposed Acquisition will not proceed.

13.4 Modifications to the Scheme

The Scheme contains a provision for Friends Life and Aviva to consent on behalf of all persons concerned to any modification of, or addition to, the Scheme or to any condition approved or imposed by the Guernsey Court. The Guernsey Court would be unlikely to approve any modification of, or addition to, or impose a condition to, the Scheme which might be material to the interests of Scheme Shareholders unless Scheme Shareholders were informed of such modification, addition or condition and given the opportunity to vote on that basis. It would be a matter for the Guernsey Court to decide, in its discretion, whether or not a further meeting of Scheme Shareholders should be held in these circumstances.

14 Conditions to the Proposed Acquisition

The Proposed Acquisition is subject to the Conditions and certain further terms (as set out in full in Part IV of this document) and will only become Effective if, among other things, the following events occur on or before 31 July 2015 or such later date as Aviva and Friends Life may agree and (if required) the Guernsey Court and the Panel may allow:

- 14.1 approval of the Scheme by a majority in number of the Scheme Shareholders (other than Non-Voting Persons) (or the relevant class or classes thereof, if applicable) present and voting, either in person or by proxy, at the Court Meeting, representing not less than 75 per cent. in value of the Scheme Shares voted by such Scheme Shareholders and such meeting being held not later than 17 April 2015, being the date falling 22 days after the date for which the Court Meeting is originally convened (or such later date, if any, as Aviva and Friends Life may agree and the Guernsey Court may allow);
- 14.2 all resolutions necessary to approve and implement the Scheme and to approve certain related matters being duly passed by the requisite majority or majorities at the General Meeting and such meeting being held not later than 17 April 2015, being the date falling 22 days after the date for which the General Meeting is originally convened (or such later date, if any, as Aviva and Friends Life may agree and the Guernsey Court may allow);
- 14.3 the sanction of the Scheme with or without modification (but subject to any such modification being acceptable to Aviva and Friends Life) by the Guernsey Court and the Guernsey Court Hearing to sanction the Scheme being held on or before 2 May 2015, being the date falling 22 days after the expected date of the Guernsey Court Hearing as set out in this document (or such later date as Aviva and Friends Life may agree and the Guernsey Court may allow);

- 14.4 anti-trust clearance being received from the European Commission;
- 14.5 PRA, FCA, HK SFC and GFSC approval of the Proposed Acquisition (or deemed approval, whether by no objection being made in respect of the Proposed Acquisition or otherwise);
- 14.6 the resolutions of Aviva Shareholders required to approve the Proposed Acquisition and confer authority for the issue and allotment of the New Aviva Shares to be issued in connection with the Proposed Acquisition, in each case, being duly passed at the Aviva General Meeting by the requisite majority of Aviva Shareholders;
- 14.7 the UK Listing Authority having acknowledged to Aviva or its agent (and such acknowledgement not having been withdrawn) that the application for the admission of the New Aviva Shares to listing on the premium segment of the Official List has been approved and (subject to satisfaction of any conditions to which such approval is expressed) will become effective as soon as a dealing notice has been issued by the UK Listing Authority and such conditions have been satisfied and the London Stock Exchange having acknowledged to Aviva or its agent (and such acknowledgement not having been withdrawn) that the New Aviva Shares will be admitted to trading on the London Stock Exchange's main market for listed securities; and
- 14.8 the other Conditions set out in Part IV of this document which are not otherwise summarised in this paragraph 14 being satisfied or, if capable of waiver, waived.

15 Antitrust approval and regulatory approval

15.1 Antitrust approval

The Proposed Acquisition is subject to the European Commission merger control procedure and it is a condition of the Proposed Acquisition that the Proposed Acquisition would lapse if the European Commission either initiated proceedings under Article 6(1)(c) of the EU Merger Regulation or made a referral to the CMA under Article 9(1) of the EU Merger Regulation and the Proposed Acquisition becomes subject to a Phase 2 review in the UK.

Aviva and Friends Life have submitted a draft notification to the European Commission and anticipate submitting the final version of such notification by the end of January 2015 at which point a 25 working day review process will commence.

15.2 Regulatory approval

The Proposed Acquisition is subject to the following regulatory approvals, on the terms set out in Part IV of this document:

- (a) the approval (or deemed approval) by the PRA pursuant to Part XII of FSMA of the acquisition of control by Aviva of the Friends Life Group entities authorised by the PRA and regulated by the PRA and the FCA;
- (b) the approval (or deemed approval) by the FCA pursuant to Part XII of FSMA of the acquisition of control by Aviva of the Friends Life Group entities authorised and regulated by the FCA;
- (c) the approval by the HK SFC (or the HK SFC not having made any objection) to the change in controlling shareholders of Friends Life as a result of the Proposed Acquisition or its implementation, pursuant to paragraph 7.1(b) of the Code on Investment-Linked Assurance Schemes issued by the HK SFC; and
- (d) the approval (or deemed approval) by the GFSC pursuant to section 49A of the Guernsey IBL of the acquisition of control by Aviva of the Friends Life Group entities or persons licensed by the GFSC under the Guernsey IBL.

16 Aviva shareholder approval

In view of the size of the transaction, and as referred to in paragraph 14.6 of this Part II, the Proposed Acquisition will require the approval of Aviva Shareholders at the Aviva General Meeting.

The Proposed Acquisition is conditional on, among other things, the resolutions to approve, effect and implement the Proposed Acquisition and to grant authority to the Aviva Directors to allot the New Aviva

Shares being passed by the requisite majority of Aviva Shareholders at the Aviva General Meeting (but not, for the avoidance of doubt, any other resolutions to be proposed at the Aviva General Meeting which are not Conditions to the Proposed Acquisition).

The Aviva Directors consider the Proposed Acquisition to be in the best interests of Aviva and the Aviva Shareholders as a whole and have unanimously recommended that Aviva Shareholders vote in favour of all of the resolutions to be proposed at the Aviva General Meeting, as they have irrevocably undertaken to do, or procure, in respect of their own beneficial holdings of 263,847 Aviva Shares representing, in aggregate, approximately 0.009 per cent. of Aviva's ordinary share capital in issue on 15 January 2015 (being the latest practicable date prior to the publication of this document).

The Aviva Class 1 Circular containing the notice of the Aviva General Meeting is being sent to Aviva Shareholders at the same time as this document is being posted to Scheme Shareholders. It is expected that the Aviva General Meeting will be held at 11.00 a.m. on 26 March 2015.

17 Delisting and cancellation of trading

On the basis of the indicative timetable set out on page 11 of this document, the last day of dealings in, and registrations of transfers of, Friends Life Shares is expected to be at 5.00 p.m. (London time) on 9 April 2015, following which the Friends Life Shares will be temporarily suspended from the Official List and from trading on the London Stock Exchange's main market for listed securities. No transfers of Friends Life Shares will be registered after that time and date.

Prior to the Scheme becoming Effective, applications will be made to the UK Listing Authority for the cancellation of the listing of Friends Life Shares on the Official List and to the London Stock Exchange for the cancellation of trading of Friends Life Shares on the London Stock Exchange's main market for listed securities, in each case to take effect on or shortly after the Scheme becoming Effective.

On the Effective Date, Friends Life will become a wholly owned subsidiary of Aviva and share certificates in respect of Friends Life Shares will cease to be valid and entitlements to Friends Life Shares held within the CREST system will be transferred to Aviva.

18 Settlement

Subject to the Scheme becoming Effective, settlement of the consideration to which any holder of Friends Life Shares is entitled under the Scheme will be effected in the manner set out below.

18.1 Friends Life Shares held in uncertificated form (that is, in CREST)

Where, at the Scheme Record Time, a Scheme Shareholder holds Scheme Shares within CREST, the New Aviva Shares to which such Scheme Shareholder is entitled in accordance with the terms of the Scheme will be issued to such person in uncertificated form through CREST as soon as practicable after the Scheme becomes Effective, and in any event no later than 14 days after the Effective Date. Aviva shall procure that Euroclear is instructed to credit the appropriate stock account in CREST of such Scheme Shareholder with such Scheme Shareholder's entitlements to New Aviva Shares.

As from the close of business on the day of the Guernsey Court Hearing (expected to be on 10 April 2015), each holding of Scheme Shares credited to any stock account in CREST will be transferred to Aviva and appropriate entries will be made in the register of members of Friends Life to reflect their transfer to Aviva (expected to be on 10 April 2015).

As at the close of trading on the last day of dealings in Friends Life Shares (the last day of dealings is expected to be on 9 April 2015), there may be unsettled, open trades for the sale and purchase of Friends Life Shares within CREST. The Friends Life Shares that are the subject of such unsettled trades will be treated under the Scheme in the same way as any other Friends Life Share registered in the name of the relevant seller under that trade. Consequently, those Friends Life Shares will be transferred under the Scheme and the seller will receive the appropriate New Aviva Shares in accordance with the terms of the Proposed Acquisition. However, CREST will automatically require the seller to settle that unsettled trade in Aviva Shares at the same exchange ratio provided by the terms of the Proposed Acquisition. Consequently, a seller within CREST will need to ensure that it holds or acquires the appropriate number of Aviva Shares necessary to satisfy that trade at the relevant time. This position will be confirmed in due course by way of a CREST bulletin to all CREST participants.

18.2 Friends Life Shares held in certificated form (that is, not in CREST)

Where, at the Scheme Record Time, a Scheme Shareholder holds Scheme Shares in certificated form, the New Aviva Shares to which such Scheme Shareholder is entitled pursuant to the Scheme will be issued in certificated form as soon as practicable after the Scheme becomes Effective, and in any event no later than 14 days after the Effective Date.

Definitive certificates for the New Aviva Shares will be despatched by first class post (or by such other method as may be approved by the Panel) within 14 days of the Effective Date. On the Effective Date, each certificate representing a holding of Friends Life Shares will cease to be valid. Following settlement of the consideration to which a Scheme Shareholder is entitled under the Scheme, such Scheme Shareholder will be bound on the request of Friends Life either: (i) to destroy such certificate(s); or (ii) to return such certificate(s) to Friends Life, or to any person appointed by Friends Life.

18.3 Overseas Shareholders and Restricted Persons

In the case of New Aviva Shares sold under the provisions of the Scheme relating to Overseas Shareholders, and cash proceeds due to Restricted Persons under the Scheme, Friends Life will (as soon as practicable after the Scheme becomes Effective, and in any event within 14 days of the Effective Date) procure the despatch to the persons entitled thereto of cheques for the sums payable to them respectively where such persons are certificated Scheme Shareholders or create CREST assured payment obligations in favour of such persons where they are uncertificated Scheme Shareholders.

18.4 Friends Life Group Limited Share Account

The arrangements under which Friends Life Shares are held on behalf of Share Account Holders by Computershare Nominee through the Friends Life Group Limited Share Account will be replicated such that New Aviva Shares issued in consideration for such shares will be held by Computershare Nominee, a nominee company owned and managed by Aviva's Registrar, Computershare Investor Services PLC, in the name of the Aviva Share Account. These arrangements will take effect automatically on issue of the relevant New Aviva Shares following the Scheme becoming Effective, in accordance with the terms of the Scheme.

The terms on which the Aviva Share Account is provided by Computershare Nominee differ to the terms subscribed to by Share Account Holders in respect of the Friends Life Group Limited Share Account.

A full copy of the current terms and conditions of the Aviva Share Account are available for inspection by Share Account Holders on Friends Life's website at www.friendslifegroup.com and on Aviva's website at www.aviva.com. If you are a Share Account Holder, a hard copy of such terms accompanies this document, together with a copy of a letter from Computershare describing the material differences between the terms and conditions of the Friends Life Group Limited Share Account and the Aviva Share Account.

It is intended that statements of Aviva Share Account holdings following the issue of New Aviva Shares to Computershare Nominee on behalf of those persons who were Share Account Holders at the Scheme Record Time will be issued by Aviva's Registrar within 14 days of the Effective Date.

Any Share Account Holder who does not wish to hold the New Aviva Shares to which that Share Account Holder becomes entitled through the Aviva Share Account should withdraw in writing to Computershare Nominee at Computershare, Corporate Actions, Bristol BS99 6AH providing the Share Account Holder's full name, address and Friends Life Group Limited Share Account reference number and stating that the Share Account Holder does not wish to hold its New Aviva Shares through the Aviva Share Account. In such circumstances, that Share Account Holder's New Aviva Shares will be issued free of charge in the shareholder's own name following the Scheme becoming Effective. Notice of such withdrawal must be received by 5.00 p.m. on the date five business days prior to the Effective Date in order for the relevant New Aviva Shares to be issued directly into the Share Account Holder's own name.

After completion of the Proposed Acquisition, Share Account Holders whose New Aviva Shares are held by Computershare Nominee will be able to withdraw from the Aviva Share Account

arrangements at any time by writing to Computershare Nominee in accordance with the terms of the Aviva Share Account. In order for such withdrawal to be free of charge, notice of such withdrawal must be received on or before the date to be specified by Aviva following completion of the Proposed Acquisition. This date is expected to be approximately eight to ten weeks following completion of the Proposed Acquisition.

18.5 General

18.5.1 Fractions of New Aviva Shares will not be allotted or issued pursuant to the Scheme

Fractions of New Aviva Shares will not be allotted or issued pursuant to the Proposed Acquisition to Scheme Shareholders, but entitlements of Scheme Shareholders will instead be rounded down to the nearest whole number of New Aviva Shares and all fractions of New Aviva Shares to which Scheme Shareholders would otherwise have been entitled will be aggregated, allotted and issued to a person appointed by Aviva, and sold in the market as soon as practicable after the Effective Date. The net proceeds of sale (after the deduction of all expenses and commissions incurred in connection with such sale) will be distributed by Aviva in due proportions to Scheme Shareholders who would otherwise have been entitled to fractions of New Aviva Shares.

18.5.2 Documents sent to Scheme Shareholders

All documents sent to Scheme Shareholders in accordance with this paragraph 18 will be sent at the risk of the person entitled thereto. In relation to New Aviva Shares to be issued in certificated form, temporary documents of title will not be issued pending the despatch by post of definitive certificates for such New Aviva Shares as referred to in paragraph 18.2 of this Part II. Pending the issue of definitive certificates for such New Aviva Shares, former Scheme Shareholders wishing to register transfers of such New Aviva Shares may certify their share transfer forms against the register of members of Aviva by contacting Aviva's Registrar, Computershare Investor Services PLC. Please telephone Computershare Investor Services PLC between 8.30 a.m. and 5.30 p.m. (London time) Monday to Friday (excluding UK public holidays) on 0871 495 0105 (if calling from within the UK) or +44 (0) 117 378 8361 (if calling from outside the UK). Calls to the 0871 495 0105 number are typically charged at up to 12 pence per minute from a landline. Calls to the helpline from outside the UK will be charged at the applicable international rate. From mobile networks, calls cost between 5 pence and 40 pence per minute, and calls may be recorded and randomly monitored for security and training purposes. Friends Life Shareholder Helpline operators cannot provide advice on the merits of the Proposed Acquisition nor give any financial, legal or tax advice. On the registration of any such transfers, the transferee will receive a share certificate in respect of the New Aviva Shares which are the subject of the relevant transfer.

19 Proposed Acquisition – related arrangements

19.1 Confidentiality Agreement

Aviva and Friends Life entered into a mutual confidentiality agreement on 10 November 2014 pursuant to which each of Aviva and Friends Life has undertaken to keep certain information relating to the Proposed Acquisition and the other party confidential and not to disclose that information to third parties (other than to specified recipients) unless required by law or regulation. These confidentiality obligations will remain in force following completion of the Proposed Acquisition.

19.2 Co-operation Agreement

Aviva and Friends Life entered into a co-operation agreement on 2 December 2014 with respect to conduct of the Proposed Acquisition. Under the terms of the Co-operation Agreement, Aviva and Friends Life have agreed, among other things, that (in summary):

- (a) Friends Life and Aviva will co-operate with each other in order to assist it to obtain clearance from competition and other regulatory bodies in order to satisfy Conditions relating to such clearances;
- (b) Aviva will provide Friends Life with certain information and assistance in the preparation of this document;

- (c) Aviva will convene the Aviva General Meeting so that it is held on or around the same date as the Court Meeting;
- (d) Aviva will be subject to certain customary restrictions on the conduct of its business during the period pending completion of the Proposed Acquisition, and which prohibit, among other things: (a) the payment by Aviva of dividends (other than in the ordinary course or by reference to a record date after the Scheme becomes Effective); (b) the allotment of further shares (or rights or options in respect of shares) (other than pursuant to its existing share incentive schemes or in order to settle options or awards vesting under its existing incentive schemes); (c) the entry into any transaction which would constitute a class 1 transaction; or (d) amendment to its constitutional documents in any manner that would have a material and adverse impact on the value of, or rights attaching to, the New Aviva Shares;
- (e) Aviva and Friends Life will co-operate to write to participants in the Friends Life Incentive Schemes and to inform them of the impact of the Scheme on their awards and the extent to which their awards will vest as a result of the Scheme; and
- (f) Aviva may implement the Proposed Acquisition by way of an Offer: (i) at its own discretion, following consultation with Friends Life and, in good faith, giving due consideration to Friends Life's views; (ii) if Friends Life consents; (iii) if the Friends Life Directors withdraw or modify their unanimous and unconditional recommendation of the Proposed Acquisition to the shareholders of Friends Life; (iv) if a third party announces a firm intention to make an offer for the entire issued share capital of Friends Life which is recommended by the Friends Life Directors; or (v) the Guernsey Court Hearing is not held by 2 May 2015, being the date falling 22 days after the expected date of such hearing as set out in this document (or such later date as the parties agree), subject in each case to the Panel's consent.

20 Taxation

Scheme Shareholders should read Part VII of this document which contains a general description of certain UK, Guernsey and US tax consequences of the Scheme relevant to Scheme Shareholders who are resident (or, in the case of individuals, domiciled and resident) in the UK, Guernsey or the US for tax purposes. Scheme Shareholders who are in any doubt as to their tax position should contact their professional adviser immediately.

Scheme Shareholders who are or may be subject to tax outside the UK, Guernsey and the US should consult an appropriate independent professional adviser as to the tax consequences of the Scheme.

21 Friends Life Incentive Schemes

- 21.1 Participants in the Friends Life Incentive Schemes will be contacted to explain the effect of the Scheme on their awards.
- 21.2 In summary, the effect of the Scheme on awards under the Friends Life Incentive Schemes is as follows:
 - (a) outstanding awards under the Friends Life Group Limited Performance Share Plan and the Friends Life Group Limited Restricted Share Plan will vest when the Guernsey Court sanctions the Scheme to the extent that performance conditions (where applicable) are, in the view of the Friends Life Remuneration Committee, satisfied, and subject to time pro-rating;
 - (b) outstanding awards under the Resolution Limited Deferred Share Award Plan 2013 will vest in full on the sanction of the Scheme by the Guernsey Court;
 - (c) shares held under the Friends Life Share Incentive Plans will be subject to the Scheme, and Aviva will continue to administer the Friends Life Share Incentive Plans following the Effective Date; and
 - (d) units under the Friends Life Group plc Long Term Incentive Plan will crystallise on the Effective Date subject to satisfaction of the internal rate of return threshold. The plan was initially designed to reward a successful exit of Friends Life from the original private

equity type structure. It was amended in May 2013, to reflect the fact that the group's strategy no longer targeted a specific exit event. However, the original intent of the plan was preserved so far as practical. On that basis, the plan will be triggered and the amount of any distribution under the plan will be calculated, as permitted under the plan rules, using the value of Aviva Shares provided as consideration for the Proposed Acquisition together with the value attributable to the Value Share. In addition, payments will be subject to time pro-rating (generally, to the relevant date of payment or, for participants who have left employment or are under notice by the relevant payment date, the Effective Date). Payment will be made in cash in two instalments on 1 September 2015 and 1 September 2016, subject to certain conditions generally relating to continued employment to the first of those dates.

- 21.3 It is proposed that the Friends Life Articles will be amended at the General Meeting to provide that, if the Scheme becomes Effective, any Friends Life Shares issued at or after the Scheme Record Time will be immediately transferred to Aviva in consideration for the issue or transfer of New Aviva Shares on the same terms as for holders of Friends Life Shares before the Scheme Record Time. Further information in respect of the proposed amendments to the Friends Life Articles is contained in paragraph 13.2.2 of Part II of this document.

22 United States and other Overseas Shareholders

22.1 US shareholders

The New Aviva Shares have not been and will not be registered under the US Securities Act or under the securities laws of any state or other jurisdiction of the United States. Accordingly, the New Aviva Shares may not be offered, sold, resold, delivered, distributed or otherwise transferred, directly or indirectly, in or into or from the United States absent registration under the US Securities Act or an exemption therefrom. The New Aviva Shares are expected to be issued in reliance upon the exemption from the registration requirements of the US Securities Act provided by Section 3(a)(10) thereof. Scheme Shareholders (whether or not US persons) who are or will be affiliates (within the meaning of the US Securities Act) of Aviva or Friends Life prior to, or of Aviva after, the Effective Date will be subject to certain US transfer restrictions relating to the New Aviva Shares received pursuant to the Scheme (as described below).

The New Aviva Shares generally should not be treated as "restricted securities" within the meaning of Rule 144(a)(3) under the US Securities Act and persons who receive securities under the Scheme (other than "affiliates" as described in the paragraph below) may resell them without restriction under the US Securities Act.

Under US securities laws, persons who are or will be deemed to be affiliates (as defined under the US Securities Act) of Friends Life or Aviva prior to, or of Aviva after, the Effective Date may not resell the New Aviva Shares received under the Scheme without registration under the US Securities Act, except pursuant to an applicable exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act. Whether a person is an affiliate of a company for such purposes depends upon the circumstances, but affiliates of a company can include certain officers and directors and significant shareholders. Scheme Shareholders who believe they may be affiliates for the purposes of the US Securities Act should consult their own legal advisers prior to any resale of New Aviva Shares received under the Scheme.

For the purposes of qualifying for the exemption from the registration requirements of the US Securities Act afforded by Section 3(a)(10), Friends Life will advise the Guernsey Court through counsel that its sanctioning of the Scheme will be relied upon by Aviva as an approval of the Scheme following a hearing on its fairness to Scheme Shareholders, at which hearing all Scheme Shareholders are entitled to attend in person or through counsel to support or oppose the sanctioning of the Scheme and with respect to which notification has been given to all Scheme Shareholders.

22.2 Overseas

Overseas Shareholders may be affected by the laws of other jurisdictions in relation to the Proposed Acquisition or the Scheme. Overseas Shareholders should inform themselves about and observe all applicable legal requirements.

It is the responsibility of any person into whose possession this document comes to satisfy themselves as to the full observance of the laws of the relevant jurisdiction in connection with the allotment and issue of New Aviva Shares pursuant to the Proposed Acquisition, including the obtaining of any governmental, exchange control or other consents which may be required and/or compliance with other necessary formalities which are required to be observed and the payment of any issue, transfer or other taxes or levies due in such jurisdiction.

This document has been prepared for the purposes of complying with English law, Guernsey law, the Code and the Listing Rules and the information disclosed may not be the same as that which would have been disclosed if this document had been prepared in accordance with the laws of jurisdictions outside the United Kingdom or Guernsey. The contents of this document are not to be construed as legal, business, financial or tax advice. Overseas Shareholders should consult their own legal and tax advisers with respect to the legal and tax consequences of the Proposed Acquisition in their particular circumstances.

If, in respect of any Overseas Shareholder, Aviva is advised that the allotment and/or issue of any New Aviva Shares would or may infringe the laws of any jurisdiction outside the United Kingdom, United States or Guernsey, or would or may require Aviva to comply with any governmental or other consent or any registration, filing or other formality with which Aviva is unable to comply or compliance with which Aviva regards as unduly onerous, the Scheme provides that Aviva may, in its sole discretion, either:

- (a) determine that such New Aviva Shares shall be sold, in which event the New Aviva Shares shall be issued to such holder and Aviva shall appoint a person to procure that any shares in respect of which Aviva has made such determination shall, as soon as practicable following the Scheme Record Time, be sold; or
- (b) determine that such New Aviva Shares shall not be issued to such Overseas Shareholder but shall instead be issued to a nominee for such holder appointed by Aviva on terms that the nominee shall, as soon as practicable following the Scheme Record Time, sell the New Aviva Shares so issued.

Any such sale shall be carried out at the best price which can reasonably be obtained at the time of sale and the net proceeds of such sale (after the deduction of all expenses and commissions incurred in connection with such sale) shall be paid to the relevant Overseas Shareholder by sending a cheque or creating an assured payment obligation in accordance with the terms of the Scheme. Any remittance of the net proceeds of the sale referred to shall be at the risk of the relevant Overseas Shareholder.

THIS DOCUMENT DOES NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY ANY SECURITY, NOR SHALL THERE BE ANY SALE, ISSUANCE OR TRANSFER OF THE SECURITIES REFERRED TO IN THIS DOCUMENT IN ANY JURISDICTION IN CONTRAVENTION OF APPLICABLE LAW.

Overseas Shareholders should consult their own legal and tax advisers with respect to the legal and tax consequences of the Proposed Acquisition in their particular circumstances.

23 Risk Factors

Scheme Shareholders should consider fully and carefully the risk factors associated with the Enlarged Group and the Proposed Acquisition. Your attention is drawn to the "Risk Factors" section of the Aviva Prospectus, which contains further information on Aviva, Friends Life, the Enlarged Group and the New Aviva Shares. The Aviva Prospectus will be available on Friends Life's website at www.friendslifegroup.com and on Aviva's website at www.aviva.com and a hard copy of the Aviva Prospectus can be requested, free of charge, by contacting Computershare Investor Services PLC, whose contact details are set out on page 64 of this document.

24 Further information

Your attention is drawn to the Chairman's Letter in Part I of this document and the full text of the Scheme which is set out in Part III of this document. Your attention is also drawn to the further information contained in this document which forms part of this Explanatory Statement, the Employee Representatives' Opinion from Unite the Union, as set out in Appendix 1 to this document and the Pension Scheme Trustees' Opinion from trustees of the FPPS, as set out in Appendix 2 to this document.

25 Action to be taken

The Scheme is subject to the satisfaction or waiver of the Conditions referred to in paragraph 14 of this Part II and set out in full in Part IV of this document. In order to become Effective, the Scheme must be approved by a majority in number of those Scheme Shareholders (other than Non-Voting Persons) who are present and vote either in person or by proxy at the Court Meeting and who represent 75 per cent. or more in value of all the Scheme Shares voted by such Scheme Shareholders. Implementation of the Scheme will also require the passing of the Special Resolution by Scheme Shareholders at the General Meeting.

The Court Meeting and the General Meeting will both be held at Glaziers Hall, 9 Montague Close, London SE1 9DD. The Court Meeting will be held at 2.00 p.m. on 26 March 2015 and the General Meeting will be held at 2.15 p.m. on the same date (or, if later, as soon thereafter as the Court Meeting has concluded or been adjourned). Under the Companies Law, the Scheme is also subject to the sanction of the Guernsey Court. The Non-Voting Persons, holding 40,137,902 Non-Voting Shares as at 15 January 2015 (being the latest practicable date prior to the publication of this document), will not be entitled to vote at the Court Meeting, but will undertake to the Guernsey Court to be bound by the Scheme. If the Scheme becomes Effective, it will be binding on all Scheme Shareholders irrespective of whether or not they attended or voted, or were precluded from attending or voting, at either of the Shareholder Meetings (and, if they attended and voted, whether or not they voted in favour).

You will find accompanying this document:

If you are a registered Scheme Shareholder:

- a BLUE Form of Proxy for use in respect of the Court Meeting on 26 March 2015;
- a YELLOW Form of Proxy for use in respect of the General Meeting on 26 March 2015;
- a copy of the Shareholder Guidance Booklet; and
- a pre-paid envelope for use in the UK or the Channel Islands only.

If you hold your Friends Life Shares through the Friends Life Group Limited Share Account:

- a WHITE Form of Instruction for use in respect of the Court Meeting on 26 March 2015;
- a RED Form of Instruction for use in respect of the General Meeting on 26 March 2015;
- a copy of the terms and conditions of the Aviva Share Account, together with a copy of a letter from Computershare describing the material differences between the terms and conditions of the Friends Life Group Limited Share Account and the Aviva Share Account;
- a copy of the Shareholder Guidance Booklet; and
- a pre-paid envelope for use in the UK or the Channel Islands only.

Whether or not you plan to attend both or either of the Shareholder Meetings, please complete and sign the accompanying Forms of Proxy or Forms of Instruction (as applicable) and return them in accordance with the instructions printed thereon as soon as possible but, in any event, so as to be received by post or, during normal business hours, by hand to Friends Life's proxy processing agent, Computershare Investor Services PLC, at The Pavilions, Bridgwater Road, Bristol BS99 6ZY, United Kingdom by, in the case of the Forms of Proxy, 2.00 p.m. on 24 March 2015 (for the Court Meeting) and 2.15 p.m. on 24 March 2015 (for the General Meeting) (or, in the case of an adjourned meeting, not less than 48 hours prior to the time and date set for the adjourned meeting) and, in the case of the Forms of Instruction, 2.00 p.m. on 20 March 2015 (for the Court Meeting) and 2.15 p.m. on 20 March 2015 (for the General Meeting) (or, in the case of an adjourned meeting, not less than 96 hours prior to the time and date set for the adjourned meeting). Forms of Proxy and Forms of Instruction have a pre-paid envelope for your convenience for use in the UK or the Channel Islands only.

If the BLUE Form of Proxy for use at the Court Meeting is not lodged by the above time, it may be handed to Friends Life's proxy processing agent, Computershare Investor Services PLC, or the Chairman of the Court Meeting at the start of the Court Meeting. The WHITE Form of Instruction may NOT be handed to the Chairman of the Court Meeting or Friends Life's proxy processing agent, Computershare Investor Services PLC, at the Court Meeting and unless the WHITE Form of Instruction is lodged so as to be received by the above time, it will be invalid. In the case of the General Meeting, unless the YELLOW Form of Proxy is lodged so as to be received by 2.15 p.m. on 20 March 2015, it will be invalid. The YELLOW Form of Proxy and/or the RED Form of

Instruction may NOT be handed to the Chairman of the General Meeting or Friends Life's proxy processing agent, Computershare Investor Services PLC at the General Meeting. The completion and return of the Forms of Proxy will not prevent you from attending and voting at either the Court Meeting or the General Meeting, or any adjournment thereof, in person should you wish to do so.

Share Account Holders will only be entitled to attend and vote at the Court Meeting and the General Meeting if they have submitted the Forms of Instruction and completed them in accordance with the relevant instructions.

As an alternative to completing and returning the Forms of Proxy or Forms of Instruction, Scheme Shareholders and Share Account Holders may complete the Forms of Proxy or Forms of Instruction (as applicable) online through the Shareholder Centre accessed via Friends Life's Investor Relations website at www.friendslifegroup.com. You will need your Shareholder Reference Number, Control Number and PIN, which can be found on the Forms of Proxy or Forms of Instruction sent to you. Electronic proxy appointments must be made by, in the case of the Forms of Proxy, 2.00 p.m. on 24 March 2015 (for the Court Meeting) and 2.15 p.m. on 24 March 2015 (for the General Meeting) (or, in the case of an adjourned meeting, not less than 48 hours prior to the time and date set for the adjourned meeting) and, in the case of the Forms of Instruction, 2.00 p.m. on 20 March 2015 (for the Court Meeting) and 2.15 p.m. on 20 March 2015 (for the General Meeting) (or, in the case of an adjourned meeting, not less than 96 hours prior to the time and date set for the adjourned meeting).

If you hold your Friends Life Shares in uncertificated form (that is, in CREST), you may vote using the CREST Proxy Voting service in accordance with the procedures set out in the CREST Manual (please also refer to the accompanying notes for the Notice of the General Meeting set out at the end of this document).

Proxies submitted via CREST (under CREST ID 3RA50) must be received by Friends Life's proxy processing agent, Computershare Investor Services PLC, not later than 2.00 p.m. on 24 March 2015 in the case of the Court Meeting and 2.15 p.m. on 24 March 2015 in the case of the General Meeting (or, in the case of an adjourned meeting, not less than 48 hours prior to the time and date set for the adjourned meeting).

It is important that, for the Court Meeting, as many votes as possible are cast so that the Guernsey Court may be satisfied that there is a fair representation of Scheme Shareholder opinion. You are therefore strongly urged to complete, sign and return your Forms of Proxy or Forms of Instruction, or appoint a proxy electronically or through CREST, or submit your Forms of Instruction electronically, as soon as possible.

If you have any questions relating to completion and return of the Forms of Proxy or Forms of Instruction, please call the Friends Life Shareholder Helpline on 0870 707 1444 (calls are charged at up to 12 pence per minute from a landline) or +44 (0) 870 707 1444 (if calling from outside the UK) between 8.30 a.m. and 5.30 p.m. (London time) Monday to Friday. Calls to the Friends Life Shareholder Helpline from outside the UK will be charged at the applicable international rate. From mobile networks, calls cost between 5 pence and 40 pence per minute. Please note that calls to this number may be monitored or recorded, and no advice on the Proposed Acquisition or the Scheme can be given.

Overseas Shareholders should refer to paragraph 22 of this Part II. Details relating to settlement are included in paragraph 18 of this Part II.

Notices convening the Court Meeting and the General Meeting are set out in Part X and Part XI of this document.

Yours faithfully

For and on behalf of

Goldman Sachs International



John Rafter

Managing Director



Mark Sorrell

Managing Director

PART III
THE SCHEME OF ARRANGEMENT

IN THE ROYAL COURT OF GUERNSEY
(ORDINARY DIVISION)

IN THE MATTER OF FRIENDS LIFE GROUP LIMITED

- and -

IN THE MATTER OF THE COMPANIES (GUERNSEY) LAW, 2008 (AS AMENDED)

SCHEME OF ARRANGEMENT
(under Part VIII of the Companies (Guernsey) Law, 2008 (as amended))

BETWEEN

FRIENDS LIFE GROUP LIMITED

AND

THE HOLDERS OF ITS
SCHEME SHARES
(as hereinafter defined)

PRELIMINARY

(A) In this Scheme, unless inconsistent with the subject or context, the following expressions bear the following meanings:

“Announcement Date”	2 December 2014, being the date of the joint announcement made by Friends Life and Aviva pursuant to Rule 2.7 of the City Code on Takeovers and Mergers published by the Panel
“Aviva”	Aviva plc, a company incorporated under the laws of England and Wales with registered number 2468686, whose registered office is St Helen’s, 1 Undershaft, London EC3P 3DQ, United Kingdom
“Aviva Group”	Aviva and its subsidiary undertakings
“Aviva Shares”	ordinary shares of 25 pence each in the capital of Aviva
“business day”	a day on which banks are generally open for business in London and Guernsey (excluding Saturdays, Sundays and public holidays)
“certificated” or “in certificated form”	not in uncertificated form (that is, not in CREST)
“Companies Act”	the UK Companies Act 2006 (as amended)
“Companies Law”	the Companies (Guernsey) Law, 2008 (as amended)
“Court Meeting”	the meeting of the Scheme Shareholders (other than Non-Voting Persons) convened by order of the Guernsey Court pursuant to section 107 of the Companies Law, to consider and, if thought fit, to approve this Scheme with or without modification (including any adjournment or postponement thereof)
“CREST”	the system for the paperless settlement of trades in securities and the holding of uncertificated securities operated by Euroclear in accordance with the Uncertificated Securities Regulations 2001 (as amended), which system is recognised pursuant to the Uncertificated Securities (Guernsey) Regulations, 2009

“Effective Date”	the date on which this Scheme becomes effective in accordance with Clause 8
“Encumbrances”	liens, equities, charges, encumbrances, options, rights of pre-emption and any other third party rights and interests of any nature
“Euroclear”	Euroclear UK & Ireland Limited, incorporated in England and Wales with registered number 2878738
“Friends Life”	Friends Life Group Limited, a company incorporated under the laws of Guernsey with registered number 49558 and registered office address at PO Box 25, Regency Court, Glatigny Esplanade, St Peter Port, Guernsey, GY1 3AP
“Friends Life Shares”	ordinary shares of no par value in the capital of Friends Life
“Guernsey”	the Island of Guernsey or the Bailiwick of Guernsey, as the context requires
“Guernsey Court”	the Royal Court of Guernsey
“Guernsey Court Hearing”	the hearing by the Guernsey Court to sanction this Scheme under Part VIII of the Companies Law
“holder”	includes a person entitled by transmission
“members”	members of Friends Life on the register of members at any relevant date
“New Aviva Shares”	the new Aviva Shares to be issued, credited as fully paid, to the holders of Scheme Shares (subject to Clauses 2 and 3) pursuant to this Scheme
“New Nominee Arrangement”	the arrangement proposed to replace the Nominee Arrangement pursuant to which certain beneficial holders of New Aviva Shares will, following this Scheme becoming effective, hold their interests through the Nominee, in whose name the relevant New Aviva Shares will be registered, on new terms and conditions
“Nominee”	Computershare Company Nominees Limited
“Nominee Arrangement”	the arrangement pursuant to which certain beneficial holders of Friends Life Shares hold their interests through the Nominee, in whose name the relevant Friends Life Shares are registered
“Non-Voting Person”	any holder of Non-Voting Shares, provided that any such person will only be a Non-Voting Person in respect of the Non-Voting Shares that person holds
“Non-Voting Shares”	any Scheme Shares in respect of which: <ul style="list-style-type: none"> (a) a member of the Aviva Group controls the exercise of the voting rights attaching to those Scheme Shares; and (b) a member of the Aviva Group has a beneficial interest in such Scheme Shares
“Panel”	the Panel on Takeovers and Mergers
“Restricted Person”	any person which holds Scheme Shares and which would be prohibited under section 136 (as extended by section 144) of the Companies Act from being a shareholder of Aviva upon this Scheme becoming effective in accordance with Clause 8, provided that any such person will only be a Restricted Person to the extent of such prohibition
“Restricted Shares”	any Scheme Shares which are registered in the name of a Restricted Person, provided that any such Scheme Shares shall only be Restricted Shares to the extent that the prohibition in section 136 (as extended by section 144) of the Companies Act applies to such Scheme Shares
“Scheme”	this scheme of arrangement in its present form or with or subject to any modification, addition or condition approved or imposed by the Guernsey Court and agreed to by Friends Life and Aviva

“Scheme Record Time”	6.00 p.m. on the business day immediately prior to the date of the Guernsey Court Hearing
“Scheme Shareholders”	holders of Scheme Shares
“Scheme Shares”	<p>Friends Life Shares:</p> <p>(a) in issue at the date of this Scheme;</p> <p>(b) (if any) issued after the date of this Scheme and before the Voting Record Time; and</p> <p>(c) (if any) issued at or after the Voting Record Time but before the Scheme Record Time in respect of which the original or any subsequent holder thereof is, or shall have agreed in writing to be, bound by this Scheme,</p> <p>and including, for the avoidance of doubt and where the context requires, any Restricted Shares and any Non-Voting Shares, but excluding any Friends Life Shares held as treasury shares</p>
“Share Account Holder”	a beneficial holder of Friends Life Shares whose interest in such shares is held under the Nominee Arrangement
“subsidiary undertaking”	has the meaning given in the Companies Act
“uncertificated” or “in uncertificated form”	recorded on the relevant register as being held in uncertificated form in CREST and title to which may be transferred by means of CREST
“Voting Record Time”	6.00 p.m. on the day which is two days before the date of the Court Meeting or, if the Court Meeting is adjourned, 6.00 p.m. on the day which is two days before the date set for such adjourned meeting

References to Clauses are to clauses of this Scheme, references to a number include zero, and references to time are to London time.

- (B) The issued share capital of Friends Life as at the close of business on 15 January 2015 (being the latest practicable date prior to the date of this Scheme) was 1,409,052,028 ordinary shares of no par value, none of which were held in treasury.
- (C) At the date of this Scheme, certain Restricted Persons hold Friends Life Shares in such a manner as would prevent each such Restricted Person from holding New Aviva Shares in the same manner by virtue of section 136 (as extended by section 144) of the Companies Act.
- (D) Aviva has agreed to, and has agreed to procure that any Non-Voting Person shall agree to, appear by Guernsey Counsel at the hearing to sanction this Scheme and to submit to be bound by and to undertake to the Guernsey Court to be bound by this Scheme and to execute and do or procure to be executed and done all such documents, acts and things as may be necessary or desirable to be executed or done by it for the purpose of giving effect to this Scheme.
- (E) Conditional upon the Scheme becoming effective pursuant to Clause 8, holders of Scheme Shares on the register of members of Friends Life at 6.00 p.m. on 9 April 2015 shall be entitled to the second interim dividend of 24.1 pence per share for the financial year ended 31 December 2014 to be paid within 14 days of the Scheme becoming effective.

THE SCHEME

1 Transfer of the Scheme Shares

- 1.1 On the Effective Date, Aviva shall acquire all the Scheme Shares fully paid up, free from all Encumbrances and together with all rights attaching to them at the Announcement Date or thereafter, including voting rights and entitlement to all dividends and other distributions declared, paid or made by Friends Life on or after the Announcement Date, save that Aviva shall not be entitled to the Friends Life second interim dividend for the financial year ended 31 December 2014.
- 1.2 For such purposes, the Scheme Shares shall be transferred to Aviva and to give effect to such transfer any person may be appointed by Aviva as agent and shall be authorised as such agent on behalf of the relevant holder of Scheme Shares to execute and deliver as transferor a form of

transfer or other instrument or instruction of transfer, or procure the transfer by means of CREST, of such Scheme Shares and every form, instrument or instruction of transfer so executed shall be effective as if it had been executed by the holder or holders of the Scheme Shares thereby transferred.

2 Consideration for the transfer of the Scheme Shares

- 2.1 In consideration for the transfer to Aviva as provided in Clause 1 of Scheme Shares other than Restricted Shares, Aviva shall (subject to the remaining provisions of this Clause 2 and to Clause 3) allot and issue to the holders of such Scheme Shares (as appearing in the register of members of Friends Life at the Scheme Record Time) New Aviva Shares on the following basis:

for each Scheme Share 0.74 of a New Aviva Share

- 2.2 Fractions of New Aviva Shares shall not be allotted or issued to holders of Scheme Shares pursuant to this Scheme, and the aggregate number of New Aviva Shares to which a holder of Scheme Shares shall be entitled under Clause 2.1 shall be rounded down to the nearest whole number of New Aviva Shares. All fractions to which, but for this Clause 2.2, holders of Scheme Shares would have become entitled shall be aggregated and allotted and issued to a person appointed by Aviva and sold in the market as soon as practicable after the Effective Date. The net proceeds of sale (after the deduction of all expenses and commissions incurred in connection with such sale) will be distributed by Aviva in due proportions to Scheme Shareholders who would otherwise have been entitled to fractions of New Aviva Shares. For the purposes of determining fractional entitlements, each portion of a member's holding which is recorded in the register of members of Friends Life by reference to a separate designation at the Scheme Record Time, whether in certificated or uncertificated form, shall be treated as a separate holding.
- 2.3 The New Aviva Shares issued pursuant to Clause 2.1 shall be issued credited as fully paid, shall rank equally in all respects with all other fully paid Aviva Shares in issue on the Effective Date and shall be entitled to all dividends and other distributions declared, paid or made by Aviva by reference to a record date on or after the Effective Date. For the avoidance of doubt, Scheme Shareholders shall not be entitled to the Aviva final dividend for the financial year ended 31 December 2014 in respect of the New Aviva Shares.
- 2.4 In consideration for the transfer to Aviva as provided in Clause 1 of Restricted Shares, Aviva shall pay to or for the account of the holders of such Restricted Shares (as appearing in the register of members of Friends Life at the Scheme Record Time) an amount in cash equal to the market value of the New Aviva Shares which they would have received had they been entitled to consideration pursuant to Clause 2.1, where the market value of one New Aviva Share shall be determined as being equal to the average price obtained pursuant to the sale of any New Aviva Shares pursuant to Clause 3.1, or if no such sales are made, the average of the closing mid-market price for a New Aviva Share in the first three days of trading in such shares commencing on the business day following the Effective Date.

3 Overseas shareholders

- 3.1 The provisions of Clauses 1 and 2 shall be subject to any prohibition or condition imposed by law. Without prejudice to the generality of the foregoing, if, in respect of any holder of Scheme Shares (other than Restricted Shares) with a registered address in a jurisdiction outside the United Kingdom, the United States or Guernsey, or whom Aviva reasonably believes to be a citizen, resident or national of a jurisdiction outside the United Kingdom, the United States or Guernsey, Aviva is advised that the allotment and/or issue of New Aviva Shares pursuant to Clause 2 would or may infringe the laws of such jurisdiction or would or may require Aviva to comply with any governmental or other consent or any registration, filing or other formality with which Aviva is unable to comply or compliance with which Aviva regards as unduly onerous, Aviva may, in its sole discretion, either:
- 3.1.1 determine that such New Aviva Shares shall be sold, in which event the New Aviva Shares shall be issued to such holder and Aviva shall appoint a person to act pursuant to this Clause 3.1.1 and such person shall be authorised on behalf of such holder to procure that any shares in respect of which Aviva has made such determination shall, as soon as practicable following the Effective Date, be sold; or

- 3.1.2 determine that such New Aviva Shares shall not be issued to such holder but shall instead be issued to a nominee for such holder appointed by Aviva on terms that the nominee shall, as soon as practicable following the Effective Date, sell the New Aviva Shares so issued.
- 3.2 Any sale under Clause 3.1 shall be carried out at the best price which can reasonably be obtained at the time of sale and the net proceeds of such sale (after the deduction of all expenses and commissions incurred in connection with such sale) shall be paid to such holder by sending a cheque or creating an assured payment obligation in accordance with the provisions of Clause 4.2.
- 3.3 To give effect to any sale under Clause 3.1, the person appointed by Aviva in accordance with Clause 3.1.1 shall be authorised as agent on behalf of the holder concerned, and the nominee appointed by Aviva in accordance with Clause 3.1.2 shall be authorised, to execute and deliver as transferor a form of transfer or other instrument or instruction of transfer and to give such instructions and to do all other things which he or she may consider necessary or expedient in connection with such sale. In the absence of bad faith or wilful default, none of Friends Life, Aviva or the person or nominee so appointed shall have any liability for any loss or damage arising as a result of the timing or terms of such sale.

4 Settlement

4.1 *Settlement of the New Aviva Shares*

As soon as practicable after the Scheme becomes effective pursuant to Clause 8, and in any event no later than 14 days after the Effective Date, Aviva shall:

- 4.1.1 allot and issue the New Aviva Shares which it is required to allot and issue to holders of Scheme Shares pursuant to Clause 2, and:
- (a) in the case of Scheme Shares which at the Scheme Record Time are in certificated form, procure the despatch of certificates for such New Aviva Shares to the persons entitled thereto in accordance with the provisions of Clause 4.3; or
 - (b) in the case of Scheme Shares which at the Scheme Record Time are in uncertificated form, procure that Euroclear is instructed to credit the appropriate stock account in CREST of the relevant holder with such holder's entitlement to such New Aviva Shares, provided that Aviva reserves the right to settle all or part of such consideration in the manner set out in Clause 4.1.1(a) if, for reasons outside its reasonable control, it is not able to effect settlement in accordance with this Clause 4.1.1(b);
- 4.1.2 in the case of New Aviva Shares sold pursuant to Clause 2.2 or Clause 3.1 and issued in respect of Scheme Shares which at the Scheme Record Time are in certificated form, procure the despatch to the persons entitled thereto in accordance with the provisions of Clause 4.3 of cheques for the sums payable to them respectively in accordance with Clause 2.2 or Clause 3.1; and
- 4.1.3 in the case of New Aviva Shares sold pursuant to Clause 2.2 or Clause 3.1 and issued in respect of Scheme Shares which at the Scheme Record Time are in uncertificated form, procure that Euroclear is instructed to create an assured payment obligation in favour of the payment bank of the persons entitled thereto in accordance with the CREST assured payment arrangements (subject to Clause 4.3.3) for the sums payable to them respectively in accordance with Clause 2.2 or Clause 3, provided that Aviva reserves the right to make payment of the said sums by cheque as set out in Clause 4.1.2 if, for reasons outside its reasonable control, it is not able to effect settlement in accordance with this Clause 4.1.3.

4.2 *Settlement of the cash consideration*

As soon as practicable after the Scheme becomes effective pursuant to Clause 8, and in any event no later than 14 days after the Effective Date, Aviva shall satisfy the cash consideration due to holders of Restricted Shares pursuant to Clause 2.4 as follows:

- 4.2.1 in the case of Restricted Shares which at the Scheme Record Time are in certificated form, Aviva shall procure the despatch to the persons entitled thereto of cheques for the sums payable to them respectively; or

4.2.2 in the case of Restricted Shares which at the Scheme Record Time are in uncertificated form, Aviva shall procure that Euroclear is instructed to create an assured payment obligation in favour of the payment bank of the persons entitled thereto in accordance with the CREST assured payment arrangements for the sums payable to them respectively, provided that Aviva reserves the right to settle all or part of the consideration in the manner referred to in Clause 4.2.1 if, for reasons outside its reasonable control, it is not able to effect settlement in accordance with this Clause 4.2.2.

4.3 **General**

4.3.1 All deliveries of share certificates or cheques pursuant to this Scheme shall be effected by sending the same by first class post in prepaid envelopes addressed to the persons entitled thereto at their respective addresses as appearing in the register of members of Friends Life or, in the case of joint holders, at the address of that one of the joint holders whose name stands first in such register in respect of such joint holding at the Scheme Record Time, and none of Friends Life, Aviva nor any person or nominee appointed by Aviva in accordance with Clause 2.2 or Clause 3.1 nor their respective agents shall be responsible for any loss or delay in the transmission or delivery of any share certificates or cheques sent in accordance with this Clause 4.3, which shall be sent at the risk of the persons entitled thereto.

4.3.2 All cheques shall be made payable to the persons respectively entitled to the moneys represented thereby (except that, in the case of joint holders, Aviva reserves the right to make such cheques payable to that one of the joint holders whose name stands first in the register of members of Friends Life in respect of such joint holding at the Scheme Record Time), and the encashment of any such cheque or the creation of any such assured payment obligation as is referred to in this Clause 4 shall be a complete discharge to Aviva for the moneys represented thereby.

4.3.3 Notwithstanding the provisions of Clause 4.3.1 and Clause 4.3.2, any sums payable by Aviva in respect of fractional entitlements in accordance with Clause 2.2 (whether by cheque or CREST assured payment arrangements) shall be paid to the persons respectively entitled to the moneys represented thereby in accordance with any existing dividend mandates or other instructions to Friends Life in force at the Scheme Record Time relating to the Scheme Shares held by such persons.

4.3.4 The provisions of this Clause 4 shall be subject to any condition or prohibition imposed by law.

5 **Share certificates and transfer of entitlements**

With effect from the Effective Date:

5.1 all certificates representing Scheme Shares shall cease to have effect as documents of title to the Scheme Shares comprised therein and every holder of Scheme Shares shall be bound, at the request of Friends Life, to deliver up their share certificate(s) to Friends Life (or to any person appointed by Friends Life to receive the same) or as it may direct or to destroy the same;

5.2 Euroclear shall be instructed to transfer the entitlements to Scheme Shares of holders of Scheme Shares in uncertificated form; and

5.3 appropriate entries shall be made in the register of members of Friends Life to reflect their transfer pursuant to Clause 1.

6 **Mandates and other instructions**

6.1 All mandates and other instructions to Friends Life in force at the Scheme Record Time relating to Scheme Shares shall, unless they relate to Friends Life's dividend reinvestment plan (in which case they shall be deemed to be revoked) and unless and until revoked or amended, be deemed, as from the Effective Date, to be valid and effective mandates and instructions to Aviva in relation to the New Aviva Shares issued in respect thereof.

- 6.2 All mandates and other instructions to Friends Life in force at the Scheme Record Time relating to Scheme Shares and the payment of dividends shall, unless and until revoked or amended, be deemed, as from the Effective Date, to also be valid and effective mandates and instructions to Aviva in relation to sums payable in respect of fractional entitlements in accordance with Clause 2.2.

7 Nominee Arrangement

- 7.1 Subject to Clause 7.2, New Aviva Shares which would otherwise be issued to the Nominee under the Nominee Arrangement on behalf of Share Account Holders pursuant to the terms of this Scheme shall instead be issued to the Nominee to be held under the New Nominee Arrangement on behalf of such Share Account Holders.
- 7.2 If, no later than 5.00 p.m. on the date five business days prior to the Effective Date, any Share Account Holder has given the Nominee notice in writing that its Scheme Shares shall be withdrawn from the Nominee Arrangement, New Aviva Shares which would otherwise be issued to the Nominee under the New Nominee Arrangement on behalf of that Share Account Holder pursuant to the terms of this Scheme shall instead be issued to, and registered in the name of, that Share Account Holder.

8 Effective Date

- 8.1 This Scheme shall become effective at the time it is sanctioned by the Guernsey Court pursuant to Part VIII of the Companies Law at the Guernsey Court Hearing.
- 8.2 Unless this Scheme shall have become effective on or before 31 July 2015 or such later date (if any) as Aviva and Friends Life may, with the consent of the Panel, agree and the Guernsey Court may allow, this Scheme shall never become effective.

9 Modification

Friends Life and Aviva may jointly consent on behalf of all concerned to any modification of, or addition to, this Scheme or to any condition which the Guernsey Court may approve or impose.

Dated 19 January 2015

PART IV
CONDITIONS AND CERTAIN FURTHER TERMS OF
THE SCHEME AND THE PROPOSED ACQUISITION

A. CONDITIONS OF THE PROPOSED ACQUISITION

The Proposed Acquisition is subject to the following conditions:

Conditions to the Scheme

- (a) the Scheme becoming unconditional and becoming Effective by no later than 31 July 2015, or such later date (if any) as Aviva and Friends Life may, with the consent of the Panel, agree and, if required, the Guernsey Court may allow;
- (b) approval of the Scheme by a majority in number of the Scheme Shareholders (other than Non-Voting Persons) (or the relevant class or classes thereof, if applicable) present and voting, either in person or by proxy, at the Court Meeting, representing not less than 75 per cent. in value of the Scheme Shares voted by such Scheme Shareholders, and such meeting being held not later than 17 April 2015, being the date falling 22 days after the date for which the Court Meeting is originally convened (or such later date, if any, as Aviva and Friends Life may agree and the Guernsey Court may allow);
- (c) all resolutions necessary to approve and implement the Scheme and to approve certain related matters being duly passed by the requisite majority or majorities at the General Meeting, and such meeting being held not later than 17 April 2015, being the date falling 22 days after the date for which the General Meeting is originally convened (or such later date, if any, as Aviva and Friends Life may agree and the Guernsey Court may allow);
- (d) the sanction of the Scheme with or without modification (but subject to any such modification being acceptable to Aviva and Friends Life) by the Guernsey Court and the Guernsey Court Hearing to sanction the Scheme being held on or before 2 May 2015, being the date falling 22 days after the expected date of the Guernsey Court Hearing as set out in this document (or such later date as Aviva and Friends Life may agree and the Guernsey Court may allow);

Shareholder approval

- (e) the resolutions of Aviva Shareholders required to:
 - (i) approve the Proposed Acquisition in accordance with the class 1 requirements under Listing Rule 10.5.1R(2); and
 - (ii) confer authority for the issue and allotment of the New Aviva Shares to be issued in connection with the Proposed Acquisition,in each case, being duly passed at the Aviva General Meeting by the requisite majority of Aviva Shareholders;

Admission to listing

- (f) the UK Listing Authority having acknowledged to Aviva or its agent (and such acknowledgement not having been withdrawn) that the application for the admission of all the New Aviva Shares to the premium listing segment of the Official List of the UK Listing Authority has been approved and (after satisfaction of any conditions to which such approval is expressed to be subject) will become effective as soon as the UK Listing Authority's decision to admit the New Aviva Shares is announced in accordance with Listing Rule 3.2.7G;

Admission to trading

- (g) the London Stock Exchange having acknowledged to Aviva or its agent (and such acknowledgement not having been withdrawn) that all the New Aviva Shares will be admitted to trading on the main market for listed securities of the London Stock Exchange;

European Commission clearance

- (h) insofar as the Proposed Acquisition falls within the scope of the EU Merger Regulation:
 - (i) the European Commission taking a decision (or being deemed to have taken a decision) under Article 6(1)(b) of the EU Merger Regulation declaring the Proposed Acquisition compatible with the common market, without imposing any conditions or obligations that are not on terms reasonably satisfactory to Aviva; or
 - (ii) if the European Commission takes a decision (or is deemed to have taken a decision) to refer the whole or part of the Proposed Acquisition to the CMA, under Articles 4(4) or 9(3) of the EU Merger Regulation:
 - (A) the CMA taking a decision with equivalent effect to that referred to in paragraph (h)(i) above with respect to those parts of the Proposed Acquisition referred to it; and
 - (B) the European Commission taking the decision referred to in paragraph (h)(i) above with respect to any part of the Proposed Acquisition retained by it;

Merger control clearance in any other jurisdiction

- (i) to the extent that, in the reasonable opinion of Aviva, any other merger control consents or approvals are required or desirable prior to the completion of the Proposed Acquisition according to the law of any other jurisdiction, all relevant notifications or filings having been made, all appropriate waiting periods (including any extensions thereof) having expired, lapsed or been terminated and all such clearances or approvals having been granted (or being deemed to have been granted in accordance with the relevant law) provided that each such clearance or approval has an equivalent effect to the decision referred to in paragraph (h)(i) above and is on terms reasonably satisfactory to Aviva;

Other regulatory approvals

- (j) the PRA indicating pursuant to section 189(4)(a) of the FSMA, in terms reasonably satisfactory to Aviva, that it approves:
 - (i) any acquisition by Aviva of control over any PRA-authorized person; or
 - (ii) (if applicable) any increase in control which is already held by any member of the Wider Aviva Group over any PRA-authorized person,in each case, within the meaning of Part XII of FSMA which would take place as a result of the Proposed Acquisition or its implementation, or the PRA being treated as having given such approval under section 189(6) of FSMA;
- (k) the FCA indicating pursuant to section 189(4)(a) of FSMA, in terms reasonably satisfactory to Aviva, that it approves:
 - (i) any acquisition by Aviva of control over any UK authorised person which is not a PRA-authorized person (an “**FCA Authorised Person**”); or
 - (ii) (if applicable) any increase in control which is already held by any member of the Wider Aviva Group over any FCA Authorised Person,in each case, within the meaning of Part XII of FSMA, which would take place as a result of the Proposed Acquisition or its implementation, or the FCA being treated as having given such approval under section 189(6) of FSMA;
- (l) Aviva having obtained approval from the HK SFC for (or the HK SFC not having made any objection to) the change of controlling shareholders of Friends Life as a result of the Proposed Acquisition or its implementation, pursuant to paragraph 7.1(b) of the Code on Investment-Linked Assurance Schemes issued by the HK SFC;
- (m) the GFSC indicating pursuant to section 49A of the Guernsey IBL in terms reasonably satisfactory to Aviva, that it approves:
 - (i) any acquisition by Aviva of control over any person licensed by the GFSC under Guernsey IBL; or
 - (ii) (if applicable) any increase in control which is already held by any member of the Wider Aviva Group over any person licensed by the GFSC under Guernsey IBL,

in each case, within the meaning of section 49A and Schedule 8 of Guernsey IBL which would take place as a result of the Proposed Acquisition or its implementation, or the GFSC being treated as having given such approval under section 49A(3)(b) of Guernsey IBL;

Other third party clearances

- (n) other than in relation to the competition law and regulatory approvals referred to in paragraphs (h) to (m) above, no government or governmental, quasi-governmental, supranational, statutory, administrative or regulatory body or association, institution or agency (including any trade agency) or any court or other body (including any professional or environmental body) or person in any jurisdiction (each a “**Relevant Authority**”) having decided to take, institute or threaten any action, proceeding, suit, investigation, enquiry or reference or enacted, made or proposed and there not continuing to be outstanding any statute, regulation, order or decision that would or might reasonably be expected to (in any case which is material in the context of the Proposed Acquisition):
- (i) make the acquisition or the proposed acquisition of Friends Life Shares, or control or management of Friends Life by Aviva or any member of the Wider Aviva Group void, unenforceable or illegal in any jurisdiction or directly or indirectly prohibit or otherwise restrict, delay or interfere with the implementation of, or impose additional conditions or obligations with respect to, or otherwise challenge or require amendment to the terms of, the Proposed Acquisition or the acquisition or the proposed acquisition of any Friends Life Shares, or control or management of Friends Life by Aviva or any member of the Wider Aviva Group;
 - (ii) require, prevent or delay the divestiture (or alter the terms of any proposed divestiture) by the Wider Aviva Group or the Wider Friends Life Group of all or any part of their respective businesses, assets or properties or impose any limitation on their ability to conduct all or any part of their respective businesses and to own, control or manage any of their respective assets or properties;
 - (iii) impose any limitation on, or result in any delay in, the ability of any member of the Wider Aviva Group to acquire or hold or to exercise effectively, directly or indirectly, all or any rights of ownership of shares or other securities (or the equivalent) in, or to exercise management control over, any member of the Wider Friends Life Group or on the ability of any member of the Wider Friends Life Group to hold or exercise effectively, directly or indirectly, all or any rights of ownership of shares or other securities (or the equivalent) in, or to exercise management control over, any other member of the Wider Friends Life Group;
 - (iv) require any member of the Wider Aviva Group or of the Wider Friends Life Group to acquire or offer to acquire any shares or other securities (or the equivalent) or interest in any member of the Wider Friends Life Group or any member of the Wider Aviva Group owned by a third party (other than in the implementation of the Proposed Acquisition);
 - (v) require the divestiture by any member of the Wider Aviva Group of any shares, securities or other interests in any member of the Wider Friends Life Group;
 - (vi) impose any limitation on, or result in any delay in, the ability of any member of the Wider Aviva Group or the Wider Friends Life Group to integrate or co-ordinate its business, or any part of it, with the businesses or any part of the businesses of any other member of the Wider Aviva Group and/or the Wider Friends Life Group;
 - (vii) result in any member of the Wider Aviva Group or any member of the Wider Friends Life Group ceasing to be able to carry on business under any name under which it presently does so; or
 - (viii) otherwise adversely affect the business, assets, financial or trading position or profits or prospects of any member of the Wider Aviva Group or of the Wider Friends Life Group,
- and all applicable waiting and other time periods (including extensions thereof) during which any such Relevant Authority could decide to take, institute or threaten any such action, proceeding, suit, investigation, enquiry or reference having expired, lapsed or been terminated;
- (o) other than in relation to the competition law and regulatory approvals referred to in paragraphs (h) to (m) above, all material filings, applications and/or notifications which are necessary or reasonably considered appropriate by Aviva having been made and all relevant waiting periods and other time periods (including any extensions thereof) under any applicable legislation or regulation of any jurisdiction having expired, lapsed or been terminated and all applicable statutory or regulatory

obligations in any jurisdiction having been complied with in each case in respect of the Proposed Acquisition and the acquisition or proposed acquisition of any shares or other securities in, or control or management of, Friends Life or any member of the Wider Friends Life Group by any member of the Wider Aviva Group or the carrying on by any member of the Wider Friends Life Group of its business;

- (p) other than in relation to the competition law and regulatory approvals referred to in paragraphs (h) to (m) above, all material authorisations, orders, grants, recognitions, confirmations, licences, consents, clearances, permissions and approvals which are necessary or reasonably considered appropriate by Aviva in any jurisdiction for or in respect of the Proposed Acquisition and the proposed acquisition of any Friends Life Shares, or control of Friends Life, by Aviva or any member of the Wider Aviva Group being obtained on terms and in a form reasonably satisfactory to Aviva from appropriate Relevant Authorities, or from any persons or bodies with whom any member of the Wider Aviva Group or the Wider Friends Life Group has entered into contractual arrangements or other material business relationships, and such authorisations, orders, grants, recognitions, confirmations, licences, consents, clearances, permissions and approvals, together with all authorisations, orders, grants, recognitions, confirmations, licences, consents, clearances, permissions and approvals necessary or reasonably considered appropriate for any member of the Wider Friends Life Group to carry on its business, remaining in full force and effect and no intimation of any intention to revoke, suspend, restrict or modify or not to renew any of the same having been made and all necessary statutory or regulatory obligations in any jurisdiction having been complied with;

Confirmation of absence of adverse circumstances

- (q) except as Disclosed, there being no provision of any agreement, arrangement, licence or other instrument to which any member of the Wider Friends Life Group is a party or by or to which any such member or any of its assets is or may be bound, entitled or subject which, as a result of the implementation of the Proposed Acquisition or the acquisition or proposed acquisition by Aviva or any member of the Wider Aviva Group of any Friends Life Shares, or change in the control or management of Friends Life or otherwise, would or might reasonably be expected to result in (in each case to an extent which is material in the context of the Wider Friends Life Group taken as a whole):
- (i) any monies borrowed by or any other indebtedness (actual or contingent) of, or any grant available to, any such member of the Wider Friends Life Group becoming repayable, or capable of being declared repayable, immediately or earlier than the stated repayment date or the ability of such member to borrow monies or incur any indebtedness being withdrawn or inhibited;
 - (ii) the creation or enforcement of any mortgage, charge or other security interest over the whole or any material part of the business, property or assets of any such member of the Wider Friends Life Group or any such mortgage, charge or other security interest (whenever arising or having arisen) becoming enforceable;
 - (iii) any assets or interest of any such member of the Wider Friends Life Group being or falling to be disposed of or ceasing to be available to any member of the Wider Friends Life Group or any right arising under which any such asset or interest could be required to be disposed of or could cease to be available to any member of the Wider Friends Life Group;
 - (iv) the interest or business of any such member of the Wider Friends Life Group in or with any other person, firm or company (or any agreements or arrangements relating to such interest or business) being terminated or adversely modified or affected;
 - (v) any such member of the Wider Friends Life Group ceasing to be able to carry on business under any name under which it presently does so;
 - (vi) the value of any such member of the Wider Friends Life Group or its financial or trading position or prospects being prejudiced or adversely affected;
 - (vii) any such agreement, arrangement, licence or other instrument being terminated or adversely modified or any onerous obligation arising or any adverse action being taken or arising thereunder;
 - (viii) the creation of any material liabilities (actual or contingent) by any such member of the Wider Friends Life Group; or
 - (ix) any requirement on any such member to acquire, subscribe, pay up or repay any shares or other securities (or the equivalent),

and no event having occurred which, under any provision of any agreement, arrangement, licence or other instrument to which any member of the Wider Friends Life Group is a party or by or to which any such member or any of its assets may be bound or be subject, might reasonably be expected to result in any events or circumstances as are referred to in this paragraph (q) (in each case to an extent which is material in the context of the Wider Friends Life Group taken as a whole);

No material transactions, claims or changes in the conduct of the business of the Friends Life Group

- (r) except as Disclosed, no member of the Wider Friends Life Group having since 30 September 2014:
- (i) issued or agreed to issue or authorised or proposed the issue of additional shares of any class, or securities convertible into, or exchangeable for, or rights, warrants or options to subscribe for or acquire, any such shares or convertible or exchangeable securities or transferred or sold (or agreed to transfer or sell) any shares out of treasury (except, where relevant, as between Friends Life and its wholly owned subsidiaries or between its wholly owned subsidiaries and except in connection with the ongoing operation of the Friends Life Incentive Schemes (in accordance with their respective terms) and/or the Co-operation Agreement);
 - (ii) recommended, declared, paid or made or resolved to recommend, declare, pay or make any bonus, dividend or other distribution, whether payable in cash or otherwise, other than the interim dividend paid by Friends Life on 6 October 2014, the proposed second interim dividend of 24.1 pence per share or any distribution by any wholly-owned subsidiary of Friends Life;
 - (iii) undertaken:
 - (A) a conversion under Part V of the Companies Law;
 - (B) an amalgamation under Part VI of the Companies Law;
 - (C) a migration under Part VII of the Companies Law; or
 - (D) an arrangement or reconstruction (other than the Scheme) under Part VIII of the Companies Law;
 - (iv) other than pursuant to the Scheme, implemented or authorised any merger or demerger or (except for transactions between Friends Life and its wholly-owned subsidiaries, or between its wholly-owned subsidiaries or transactions in the ordinary course of business) acquired or disposed of or transferred, mortgaged or charged, or created any other security interest over, any asset or any right, title or interest in any asset (in each case to an extent which is material in the context of the Wider Friends Life Group taken as a whole);
 - (v) entered into, or authorised the entry into, any joint venture, asset or profit sharing arrangement, partnership or merger of businesses or corporate entities (in each case to an extent which is material in the context of the Wider Friends Life Group taken as a whole);
 - (vi) other than pursuant to the Scheme, implemented or authorised any reconstruction, amalgamation, scheme or other transaction or arrangement with a substantially equivalent effect (in each case to an extent which is material in the context of the Wider Friends Life Group taken as a whole and other than pursuant to the Proposed Acquisition);
 - (vii) other than pursuant to the Friends Life Share Buyback Programme announced on 11 July 2014, purchased, redeemed or repaid any of its own shares or other securities or reduced or made or authorised any other change in its share capital;
 - (viii) (except for transactions between Friends Life and its wholly owned subsidiaries or between its wholly owned subsidiaries) made or authorised any change in its loan capital or issued or authorised the issue of any debentures or incurred or increased any indebtedness or contingent liability;
 - (ix) entered into, varied or terminated, or authorised the entry into, variation or termination of, any contract, commitment or arrangement (whether in respect of capital expenditure, real estate or otherwise) which is outside the ordinary course of business or which is of a long term, onerous or unusual nature or magnitude or which involves, or might reasonably be expected to involve, an obligation of a nature or magnitude which is materially restrictive on the business of any member of the Wider Friends Life Group (in each case to an extent which would be material in the context of the Wider Friends Life Group taken as a whole);

- (x) been unable or deemed unable, or admitted in writing that it is unable, to pay its debts as they fall due or having stopped or suspended (or threatened to stop or suspend) payment of its debts generally or ceased or threatened to cease carrying on all or a substantial part of its business (in each case to an extent which is material in the context of the Wider Friends Life Group taken as a whole);
 - (xi) commenced negotiations with any of its creditors or taken any step with a view to rescheduling or restructuring any of its indebtedness or entered into a composition, compromise, assignment or arrangement with any of its creditors whether by way of a voluntary arrangement, scheme of arrangement, deed of compromise or otherwise (in each case to an extent which is material in the context of the Wider Friends Life Group taken as a whole) or been declared “*en etat de desastre*”;
 - (xii) (other than in respect of a member of the Wider Friends Life Group which is dormant and solvent at the relevant time) taken any corporate action or had any legal proceedings started, served or threatened against it or any documents filed or faxed in court for its winding-up (voluntary or otherwise), dissolution or reorganisation (or for any analogous proceedings or steps in any jurisdiction) or for the appointment of a liquidator, provisional liquidator, receiver, administrator, administrative receiver, trustee or similar officer (or for the appointment of any analogous person in any jurisdiction) of all or any of its assets and revenues or had notice given of the intention to appoint any of the foregoing to it (in each case to an extent which is material in the context of the Wider Friends Life Group taken as a whole);
 - (xiii) except in the ordinary course of business, waived, compromised, settled, abandoned or admitted any dispute, claim or counter-claim whether made or potential and whether by or against any member of the Wider Friends Life Group (in each case other than in the ordinary course of business and to an extent which is material in the context of the Wider Friends Life Group taken as a whole);
 - (xiv) made any material alteration to its constitutional documents;
 - (xv) entered into, or varied the terms of, or terminated or given notice of termination of, any service agreement or arrangement with any director or senior executive of any member of the Wider Friends Life Group;
 - (xvi) proposed, agreed to provide, or agreed to modify the terms of, any share option scheme, incentive scheme or other benefit relating to the employment or termination of employment of any person employed by any member of the Wider Friends Life Group, other than in accordance with the terms of the Proposed Acquisition;
 - (xvii) made or consented to any material change to the terms of the trust deeds constituting the pension schemes established for its directors and/or employees and/or their dependants or to the benefits which accrue, or to the pensions which are payable thereunder, or to the basis on which qualification for or accrual or entitlement to such benefits or pensions are calculated or determined, or to the basis upon which the liabilities (including pensions) of such pension schemes are funded or made, or agreed or consented to, any change to the trustees, other than in accordance with applicable law; or
 - (xviii) entered into any contract, commitment or arrangement or passed any resolution or made any offer (which remains open for acceptance) with respect to, or proposed or announced any intention to effect or propose, any of the transactions, matters or events referred to in this paragraph (r);
- (s) except as Disclosed, since 30 September 2014:
- (i) no adverse change having occurred, and no circumstances having arisen which would or might reasonably be expected to result in any adverse change in the business, assets, financial or trading position or profits or prospects of any member of the Wider Friends Life Group (in each case to an extent which is material in the context of the Wider Friends Life Group taken as a whole); and
 - (ii) no litigation, arbitration proceedings, prosecution or other legal proceedings in any jurisdiction having been threatened, announced, instituted or remaining outstanding by, against or in respect of any member of the Wider Friends Life Group or to which any member of the Wider Friends Life Group is a party (whether as claimant or defendant or otherwise) and no investigation by any Relevant Authority or other investigative body against or in respect of any member of the Wider Friends Life Group having been threatened, announced, instituted or remaining outstanding by, against or in respect of any member of the Wider Friends Life Group (in each case to an extent which is material in the context of the Wider Friends Life Group taken as a whole);

- (t) save as Disclosed, no contingent or other liability having arisen outside the ordinary course of business which would or might reasonably be expected to adversely affect any member of the Wider Friends Life Group (in each case to an extent which is material in the context of the Wider Friends Life Group taken as a whole); and
- (u) save as Disclosed, Aviva not having discovered that:
 - (i) any financial, business or other information concerning the Wider Friends Life Group publicly disclosed prior to the date of the Announcement at any time by any member of the Wider Friends Life Group is misleading, contains a misrepresentation of fact or omits to state a fact necessary to make the information contained therein not misleading (in each case to an extent which is material in the context of the Wider Friends Life Group taken as a whole);
 - (ii) any member of the Wider Friends Life Group is subject to any liability, contingent or otherwise, other than in the ordinary course of business (in each case to an extent which is material in the context of the Wider Friends Life Group taken as a whole); or
 - (iii) there is or is likely to be any obligation or liability (whether actual or contingent) to make good, repair, re-instate or clean up any property now or previously owned, occupied, operated or made use of or controlled by any past or present member of the Wider Friends Life Group under any environmental legislation, regulation, notice, circular or order of any Relevant Authority in any jurisdiction (in each case to an extent which is material in the context of the Wider Friends Life Group taken as a whole).

B. CERTAIN FURTHER TERMS OF THE SCHEME AND THE ACQUISITION

- (a) Aviva reserves the right (subject to the requirements of the Code and the Panel) to waive all or any of the Conditions in section A, paragraphs (i) and (n) to (u) (inclusive), in whole or in part, at its absolute discretion.
- (b) Aviva shall be under no obligation to waive or treat as fulfilled any of the Conditions in section A, paragraphs (i) and (n) to (u) (inclusive) by a date earlier than the latest date specified below for the fulfilment of them notwithstanding that the other Conditions may at such earlier date have been waived or fulfilled and that there are at such earlier date no circumstances indicating that any of such Conditions may not be capable of fulfilment.
- (c) The Scheme will lapse (and the Proposed Acquisition will not proceed) unless all Conditions of the Proposed Acquisition are fulfilled or (if capable of waiver) waived or, where appropriate, determined by Aviva to have been or remain satisfied by midnight (London time) on 31 July 2015 or such later date (if any) as Aviva and Friends Life may, with the consent of the Panel, agree and, if required, the Guernsey Court may allow.
- (d) If Phase 2 European Commission Proceedings are initiated, or there is a Phase 2 CMA Reference (following a referral by the European Commission under Article 4(4) or 9(3) of the EU Merger Regulation to the CMA or otherwise), the Proposed Acquisition will lapse (and the Proposed Acquisition will not proceed) if this occurs before the Court Meeting and the General Meeting.
- (e) If Aviva is required by the Panel to make an offer for any Friends Life Shares under a mandatory offer for Friends Life Shares under Rule 9 of the Code, Aviva may make such alterations to the above Conditions as are necessary to comply with the applicable rule or law.
- (f) Fractions of New Aviva Shares will not be allotted or issued pursuant to the Proposed Acquisition to Scheme Shareholders, but entitlements of Scheme Shareholders will instead be rounded down to the nearest whole number of New Aviva Shares and all fractions of New Aviva Shares to which Scheme Shareholders would otherwise have been entitled will be aggregated, allotted and issued to a person appointed by Aviva, and sold in the market as soon as practicable after the Effective Date. The net proceeds of sale (after the deduction of all expenses and commissions incurred in connection with such sale) will be distributed by Aviva in due proportions to Scheme Shareholders who would otherwise have been entitled to fractions of New Aviva Shares.
- (g) The Friends Life Shares will be acquired by Aviva fully paid up and free from all liens, charges, encumbrances, rights of pre-emption and any other third party rights of any nature whatsoever and together with all rights attaching to them as at the date of the Announcement or subsequently attaching or accruing to them, including, without limitation, voting rights and the right to receive and retain, in full, all dividends and other distributions (if any) declared, made or paid, or any other return of capital (whether

by way of reduction of share capital, repurchase or redemption or otherwise) made on or after the date of the Announcement (other than the proposed second interim dividend of 24.1 pence per share). Accordingly, insofar as a dividend and/or distribution and/or a return of capital is proposed, declared, made, paid or payable by Friends Life in respect of a Friends Life Share on or after the date of the Announcement and, without prejudice to paragraph 2 of Part I of this document other than the proposed second interim dividend of 24.1 pence per share, Aviva reserves the right to reduce, with the consent of the Panel, by the amount of the dividend and/or distribution and/or return of capital, the number of New Aviva Shares to be issued under the terms of the Proposed Acquisition in respect of a Friends Life Share, except insofar as the Friends Life Share is or will be transferred on a basis which entitles Aviva alone to receive the dividend and/or distribution and/or return of capital but if that reduction in the number of New Aviva Shares has not been effected, the person to whom the New Aviva Shares are issued under the terms of the Proposed Acquisition in respect of that Friends Life Share, will be obliged to account to Aviva for the amount of such dividend and/or distribution and/or return of capital.

- (h) Aviva reserves the right, subject to the prior consent of the Panel and in accordance with the Co-operation Agreement, to implement the Proposed Acquisition by way of an Offer. In such event, the Proposed Acquisition will be implemented on the same terms, so far as applicable, as those which would apply to the Scheme, subject to appropriate amendments to reflect the change in method of effecting the Proposed Acquisition.
- (i) Under Rule 13.5 of the Code, Aviva may not invoke a Condition so as to cause the Proposed Acquisition not to proceed, to lapse or any offer to be withdrawn unless the circumstances which give rise to the right to invoke the Condition are of material significance to Aviva in the context of the Proposed Acquisition. The Conditions contained in section A, paragraphs (a) to (d) (inclusive) and paragraph (h) and, if applicable, the Offer Condition referred to in paragraph (h) of this section B, are not subject to this provision of the Code.
- (j) Each of the Conditions shall be regarded as a separate Condition and shall not be limited by reference to any other Condition.
- (k) The Scheme will be governed by the laws of Guernsey and be subject to the jurisdiction of the Courts of Guernsey and to the conditions and further terms set out in this document. The Proposed Acquisition will be subject to the applicable requirements of the UK Listing Authority, the PRA, the GFSC, the Jersey Financial Services Commission, the Jersey Competition and Regulatory Authority and the Guernsey Competition and Regulatory Authority, FSMA, the London Stock Exchange, the Code and US federal securities law (except to the extent that exemptive relief has been granted by the SEC). This document does not constitute, or form part of, an offer or invitation to purchase Friends Life Shares or any other securities.
- (l) The ability to effect the Proposed Acquisition in respect of persons resident in certain jurisdictions may be affected by the laws of those jurisdictions. Before taking any action in relation to the Proposed Acquisition, holders of Friends Life Shares should inform themselves about and observe any applicable requirements.
- (m) Unless otherwise determined by Aviva or required by the Code and permitted by applicable law and regulation:
 - (i) the Proposed Acquisition is not being, and will not be, made available, directly or indirectly, in or into or by the use of the mails of, or by any other means or instrumentality (including, without limitation, facsimile transmission, telex, telephone, internet or other forms of electronic transmission) of interstate or foreign commerce of, or by any facility of a national state or other securities exchange of any Restricted Jurisdiction and no person may vote using any such use, means, instrumentality or facility or from within any Restricted Jurisdiction; and
 - (ii) this document should not be forwarded or transmitted in or into any jurisdiction in which such act would constitute a violation of the relevant laws in such jurisdiction.

PART V
FINANCIAL INFORMATION ON FRIENDS LIFE

Part A: Financial information relating to Friends Life

The following sets out financial information in respect of the Friends Life Group as required by Rule 24.3 of the Code. The documents referred to below, the contents of which have previously been announced through a Regulatory Information Service, are incorporated into this document by reference pursuant to Rule 24.15 of the Code:

Financial information	Reference
Interim management statements for the nine months ended 30 September 2014	www.friendslifegroup.com/investor-relations/download-centre/results/results-2014/third-quarter-2014-ims.aspx
Condensed consolidated financial statements for the six month period ended 30 June 2014	www.friendslifegroup.com/~media/Files/F/FriendsLife/press-release/hy-results-2014.pdf
Consolidated financial statements for the year ended 31 December 2013 ²⁰	www.friendslifegroup.com/~media/Files/F/FriendsLife/documents/r-and-a/ar-accounts-2013.pdf
Consolidated financial statements for the year ended 31 December 2012 ²¹	www.friendslifegroup.com/~media/Files/F/FriendsLife/documents/r-and-a/ar-accounts-2012.pdf
Consolidated financial statements for the financial year ended 31 December 2011 ²²	www.friendslifegroup.com/~media/Files/F/FriendsLife/documents/r-and-a/ar-accounts-2011.pdf

Friends Life's 2014 Preliminary Results are expected to be made available on or around 5 March 2015 on Friends Life's website at www.friendslifegroup.com.

Part B: Friends Life ratings information

Prior to the commencement of the Offer Period, Moody's had assigned Friends Life:

- (a) an insurance financial strength rating of A3 (outlook stable);
- (b) a bond rating of Baa3 in respect of the 2003 step-up tier one insurance capital securities and the 2005 step-up tier one insurance capital securities; and
- (c) a bond rating of Baa2 in respect of the 2011 lower tier two subordinated debt instruments.

Since the commencement of the Offer Period, Moody's has changed its outlook for Friends Life to review for upgrade as a result of Friends Life potentially benefitting from Aviva's very strong positions in both UK life and non-life insurance post-transaction.

Prior to the commencement of the Offer Period, Fitch had assigned Friends Life:

- (a) an insurance financial strength rating of A+ (outlook stable);
- (b) a bond rating of BBB+ in respect of the 2003 step-up tier one insurance capital securities, the 2005 step-up tier one insurance capital securities, the 2011 lower tier two subordinated debt instruments and the 2012 upper tier two subordinated debt instruments; and
- (c) a bond rating of A- in respect of the 2009 lower tier two subordinated debt instruments.

Since the commencement of the Offer Period, Fitch has changed its outlook for the insurance financial strength of Friends Life to ratings watch positive as a result of the significantly larger size and scale of the Enlarged Group and the improved international diversification this would have on the Friends Life Group. Synergies are likely to lead to significant cost savings and improved profitability, addressing factors that Fitch currently views as negative rating drivers for the Friends Life Group.

²⁰ See pages 128 to 236 (both inclusive) in the 2013 Friends Life Annual Report for the audited consolidated accounts for the Friends Life Group for the financial year ended 31 December 2013.

²¹ See pages 110 to 221 (both inclusive) in the 2012 Friends Life Annual Report for the audited consolidated accounts for the Friends Life Group for the financial year ended 31 December 2012.

²² See pages 111 to 214 (both inclusive) in the 2011 Friends Life Annual Report for the audited consolidated accounts for the Friends Life Group for the financial year ended 31 December 2011.

Prior to the commencement of the Offer Period, Standard and Poor's had assigned Friends Life:

- (a) an insurance financial strength rating of A- (outlook stable);
- (b) a bond rating of BBB in respect of the 2003 step-up tier one insurance capital securities, the 2005 step-up tier one insurance capital securities, the 2011 lower tier two subordinated debt instruments and the 2012 upper tier two subordinated debt instruments; and
- (c) a bond rating of BBB+ in respect of the 2009 lower tier two subordinated debt instruments.

Since the commencement of the Offer Period, Standard and Poor's has changed its outlook for Friends Life to positive as a result of the potential ratings uplift for group support after the all-share combination of the Aviva Group and the Friends Life Group.

No incorporation of website information

Save as expressly referred to herein, neither the content of Friends Life's websites, nor the content of any website accessible from hyperlinks on Friends Life's website, is incorporated into, or forms part of, this document.

Availability of documents

You may request a hard copy of this document, free of charge, by calling the Friends Life Shareholder Helpline on +44 (0) 870 707 1444 or contacting Computershare either by email to info@computershare.co.je or in writing to Computershare Investor Services (Jersey) Limited at Queensway House, Hilgrove Street, St Helier, Jersey JE1 1ES stating your name, your Shareholder Reference Number and the address to which a hard copy of this document should be sent. You may also request that all future documents, announcements and information to be sent to you in relation to the Proposed Acquisition should be in hard copy form. Unless you have previously elected to receive hard copies of any such documents, announcements or information, hard copies shall not be sent but you may request them.

PART VI
FINANCIAL INFORMATION ON AVIVA

Part A: Financial information relating to Aviva

The following sets out the financial information in respect of the Aviva Group required by Rule 24.3 of the Code. The documents referred to below are incorporated into this document by reference pursuant to Rule 24.15 of the Code:

Financial information	Reference
Interim management statements for the nine months ended 30 September 2014	www.aviva.com/media/upload/q3-2014-ims.pdf
Condensed consolidated financial statements for the six month period ended 30 June 2014	www.aviva.com/media/upload/HY14_APACK.pdf
Consolidated financial statements for the year ended 31 December 2013 ²³	www.aviva.com/media/upload/ARA-2013.pdf
Consolidated financial statements for the year ended 31 December 2012 ²⁴	www.aviva.com/media/upload/aviva-2012-annual-report.pdf
Consolidated financial statements for the year ended 31 December 2011 ²⁵	www.aviva.com/media/upload/aviva-2011-annual-report.pdf

Aviva's 2014 Preliminary Results are expected to be made available on or around 5 March 2015 on Aviva's website at www.aviva.com.

Part B: Aviva ratings information

Prior to the commencement of the Offer Period, Moody's had assigned Aviva:

- (a) an insurance financial strength rating of A1 (outlook stable);²⁶
- (b) an issuer credit rating of A3;
- (c) a long term guaranteed senior debt rating of A2;
- (d) a long term senior debt rating of A3;
- (e) a long term subordinated debt rating of Baa1; and
- (f) a long term junior subordinated debt rating of Baa2.

Since the commencement of the Offer Period, Moody's has made no change to its rating or outlook for Aviva.

Prior to the commencement of the Offer Period, Standard and Poor's had assigned Aviva:

- (a) an insurance financial strength rating of A+ (outlook stable);
- (b) an issuer credit rating of A-;
- (c) a long term guaranteed senior debt rating of A;
- (d) a long term senior debt rating of A-;
- (e) a long term subordinated debt rating of BBB; and
- (f) a long term junior subordinated debt rating of BBB.

Since the commencement of the Offer Period, Standard and Poor's has made no change to its rating or outlook for Aviva.

Prior to the commencement of the Offer Period, A.M. Best had assigned Aviva:

- (a) an insurance financial strength rating of A (outlook stable);
- (b) an issuer credit rating of a-;

²³ See pages 106 to 246 (both inclusive) in the 2013 Aviva Annual Report for the audited consolidated accounts for the Aviva Group for the financial year ended 31 December 2013.

²⁴ See pages 146 to 272 (both inclusive) in the 2012 Aviva Annual Report for the audited consolidated accounts for the Aviva Group for the financial year ended 31 December 2012.

²⁵ See pages 166 to 320 (both inclusive) in the 2011 Aviva Annual Report for the audited consolidated accounts for the Aviva Group for the financial year ended 31 December 2011.

²⁶ Other than Aviva Life & Pensions UK Limited which has a negative outlook.

- (c) a long term guaranteed senior debt rating of a;
- (d) a long term senior debt rating of a-;
- (e) a long term subordinated debt rating of bbb+; and
- (f) a long term junior subordinated debt rating of bbb.

Since the commencement of the Offer Period, A.M. Best has changed its outlook for Aviva to under review with developing implications as a result of the need to evaluate the impact of the transaction on Aviva Group's consolidated risk adjusted capitalisation and financial leverage, as well as the execution risk inherent in a transaction of this size. A.M. Best expects to resolve the under review status of the ratings upon completion of the Proposed Acquisition.

No incorporation of website information

Save as expressly referred to herein, neither the content of Aviva's websites, nor the content of any website accessible from hyperlinks on Aviva's website, is incorporated into, or forms part of, this document.

Availability of documents

You may request hard copy versions of these documents, free of charge, by contacting Aviva's Registrar, Computershare Investor Services PLC, at The Pavilions, Bridgwater Road, Bristol BS13 8AE, United Kingdom or calling Computershare Investor Services PLC between 8.30 a.m. and 5.30 p.m. (London time) Monday to Friday (excluding UK public holidays) on 0871 495 0105 (if calling from within the UK) or +44 (0) 117 378 8361 (if calling from outside the UK). Calls to the 0871 495 0105 number are typically charged at up to 12 pence per minute from a landline. Calls to the helpline from outside the UK will be charged at the applicable international rate. From mobile networks, calls cost between 5 pence and 40 pence per minute. Calls may be recorded and randomly monitored for security and training purposes. You may also request that all future documents, announcements and information to be sent to you in relation to the Proposed Acquisition should be in hard copy form. Unless you have previously elected to receive hard copies of any such documents, announcements or information, hard copies shall not be sent but you may request them.

PART VII TAXATION

This Part VII relates to UK tax, Guernsey tax and US federal income tax considerations relevant to the Proposed Acquisition and does not address UK tax, Guernsey tax and US federal income tax considerations relevant to the ownership and disposition of New Aviva Shares. UK tax and US federal income tax considerations relevant to the ownership and disposition of New Aviva Shares are set out in the Aviva Prospectus.

1 United Kingdom taxation

(a) *Overview*

The comments set out below are based on current United Kingdom tax law as applied in England and Wales and HM Revenue & Customs (“HMRC”) practice (which may not be binding on HMRC) as at the date of this document, both of which are subject to change, possibly with retrospective effect. They are intended as a general guide and apply only to Scheme Shareholders, who are resident for tax purposes in the United Kingdom (except insofar as express reference is made to the treatment of non-United Kingdom residents) and, in the case of individuals, who are domiciled in the United Kingdom and to whom “split year” treatment does not apply, who hold Friends Life Shares and New Aviva Shares as an investment and who are the absolute beneficial owners thereof. The discussion does not address all possible tax consequences relating to an investment in the shares. Certain categories of shareholders, including those carrying on certain financial activities, those subject to specific tax regimes or benefitting from certain reliefs and exemptions, those connected with Friends Life or the Friends Life Group and those for whom the shares are employment related securities, may be subject to special rules and this summary does not apply to such shareholders.

Shareholders who are in any doubt about their tax position, or who are resident or otherwise subject to taxation in a jurisdiction outside the United Kingdom, should consult their own professional advisers immediately.

(b) *Tax on chargeable gains*

(i) Transfer of the Friends Life Shares and issue of the New Aviva Shares

For the purposes of UK capital gains tax and corporation tax on chargeable gains (“CGT”), the transfer of the Friends Life Shares and the issue of New Aviva Shares should be treated as an exchange of securities for the purposes of Section 135 of the Taxation of Chargeable Gains Act 1992. A Scheme Shareholder who does not hold (either alone or together with persons connected with him) more than 5 per cent. of, or of any class of, shares in or debentures of Friends Life, should obtain “rollover” relief in respect of the transfer of his Friends Life Shares and the issue to him of New Aviva Shares, and for the purposes of CGT, he should not be treated as having made a disposal of his Friends Life Shares. Instead, the New Aviva Shares will be treated as the same asset as those Friends Life Shares in respect of which he received the New Aviva Shares, acquired at the same time and for the same consideration as those shares.

Any Scheme Shareholder who holds (either alone or together with persons connected with him) more than 5 per cent. of, or any class of, shares in or debentures of Friends Life is advised that HMRC has granted clearance under Section 138 of the Taxation of Chargeable Gains Act 1992 in respect of the transfer of the Friends Life Shares and the issue of the New Aviva Shares. Accordingly, any such shareholder should be treated in the manner described in the preceding paragraph.

(ii) Cash

If a Scheme Shareholder that is a Restricted Person receives cash in respect of the sale of its Friends Life Shares, this should be treated as a disposal of its Friends Life Shares which may, depending on the shareholder’s individual circumstances (including the availability of exemptions or allowable losses), give rise to a liability to CGT.

If a Scheme Shareholder receives cash as a result of the sale of aggregated fractions of New Aviva Shares, this should, except to the extent referred to in the next paragraph, be

treated as a disposal or a part disposal of its Friends Life Shares which may, depending on the shareholder's individual circumstances (including the availability of exemptions or allowable losses), give rise to a liability to CGT.

Where a Scheme Shareholder receives cash as well as New Aviva Shares under the Scheme and the amount of cash received is small in comparison with the value of his Friends Life Shares, the Scheme Shareholder should not generally be treated as having made a disposal or part disposal of his Friends Life Shares in respect of which the cash was received, so that no immediate liability to CGT will arise. Instead, the cash will be deducted from the base cost of his Friends Life Shares, and therefore from the base cost of his New Aviva Shares, for the purposes of computing any chargeable gain or allowable loss on a subsequent disposal of his New Aviva Shares.

Under current HMRC practice, any cash payment of £3,000 or less or which is 5 per cent. or less of the market value of a Scheme Shareholder's holding of Friends Life Shares should generally be treated as small for these purposes.

Any chargeable gain on a part disposal of a holding of Friends Life Shares should be computed on the basis of an apportionment of the allowable cost of the holding by reference to the market value of the holding at the time of the disposal.

(c) ***UK stamp duty and stamp duty reserve tax ("SDRT") consequences of the Scheme***

No UK stamp duty or SDRT will be payable by the Scheme Shareholders as a result of the transfer of the Friends Life Shares and the issue of the New Aviva Shares pursuant to the Scheme.

(d) ***UK tax treatment of New Aviva Shares***

Scheme Shareholders who are issued New Aviva Shares pursuant to the Scheme are referred to Part XIV (Taxation) of the Aviva Prospectus for a summary of the UK tax consequences of holding New Aviva Shares.

2 Guernsey taxation

(a) ***Overview***

The following paragraphs, which are intended as a general guide only and do not constitute tax advice, are based on current Guernsey tax legislation. They summarise certain limited aspects of the Guernsey tax treatment of the Proposed Acquisition and relate only to the position of Scheme Shareholders who are the absolute beneficial owners of their Scheme Shares, who hold their Scheme Shares as an investment for Guernsey taxation purposes. They do not apply to certain classes of Scheme Shareholders, such as dealers in securities, insurance companies, collective investment schemes and Scheme Shareholders who have, or are deemed to have, acquired their Scheme Shares by reason of, or in connection with, a business, an office or employment. If you are in any doubt as to your taxation position or if you are subject to tax in any jurisdiction other than Guernsey, you should consult an appropriate professional adviser immediately.

There can be no guarantee that the tax position or proposed tax position at the date of this document or at the time of the Effective Date of the Scheme will remain unchanged indefinitely. Taxation law, levels, bases and reliefs can change.

Guernsey currently does not levy taxes upon capital inheritances, capital gains, gifts, sales or turnover (unless the varying of investments and the turning of such investments to account is a business or part of a business), nor are there any estate duties (save for registration fees and ad valorem duty for a Guernsey Grant of Representation where the deceased dies leaving assets in Guernsey which require presentation of such a Grant).

(b) ***Guernsey and non-Guernsey tax-resident shareholders***

Scheme Shareholders (whether or not resident for tax purposes in Guernsey) will not be subject to any liability to income tax in Guernsey in respect of or in connection with the disposal by them of Friends Life Shares and the acquisition of New Aviva Shares pursuant to the Scheme.

The Guernsey Income Tax Office has provided written confirmation of the above treatment.

(c) *Stamp duty*

No stamp duty is chargeable in Guernsey on the disposition or transfer of Friends Life Shares or the acquisition of New Aviva Shares.

3 United States taxation

(a) *Overview*

The following is a summary of certain US federal income tax considerations relevant to the Proposed Acquisition. It addresses only US Holders (as defined below) that exchange Friends Life Shares for New Aviva Shares in the Proposed Acquisition, and hold all of such Friends Life Shares as capital assets. The discussion does not cover all aspects of US federal income taxation that may be relevant to, or the actual tax effect that any of the matters described herein will have on, a particular US Holder (including consequences under the alternative minimum tax or net investment income tax), and does not address US federal non-income tax laws or any state, local, non-US or other tax laws. This summary also does not address tax considerations applicable to investors that own (or are deemed to own) 10 per cent. or more of the total voting power of the stock of Friends Life or that will own (or will be deemed to own) 5 per cent. or more of the total voting power or total value of the stock of Aviva, nor does it discuss all of the tax considerations that may be relevant to certain types of holders subject to special treatment under the US federal income tax laws (such as financial institutions, insurance companies, individual retirement accounts and other tax-deferred accounts, tax-exempt organizations, dealers, investors that elect mark-to-market treatment, investors that hold Friends Life Shares as part of straddles, hedging transactions, conversion, or other integrated transactions for US federal income tax purposes, persons that have ceased to be US citizens or lawful permanent residents of the United States, investors holding the Friends Life Shares in connection with a trade or business conducted outside of the United States, US expatriates or investors whose functional currency is not the US dollar).

As used herein, the term “**US Holder**” means a beneficial owner of Friends Life Shares that is, for US federal income tax purposes, (i) an individual citizen or resident of the United States, (ii) a corporation created or organized under the laws of the United States or any State thereof, (iii) an estate the income of which is subject to US federal income tax without regard to its source or (iv) a trust if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more US persons have the authority to control all substantial decisions of the trust, or the trust has validly elected to be treated as a domestic trust for US federal income tax purposes.

The US federal income tax treatment of a partner in an entity treated as a partnership for US federal income tax purposes that holds Friends Life Shares will depend on the status of the partner and the activities of the partnership. Holders that are entities treated as partnerships for US federal income tax purposes should consult their tax advisers concerning the US federal income tax consequences to them and their partners of the Proposed Acquisition.

This summary is based on the tax laws of the United States, including the Internal Revenue Code of 1986, as amended (the “**Code**”), its legislative history, existing and proposed regulations thereunder, published rulings and court decisions, all as of the date hereof and all of which are subject to change at any time, possibly with retroactive effect.

THE SUMMARY OF US FEDERAL INCOME TAX CONSEQUENCES SET OUT BELOW IS FOR GENERAL INFORMATION ONLY. IT IS NOT INTENDED TO BE RELIED UPON BY SHAREHOLDERS FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED UNDER THE CODE. ALL SHAREHOLDERS SHOULD CONSULT THEIR TAX ADVISERS AS TO THE PARTICULAR TAX CONSEQUENCES TO THEM OF THE PROPOSED ACQUISITION, INCLUDING THE APPLICABILITY AND EFFECT OF STATE, LOCAL, NON-US AND OTHER TAX LAWS AND POSSIBLE CHANGES IN TAX LAW.

(b) *Proposed Acquisition*

The Proposed Acquisition may be treated as a tax-free reorganization for US federal income tax purposes under section 368(a) of the Code, as described below under paragraph 3(b)(i). Neither Friends Life nor Aviva can offer any assurance that such treatment will apply and neither has

sought a ruling from US tax authorities or an opinion from US tax counsel about the proper US tax treatment of the Proposed Acquisition. If the Proposed Acquisition is not treated as a tax-free reorganization for US federal income tax purposes, then the exchange of Friends Life Shares for New Aviva Shares in the Proposed Acquisition will be treated as a taxable exchange, as described below under paragraph 3(b)(ii). The consequences of the Proposed Acquisition to any US Holder may depend on whether the Friends Life Shares held by such US Holder are treated as shares in a passive foreign investment company (a “PFIC”) and/or whether the New Aviva Shares received by such US Holder in the Proposed Acquisition are treated as shares in a PFIC. Friends Life believes that it has been a PFIC in the past and may continue to be a PFIC. Aviva does not expect to be a PFIC for the current year or for any future taxable year. A US Holder’s Friends Life Shares generally will be treated as shares in a PFIC if Friends Life was a PFIC at any time during the US Holder’s holding period for such shares. US Holders should consult with their tax advisers regarding the consequences to them of the Proposed Acquisition, including the consequences if their Friends Life Shares and/or the New Aviva Shares they receive in exchange for their Friends Life Shares in the Proposed Acquisition are treated as shares in a PFIC.

(i) *Tax-Free Reorganization Treatment*

(1) *In General*

The below discussion addresses the consequences to US Holders of the Proposed Acquisition if it is treated as a reorganization and neither the Friends Life Shares held by the US Holder nor the New Aviva Shares acquired by the US Holder in exchange for their Friends Life Shares in the Proposed Acquisition are treated as shares in a PFIC. See the discussion under paragraph 3(b)(i)(2) below for a discussion of the consequences to US Holders of the Proposed Acquisition if it is treated as a reorganization and the Friends Life Shares and/or the New Aviva Shares are treated as shares in a PFIC.

If the Proposed Acquisition is a tax-free reorganization, a US Holder generally will recognize no gain or loss on the exchange of Friends Life Shares for New Aviva Shares. A US Holder’s aggregate adjusted tax basis in New Aviva Shares will equal its aggregate adjusted tax basis in the Friends Life Shares exchanged therefore, and its holding period in the New Aviva Shares will include the holding period of the Friends Life Shares exchanged. If a US Holder acquired different blocks of Friends Life Shares at different times or at different prices, the US holder’s adjusted tax basis and holding period in the New Aviva Shares will be determined separately for each block of shares.

A US Holder may be required to attach to its US federal income tax return for the year in which it receives New Aviva Shares a statement regarding application of the tax-free reorganization requirements (including information about the Friends Life Shares it exchanged and the New Aviva Shares it received) and to retain records regarding the Proposed Acquisition.

(2) *PFIC Considerations*

If the Proposed Acquisition is a tax-free reorganization, and the Friends Life Shares held by the US Holder are treated as shares in a PFIC, then, under proposed US Treasury Regulations, the consequences of the Proposed Acquisition to the US Holder generally will depend upon whether the New Aviva Shares received by the US Holder in exchange for the US Holder’s Friends Life Shares will be treated as shares in a PFIC. If the New Aviva Shares received by the US Holder in exchange for the US Holder’s Friends Life Shares are treated as shares in a PFIC, then, under proposed US Treasury Regulations, the consequences of the Proposed Acquisition to the US Holder will be the same as those described above under paragraph 3(b)(i)(1). However, if the New Aviva Shares received by the US Holder in exchange for the US Holder’s Friends Life Shares are not treated as shares in a PFIC, then, under proposed US Treasury Regulations, the US holder will be required to recognize gain (but not loss) as described below under paragraph 3(b)(ii)(2). The proposed effective date for the proposed US Treasury Regulations described in this paragraph is retroactive to a date prior to the date of the Proposed Acquisition.

If the Proposed Acquisition is a tax-free reorganization, the Friends Life Shares held by the US Holder are not treated as shares in a PFIC, and the New Aviva Shares received by the US Holder in exchange for the US Holder's Friends Life Shares are treated as shares in a PFIC, then the consequences of the Proposed Acquisition to the US Holder generally will be the same as those described above under paragraph 3(b)(i)(1).

(ii) *Taxable Exchange Treatment*

(1) *In General*

If the Proposed Acquisition is not a tax-free reorganization, a US Holder receiving New Aviva Shares in exchange for Friends Life Shares will recognize gain or loss equal to the difference between the fair market value of the New Aviva Shares and its adjusted tax basis in the Friends Life Shares exchanged therefor. Subject to the discussion under paragraph 3(b)(ii)(2) below, any gain generally will be long-term capital gain if the US Holder held the Friends Life Shares for more than one year. Any gain or loss generally will be treated as arising from US sources. Deductions for capital losses are subject to limitations. The US Holder will have a tax basis in the New Aviva Shares equal to their fair market value and a holding period beginning on the day after the New Aviva Shares were acquired.

(2) *PFIC Considerations*

If the Proposed Acquisition is not a tax-free reorganization and the Friends Life Shares held by a US Holder are treated as shares in a PFIC, the gain recognized by a US Holder will not be treated as long-term capital gain regardless of whether the US Holder held the Friends Life Shares for more than one year. Instead, any gain will be allocated ratably over the US Holder's holding period for the Friends Life Shares, the amount allocated to the current taxable year will be treated as ordinary income, and the amount allocated to each other year will be subject to tax at the highest tax rate in effect for that year and an interest charge (at the rate generally applicable to underpayments of tax for the period from such year to the current year) will be imposed on the resulting tax attributable to each such year.

(c) ***Backup Withholding and Information Reporting***

Proceeds of sale or other disposition (including exchange) of Friends Life Shares, as well as dividends and other proceeds with respect to such shares, by a US paying agent or other US intermediary will be reported to the US Internal Revenue Service and to the US Holder as may be required under applicable regulations. Backup withholding may apply to these payments if the US Holder fails to provide an accurate taxpayer identification number or certification of exempt status or fails to comply with applicable certification requirements. Certain US Holders are not subject to backup withholding. US Holders should consult their tax advisers as to their qualification for exemption from backup withholding and the procedure for obtaining an exemption.

(d) ***US tax treatment of New Aviva Shares***

Scheme Shareholders who are issued New Aviva Shares pursuant to the Scheme are referred to Part XIV (Taxation) of the Aviva Prospectus for a summary of the US tax consequences of holding New Aviva Shares.

**PART VIII
ADDITIONAL INFORMATION**

1 Responsibility statements

- 1.1 The Friends Life Directors, whose names are set out in paragraph 2.1 of this Part VIII, each accept responsibility for the information contained in this document other than (i) the information for which responsibility is taken by the Aviva Directors pursuant to paragraph 1.2 of this Part VIII, (ii) the information contained in the Employee Representatives' Opinion set out in Appendix 1 to this document, and (iii) the information contained in the Pension Scheme Trustees' Opinion set out in Appendix 2 to this document. To the best of the knowledge and belief of the Friends Life Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document for which they are responsible is in accordance with the facts and does not omit anything likely to affect the import of such information.
- 1.2 The Aviva Directors, whose names are set out in paragraph 2.4 of this Part VIII, each accept responsibility for the information contained in this document relating to Aviva, the Aviva Group, the Enlarged Group and the Aviva Directors and their immediate families, related trusts and companies and persons acting, or presumed to be acting, in concert with Aviva other than (i) the information contained in the Employee Representatives' Opinion set out in Appendix 1 to this document, and (ii) the information contained in the Pension Scheme Trustees' Opinion set out in Appendix 2 to this document. To the best of the knowledge and belief of the Aviva Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document for which they are responsible is in accordance with the facts and does not omit anything likely to affect the import of such information.

2 Directors and registered offices

- 2.1 As at the date of this document, the Friends Life Directors and their principal functions are as follows:

Director	Current Position
Sir Malcolm Williamson	Chairman
Andy Briggs	Group Chief Executive Officer
Tim Tookey	Chief Financial Officer
David Allvey	Senior Independent Non-Executive Director
Tim Wade	Independent Non-Executive Director
Nick Lyons	Independent Non-Executive Director
Karl Sternberg	Independent Non-Executive Director
Mel Carvill	Independent Non-Executive Director
Marian Glen	Independent Non-Executive Director
Peter Gibbs	Independent Non-Executive Director
Roger Perkin	Independent Non-Executive Director
Robin Phipps	Independent Non-Executive Director
Belinda Richards	Independent Non-Executive Director

- 2.2 The registered office of Friends Life, whose registered number is 49558, and the business address of each of the Friends Life Directors is Friends Life Group Limited, PO Box 25, Regency Court, Glatigny Esplanade, St Peter Port, Guernsey, GY1 3AP.
- 2.3 The Company Secretary of Friends Life is Victoria Hames.

2.4 As at the date of this document, the Aviva Directors and their respective positions are:

Director	Current Position
John McFarlane	Chairman
Mark Wilson	Group Chief Executive Officer
Thomas Stoddard	Chief Financial Officer
Sir Adrian Montague, CBE	Senior Independent Non-Executive Director
Glyn Barker	Independent Non-Executive Director
Patricia Cross	Independent Non-Executive Director
Michael Hawker, AM	Independent Non-Executive Director
Gay Huey Evans	Independent Non-Executive Director
Michael Mire	Independent Non-Executive Director
Bob Stein	Independent Non-Executive Director
Scott Wheway	Independent Non-Executive Director

2.5 The registered office of Aviva, whose registered number is 2468686, and the business address of each of the Aviva Directors is Aviva plc, St Helen's, 1 Undershaft, London EC3P 3DQ.

2.6 The Company Secretary of Aviva is Kirstine Cooper.

3 Market quotations

3.1 Set out below are the closing middle market quotations of the Friends Life Shares and Aviva Shares as derived from the Daily Official List on:

- 3.1.1 20 November 2014 (being the last Business Day before the commencement of the Offer Period);
- 3.1.2 the first Business Day of each of the six months immediately prior to the date of this document; and
- 3.1.3 15 January 2015 (being the latest practicable date prior to the publication of this document):

Date	Friends Life Shares	Aviva Shares
2 June 2014	314.70	527.00
1 July 2014	317.30	519.00
1 August 2014	326.60	493.70
1 September 2014	308.60	516.00
1 October 2014	306.30	514.00
3 November 2014	322.80	517.50
20 November 2014	343.30	532.50
15 January 2015	382.50	507.00

4 Interests and dealings

4.1 For the purposes of this paragraph 4:

- 4.1.1 “**acting in concert**” with Friends Life or Aviva, as the case may be, means any person acting or deemed to be acting in concert with Friends Life or Aviva, as the case may be, for the purposes of the Code;
- 4.1.2 “**arrangement**” includes indemnity or option arrangements, and any agreement or understanding, formal or informal, of whatever nature relating to relevant securities which may be an inducement to deal or refrain from dealing;

- 4.1.3 “**Aviva relevant securities**” means relevant securities of Aviva (such term having the meaning given in the Code in relation to an offeror), including Aviva Shares and securities carrying conversion or subscription rights into Aviva Shares;
- 4.1.4 “**connected adviser**” has the meaning given in the Code;
- 4.1.5 “**dealing**” or “**dealt**” has the meaning given in the Code;
- 4.1.6 “**derivative**” has the meaning given in the Code;
- 4.1.7 “**disclosure period**” means the period commencing on 21 November 2013 (being the date 12 months prior to the Offer Period) and ending on 15 January 2015 (for the purposes of this paragraph 4.1 of this Part VIII, being the latest practicable date prior to the publication of this document);
- 4.1.8 “**Friends Life relevant securities**” means relevant securities of Friends Life (such term having the meaning given in the Code in relation to an offeree), including Friends Life Shares and securities of Friends Life carrying conversion or subscription rights into Friends Life Shares;
- 4.1.9 references to a person having an “**interest**” in Friends Life or Aviva relevant securities (as applicable) has the meaning given in the Code;
- 4.1.10 references to Friends Life Directors or Aviva Directors having an interest in relevant securities are to be interpreted in accordance with Part XX of the Companies Act; and
- 4.1.11 “**short position**” means any short position (whether conditional or absolute and whether in the money or otherwise) including any short position under a derivative.

4.2 *Interests in Friends Life relevant securities*

As at the close of business on 15 January 2015 (being the latest practicable date prior to the publication of this document):

- 4.2.1 the following Aviva Directors had an interest in, or right to subscribe for, certain Friends Life relevant securities as follows:

Name	Number of Friends Life relevant securities
Sir Adrian Montague	2,927

- 4.2.2 other than described in paragraph 4.2.1 of this Part VIII, Aviva and the Aviva Directors (including members of their immediate families, close relatives and related trusts) were not interested in and did not have a right to subscribe for any Friends Life relevant securities;

- 4.2.3 the following persons acting, or presumed to be acting, in concert with Aviva had an interest in or a right to subscribe for certain Friends Life relevant securities as follows:

Name of discretionary fund manager	Name of third party nominee	Fund customers / participants	Number of Friends Life relevant securities
Aviva Investors Global Services Limited ⁽¹⁾	BNY (Nominees) Limited	Third parties (no Aviva Group interest)	1,628,910
Aviva Investors Global Services Limited ⁽¹⁾	BT Globenet Nominees Limited	Third parties (no Aviva Group interest)	3,196
Aviva Investors Global Services Limited ⁽¹⁾	Chase Nominees Limited	Third parties (no Aviva Group interest)	2,097,712
Aviva Investors Global Services Limited ⁽¹⁾	Vidacos Nominees Limited	A mix of third parties and Aviva Group (where the majority ownership is held by third parties)	7,998,260
Aviva Investors Global Services Limited ⁽¹⁾	BNY Norwich Union Nominees Limited	Aviva Group	3,995,272

Name of discretionary fund manager	Name of third party nominee	Fund customers / participants	Number of Friends Life relevant securities
Aviva Investors Global Services Limited ⁽¹⁾	Chase (GA Group) Nominees Limited	Aviva Group	32,868,480
Aviva Investors Global Services Limited ⁽¹⁾	Chase Nominees Limited	Aviva Group	3,274,150

Note:

- (1) A wholly-owned subsidiary of Aviva plc

4.2.4 the following Friends Life Directors (including members of their immediate families, close relatives and related trusts) had an interest in certain Friends Life relevant securities as follows:

Name	Number of Friends Life relevant securities
Andy Briggs ⁽¹⁾⁽²⁾⁽³⁾	401,140
Mel Carvill ⁽⁴⁾	62,400
Nick Lyons ⁽⁵⁾	30,000
Robin Phipps ⁽⁶⁾	2,100
Tim Tookey ⁽⁷⁾⁽⁸⁾⁽⁹⁾	339,134
Tim Wade ⁽¹⁰⁾	40,000
Sir Malcolm Williamson	55,975

Notes:

- (1) Of these Friends Life Shares, 1,131 are held on behalf of Andy Briggs by Yorkshire Building Society as nominee.
- (2) Of these Friends Life Shares, 353,009 are held by Suzanne Briggs, Andy Briggs' wife.
- (3) Of these Friends Life Shares, 47,000 are held on behalf of Andy Briggs by Hargreaves Lansdowne (Nominees) Limited as nominee.
- (4) Of these Friends Life Shares, 39,000 are held on behalf of Mel Carvill by Carvill Retirement Trust.
- (5) Of these Friends Life Shares, 30,000 are held on behalf of Nick Lyons by Lynchwood Nominees Limited as nominee.
- (6) Of these Friends Life Shares, 2,100 are held in a joint nominee account with Christine Phipps, Robin Phipps' wife.
- (7) Of these Friends Life Shares, 143,832 are held on behalf of Tim Tookey by HSDL Nominees Limited as nominee.
- (8) Of these Friends Life Shares, 175,302 are held by Christine Tookey, Tim Tookey's wife.
- (9) Of these Friends Life Shares, 20,000 are held on behalf of Tim Tookey by Rathbone Nominees Limited as nominee.
- (10) Of these Friends Life Shares, 40,000 are held by Ruth Wade, Tim Wade's wife.

4.2.5 the following awards over Friends Life relevant securities had been granted to Friends Life Directors under the Friends Life Incentive Schemes:

Name	Description of award	Number of Friends Life relevant securities	Release / Vesting date
Andy Briggs	Deferred Share Award Plan 2012 (grant date 3 April 2012)	44,628	31 December 2014
	Deferred Share Award Plan 2013 (grant date 24 May 2013)	59,067	4 April 2016
	Deferred Share Award Plan 2014 (grant date 7 April 2014)	89,893	28 March 2017

Name	Description of award	Number of Friends Life relevant securities	Release / Vesting date
	Performance Share Plan 2014 (grant date 16 May 2014)	469,234	16 May 2017 (50%) / 16 May 2018 (50%)
Tim Tookey	Deferred Share Award Plan 2013 (grant date 24 May 2013)	45,790	4 April 2016
	Deferred Share Award Plan 2014 (grant date 7 April 2014)	81,135	28 March 2017
	Performance Share Plan 2014 (grant date 16 May 2014)	385,730	16 May 2017 (50%) / 16 May 2018 (50%)

Andy Briggs and Tim Tookey also hold units under the Friends Life Group plc Long Term Incentive Plan which do not give rise to any entitlement in respect of Friends Life relevant securities. A description of the impact of the Scheme on units under the Long Term Incentive Plan is set out in paragraph 21.2(d) of Part II of this document.

4.2.6 the following person acting, or presumed to be acting, in concert with Friends Life had an interest in, or a right to subscribe for, certain Friends Life relevant securities:

Name	Number of Friends Life relevant securities
Goldman Sachs & Co.	18

4.3 *Dealings in Friends Life relevant securities*

4.3.1 During the disclosure period:

(a) Aviva and the Aviva Directors (including members of their immediate families, close relatives and related trusts) have not dealt in Friends Life relevant securities, other than as follows:

Name	Date	Transaction	Number of Friends Life relevant securities	Price
Sir Adrian Montague	19/05/2014	Purchase – dividend reinvestment	123	£3.12
Sir Adrian Montague	07/10/2014	Purchase – dividend reinvestment	65	£3.08

(b) the following persons acting, or presumed to be acting, in concert with Aviva have dealt in Friends Life relevant securities:

Name of fund manager	Dates	Transactions	Number of Friends Life relevant securities	High price	Low price
Aviva Investors Global Services Limited	20/11/13- 19/02/14	Purchase	7,527,063	£3.688	£3.291
	20/11/13- 19/02/14	Sale	1,542,249	£3.721	£3.302
Aviva Investors Global Services Limited	20/02/14- 19/05/14	Purchase	3,122,430	£3.765	£2.789
	20/02/14- 19/05/14	Sale	1,050,572	£3.769	£2.770
Aviva Investors Global Services Limited	20/05/14- 19/08/14	Purchase	63,924	£3.325	£3.047
	20/05/14- 19/08/14	Sale	981,313	£3.329	£3.073

Name of fund manager	Dates	Transactions	Number of Friends Life relevant securities	High price	Low price
Aviva Investors Global Services Limited	20/08/14-19/09/14	Purchase	650,213	£3.068	£3.046
	20/08/14-19/09/14	Sale	1,538,011	£3.109	£3.013
Aviva Investors Global Services Limited	20/09/14-19/10/14	Purchase	8,840	£3.063	£3.063
	20/09/14-19/10/14	Sale	1,078,092	£3.071	£2.923
Aviva Investors Global Services Limited	20/10/14-20/11/14	Purchase	0	—	—
	20/10/14-20/11/14	Sale	218,732	£3.002	£3.433
Aviva Investors Global Services Limited	21/11/14-15/01/15	Purchase	0	—	—
	21/11/14-15/01/15	Sale	245,197	£3.477	£3.477

4.3.2 Between the commencement of the Offer Period and 15 January 2015 (being the latest practicable date prior to the publication of this document):

- (a) Friends Life has not redeemed nor purchased any Friends Life relevant securities;
- (b) the following Friends Life Directors (including members of their immediate families, close relatives and related trusts) have dealt in Friends Life relevant securities:

Name	Date	Transaction	Number of Friends Life relevant securities	Price (£)
Andy Briggs	8 December 2014	Shares acquired under the pre-agreed terms of the Friends Provident Holdings (UK) plc Share Incentive Plan 2010	33	3.80958
Andy Briggs	6 January 2015	Shares acquired under the pre-agreed terms of the Friends Provident Holdings (UK) plc Share Incentive Plan 2010	35	3.551889

- (c) none of the persons acting, or presumed to be acting, in concert with Friends Life have dealt in Friends Life relevant securities

4.4 *Interests in Aviva relevant securities*

As at the close of business on 15 January 2015 (being the latest practicable date prior to the publication of this document):

- 4.4.1 the following Friends Life Directors (including members of their immediate families, close relatives and related trusts) had an interest in or a right to subscribe for certain Aviva relevant securities as follows:

Name	Number of Aviva relevant securities
Andy Briggs ⁽¹⁾	216

Note:

- (1) These Aviva Shares are held by Suzanne Briggs, Andy Briggs' wife.

4.4.2 the following persons acting, or presumed to be acting, in concert with Friends Life had an interest in or a right to subscribe for certain Aviva relevant securities as follows:

Name	Number of Aviva relevant securities
Goldman Sachs & Co.	4,390 ADRs
Barclays ⁽¹⁾	13,730
RBC	4,188 ADRs ⁽²⁾ / 44,701 ⁽³⁾

Notes:

- (1) These Aviva Shares are held by Barclays Wealth Trustees (Guernsey) Limited.
- (2) These Aviva securities are held by RBC Capital Markets Arbitrage S.A.
- (3) These Aviva Shares are held by Royal Bank of Canada.

4.4.3 the following Aviva Directors (including members of their immediate families, close relatives and related trusts) had an interest in or a right to subscribe for certain Aviva relevant securities as follows:

Name	Number of Aviva relevant securities
John McFarlane	10,000
Mark Wilson	150,000
Glyn Barker	11,700
Patricia Cross	7,000
Michael Hawker	20,000
Gay Huey Evans	5,000
Michael Mire	7,500
Sir Adrian Montague	22,068
Robert Stein	17,000
Scott Wheway	13,579

4.4.4 the following awards and options over Aviva relevant securities had been granted to Aviva Directors:

(a) Long term incentive plan

Director	Number of Aviva relevant securities to which award relates	Vesting date	Exercise price
Mark Wilson	983,277	04/04/2016	299.00p
	601,226	24/03/2017	489.00p

(b) Annual bonus plan

Director	Number of Aviva relevant securities to which award relates	Vesting date	Exercise price
Mark Wilson	150,306	24/03/2017	489.00p

(c) SAYE plan

Director	Number of Aviva relevant securities to which award relates	Vesting date	Exercise price
Mark Wilson	3,615	01/12/2019	419.00p

4.4.5 the following persons acting, or presumed to be acting, in concert with Aviva had an interest in or a right to subscribe for certain Aviva relevant securities as follows:

Name of fund manager	Name of nominee	Fund customers/ participants	Number of Aviva relevant securities
Aviva Investors Global Services Limited	BNP Paribas – London	Aviva Group	85,000
Aviva Investors France SA	BNP Paribas Securities Services	Aviva Group	313,062
		Third parties	3,190,460
Aviva Investors Global Services Limited	Chase (GA) Group Nominees Limited	Aviva Group	104,300
Aviva Investors Global Services Limited	Chase Nominees Limited	Aviva Group	506,000
		Third parties	1,460,306
Aviva Investors Global Services Limited	Vidacos Nominees Limited	A mix of third parties and Aviva Group (where the majority ownership is held by third parties)	6,165,267

4.5 Dealings in Aviva relevant securities

4.5.1 During the disclosure period:

(a) the following Aviva Directors (including members of their immediate families, close relatives and related trusts) have dealt in Aviva relevant securities:

Name	Date	Transaction	Number of Aviva relevant securities	Price
Patricia Cross	01/04/2014	Purchase	7,000	£4.89
Michael Hawker	26/06/2014	Purchase	10,000	£5.07
Sir Adrian Montague	19/05/2014	Dividend reinvestment	329	£5.07
	19/11/2014	Dividend reinvestment	236	£5.35
Robert Stein	30/03/2014	Purchase	10,000	US\$7.98
Mark Wilson	24/03/2014	LTIP grant	601,226	£4.89
	24/03/2014	Annual Bonus Plan grant	150,306	£4.89
	04/09/2014	Save As You Earn grant	3,615	£4.19

(b) the following persons acting, or presumed to be acting, in concert with Aviva have dealt in Aviva relevant securities:

Name of fund manager	Dates	Transactions	Number of Aviva relevant securities	High price	Low price
Aviva Investors Global Services Limited	20/11/13-19/02/14	Purchase	72,326	£4.564	£4.564
	20/11/13-19/02/14	Sale	406,801	£4.785	£4.287
Aviva Investors Global Services Limited	20/02/14-19/05/14	Purchase	1,283,596	£5.219	£4.744
	20/02/14-19/05/14	Sale	0	—	—

Name of fund manager	Dates	Transactions	Number of Aviva relevant securities	High price	Low price
Aviva Investors Global Services Limited	20/05/14-19/08/14	Purchase	172,270	£5.190	£4.849
	20/05/14-19/08/14	Sale	0	—	—
Aviva Investors Global Services Limited	20/08/14-19/09/14	Purchase	0	—	—
	20/08/14-19/09/14	Sale	0	—	—
Aviva Investors Global Services Limited	20/09/14-19/10/14	Purchase	19,130	£5.140	£5.140
	20/09/14-19/10/14	Sale	0	—	—
Aviva Investors Global Services Limited	20/10/14-20/11/14	Purchase	34,132	£5.245	£5.245
	20/10/14-20/11/14	Sale	0	—	—
Aviva Investors Global Services Limited	21/11/14-15/01/15	Purchase	0	—	—
	21/11/14-15/01/15	Sale	0	—	—
Aviva Investors France SA	20/11/13-19/02/14	Purchase	0	—	—
	20/11/13-19/02/14	Sale	265,887	£4.733	£4.167
Aviva Investors France SA	20/02/14-19/05/14	Purchase	360,653	£5.310	£4.892
	20/02/14-19/05/14	Sale	216,542	£5.302	£4.632
Aviva Investors France SA	20/05/14-19/08/14	Purchase	0	—	—
	20/05/14-19/08/14	Sale	164,408	£5.282	£4.902
Aviva Investors France SA	20/08/14-19/09/14	Purchase	0	—	—
	20/08/14-19/09/14	Sale	0	—	—
Aviva Investors France SA	20/09/14-19/10/14	Purchase	15,000	£4.988	£4.988
	20/09/14-19/10/14	Sale	61,000	£5.299	£5.235

Name of fund manager	Dates	Transactions	Number of Aviva relevant securities	High price	Low price
Aviva Investors France SA	20/10/14-20/11/14	Purchase	0	—	—
	20/10/14-20/11/14	Sale	40,100	£5.359	£5.359
Aviva Investors France SA	21/11/14-15/01/15	Purchase	25,500	£4.950	£4.950
	21/11/14-15/01/15	Sale	35,000	£5.100	£5.100

Name	Date	Transaction	Number of Aviva relevant securities	Price
J.P. Morgan Securities LLC	25.11.14	Purchase	100 ADR	US\$15.95
	26.11.14	Sale	100 ADR	US\$16.06

(c) Aviva has not redeemed nor purchased any Aviva relevant securities.

4.5.2 Between the commencement of the Offer Period and 15 January 2015 (being the latest practicable date prior to the publication of this document):

- (a) the Friends Life Directors (including members of their immediate families, close relatives and related trusts) have not dealt in Aviva relevant securities; and
- (b) none of the persons acting, or presumed to be acting, in concert with Friends Life have dealt in Aviva relevant securities other than as follows:

Name	Dates	Transaction	Type of Aviva relevant securities	Number of Aviva relevant securities	High price	Low price
Goldman Sachs & Co.	24/11/14-15/01/15	Purchase	Ordinary shares	13,390	£4.7567	£4.7567
	24/11/14-15/01/15	Sale	Ordinary shares	13,390	£4.7567	£4.7567
Goldman Sachs & Co.	24/11/14-15/01/15	Purchase	ADR	81,290	US\$16.2100	US\$13.9901
	24/11/14-15/01/15	Sale	ADR	83,362	US\$16.2100	US\$14.0001
RBC	21/11/14-15/01/15	Purchase	ADR	33,445	US\$16.57	US\$14.44
	21/11/14-15/01/15	Sale	ADR	43,067	US\$16.70	US\$14.05

4.6 *General*

Save as disclosed in this paragraph 4, as at 15 January 2015 (being the latest practicable date prior to the publication of this document):

4.6.1 none of:

- (a) Aviva;
- (b) the Aviva Directors or their respective related parties;
- (c) any person acting in concert with Aviva;
- (d) the Friends Life Directors or their respective related parties; or
- (e) any person acting in concert with Friends Life,

had an interest in, a right to subscribe in respect of, or any short position in relation to Friends Life relevant securities (whether conditional or absolute and whether in the money or otherwise), including any short position under a derivative (other than FTSE 100 Index futures and options with indirect short exposure to all 100 constituents), any agreement to sell or any delivery obligations or right to require another person to purchase or take delivery, nor had any of the persons referred to in paragraphs 4.6.1(a) to (e) of this Part VIII dealt in any Friends Life relevant securities during the disclosure period, nor had any of the persons referred to in paragraphs 4.6.1(d) and (e) of this Part VIII dealt in any Friends Life relevant securities during the period from the commencement of the Offer Period up until 15 January 2015 (the latest practicable date prior to the publication of this document);

4.6.2 none of:

- (a) Friends Life;
- (b) the Friends Life Directors or their respective related parties;
- (c) any person acting in concert with Friends Life;
- (d) the Aviva Directors or their respective related parties; or
- (e) any person acting in concert with Aviva,

had an interest in, a right to subscribe in respect of, or any short position in relation to Aviva relevant securities (whether conditional or absolute and whether in the money or otherwise), including any short position under a derivative (other than FTSE 100 Index futures and options with indirect short exposure to all 100 constituents), any agreement to sell or any delivery obligations or right to require another person to purchase or take delivery, nor had any of the foregoing dealt in any Aviva relevant securities between the start of the Offer Period and 15 January 2015 (being the latest practicable date prior to the publication of this document);

4.6.3 save for the irrevocable undertakings described in paragraph 7 of Part I and paragraph 7 of Part VIII of this document, none of Friends Life or any person acting in concert with Friends Life has any arrangement (as defined in paragraph 4.1.2 of this Part VIII);

4.6.4 save for the irrevocable undertakings described in paragraph 7 of Part I and paragraph 7 of Part VIII of this document, none of Aviva or any person acting in concert with Aviva has any arrangement (as defined in paragraph 4.1.2 of this Part VIII);

4.6.5 no person with whom Aviva or any person acting in concert with Aviva has an arrangement (as defined in paragraph 4.1.2 of this Part VIII) had an interest in or a right to subscribe for, or had any short position (other than FTSE 100 Index futures and options with indirect short exposure to all 100 constituents) in relation to, any relevant Friends Life securities, nor had any such person dealt in any relevant Friends Life securities during the disclosure period;

4.6.6 no person with whom Friends Life or any person acting in concert with Friends Life has an arrangement (as defined in paragraph 4.1.2 of this Part VIII) had an interest in or a right to subscribe for, or had any short position in relation to, any relevant Friends Life securities, nor had any such person dealt in any relevant Friends Life securities during the period between the start of the Offer Period and 15 January 2015 (being the latest practicable date prior to the publication of this document);

4.6.7 none of Friends Life or any person acting in concert with Friends Life has borrowed or lent any Friends Life relevant securities (including for these purposes any financial collateral arrangements) between the start of the Offer Period and 15 January 2015 (being the latest practicable date prior to the publication of this document), save for any borrowed shares which have been either on-lent or sold;

4.6.8 none of Aviva or any person acting in concert with Aviva has borrowed or lent any Friends Life relevant securities (including for these purposes any financial collateral arrangements) during the disclosure period, save for any borrowed shares which have been either on-lent or sold;

- 4.6.9 none of Friends Life or any person acting in concert with Friends Life has borrowed or lent any Aviva relevant securities (including for these purposes any financial collateral arrangements) between the start of the Offer Period and 15 January 2015 (being the latest practicable date prior to the publication of this document), save for any borrowed shares which have been either on-lent or sold;
- 4.6.10 none of Aviva or any person acting in concert with Aviva has borrowed or lent any Aviva relevant securities (including for these purposes any financial collateral arrangements) during the disclosure period, save for any borrowed shares which have been either on-lent or sold;
- 4.6.11 Friends Life has not redeemed or purchased any relevant Friends Life securities during the period between the start of the Offer Period and 15 January 2015 (being the latest practicable date prior to the publication of this document);
- 4.6.12 Aviva has not redeemed or purchased any relevant Aviva securities during the disclosure period; and
- 4.6.13 save as disclosed, no agreement, arrangement or understanding (including any compensation arrangement) exists between Aviva or any person acting in concert with it and any of the Friends Life Directors or the recent directors, shareholders or recent shareholders of Friends Life having any connection with or dependence upon or which is conditional upon the Proposed Acquisition.

5 Service contracts and letters of appointment of Friends Life Directors

The terms of the current service agreements of Friends Life's executive directors provide as follows:

5.1 *Andy Briggs, Group Chief Executive Officer*

- 5.1.1 Andy Briggs is employed under a service agreement dated 27 September 2011.
- 5.1.2 The agreement is terminable on not less than 12 months' written notice by Friends Life and not less than 12 months' written notice by Andy Briggs. Friends Life can terminate the agreement by making a payment of basic salary and benefits (but not bonus) in lieu of notice payable in monthly instalments for the balance of any notice period not worked (the "**Payment Period**"). Such payments will be reduced to offset basic monthly remuneration earned by Mr Briggs from any new role obtained by him during the Payment Period.
- 5.1.3 Andy Briggs' salary was increased from £675,000 to £691,875 from 1 April 2014.
- 5.1.4 Andy Briggs is entitled to participate in an annual bonus scheme. The scheme is based on financial and non-financial measures with an on-target bonus of 82.5 per cent. of base salary within a potential range of 0-165 per cent. of base salary. Under the terms of the annual bonus scheme 33 per cent. of bonus is typically deferred into the Resolution Limited Deferred Share Award Plan 2013.
- 5.1.5 Andy Briggs is entitled to a pension allowance of 20 per cent. of basic salary.
- 5.1.6 Andy Briggs is entitled to a car allowance of £17,500 per annum, life cover, permanent health insurance, private medical insurance and paid annual leave.
- 5.1.7 Andy Briggs is subject to post-termination restrictive covenants for a period of 6 months (in relation to (a) below) and for 12 months (in relation to (b)-(e) below) after the earlier of the start of any garden leave period and the date of termination of his employment (the "**Restriction Date**") during which he will not, without the prior written consent of the board:

- (a) be engaged in or concerned in any capacity in any business concern which is in competition with the business of the Friends Life Group at the Restriction Date with which he was involved to a material extent at any time during the period of 12 months before the Restriction Date (the “**Business**”);
- (b) solicit the custom of any customer of the Business with whom Mr Briggs dealt to a material extent or for whom he was responsible on behalf of the Business during the period of 12 months before the Restriction Date (“**Restricted Customer**”);
- (c) deal with any Restricted Customer;
- (d) solicit any Restricted Employee (as defined in the service agreement); or
- (e) interfere with the continuance of supply of goods or services from any suppliers to the Business with whom Mr Briggs dealt to a material extent during the period of 12 months ending on the Restriction Date.

5.1.8 Andy Briggs’ service agreement has not been amended in the 6 months prior to the date of this document.

5.2 *Tim Tookey, Chief Financial Officer*

5.2.1 Tim Tookey is employed under a service agreement dated 27 April 2012.

5.2.2 The agreement is terminable on not less than 12 months’ written notice by Friends Life and not less than 12 months’ written notice by Tim Tookey. Friends Life can terminate the agreement by making a payment of basic salary and benefits (but not bonus) in lieu of notice payable in monthly instalments for the balance of any notice period not worked (the “**Payment Period**”). Such payments will be reduced to offset basic monthly remuneration earned by Mr Tookey from any new role obtained by him during the Payment Period.

5.2.3 Tim Tookey’s salary is £650,000.

5.2.4 Tim Tookey is entitled to participate in an annual bonus scheme. The scheme is based on financial and non-financial measures with an on-target bonus of 75 per cent. of base salary within a potential range of 0-150 per cent. of base salary. Under the terms of the annual bonus scheme 33 per cent. of bonus is typically deferred into the Resolution Limited Deferred Share Award Plan 2013.

5.2.5 Tim Tookey is entitled to a pension allowance of 20 per cent. of basic salary.

5.2.6 Tim Tookey is entitled to a car allowance of £17,500 per annum, life cover, permanent health insurance, private medical insurance and paid annual leave.

5.2.7 Tim Tookey is subject to the same post-termination restrictive covenants as Andy Briggs above.

5.2.8 Tim Tookey’s service agreement has not been amended in the 6 months prior to the date of this document.

5.3 *The Chairman and the Friends Life Non-Executive Directors*

5.3.1 The Chairman and the Non-Executive Directors do not have service contracts but instead have letters of appointment and are subject to annual re-election by Friends Life’s shareholders in accordance with the UK Corporate Governance Code. Particulars of the letters of appointment are below:

Non-Executive Director	Effective date of contract	Unexpired term (approx.)	Notice period from Company	Notice period from Director
Sir Malcolm Williamson	28 March 2013	15 months (subject to annual re-election)	One month	One month
David Allvey	28 March 2013	15 months (subject to annual re-election)	One month	One month
Tim Wade	28 March 2013	15 months (subject to annual re-election)	One month	One month
Nick Lyons	28 March 2013	15 months (subject to annual re-election)	One month	One month
Karl Sternberg	28 March 2013	15 months (subject to annual re-election)	One month	One month
Mel Carvill	28 March 2013	15 months (subject to annual re-election)	One month	One month
Marian Glen	10 October 2013	22 months (subject to annual re-election)	One month	One month
Peter Gibbs	28 March 2013	15 months (subject to annual re-election)	One month	One month
Roger Perkin	16 May 2013	17 months (subject to annual re-election)	One month	One month
Robin Phipps	28 March 2013	15 months (subject to annual re-election)	One month	One month
Belinda Richards	28 March 2013	15 months (subject to annual re-election)	One month	One month

5.3.2 Remuneration of Non-Executive Directors consists solely of fees. Non-Executive Directors' fees are reviewed by the Board annually and they do not participate in any of the Friends Life Group's pension schemes or in any of the Friends Life Group's bonus, share award or other incentive schemes.

5.4 ***Sir Malcolm Williamson, Chairman, Chairman of the Nomination Committee and member of the Remuneration Committee***

5.4.1 Sir Malcolm Williamson is paid an annual fee of £360,000 from 16 May 2013.

5.4.2 Sir Malcolm Williamson is engaged to work for around 2.5 days per week.

5.5 ***David Allvey, Senior Independent Non-Executive Director, Chairman of the Risk and Compliance Committee, member of the Audit Committee, member of the Nomination Committee and member of the Remuneration Committee***²⁷

5.5.1 David Allvey is paid an annual fee of £172,500 from 2 May 2013.

5.5.2 David Allvey is engaged to work for around 25-28 days per annum.

²⁷ David Allvey is also a member of a subsidiary board (Friends Provident International Limited) for which he receives an additional fee of £6,250 per quarter.

- 5.6 ***Tim Wade, Independent Non-Executive Director, Chairman of the Audit Committee and member of the Risk and Compliance Committee***
- 5.6.1 Tim Wade is paid an annual fee of £132,500 from 28 March 2013.
- 5.6.2 Tim Wade is engaged to work for around 25-28 days per annum.
- 5.7 ***Nick Lyons, Independent Non-Executive Director, Chairman of the Remuneration Committee, member of the Risk and Compliance Committee, member of the Nomination Committee and member of the Investment Oversight Committee***
- 5.7.1 Nick Lyons is paid an annual fee of £137,500 from 28 March 2013.
- 5.7.2 Nick Lyons is engaged to work for around 25-28 days per annum.
- 5.8 ***Karl Sternberg, Independent Non-Executive Director, Chairman of the Investment Oversight Committee and member of the Audit Committee***
- 5.8.1 Karl Sternberg is paid an annual fee of £122,500 from 28 March 2013.
- 5.8.2 Karl Sternberg is engaged to work for around 25-28 days per annum.
- 5.9 ***Mel Carvill, Independent Non-Executive Director, member of the Nomination Committee and member of the Risk and Compliance Committee²⁸***
- 5.9.1 Mel Carvill is paid an annual fee of £92,500 from 28 March 2013.
- 5.9.2 Mel Carvill is engaged to work for around 25-28 days per annum.
- 5.10 ***Marian Glen, Independent Non-Executive Director and member of the Remuneration Committee²⁹***
- 5.10.1 Marian Glen is paid an annual fee of £82,500 from 10 October 2013.
- 5.10.2 Marian Glen is engaged to work for around 25-28 days per annum.
- 5.11 ***Roger Perkin, Independent Non-Executive Director and member of the Audit Committee***
- 5.11.1 Roger Perkin is paid an annual fee of £92,500 from 16 May 2013.
- 5.11.2 Roger Perkin is engaged to work for around 25-28 days per annum.
- 5.12 ***Robin Phipps, Independent Non-Executive Director, member of the Audit Committee and member of the Risk and Compliance Committee³⁰***
- 5.12.1 Robin Phipps is paid an annual fee of £117,500 from 6 August 2013.
- 5.12.2 Robin Phipps is engaged to work for around 25-28 days per annum.
- 5.13 ***Belinda Richards, Independent Non-Executive Director, member of the Nomination Committee and member of the Risk and Compliance Committee³¹***
- 5.13.1 Belinda Richards is paid an annual fee of £92,500 from 28 March 2013.
- 5.13.2 Belinda Richards is engaged to work for around 25-28 days per annum.
- 5.14 ***Peter Gibbs, Independent Non-Executive Director, member of the Investment Oversight Committee³²***
- 5.14.1 Peter Gibbs is paid an annual fee of £82,500 from 28 March 2013.
- 5.14.2 Peter Gibbs is engaged to work around 25-28 days per annum.

²⁸ Mel Carvill is also the Chairman of a subsidiary board (Friends Life Limited) for which he receives an additional fee of £30,000 per annum. An average time commitment of 10 days per annum is anticipated.

²⁹ Marian Glen is also a member of a subsidiary board (Friends Life Limited) for which she receives an additional fee of £25,000 per annum. An average time commitment of 10 days per annum is anticipated.

³⁰ Robin Phipps is also Chairman of a subsidiary board committee (the With Profits Committee) for which he receives an additional fee of £35,000 per annum. An average time commitment of 11-15 days per annum is anticipated.

³¹ Belinda Richards is also a member of a subsidiary board committee (Friends Life Limited) for which she receives an additional fee of £25,000 per annum. An average time commitment of 10 days per annum is anticipated.

³² Peter Gibbs is also the Chairman of subsidiary boards (Friends Life Investments Limited and Friends Life Funds Limited) for which he receives an additional fee of £60,000 per annum. An average time commitment of 16-20 days per annum is anticipated.

6 Aviva Directors' emoluments

The emoluments of the Aviva Directors will not be affected by the Proposed Acquisition.

7 Irrevocable undertakings

7.1 *Irrevocable undertakings in respect of Friends Life Shares*

The following persons have given irrevocable undertakings to vote (or procure the vote) in favour of the Scheme and the associated resolutions to be proposed at the Court Meeting and any General Meeting (or, in the event that the Proposed Acquisition is implemented by way of a takeover offer under the Code, accept or procure acceptance of such offer) in relation to the following Friends Life Shares:

<u>Name</u>	<u>Total number of Friends Life shares in respect of which the undertaking has been given</u>	<u>Percentage of issued ordinary share capital of Friends Life</u>
Sir Malcolm Williamson	55,975	0.0040%
Andy Briggs	401,140	0.0285%
Tim Tookey	339,134	0.0241%
Mel Carvill	62,400	0.0044%
Nick Lyons	30,000	0.0021%
Robin Phipps	2,100	0.0001%
Tim Wade	40,000	0.0028%
Total	<u>930,749</u>	<u>0.0661%</u>

The Friends Life Directors' irrevocable undertakings will cease to be binding in the following circumstances:

- the Scheme does not become Effective or lapses in accordance with its terms or otherwise becomes incapable of ever becoming Effective, provided that Aviva has not, within seven days of the Scheme having so terminated or lapsed, announced in accordance with Rule 2 of the Code that it intends to implement the Proposed Acquisition by way of an Offer;
- in the event that the Proposed Acquisition is implemented by way of an Offer, the Offer lapses or is withdrawn; or
- the Co-operation Agreement is terminated in accordance with its terms.

7.2 *Irrevocable undertakings in respect of Aviva Shares*

The following persons have given irrevocable undertakings to vote in favour of the resolution to approve the Proposed Acquisition, and the related resolutions, to be proposed at the Aviva General Meeting in relation to the following Aviva Shares:

<u>Name</u>	<u>Total number of Aviva shares in respect of which the undertaking has been given</u>	<u>Percentage of issued ordinary share capital of Aviva</u>
John McFarlane	10,000	0.0003%
Mark Andrew Wilson	150,000	0.0051%
Thomas Stoddard	—	—
Glyn Anthony Barker	11,700	0.0004%
Patricia Anne Cross	7,000	0.0002%
Michael John Hawker	20,000	0.0007%
Gay Huey Evans	5,000	0.0002%
Michael Philip Mire	7,500	0.0003%
Sir Adrian Alastair Montague	22,068	0.0007%
Robert William Stein	17,000	0.0006%
Scott Wheway	13,579	0.0005%
Total	<u>263,847</u>	<u>0.009%</u>

The Aviva Directors' irrevocable undertakings cease to be binding in the following circumstances:

- the Scheme does not become Effective or lapses in accordance with its terms or otherwise becomes incapable of ever becoming Effective, provided that Aviva has not, within seven days of the Scheme having so terminated or lapsed, announced in accordance with Rule 2 of the Code that it intends to implement the Proposed Acquisition by way of an Offer;

- (b) in the event that the Proposed Acquisition is implemented by way of an Offer, the Offer lapses or is withdrawn; or
- (c) the Co-operation Agreement is terminated in accordance with its terms.

8 Litigation

8.1 *Litigation affecting the Aviva Group*

There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which Aviva is aware), during the period covering the 12 months preceding the date of this document, which may have, or have had in the recent past, significant effects on the financial position or profitability of the Aviva Group.

8.2 *Litigation affecting the Friends Life Group*

There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which Friends Life is aware), during the period covering the 12 months preceding the date of this document, which may have, or have had in the recent past, significant effects on the financial position or profitability of the Friends Life Group.

9 Material contracts

9.1 *Material contracts of Friends Life and Aviva*

9.1.1 Confidentiality Agreement

Aviva and Friends Life entered into a mutual confidentiality agreement on 10 November 2014 pursuant to which each of Aviva and Friends Life has undertaken to keep certain information relating to the Proposed Acquisition and the other party confidential and not to disclose that information to third parties (other than to specified recipients) unless required by law or regulation. These confidentiality obligations will remain in force following completion of the Proposed Acquisition.

9.1.2 Co-operation Agreement

Aviva and Friends Life entered into a co-operation agreement on 2 December 2014 with respect to conduct of the Proposed Acquisition. Under the terms of the Co-operation Agreement, Aviva and Friends Life have agreed, among other things, that (in summary):

- (a) Friends Life and Aviva will co-operate with each other in order to assist it to obtain clearance from competition and other regulatory bodies in order to satisfy Conditions relating to such clearances;
- (b) Aviva will provide Friends Life with certain information and assistance in the preparation of this document;
- (c) Aviva will convene the Aviva General Meeting so that it is held on or around the same date as the Court Meeting;
- (d) Aviva will be subject to certain customary restrictions on the conduct of its business during the period pending completion of the Proposed Acquisition, and which prohibit, among other things: (a) the payment by Aviva of dividends (other than in the ordinary course of business or by reference to a record date after the Scheme becomes Effective); (b) the allotment of further shares (or rights or options in respect of shares) (other than pursuant to its existing share incentive schemes or in order to settle options or awards vesting under its existing incentive schemes); (c) the entry into any transaction which would constitute a class 1 transaction; or (d) amendment to its constitutional documents in any manner that would have a material and adverse impact on the value of, or rights attaching to, the New Aviva Shares;
- (e) Aviva and Friends Life will co-operate to write to participants in the Friends Life Incentive Schemes and to inform them of the impact of the Scheme on their awards and the extent to which their awards will vest as a result of the Scheme; and

- (f) Aviva may implement the Proposed Acquisition by way of an Offer: (i) at its own discretion, following consultation with Friends Life and, in good faith, giving due consideration to Friends Life's views; (ii) if Friends Life consents; (iii) if the Friends Life Directors withdraw or modify their unanimous and unconditional recommendation of the Proposed Acquisition to the shareholders of Friends Life; (iv) if a third party announces a firm intention to make an offer for the entire issued share capital of Friends Life which is recommended by the Friends Life Directors; or (v) if the Guernsey Court Hearing is not held by 2 May 2015, being the date falling 22 days after the expected date of such hearing as set out in this document (or such later date as the parties agree), subject in each case to the Panel's consent.

9.2 *Material contracts of Friends Life*

The following contracts (not being contracts entered in the ordinary course of business) have been entered into by Friends Life and members of the Friends Life Group: (a) since 21 November 2012 (being the date two years prior to the commencement of the Offer Period) and which are, or may be, material to the Friends Life Group as at the date of this document; or (b) at any time which contain provisions under which any member of the Friends Life Group has any obligation or entitlement which is material to the Friends Life Group as at the date of this document:

9.2.1 **Subordinated Debt**

Friends Life Holdings plc is the issuer of the £500,000,000 6.292 per cent. Step-up Tier One Insurance Capital Securities (the "**2005 STICS**"). The 2005 STICS are guaranteed on an unsecured and subordinated basis by Friends Life Limited. The 2005 STICS have no maturity date but may be redeemed at the option of Friends Life Holdings plc, subject to certain conditions: (i) on 1 July 2015 and thereafter on every fifth anniversary of this date; and (ii) upon the occurrence of certain events as specified in the offering circular dated 27 June 2005. The 2005 STICS are not redeemable at the option of the holder. The 2005 STICS bear interest up to and including 30 June 2015 at a fixed rate of 6.292 per cent. and thereafter at a rate which is the aggregate of 2.78 per cent. and the Gross Redemption Yield of the Benchmark Gilt (each as defined in the aforementioned offering circular) reset every five years. Interest is payable annually in arrear on 30 June in each year except in the year 2015, in which year payment will be made on 1 July, and all payments made thereafter will be on 1 July of each year.

Friends Life Holdings plc is the issuer of £300,000,000 6.875 per cent. Step-up Tier One Insurance Capital Securities (the "**2003 STICS**"). The 2003 STICS are guaranteed on an unsecured and subordinated basis by Friends Life Limited. The 2003 STICS have no maturity date but may be redeemed at the option of Friends Life Holdings plc, subject to certain conditions: (i) on 21 November 2019 and thereafter on every fifth anniversary of this date; and (ii) upon the occurrence of certain events as specified in the offering circular dated 20 November 2003. The 2003 STICS are not redeemable at the option of the holder. The 2003 STICS bear interest up to and including 21 November 2019 at a fixed rate of 6.875 per cent. and thereafter at a rate which is the aggregate of 2.97 per cent. and the Gross Redemption Yield of the Benchmark Gilt (each as defined in the aforementioned offering circular) reset every five years. Interest is payable in arrear on 21 May and 21 November in each year.

Friends Life Holdings plc is the issuer of the £161,713,000 12 per cent. Fixed Rate Guaranteed Subordinated Notes due 2021 (the "**2009 LT2 Notes**"), which, accordingly, now constitute unsecured and subordinated securities of Friends Life Holdings plc. The 2009 LT2 Notes continue to be guaranteed on an unsecured and subordinated basis by Friends Life Limited. Unless previously redeemed or purchased and cancelled, the 2009 LT2 Notes mature on 21 May 2021 (the "**2009 LT2 Maturity Date**") and shall, subject to certain conditions, be redeemed on the 2009 LT2 Maturity Date. The Lower Tier 2 Notes bear interest at 12 per cent. per annum, payable annually in arrear on 21 May in each year.

On 21 April 2011, Friends Life Holdings plc issued the £500,000,000 8.25 per cent. Fixed Rate Guaranteed Subordinated Notes due 2022 (the "**2011 LT2 Notes**"). The 2011 LT2 Notes are guaranteed on a subordinated basis by Friends Life Limited and qualify as lower

tier two capital of Friends Life Holdings plc. Unless previously redeemed or purchased and cancelled, the 2011 LT2 Notes will mature on 21 April 2022 (the “**2011 LT2 Maturity Date**”) and shall, subject to certain conditions, be redeemed on the 2011 LT2 Maturity Date. The 2011 LT2 Notes bear interest at 8.25 per cent. per annum, payable annually in arrear on 21 April in each year.

On 6 November 2012, Friends Life Holdings plc issued the \$575,000,000 7.875 per cent. Reset Perpetual Subordinated Notes (the “**2012 Reset Perpetual Notes**”). The 2012 Reset Perpetual Notes are guaranteed on a subordinated basis by Friends Life Limited and qualify as upper tier two capital of Friends Life Holdings plc. The 2012 Reset Perpetual Notes have no fixed redemption date but may be redeemed on 8 November 2018 and on subsequent interest payment dates. The 2012 Reset Perpetual Notes are irrevocably guaranteed by Friends Life Limited. The 2012 Reset Perpetual Notes bear interest at the rate of 7.875 per cent. per annum, payable semi-annually in arrear on 8 May and 8 November in each year.

9.2.2 **Revolving facility agreement**

On 10 May 2013, Friends Life Limited entered into an up to £250,000,000 multicurrency revolving facility agreement with Barclays Bank PLC, Royal Bank of Canada, HSBC Bank plc and The Royal Bank of Scotland plc. The final maturity date of the facility is 10 May 2018.

9.2.3 **Insurance intermediary and administration agreement with Capita**

Under an insurance intermediary and administration agreement between Friends Life Services Limited and Capita Life & Pensions Regulated Services Limited (“**Capita**”) dated 28 May 2009 (the “**Capita Agreement**”), Capita agreed to provide certain members of the Friends Life Group with customer services, policy administration, claims activity and related IT support. The initial term of the Capita Agreement is 15 years (the “**Capita Initial Term**”). Over the 15-year duration of the contract, the expected fees payable to Capita by Friends Life Services Limited total approximately £530 million.

At the end of the Capita Initial Term, the Capita Agreement continues in full force and effect until terminated by either party on 12 months’ prior written notice or in accordance with the other termination provisions of the agreement. Capita has only one express right to terminate during the Capita Initial Term, in circumstances set out in the Capita Agreement. Friends Life Services Limited may terminate for convenience on six months’ notice as well as in a variety of other circumstances. On termination, certain termination charges would be payable by Friends Life Services Limited (the value of which depends on the date of, and reason for, termination) as well as certain exit management charges.

With effect from 6 April 2011, the Friends Life Group and Capita agreed an amendment to the Capita Agreement between them to reflect the change in its scope following the acquisition by Friends Life Holdings plc of Friends ASLH Limited and its subsidiaries (the “**AXA UK Life Business**”), and the fact that the services provided by Capita to the life and savings business that was carried on by AXA UK plc and its subsidiaries which is not part of the AXA UK Life Business (the “**AXA UK Retained Business**”) is now recorded in a separate contract between Capita and the AXA UK Retained Business.

9.2.4 **Insurance intermediary and information technology services agreement with Diligenta**

On 9 November 2011, Friends Life Management Services Limited entered into an agreement for the provision of insurance intermediary services and certain information technology services with Diligenta (the “**Diligenta Agreement**”), which outsources Friends Life Group policy administration and IT services for with-profits, annuity, legacy protection and UK wealth business lines. As a result and taking account of those services already outsourced within the Friends Life Group, the Heritage Business will be essentially outsourced for policy administration and IT services. The Diligenta Agreement also covers IT service outsourcing for the Corporate Pensions, Protection and International businesses. The agreement is effective from 1 March 2012 and will continue, unless terminated, for an

initial term of 15 years (the “**Diligenta Initial Term**”). Fees payable by Friends Life Management Services Limited to Diligenta over the Diligenta Initial Term are estimated at approximately £1.37 billion. Following the expiry of the Diligenta Initial Term, the agreement will automatically renew on successive five-year terms, unless terminated by Friends Life Management Services Limited on 12 months’ prior written notice to Diligenta.

9.2.5 **Life reinsurance agreement with Windsor Life**

On 4 April 2007, FLPL and Windsor Life entered into a life reinsurance agreement (the “**Life Reinsurance Agreement**”) by which Windsor Life reinsured FLPL in respect of all contractual benefits claims paid by FLPL from 1 January 2007 onwards to policyholders of a defined book of annuities in return for an agreed premium. The mathematical reserves ceded under this reinsurance agreement as at 31 December 2012 were approximately £1.7 billion. The Life Reinsurance Agreement is now between Friends Life Limited and Swiss Reinsurance Company Limited (as successors to FLPL and Windsor Life respectively) and, with effect from 24 November 2014, was amended and restated as part of the recapture of assets which were previously transferred to a Windsor Life entity as part of the original transaction. The recaptured assets are now managed by Friends Life’s in-house investment manager so as to support the fixed premiums payable under the amended and restated Life Reinsurance Agreement and a two-way title-transfer collateral arrangement has been put in place to mitigate counterparty risk going forward.

9.2.6 **Technology infrastructure agreement with IBM**

On 5 December 2008, Friends Life Management Services Limited entered into an agreement with IBM United Kingdom Limited (“**IBM**”) for the provision by IBM to certain companies in the Friends Life Group (the “**Friends Life IBM Parties**”) of significant aspects of the Friends Life IBM Parties’ technology infrastructure requirements (the “**IBM Agreement**”). Unless terminated earlier in accordance with its terms, the IBM Agreement will continue until 28 February 2019. Both parties have the right to terminate earlier in the event of insolvency of the other party. Either party may terminate early in certain circumstances specified in the IBM Agreement. The Friends Life IBM Parties are required to pay charges to IBM for early termination in certain circumstances. The amount of charges payable by the Friends Life IBM Parties to IBM is subject to variable factors. The Friends Life IBM Parties estimate that they will pay approximately £200 million to IBM during the term of the agreement in consideration for the services.

9.2.7 **Investment management agreements with Schroder**

On 14 March 2014, both Friends Life Limited and FLPL entered into separate investment management agreements with Schroder Investment Management Limited (“**Schroder**”) on substantially the same terms (the “**Schroder Agreements**”), under which Schroder provides certain investment management related services to the Friends Life Group. The services provided under the Schroder Agreements include: investment advice, investment management, investment support, marketing and sales support and a wide range of ancillary services. The Schroder Agreements can be terminated by Friends Life Limited and FLPL respectively on six months’ notice and by Schroder in each case on twelve months’ notice.

9.3 ***Material contracts of Aviva***

The following contracts (not being contracts entered in the ordinary course of business) have been entered into by Aviva and members of the Aviva Group: (a) since 21 November 2012 (being the date two years prior to the commencement of the Offer Period) and which are or may be material to the Aviva Group as at the date of this document; or (b) at any time which contain provisions under which any member of the Aviva Group has any obligation or entitlement which is material to the Aviva Group as at the date of this document:

9.3.1 **Sponsors’ agreement**

On or around the date of this document, Aviva, J.P. Morgan Cazenove and Morgan Stanley entered into a sponsors’ agreement, pursuant to which the Joint Sponsors each severally

agreed to act as sponsor to Aviva in connection with the applications for Admission and the publication of the Aviva Class 1 Circular and the Aviva Prospectus for the purpose of the Proposed Acquisition and Admission. Under the terms of the sponsors' agreement, Aviva has agreed to provide the Joint Sponsors with certain customary indemnities, undertakings, representations and warranties. The indemnities provided by Aviva to the Joint Sponsors against, *inter alia*, claims made against them or losses incurred by them, subject to certain exceptions. In addition, the sponsors' agreement provides the Joint Sponsors with the right to terminate the sponsors' agreement before Admission in certain specified circumstances typical for a sponsors' agreement of this nature, in which case the sponsors' agreement will lapse.

10 Significant change

- 10.1 The following significant changes to the financial condition and trading position of the Aviva Group occurred since 30 June 2014, the date to which the interim financial statements of Aviva were prepared:
- (a) in July 2014, Aviva announced the issue of €700 million dated Tier 2 Reset Notes under its £5,000,000,000 Euro Note Programme, which was last updated on 17 April 2014;
 - (b) in August 2014, Aviva announced that the interest-bearing intercompany loan of approximately £5.8 billion which was granted by Aviva Group's UK General Insurance company, Aviva Insurance Limited, to Aviva Group's main holding company, Aviva Group Holdings Limited on 28 February 2013 was reduced to £3.6 billion at the end of July 2014;
 - (c) on 4 September 2014, Aviva announced its intention to offer to the public market a minority stake in its joint venture AvivaSA, one of Turkey's largest private life and pensions providers. AvivaSA listed on Borsa İstanbul on 13 November 2014. As part of this transaction, AvivaSA and Akbank agreed to extend their exclusive bancassurance agreement for another seven years, until 2029. Akbank will continue to sell AvivaSA's life and pensions products on an exclusive basis through its leading banking network in Turkey;
 - (d) on 18 September 2014, Aviva notified BZ-WBK of its intention to exercise a call option to buy back a 17 per cent. share in both BZ WBK-AVIVA TUNZ and BZ WBK-AVIVA TUO. The transaction would result in Aviva's stake increasing to 51 per cent. The transaction is subject to regulatory approvals;
 - (e) on 19 September 2014, Aviva announced the sale of its holding in its joint venture CxG Aviva to Novacaixagalicia Banco. The transaction resulted from a decision by the Arbitration Tribunal in Madrid, which determined that Novacaixagalicia Banco had breached the terms of its shareholders' agreement entered into with Aviva, pursuant to the merger of Caixa Galicia and Caixa Nova with Novacaixagalicia Banco in December 2010, and Novacaixagalicia Banco's subsequent restructuring in 2011. The Arbitration Tribunal's decision concluded the legal proceedings between Aviva and Novacaixagalicia Banco and the transaction completed on 11 December 2014; and
 - (f) in December 2014, Aviva announced it had redeemed in full €700m fixed/floating rate direct capital instruments ("Euro DCIs") and that listing of the Euro DCIs on the Bourse de Luxembourg had been cancelled with effect from (and including) 29 November 2014.
- 10.2 Save as disclosed in paragraph 10.1 above, there has been no significant change in the financial condition or trading position of the Aviva Group since 30 June 2014, the date to which the interim financial statements of Aviva were prepared.
- 10.3 The following significant change to the financial condition and trading position of the Friends Life Group occurred since 30 June 2014, the date to which the interim financial statements of Friends Life were prepared:
- On 11 July 2014, the Friends Life Group announced that it had reached an agreement to sell Lombard, its Luxembourg-based life assurance business specialising in tax and estate planning solutions for high net worth individuals, to funds managed by Blackstone. The disposal of Lombard was completed by the Friends Life Group on 30 October 2014 for a total consideration of £316 million.

- 10.4 Save as disclosed in paragraph 10.3 above, there has been no significant change in the financial condition or trading position of the Friends Life Group since 30 June 2014, the date to which the interim financial statements of Friends Life were prepared.

11 Sources and bases of information

- 11.1 Unless otherwise stated, the financial information relating to Aviva is extracted (without adjustment) from the audited consolidated financial statements of Aviva for the relevant years, from the unaudited interim consolidated financial statements of Aviva for the relevant half years or from the unaudited interim management statements of Aviva for the relevant nine months, prepared in accordance with IFRS.
- 11.2 Unless otherwise stated, the financial information relating to Friends Life is extracted (without adjustment) from the audited consolidated financial statements of Friends Life for the relevant years, from the unaudited interim consolidated financial statements of Friends Life for the relevant half years or from the unaudited interim management statements of Friends Life for the relevant nine months, prepared in accordance with IFRS.
- 11.3 The synergy numbers are unaudited and are based on analysis by Aviva's management and on Aviva's and Friends Life's internal records.
- 11.4 Any references to the existing issued share capital of Friends Life are based on 1,409,052,028 Friends Life Shares in issue as at the close of business on 15 January 2015 (being the last practicable date prior to the date of this document). The International Securities Identification Number for Friends Life Shares is GG00B62W2327.
- 11.5 Any references to the existing issued share capital of Aviva are based on 2,950,758,512 Aviva Shares in issue as at the close of business on 15 January 2015 (being the last practicable date prior to the date of this document). The International Securities Identification Number for Aviva Shares is GB0002162385.
- 11.6 Unless otherwise stated all prices and closing prices for Aviva and Friends Life Shares are closing middle market prices derived from the Daily Official List.
- 11.7 The three month average closing prices are derived from Bloomberg data.
- 11.8 The percentage ownership of the Enlarged Group which would be held by Scheme Shareholders if the Proposed Acquisition completes is based on the number of Friends Life Shares in issue set out in paragraph 11.4 of this Part VIII and the number of Aviva Shares in issue set out in paragraph 11.5 of this Part VIII and does not take into account Restricted Shares.
- 11.9 The multiple of Friends Life Market Consistent Embedded Value is based on Friends Life's Market Consistent Embedded Value as at 30 June 2014 of £5,724 million, plus the Lombard sale proceeds of £260 million, less the Lombard restated Market Consistent Embedded Value as at 30 June 2014 of £305 million less the share buyback under the Friends Life Share Buyback Programme of £29 million.

Bases of belief for statements of estimated cost savings and synergies

- 11.10 Paragraph 5 of Part I of this document includes statements of estimated cost savings and synergies arising from the Proposed Acquisition. Following initial discussions regarding the Proposed Acquisition in October 2014, a synergy development team was established by Aviva to evaluate and assess the potential synergies available for the integration and to undertake an initial planning exercise.
- 11.11 The team, which comprises senior strategy and financial personnel, has worked collaboratively to identify and quantify potential synergies as well as estimate any associated costs. The team has engaged with the relevant functional heads and other personnel to provide input into the development process and to agree on the nature and quantum of the identified synergy initiatives.
- 11.12 In preparing the statements of estimated cost savings and synergies, both Aviva and Friends Life have shared certain operating and financial information to facilitate a detailed analysis in support of evaluating the potential synergies available from the Proposed Acquisition. In circumstances where data has been limited for commercial or other reasons, the team has made estimates and assumptions to aid its development of individual synergy initiatives.

11.13 The Aviva Directors have confirmed that there have been no material changes to the statements of estimated cost savings and synergies, which were set out in Appendix 4 to the Announcement, and remain valid, and that Deloitte LLP, and its joint financial advisers, Morgan Stanley, J.P. Morgan Cazenove and Robey Warshaw, have also confirmed to Aviva that the reports they produced in connection with these statements, which were also set out in Appendix 4 to the Announcement, continue to apply.

12 General

- 12.1 Goldman Sachs International, Barclays, RBC, J.P. Morgan Cazenove, Morgan Stanley and Robey Warshaw have given and not withdrawn their written consent to the issue of this document with the inclusion of the references to their respective names in the form and context in which they appear.
- 12.2 There is no agreement, arrangement or understanding whereby the beneficial ownership of any of the Friends Life Shares to be acquired by Aviva pursuant to the Scheme will be transferred to any other person, save that Aviva reserves the right to transfer any such Friends Life Shares to any other member of the Aviva Group or any nominee.
- 12.3 There are no agreements of the kind referred to in Note 11 on the definition of acting in concert in the Code which exist between Aviva, or any person acting in concert with Aviva, and any other person.
- 12.4 Save as disclosed in this document, no agreement, arrangement or understanding (including any compensation arrangement) exists between Aviva or any person acting in concert with Aviva for the purposes of the Proposed Acquisition and any of the directors, recent directors, shareholders or recent shareholders of Friends Life, or any person interested or recently interested in Friends Life Shares, having any connection with or dependence upon, or which is conditional on the outcome of the Proposed Acquisition.
- 12.5 Save as disclosed in this document, no proposal exists in connection with the Proposed Acquisition that any payment or other benefit shall be made or given by Aviva to any Friends Life Director as compensation for loss of office or as consideration for, or in connection with, his or her retirement from office.
- 12.6 Settlement of the consideration to which each Scheme Shareholder is entitled under the Scheme will be implemented in full in accordance with the terms of the Scheme without regard to any lien or right of set-off, counterclaim or other analogous right to which Aviva may otherwise be or claim to be entitled against any such Scheme Shareholder.

13 Other information

- 13.1 As at 15 January 2015 (being the latest practicable date prior to the publication of this document), Friends Life held no Friends Life Shares as treasury shares.
- 13.2 Save as disclosed in this document, the Friends Life Directors are not aware of any material change in relation to any material information previously published by or on behalf of Friends Life during the Offer Period.
- 13.3 Save as disclosed in this document, the Aviva Directors are not aware of any material change in relation to any material information previously published by or on behalf of Aviva during the Offer Period.

14 Persons acting in concert

14.1 The persons who, for the purposes of the Code, are acting in concert with Friends Life in addition to the Friends Life Directors and members of the Friends Life Group and any other persons disclosed in paragraph 4 of this Part VIII as such, are:

Name	Type	Registered office	Relationship with Friends Life
Goldman Sachs International	Private limited company (England and Wales)	133 Fleet Street, London EC4A 2BB	Financial adviser
Barclays Bank PLC (acting through its investment bank)	Public limited company (England and Wales)	1 Churchill Place, London E14 5HP	Financial adviser and Corporate Broker
RBC Europe Limited	Private limited company (England and Wales)	Riverbank House, 2 Swan Lane, London EC4R 3BF	Financial adviser and Corporate Broker

14.2 The persons who, for the purposes of the Code, are acting in concert with Aviva in addition to the Aviva Directors and members of the Aviva Group and any other persons disclosed in paragraph 4 of this Part VIII as such, are:

Name	Type	Registered office	Relationship with Friends Life
Morgan Stanley	Public limited company (England and Wales)	25 Cabot Square, Canary Wharf, London E14 4QA	Financial adviser and Joint Sponsor
J.P. Morgan Limited	Private limited company (England and Wales)	25 Bank Street, Canary Wharf, London E14 5JP	Financial adviser and Joint Sponsor
Robey Warshaw LLP	Limited liability partnership (England and Wales)	31 St James's Place, London SW1A 1NR	Financial adviser

15 Fees and expenses

15.1 The estimated aggregate fees and expenses expected to be incurred by Friends Life in connection with the Proposed Acquisition amount to £36.1 million (excluding any applicable VAT), which includes fees and expenses expected to be incurred in relation to the following:

- (a) £26.0 million for financial and broking advice;
- (b) £6.0 million for legal advice;
- (c) £1.0 million for accounting advice;
- (d) £0.4 million for public relations advice; and
- (e) £2.7 million for other costs and expenses.

15.2 The estimated aggregate fees and expenses expected to be incurred by Aviva in connection with the Proposed Acquisition amount to £32.4 million (excluding any applicable VAT), which includes fees and expenses expected to be incurred in relation to the following:

- (a) £18.8 million for financial and corporate broking advice;
- (b) £4.4 million for legal advice;
- (c) £4.8 million for accounting advice;
- (d) £1.8 million for public relations advice; and
- (e) £2.6 million for other costs and expenses.

16 Supplementary information

16.1 Aviva's 2014 Preliminary Results and Friends Life's 2014 Preliminary Results are expected to be made available on or around 5 March 2015 on, respectively, Aviva's website at www.aviva.com and on Friends Life's website at www.friendslifegroup.com.

- 16.2 On or around 5 March 2015 following the publication of Aviva's 2014 Preliminary Results Aviva intends to publish a supplementary prospectus in respect of the Aviva Prospectus incorporating by reference Aviva's 2014 Preliminary Results and incorporating by reference Friends Life's 2014 Preliminary Results.
- 16.3 Copies of the supplementary documentation referred to in this paragraph 16 of this Part VIII will be available on Friends Life's website at www.friendslifegroup.com and on Aviva's website at www.aviva.com once published. In the case of Aviva's 2014 Preliminary Results and the supplementary prospectus referred to in paragraph 16.2 above, hard copies can be requested by contacting Aviva's Registrar, Computershare Investor Services PLC, whose contact details are set out on page 64 of this document. In the case of Friends Life's 2014 Preliminary Results, a hard copy can be requested by contacting Friends Life's Registrar, Computershare Investor Services (Jersey) Limited, whose contact details are set out on page 6 of this document.
- 16.4 Scheme Shareholders are advised to read such supplementary documentation to be published in connection with the Proposed Acquisition.

17 Friends Life Dividend Reinvestment Plan

- 17.1 Pursuant to paragraph 10 of the terms and conditions of the Friends Life Dividend Reinvestment Plan, the Friends Life Dividend Reinvestment Plan will cease immediately prior to the Friends Life Dividend Record Date. Any cash surplus held for the benefit of participants in the Friends Life Dividend Reinvestment Plan will be returned to such participants in accordance with the terms and conditions of the Friends Life Dividend Reinvestment Plan.
- 17.2 Aviva operates a dividend reinvestment plan for its own shareholders, under which participants may be subject to different fees and charges to those which apply under the Friends Life Dividend Reinvestment Plan. If holders of New Aviva Shares wish to participate in Aviva's dividend reinvestment plan following the Effective Date, they will need to make an election to do so. Aviva intends to write to holders of New Aviva Shares in due course to provide information in respect of its dividend reinvestment plan and how to make an election to participate.
- 17.3 Further information on the current terms of Aviva's dividend reinvestment plan is available on Aviva's Investor Relations website at www.aviva.com.

18 Documents available for inspection

Copies of the following documents will be made available for viewing on Friends Life's website at www.friendslifegroup.com and on Aviva's website at www.aviva.com until the Effective Date:

- (a) the Friends Life Articles as proposed to be amended by the Special Resolution set out in the Notice of the General Meeting set out at Part XI of this document;
- (b) the terms and conditions of the Aviva Share Account, together with a letter from Computershare describing the material differences between the terms and conditions of the Friends Life Group Limited Share Account and the Aviva Share Account;
- (c) the audited consolidated accounts for the Friends Life Group for the financial year ended 31 December 2013 (set out on pages 128 to 236 (both inclusive) in the 2013 Friends Life Annual Report);
- (d) the audited consolidated accounts for the Friends Life Group for the financial year ended 31 December 2012 (set out on pages 110 to 221 (both inclusive) in the 2012 Friends Life Annual Report);
- (e) the audited consolidated accounts for the Friends Life Group for the financial year ended 31 December 2011 (set out on pages 111 to 214 (both inclusive) in the 2011 Friends Life Annual Report);
- (f) the unaudited accounts for the Friends Life Group for the six months ended 30 June 2014;
- (g) the unaudited interim management statements for the Friends Life Group for the nine months ended 30 September 2014;
- (h) the memorandum and articles of association of Aviva;

- (i) the audited accounts of the Aviva Group for the financial year ended 31 December 2013 (set out on pages 106 to 246 (both inclusive) in the 2013 Aviva Annual Report);
- (j) the audited accounts of the Aviva Group for the financial year ended 31 December 2012 (set out on pages 146 to 272 (both inclusive) in the 2012 Aviva Annual Report);
- (k) the audited accounts of the Aviva Group for the financial year ended 31 December 2011 (set out on pages 166 to 320 (both inclusive) in the 2011 Aviva Annual Report);
- (l) the unaudited accounts for the Aviva Group for the six months ended 30 June 2014;
- (m) the unaudited interim management statements for the Aviva Group for the nine months ended 30 September 2014;
- (n) the Confidentiality Agreement described in paragraph 9.1.1 of this Part VIII;
- (o) the Co-operation Agreement described in paragraph 9.1.2 of this Part VIII;
- (p) this document and the Forms of Proxy and Forms of Instruction;
- (q) the Deloitte report on the Quantified Financial Benefits Statement;
- (r) the irrevocable undertakings referred to in paragraph 7 of this Part VIII;
- (s) the written consents referred to in paragraph 12 of this Part VIII;
- (t) full lists of dealings where the Panel has given consent to the aggregation of dealings set out in paragraph 4 of this Part VIII;
- (u) Aviva's 2014 Preliminary Results (once published on or around 5 March 2015 as set out in paragraph 16 of this Part VIII);
- (v) Friends Life's 2014 Preliminary Results (once published on or around 5 March 2015 as set out in paragraph 16 of this Part VIII);
- (w) the Aviva Prospectus (including any supplementary prospectus published on or around 5 March 2015 as set out in paragraph 16 of this Part VIII); and
- (x) the Aviva Class 1 Circular.

19 Employee Representatives' Opinion

On 9 January 2015, Friends Life received the Employee Representatives' Opinion from Unite the Union, as set out in Appendix 1 to this document.

20 Pension Scheme Trustees' Opinion

On 7 January 2015, Friends Life received the Pension Scheme Trustees' Opinion from the trustees of the FPPS, as set out in Appendix 2 to this document.

PART IX DEFINITIONS

The following definitions apply throughout this document, unless otherwise stated:

£ or Sterling or pounds sterling or pence	the lawful currency of the United Kingdom
Admission	the admission of the New Aviva Shares to the premium listing segment of the Official List and to trading on the main market for listed securities of the London Stock Exchange becoming effective in accordance with, respectively, LR 3.2.7G of the Listing Rules and the Admission and Disclosure Standards published by the London Stock Exchange
Announcement	the joint announcement made by Friends Life and Aviva dated 2 December 2014 in relation to the Proposed Acquisition made pursuant to Rule 2.7 of the Code
Articles or Friends Life Articles	the articles of incorporation of Friends Life
AVIF	the present value of future profits on a portfolio of long-term insurance and investment contracts, acquired through the purchase of a business or portfolio
Aviva	Aviva plc, a company incorporated under the laws of England and Wales with registered number 2468686, whose registered office is St Helen's, 1 Undershaft, London EC3P 3DQ, United Kingdom
Aviva Class 1 Circular	the circular to be posted to Aviva Shareholders in connection with the Proposed Acquisition
Aviva Directors	the current directors of Aviva, whose names appear in paragraph 2.4 of Part VIII of this document
Aviva General Meeting	the general meeting of Aviva to be convened in connection with the Proposed Acquisition, notice of which is set out in the Aviva Class 1 Circular (including any adjournment thereof)
Aviva Group	Aviva and its subsidiary undertakings
Aviva Investors	the asset management arm of Aviva
Aviva Prospectus	the prospectus to be published by Aviva in connection with the issue of the New Aviva Shares
Aviva Share Account	the corporate sponsored nominee account service of Aviva operated by Computershare Investor Services PLC pursuant to which Computershare Company Nominees Limited (or any other company), acting as nominee, holds Aviva Shares on behalf of Aviva Shareholders
Aviva Shareholders	holders of Aviva Shares
Aviva Shares	ordinary shares of 25 pence each in the capital of Aviva
Aviva's 2014 Preliminary Results	the preliminary consolidated accounts of Aviva for the financial year ended 31 December 2014
Aviva's Registrar	Computershare Investor Services PLC (incorporated in England and Wales under the Companies Act with registered number 3498808), whose registered office is The Pavilions, Bridgwater Road, Bristol BS13 8AE, United Kingdom
AvivaSA	AvivaSA Emeklilik ve Hayat A.S.
Barclays	Barclays Bank PLC (acting through its investment bank) of 5 North Colonnade, Canary Wharf, London E14 4BB
Blackstone	The Blackstone Group L.P. and its affiliates

BLUE Form of Proxy	the BLUE form of proxy for use by Scheme Shareholders in relation to the Court Meeting
Business Day or business day	a day on which banks are generally open for business in London and Guernsey (excluding Saturdays, Sundays and public holidays)
Closing Price	the middle market price of an Aviva Share or a Friends Life Share (as applicable) at the close of business on the day to which such price relates, as derived from the Daily Official List for that day or from Bloomberg in the case of the average Closing Price for the relevant period
CMA	the UK Competition and Markets Authority, the UK statutory body established under the Enterprise and Regulatory Reform Act 2013
Co-operation Agreement	the co-operation agreement entered into by Friends Life and Aviva dated 2 December 2014
Code	the City Code on Takeovers and Mergers published by the Panel
Companies Act	the UK Companies Act 2006 (as amended)
Companies Law	the Companies (Guernsey) Law, 2008 (as amended)
Computershare Nominee	Computershare Company Nominees Limited
Conditions	the conditions to the implementation of the Proposed Acquisition (including the Scheme) as set out in Part IV of this document
Confidentiality Agreement	the confidentiality agreement entered into by Friends Life and Aviva dated 10 November 2014
Court Meeting	the meeting of the Scheme Shareholders (other than Non-Voting Persons) convened by order of the Guernsey Court pursuant to section 107 of the Companies Law, to consider and, if thought fit, to approve the Scheme with or without modification (including any adjournment or postponement thereof)
CREST	the system for the paperless settlement of trades in securities and the holding of uncertificated securities operated by Euroclear in accordance with the Uncertificated Securities Regulations 2001 (as amended), which system is recognised pursuant to the Uncertificated Securities (Guernsey) Regulations, 2009
CREST Manual	the rules governing the operation of CREST, consisting of the CREST Reference Manual, CREST International Manual, CREST Central Counterparty Service Manual, CREST Rules, Registrars Service Standards, Settlement Discipline Rules, CCSS Operations Manual, Daily Timetable, CREST Application Procedure and CREST Glossary of Terms (all as defined in the CREST Glossary of Terms)
CREST Regulations	the Uncertificated Securities Regulations 2001 (SI 2001 No. 3755) or the Uncertificated Securities (Guernsey) Regulations, 2009 as the context requires
Daily Official List	the daily official list of the London Stock Exchange
Dealing Disclosure	an announcement pursuant to Rule 8 of the Code containing details of dealings in interests in relevant securities of a party to an offer
Disclosed	the information which has been fairly disclosed: <ul style="list-style-type: none"> (a) by Friends Life in its published annual report and accounts for the period ended 31 December 2013, half year report for the period ended 30 June 2014 or quarterly trading update for the period ended 30 September 2014; (b) in any public announcement made by Friends Life in accordance with the Listing Rules or the Disclosure and Transparency Rules prior to the second Business Day before the date of this document;

	(c) by Friends Life or its financial, accounting, tax or legal advisers (specifically as advisers in relation to the Proposed Acquisition) to Aviva or its financial, accounting, tax or legal advisers (specifically as advisers in relation to the Proposed Acquisition) prior to the date of this document; or
	(d) in the Announcement
Disclosure and Transparency Rules	the Disclosure and Transparency Rules of the FCA in its capacity as the UK Listing Authority under FSMA and contained in the UK Listing Authority's publication of the same name
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
Effective	in the context of the Proposed Acquisition:
	(a) if the Proposed Acquisition is implemented by way of the Scheme, the time at which the Guernsey Court sanctions the Scheme under Part VIII of the Companies Law; or
	(b) if the Proposed Acquisition is implemented by way of an Offer, such Offer having been declared or become unconditional in all respects in accordance with the Code
Effective Date	the date upon which the Scheme becomes Effective
Embedded Value	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 the present value of the amounts generated by the in-force business that will be distributable to shareholders in the future
Employee Representatives' Opinion	the opinion received on 9 January 2015 from Unite the Union, pursuant to Rule 25.9 of the Code on the effect of the Proposed Acquisition on employment, as set out in Appendix 1 to this document
Enlarged Group	the enlarged group following the Proposed Acquisition, comprising the Aviva Group and the Friends Life Group
EPS	a measure of profit generation per unit of equity, calculated by dividing profit after tax, non-controlling interests, cumulative preference dividends and coupon payments in respect of direct capital instruments and fixed rate tier 1 notes by the weighted average number of shares in issue during the period
EU Merger Regulation	the Council Regulation (EC) 139/2004 (as amended)
Euroclear	Euroclear UK & Ireland Limited, incorporated in England and Wales with registered number 2878738
Exchange Ratio	0.74 New Aviva Shares for each Friends Life Share
FCA	the UK Financial Conduct Authority
FLPL	Friends Life and Pensions Limited, a company incorporated under the laws of England and Wales with registered number 00475201, whose registered office is Pixham End, Dorking, Surrey RH4 1QA, United Kingdom
Forms of Instruction	the RED Form of Instruction and the WHITE Form of Instruction
Forms of Proxy	the BLUE Form of Proxy and the YELLOW Form of Proxy
FPPS	the defined benefit pension scheme in the UK known as the Friends Provident Pension Scheme
Friends Life	Friends Life Group Limited, a company incorporated under the laws of Guernsey with registered number 49558 and registered office address at PO Box 25, Regency Court, Gategny Esplanade, St Peter Port, Guernsey, GY1 3AP

Friends Life Board or Board	the board of Friends Life Directors
Friends Life Directors	the directors of Friends Life, whose names appear in paragraph 2.1 of Part VIII of this document
Friends Life Dividend Record Date	6.00 p.m. on the Business Day immediately prior to the date of the Guernsey Court Hearing, being the time and date by reference to which the entitlements of Scheme Shareholders to receive the proposed second interim Friends Life dividend of 24.1 pence per share will be determined
Friends Life Dividend Reinvestment Plan	Friends Life's dividend reinvestment plan
Friends Life Group	Friends Life, its subsidiaries and subsidiary undertakings from time to time
Friends Life Group Limited Share Account	the corporate sponsored nominee account service of Friends Life operated by Computershare Investor Services PLC pursuant to which Computershare Company Nominees Limited (or any other company), acting as nominee, holds Friends Life Shares on behalf of Scheme Shareholders
Friends Life Incentive Schemes	the employee incentive schemes operated by the Friends Life Group, being the Friends Life Group plc Long Term Incentive Plan, the Friends Life Group Limited Performance Share Plan, the Friends Life Group Limited Restricted Share Plan, the Resolution Limited Deferred Share Award Plan 2013, the Friends Provident Holdings (UK) plc Share Incentive Plan 2010 and the Friends Provident Group plc Share Incentive Plan 2009
Friends Life Share Buyback Programme	the Friends Life share buyback programme which commenced on 31 October 2014
Friends Life Share Incentive Plans	the Friends Provident Holdings (UK) plc Share Incentive Plan 2010 and the Friends Provident Group plc Share Incentive Plan 2009
Friends Life Shareholders	holders of Friends Life Shares
Friends Life Shares	ordinary shares of no par value in the capital of Friends Life
Friends Life's 2014 Preliminary Results	the preliminary consolidated accounts of Friends Life for the financial year ended 31 December 2014
FSMA	Financial Services and Markets Act 2000 (as amended)
General Meeting	the extraordinary general meeting of Friends Life convened for the purposes of implementing the Proposed Acquisition, or any adjournment thereof
GFSC	the Guernsey Financial Services Commission
Goldman Sachs International	Goldman Sachs International of Peterborough Court, 133 Fleet Street, London EC4A 2BB
Guernsey	the Island of Guernsey or the Bailiwick of Guernsey, as the context requires
Guernsey Court	the Royal Court of Guernsey
Guernsey Court Hearing	the hearing by the Guernsey Court to sanction the Scheme under Part VIII of the Companies Law
Guernsey IBL	the Insurance Business (Bailiwick of Guernsey) Law, 2002 (as amended)
HK SFC	the Securities and Futures Commission in Hong Kong
HMRC	HM Revenue & Customs
Holdco Excess Cash Flow	a measure of excess cash flow, calculated by deducting central operating expenses and debt financing costs from cash remitted by business units
IFRS	International Financial Reporting Standards
J.P. Morgan Cazenove	J.P. Morgan Limited, conducting its UK investment banking activities as J.P. Morgan Cazenove, of 25 Bank Street, Canary Wharf, London E14 5JP
Joint Sponsors	J.P. Morgan Cazenove and Morgan Stanley

Listing Rules	the rules and regulations made by the UK Listing Authority under Part VI of FSMA and contained in the UK Listing Authority's publication of the same name (as amended from time to time)
Limited Partnership Agreement	the limited partnership agreement relating to the Partnership
Lombard	Lombard International Assurance S.A. and Insurance Development Holdings AG
London Stock Exchange or LSE	London Stock Exchange plc
Long Stop Date	31 July 2015 or such later date (if any) as Aviva and Friends Life may agree and, if required, the Guernsey Court may allow
Market Consistent Embedded Value or 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 the present value of the amounts generated by the in-force business that will be distributable to shareholders in the future, where the assumptions used to calculate future profits are consistent with current market prices for traded assets
Morgan Stanley	Morgan Stanley & Co International plc of 25 Cabot Square, Canary Wharf, London E14 4QA
NAV	net asset value
New Aviva Board	the board of directors of Aviva following the Proposed Acquisition
New Aviva Shares	the new Aviva Shares to be issued and credited as fully paid to the holders of Scheme Shares (other than Restricted Persons) pursuant to the Scheme
Non-Voting Person	any holder of Non-Voting Shares, provided that any such person will only be a Non-Voting Person in respect of the Non-Voting Shares that person holds
Non-Voting Shares	any Scheme Shares in respect of which: <ul style="list-style-type: none"> (a) a member of the Aviva Group controls the exercise of the voting rights attaching to those Scheme Shares; and (b) a member of the Aviva Group has a beneficial interest in such Scheme Shares
Offer	if the Proposed Acquisition is implemented by way of a takeover offer as defined in Chapter 3 of Part 28 of the Companies Act, the offer to be made by Aviva to acquire the entire issued and to be issued share capital of Friends Life including, where the context so requires, any subsequent revision, variation, extension or renewal of such offer and including any election available in connection with it
Offer Period	has the meaning given to it in the Code
Official List	the official list of the UK Listing Authority
Opening Position Disclosure	an announcement pursuant to Rule 8 of the Code containing details of certain persons' interests in relevant securities of a party to an offer
Overseas Shareholders	Scheme Shareholders who have a registered address in a jurisdiction outside the United Kingdom, the United States or Guernsey, or whom Aviva reasonably believes to be citizens, residents or nationals of a jurisdiction outside the United Kingdom, the United States or Guernsey
Panel	the Panel on Takeovers and Mergers
Partnership	Resolution Holdco No.1 LP acting by its general partner Friends Life
Pension Scheme Trustees' Opinion	the opinion received on 7 January 2015 from the trustees of the FPPS, pursuant to Rule 25.9 of the Code on the effects of the Proposed Acquisition on the FPPS, as set out in Appendix 2 to this document

Phase 2 CMA Reference	the CMA making a reference to its chair for the constitution of a group under Schedule 4 to the Enterprise and Regulatory Reform Act 2013 pursuant to Clause 33 of the Enterprise Act 2002 (as amended) or a public interest intervention notice being issued by the Secretary of State for Business, Innovation and Skills under section 42(2) of the Enterprise Act 2002 (as amended)
Phase 2 European Commission Proceedings	where the Commission initiates proceedings pursuant to Article 6(1)(c), under Article 8(1) or 8(2) of the EU Merger Regulation
PRA	the UK Prudential Regulation Authority
Proposed Acquisition	the proposed acquisition of Friends Life by Aviva to be implemented by way of the Scheme or otherwise by way of an Offer
RBC	RBC Europe Limited of Riverbank House, 2 Swan Lane, London EC4R 3BF, United Kingdom
RCAP	RCAP UK LP acting by its general partner RCAP UK GP Limited
RED Form of Instruction	the RED form of instruction for use by Share Account Holders in relation to the General Meeting
Registrar, Computershare or Friends Life's Registrar	means: <ul style="list-style-type: none"> (a) in respect of Friends Life Shares held in certificated form or in CREST, Computershare Investor Services (Jersey) Ltd at Queensway House, Hilgrove Street, St Helier, Jersey, Channel Islands JE1 1ES; and (b) in respect of Friends Life Shares held through the Friends Life Group Limited Share Account, Computershare Investor Services PLC (incorporated in England and Wales under the Companies Act with registered number 3498808), whose registered office is The Pavilions, Bridgwater Road, Bristol BS13 8AE, United Kingdom
Regulatory Information Service	any of the services authorised from time to time by the FCA for the purposes of disseminating regulatory announcements
Restricted Jurisdiction	any jurisdiction where local laws or regulations may result in significant risk of civil, regulatory or criminal exposure if information concerning the Proposed Acquisition is sent or made available to Scheme Shareholders in that jurisdiction (in accordance with Rule 30.3 of the Code)
Restricted Person	any person which holds Scheme Shares and which would be prohibited under section 136 (as extended by section 144) of the Companies Act from being a shareholder of Aviva upon this Scheme becoming Effective, provided that any such person will only be a Restricted Person to the extent of such prohibition
Restricted Shares	any Scheme Shares which are registered in the name of a Restricted Person, provided that any such Scheme Shares shall only be Restricted Shares to the extent that the prohibition in section 136 (as extended by section 144) of the Companies Act applies to such Scheme Shares
Robey Warshaw	Robey Warshaw LLP of 31 St James's Place, London SW1A 1NR
Scheme	the scheme of arrangement proposed to be made under Part VIII of the Companies Law between Friends Life and the Scheme Shareholders, with or subject to any modification, addition or condition approved or imposed by the Guernsey Court and agreed to by Friends Life and Aviva, set out in Part III of this document
Scheme Record Time	6.00 p.m. on the Business Day immediately prior to the date of the Guernsey Court Hearing
Scheme Shareholders	holders of Scheme Shares

Scheme Shares	<p>Friends Life Shares:</p> <p>(a) in issue at the date of this document;</p> <p>(b) (if any) issued after the date of this document and before the Voting Record Time; and</p> <p>(c) (if any) issued at or after the Voting Record Time but before the Scheme Record Time in respect of which the original or any subsequent holder thereof is, or shall have agreed in writing to be, bound by the Scheme,</p> <p>and including, for the avoidance of doubt and where the context requires, any Restricted Shares and any Non-Voting Shares, but excluding any Friends Life Shares held as treasury shares</p>
SEC	US Securities and Exchange Commission
Share Account Holders	a beneficial holder of Friends Life Shares whose interest in such shares is held under the Friends Life Group Limited Share Account
Shareholder Guidance Booklet	the shareholder guidance booklet explaining to Scheme Shareholders and Share Account Holders what they are to receive with this document and what actions need to be taken in respect thereof
Shareholder Meetings	the Court Meeting and the General Meeting and “ Shareholder Meeting ” means either one of them
Significant Interest	in relation to an undertaking, a direct or indirect interest of 20 per cent. or more of (i) the total voting rights conferred by the equity share capital (as defined in section 548 of the Companies Act) of such undertaking or (ii) the relevant partnership interest
Solvency II	the Solvency II Directive and any implementing measures adopted pursuant to the Solvency II Directive (for the avoidance of doubt, whether implemented by way of regulation or by further directives or otherwise)
Solvency II Directive	Directive 2009/138/EC of the European Union (as amended) on the taking-up and pursuit of the business of insurance and reinsurance (Solvency II) and which must be transposed by Member States pursuant to Article 309 of Directive 2009/138/EC
Special Resolution	the special resolution to be proposed by Friends Life at the General Meeting in connection with, among other things, the approval of the Scheme, the alteration of the Friends Life Articles and such other matters as may be necessary to implement the Scheme
S&P Leverage	a leverage measure used by the rating agency Standard and Poor’s, which is based on dividing the company’s external borrowings by the sum of its external borrowings and its total equity on an MCEV basis
TNAV	tangible net asset value
UK Listing Authority	the FCA acting in its capacity as the competent authority for listing under FSMA
United Kingdom or UK	the United Kingdom of Great Britain and Northern Ireland
United States of America, United States, USA or US	the United States of America, its territories and possessions, any State of the United States and the District of Columbia
US Exchange Act	the US Securities and Exchange Act of 1934
US Securities Act	the US Securities Act of 1933 and the rules and regulations promulgated thereunder (as amended)
Value Share	the interests held by RCAP in the Partnership through which certain returns are distributed to RCAP, as described in more detail in Friends Life’s annual report and accounts 2013

Voting Record Time	6.00 p.m. on the day which is two days before the date of the Court Meeting or the General Meeting (as applicable) or, if the Court Meeting (or General Meeting) is adjourned, 6.00 p.m. on the day which is two days before the date set for the adjourned Court Meeting or the General Meeting, as applicable
WHITE Form of Instruction	the WHITE form of instruction for use by Share Account Holders in relation to the Court Meeting
Wider Aviva Group	Aviva and its subsidiaries, subsidiary undertakings, associated undertakings and any other body corporate partnership, joint venture or person in which Aviva and all such undertakings (aggregating their interests) have a Significant Interest (other than any member of the Wider Friends Life Group)
Wider Friends Life Group	Friends Life and its subsidiaries, subsidiary undertakings, associated undertakings and any other body corporate, partnership, joint venture or person in which Friends Life and all such undertakings (aggregating their interests) have a Significant Interest
Windsor Life	Windsor Life Assurance Company Limited
YELLOW Form of Proxy	the YELLOW form of proxy for use by Scheme Shareholders in relation to the General Meeting

**PART X
NOTICE OF COURT MEETING**

**IN THE ROYAL COURT OF GUERNSEY
(ORDINARY DIVISION)**

IN THE MATTER OF FRIENDS LIFE GROUP LIMITED

- and -

IN THE MATTER OF THE COMPANIES (GUERNSEY) LAW, 2008 (AS AMENDED)

NOTICE IS HEREBY GIVEN that, by an Order dated 15 January 2015 made under section 107 of the Companies (Guernsey) Law, 2008 (as amended) in the above matters, the Royal Court of Guernsey has ordered a meeting (the “**Court Meeting**”) to be convened of the holders of the Scheme Shares (other than Non-Voting Shares) (each as defined in the Scheme hereinafter mentioned) for the purpose of considering and, if thought fit, approving (with or without modification) a scheme of arrangement proposed to be made between Friends Life Group Limited (the “**Company**”) and the holders of the Scheme Shares (the “**Scheme**”), and that such meeting shall be held at Glaziers Hall, 9 Montague Close, London SE1 9DD on 26 March 2015 at 2.00 p.m., at which place and time such holders of the Scheme Shares are requested to attend.

A copy of the said Scheme and a copy of the explanatory statement required to be furnished pursuant to Part VIII of the Companies (Guernsey) Law, 2008 (as amended) are incorporated in the document of which this notice forms part.

At the Court Meeting, the following resolution will be proposed:

“That the Scheme between the Company and the Scheme Shareholders, a print of which has been produced to this meeting and for the purposes of identification signed by the chairman hereof in its original form or with or subject to any modification, addition or condition approved or imposed by the Guernsey Court, be approved.”

Holders of Scheme Shares entitled to attend and vote at the Court Meeting may vote in person at the said meeting or they may appoint another person, whether a member of the Company or not, as their proxy to attend and vote in their stead. If you are a registered Scheme Shareholder, a BLUE Form of Proxy for use in connection with the Court Meeting is enclosed with this notice and, if you hold your Scheme Shares through the Friends Life Group Limited Share Account (a “Share Account Holder”), a WHITE Form of Instruction for use in connection with the Court Meeting is enclosed with this notice.

Completion and return of the BLUE Form of Proxy shall not prevent a holder of Scheme Shares entitled to attend and vote from attending and voting at the Court Meeting or any adjournment thereof.

Holders of Scheme Shares entitled to attend and vote at the Court Meeting are entitled to appoint a proxy in respect of some or all of their shares. Holders of such Scheme Shares are also entitled to appoint more than one proxy, provided that each proxy is appointed to exercise the rights attached to a different share or shares held by such holder. A space has been included in the BLUE Form of Proxy to allow holders of Scheme Shares to specify the number of shares in respect of which that proxy is appointed. Holders of Scheme Shares who return the BLUE Form of Proxy duly executed but leave this space blank shall be deemed to have appointed the proxy in respect of all their Scheme Shares.

Share Account Holders will only be entitled to attend and vote at the Court Meeting if they have submitted and completed the WHITE Form of Instruction in accordance with the instructions printed on them.

Holders of Scheme Shares who wish to appoint more than one proxy in respect of their shareholding should contact the Company’s Registrar, Computershare Investor Services (Jersey) Limited at Queensway House, Hilgrove Street, St. Helier, Jersey JE1 1ES for further BLUE Forms of Proxy or photocopy the BLUE Form of Proxy as required. Such holders should also read the information regarding the appointment of multiple proxies set out on page 9 of the document of which this notice forms part and the related notes on the BLUE Form of Proxy.

It is requested that BLUE Forms of Proxy, and any power of attorney or other authority (if any) under which they are executed (or a notarially certified copy of such power or authority), be lodged with the Company’s proxy

processing agent, Computershare Investor Services PLC, at The Pavilions, Bridgwater Road, Bristol BS99 6ZY, United Kingdom by no later than 2.00 p.m. on 24 March 2015, or, if the Court Meeting is adjourned, no later than 48 hours before the time fixed for the adjourned meeting. However, if the BLUE Forms are not so lodged, they may be handed to the Chairman or the Company's proxy processing agent, Computershare Investor Services PLC, on behalf of the Chairman, at the start of the Court Meeting.

Share Account Holders should complete the WHITE Forms of Instruction and any power of attorney or other authority (if any) under which they are executed (or a notorially certified copy of such power or authority) and return them to Computershare Investor Services PLC at The Pavilions, Bridgwater Road, Bristol BS99 6ZY or give instructions online through the Shareholder Centre accessed by going to Friends Life's Investor Relations website at www.friendslifegroup.com by no later than 2.00 p.m. on 20 March 2015, or, if the Court Meeting is adjourned, no later than 96 hours before the time fixed for the adjourned meeting. WHITE Forms of Instruction can be requested from the Friends Life Shareholder Helpline on +44 (0) 870 707 1444 or from Computershare Investor Services PLC by email to webcorres@computershare.co.uk or in writing to The Pavilions, Bridgwater Road, Bristol BS99 6ZY, stating your name, your Shareholder Reference Number and the address to which the WHITE Form of Instruction should be sent.

As an alternative to completing and returning the BLUE Forms of Proxy or the WHITE Forms of Instruction, Scheme Shareholders and Share Account Holders may complete the BLUE Forms of Proxy or the WHITE Forms of Instruction online (as applicable) through the Shareholder Centre accessed via Friends Life's Investor Relations website at www.friendslifegroup.com using the Shareholder Reference Number, Control Number and PIN, which can be found on the BLUE Forms of Proxy or the WHITE Forms of Instruction. Electronic proxy appointments for the Court Meeting must be received by Computershare Investor Services PLC by, in the case of BLUE Forms of Proxy, 2.00 p.m. on 24 March 2015 and, in the case of WHITE Forms of Instruction, 2.00 p.m. on 20 March 2015.

Holders of Scheme Shares entitled to attend and vote at the Court Meeting who hold their shares through CREST may appoint a proxy using the CREST electronic proxy appointment service. Further details for these arrangements are set out in the document of which this notice forms part.

In the case of joint holders of a share, where the Company has been notified that one of their number has been elected to represent them and vote, then he shall be entitled to vote whether in person or by proxy or, in default of such notification the person whose name stands first in the register of members of the Company in respect of the joint holding shall alone be entitled to vote.

Entitlement to attend and vote at the Court Meeting or any adjournment thereof and the number of votes which may be cast thereat shall be determined by reference to the register of members of the Company at 6.00 p.m. on the day which is two days before the date of the Court Meeting or any adjourned meeting (as the case may be). In each case, changes to the register of members of the Company after such time shall be disregarded.

By the said Order, the Guernsey Court has appointed Sir Malcolm Williamson or, failing him, David Allvey or, failing him, Andrew Briggs, to act as Chairman of the said meeting and has directed the Chairman to report the result thereof to the Guernsey Court.

The said Scheme shall be subject to the subsequent sanction of the Guernsey Court.

Dated 19 January 2015

Victoria Hames
Company Secretary

Registered office

PO Box 25
Regency Court
Glategny Esplanade
St Peter Port
Guernsey GY1 3AP

PART XI
NOTICE OF AN EXTRAORDINARY GENERAL MEETING

Friends Life Group Limited (the “Company”)

(Registered in Guernsey No. 49558)

NOTICE IS HEREBY GIVEN that an EXTRAORDINARY GENERAL MEETING of the Company shall be held at Glaziers Hall, 9 Montague Close, London SE1 9DD on 26 March 2015 at 2.15 p.m. (or as soon thereafter as the Court Meeting (as defined in the document of which this Notice forms part) has concluded or been adjourned) for the purpose of considering and, if thought fit, passing the following resolution which shall be proposed as a special resolution:

SPECIAL RESOLUTION

THAT:

- (a) for the purpose of giving effect to the scheme of arrangement dated 19 January 2015 between the Company and the holders of the Scheme Shares (as defined in the said scheme of arrangement), a print of which has been produced to this meeting and for the purposes of identification signed by the chairman thereof, in its original form or subject to any modification, addition or condition agreed by the Company and Aviva plc (“**Aviva**”) and sanctioned or imposed by the Royal Court of Guernsey (the “**Scheme**”), the directors of the Company be authorised to take all such action as they may consider necessary or appropriate for carrying the Scheme into effect; and
- (b) with effect from the passing of this resolution, the articles of incorporation of the Company be amended by the adoption and inclusion of the following new article 46:

“46 SCHEME OF ARRANGEMENT

- 46.1 In this Article 46, the “**Scheme**” means the scheme of arrangement dated 19 January 2015 between the Company and the holders of its Scheme Shares (as defined in the Scheme) under Part VIII of the Companies (Guernsey) Law, 2008 (as amended) in its original form or with or subject to any modification, addition or condition approved or imposed by the Royal Court of Guernsey and agreed by the Company and Aviva plc (“**Aviva**”) and (save as defined in this Article) expressions defined in the Scheme shall have the same meanings in this Article.
- 46.2 Notwithstanding any other provision of these Articles, if the Company issues any Ordinary Shares (other than to Aviva) after the adoption of this Article and before the Scheme Record Time, such shares shall be issued subject to the terms of the Scheme (and shall be Scheme Shares for the purposes thereof) and the holders of such shares shall be bound by the Scheme accordingly.
- 46.3 Subject to the Scheme becoming effective, if any Ordinary Shares are issued to any person (a “**New Member**”) (other than to Aviva) at or after the Scheme Record Time (the “**Post-Scheme Shares**”), they shall be immediately transferred to Aviva (or as it may direct), provided that such transfer shall not take place on the Effective Date, in consideration of (subject as hereinafter provided) the allotment and issue or transfer to the New Member of such number of ordinary shares of 25 pence in the capital of Aviva (the “**Consideration Shares**”) as that New Member would have been entitled to had each Post-Scheme Share been a Scheme Share, provided that:
 - 46.3.1 if, in respect of any New Member (save for any New Member falling within Article 46.3.2 below) with a registered address in a jurisdiction outside the United Kingdom, the United States of America, its territories and possessions, any State of the United States and the District of Columbia (the “**United States**”) or Guernsey, or whom Aviva reasonably believes to be a citizen, resident or national of a jurisdiction outside the United Kingdom, the United States or Guernsey, Aviva is advised that the allotment and/or issue or transfer of Consideration Shares pursuant to this Article would or may infringe the laws of such jurisdiction outside the United Kingdom, the United States or Guernsey or would or may require Aviva

to comply with any governmental or other consent or any registration, filing or other formality with which Aviva is unable to comply or compliance with which Aviva regards as unduly onerous, Aviva may, in its sole discretion, determine that such Consideration Shares shall be sold, in which event Aviva shall appoint a person to act pursuant to this Article and such person shall be authorised on behalf of such New Member to procure that any shares in respect of which Aviva has made such determination shall, as soon as practicable following the allotment, issue or transfer of such shares, be sold and the net proceeds of the sale (after the deduction of all expenses and commissions incurred in connection with such sale) shall be distributed to the persons entitled thereto;

- 46.3.2 in respect of any New Member being a body corporate which would be prohibited under section 136 (as extended by section 144) of the UK Companies Act 2006 (as amended) from being a shareholder of Aviva (a “**Restricted Person**”), provided that any such body corporate will only be a Restricted Person to the extent of such prohibition, Aviva shall pay to or for the account of that New Member an amount in cash equal to the market value of the Consideration Shares which that New Member would have received had they been entitled to receive Consideration Shares, where the market value of one Consideration Share shall be determined as being equal to the average price obtained pursuant to the sale of any Consideration Share pursuant to Article 46.3.1, or if no such sales are made, the average of the closing mid-market price for a Consideration Share in the first three days of trading in such shares commencing on the Business Day following the Effective Date; and
- 46.3.3 any New Member may, prior to the issue of any Post-Scheme Shares to him pursuant to any of the employee incentive schemes operated by the Friends Life Group, being the Friends Life Group plc Long Term Incentive Plan, the Friends Life Group Limited Performance Share Plan, the Friends Life Group Limited Restricted Share Plan, the Resolution Limited Deferred Share Award Plan 2013, the Friends Provident Holdings (UK) plc Share Incentive Plan 2010 and the Friends Provident Group plc Share Incentive Plan 2009, give not less than five Business Days’ written notice to the Company in such manner as the Directors shall prescribe of his intention to transfer some or all of such Post-Scheme Shares to his spouse or civil partner. Any such New Member may, if such notice has been validly given, on such Post-Scheme Shares being issued to him, immediately transfer to his spouse or civil partner any such Post-Scheme Shares, provided that such Post-Scheme Shares shall then be immediately transferred from that spouse or civil partner to Aviva pursuant to this Article as if the spouse or civil partner were a New Member. Where a transfer of Post-Scheme Shares to a New Member’s spouse or civil partner takes place in accordance with this Article 46.3, references to “New Member” in this Article shall be taken as referring to the spouse or civil partner of the New Member. If notice has been validly given pursuant to this Article but the New Member does not immediately transfer to his spouse or civil partner the Post-Scheme Shares in respect of which notice was given, such shares shall be transferred directly to Aviva pursuant to this Article.
- 46.4 The Consideration Shares allotted and issued or transferred to a New Member pursuant to Article 46.3 shall be credited as fully paid and shall rank *pari passu* in all respects with all other Aviva Shares in issue at that time (other than as regards any dividend or other distribution payable by reference to a record date preceding the date of allotment) and shall be subject to the articles of association of Aviva.
- 46.5 The number of Consideration Shares to be allotted and issued or transferred to a New Member pursuant to Article 46.3 may be adjusted by the Directors of the Company, in such manner as the auditors of the Company may determine, on any reorganisation of or material alteration to the share capital of either the Company or Aviva effected after the close of business on the Effective Date.
- 46.6 No fraction of a Consideration Share shall be allotted, issued or transferred to a New Member pursuant to this Article 46.6, and the entitlement of each New Member who would otherwise have been entitled to a fraction of a Consideration Share shall be rounded down to the nearest whole number of Consideration Shares. Any fraction of a Consideration Share to which a New Member would otherwise have become entitled shall

be allotted and issued to a person appointed by Aviva and aggregated with the fractional entitlements of any other New Members whose Post-Scheme Shares are being transferred under this Article on the same date and sold in the market and the net proceeds of sale (after the deduction of all expenses and commissions incurred in connection with such sale) shall be distributed by Aviva in due proportions to the persons entitled thereto who would otherwise have been entitled to fractions of Consideration Shares.

- 46.7 To give effect to any transfer of Post-Scheme Shares, the Company may appoint any person as agent for the New Member to transfer the Post-Scheme Shares to Aviva and do all such other things and execute and deliver all such documents as may in the opinion of the agent be necessary or desirable to vest the Post-Scheme Shares in Aviva or its nominee(s) and pending such vesting to exercise all such rights attaching to the Post-Scheme Shares as Aviva may direct. If an agent is so appointed, the New Member shall not thereafter (except to the extent that the agent fails to act in accordance with the directions of Aviva) be entitled to exercise any rights attaching to the Post-Scheme Shares unless so agreed by Aviva. The agent shall be empowered to execute and deliver as transferor a form of transfer or other instrument or instruction of transfer on behalf of the New Member (or any subsequent holder) in favour of Aviva or its nominee(s) and the Company may give a good receipt for the consideration for the Post-Scheme Shares and may register Aviva as holder thereof and issue to it certificates for the same. The Company shall not be obliged to issue a certificate to the New Member for the Post-Scheme Shares. Aviva shall, subject to Articles 46.3.1 and 46.3.2, allot and issue or transfer the Consideration Shares to the New Member within five Business Days of the issue of the Post-Scheme Shares to the New Member.
- 46.8 To give effect to any sale of Consideration Shares under Article 46.3.1, Aviva may appoint any person as agent or nominee for the New Member to sell the Consideration Shares and, on behalf of any New Member, such agent or nominee shall be authorised, to execute and deliver as transferor a form of transfer or other instrument or instruction of transfer and to give such instructions and to do all other things which he may consider necessary or expedient in connection with such sale.
- 46.9 Notwithstanding any other provision of these Articles, neither the Company nor the Directors shall register the transfer of any Scheme Shares effected between the Scheme Record Time and the Effective Date.”

By order of the Board

19 January 2015

Victoria Hames
Company Secretary

Registered office

PO Box 25
Regency Court
Glategny Esplanade
St Peter Port
Guernsey GY1 3AP

Notes

- (i) Registered shareholders are entitled to appoint a proxy to exercise all or any of their rights to attend, speak and vote on their behalf at the General Meeting whether by show of hands or on a poll. A proxy need not be a shareholder of the Company. A shareholder may appoint more than one proxy provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that shareholder. To appoint more than one proxy, please follow the instructions set out in the YELLOW Form of Proxy. If you do not have a Form of Proxy and believe that you should have one, or if you require additional forms, please call the Friends Life Shareholder Helpline on +44 (0) 870 707 1444 or contact Computershare either by email to info@computershare.co.je or in writing to Computershare Investor Services (Jersey) Limited at Queensway House, Hilgrove Street, St Helier, Jersey JE1 1ES stating your name, your Shareholder Reference Number and the address to which the hard copy version should be sent.

- (ii) To be valid, the YELLOW Form of Proxy, or other instrument appointing a proxy (together with the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority) must be received by the Company's proxy processing agent, Computershare Investor Services PLC, at The Pavilions, Bridgwater Road, Bristol BS99 6ZY, by no later than 2.15 p.m. on 24 March 2015, in hard copy form, either by post, by courier or by hand.
- (iii) If you would like to submit your YELLOW Form of Proxy or the RED Form of Instruction electronically, you may do so by going to Friends Life's Investor Relations website at www.friendslifegroup.com. You will need your Shareholder Reference Number, Control Number and PIN, which can be found on the YELLOW Form of Proxy or the RED Form of Instruction sent to you. The completed YELLOW Form of Proxy or the RED Form of Instruction returned electronically must be received by Computershare Investor Services PLC by the deadlines set out in note (ii) above and note (xiv) below.
- (iv) In the case of joint holders, they may elect one of their number to represent them and vote whether in person or by proxy in their name and shall notify the Company accordingly. In default of such an election and notification, the person whose name stands first in the Company's register of members in respect of the joint holding shall alone be entitled to vote.
- (v) If you submit more than one valid proxy appointment or voting instruction in relation to the same shares, the appointment or instruction received last prior to the deadline for the receipt of proxies or voting instructions (as applicable) will take precedence.
- (vi) CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual (available via www.euroclear.com/CREST). CREST personal members or other CREST sponsored members, and those CREST members who have appointed (a) service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.
- (vii) In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "**CREST Proxy Instruction**") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications, and must contain the information required for such instruction, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy, must, in order to be valid, be transmitted so as to be received by Computershare Investor Services PLC (ID number 3RA50) by 2.15 p.m. on 24 March 2015. For this purpose, the time of receipt will be taken to be the time (as determined by the time stamp applied to the message by the CREST Application Host) from which Computershare Investor Services PLC is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.
- (viii) CREST members and, where applicable, their CREST sponsors, or voting service providers, should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular message. Therefore, normal system timings and limitations will apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member, or sponsored member, or has appointed (a) voting service provider(s), to procure that his/her CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting system providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.
- (ix) The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 34 of the Uncertificated Securities (Guernsey) Regulations, 2009 and the Company's Articles of Incorporation (the "**Articles**").
- (x) The return of a completed YELLOW Form of Proxy or any CREST Proxy Instruction will not prevent a shareholder attending the General Meeting and voting in person if he/she wishes to do so. Friends Life Group Limited Share Account holders will only be entitled to attend and vote at the General Meeting if they have submitted a RED Form of Instruction and completed it in accordance with the relevant instructions.
- (xi) The Company specifies that, pursuant to Article 18.6 of the Articles, only those shareholders included in the register of members as at 6.00 p.m. (London time) on 24 March 2015 or, in the event that the General Meeting is adjourned, in the register of members at 6.00 p.m. (London time) on the day which is two days before the date of the adjourned General Meeting, shall be entitled to attend and vote at the meeting (or any adjourned meeting) in respect of the number of shares registered in their name at that time. Changes

to the register of members after 6.00 p.m. on 24 March 2015 or, in the event that the General Meeting is adjourned, in the register of members after 6.00 p.m. (London time) on the day which is two days before the date of the adjourned General Meeting, shall be disregarded in determining the rights of any person to attend or vote at the General Meeting (or the adjourned General Meeting).

- (xii) In accordance with Article 18.15 of the Articles, any corporation which is a shareholder may appoint one or more corporate representatives who may exercise on its behalf all of its powers as a shareholder, as if the corporation were an individual shareholder, other than to appoint a proxy and provided that on a poll vote if two or more corporate representatives of the same shareholder purport to exercise a power in respect of the same shares, then (a) if they exercise the power in the same manner, it shall be exercised in such manner, but (b) if they exercise the power in a different manner, it shall be deemed not to have been exercised.
- (xiii) Indirect holders (who hold shares via a stockbroker or other nominee) have been sent this document for information only, but may have the right to be appointed a proxy by the registered shareholder to attend, speak and vote at the General Meeting, and may also be able to give voting instructions to the registered shareholder via a stockbroker or nominee.
- (xiv) Friends Life Group Limited Share Account holders should complete the RED Form of Instruction and return it and any power of attorney or other authority (if any) under which they are executed (or a notarially certified copy of such power or authority) to Computershare Investor Services PLC at The Pavilions, Bridgwater Road, Bristol BS99 6ZY or give instructions online through the Shareholder Centre accessed by going to Friends Life's Investor Relations website at www.friendslifegroup.com by no later than 2.15 p.m. on 20 March 2015. Forms of Instruction can be requested from the Friends Life Shareholder Helpline on +44 (0) 870 707 1444 or from Computershare Investor Services PLC by email to webcorres@computershare.co.uk or in writing to The Pavilions, Bridgwater Road, Bristol BS99 6ZY, stating your name, your Shareholder Reference Number and the address to which the Forms of Instruction should be sent.
- (xv) Voting on the resolution will be conducted by way of a poll rather than on a show of hands. The Company believes that a poll is more representative of the shareholders' voting intentions because shareholder votes are counted according to the number of shares held and all votes tendered are taken into account. The results of the poll will be announced to the London Stock Exchange and will be made available on the Company's website at www.friendslifegroup.com as soon as practicable following the conclusion of the General Meeting.
- (xvi) Shareholders may at any time choose to receive all shareholder documents in electronic format via the internet, rather than through the post in hard copy format. Shareholders who decide to register for this option will receive an email notification each time a statutory document is published on the Company's website. To register for this service, please contact Computershare at The Pavilions, Bridgwater Road, Bristol BS99 6ZY or register your e-mail address at www.investorcentre.co.uk/je.
- (xvii) If shareholders opt to receive email notifications, the Company's obligation to notify shareholders will be satisfied when it transmits the notification that documents are available on the website to the email address most recently provided. The Company cannot be held responsible for any failure in transmission beyond its control. The Company reserves the right to send hard copy documents to shareholders at any time: for example, where overseas securities laws do not permit electronic communications; or in other circumstances where the Company considers that electronic delivery may not be appropriate. Shareholders resident outside the European Economic Area are responsible for ensuring that they may validly receive shareholder documents electronically without the Company or the Company's registrar being required to comply with any governmental or regulatory procedures or any similar formalities.
- (xviii) Any electronic address provided in this or any other related document (including the YELLOW Form of Proxy) may not be used to communicate with the Company for any purposes other than those expressly stated.
- (xix) The total issued share capital of the Company as at 15 January 2015, being the latest practicable date prior to publication of this notice, is 1,409,052,028 ordinary shares, none of which are held in treasury. Therefore, the total number of voting rights in the Company as at the date of this notice is 1,409,052,028.
- (xx) A copy of this notice, this document and other shareholder documents can be found on the Company's website at www.friendslifegroup.com.
- (xxi) Any member attending the meeting has a right to ask questions. The Company must provide an answer to any such questions relating to the business being dealt with at the meeting but no such answer need be given if (a) to do so would interfere unduly with the preparation for the meeting or involve discussion of confidential information, (b) the answer has already been given on a website in the form of an answer to a question, or (c) it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.

APPENDIX 1
EMPLOYEE REPRESENTATIVES' OPINION ON THE EFFECTS OF THE PROPOSED
ACQUISITION ON EMPLOYMENT

Mergers and takeovers such as the proposed deal between Friends Life and Aviva often result in restructuring and job losses. With predicted cost savings of £225 million already announced, employees of both companies will be concerned about how this might impact them and their colleagues. Unite the Union has members at both Aviva and Friends Life and expects both companies to commit to working closely and constructively with the union and in particular to seek to avoid compulsory redundancies.

Consultation must be both full and meaningful, and challenges from employee representatives should be welcomed to ensure that any decisions made are fair, robust and sustainable.

Unite the Union consider that Friends Life has benefited from having the Union as the formally recognised body to represent, consult and bargain for all employees in levels A to E. Friends Life and Unite work together to balance the interests of employees, customers and shareholders and we consider that it would be beneficial for this relationship to continue in the event of the deal being completed.

APPENDIX 2
PENSION SCHEME TRUSTEES' OPINION ON THE EFFECTS OF THE PROPOSED
ACQUISITION ON THE FPPS

In the ordinary course, the primary legal obligations of Friends Provident Pension Scheme Trustees Limited (“the **Trustee**”) are to administer the Friends Provident Pension Scheme (the “**FPPS**”) in accordance with FPPS’s governing provisions and all applicable statutory and regulatory requirements, to ensure that the FPPS is appropriately funded and invested and to exercise its powers and discretions in the best interests of the FPPS and its members and beneficiaries.

In the context of the Offer, the Trustee’s duty is to assess the implications of the transaction on the FPPS, including any impact on the employer covenant provided to the FPPS by its principal and participating employers of the FPPS (the “**Employers**”) and the other Friends Life entities (the “**Relevant Entities**”) which have obligations to the FPPS under the terms of various management services agreements (the “**Employer Covenant**”).

The Trustee has considered the effects of the Offer on the FPPS on the basis of the information currently available to it. The Trustee has had preliminary discussions with Friends Life Group Limited (“**Friends Life**”) and representatives from Aviva plc (“**Aviva**”) about the Offer and potential future structure of the enlarged group and has requested additional information to allow the Trustee to assess the implications of the transaction more fully.

These discussions are still continuing and it is too early for the Trustee to reach a final opinion on the effects of the Offer on the FPPS.

Steps taken by the Trustee to date

Since the announcement of the possible offer for Friends Life on 21 November 2014, the Trustee has:

- engaged its primary professional advisers Lincoln Pensions Limited (covenant and corporate finance), Sacker & Partners LLP (legal) and Towers Watson (actuarial and investment) to assist it in understanding all aspects of the Offer both pre- and post-completion;
- established a Corporate Events Sub-Committee comprising a sub-set of the Trustee;
- written to the Pensions Regulator (“**TPR**”) to notify it that the Trustee is aware of the Offer and was already in discussion with Friends Life in relation to the triennial actuarial valuation with an effective date of 30 September 2014; and
- received a reply from TPR that it would expect the Trustee to keep it informed of progress.

The Corporate Events Sub-Committee has:

- met regularly with its advisers;
- met with Friends Life on 10 December 2014 and on 23 December 2014; and
- held a joint meeting with the relevant Aviva representative and with Friends Life on 7 January 2015.

The primary focus of these meetings has been to discuss and understand:

- the potential impact of the Offer on the Employers and the other Relevant Entities;
- Friends Life’s position with respect to the FPPS’s 30 September 2014 actuarial valuation;
- the implications of the Offer on the existing buy-in contract which the FPPS has with Aviva; and
- the possible implications of the Offer, if any, on scheme funding and investment strategy.

Funding defined-benefit pension schemes and the relevance of Employer Covenant

The FPPS is subject to the requirements of TPR and the protections available from the Pension Protection Fund in certain scenarios.

As a defined-benefit pension scheme, the FPPS can agree a deficit recovery plan with the Employers to ensure the FPPS is fully funded under the Scheme Specific funding requirements in an appropriate timeframe. Over the past nine months the Trustee has been in discussions with Friends Life with respect to the “journey plan” to achieve a long-term lower risk investment and Scheme funding strategy for the FPPS such that there can be significantly less reliance placed on the Employer Covenant in the long-term. The FPPS is still reliant on the employer covenant in the short-term and this, together with the journey planning discussions, have provided the backdrop to the Trustee’s view on the 30 September 2014 Scheme Specific Funding valuation. These discussions have also been a continuation of those that were entered in to as part of the 30 September 2011 Scheme Specific Funding valuation.

The Trustee has set out its proposal regarding the 30 September 2014 Scheme Specific funding valuation to Friends Life.

Insurance companies, such as Friends Life and Aviva, are required to hold capital behind their business risks and indeed their pension fund and such arrangements are designed to (a) reduce the likelihood of a failure of an insurer; (b) in the event of a failure protect the policyholders. These features of insurance companies mean that generally, as with Friends Life and Aviva, their employer covenants exhibit favourable characteristics. However, despite this, the Trustee’s duty to assess the implications of any material corporate event on the Employer Covenant remains relevant to the proposed transaction.

Implications of the Offer for the FPPS and the Employer Covenant

In light of the above, an important focus for the Trustee is whether Friends Life becoming part of the enlarged group will have a positive or negative impact on the Employer Covenant support provided to FPPS. The outcome of this assessment could impact whether or not the deficit being run by the FPPS, the risks inherent in its investment strategy and the length of time it has provided the Employers to repair the deficit remain appropriate.

At this time, the Trustee does not have sufficient information with which to fully assess the longer term impact of the Offer on the Employer Covenant. Therefore, there are a number of areas that need to be evaluated once more information is available. This process will assist the Trustee in forming an opinion as to whether or not there is incremental risk to the FPPS as a result of the transaction. These areas based on information already published are noted below.

Legal structure of the Employer Covenant

Prior to the completion of the Offer, the FPPS benefits from the support of a number of entities within the Friends Life group which have a liability to fund the FPPS in accordance with their respective share of FPPS’s liabilities. The Trustee understands the following from discussions with Friends Life and Aviva:

- The legal position outlined above will not change immediately following the completion of the Offer and the Employers and each Relevant Entity will retain their obligations to fund the FPPS under the current framework as previously agreed with the Trustee; and
- The existing arrangements between the FPPS and Friends Life entities will remain in place until such time that there is an agreement to vary them.

Aside from complying with its general ongoing obligations to the FPPS, neither Friends Life nor any of the Employers has a legal obligation to take any additional actions in relation to the FPPS in respect of the Offer.

After completion of the Offer, the FPPS will not automatically have any formal recourse to any other members of the enlarged group.

The current recovery plan and schedule of contributions agreed between the Trustee and Friends Life will remain in place following completion of the Offer until superseded by the recovery plan and schedule of contributions agreed with respect to the FPPS’s 30 September 2014 Scheme Specific Funding valuation.

There are a number of options which may be available to Aviva in seeking to restructure the enlarged group that could have an effect on the Employer Covenant. The Employer Covenant could be positively impacted through, for example, access to additional support / security from the enlarged group. It could also be negatively impacted, for example, through dividends funded by the Employers. The Trustee is not aware of any formalised proposals in relation to this at the present time.

Relative financial position of Friends Life and Aviva

Based on publicly available information, the Trustee has compared certain important metrics for Friends Life and Aviva. Some of these are set out in the table below:

<u>Selected metrics⁽¹⁾</u>	<u>Friends Life Group</u>	<u>Aviva plc</u>
Equity attributable to shareholders (IFRS basis / MCEV basis)	£4.9bn / £5.7bn	£8.8bn / £14.3bn
Market capitalisation	£4.5bn	£15.0bn
Capital surplus – IGCA / IGD basis	£2.2bn	£3.3bn
Capital surplus – Economic Capital basis	£4.0bn	£8.0bn
Cover ratio – IGCA / IGD basis	235%	1.7x
Cover ratio – Economic Capital basis	193%	180%
Liquidity	£0.9bn	£1.2bn
External debt leverage (IFRS basis / MCEV basis) ^(1,2)	17% / 23%	46% / 32%
S&P credit rating ⁽³⁾	A- (stable)	A+ (stable)
Cash generation ⁽⁴⁾	£0.3bn	£0.4bn
Value of new business ⁽⁴⁾	£0.2bn	£0.9bn
DB pension scheme liabilities (IAS 19 basis) ⁽³⁾	£(1.4)bn	£(12.2)bn
DB pension scheme deficit (IAS 19 basis) ⁽³⁾	£(4)m	£239m
UK DB pension scheme deficit contribution ⁽⁵⁾	£21.5m	£252m

Source: Aviva plc and Friends Life Group's annual accounts, interim results and public announcements in relation to the Offer

Notes: (1) As at 30 June 2014 (unless otherwise stated)
(2) External debt leverage as reported in the interim results for the six months period ending 30 June 2014
(3) As at 31 December 2013
(4) Year ended 31 December 2013
(5) Expected deficit contributions in 2014. For Aviva, £252m includes £98m of deferred contributions relating to 2013

The financial information in the table above indicates the following:

- Aviva has:
 - greater market capitalisation and equity attributable to shareholders;
 - a stronger credit rating; and
 - proportionately higher value of new business.
- Friends Life has:
 - lower leverage;
 - proportionately higher liquidity (relative to the overall size of the business); and
 - proportionately lower pension obligations (relative to the overall size of the business).

The first of the two main points above indicates the increase in scale of the enlarged group.

The second main point indicates areas where the FPPS benefits from favourable Employer Covenant characteristics pre-transaction and therefore areas where there could be incremental risk to the FPPS from inclusion within the enlarged group following the Offer.

However, the financial information above is only one aspect of the transaction and the Trustee has been investigating the extent to which the financial position and prospects of the Employers and Relevant Entities could be impacted through the insertion of the Friends Life group (including the Employers) within the wider Aviva Group.

Aviva is a highly diversified Globally Systemically Important Insurer ("GSII"), resulting in potential additional regulatory scrutiny and / or capital requirements. Being part of an enlarged group with these characteristics may positively impact the post-transaction Employer Covenant.

Liquidity

The liquidity within Friends Life and the cash generative nature of its "back book" are elements of the Employer Covenant which currently provide comfort to the Trustee / members of the FPPS.

The Trustee notes that Aviva has cited Friends Life's strong cash position as a key strategic driver for the acquisition and would like to better understand the extent to which the liquidity and future cash generation of the Employers and Relevant Entities may be impacted by matters related to the Offer, including, but not necessarily limited to:

- known payments related to the transaction (e.g. the value share (c.£220m) and the dividend to existing Friends Life shareholders);
- the internal Aviva dividend policy of the enlarged group going forward; and
- the synergies planned post-transaction increasing the cash flow of the enlarged group.

Aviva buy-in contract

The Trustee has an existing buy-in annuity contract with Aviva for all FPPS pensioners in payment up to 30 June 2013. This is a long term investment in an insurance contract with Aviva that was made between 2008 and 2013. The Trustee has established relationships with Aviva Annuity and Aviva Investors. The Trustee has been considering the potential implication of the concentration of counter-party risk to the combined Aviva Group post-transaction compared to diversification of annuity risk with a separate insurer pre-transaction.

Aviva UK defined benefit pension schemes

The Trustee is also mindful that Aviva has material UK-based defined benefit pension schemes. Currently, the Trustee has limited information available to it with which to understand the existing recovery plans, funding targets and rules and powers of these schemes and the extent to which these dynamics may impact the FPPS's own "journey plan" and investment and funding strategy.

Opinion

Prior to the completion of the Offer, FPPS benefits from the direct support of those entities that have an obligation to support the FPPS. The position will not immediately change as a result of the Offer, but the FPPS will not automatically have any right to additional recourse to the enlarged group and in the short term stakeholders such as the FPPS could see increased dividend payments and value share payments funded by the Employers and Relevant Entities.

The Trustee is still at an early stage in terms of its assessment of the impact of the Offer on the FPPS. However, at this stage some uncertainties and possible risks appear to be introduced by the Offer as well as some potential improvements in covenant. The Trustee is seeking to understand these areas with the help of Friends Life and Aviva and is engaged in constructive dialogue in this regard.

Matters referred to in this opinion may be addressed to the satisfaction of the Trustee by the provision of additional information or by specific measures or undertakings provided by the Employers.

The Trustee looks forward to continuing this dialogue to reach a definitive conclusion on the impact of the Offer on the FPPS.

Friends Provident Pension Scheme Trustees Limited

7 January 2015

