Our climate-related financial disclosure

As a leading savings, retirement and insurance business, our sustainability and financial strength is underpinned by an effective risk management framework. Our business is directly impacted by the effects of the climate crisis. We believe unmitigated climate-related risks present a systemic threat to societal and financial stability and to our business, over the coming decades.

This disclosure reflects Aviva's 2020 response to the recommendations of the Taskforce on Climate-related Financial Disclosures (TCFD). It sets out how Aviva incorporates climate-related risks and opportunities into governance, strategy, risk management, metrics and targets and how we are responding to customer expectations and regulatory requirements. These pages, along with the expanded report, are available at www.aviva.com/TCFD.

Governance

Aviva has a strong system of governance, with effective and robust controls. In 2020, we continued to ensure appropriate governance is in place in line with the PRA's Supervisory Statement 3/19[1]. The UK and material regulated entities' Chief Risk Officers (CROs) are responsible for ensuring climate-related risks and opportunities are identified, measured, monitored and managed through our risk management framework and in line with our risk appetite.

The Group CRO is responsible for overseeing, at Group level, the embedding of this framework. A Group-wide climate-related risks and opportunities project supports the CROs in meeting regulatory expectations. The Group CRO is the executive sponsor of the project.

The Risk Committee and the Customer, Conduct and Reputation Committee (CCRC) oversee our management of climate-related risks and opportunities. In 2020, the Risk Committee met eleven times to review, manage and monitor all aspects of risk management, including climate-related risks and opportunities. The CCRC met five times to oversee how Aviva meets its corporate and societal obligations. Papers considering the impact of climate change on our business were presented to Board committees across Aviva (e.g. a paper was presented to the Risk Committee to highlight the ways in which climate change may affect our business and to invite the committee's views on the actions taken and planned).

In addition, Aviva's climate risk preference was reviewed and approved by the relevant Group and local governance to allow the consideration of climate-related risks and opportunities through our risk management framework.

In 2020, the Plc Board reviewed and approved the 2021-2023 business plan, which incorporates our climate metrics, operating risk limits and tolerances. This allows climate-related risks and opportunities to be further embedded in our day-to-day decision making in line with our wider risk appetite. In 2021, the Plc Board also reviewed and approved our new climate change plan as well as our Net Zero Asset Owner Alliance target.

We also continued developing the skills of our Boards and our people in this area. As part of our regular Board and senior management training programme, Aviva's climate-related risks and opportunities, new climate change plan and Board responsibilities were presented to the Group and local Boards as relevant. This training equips our Boards to give appropriate direction to the company and ensures challenge, guidance and support are given to the executives so that actions are taken to identify, measure, monitor, manage and report these risks and opportunities. A detailed training plan is being put in place which envisages at least annual training to all relevant employees across the organisation, with more in-depth training to those who hold direct responsibilities to identify, measure, monitor, manage and report climate-related risks and opportunities.

In 2021, Environmental, Social and Governance (ESG) metrics including climate will be added to other risk metrics considered in determining senior management remuneration.

Strategy

Our new climate change plan resets the scope and level of our climate ambition to create a broader, joined-up approach covering all material areas of our business including investments, insurance, operations, accountability and leadership.

Aviva is a trusted climate leader. We commit to aligning our business to the 1.5°C Paris target[2] and plan to be a Net Zero company[3] by 2040. Our businesses will seek to develop and offer further climate conscious products. We are targeting Net Zero by 2030 for our operations and supply chain, as well as using our influence to help tackle climate change. This climate change plan is aligned to our Company Purpose 'With you today, for a better tomorrow' and our Group Business Strategy.

Investments – There are three ways in which Aviva is involved in investments i.e. as an asset owner, a long-term savings and pensions provider and as an asset manager. We seek to align our investments with a pathway towards Net Zero carbon emissions and ensure consistency with the 1.5°C Paris target. We are setting targets for how we will transition our portfolios and will publish updates on our progress. We signed up to key global commitments such as the United Nations-convened Net Zero Asset Owner Alliance. We target a reduction in the carbon footprint of our investments by 25% by 2025 and by 60% by 2030, and we aim to transition all assets[4] to Net Zero by 2040. We are also planning further investments in green assets[5] by 2025.

We use our influence as a shareholder and an investor to engage with and encourage companies to transition to a low carbon economy. We limit our exposure to carbon intensive sectors and companies and divest from highly carbon-intensive fossil fuel companies where we consider they are not making sufficient progress towards the engagement goals set.

We believe the highest emission fuels are not part of a low carbon future. We will therefore not be investing in or insuring coal (generation or mining). By the end of 2022, we will have divested all companies making more than 5% of their revenue from thermal coal unless they have signed up to Science Based Targets[6] or the funding is for ring-fenced green project finance. This applies to all shareholder funds and policyholder funds where possible. We will divest the equities, put the bonds into run-off and put the companies on our Stoplist.

1 The PRA Supervisory Statement – 'Enhancing bank's and insurers' approaches to managing the financial risks from climate change'.
2 The 1.5°C target was set by the global Paris climate change deal in 2015 to limit the damage wreaked by acute events such as extreme weather and chronic events such as sea level rise.
3 'Net Zero company' target covers all material 'Scopes 1, 2 and 3' carbon emissions (including investment, operations, supply chain); we are also developing a methodology for Net Zero underwriting.
4 Scope of our target will be core markets, all main asset classes (credit, equities, direct real estate, and sovereigns when methodology developed this year; including both active and passive funds), and shareholder assets and those policyholder assets where we have decision making control and we have carbon emissions data.
5 Low carbon infrastructure debt & equity; such as Solar photovoltaics (PV), offshore & onshore wind, new energy centres reducing users' demand for energy, waste to energy, green hydrogen generation, battery storage, low carbon public transport & electric vehicle charging infrastructure and energy efficient buildings. Green bonds that meet Climate Bonds Initiative's requirements, Social bonds and Sustainability bonds, Green loans and specific climate-related funds (such as the Climate Transition fund range). To determine the scope of our green assets, we have used "our and our customers assets" this includes all shareholder, with-profits and unit linked assets but excludes external mandates not on Aviva's balance sheet.
6 Science Based Targets Initiative is a collaboration between United Nations Global Compact, CDP (a global disclosure system), World Resources Institute and Worldwide Fund for Nature. It supports companies to set emission reduction targets in line with the decarbonisation required to limit global temperature increases to 1.5°C.

Further, in line with the Powering Past Coal Alliance (PPCA) Finance Principles we commit to avoiding exposure to equity and debt instruments of companies that plan to generate electricity from unabated coal beyond the PPCA timeframe[1].

In April 2020, we added a further 42 thermal coal mining and power companies to our investment Stoplist and removed one which met our engagement criteria. This took the total number of companies with revenue from coal on the Stoplist to 59. We have divested any equity holdings we had in the Stoplist and expect to run-off existing fixed income where there may be detrimental financial impact of doing so immediately.

AI aims to support the drive to make the changes needed to keep global temperature rise to 1.5°C through its management of our investments and active ownership as set out in the AI Corporate Governance and Voting Policy[2]. This will seek to reflect emerging best practice pathways at a country and industry level. AI also integrates sustainability risk and wider considerations of ESG factors into the investment process and launched a new Engage & Divest approach in February 2021. We believe this will deliver long-term sustainable and superior investment outcomes for customers while adhering to their mandate.

AI is building out a Climate Transition Fund range that helps investors support the transition to a low carbon economy across all core asset classes. In 2020, AI launched the second Equity Climate Transition Fund. Both the European and Global funds will take a long-term, high conviction investment approach, targeting global companies that derive material revenues from goods and services addressing climate change mitigation and adaptation as well as investing in those companies aligning their business models to a low carbon economy. AI Corporate Governance and Corporate Responsibility Voting Policy expects companies to report climate-related risks, strategy, policies and performance against the TCFD recommendations.

We integrate consideration of long-term sustainability issues into the products and services we offer. We continue to develop our customer ESG strategy and offer climate conscious and ethical funds such as the stewardship fund range. For example, in the UK we have added these funds as a default strategy option for our corporate pension customers. In France we offer Socially Responsible Investment (SRI) options. Both our French and UK businesses have added AI Climate Transition European Equity and Global Equity Funds to savings and investment platforms.

The Aviva Master Trust Trustees have made 'My Future Focus' – combining actively managed funds where ESG is integrated into the investment process and passive funds with an ESG tilt – their standard default solution. In Italy we have several sustainable investments and a series of SRI unit linked products available. Further, in October 2020 we announced a Net Zero target for our UK auto-enrolment default pension funds.

Insurance – We seek to grasp opportunities to support the transition to a low carbon economy and promote activities that will secure a better future for our customers and wider society.

We continue to develop climate conscious products and services, which reward customers for environmentally responsible actions, provide some element of adaptation/resilience or additional cover where possible for those customers at risk of extreme weather impacts. For example, Aviva France has bespoke electric vehicle (EV) policies and reduced premiums for customers who use public transport. In the UK, solar panels on residential roofs attract no additional premium. In Canada, our partnership with Lyft makes it easier for customers to choose car share journeys and we offer endorsements to cover domestic solar panels and wind turbines.

When paying out claims, we also have the opportunity to reduce our environmental impact through repair and restoration where possible. In the UK, our improved drying process after flood claims reduces the associated carbon emissions.

As the frequency and intensity of extreme weather increases, we have where possible been working to reduce the impact on our customers' lives, livelihoods and build resilience to climate change. We put specific information in the media to help customers minimise the impact of particular storms or floods.

In the UK we seek to proactively communicate with as many customers as possible before extreme weather events. In the UK and Canada, where appropriate we work with customers to help them become more resilient (e.g. offering coverage to install risk mitigation devices after a claim and to 'build back better'). In Canada, we were also the first insurer to announce comprehensive water coverage on property policies.

We sponsored a new code of practice for flood resilience released in January 2020[3]. The code covers all aspects of prevention and resilience to make properties more resilient to flood. We have also been working with Business in the Community supporting an online tool for small business resilience – 'Would you be ready?'.

We limit our exposure to the most carbon intensive elements of the economy through our Group Underwriting Boundaries. These include restrictions on toxic waste companies that present a significant hazard to the environment, and carbon intensive industries such as mining, offshore oil and gas extraction. At the start of 2019, we exited the standalone operational fossil fuel[4] power market as part of our commitment to help tackle climate change. These restrictions have been adopted by our general insurance businesses in the UK, Ireland, Canada, France and Poland.

At the end of 2019 we took another important step in our commitment by launching a specialist renewable energy proposition providing insurance solutions for the full lifecycle of renewable energy risks worldwide. Through this product we currently insure the largest windfarms in the USA and Africa.

More broadly, we aim to use our underwriting insight to support our investment decisions, to ensure a consistent view of climate-related risks is taken. For example, the issuers on Aviva's investment Stoplist are mirrored as exclusions in the Group Underwriting Boundaries.

Operations – As a business it is important that we lead by example focusing on reducing our environmental impact through energy efficiency, clever use of technology and communications, using renewable energy sources and minimising the carbon intensity of our car fleet. Our operations have been carbon neutral since 2006, through reducing our emissions year-on-year and offsetting any remaining emissions. Our ambition over time is that our business operations should have a positive climate impact. We have already reduced our emissions by 76%[5].

1 Noting that coal power phase-out is needed by no later than 2030 in the OECD and EU and no later than 2050 in the rest of the world.
2 https://www.avivainvestors.com/content/dam/aviva-investors/main/assets/about/responsible-investment/our-approach-to-responsible-investment/downloads/2021-voting-policy.pdf
3 https://www.youtube.com/watch?v=bDvDPLu7ZMw
4 In line with PPCA Finance Principles.
5 Assurance on emissions figures is provided by PricewaterhouseCoopers LLP and available at www.aviva.com/CRkpisandassurance2020

Since 2010, we have had a long-term reduction target of 70% by 2030, which we have now met ten years earlier than promised. We are committed to using 100% renewable electricity Group-wide by 2025[1]. In 2019, we commissioned a 'first of its kind in the UK' solar carport installation for our Norwich office.

Following this success, in 2020 we installed a solar carport array at our Perth office. It's the biggest combination of solar, energy storage and EV charging points in the UK. The Perth 'low-carbon hub' features a 1.1MW solar carport, integrated with 1.8MWh of Tesla battery energy storage and 50 EV charging points, forming the cornerstone of Aviva's ambitious drive to take the office off grid by providing 26% of the site's annual energy.

The Corporate Responsibility section includes an expanded table featuring our energy use and carbon emissions data to reflect the new requirements of the UK Streamlined Energy and Carbon Reporting (SECR) framework.

Accountability and Leadership – We are strong advocates of the need for listed companies to publish consistent information to help make better decisions and promote the transition to Net Zero carbon emissions by 2050. More accurate information will help financial institutions to manage climate-related risks and grasp opportunities to support the transition. It will also help our customers and investors understand how their money is invested and so make more informed decisions.

We welcome the increased regulatory focus on this area and are eager to see much wider reporting in line with the TCFD recommendations. At the 2021 Annual General Meeting, we are providing the opportunity for our own shareholders to vote on this disclosure.

We continue to provide strong and vocal support for capital market reform, to mobilise the trillions of pounds required to transition to a low carbon economy and correct existing market failures with respect to climate change. We continue to work with policymakers and regulators encouraging them to change the financial system, so that markets reward sustainable investments and sustainable businesses, advocating for an economic recovery driven by emission reduction and climate adaptation while also integrating biodiversity impacts and associated mitigation strategies. In line with Aviva's Marshall Plan for the Planet we are proposing that a new institutional mechanism – the International Platform for Climate Finance – be created at Glasgow COP26[2].

As an employer, an active member of our local communities and with a significant customer base, we can amplify individual efforts to create a joint legacy that we can all be proud of (e.g. EV charging points for employees, car sharing support and the use of low carbon public transport for commuting), partnering with others to provide climate resilient community projects.

Risk management, metrics and targets

Rigorous and consistent risk management is embedded across Aviva through our risk management framework. This framework sets out how we identify, measure, monitor, manage and report on the risks to which our business is, or could be, exposed (including climate-related risks). In 2019, we updated our risk policies (including our risk management framework policy). In 2020, we updated our business standards (a key component of our risk management framework) to further integrate climate-related risks and opportunities across all risk and control management activities.

We integrated climate into our risk appetite framework, defined our climate risk preference and incorporated climate risks into our 2021-2023 business plan, to facilitate risk-based decision-making. Aviva considers climate change to be one of the most material long-term risks to our business model and its impacts are already being felt. Given its materiality and proximity, we are acting now to mitigate and manage its impacts both today and in the future. Through these actions, we continue to build resilience to climate-related transition, physical and liability (litigation) risks including the risk of assets becoming stranded.

We have developed models and tools to assess and monitor[3] the potential impact on our business of different Intergovernmental Panel on Climate Change (IPCC) scenarios. Each IPCC scenario describes a potential trajectory for future levels of greenhouse gases and other air pollutants. These can be mapped to likely temperature rises: 1.5°C (aggressive mitigation), 2°C (strong mitigation), 3°C (some mitigation) and 4°C (business as usual). The IPCC Global Warming of 1.5°C report, published in October 2018, highlights the need to take dramatic action now to keep warming below 1.5°C and the potential severe consequences if this is not achieved.

We calculate a Climate Value-at-Risk (Climate VaR) for each scenario to assess the climate-related risks and opportunities under different emission projections and associated temperature pathways. A range of different financial indicators are used to assess the impact on our investments and insurance liabilities. These impacts are aggregated to determine the overall impact across all scenarios by assigning relative likelihoods to each scenario.

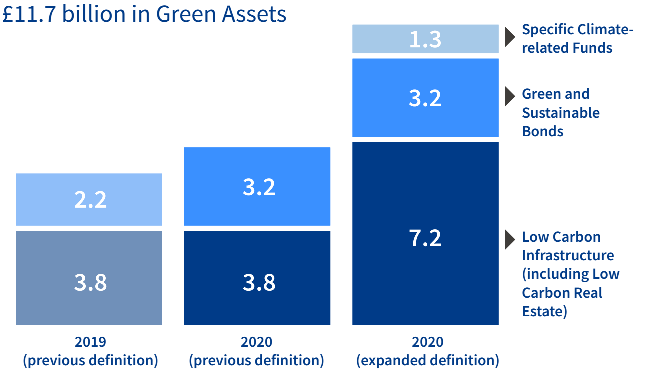
Climate VaR includes the financial impact of transition risks and opportunities. This covers the projected costs of policy action related to limiting greenhouse gas emissions and projected profits from green revenues arising from developing new technologies and patents. In addition, it captures the financial impact of physical risks from extreme weather (e.g. flood, windstorm and tropical cyclones) and chronic effects (e.g. rising sea levels and temperature), although we recognise that the most extreme physical effects will only be felt in the second half of the century. We also recognise that there is a growing trend in climate-related litigation and have assessed its potential exposure accordingly.

We also use a variety of other metrics to identify, measure, monitor, manage and report alignment with global or national targets on climate change mitigation and the potential financial impact on our business. While recognising the limitations of the Climate VaR and other metrics used (e.g. scope of coverage, data availability and extended time horizons as well as the uncertainty associated with some of the underlying assumptions), we believe they are still valuable in supporting our governance, strategy and risk management.

Green Assets – We track our green, low carbon and transition assets. The previous definition of our green assets[4] has been expanded this year to include low carbon real estate and specific climate-related funds as well as explicitly excluding external mandates.

1 Via our RE100 commitment. RE100's purpose is to accelerate change towards zero carbon grids, at global scale. Aviva has signed up to the commitment pledging to purchase or generate 100% of our global electricity from renewable sources by 2025.
2 International Platform for Climate Finance to be created at Glasgow COP26 by the UN Climate Change Framework Convention Conference Presidency to help UN member states ensure that their public and private finance flows become consistent with the pathway towards low greenhouse gas emissions and climate-resilient development set out within the Paris Agreement target.
3 We developed a dynamic tool that allows us to monitor our climate metrics and supports our risk management, governance and reporting processes.
4 Low carbon infrastructure debt and equity; such as Solar photovoltaics (PV), offshore & onshore wind, new energy centers reducing users' demand for energy, waste to energy, green hydrogen generation, battery storage, low carbon public transport & electric vehicle charging infrastructure and energy efficient buildings. Green bonds that meet Climate Bonds Initiative's requirements, Social bonds and Sustainability bonds, Green loans and specific climate-related funds (such as the Climate Transition fund range). To determine the scope of our green assets, we have used "our and our customers assets" this includes all shareholder, with-profits and unit linked assets but excludes Aviva Investors' third-party client mandates.

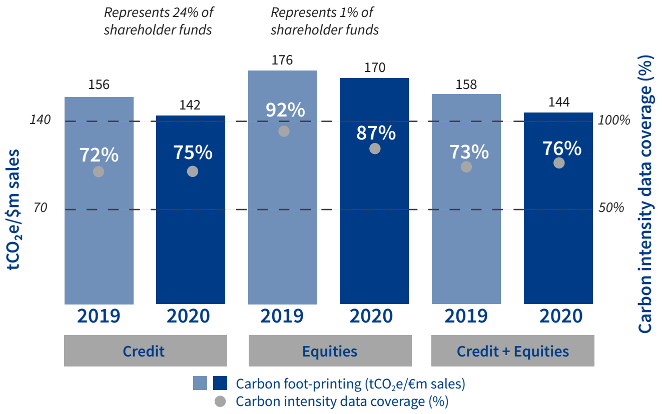
Green Assets[1]. Source: Aviva.



Of the £11.7 billion in green assets, £7.2 billion are in low carbon infrastructure (including £3.4 billion low carbon real estate), £3.2 billion in green and sustainable bonds and £1.3 billion in specific climate-related funds.

Carbon foot-printing – We use weighted average carbon intensity data to assess our investment portfolio's sensitivity to an increase in carbon prices and our progress to the Paris Agreement target.

Weighted average carbon footprint (tCO_2e/$m sales) of Aviva's shareholder funds' credit and equity investments as at 31 December 2020 compared to 2019. Source: Aviva/MSCI[2].



Our carbon foot printing intensity has reduced compared to last year in line with our 25% NZAOA reduction target by 2025[3]. The utilities sector is the largest single contributor to the carbon intensity. Our objective over time is to reduce the carbon intensity to align our investment portfolio to the Paris Agreement target. To achieve this, our first goal is to drive change in the companies we invest in through direct engagement. We also reserve the right to reduce our exposure to the intensive companies who are not making the transition to a low carbon economy and move capital towards those who are.

Portfolio Warming Potential – We use a portfolio warming potential metric to assess our shareholder funds' credit, equity, real estate, green assets and sovereign bond investments alignment with the Paris Agreement target. This warming potential methodology captures Scope 1, 2, 3 emissions[4] and a cooling potential element, to capture avoided emissions, based on low carbon patents and revenues as well as company reported decarbonisation targets to provide a forward-looking perspective.

Notre Dame University's Global Adaptation Index (ND-GAIN) – We use ND-GAIN to measure and monitor our sovereign holdings' exposure to climate change. ND-GAIN measures a country's vulnerability to climate change and its readiness to adapt to, and mitigate, its effects by considering economic, governance and social readiness. Aviva is predominantly exposed to sovereigns from developed markets. We have no significant exposure to countries highly vulnerable to the physical effects of climate change and our exposure to moderately exposed countries is captured as part of our risk management and monitoring of sovereign risk. We also have no material exposure to sovereigns whose credit quality is reliant on oil and gas production.

Weather-related losses – We build the possibility of extreme weather events into our pricing to ensure it is adequate and monitor actual weather-related losses versus expected weather losses by business (net of reinsurance). Catastrophic event model results are supplemented by in-house disaster scenarios. Our general insurance business exposure is limited by being predominantly in Northern Europe and Canada. We require our general insurance businesses to protect against all large, single catastrophe events in line with local regulatory requirements, or where none exist, to at least a 1-in-250-year event.

We fully expect existing frameworks, tools and metrics will evolve over time and improve in the light of new research, data and emerging best practice. To this end, we are working collaboratively with the UN Environment Programme Finance Initiative, peers, academics, professional bodies, regulators, governments and international agencies to build robust, comprehensive and effective tools and approaches. These will enable the potential business impacts of climate-related risks and opportunities to be assessed and promote more informed understanding of climate-related risks and opportunities by investors, lenders, insurance underwriters, investment managers and others.

1 Low carbon infrastructure debt as at 30 September 2020, low carbon infrastructure equity as at 31 December 2020, green bonds as at 30 September 2020, UK direct low carbon real estate as at 3 December 2020, French direct low carbon real estate as at 4 December 2020, climate specific funds as at 31 December 2020, AAO as at 31 December 2020.
2 Data has been taken from Aviva's internal risk system used to monitor credit risk limits and as a source for Solvency II disclosures. Certain information ©2021 MSCI ESG Research LLC. Reproduced by permission. Although Aviva Central Services UK Limited information providers, including without limitation, MSCI ESG Research LLC and its affiliates (the "ESG Parties"), obtain information (the "Information") from sources they consider reliable, none of the ESG Parties warrants or guarantees the originality, accuracy and/or completeness, of any data herein and expressly disclaim all express or implied warranties, including those of merchantability and fitness for a particular purpose. The Information may only be used for your internal use, may not be reproduced or redisseminated in any form and may not be used as a basis for, or a component of, any financial instruments or products or indices. Further, none of the Information can in and of itself be used to determine which securities to buy or sell or when to buy or sell them. None of the ESG Parties shall have any liability for any errors or omissions in connection with any data herein, or any liability for any direct, indirect, special, punitive, consequential or any other damages (including lost profits) even if notified of the possibility of such damages.
3 The target is set using carbon intensity by revenue metric (scope 1 and 2) covering credit, equities and direct real estate holdings.
4 In 2019, the methodology was based on scope 1 emissions.