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A joint letter on behalf of Private Investors from ShareSoc and UKSA

20 March 2018

Mr Stephen Haddrill
Chief Executive
Financial Reporting Council
8th floor,
125 London Wall,
London
EC2Y 5AS

By Email to: S.Haddrill@frc.org.uk

Dear Stephen,

AVIVA

I am writing on behalf of ShareSoc (the UK Individual Shareholders Society) and UKSA (the United Kingdom Shareholders' Association) both of whom represent the views of private investors.

This is a public letter to the FRC on behalf of both UKSA and ShareSoc.

We are concerned about the appalling treatment of one class of shareholder, which had been led to understand by the company that the preference share class was an irredeemable stock.

We expect fair dealing by all company boards in relation to their shareholders, but when the company is a respected financial institution that people rely on, it is even more shocking.

We hope you will press Aviva to confirm that the stock class is irredeemable, and they will continue to recognise this in any future proposals.

We have three specific problems which we request you look at.

1. The problem with note 33 on page 202 of the 2016 accounts, which state that the **fair value** of the 200m irredeemable preference shares was £280 million which was, we believe, equal to the share price at 31 December 2016. There appears to have been no discount applied. The Board of Aviva signed off these accounts and they were audited by PWC, who received £33.3 million of fees, of which £17.6 million was for audit fees.

   After the recent announcement of the possible repurchase of these shares the market price fell by 30%. We therefore question the accuracy of the 2016 accounts as surely there should have been some probability of repurchase considered and at what price when the fair value was considered. Please can you investigate this.

2. If your review of the above fails to find evidence of wrongful accounting, then we request that you (and the IASB) review the IFRS accounting standard that has allowed this meaningless fair value to be presented to shareholders, which indicates that there is zero probability of repurchase or redemption at any value less than the market price or close to it.

3. Annual reports continue to be far too long, with too much meaningless clutter. Aviva's is 355 pages. If this case illustrates that the annual report is not producing worthwhile data, please

can you consider whether the disclosures of this and other areas can be simplified. As a general point, investors (both individual and institutional) want to see information that is useful in anaylsing a company. The provision of data that can be manipulated by management and signed off by auditors, as true and affair, is not only unhelpful, but also distracts attention from the really useful data. It also wastes time that is best spent on productive analysis. This case may indicate that a much more vigorous approach to reducing the size of annual reports may be required.

My colleagues at UKSA and I would be pleased to meet with you to discuss and to explain our concerns in further detail, together with our supporting rationale.

Yours sincerely,

Cliff Weight
Director
ShareSoc

Copies to
Sir Adrian Montague, Chairman, Aviva
John Hunter, Chairman, UKSA
Mark Northway, Chairman, ShareSoc