

AVIVA AGM 2013

John McFarlane, Chairman:

Well, good morning, ladies and gentlemen. It's now 11 o'clock and I would like to welcome you to Aviva's 2013 annual general meeting. I'm your chairman, John McFarlane.

Now, this is the first opportunity I've had to address you and I'm delighted that so many of you have turned out today. I also hope that you were able to meet the company's senior management as you came into the auditorium today.

Now, this is a really important meeting. The AGM is the most important meeting in the company's calendar and provides the opportunity to meet and to elect our directors, to reflect on the company's situation and to discuss the strategy of the company going forward.

In particular, though, we are here to listen to your observations and to respond to your questions.

Now, today's also the first opportunity for many of you to meet our new chief executive, Mark Wilson.

Of course, the AGM is only part of our ongoing dialogue with shareholders and we've welcomed the comments and the feedback throughout the year that you've given us, which has helped us shape today's meeting.

With that in mind, let me start by setting out the agenda for today's meeting.

I will shortly introduce the members of your board and you will note there has been a significant number of exchanges since we met a year ago. I will then comment on the situation of the group in the year when I succeeded

Lord Sharman, first as executive chairman and then subsequently as non-executive chairman at the beginning of this year.

Our group chief executive officer Mark Wilson will present to you for the first time.

I will then give you the opportunity to address the board, to ask questions, some of which you kindly registered earlier this morning.

Then finally, we will move into the formal part of the meeting and I'll ask you to vote on the resolutions set out in the notice of meeting.

So, first, let me introduce our board. We have a number of new faces since the last AGM. Starting on your left and my right is Glyn Barker, non-executive director, who joined the board in February 2012 and who succeeds today Russell Walls as chairman of the audit committee. Glyn is also a member of the risk and nomination committees and brings to the board a wealth of corporate and financial services experience from a long career at PricewaterhouseCoopers.

To Glyn's left is Sir Adrian Montague, non-executive director, who joined the board in January this year and who succeeds Richard Goeltz today as senior independent director. He is also a member of the audit, governance and nomination committees and is a highly experienced director and chairman and brings extensive experience of large private and public companies across a broad range of industries and particularly including insurance.

Next is Patrick Regan, chief financial officer, who's been on the board since 2010 and who has been instrumental in improving the group's financial strength and resilience during this period.

Immediately to my right, and welcome to Mark Wilson, your group Chief Executive Officer. Mark was appointed to the board in December last year and became CEO in January. Mark has considerable leadership experience in international insurance and has a strong track record as a dynamic and inspirational business leader.

I'm delighted that Mark has joined Aviva and he's come from Hong Kong to do that and of course you'll hear more from him shortly.

To my left is Kirstine Cooper, the group general council and company secretary, and also head of the office of the chairman, who some of you have corresponded with in that respect. Kirstine has had a long career at Aviva and advises the board and the company as a whole on legal matters and on governance best practice.

Next is Scott Whewey, non-executive director and chairman of the remuneration committee. He's also a member of the governance and nomination committees. Scott has been on the board for over five years and throughout the past year led a substantial review of the company's remuneration policies and practices as well as an extensive dialogue with our major shareholders.

Next to Scott is Gay Huey Evans, non-executive director. She joined the board in October 2011 and is chairman of the governance committee, formally the corporate responsibility committee, and a member of the remuneration and nominations committee. She has over 30 years of experience in the financial services sector and in government and regulatory circles. Gay and the other members of the governance committee are overseeing development and implementation of effective governance and sustainability at Aviva.

Then finally we have Michael Hawker, non-executive director, chairman of the risk committee and a fellow Australian. I am Australian, even though I may not sound like one. I'm also British, and Scottish perhaps as well.

He's also a member of the audit and nomination committees. Mike has been a director since 2010 and has a career spanning nearly 30 years in financial services, including as CEO of a major Australian company and also an ex-colleague of mine.

Now, I'd also like to introduce Bob Stein, non-executive director, who joined the board in January this year. Bob is unfortunately not able to attend this meeting today due to a prior commitment to attend a conflicting AGM in New York that he's already committed to. Bob is a member of the risk, remuneration and nomination committees and brings significant accounting and financial experience to the board, following a long career at Ernst & Young in the US, where he created and headed its global insurance practice.

So we're your board. There has clearly been a period of significant change on the Aviva board and this process of course is now complete.

We are currently searching for two additional non-executive directors to join us, and we will have particular regard to the benefits of greater gender diversity on the board, as we lost two of our female members during the year. We are conducting a search on that, and it's important that we meet the governance standards required of us in respect of gender diversity.

So I'm sure that you will agree with me that we are putting in place a new board but also a board of the highest calibre for the future and I would like to take this opportunity to thank the members of the board who retired from the board since last year's AGM and in particular to Lord Sharman, my predecessor, for his

stewardship of the company as chairman for over six years.

Also to a number of non-executive directors: Richard Goeltz retired, yesterday in fact, as senior independent director after nine year's services; Russell Walls, chairman of the audit committee, also after nine years service; Euleen Goh, after four year's service; Mary Francis, former chair of the risk committee, after seven years service; and Leslie Van de Walle after three years service.

A number of executive directors left the company during the year. Firstly, Andrew Moss, who stepped down as chief group executive after seven years service; Igal Mayer, after some 23 years service with the group; and then finally Trevor Matthews, who is returning to Australia after a short period with the group.

Now, before I introduce Mark Wilson, I'd like to make a few comments about the current situation of the group.

In the middle of last year, we announced a necessary strategic review and said that we would exit 16 non-core businesses and turn round 27 marginal segments. We said we would reduce exposure to southern Europe and to capital hungry businesses that are producing low returns. We also said we would reduce our cost base by £400 million. We would strengthen the capital base, reduce the leverage and enhance the operating capital generation of the group. At the beginning of this year, our new chief executive embraced these priorities and announced a new investment thesis of progressive cash flow and growth in our core activities of life and savings, general insurance and fund management going forward.

As it turned out, we were able to achieve a great deal of these in a relatively short period of time and I said at the outset boosting capital was our main initial

priority and I'm pleased that we were able to increase the economic capital surplus substantially from a 3.6 billion surplus at the end of 2011 to a pro forma level and completion of the US sale of 7.1 billion. We exited seven business segments at respectable prices, better than first was generally expected of us, and action is being taken on the balance.

Specifically, we announced the disposal of the US business, our stake in Delta Lloyd and a number of smaller interests around the world. We also announced a substantial financial settlement in Spain from Bankia, a significant reduction in our exposure to Italy and Spain and the exit of large bulk purchase annuities in the UK. Seven of the marginal business segments have also improved returns to normal status, but there's still some way to go.

At the same time, we've reshaped our top management team, particularly with the appointment of a strong and decisive CEO, new heads of Europe and Asia, and substantially renewed our board of directors. But, despite these significant achievements, much is yet to be done, and our new leadership team has a firm hold on the further actions and the decisions required to achieve this.

The announced sale of the US business was a very significant event for the company in two respects. Firstly, it was the largest segment that we needed to exit strategically. Secondly, it brought with it the need to write down its value by an eye watering £3.1 billion, which brought the group to an overall loss of just under 3.1 billion for the year, together with a sharp reduction in the net assets per share and a consequent increase therefore in the tangible leverage of the company from 41 per cent to 50 per cent. At the same time, management undertook significant diligence on historical, current and future operating cash generation as well as the need to reduce debt levels.

While we were aware of some of these aspects, it was very important to

understand the situation more granularly, but also looking forward, and this analysis revealed that the operating cash flow did not consistently cover historical dividends and these were effectively distributions of capital rather than operating dividends, at the time when in fact our capital should have been secured and strengthened rather than diminished.

As a result, the ensuing capital shortage and high leverage increased the financial risk of the group, increased our cost of equity and in fact contributed to a decline in the stock price, thus diminishing through dividends rather than enhancing shareholder returns.

Unfortunately, therefore, a line needed to be drawn on the sand on this. We needed to start again.

The need to ensure that the current and future dividends is sustainable and covered with future operating cash generation is absolutely fundamental rather than the depletion of capital resources, which we still need to boost.

Beyond that, the broad transformation of the group in the midst of continuing economic uncertainty also requires that we maintain and grow the level and flexibility of capital and of course our liquid resources. We therefore concluded that the historical level of dividend could no longer be maintained and the dividend was reduced. We took this decision only after examining all alternatives scrupulously.

So, in the light of this, while we appreciate the considerable progress that's been made on a number of fronts, we did not believe the overall situation of the group warranted bonuses for our executive directors in 2012 or for pay rises for the senior management group in 2013.

The partial vesting of Patrick Regan's long term programme, which was granted in 2010, was subject to performance conditions laid out at the time which were

met and was contractual.

So, as you'll have experienced, it's been a period of enormous change at Aviva, culminating in the change of group chief executive.

Now, that degree of change, it would be hardly surprising if shareholders were not unnerved by the degree of change at the group. However, from the last AGM, many of you did require us to make substantive change and we did. So these changes, as well as others in progress, and some yet to come, are all necessary to arrest a number of years of poor performance and to put the group on a firmer footing and a positive trajectory for the future.

Now, although 2013 of necessity will remain a transitional year, with significant restructuring charges, as well, of course, as the loss of earnings from those subsidiaries that we've disposed off, management's appropriate emphasis on progressive cash flows and the actions necessary to achieve these give cause for optimism about the future and to put the past finally behind us.

So, in that respect, ladies and gentlemen, it is now my pleasure to hand over to Mark Wilson who will address you for the first time. Mark.

Mark Wilson's speech

Well, thank you indeed, Mark.

Now, ladies and gentlemen, it's now over to you. I'd like now to give shareholders the opportunity to ask questions. To assist in this proceeding, shareholders wishing to ask a question were requested to register at the question registration desk before entering the auditorium and I'm aware that some have already done so.

Given that people have gone to the trouble of doing this, I will take these questions first. However, if you didn't register, but wish to ask a question,

please make your way down to one of the question points at the front of the auditorium, taking your blue AGM poll card with you, where a marshal will help you. If you're unable to come down, please raise your hand and a marshal will come to you.

Now, in doing this, we have a large number of questions already registered and I'd like to give everyone who wishes to speak an opportunity to be heard. I'd also like for all of us to leave this at a reasonable time and enjoy our hospitality afterwards.

So it's important therefore that we do have an orderly meeting, one that is interesting to all the shareholders in the room, and, I know you've heard it all before, but this is not an opportunity to make speeches.

I can assure you, having been at AGMs on the platform for well over 20 years, some of things are often fascinating for the auditor themselves, but I've left to experience an equivalent interest in anyone around them. So please keep your remarks and questions succinct and to the point and that will give us adequate time to address them for you.

Now, as it's a shareholder meeting, I will not, and cannot, take comments or questions relating to personal shareholdings, policy concerns or other customer matters that are unrelated to the business of the meeting. But we do want to deal with those and instead please contact the shareholder or the policyholder enquiry desk located in the exhibition area outside the auditorium. We have our senior management here present and they will be available to you after the meeting and these desks will remain open after the meeting and, in addition, the management and the fellow directors will join you when you're having refreshments and you have the opportunity to speak to the directors and

managers there.

I do propose to take all questions relating to the business of the meeting in one single session, including any questions on the AGM resolutions themselves.

I prefer you only ask one question or make one comment and then give the others a chance to speak. That said, I will allow a second and beyond that I will ask you to give way to others wishing to speak and then you can come back afterwards.

So, please, do help me in conducting not just an orderly but an interesting meeting by honouring this request and I do thank you in anticipation.

Now, I'll turn your attention to the notice of the AGM which sets out the formal resolutions to be put to shareholders today. It was made available to shareholders either by post or on the Aviva website on 2 April. You also find a copy of the resolutions in your shareholder guide.

When you do come to the microphone, please clearly state your name, and whether you are a shareholder. If you're attending on behalf of someone else, please state the name of the shareholder you represent.

So hopefully that's clear, and so thank you, and can I now take the first question from question point A, please.

Take questions from Question Point A and B alternately

So that concludes the questions from shareholders and I'd now like to propose that we move to the formal part of today's agenda.

The notice of meeting sent or made available to shareholders in early April includes an explanation for each of the resolutions being proposed today. I do hope you've had an opportunity to consider the resolutions and how you wish to vote in respect of each of the resolutions. With your permission, I will take

the notice of meeting as read.

Thank you.

I would therefore like to draw your attention to a number of specific items of business. Firstly, in relationship to resolution 4, the directors are recommending a final dividend for the year ending 31 December 2012 of 9p per share as was set out in the 2012 annual report and accounts. The dividend is payable on 17 May 2013 to ordinary shareholders whose names were on the register of members at the close of business on 22 March 2013.

Secondly, the directors took the decision to withdraw the scrip dividend, commencing with the payment of the 2012 final dividend in May, and you may therefore question how this fits with resolution 21, which is seeking authority to operate such a scheme in the future.

The decision to withdraw the scrip dividend was a matter wholly within the authority of the directors and did not need to be approved by shareholders. However, the authority to operate a scrip scheme in general is a matter which requires the approval of shareholders and it's customary to ask shareholders to authorise the directors to operate a scheme for a period of five years.

Now, that said, while we do not currently intend to reinstate a scrip dividend, the board nevertheless wishes to retain the flexibility to reintroduce it if it is required at a time which is beneficial to the company and to shareholders. So the board is therefore seeking your authority for directors to reintroduce such a scheme in the future, albeit that they have no immediate intention of doing so. Finally, I know that shareholders have previously raised concerns about the company in seeking authority in relation to political donations, which is dealt with in resolution 22.

I'd like to be absolutely clear that it is not the company's policy to make political donations or incur political expenditure and it has no intention of doing so.

However, the Companies Act is so widely drafted that acts such as lobbying on law reform or representing the financial services community on forums could be regarded as a political expenditure. So therefore the purpose of resolution 22 is simply to ensure that the company doesn't take any action which may inadvertently breach the Act. However, the company will not make political donations within the normal meaning of that expression.

So, as noted in the notice of the meeting, and in line with best practice, I'm exercising the authority contained in the company's articles of association to call for a poll to be taken on each of the resolutions to be put to the meeting. Any shareholder proxy or corporate representative who is entitled to vote will have been given a blue coloured poll card at registration. We've again included a vote withheld option on the poll cards for those shareholders who wish to abstain from voting on a particular resolution. However, I would remind you that a vote withheld is not a vote in law and will not be counted in the calculation of the votes for or against the relevant resolution.

So, if you've already submitted your votes prior to the meeting by proxy and do not wish to change the way you've voted, you do not need to complete a poll card. If there's anyone present who is entitled to vote but who does not have a blue coloured poll card, would you please raise your hand now and a marshal will pass you a card.

Now, does everyone who is entitled to and wishes to vote have a blue coloured poll card? Does everyone? Thank you.

I do not intend to read each resolution. However, I now propose formally that

each resolution set out in the notice of meeting and listed on the poll card, other than resolution 11, which requires my own re-election, be put to the meeting as a separate resolution and that resolutions 17 to 20, 23 and 24 be put to the meeting as special resolutions.

As resolution 11 concerns my own re-election as a director, Sir Adrian Montague, the senior independent non-executive, will formally propose that resolution and I would now invite Sir Adrian to propose my re-election as a director. Thank you.

Sir Adrian Montague proposes resolution

Thank you, Adrian, for your kind words and would you now complete the blue poll card to register the way in which you wish to cast your votes on each separate resolution by putting a cross in one of the boxes marked "for", "against" or "vote withheld". Please ensure you've filled in your full name and address or the full name and address of the shareholder you represent if you're attending as a proxy or a corporate representative.

Once completed and signed, the poll card should be placed in one of the black ballot boxes marked "poll cards" immediately outside the hall as you leave.

Those shareholders who cannot attend today have been voting on the resolutions and the indicated results of those votes will be shown on the screen shortly.

The final results of voting will be announced to the London Stock Exchange and posted on the company's website as soon as possible.

So, ladies and gentlemen, that concludes today's meeting. I would like to thank you for attending. As always, we welcome your feedback on the meeting, what you can do by completing the feedback form you were given when you arrived

or by emailing or writing to the addresses on the screen.

I would be pleased, though (a) to see you next year and (b) to join me and my fellow directors in the exhibition area, where refreshments will be served and thank you very much for your questions and for a very orderly meeting.

I appreciate it.