

Annual General Meeting 2010

Frequently Asked Questions



In the Chairman's letter, which accompanied the Notice of the Annual General Meeting, shareholders were given an opportunity to ask the directors questions relating to the business of the Meeting. This process is of particular interest to those shareholders who are unable to attend the Meeting. This leaflet sets out the answers to the most frequently asked questions.

Q1. How can Aviva justify the remuneration package of the Company's Executive Directors?

The Remuneration Committee takes many factors into account when setting the remuneration of the Company's Executive Directors. As you will have read in the annual report, the Executive Directors have requested, for the second year running, not to take an increase in their basic salaries. Their variable pay is awarded as a percentage of their salaries, and therefore, this request impacts their total remuneration in a variety of ways.

More than 50% of the Executive Directors' annual bonus is made up from a range of performance measures: some financial, and others based on important customer and employee scores, as well as personal objectives. You will be aware of the strategically important achievements the Executive Directors have delivered in 2009 for the Company: the public listing of Delta Lloyd, the sale of the Australian business, successful move to a single brand, and conclusion of the reattribution project.

These achievements, along with a return to total profitability and an increase in MCEV Operating profit, have resulted in an enhanced annual bonus award. As you will also know, the Executive Directors are required to defer two-thirds of this award for three years, investing all of it in Aviva shares and this is one of the highest levels of deferral in the FTSE 100.

Aviva also benchmarks Executive Director's remuneration packages to the lower quartile to median range of the FTSE 30 and median to upper quartile of the FTSE 50. Aviva's remuneration policy ensure that awards are prudent, proportionate and in line with current corporate governance guidelines.

Q2 Why has Aviva cut its dividend for a second time?

Recent economic events have impacted the share prices and in turn the reduction of dividend rates for many companies, and it has been a difficult time for many shareholders, not just those who hold shares in Aviva.

At the half year the directors took the decision to reduce the dividend in light of lower operating profits, which were impacted by the continuing economic uncertainty. The aim was to position the dividend at a sustainable level from which it can grow and Aviva is confident that the Company has achieved this aim. Whilst the dividend cut was unwelcome, Aviva still remains one of the highest dividend payers in the UK sector.

2009 was a year of significant strategic progress for the Group. Aviva has moved to a single global brand; the IPO of the Dutch business brought £1 billion of cash into the Group and is a significant step forward; the reattribution of the inherited estate benefited both Aviva's customers and shareholders; and Aviva has also significantly restructured both its UK and European businesses whilst also selling its Australian business. These actions combined will help to generate greater profitability and have a positive impact on the rate of future dividends.

Q3 Why does Aviva continue to have offshore customer service departments?

The insurance industry is changing rapidly and requires companies to be adaptable and flexible. Aviva firmly believes that, by taking action to remain competitive, the Company will secure a long-term future for the majority of staff, and ensure that Aviva can continue to provide value for money products to customers with high quality service attached. Aviva has recognised that offshoring customer service departments can help with this. Typically, a call centre operation is 40% cheaper to run in India than opening a local office in the UK, primarily because wages and other fixed costs are substantially lower.

The call centre and claims processing units Aviva has set up improve speed and ultimately, quality of customer service. In particular, Aviva has taken advantage of the time difference to increase the flexibility of its operations. Aviva operates a virtual system so that customer calls can be routed through to the nearest available member of staff, wherever in the world they may be. Aviva also monitors sales and service processes, in India and the UK, to make sure that standards meet customers' requirements.

Q4 Why appoint Ernst & Young as auditors and why do you not go through a tender process?

Ernst & Young LLP (Ernst & Young) was appointed auditor of Aviva plc in 2001 and audits all significant subsidiaries of the Group.

Aviva has an external auditor policy aimed at safeguarding and supporting the independence and objectivity of the external auditors. The policy reflects current global best practice on auditor independence, and is in full compliance with all UK, US and International Federation of Accountants' (IFAC) rules.

Each year, the Audit Committee performs its annual review of the effectiveness of the external auditor, assessing the audit firm, the audit partner and audit teams. The process is conducted by means of a questionnaire, completed Group-wide by members of senior management and members of the Group's finance community and the Audit Committee. The questionnaire seeks opinions on the importance of certain criteria and the performance of the external auditor against those criteria.

Following the 2009 annual external audit review, the Audit Committee concluded that the audit service was fit for purpose and recommended that a re-tender process should not be undertaken in 2009, but that the relationship and the effectiveness of the auditor be kept under review.

Q5 How has the Company's strategy been revised in light of the financial crisis?

Like all financial services companies Aviva has been affected adversely both by market volatility and understandable customer caution. However 2009 was a year of strong financial performance and Aviva has remained focused on its strategy to improve the way Aviva serves its customers, increase efficiency, remove costs from the business and deliver profitable growth.

This strategic focus has served Aviva well and last year delivered a strong return to profit, improved the Company's financial strength, completed the successful partial sale of Delta Lloyd, paid £471 million to policyholders from the reattribution of the inherited estate and reduced Aviva's costs by £500 million.

Q6 Do you feel that the rebrand has been a success?

The move to a single brand is an important strategic milestone for Aviva and has been very successful for the company. A single brand around the world has helped Aviva to maximise the benefits of being a single global group: strengthening engagement with employees; supporting direct sales and most importantly of all signalling to customers that Aviva is being transformed around their needs.

In the UK Aviva has completed the successful brand change and Aviva now ranks among the UK's top ten most valuable brands, according to the 2010 Brand Finance Global 500 Survey

Q7 What is Aviva's policy on electronic communications with shareholders?

Aviva has just over 600,000 shareholders and has always sought to minimise its environmental impact and increase the effectiveness of its shareholder communications. Indeed, Aviva was one of the first companies to take advantage of the provisions in the Companies Act 2006 to use its website as the primary source of communication unless shareholders specifically requested paper copies of documents.

Over the past years the Shareholder Centre at www.aviva.com/shareholders has been developed and this site offers a range of facilities to allow shareholders to manage their holding on-line. For example, shareholders can view their holdings, view the latest company documents and presentations, update their personal details and find other useful information. Those shareholders wishing to register for electronic communications may do so by logging onto www.Aviva.com/ecomms.

Whilst Aviva recognises the benefits of electronic communications the Company does remain conscious that many shareholders will not have access to computers or may not wish to receive their communications in this way. All shareholders still have this option and any shareholder who wishes to change their mailing preference should contact the Company's Registrar, Equiniti at Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA or call 0871 384 2952.*

* Calls to this number are charged at 8 pence per minute from a BT landline. Charges from other telephone providers may vary.