THIS IS HOW

2020 Responsible Investment Annual Review

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A foreword from Mark Versey

The pandemic has shed new light on the interdependencies in human and natural ecosystems, and the vulnerabilities of a closely networked world. It has shown us that today's challenges do not respect national borders. In short, it has been a giant ESG stress test for the global economy.

Stimulus programmes totalling $14 trillion[1] at the end of 2020 have left sovereign debt-to-GDP ratios looking more like something akin to the aftermath of war. Moreover, the extraordinary curtailment of some of our civil liberties is unlike anything previously seen in liberal democracies in peacetime.

Nevertheless, the pace and scale of humanity's response to COVID-19 has been impressive. The functional presence of 12 approved vaccines[2] – twice as fast as anyone reasonably thought possible – bodes well for the future. This is a positive sign of humanity's ability to deal with future crises, such as those from climate change, species loss and the overexploitation of natural capital. However, there are structural failings in global governance that need to be addressed. We need a shift in focus to the prevention of future crises rather than dealing with their impacts.

History may look back on 2020 as a turning point for environmental, social and governance issues. As well as putting a spotlight on how companies responded to the COVID-19 crisis, the worldwide demonstrations following the tragic deaths of three black Americans, George Floyd, Breonna Taylor and Ahmaud Arbery, highlighted how far there is to go to address racial inequality.

I believe investors have a vital role to play in pushing for change on society's biggest issues, from climate change to diversity; from environmental degradation to human rights. I am proud that Aviva Investors has long been at the forefront of investor action on these issues, as you will discover throughout this report.

In what follows you will read about just how Aviva Investors has been at the forefront of this revolution. A position that I believe we have held for well over two decades.

Mark Versey
Chief Executive Officer

"The pandemic has shed new light on the interdependencies in human and natural ecosystems."

1. 'Fiscal Monitor Update', IMF, January 2021.
2. 'Covid-19 Vaccine Tracker', McGill COVID19 Vaccine Tracker Team, March 2021.

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About the report

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About the report

This year's Responsible Investment Annual Review seeks to demonstrate how Aviva Investors has turned talk into action in 2020.

We welcome the significant developments that have come to fruition this past year across responsible investment, not least the bold action taken by the Financial Reporting Council (FRC) to update its Stewardship Code and maintain its position of global leadership.

In line with such developments, this review focuses on the impacts that our responsible investment approach has had on our clients and on the society we serve.

As evidenced by the broad definition of stewardship that sits at the heart of the FRC's revised code, as investment managers we have a duty to act in the best interests of clients as well as the integrity of the market.

Over the course of this report, we unpack the different ways in which our strategy and culture as a business, our governance and investment processes and our collaborative efforts have come together to drive a responsible investment approach that aims to create long-term value for clients and beneficiaries, and which also leads to sustainable benefits for the economy, the environment and society.

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2020 responsible investment highlights

AVIVA INVESTORS

Turning talk into action

We are proud to be a company of action. United by a firm-wide commitment to work with and for our clients to do what is right for them, society and the world around us.

Responsibility is embedded across all levels of our organisation, in our purpose, people and processes. Understanding ESG, the risks and the opportunities, helps us to be better investors, delivering the investment outcomes our clients expect and making informed decisions on people, earth and climate.

THIS IS HOW

Responsibility built-in

We employ systematic and robust consideration of material ESG factors in investment decisions, led by insight that goes beyond the conventional. Our portfolio managers are empowered to make the right decision for the best client outcome, supported by our ESG capability that is integrated into our investment franchises via specialist teams.

Powering change

As an active owner with scale and global reach, we use engagement, voting and investment decisions to drive a transition to a sustainable future. We invest, stay engaged and partner to improve the sustainability of our investments.

Shaping our future

Making a difference does not stop with our investments. We work in partnership with clients, policymakers and regulators, sharing knowledge and collaborating to build a sustainable future for us all. We are committed to reforming capital markets and empowering our clients to make informed choices.

Liquid Markets highlights 2020

This covers the investments we make in companies, whether through equity or credit, as well as sovereign debt and multi-asset strategies.

3,428
company engagements

1,501
substantial interactions

90
specific successful outcomes

72,025
votes on resolutions at **6,457** shareholders meetings

24%
votes against management resolutions (including **43%** on pay proposals)

98%
votes in favour of climate and social shareholder proposals[1]

2nd
globally for our environmental voting track record by ShareAction

Deployment of
Elements
proprietary ESG score methodology

A+
UN PRI Rating

500+
Internally-produced ESG research reports to support liquid market investment integration

Public allies for International Platform for Climate Finance coalition
34

A
ShareAction rating

1. 'Proxy voting records challenge asset managers' responsible investment claims', ShareAction, December 2020.

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Real assets highlights 2020

This covers the investments we make in assets such as infrastructure, real estate and structured finance.

£1 billion

In 2020 we committed to delivering £1 billion of climate transition-focused loans by 2025, accelerating the transition to a low-carbon economy in real estate. We're making great progress, with £189 million of sustainable lending delivered in 2020 against the target.

730 MW

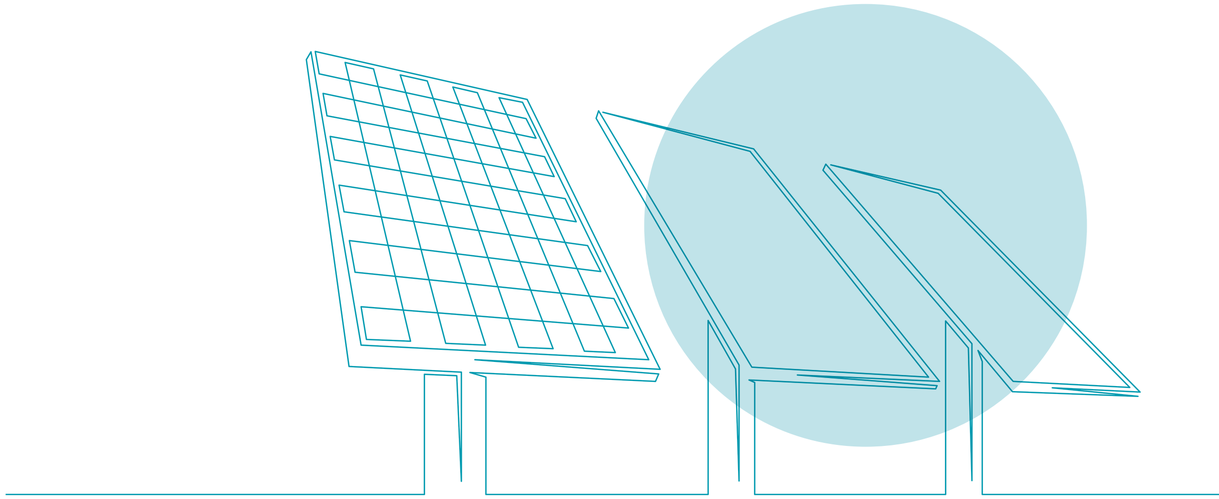
Over £5 billion invested since 2015 in solar, wind, energy centres and energy from waste, reaching 730 MW of low-carbon and renewable energy generation capacity in 2020, enough to power a million homes. In 2020 we set a new real assets target to reach 1.5GW by 2025.

£700,000

In 2020, energy saving programmes in real estate delivered more than £700,000 in avoided costs for occupiers and contributed to a 10% reduction in carbon intensity, measured against a 2019 baseline.

£172 million

We are one of the UK's largest investors in social infrastructure, with £12 billion of assets under management (AUM) in education, health, social housing and transportation. In 2020, we invested £172 million in social housing and contributed to the provision of affordable homes in communities across the UK.



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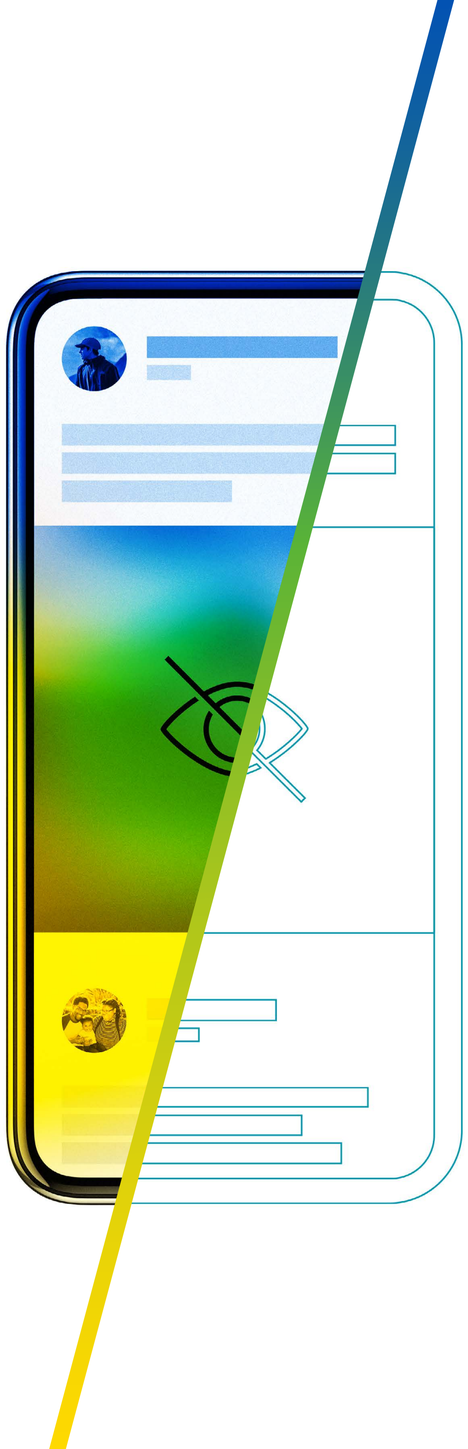
ENGAGEMENT CASE STUDY

Social media companies must do more

E S G **Alphabet, Twitter, Facebook** (United States)



Issue:

Social media platforms have been under increasing investor scrutiny and regulatory pressure for several years regarding the content that is hosted on their platforms. However, 2020 was an inflection point where content from hate speech, misinformation and political adverts drew attention on the companies' responsibility. Advertisers launched a large-scale boycott on social media companies, demanding action on hate speech prevention.

Action:

Following the 2019 Christchurch shootings in New Zealand, Aviva Investors joined a collaborative initiative led by the New Zealand Super Fund, with more than 100 like-minded investors representing $7.5 trillion of AUM. The engagement targeted Facebook, Alphabet and Twitter, calling for a strengthening of their controls on objectionable content. We have been in active dialogue with management teams to press for change at a pace commensurate with the importance of the issue. Aviva Investors led the Twitter engagement call, where we discussed the role of the board in providing oversight, and alignment of incentives for management. While Twitter has historically employed industry-leading standards in monitoring, reviewing and removing harmful content, our discussion focused on shifting the approach to prevention rather than reacting after the event.

Outcome:

As scrutiny linked to the 2020 US election and racial justice increased, platforms made progress in updating their content policies and improved processes to detect harmful content. We have also seen improvements along the lines of our recommendations linked to clarifying governance, especially regarding the board of directors' oversight capacity, and the use of artificial intelligence is accelerating the speed of detection and de-amplification of harmful content. We remain in active dialogue with the companies to encourage faster progress, as it remains insufficient when considering the net impact on society.

AVIVA INVESTORS

INTEGRATION CASE STUDY

Bayer fails to act... so we did

E S G **Bayer** (Germany)

Issue:

After a flurry of consolidation across the crop science industry, Bayer announced the bold move to acquire US group Monsanto, eventually closing the $63 billion transaction in 2018. The logic was simple: the world needs to increase agricultural productivity by 60 per cent to feed the planet, and the acquisition would create a powerhouse ready to capitalise on the growth opportunity.

However, the acquisition of Monsanto came with liability for its core weed killer product, Roundup, which US courts subsequently deemed culpable for more than 100,000 cases of cancer. In 2020, now saddled with debt, Bayer entered into a $10.9 billion legal settlement, seeing its stock price plummet to materially below the price it paid for Monsanto.

Action:

Aviva Investors undertook extensive engagement with Bayer management team and supervisory board to understand the due process underpinning the strategic acquisition, and the remedial steps taken afterwards.

We identified glaring failings in the due diligence process and strategic challenge provided by the supervisory board. Notably, the World Health Organisation had found evidence that Roundup ingredient glyphosate was carcinogenic back in 2015, but the acquisition was still deemed "a risk worth taking". The chair of the supervisory board, a former chief executive and mentor of the current role holder, compounded concerns that the board failed to provide robust independent challenge. This culminated in Aviva Investors and the majority of shareholders voting against the annual discharge vote of management, an unprecedented result for a German blue-chip company.

Of arguably greater concern than past errors was the apparent lack of ownership of mistakes, or any clear indication of a change in culture or future course of the business. This was most clearly evidenced by the chief executive, Werner Baumann, having his mandate extended to 2024.

Outcome:

Based on the outcomes of our interactions with the company, the ESG team generated a negative ESG rating on Bayer and debated our insights with our credit team. Following these conversations, we sold down our credit exposure during the year.

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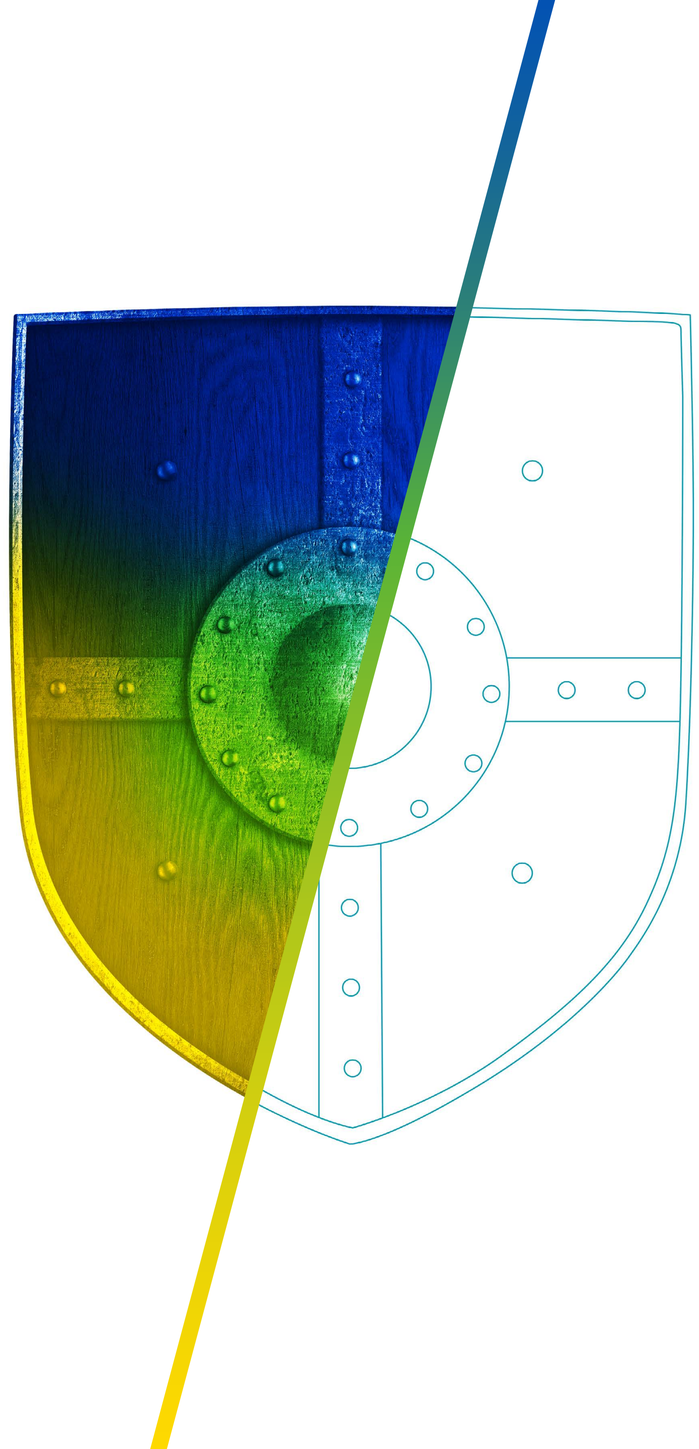
ENGAGEMENT CASE STUDY

Unilever u-turn finally unites investors

E S **G** **Unilever** (United Kingdom)



Issue:

Unilever has an archaic corporate structure dating back almost a century to the merger of a Dutch margarine producer and British soap maker. The result was a complex dual incorporation that has impeded the company's ability to take much-needed action to streamline and refocus its sprawling business units or raise finance for targeted acquisitions. After surviving a failed takeover bid from Kraft Heinz, the board decided the time was right to simplify the business through a corporate restructuring.

While the business rationale for a reorganisation was well reasoned, the chosen path to incorporate in Rotterdam, and the subsequent loss of the UK primary listing, would have seen large swathes of investors being forced off the share register in the process.

Action:

Aviva Investors engaged on several occasions with management and the board to express our disappointment with the lack of consultation and our intention to vote against the proposal as it stood. However, it was quickly apparent that the board was fixed on their decision, which necessitated us to explore alternative mechanisms of opposing the proposal, which we believed ran counter to shareholder interests.

Following a review of the investor base, we noted the unusually high number of retail investors and sought to engage them in the debate. This included our equities chief investment officer outlining our concerns on national radio with a view of helping smaller shareholders to take an informed decision on the proposal. Ultimately, the opposition of retail investors proved to be decisive, and Unilever withdrew the proposal prior to the shareholder vote coming to pass.

Outcome:

In 2020, Unilever's new leadership team came back to the market with a revised restructuring proposal that would allow UK and Dutch investors to stay invested while achieving the goal of corporate simplification. The proposal was overwhelmingly supported by shareholders and, as a result, the company is better positioned from a governance perspective to modernise and grow.

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VOTING/ENGAGEMENT CASE STUDY

Translating climate ambition into action

E S G **Various** (Global)

Issue:

The world needs to limit the global temperature rise to no more than 1.5 degrees Celsius above pre-industrial levels to guard against the most catastrophic consequences of climate change. Over the last two years, we have seen positive momentum in the strengthening of long-term climate commitments from governments, companies and investors.

However, time is not on our side, as to credibly achieve a 2050 net-zero emissions goal, we must deliver a 40 per cent reduction in carbon emissions by 2030. This requires all key stakeholders to move beyond simply aligning with the overarching ambitions of the Paris Agreement, and articulate a robust and transparent climate transition roadmap.

Action:

The pervasive nature of the factors driving climate change means that all companies and sectors will have a role to play in the transition to a lower-carbon economy. Consequently, climate strategy, targets and performance reporting flows through all our engagements with investee companies. However, we recognise that certain industries will have a disproportionate influence on the decarbonising of economies.

As a result, we developed enhanced climate engagement programmes specifically targeting the oil & gas and banking sectors.

As part of these programmes, we used the full spectrum of tools available, including bilateral and collaborative company engagements, the exercise of our voting rights, filing of shareholder resolutions, and maintaining a dialogue with regulators to help drive market reform.

Our key climate engagement asks centred on the following:

- Adopt net-zero goal by 2050 and commit to the Science Based Targets Initiative framework.
- Integrate climate goals into business strategy, including capex frameworks (extractives) and lending criteria (banks).
- Set short- and medium-term climate targets and milestones.
- Align management incentives to climate targets.
- Report on progress using the Taskforce on Climate-related Financial Disclosures (TCFD) framework.
- Prohibit direct and indirect lobbying in contravention of the Paris objectives.

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VOTING/ENGAGEMENT CASE STUDY

Translating climate ambition into action (cont'd.)

Outcome:

While acknowledging that we are in the early stages of a long journey ahead, there were a number of positive outcomes during the year that gave us cause for optimism.

- BP launched a new 'reimagining energy strategy' with a commitment to reduce fossil fuel production by 40 per cent coupled with a ten-fold increase in investments in new energy by the end of the decade (Aviva Investors was one of the lead co-filers of the shareholder resolution that helped catalyse the strategy).
- Shell, Repsol, Total, ENI, Equinor and Woodside Petroleum joined BP in making commitments to become net-zero companies by 2050, with a number of the oil majors linking management incentives to near-term transition goals.
- State-owned PetroChina became the first Asian national oil company to pledge to cut emissions to near zero by 2050.
- Barclays, HSBC, Morgan Stanley and JP Morgan were among the global banking powerhouses that committed to achieving net-zero emissions across their financing activities.
- Barclays launched a new climate methodology (BlueTrack™) to measure and track financed emissions and inform lending decisions and client engagement.
- At Mizuho Financial Group's AGM, Aviva Investors and 34 per cent of other shareholder supported Japan's first climate resolution, upping the pressure on one of the world's largest coal lenders to take action.
- The UK's Financial Conduct Authority issued mandatory TCFD disclosure requirements for premium listed companies.

Questions remain over the variations of scope of commitments and clarity on the details of delivery. Nevertheless, these developments will form a strong foundation for Aviva Investors and other engaged investors to build on in the coming year.

"While acknowledging that we are in the early stages of a long journey ahead, there were a number of positive outcomes during the year that gave us cause for optimism."

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VOTING CASE STUDY

Companies falling short in human rights benchmark

E **S** G **Various** (Global)

Issue:

It is now ten years since the UN Human Rights Commission formally adopted the Guiding Principles framework for how governments and companies are expected to guard against human rights violations. However, investors have traditionally lacked the tools to fully understand the human rights practices of companies and to hold them accountable when they fall short.

To help address this issue, Aviva Investors became a founding member of the Corporate Human Rights Benchmark (CHRB), the first of its kind free-to-access public benchmark, which ranks global companies on their human rights policies and practices and enables comparisons among sector peers. The benchmark now covers nearly 230 companies spanning five high-risk sectors, including agriculture extractives and manufacturing.

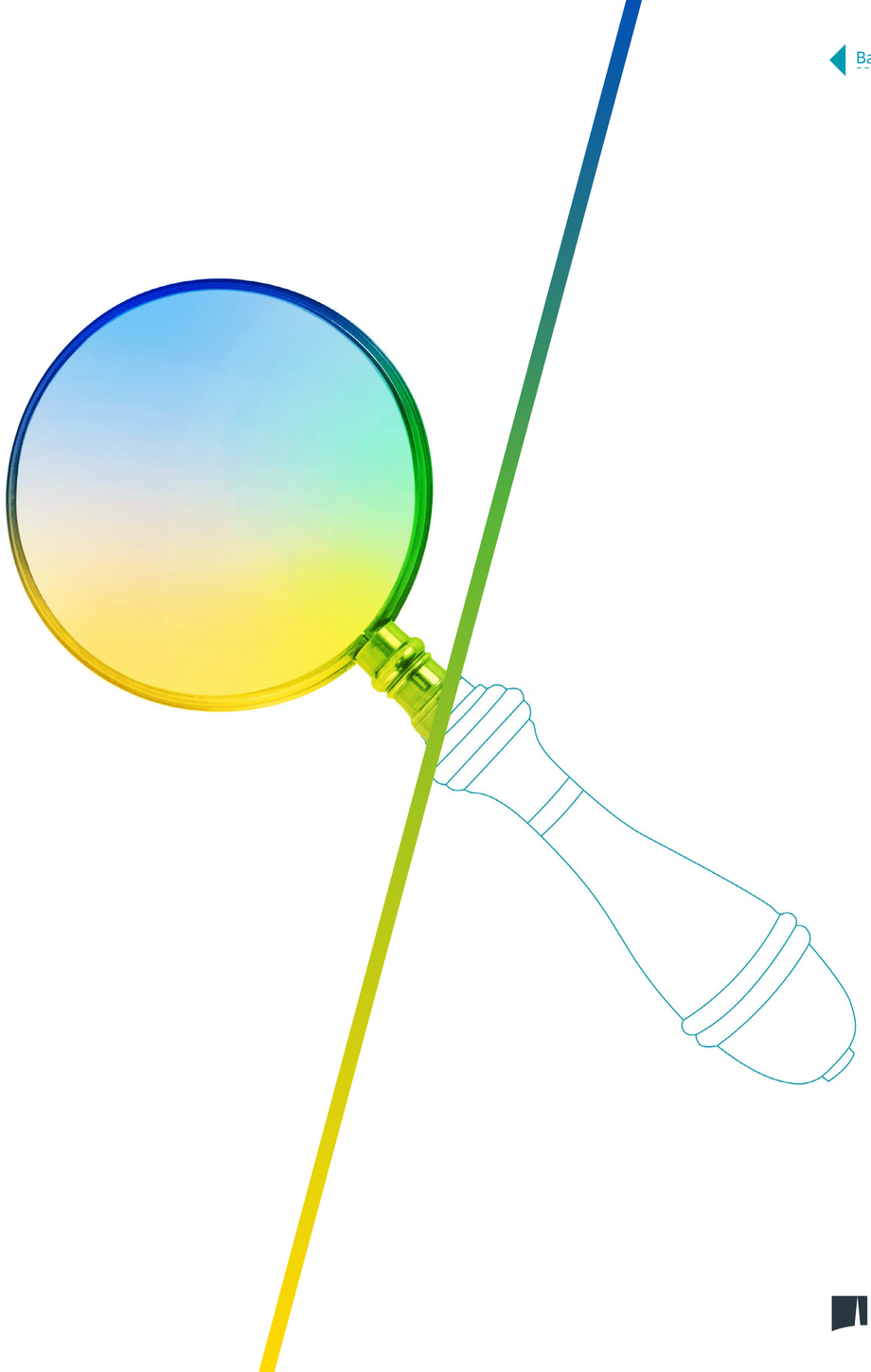
Action:

Aviva Investors recognises that while the credibility of the CHRB is grounded in its multi-stakeholder model, its impact on driving positive changes in corporate behaviours will require investors to be engaged and act on its findings. Consequently, we fully integrated the results of the benchmark into our voting and engagement activities during the year.

This included voting against management at nearly 100 poorly performing companies, sending 40 letters encouraging companies to engage with the CHRB on its findings, and undertaking targeted engagements alongside fellow investor signatories with a number of companies, including Amazon, McDonalds, Apple and LVMH.

We also sent an investor statement to all companies scoring 0 on all human rights due diligence indicators, together with the Investor Alliance for Human Rights (ICCR initiative) with a total of 176 investors representing over US$4.5 trillion in assets under management. When ranked again in November, 79 were still scoring 0, showing some improvement but not enough.

continues over



AVIVA INVESTORS

VOTING CASE STUDY

Companies falling short in human rights benchmark (cont'd.)

Outcome:

Since its inception, there have been a number of areas of improvement identified by the CHRB, particularly with respect to the formalisation of public human rights commitments and the establishment of grievance channels for affected communities. Nevertheless, the overall scores across sectors still fall disappointingly short of minimum expectations, with human rights due diligence standards proving to be the most challenging area. The CHRB also noted that even companies with relatively progressive standards are still experiencing high levels of alleged violations, pointing to a disconnect between policies and practices – with the vast majority of incidents occurring in the developing world.

Businesses' ability to demonstrate a strong commitment to the protection of fundamental human rights will ultimately serve as an acid test of responsible capitalism. Progress towards this ambition will require a genuine multi-stakeholder effort among governments, business, investors and civil society. The CHRB is an important tool in supporting this movement, but its power will be dependent on the endorsement, engagement and action from the wider investor community.

"Businesses' ability to demonstrate a strong commitment to the protection of fundamental human rights will ultimately serve as an acid test of responsible capitalism."

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COLLABORATION CASE STUDY

Holding the Brazilian government to account

E S G **Brazilian government** (Brazil)

Issue:

The Amazon is the world's largest rainforest, spanning two million square miles and mainly located in Brazil. It is considered Earth's most biodiverse region and is home to 390 billion trees, 16,000 plant species and millions of animal species. The future of the Amazon is also inextricably linked to the global fight against climate change, with its dense forests acting as a critical store of carbon dioxide.

The challenge is that the rainforest is also an important source of revenue for the Brazilian economy, contributing more than $8 billion a year through the rubber and timber trade. Emboldened by the Bolsonaro-led government, the intentional clearing of land through forest fires increased 50 per cent over the last decade, with an area eight times the size of London being burnt down in the first half of 2020.

Action:

President Bolsonaro was quick to rebuff statements of concern raised by foreign governments, reiterating Brazil's sovereignty over the Amazon. However, noting Brazil's increased reliance on global capital markets to fund budget deficits, Aviva Investors and like-minded investors initiated an unprecedented collaborative engagement with the government on their environmental practices. This included an open letter calling on the government to reduce deforestation rates, enforce Brazil's Forest Code tackling illegal logging, and improve public access to data to enable external monitoring.

This culminated in a series of high-level ministerial meetings, including one with the Brazilian vice president and influential legislators, which was attended by Aviva Investors' chief investment officer of equities.

Outcome:

The Brazilian government subsequently announced a series of positive measures, including a 120-day moratorium on forest fires, which was an encouraging first step. However, the challenge around the lack of enforcement remains, with forest fires during peak season remaining at a decade-long high. Nevertheless, the process highlighted the often unique role investors can play in engaging with governments on their sustainability practices, and will open the door for further investor collaborations in the future.

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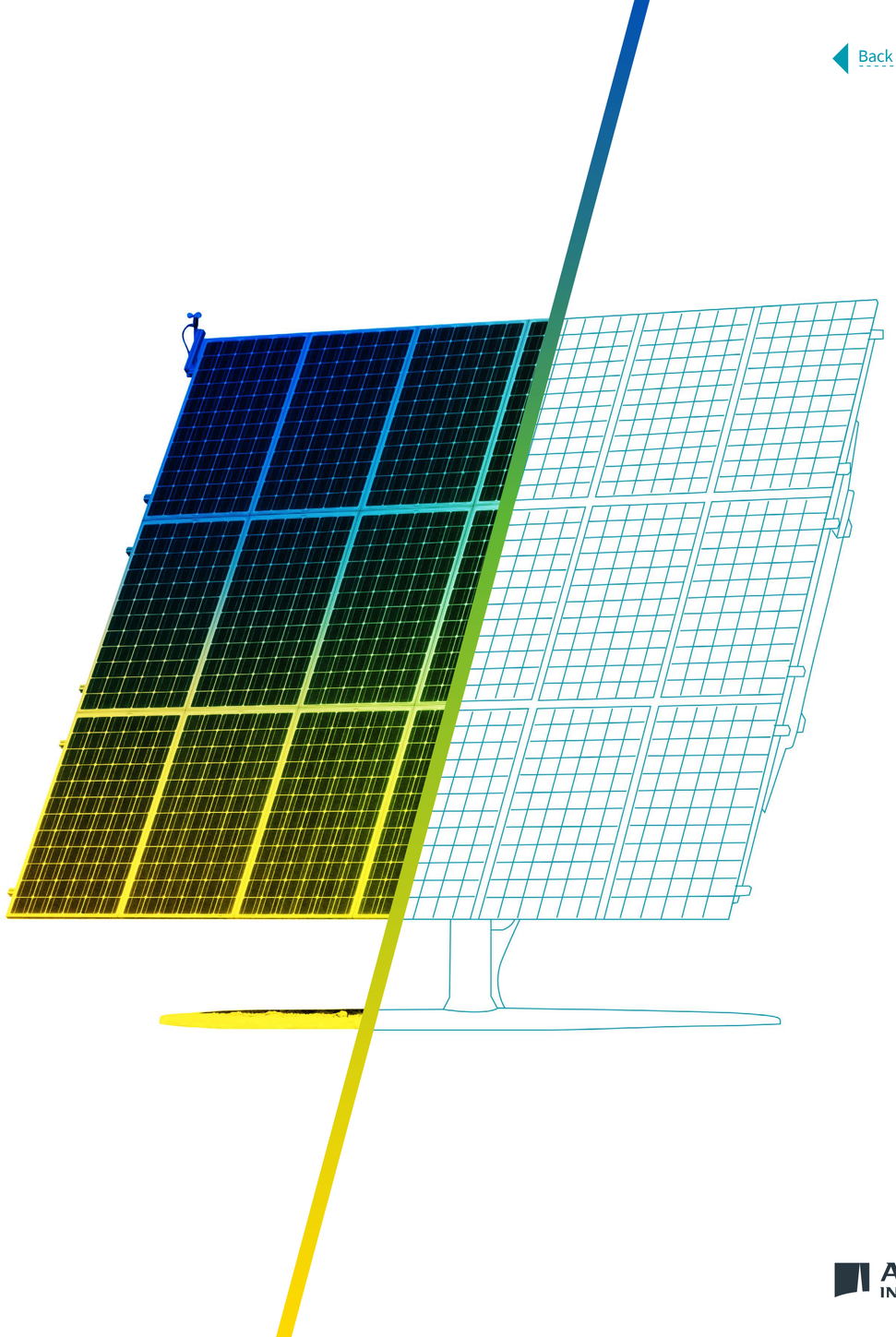
ENGAGEMENT CASE STUDY

The transition that really matters

E S G (United Kingdom)



Issue:

Buildings are responsible for around 40 per cent of energy consumption and 36 per cent of carbon dioxide emissions in the EU, and almost 75 per cent of the building stock is inefficient. In order to accelerate the transition of these buildings, we developed a proprietary framework for sustainable transition loans for commercial real estate, originating £189 million of transition-focused loans in 2020 and committing to delivering £1 billion by 2025.

Action:

In 2020, we originated two deals focused on the climate transition, one to CLS Holdings plc (CLS), providing £154 million towards the refinancing of 12 UK assets, and another of £35 million to Big Yellow Group, the UK-based self-storage company. The debt facilities were structured to include key performance indicators that are linked to sustainability targets. In the case of CLS, these were independently reviewed to provide assurance they are aligned with LMA sustainability-linked loan principles. A margin reduction of up to ten basis points was made available if CLS delivers specific targets, which will be assessed annually throughout the life of the facility. For Big Yellow, we included a green clause in the transaction, subject to the sponsor installing solar panels on additional security properties.

Outcome:

The addition of solar panels and meeting of more ambitious sustainability targets across the underlying properties will result in a lower-emission portfolio for the borrower and our client, while reducing the ongoing running costs of the assets.

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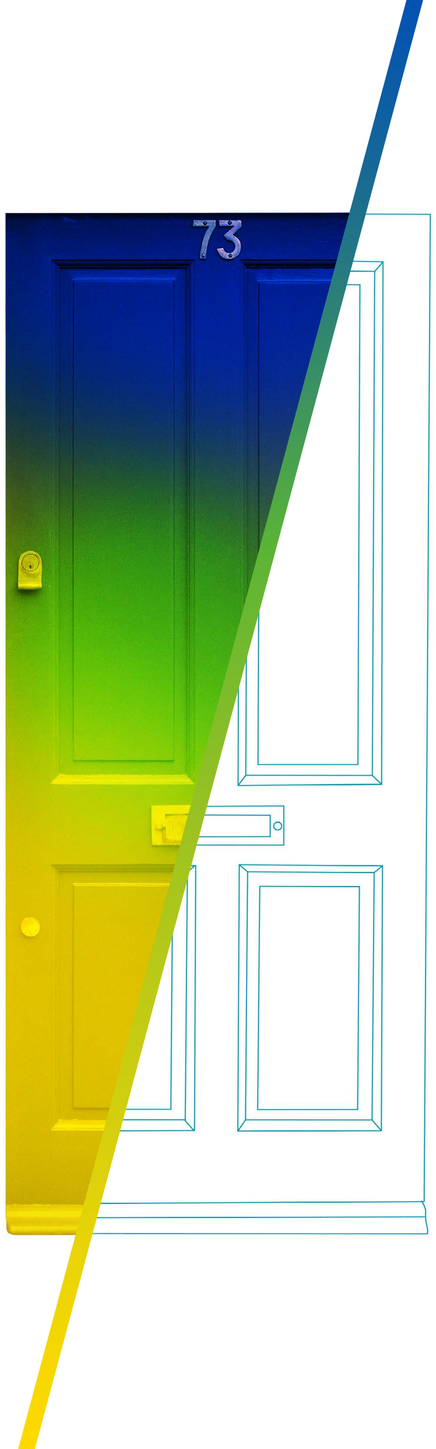
INTEGRATION CASE STUDY

Investing in UK social housing

E S G (United Kingdom)



Issue:

Institutional investment plays a vital role in developing and improving social housing. Alongside public sector funding, the private sector can provide innovative funding models that link financing to environmental and social improvements. Private debt investment in the sector now exceed £80 billion and can deliver benefits for housing associations as well as returns for institutional investors.

Action:

In 2020, we placed more than £170 million into the social housing sector on behalf of our clients. This included £37.5 million with Wales & West Housing, one of the leading social landlords in Wales, a £60 million deal with Coastal Housing Group and a £75 million placement with Settle Housing. Financing provided to Wales & West will support its ambition of supplying an additional 2,500 new homes over the next five years, the vast majority of which will be social rented homes for those in greatest housing need. The funding will also enable Wales & West to focus on working in partnership with the Welsh government to advance a programme of decarbonisation across its portfolio. Our financing to Settle included supporting the commitment for all properties to meet EPC C standards or better by 2025.

Outcome:

Social housing has an important role to play in society through the provision and development of new affordable homes. Wales & West is also particularly focused on improving the energy efficiency of its homes, something we see as important as we look to decarbonise our investment portfolios. This transaction delivered on our desire to seek out investment opportunities that can generate good outcomes for our clients, while having a wider positive impact at a community and environmental level.

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ENGAGEMENT CASE STUDY

Supporting rural communities

E S G (United Kingdom)

Issue:

As a direct investor in infrastructure throughout the UK and Europe, we are responsible for ensuring the safe and efficient management of a broad variety of complex assets, from wind and energy centres to fibre broadband and solar. Selecting the right partner is critical, as they represent the Aviva Investors brand and must deliver on our responsible investment goals in communities the length and breadth of the UK.

Action:

In 2020, we renewed our partnership with RES Group, who manage and operate five wind farms in remote communities within our portfolio. RES operates an extensive stakeholder engagement programme, promoting sustainable energy and engineering careers through websites, site visits and direct contact with residents, charities and schools. RES works with communities to ensure they maximise the opportunities presented by their community funds. This involves maintaining regular contact with local fund administrators to answer queries, provide examples of good practice and maintain positive relationships to report on their activities.

Outcome:

In 2019, our wind power portfolio managed by RES provided more than £206,000 to 54 projects covering a wide variety of activities. This included supporting the development of a community-led affordable housing project, providing mental health counselling to children and play equipment. Community funds like the ones supported by our wind portfolio give vital support to remote, rural communities and lead to closer relationships between partners such as RES and the communities they operate in.

AVIVA INVESTORS

INTEGRATION CASE STUDY

Low carbon, zero fossil fuel acquisition in London's Tech City district

E S G (United Kingdom)

Issue:

Real estate assets typically rely on gas boilers to generate heat and hot water. As the UK's grid gradually becomes cleaner, with more and more renewables, this means buildings relying on gas have higher climate transition risk. To rectify this, assets need to be developed, refurbished and retrofitted with heat pump technology, which uses latent heat in the air, underground and underwater to generate heat.

Action:

In 2020, we acquired the Stylus building on Old Street in the heart of London's Tech City, one of the world-leading clusters for tech businesses and start-ups. The new office development was constructed behind the retained façade of a former Victorian gramophone factory and is exceptionally energy efficient, having been awarded an EPC energy efficiency rating of A with no fossil fuel usage. Hot water and heating for the site is provided by air source heat pump technology, with solar photovoltaic (PV) panels contributing to electricity needs, reflecting our commitment to achieving net-zero emissions by no later than 2040.

Outcome:

High-quality assets such as Stylus combine excellent facilities that appeal to prospective occupiers, as well as create closer portfolio alignment to our net-zero strategy. Stylus is a great example of how office space can be delivered in a low carbon way making use of a heritage building with a retained façade, zero fossil fuels and outstanding energy efficiency. These characteristics add to the building's appeal and should make it resilient to climate transition risk over the long term.

"High-quality assets such as Stylus combine excellent facilities that appeal to prospective occupiers, as well as create closer portfolio alignment to our net-zero strategy."

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Purpose and governance

AVIVA INVESTORS

PURPOSE AND GOVERNANCE

Purpose, strategy and culture

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How our purpose drives what we do

Responsible investment is front and centre of Aviva Investors' business strategy, alongside a focus on enhanced customer outcomes and simplification. We are here to deliver the specific and meaningful outcomes that matter most to today's investors. This goes beyond short-term returns and necessitates an understanding that our actions today interact with and influence the world we and our customers will live in tomorrow.

Staying at the cutting-edge of responsible investment is central to what we do. We have a long heritage of leadership in responsible investment, having published our corporate governance voting policy since 1994. We included material environmental and social issues within that policy in 2001 and also became founding signatories of the UN Principles for Responsible Investment (PRI) in 2006. We continue to innovate and seek out opportunities to drive the development of responsible investment today, evidenced for example by the action taken to embed ESG capabilities within our investment teams and our extensive participation and leadership of sustainable finance initiatives.

By investing responsibly, including engagement with companies at the micro level and with governments and regulators at the macro level, we can help achieve inclusive economic growth, environmental protection and social development. Businesses like ours have a key role to play to fund the UN Sustainable Development Goals (SDGs). We are particularly proud that our Corporate Sustainability Reporting Coalition resulted in SDG 12.6 around corporate transparency and performance disclosure.

Recognising that clients want to target specific outcomes linked to the SDGs, we are developing our capabilities to deliver research, engagement and products as part of our sustainable outcomes approach. This has included the launch of a global climate transition range as well as a commitment to deliver net-zero across real assets by 2040, accompanied by a detailed plan and targets.

In parallel, we advocate for transformational change to incentives and rules so that capital markets become more long term and support the SDGs. To deliver the estimated $90 trillion of investment needed to deliver sustainable development over the next 15 years and to move from "billions in overseas development assistance to the trillions in investments of all kinds" as the World Bank has said,[1] it is clear the private sector and private finance need to play a greater role. To that end, we have been advocating for the creation of an International Platform for Climate Finance that can help marshal the financial resources needed to power a transition to a Paris-aligned global economy.

Finally, we recognise our own business plays an integral part in today's financial ecosystem and its capacity to deliver for society. As such, it is not only our actions as participants in capital markets but also our own culture and activities that must embody our values and live up to expectations. Consequently, this report should also be read in the context of Aviva's broader corporate responsibility[2] and TCFD[3] reporting.

"We have a long heritage of leadership in responsible investment, having published our corporate governance voting policy since 1994."

1. 'Press Release: From Billions to Trillions – Transforming Development Finance Post-2015 Financing for Development: Multilateral Development Finance', IMF, 2021 April 2015.
2. 'Corporate responsibility', Aviva, March 2021.
3. 'Climate-related financial disclosure', Aviva, March 2021.

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Our responsible investment philosophy

Aviva Investors recognises and embraces our duty to act as responsible long-term stewards of our clients' assets. We maintain a deep conviction that environmental, social and governance (ESG) factors can have a material impact on investment returns and client outcomes. We believe that being a responsible financial actor means our investment approach must support, and not undermine, the long-term sustainability of capital markets, economies and society.

Commitments

- Our responsible investment approach applies to all asset classes and regions where we operate.
- We exercise our rights and obligations as shareholders and exercise our voting power to ensure companies are being run for those that own them – not simply those that run them.
- We are responsible stewards of assets and engage with issuers, borrowers and counterparties to encourage the adoption of progressive ESG practices over time.
- We identify our clients' ESG preferences and seek to provide them with suitable investment solutions to meet their ethical and sustainability needs.
- We seek to positively influence market reforms to help shape a more sustainable capital market that can deliver better long-term financial and social outcomes for our clients.
- We use the UN Sustainable Development Goals to guide an assessment of whether our investments contribute positively towards environmental or social outcomes.
- We endeavour to hold ourselves to the same governance and ethical standards we expect of others.

Our responsible investment approach: from principles to practice

Integration

- Operate a proprietary ESG data model synthesising internal and external data to provide investment teams with an assessment of ESG risks on an absolute and relative basis.
- Developed bespoke ESG integration processes for our core asset classes and fund strategies, including equities, credit, sovereign, multi-asset and real assets.
- Investment risk team integrate ESG indicators into portfolio risk reports wherever practical.
- Performance against ESG objectives are embedded into investment teams' annual evaluation and compensation framework.

Engagement and exercising rights and responsibilities

- Publish annual proxy voting guidelines and UK Stewardship Code compliance statement, providing details of our responsible investment approach and outlining our views on ESG best practice.
- Vote globally at all shareholder meetings where we have the legal right to do so and where costs are not prohibitive. We will endeavour, wherever possible, to recall lent stock prior to contentious shareholder meetings when this is considered in clients' best interests.
- Undertake extensive proactive and reactive engagement with management and boards of issuers and borrowers to monitor ESG practices and encourage best practice.
- Committed to transparency through timely publication of voting records and quarterly and annual reporting of our engagement activities.

Avoidance

- Comply with all governmental sanctions as well as legal and regulatory restrictions governing financial involvement with specified individuals, issuers, sectors and countries.
- Provide clients with optionality of fund strategies that enable the achievement of financial objectives while avoiding direct exposure to companies and sectors that are contrary to their religious, ethical or sustainability values.
- Avoid or divest positions when unmanaged ESG factors fall outside of our risk tolerance and engagement is deemed unsuccessful.

Market reform

- Use our influence and insights as a large institutional investor to advocate for policy reforms that address market failures and help build more sustainable capital markets.

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Responsible investment in real assets

Our real assets responsible investment goals

To deliver on our obligation to act as long-term stewards of our clients' assets, we prioritise investment and asset management decisions that deliver our fiduciary duty to our clients and on our three responsible investment pillars, shown on page 7 of this report.

Our responsible investment pillars are supported by nine underlying goals that guide our decision making. By delivering these goals, we believe we will create and protect value for our clients and support the long-term sustainability of economies and society.

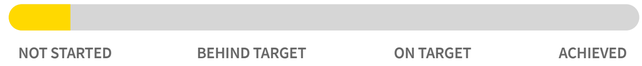
Nine real assets responsible investment goals for 2025

1 Deliver and finance £3 billion of social infrastructure by 2025

In 2020, we invested directly in and financed £482 million in social infrastructure to take our running AUM to over £12.6 billion and contributing just under ten per cent of our target to invest £3 billion by 2025.

2 Support social mobility through investing in health, education, employment and access to technology

In 2020, we invested £276 million in projects that support social mobility, including the provision of financing for affordable mortgages targeted at low and middle income households, as well as female ownership, in South America.



3 Create healthy, safe, fair and accessible employment for our customers, suppliers and communities

In 2020, our focus at our directly owned infrastructure and real estate sites was the health, safety and wellbeing of our occupiers and suppliers. This has included air quality monitoring, provision of health webinars and improved cleaning regimes.

4 Invest £2.5 billion in low-carbon and renewable energy infrastructure and buildings by 2025

In 2020, we invested directly in and financed £283 million towards this target, under our target of £500 million. We expect to make further progress toward our target in 2021.

Source: Aviva Investors.

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AVIVA INVESTORS

Responsible investment in real assets (cont'd.)

Nine real assets responsible investment goals for 2025 (cont'd.)

5 Increase low-carbon and renewable energy generation capacity to 1.5GW by 2025

Our 2019 baseline is 0.73GW. In 2020, we originated and developed eight projects to contribute a further 93MW and take our running total to 0.86GW.

NOT STARTED | BEHIND TARGET | ON TARGET | ACHIEVED

6 Create at least 50 per cent of new pooled strategies with sustainable or impact labels until 2025

In 2020, we conducted research and feasibility work to develop our pipeline of future pooled strategies that are intended to be classified as 'sustainable' or 'impact'.

NOT STARTED | BEHIND TARGET | ON TARGET | ACHIEVED

7 Deliver £1 billion of climate transition-focused loans by 2025

In 2020, we originated a single accredited sustainable transition loan worth £154 million. Based on current pipelines, we expect to make further progress toward our target in 2021.

NOT STARTED | BEHIND TARGET | ON TARGET | ACHIEVED

8 Reduce carbon emissions from our real estate equity investments by 30 per cent by 2025

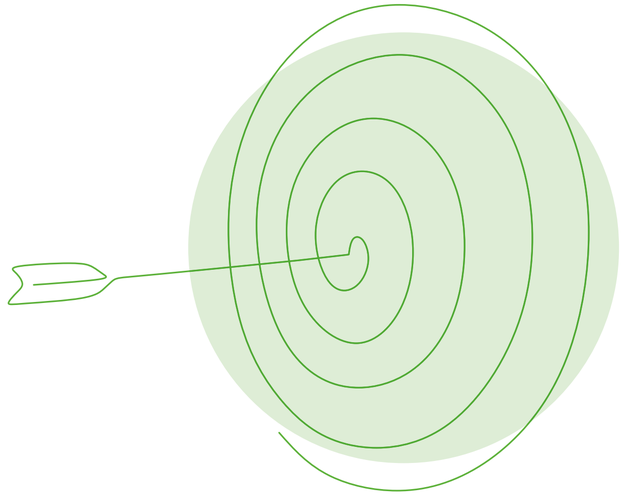
Our 2019 baseline is 64 $kgCO_2e/m^2$. By the end of Q3 in 2020, we had achieved a reduction of ten per cent, reaching 57.35 $kgCO_2e/m^2$. Performance has been achieved through active management of our assets, as well as lower energy intensity due to lack of occupation of offices, and decarbonisation of the grid.

NOT STARTED | BEHIND TARGET | ON TARGET | ACHIEVED

9 Reduce energy intensity in our real estate equity investments by ten per cent by 2025

Our 2019 baseline is 160 kWh/m^2. By the end of Q3 2020, we had achieved a reduction of 17 per cent, reaching 133 kWh/m^2. Performance has been partially achieved through our smart buildings programme, which contributed to £700,000 of savings for occupiers during the COVID-19 pandemic.

NOT STARTED | BEHIND TARGET | ON TARGET | ACHIEVED



Source: Aviva Investors.

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Responsible investment in real assets (cont'd.)

Committed to achieving net zero by 2040 in real assets

Overlaying our nine responsible investment objectives is our commitment to achieving net-zero emissions by 2040. This means we will support our clients to reduce greenhouse gas emissions from their directly owned and financed real asset investments in line with limiting warming to 1.5 degrees Celsius.

By 2040, we will support our clients to balance any remaining emissions by offering financing or direct ownership of carbon removals, such as forestry or carbon credits. Our commitment extends to clients' assets across our entire real assets platform, comprised of real estate, infrastructure and private debt.

We recognise the unconstrained delivery of buildings and infrastructure has been a major contributor to the climate crisis. Direct emissions from buildings, power and transport are responsible for 60 per cent of UK emissions[1], with emissions from supporting industries further contributing to the problem. The climate crisis now presents catastrophic risks for our clients and society.

In response to this challenge, the Better Buildings Partnership (BBP) launched an historic Climate Change Commitment in September 2019. Signed by 23 of its members, including Aviva Investors, and covering over £300 billion AUM in real assets globally, the commitment will see 1.2 million tonnes of carbon emissions per annum reduced to net zero by 2050.

In November 2019, our parent company Aviva plc joined the UN's Net-zero Asset Owners Alliance. The Alliance brings together the world's biggest pension funds and insurers to commit to net-zero emissions in their investment portfolios by 2050. Aviva has committed to net-zero carbon emissions from its investments by 2040. Since November 2019, several more of our clients have made similarly ambitious commitments.

In our net-zero pathway, we outline how we will meet the changing needs of our clients and the terms of the BBP commitment, demonstrating the action we will take to invest in low-carbon solutions, while decarbonising existing assets across our platform. Through these actions, we believe we can better protect our clients' interests, while reducing the negative impacts of our investments on the environment and society.

You can read more about how we will achieve net zero by 2040 on our website.[2]

Aviva plans to align its investment portfolios with the **1.5 degrees Celsius** target set out in 2015 at COP21 summit in Paris.

1. 'Provisional UK greenhouse gas emissions national statistics 2019', BEIS, March 2020.
2. 'Real assets net zero pathway, Aviva Investors', Aviva Investors, March 2021.

AVIVA INVESTORS

PURPOSE AND GOVERNANCE

Governance, resources and incentives

AVIVA INVESTORS

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Governance of investment processes

Our governance structure and processes ensure our approach to ESG integration and active ownership is embedded throughout our business.

Aviva plc, our parent company and largest client, sets the tone for the approach taken to responsible investment across its business units. This is underpinned by Aviva's sustainability ambition, which as of March 2021 hinges on a commitment to deliver net zero across its investments by 2040. Further Group governance structures include the ESG leadership team and the climate plan across all business units.

With ESG being a central part of Aviva Investors' own business strategy, ESG policies, objectives, targets and performance are directly overseen by Aviva Investors' executive committee. Furthermore, as of 2020, the chief investment officers (CIOs) of each of the asset classes (who also sit on the executive committee) are responsible for integrating ESG into their investment processes. ESG specialists who previously sat within a separate global responsible investment team are now embedded within the investment teams.

Ongoing ESG developments in the market are monitored by these ESG specialists as well as our regulatory development team and our client-facing teams, with any revisions to policies being approved by the executive committee.

ESG-specific controls are in place to ensure ongoing oversight and compliance, which ultimately contributes to and supports the CIOs in the delivery of a strong first-line risk and controls governance framework. These key controls are in place to:

- Ensure strategies are being managed in accordance with Aviva Investors' ESG Baseline Exclusion policy;
- Prevent breaches of ESG investment policies;
- Ensure that each fund has any specific and applicable screens applied in accordance with IMA guidelines;
- Ensure monitoring of new ESG policies or changes to policies across all asset classes, as well as monitoring ESG developments in the market generally, including regulations;
- Ensure that ESG scores are made available to portfolio managers (on the investment platform) and are referred to and considered as part of the investment process; and
- Ensure relevant ESG factors are considered in support of investment ideas and asset allocations.

Governance in real assets

Our governance approach in real assets is led by our real assets stewardship forum, which is chaired by the real assets chief investment officer and has membership from our senior leadership team as well as the chief responsible investment officer. The stewardship forum oversees the direction of our ESG and stewardship activities, as well as the delivery of our sustainability goals and external stakeholder matters.

Our real assets investment oversight committee retains oversight of ESG integration in our investment activities and is supported by our origination forum, which guides ESG integration in our investment strategy.

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"The CIOs of each of the asset classes are responsible for integrating ESG into investment processes."

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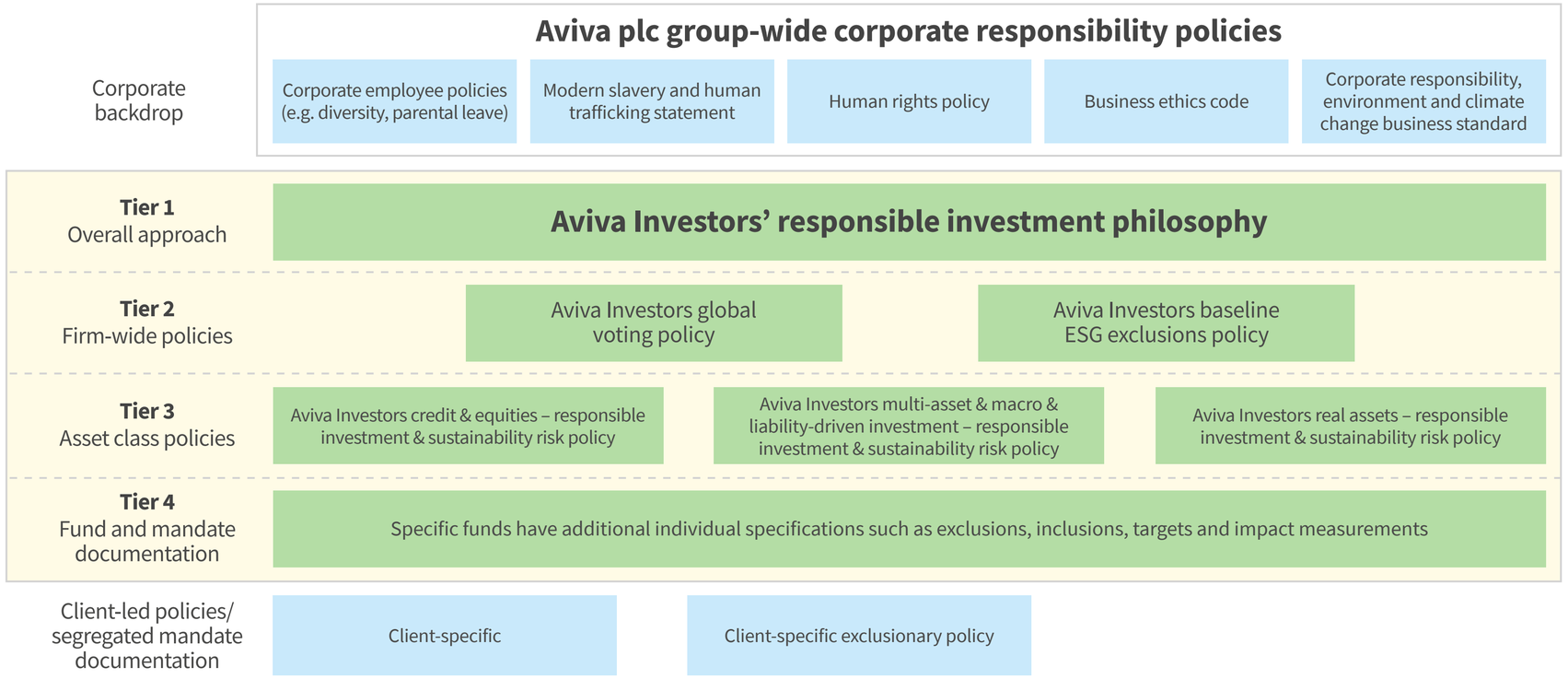
Governance of investment processes (cont'd.)

Responsible investment policies

Aviva Investors has developed a suite of responsible investment policies to enable the business to articulate clearly our approach to ESG at an institutional, asset class and product level.

The responsible investment policies sit within a tiered policy framework that ensures all policies maintain consistent principles and any positions agreed cascade down throughout the business in an efficient manner. Policies refer to the UK and may differ across geographical jurisdictions for other Aviva entities.



Policy framework

Tier 1 – Policies: Overarching responsible investment philosophy, beliefs, governance and commitments[1]

Tier 2 – Policies: Key ESG firm-wide policies that are applied across all ESG investment and related supporting activities[2]

Tier 3 – Policies: Asset class investment policies underpin our investment processes by governing the approaches taken by the portfolio management teams. Dedicated policies cover:

- Credit & equities - responsible Investment & sustainability risk policy;
- Multi-asset & macro & liability-driven investment – responsible investment & sustainability risk policy;
- Real assets – responsible investment & sustainability risk policy;

Each asset class policy is published on the Aviva Investors website.[3]

Tier 4 – Fund and mandate documentation:

Building on these policies is investment process procedure documentation. This documentation refers to and evidences the implementation and application of the ESG policy principles.

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1. 'Policies and documents', Aviva Investors, March 2021.
2. 'Policies and documents', Aviva Investors, March 2021.
3. 'Sustainable Finance Disclosure Regulation (SFDR)', Aviva Investors, March 2021.

Governance of investment processes (cont'd.)

Building an inclusive workplace

We believe our ability to deliver good stewardship of our clients' assets also resides in our ability to create a diverse workforce representative of the clients whose money we are entrusted with.

In an environment of fairness, inclusion and positivity, we all achieve more. This kind of inclusive and productive working environment is created when everyone feels stronger together – with no barrier to their ability to contribute, collaborate and succeed. To foster this, we strive to create a culture where everyone feels part of a unified team.

We motivate and support people to pool their expertise as 'one team' every day – through smarter ways of working and the technology and physical environments that enable true collaboration. This has never been more true than in 2020 with a swift move to home working for all of our employees due to the COVID-19 pandemic and global lockdowns.

We were at an advantage having already enabled smart working through the use of technology. We set out to do the right thing for our people, our business and our investors. This often means challenging our industry, including breaking down barriers to equal opportunities from recruitment through to equal parental leave.

Below are a number of initiatives that are building an inclusive culture at Aviva Investors.

- **Creation of an inclusion steering committee sponsored by our CEO:** Our inclusion steering committee was established in 2020 and is responsible for developing the inclusion strategy, agreeing inclusion goals and ensuring progress against them. The inclusion strategy will focus initially on gender and ethnicity and we will be publishing targets, in particular on senior female representation, over the course of 2021.
- **Diversity project:** Aviva Investors implemented its commitment to the industry-wide Diversity Project and currently has 12 workstreams underway representing different areas of diversity such as neurodiversity, gender and ethnicity. This initiative helps us to raise awareness of diversity across the business, as well as showing our external commitment.
- **Action for ethnicity:** We are part of the Aviva Black Lives Matter action plan, which includes the creation of a reverse mentoring scheme to run through 2021 for black employees. For more information about how we are actioning the plan, please see Aviva's website.[1]
- **Return to work programme:** We launched our Return to Work programme in late 2018, bringing in a cohort of female career returners in 2019 and 2020. We are proud to continue this programme into 2021. We know more work needs to be done to improve the number of women in senior roles in finance. One way we are addressing the imbalance is to remove any barriers when returning to work after an extended absence.
- **Equal parental leave:** We equalised parental leave in 2017 as we believe unconscious hiring and promotional bias is inevitable in any system that treats men and women differently when they become parents. We also know parenting is seen as equally important no matter people's gender.
- **Mentorship for diverse employees:** We take part in both the 30% Club and Mission INCLUDE cross-industry mentoring programmes, which are an important method of development and education for the mentees and mentors who participate.

Incentives

As part of the annual goal setting process, all members of the executive committee, including CIOs, have an ESG-aligned performance measure that contributes to the annual appraisal process and remuneration plans. ESG performance measures are also cascaded and embedded across the respective investment teams' goals.

1. 'Black Lives Matter action plan', Aviva, March 2021.

PURPOSE AND GOVERNANCE

Conflicts of interest

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Conflicts of interest

Aviva Investors takes its fiduciary duties to clients and beneficiaries very seriously. We apply a consistent and transparent approach to the management of conflicts of interest in accordance with local regulation. The Aviva Investors global conflicts of interest policy sets out the principles and standards to identify, manage and record conflicts of interest.[1]

In addressing any circumstances in which an actual or potential conflict of interest may arise, Aviva Investors shall ensure that in providing any service or managing a product for a client it:

- always acts in the best interest of its clients and put clients' interests ahead of its own or those of employees; and
- treats all its clients fairly.

Aviva Investors recognises that in the course of carrying out its day-to-day activities, Aviva Investors and its employees may encounter conflicts of interest (whether perceived or actual) between the interests of itself and its clients or between one client (or group of clients) and another.

For the purpose of identifying actual or potential conflicts of interest, appropriate consideration must be given to all relevant circumstances, including the following (non-exhaustive) matters:

- Whether the circumstances may result in an unfair advantage, a financial gain, or avoid a financial loss, at the expense of a client;
- Whether there is a financial or other interest in the outcome of a service provided or offered to the client or of a transaction carried out on behalf of the client, which is distinct from the client's interest in that outcome;
- Whether there is an incentive to favour the interest of a client or group of clients over the interests of another client or group of clients;
- Whether a person connected with the circumstances carries on, or is connected with, the same business as the client;
- Whether an Aviva Investors entity acting as a management company of a collective investment scheme carries out the same activities for another client or group of clients
- Whether any person will receive from a person other than the client an inducement in relation to a service provided to the client, in the form of monies, goods or services, other than the standard commission or fee for that service.

In circumstances where actions taken to mitigate a conflict of interest still give rise to a residual risk of damage to the interests of a client, but it is still deemed appropriate to continue to act for the client in accordance with the principle set out above, Aviva Investors must clearly disclose the general nature and/or sources of conflict of interest to the client prior to undertaking business, or any further business, for the client, and the steps taken by Aviva Investors to minimise those risks.

Where it is determined that Aviva Investors is unable to identify or implement measures to mitigate a conflict of interest which may give rise to a risk of damage to the interests of a client or clients, Aviva Investors must take appropriate action to avoid the conflict of interest, including, where appropriate, declining to act for a particular client.

All employees are required to identify and report any conflicts of interest to management and Compliance in accordance with approved conflicts of interest procedures and to attest periodically, as required, that they have disclosed all applicable conflicts of interest. These conflicts are recorded in the global conflicts of interest policy, together with any mitigants designed to manage the conflict. Each conflict is categorised, so that Aviva Investors has a view as to the types of conflicts most prevalent in its business.

The executive accountable for each business unit is responsible for ensuring the policy is embedded in their business areas, and for maintaining appropriate measures to ensure compliance with its requirements. At least annually, they review the conflicts in respect of their business and formally attest as to the completeness of their review.

Compliance conducts second line monitoring of conflicts of interest in accordance with an annual compliance monitoring plan, and provides advise to the relevant executive as requested.

Violation of the policy must be escalated to the compliance department and will be reported to senior management. Operation of the policy is overseen by the Aviva Investors Risk Management Committee.

Our principal objectives when considering matters such as engagement and voting are always to act in the interests of our clients and underlying beneficiaries, and to treat all clients and beneficiaries fairly.

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1. 'Regulatory', Aviva Investors, March 2021.

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Conflicts of interest (cont'd.)

Aviva Investors manages conflicts of interests when voting through the following processes:

- Making companies aware each year of our areas of focus on governance matters, including the Aviva Investors global voting policy. This enables boards to take our expectations into account without a conflict coming into play, and also demonstrates our commitment to a transparent process and policy on behalf of all client funds;
- Being transparent to companies and to clients on our voting decisions and the rationale for such decisions;
- Making our voting decisions public on a company-by-company basis so our voting record is transparent and available for external scrutiny;
- When agreed with clients, we will act on their specific voting direction (for their holdings), including the use of independent third party instructions;
- Voting process and decisions, including incidents of potential conflicts, are subject to review by Aviva Investors' internal audit function, and Aviva Investors' operational risk framework facilitates ongoing compliance; incorporating documented processes and controls.

We fully recognise there are or may be conflicts of interest arising from the exercise of voting rights over holdings of shares in our parent company Aviva plc. Our policy in regards to these is as follows:

(i) Where Aviva Investors is responsible for voting rights over Aviva plc shares within funds managed for Aviva Group clients (for example, Aviva life funds), both as a matter of policy and, as appropriate, pursuant to the provisions of the Companies Act 1985, those voting rights must not be exercised.

(ii) Subject to (iii) below, where Aviva Investors is responsible for voting rights over Aviva plc shares held or managed on behalf of external clients, given the potential for a conflict of interest, Aviva Investors will exercise no discretion over those voting rights and its default position will, therefore, be to refrain from exercising those voting rights.

(iii) Where external clients choose to, they may instruct Aviva Investors in writing to arrange for the voting rights over their holdings of Aviva plc shares to be exercised in accordance with independent recommendations by external proxy advisers in line with applicable corporate governance and proxy voting guidelines. Where a client wishes to put in place these or any other alternative arrangements, Aviva Investors will seek to accommodate those arrangements.

PURPOSE AND GOVERNANCE

Promoting well-functioning markets

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Promoting well-functioning markets

As responsible investors, we take seriously our duty to act in the best interests of clients and the integrity of the market. In our position as market participants, it is incumbent upon us to look ahead to identify potential market-wide and systemic risks and seek to mitigate these risks through engagement. This will involve exercising our rights and responsibilities over the assets we hold. It will also involve calling out such risks and supporting policymakers to bring about the necessary policy changes to transform our financial system, enabling it to serve the needs of the present without prejudicing those of generations to come.

We see this evolution of the duties of financial market participants, and the concept of macro-stewardship in particular, as crucial to harnessing the power of markets to deliver the transition to a financial system that embeds sustainability and also finances a sustainable real economy.

We use our voice to raise awareness around the concept of 'market failures' that relate to risks in the system, in particular their distinction from 'market inefficiencies'. In recognising this distinction, we engage with policymakers to seek interventions to address market failures and correct them to put markets on a more sustainable footing that will transform the real economy. It is also how we issue a call to action to our peers to play their role too. To this end, Aviva Investors' contributed a chapter to "*Making the Financial System Sustainable*" (Edited by Paul G. Fisher, Cambridge University Press, 2020). The chapter sets out how capitalism is currently failing society due to the persistence of such market failures, alongside calls for policy action to rectify this.

Our work to promote well-functioning markets and bring about a sustainable financial system is embedded across Aviva Investors, as we undertake stewardship at a micro level (identifying risks, opportunities and impacts by way of our investment research and acting on these insights through corporate engagement) and at a macro level (market reform work to bring about systems change).

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Promoting well-functioning markets (cont'd.)

Macroeconomic research

Aviva Investors compiles a House View on a quarterly basis, representing our best collective judgement on the current and future investment environment – covering risks, themes and the global market outlook. It considers economic, geopolitical and ESG-related risks alike. Key themes in the *House View 2021 Outlook*, published in December, included the economic recovery, a monetary policy re-boot and climate change policy.

The process by which the House View is constructed is a collaborative one – drawing on insight from investment professionals and analysts from across the business. We hold a House View Forum biannually at which the main issues and arguments are introduced, discussed and debated. For example, deep dive sessions in advance of the latest forum centred on risks and opportunities related to climate change.

Thematic research

The identification of long-term, systemic sustainability risks such as climate change, biodiversity loss and inequality is further supported by our sustainable outcomes team, which was set up in 2020 and is responsible for top-down and impact-orientated thematic research. The team monitors regulatory, scientific, commercial and technological developments across three main pillars – people, earth and climate – and produces research that is accessible to all investment teams.

The research focuses not only on improving our understanding of the risks to investments, but also takes an impact approach, outlining the negative and positive impacts companies have on the world around them. We do this because we believe risk and impact are closely linked – increased negative impact is likely to increase the risk to our investments. For example, we have identified biodiversity loss as a risk, having seen an almost 70 per cent reduction in certain species groups since 1970.[1]

In order to take action, we are working on a better understanding of the impact our assets have on nature so that we can avoid, reduce or improve the management of our negative impact and increase our positive impact. Examples from 2020 include research into hydrogen, sustainable fisheries and ethnic minority discrimination.

Building on this research, the team delivers thematic engagement with the assets we invest in to drive positive change, working closely with our corporate research and stewardship team and the broader investment team. This is part of how we take action to address the long-term sustainability risks we have identified.

Analysing corporates

Aviva Investors has built a specialist ESG corporate research function with a dedicated analyst for each primary sector. The ESG sector analysts are responsible for publishing and updating a series of reports that enable the integration of ESG considerations within the investment process. This includes company-level assessments for a core coverage list, industry reports analysing relative performance of companies within a sector, reports providing insights on specific ESG-related topics and an industry ESG primer.

The ESG primer is designed to outline the key longer-term ESG trends that will shape an industry over a three-year time horizon and beyond. This includes structural themes altering regulation, consumer habits, supply chains and the competitive landscape. The ESG primer is updated and presented to the wider investment teams at appropriate intervals to help inform industry outlooks and facilitate the integration of long-term ESG risks and opportunities into fundamental investment cases. All ESG company, industry and issue reports sit within the framework of the overarching ESG primer.

Analysing sovereigns

Aviva Investors also has a specialist ESG sovereign research function responsible for calculating ESG scores, monitoring trends and publishing qualitative research. The scores provide an actionable metric that allows portfolio managers and analysts to understand how a sovereign compares to its peers, including on exposure to natural hazards, levels of inequality and the degree of press freedom.

This is complemented by bespoke research on emerging issues as well as reports on core markets. The country research reports capture an issuer's momentum and include forward-looking judgements on how ESG credentials are likely to evolve. Specific areas of focus will vary by country, based on materiality to the investment case and can include assessments of climate transition plans, societal cohesion and political stability.

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1. Living Planet Index, March 2021.

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Promoting well-functioning markets (cont'd.)

Market reform at the centre for excellence

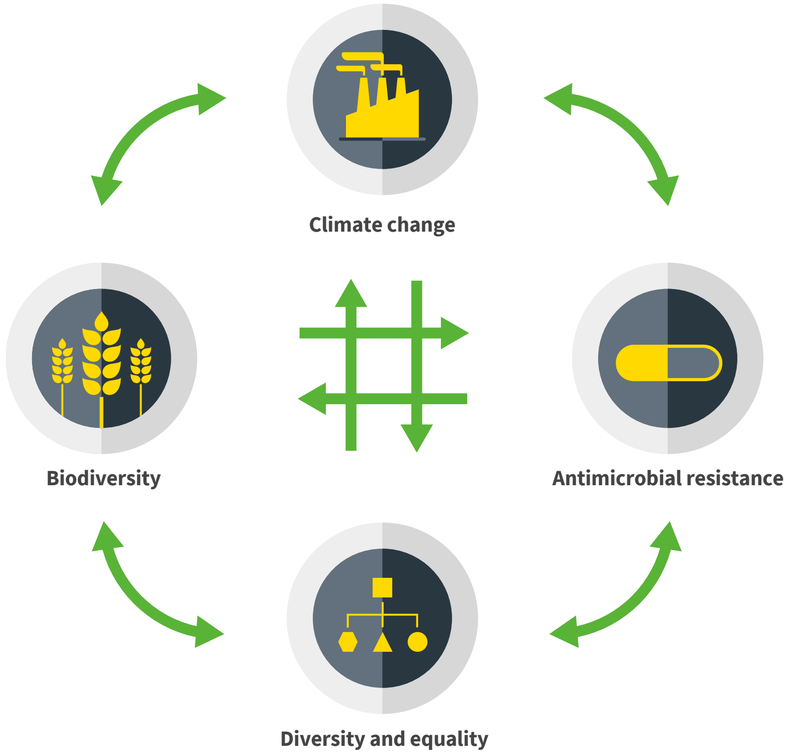
Our market reform agenda represents a natural progression from our integration and stewardship work. Where market failures, such as unpriced negative externalities, exist or where there are systemic or market stability risks, we must engage with policymakers to reform markets. Market participants cannot correct these issues alone.

In effect, we identify long-term and market-wide risks through our research and exercise our rights and responsibilities over the assets we own, including engaging with corporates to address and mitigate such risks. We also use these risks to inform our market reform work to ensure our actions for change have practical application and are not created in a vacuum.

Within our dedicated sustainable finance centre for excellence, which acts as a nerve centre for accelerating and coordinating cross-business action to drive change, we are focusing on four major areas of market reform. These four areas are designed to encompass environmental and social issues, with climate change and biodiversity pertaining to environment, and anti-microbial resistance and diversity pertaining to social. At the same time, it is recognised there are environmental and social aspects to all of these areas. They also represent our role as investors using the rights that those investments provide to take a role in governing the functioning of markets at a micro (individual security) and macro (market, policymaker and regulatory) level. All four areas are interdependent and are reflected in our priorities as well as how we carry out initiatives.

In 2020, our work has been shaped by the impact of the pandemic. In turn the impact of the pandemic has helped to reinforce the significance of sustainability and the need for careful consideration and management of our interaction with nature and our use of the planet and its resources. Similarly, the impacts of COVID-19 have not been felt equitably – with often the poorest and least able to protect themselves being most exposed to the virus and its impacts. A recent study in the UK has shown that those living in the most deprived areas are twice as likely to die from contracting COVID-19 than those in other parts of the country.[2]
The pandemic has shown us how devastating the impacts of a global crisis can be on the economy and society; it has demonstrated the deep-rooted interconnectedness of sustainability issues; and created an unprecedented opportunity to rebuild in a way that aligns with the Paris Agreement goals and ensures we hit our legally-binding net-zero goals by 2050. We must not fail to seize it.

We are stepping up and taking part in what is an unprecedented opportunity to effect change and use our voice and privileged position to drive and support UK leadership on sustainable finance – domestically and internationally – as the UK prepares to host the 26th UN Climate Change Conference of the Parties (COP26) and the G7.



2. 'Covid-19: People in most deprived areas of England and Wales twice as likely to die', the BMJ, June 2020.

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Taking action on climate change

Climate change is the world's biggest market failure. Atmospheric carbon dioxide (CO_2) concentrations have risen 17 times as quickly in the last two centuries than the two centuries prior to that, and we are fast approaching crucial tipping points. Currently, the true cost of unsustainable activity is not adequately priced. Therefore companies can behave unsustainably, in a way that has negative outcomes for society, without material consequence.

Other systemic issues are inextricably linked to climate change. Greater biodiversity supports mitigation and adaptation, but rising temperatures exacerbate biodiversity loss. Inequality and human rights breaches are deepened by climate change because it disproportionately affects already marginalised people.

Delaying action has devastating consequences. The goal of the 2015 Paris Agreement to prevent the most catastrophic impacts of climate change is to restrict warming to two degrees Celsius or below. However, despite a dip in 2020 CO_2 emissions due to COVID-19, UN research shows the world is heading for a temperature rise of over three degrees Celsius.[1]

Stepping up ourselves, Aviva is a signatory to the COP26 Race to Zero by way of the Net-Zero Asset Owner Alliance (Aviva plc) and Net-Zero Asset Managers Initiative (Aviva Investors), ensuring we play our part in delivering net zero and aligning our business model with the Paris Agreement. Aviva Investors has also put its years of experience in macro-level stewardship with politicians, policymakers and stakeholders into action, often in collaboration with others to strengthen our voice. Our aim is to highlight market failures that market participants cannot correct themselves, which require effective regulatory action.

> *"Our aim is to highlight market failures that market participants cannot correct themselves and which require effective regulatory action."*

1. 'Emissions Gap Report 2020', UNEP, December 2020.

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MARKET REFORM CASE STUDY

Transforming global governance to bring about a sustainable future

E S G (Global)

Issue:

With the UK hosting the 26th UN Climate Change Conference of the Parties (COP26) summit in November 2021 and the G7, we must make the most of this critical opportunity to bring about transformative change to the global financial system to stem the onslaught of climate change.

Action:

Responding to the colossal investment need to deliver the Paris Agreement and fragmentation in sustainable finance initiatives, Aviva Investors is proposing for COP26 the launch of a new mechanism to deliver climate finance at scale. The International Platform for Climate Finance (IPCF) would be a new collaborative mechanism to help governments map the shift to sustainable finance and to coordinate national capital-raising plans with potential market funders. This idea has been developed by an Aviva-led multi-stakeholder coalition, including major financial institutions, think tanks and non-profit organisations. Its purpose is to help ensure finance is aligned to the Paris Agreement and finance flows to the transition and economic transformation needed to meet the Agreement's 1.5 degree Celsius ambition. As part of the UN climate change process, countries produce five-year commitments (Nationally Determined Contributions) to reduce national emissions and adapt to the impacts of climate change. In addition, there are a growing number of countries committed to net zero. These require huge volumes of capital to deliver but exist without a finance mechanism for countries to draw on. The IPCF would provide advice and capacity building so countries or regions could create a capital-raising plan covering their requirements – the infrastructure and investment required to transition their economy – and the funding sources, by estimating financing raised per source, including investment commitments in a Glasgow private finance accord.

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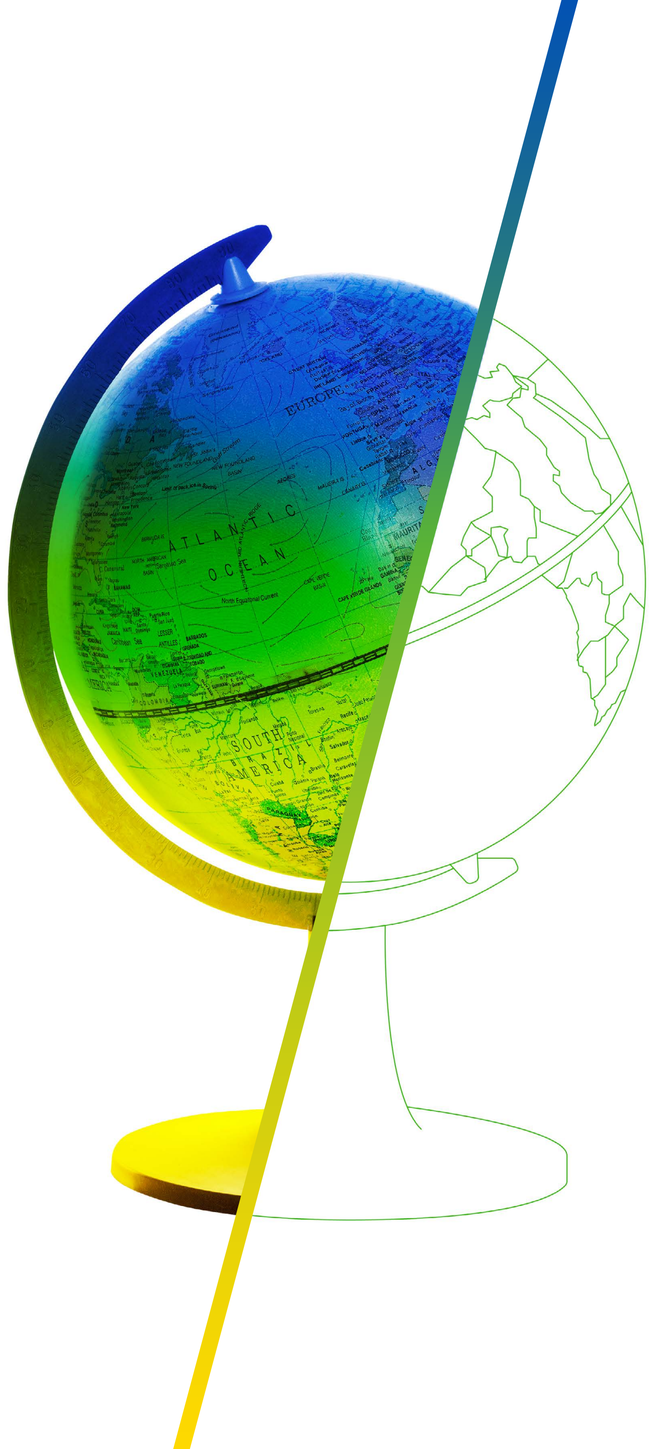

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MARKET REFORM CASE STUDY

Transforming global governance to bring about a sustainable future (cont'd.)

A Glasgow private finance accord would set out how all actors in finance – from investment banks and rating agencies to stock exchanges and investment consultants – will align fully with the Paris Agreement. This could act as an umbrella for all the Race to Zero commitments, encouraging a race to the top and providing transparency about where gaps in finance still exist. As well as a commitment to aligning their business model to the Paris Agreement, doing what they can to restrict warming to below 1.5 degrees Celsius, financial institutions would also publish a transition plan, with science-based targets. To catalyse the finance needed for the economic transition, financial institutions would also publish their investment appetite for blended finance pools.

Outcome:

Aviva Investors convened a coalition for the International Platform for Climate Finance in late 2019 to shape the development and catalyse delivery of this proposal. This has grown to include major financial institutions, climate finance experts, think tanks and non-profit organisations to develop and campaign for this idea for COP26. We are continuing active discussions with a range of major UK and global stakeholders to explore developing and implementing this idea as part of the climate finance plans at COP26. These discussions involve key sustainable finance figures, including Mark Carney and the COP26 Private Finance Hub, UK high level climate action champion Nigel Topping and the Race to Zero team, Department for Business, Energy & Industrial Strategy and the UK Treasury Select Committee. We have also raised the idea internationally with Christiana Figueres, the European Commission, Bank of Italy, the Vatican and the UN Global Investors for Sustainable Development.

"Aviva Investors convened a coalition for the International Platform for Climate Finance in late 2019."

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MARKET REFORM CASE STUDY

Evidence to the Treasury Select Committee

E S G (United Kingdom)

Issue:

As participants in the financial market, we have a vested interest that markets function well. We are also under a regulatory duty to promote market integrity, for example, under SYSC 3.2.11A of the FCA Handbook.[1] Cooperating with policymakers to highlight systemic risks and market failures, as well as to promote best practice, is one way in which we do this. Aviva Investors has engaged with the UK's Treasury Select Committee throughout its inquiry into Decarbonisation and Green Finance. In October 2020, Aviva Investors gave oral evidence to the committee.

Action:

Our evidence covered a number of key points:

- The risk of a climate 'Minsky moment', in which there is a rapid readjustment of pricing of securities and markets due to climate risks, and the possibility that holders of passive investments, particularly auto-enrolled pension savers, may be the worst affected by such an adjustment.
- The need for the Chancellor to follow through on the commitment in the HMT Green Finance Strategy to extend the formal mandates of the regulators of the financial services system to include consideration of the Paris Agreement.
- The need to re-examine prudential regulation to facilitate long-term sustainable investment by insurers and the risks that may be posed by tipping prudential investment under the Solvency II regime into the often carbon-intensive investment-grade corporate bond sector.
- The need for a comprehensive government plan of fiscal measures, including capital raising and deployment for decarbonisation.
- The benefits of engagement by asset owners and managers over divestment.
- The need for a Marshall Plan for the planet through the creation of an International Platform for Climate Finance for COP26 in Glasgow.
- The need to internalise externalities so that companies pay for their impact on the planet, including using 'polluter pays' concepts to drive investment in carbon capture and sequestration by fossil fuel companies.
- The role of investors as a check and balance on corporate disclosure and planning, which could be enhanced by giving investors a 'say on climate' with a vote on TCFD reports at company AGMs, and by requiring companies to produce not only a TCFD risk report but a strategic transition plan to manage and mitigate the risks identified.

Outcome:

A transcript of the session is available online.[2] We also followed up with written evidence to the committee on a number of issues and continue to engage on this important work.

1. 'SYSC 3.2 Areas covered by systems and controls', FCA Handbook, FCA, March 2021.
2. 'Oral evidence: Decarbonisation and Green Finance, HC 147', House of Commons, October 2020.

MARKET REFORM CASE STUDY

Input into Dasgupta Review on biodiversity

E S G **Various** (United Kingdom)

Issue:

Mankind has an immense impact on nature; population growth and increased individual consumption have led to the exploitation of natural capital. Current economic systems do not account for these externalities. Consequently, biodiversity and nature are experiencing unprecedented declines. It is estimated that we are responsible for the destruction of three trillion trees, that is half of the world's supply.[1]

Action:

Aviva Investors is actively looking at how we as investors can play our part to embed the value of natural capital into the financial system and society. Opportunities to feed into reports like the Dasgupta Review are a key part of this work.

The Economics of Biodiversity: The Dasgupta Review, published 2 February 2021, calls for a transformation of how we interact with and value the natural world. Aviva Investors provided input to the review, highlighting the failures of capital markets (including how they force short-termism upon investors and corporations, fail people by destroying the resources they rely upon and assume they have no ethics). We proposed policymakers shift towards innovative, forward-leaning regulatory approaches to correct market failures and expose inefficiency. We put forward the following biodiversity policy mechanisms to help bring natural capital externalities onto corporate balance sheets:

1. **Reforming the planning system**
   Environmental Impact Assessments should be repeated three and five years post project to assess accuracy, monitor effectiveness of the biodiversity action plan and to require the development to offset any erosion of biodiversity.
2. **Democratising the financial system**
   Markets do not have a conscience, but people do. We should harness fintech so end investors can see what they own, how it is performing financially and its impact on people and nature. Subsequently, investors can shape how AGM votes are cast on their behalf.
3. **Mapping pathways to avoid systemic destruction**
   Map out plausible scenarios setting out pathways for how financial markets will ultimately fail as ecosystems collapse. This can help demonstrate how the current model of capitalism causes ecosystem collapse at such a rate that human life is no longer viable.

Outcome:

In sum, nature is neither free nor infinite. Aviva Investors is using its voice to help embed the value of natural capital into financial markets by ensuring that impacts on nature are internalised onto the balance sheets of those responsible.

"We proposed policymakers shift towards innovative, forward-leaning regulatory approaches to correct market failures and expose inefficiency."

3. 'Mapping tree density at a global scale', nature, September 2020.

MARKET REFORM CASE STUDY

Helping to drive an inclusive culture where diverse talent can thrive

E S G **Various** (United Kingdom)

Issue:

£24 billion – or 1.3 per cent of GDP – is the estimated potential benefit to the UK economy if black and ethnic minority individuals were in occupations commensurate with their qualifications.[1] The current lack of diversity in senior business roles presents a market failure by depriving the economy of this additional value and failing to deliver positive outcomes for society.

Action:

Further to the action Aviva Investors has taken to improve inclusivity within its own business, for example the creation of a new CEO-sponsored inclusion steering committee, and work to improve ethnic diversity within investee companies, for example, through participation in the Change the Race Ratio initiative, we are also exploring ways to increase understanding of strategies to improve pay, conditions and job and income security for the black, Asian and minority ethic workforce.

Outcome:

Aviva Investors is funding research by the Living Wage Foundation on the disproportionate impact of low pay, economic uncertainty and the impact of COVID-19 increasing the risk of post-pandemic redundancies on black, Asian and minority ethnic workers. The research will be made available by the Living Wage Foundation as a public good on its website and in its work with existing and prospective Living Wage employers to highlight the issue of the racial pay gap and the role of the living wage in mitigating its worst effects of lower paid employment. The raised awareness of the racial pay gap should, in turn, increase corporate awareness of the disproportionate effect of low pay, income insecurity and economic uncertainty on workers from ethnic minorities, to foster better corporate behaviours and a positive impact for people struggling with economic pressures caused by low pay. It will also provide a basis for investors to engage with companies to encourage equity in employment practices.

Investing in our communities – Aviva Investors' charitable contributions to transform markets

In 2020, Aviva Investors gave donations in the range of £5,000-£30,000 to the following causes:

- Global financing for sustainable development (The Global Foundation: £30,000)
- Connecting customers digitally with sustainability performance information on the companies they invest in (World Benchmarking Alliance: £24,161)
- Research into the ethnicity pay gap and the disproportionate impact of low pay on black, Asian and minority ethnic workers (Living Wage Foundation: £19,500)
- Shaping the leaders of tomorrow by empowering students to embed sustainability in economics (Oikos International: £15,000)
- Driving forward an improved understanding of sustainability in modern economics (University of Surrey: £14,000)
- Improving opportunities for women and girls (ROSA: £5,000)

These contributions reinforce Aviva Investors' work across key sustainability goals to bring long-term positive change to society through multiple mechanisms. Much of this lays the foundations for long-term change, contributing to Aviva's commitment to build legacy. This is evidenced through our work to invest in the leaders of tomorrow (Oikos International). It is also demonstrated through our contributions that help drive key aspects of Aviva Investors' market reform agenda, for example, through the mobilisation of high-level global support and action for Aviva Investors' International Platform for Climate Finance (Global Foundation) and through our support for university research – key to demonstrating the market failures in the existing financial system that we are seeking to combat. Importantly, the impacts of our contributions have also been felt by a range of communities, including directly by consumers (work to digitise WBA outputs), as well as by underserved minority groups (work with the Living Wage Foundation) and women and girls (ROSA).

1. 'Race in the workplace: The McGregor-Smith Review', BEIS, February 2020.

PURPOSE AND GOVERNANCE

Review and assurance

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Review and assurance

Aviva Investors has obtained external assurance of its stewardship policies and practices at regular intervals since the inception of the UK Stewardship Code. After reviewing the effectiveness of the process and value delivered to clients, in 2020 we took the decision to rely on our first-line and second-line control functions to provide assurance and oversight of the robustness of our stewardship activities. We will monitor developments in the capacity and expertise among external assurance providers and will revisit our assurance approach on an annual basis.

The Aviva Investors global voting policy is reviewed annually alongside other ESG specific policies and related statements. To ensure completion of this review, there is a first-line control, which is documented and held within the Aviva Investors risk and controls module. This is independently monitored to ensure effective oversight and provide validation that this control is being performed and operating effectively. Any changes to policies are assessed by the first lines business process and controls manager to ensure the supporting set of controls remain complete and accurate.

Additional internal assurance is obtained through the completion of second-line reviews, which seek assurance we have the appropriate processes in place to enable the delivery of our commitment to stewardship. This is conducted by assessing the design and completeness of key controls that are in place to monitor adherence to the stewardship policy, as set out in publicly available literature.

Some of the key controls that are in place that support Aviva Investors' ongoing adherence to the stewardship policy principles include:

- an annual review of the Aviva Investors global voting policy to ensure that the policy and supporting statements are complete and accurate and that they have been formally reviewed and approved;
- maintaining a record of all resolutions from company meetings, together with a record of how Aviva Investors voted at each company meeting; and
- the identification and logging of any potential and upcoming contentious company meetings. These are scrutinised to ensure, where deemed applicable, that Aviva Investors' views are expressed via using their full voting rights. This may mean that shares that have been out on loan are recalled to ensure full voting rights are exercised.

"In 2020, we took the decision to rely on our first-line and second-line control functions to provide assurance and oversight of the robustness of our stewardship activities."

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Investment approach

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INVESTMENT APPROACH

Client and beneficiary needs

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Responding to our clients' needs

Aviva Investors manages more than £365 billion of assets for institutional and retail clients around the world, with nearly 80 per cent of this for Aviva companies. The tables below contain figures giving an overview of client base, as at year-end 2020.

Internal vs external

External	£74,086m
Internal	£291,685m
Total	**£365,772m**

Source: Aviva Investors.

UK vs rest of the world

Rest of the World	£138,286m
United Kingdom	£227,486m
Total	**£365,772m**

Source: Aviva Investors.

Institutional vs retail

Institutional	£329,712m
Retail	£36,060m
Total	**£365,772m**

Source: Aviva Investors.

We recognise communication plays a critical role in effective stewardship, both consulting with clients on their preferences and outcomes sought, and reporting back on how their investments are contributing to achieving these. Clients' views are sought through ongoing communication; this has been enhanced with a more systematic capture of ESG preferences through a questionnaire built into our client relationship system, which then feeds into the development of products and client reporting. We have also integrated ESG metrics into our standard client reporting, supported by external input and targeted client consultation.

Defined contribution pension schemes are an important client group for Aviva Investors through our parent Aviva, and we are currently trialling a solution with Aviva to give scheme members visibility of the companies they are invested in and outcomes on key voting matters. It also lets clients be part of the voting and engagement process by letting them indicate their voting preferences on the tool. In 2019, we conducted the first pilot with successful feedback, and in 2020 we secured funding for a larger pilot with more clients, which was launched in Q1 2021.

Finally, we also understand communication in the context of effective stewardship goes beyond individual clients and their assets and extends to wider education on ESG matters with clients to help inform their thinking. The ESG Academy, initially targeted at UK advisers, is an example of this.

"We have also integrated ESG metrics into our standard client reporting, supported by external input and targeted client consultation."

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Gathering client preferences

It is our duty to be responsible, long-term stewards of our clients' assets. The views and preferences of our clients on ethics and sustainability are central to fulfilling this duty. We seek the ESG views of our clients through the ordinary course of engagement with a guided questionnaire. ESG client preferences are recorded within our relationship management tool with dashboard reporting capabilities. This allows these preferences to feed through into product development and reviews to ensure we are delivering sustainable outcomes consistent with our clients' preferences.

Our clients' views are obtained on the following:

- Whether or not they wish to address any particular sustainability themes or issues through their investments;
- Which particular sustainability themes are important to them, linking these preferences to the UN Sustainable Development Goals;
- Whether and how our clients wish to obtain higher ESG credentials than the benchmark (for example, by increasing exposure to high ESG performers);
- Whether our Baseline Exclusion Policy meets their expectations and if there are any other screens or exclusions they wish to implement;
- Their preferences around any labels for their products, such as the French Label ISR or the LuxFLAG label.

Serving our clients' interests is our priority. As with understanding all of their objectives and needs, obtaining their views on ESG is embedded within client engagement and relationship management. Understanding our clients' ESG preferences permits us to provide them with suitable investment solutions to meet their ethical and sustainability needs.

In the future, regulatory obligation under MiFID II will require Aviva Investors and our partners to obtain clients' sustainability preferences. This is embedded within our processes. However, to ensure we deliver the outcomes our clients desire, it is paramount that they and our partners understand what is being asked and are able to navigate the plethora of ESG terms and approaches to sustainability. To assist with this, we have launched the ESG Academy, which kicked off in November 2020 with the ESG Know How adviser training programme. The programme received positive feedback and was attended by more than 5,000 advisers.

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ESG Academy

The European Union (EU) has committed to require financial advisers and portfolio managers to ask their customers about their sustainability preferences. The UK will bring forward its own sustainable finance proposals, with the government having committed to at least match the ambition shown by the EU.

The proposals will place significant responsibility on financial advisers to evolve their advice processes to understand their customers' preferences; the investment options that exist to meet them; and how to bring the two together. Aviva research indicated many UK financial advisers did not feel confident in their understanding of the investment options to address sustainability preferences, nor the forthcoming regulatory requirements.[1]

To help UK financial advisers prepare for these changes and the expected growth in customer demand for sustainable products and advice, we launched ESG Know How. This programme consists of five CPD-accredited modules and is designed to meet the rising demand for better adviser knowledge of ESG investing and how regulatory changes will affect advisers and the wider industry. It provides a chance to learn more about the fundamentals of ESG, the regulatory changes, and to hear from experts who have been involved in shaping them.

The programme has been very well received, with more than 6,000 participants across the five modules. The focus on regulatory change and the impact it will have on the market, advisers, and their customers, as well as access to expert insights from across Aviva Investors, struck a chord with the audience.

The modules are available to watch on demand.[1]

The programme has been very well received, with more than

6,000

participants across the five modules.

1. 'ESG Know How', Aviva Investors, 2020.

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Meeting the changing needs of our clients

Investors are increasingly demanding investment products that help solve the challenges they care about most. From tackling climate change to addressing social inequality, this trend can be seen across all channels, from large institutional clients to retail investors.

To illustrate this dramatic shift, 68 per cent of UK savers stated they want their investments to consider people and planet alongside profit, in recent research carried out by Make My Money Matter.[1]

In line with the above, we are committed to delivering solutions to meet the changing needs of our clients and we are currently developing our sustainable transition range. Aligned with the UN Sustainable Development Goals, we have identified three sustainable outcomes we want to deliver to create a more sustainable future for people, earth and climate. These are orientated around three of the greatest sustainability challenges of our time: climate change, biodiversity loss and social inequality. These are challenges that are systemic in nature: they are big, complicated and interlinked. They are also cross border, cross sector and multi-year issues that will not be solved in the next couple of years.

To tackle these systemic challenges, we need transformational change. We can't simply invest in just one way through excluding bad companies or investing only in the firms that today are perfect – that will not solve the problem. To deliver sustainable outcomes, we need to address the problems in a holistic manner through multiple angles to be more confident we can drive the change needed. To do that, we must clearly identify the outcomes we want, the barriers in the way of us getting there and the transition that will help tackle these barriers so that we can deliver the outcome.

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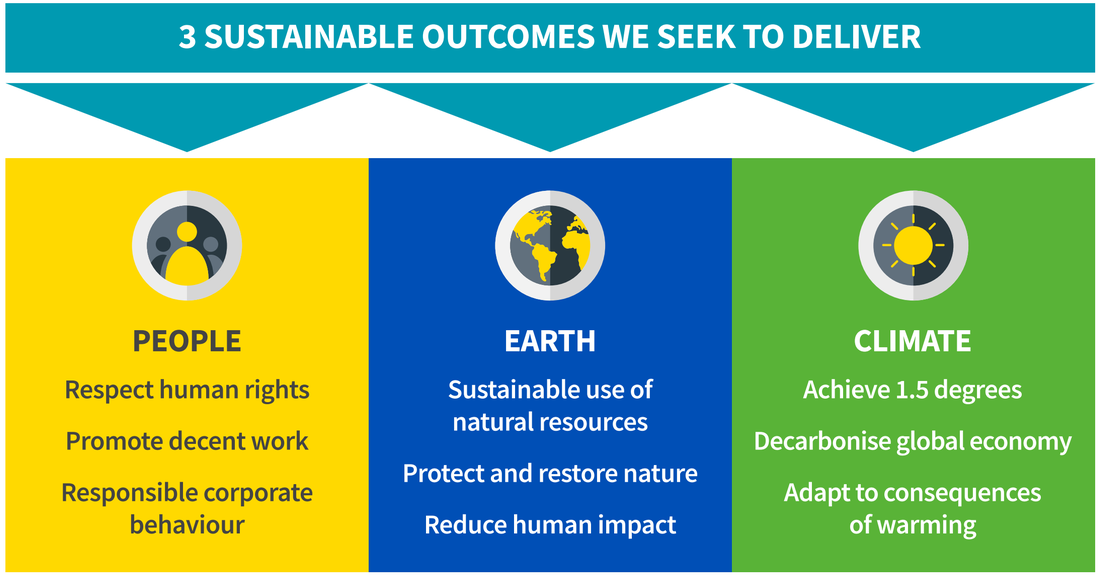

1. 'What's the issue', Make My Money Matter, March 2021.

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Meeting the changing needs of our clients (cont'd.)

Our investment approach consists of three elements

1. We will exclude companies causing significant harm to our sustainable outcomes.
2. We will invest in solution providers: innovative firms with products and services that directly tackle the sustainability challenges we face.
3. It is our belief that all firms in all sectors and geographies are impacted by – and have an impact on – the sustainable outcomes we want to deliver. If we want to live in a more sustainable world, all companies must change the way they operate. Therefore, we must use an approach that helps drive the transition to a sustainable future through changing existing companies' behaviour over time. Investing in solution providers alone does not go far enough. Using our proprietary transition risk (T-Risk) models, we can identify firms we believe are capable of transitioning their business models to manage their sustainability impacts and, therefore, those most likely to be the winners of tomorrow. Ultimately, this approach increases the investment universe and, with it, the opportunity to have the greatest possible impact alongside the ability to generate alpha for investors.

In applying our investment approach consistently across people, earth and climate, as well as across different asset classes, we seek to offer our clients a suite of products to meet their different needs. Underpinning the development of this suite the fundamental belief we can have a positive impact on the planet and society, at the same time as delivering returns for our clients. In our view the two are aligned; this is what we call 'profit with purpose'. This belief in generating profit with purpose extends not only to allocating capital to firms in transition and those providing solutions, but also to our active ownership and market reform activity. Engagement and policy reform are vital components in driving change at the micro and macro levels. In this way, our clients can achieve real world impact through their portfolio and beyond.

> *"Underpinning the development of this suite of products is the fundamental belief we can have a positive impact on the planet and society, at the same time as delivering returns for our clients."*

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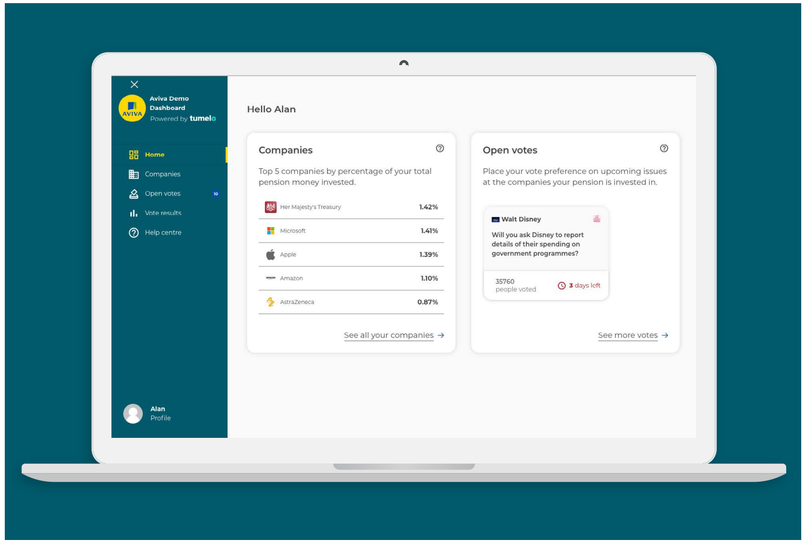
Experimenting with technology to connect with customers

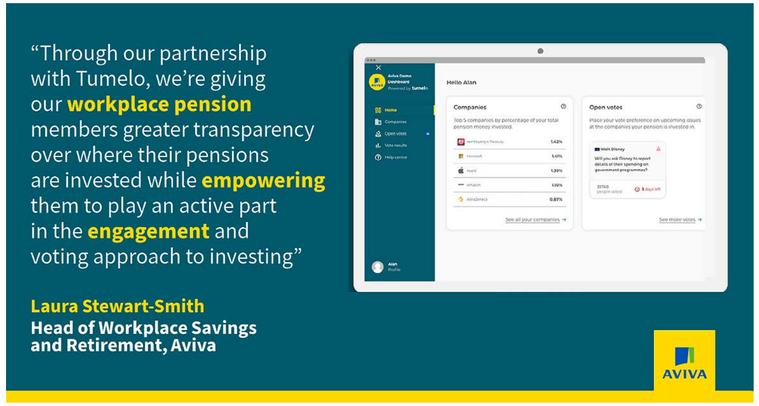
Member understanding and engagement are important if we are to help pension scheme beneficiaries secure the best possible retirement and understand the impact their investments are having on the world around them.

Aviva Investors is working with the start-up Tumelo to give pension scheme members visibility of the companies they are invested in through their Employer Pension Scheme, and give them the opportunity to have a voice on ESG issues ahead of shareholder meetings. We began exploring this in 2019, with a small pilot that showed members really valued the transparency and engagement the platform gave them. In 2020, we secured funding for a further scaling up of the pilot, allowing Aviva to roll the tool out to a larger group of its pension customers.

On the Tumelo dashboard, pension scheme members can see fund holdings and upcoming shareholder resolutions and are able to drill down into areas of specific interest (for example animal rights or climate change). The preferences members give through the platform are aggregated across their employee population and all investors before being shared with the stewardship and fund manager teams. This helps the stewardship and fund manager teams get the insight they need before applying their own expertise to make a well-rounded decision.



The results of that decision are played back to pension scheme members, often with an explanation so members can feel the impact their money is having on communities and the environment around them, as well as on the businesses they are invested in. As well as helping to connect end beneficiaries with their money, Tumelo proposes to help connect our stewardship and fund management teams with insights into the priorities and values of our clients. This helps us represent their voices in the way we manage their money.



"Pension scheme members can see fund holdings and upcoming shareholder resolutions, and are able to drill down into areas of specific interest (for example animal rights or climate change)."

AVIVA INVESTORS

Communicating with clients

In 2020, we put more focus on developing ESG client reporting. Aviva Investors partnered with a global consultancy, who provided a detailed understanding of what asset managers were delivering in this area. We worked together on client interviews and testing to develop this into a market-leading approach.

Given our ethos of integrating ESG into the investment process, it was logical to integrate ESG reporting within quarterly investment reports to ensure a cohesive story.

ESG client reports may differ across strategies and may not be available for all products and strategies.

The ESG section of the report is divided as follows:

- **Overall ESG assessment** – In-house and MSCI portfolio and benchmark scores.
- **Environment assessment** – Focus on specific ESG metrics relating to the mandate, including carbon intensity, portfolio warming potential and water intensity.
- **Active engagement and case studies** – Voting (if relevant) and active engagement to the portfolio. Case studies provide examples on how Aviva Investors has engaged on behalf of the investor and the resulting outcomes.

Each section provides a high-level overview, with more information if required, including timeseries data and more granular breakdowns.

Focusing on active engagement and case studies, we provide provides an overview of portfolio specific voting along with a breakdown of where we didn't vote with management.

Finally, engagement activity on behalf of the strategy is captured, based upon a proprietary view of sector ESG materiality. This gives clients insight and to hold the manager to account, ensuring engagement is in areas that have the greatest impact. A brief summary of each engagement is provided, which will be expanded in the case studies if appropriate.

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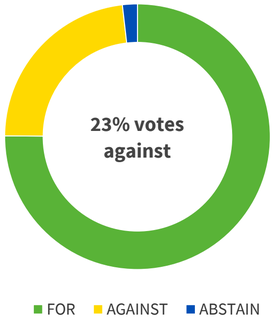
Active voting overview



Reason for vote against	Description	Volume of votes against	Votes against (%)
Non-Executive Directors	Not independent and member of audit/remuneration committee; Not independent and lack of independence	728	1.32
Non-Executive Directors	Not independent and lack of independence on Board	474	0.86
Non-Executive Directors	Too many other time commitments	416	0.76
Non-Executive Directors	Other	2182	3.96
Executive Directors	Lack of independence on Board	748	1.36
Executive Directors	Member of certain sub-committees which is inappropriate	213	0.39
Executive Directors	Combined CEO/Chairman	165	0.30
Executive Directors	Other	529	0.96
Auditors	Poor disclosure	481	0.87
Auditors	Auditor tenure	273	0.50
Auditors	Concerns over level or type of non-audit fees	92	0.17
Auditors	Other	88	0.16
Other		6324	11.48
Total		**12713**	**23.08%**

Source: Aviva Investors, as at 31 December 2020.

Communicating with clients (cont'd.)

Engagement activity

Aviva Investors actively engage with companies held within this portfolio via meetings, calls, letters on issues such as strategy, board composition, disclosures and labour management.

	Description	YTD engagement activity	Prior year, YTD engagement activity	Delta vs. prior year
Active engagement (number of engagements)	Non-substantive engagements are general company outreach programmes, outlining AI's expectations and views on best practice pertaining to key ESG themes.	1,334	-	-
Substantive engagement (number of engagements)	Substantive engagements are bespoke and targeted company interactions, which are led by either the portfolio managers or by the ESG team.	506	-	-

Source: Aviva Investors, as at 31 December 2020.

Substantive engagement breakdown (year to date)

E 102 S 93 G 311

Source: Aviva Investors, as at 31 December 2020.

Summary of latest engagements

Theme	Company	Sector	Engagement theme	Engagement summary
G	GlaxoSmithKline plc	Consumer Non-Cyclical	General or other Corporate Governance issues	Meeting with GSK Chair for him to update us on Board plans and progress.
S	Alphabet Inc. Class A	Industrial	Cyber security, Diversity, General or other Corporate Governance issues, Human Rights, Responsible Content Management	This call was organised by Alphabet's IR team to discuss answer pre-submitted questions.
E	ASML Holding NV	Industrial	Board composition and non-exec issues, Climate change & energy, Governance & risk mgmgt - Human Rights, Governance & risk mgmgt - supply chain labour standards	Sustainability-focused meeting covering ESG topics raised by our internal research attended by Marcel Kemp, Head of Investor Relations for Europe.
E	National Grid plc	Utility	Board composition and non-exec issues, General SEE Disclosure	Meeting with the advisory firm (Teneo) commissioned by National Grid to carry out their annual investor survey, designed to gauge the views of both investment and ESG specialists from asset owners and managers.
E	Ping An Insurance (Group) Company of China, Ltd. Class H	Insurance	Board composition and non-exec issues, Board Diversity, Climate change & energy, Strategic direction, Sustainable finance	Engaged with Ping An on key ESG themes impacting the business.
G	London Stock Exchange Group plc	Finance	Remuneration	We received a letter from the Chair of the Remuneration Committee, informing us of a significant increase to the CEO's salary (from £800k to £1m) being proposed from 2021.
E	Hon Hai Precision Industry Co., Ltd.	Industrial	Climate change & energy	We are part of the CA100+ investor group engaging on climate change with largest global emitters.
E	LG Chem Ltd.	Basic Materials	Climate change & energy, Exposure to hazardous chemicals, Governance & risk	We asked for a call to discuss the company's C rating in the ChemScore survey on sustainable management of hazardous chemicals.

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Communicating with clients (cont'd.)

Case studies

Hon Hai

Country: Taiwan

Theme: Environment

We have maintained a multi-year dialogue with Hon Hai on its climate strategy as part of a collaborative initiative as well as on a bilateral basis. We discussed the importance of climate change as a business risk, as well as its commercial implications given Apple's environmental commitments. We encouraged Hon Hai to commit to an emissions reduction target and demonstrate how this was embedded in their strategy.

Since the beginning of this multi-year program, Hon Hai's progress has included greater transparency on environmental information and improvements in its management of environmental performance systems across activities. In addition to committing to TCFD disclosure, in November, the company announced a net zero emissions commitment to be achieved by 2050. We welcome this milestone and are pleased to see the company's willingness to align with the Paris agreement. Further details will be disclosed at a later stage regarding the implications for its value chain. We will continue to engage on strategic oversight and governance of climate change at the board level.

AT&T

Country: US

Theme: Governance

We have had long-standing governance concerns with the company, particularly with respect to the composition of the board and risk oversight. These issues where most visible following news of data breaches, employee discontent and customer issues. The acquisition of Time Warner presented additional governance risks, specifically with regard to integration and culture.

However, following engagement the company outlined a series of positive changes within its governance practices, most notably the separation of the board chair and chief executive positions which we have been advocating over prior years.

We updated our ESG rating from negative to neutral to reflect the number of areas where AT&T has progressed. These include the shift in approach on corporate culture, its good performance on human rights and the targets it has set to reduce its environmental impact. Our forward-looking engagement is now centred on gender diversity and strengthening oversight of cyber related risks.

BHP Plc

Country: UK/Australia

Theme: Social

A shareholder resolution was submitted at the Company's October 2020 AGM, requesting that the Company place a moratorium on mining activities near Cultural Heritage sites. We were initially intending to support this resolution as it would reinforce the company's commitment to protect cultural heritage sites. However, upon engagement with BHP, we gained a deeper understanding of the company's existing efforts to ensure native title holders' right to free, prior and informed consent (FPIC).

More broadly, it was apparent that BHP is already meeting many if not all requirements set forth in the shareholder resolution to ensure that native title holders are continuously consulted, and their consent is obtained from the outset.

While there remained some merit in the proposal given the weak legal framework in Western Australia, the scope of the text was problematic as it extended to other jurisdictions. Ultimately the resolution was withdrawn as the company entered into a compromise agreement with the filers. We will maintain an open dialogue with the company as it seeks to navigate the complex realm of indigenous peoples' rights.

Softbank Group

Country: Japan

Theme: Governance

At the beginning of 2020, SoftBank faced heightened investor scrutiny with questions raised around some of its tentpole investments, most notably Uber and WeWork with the latter seeing the failure of its IPO several months earlier. We met with the company and commended their willingness to engage with investors but also maintained concerns around the company's governance, particularly the level of key man risk given the central role that CEO Masayoshi Son played within the group and the lack of transparency in the company's investment processes.

In November SoftBank Group announced a series of notable changes to its board composition which saw the proportion of external directors increase to 44%. While this constitutes a step forward in improving management oversight, our main issue with key man risk remains along with additional concern around transparency from the company's more recent investment activities. These concerns were reiterated at a further meeting with the company in December and we will look to the company to make further progress in 2022.

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REPORTING CASE STUDY

Climate-focused reporting for our sustainable outcomes range

E S G (Global)

Where strategies offer sustainable outcomes, we have developed outcome-specific reporting to give clients more detailed information. One such approach includes a "climate performance report" that includes detailed data and commentary, not only on fund performance against climate metrics, but also broader geopolitical and macroeconomic climate information. The report sets out to present "climate performance" at a fund level by examining key climate indicators to help clients assess carbon credentials as well as establishing the contribution and alignment to the low-carbon transition.

It includes data and metrics on the following with comparison to the MSCI benchmark:

Fossil fuels	Weight of companies with fossil fuel reserves
Carbon emissions	Absolute emissions t CO_2e
	Carbon intensity t CO_2e/M € revenue
	Carbon intensity t CO_2e/M € market cap
	% coverage
Sustainable activities	Percentage weight of companies deriving >20% revenues from sustainability solutions
Temperature	Temperature alignment estimate % coverage
Green transparency	Percentage of companies with a CDP score >B
	Percentage of companies with SBT* targets set or committed
Stewardship	Number of company engagements
	Voting percentage

*Science Based Targets

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Building financial literacy with BBC Bitesize: “Is your pension contributing to climate change?”

It is important we help consumers understand the key role they can play in tackling climate change through their savings and investments.

Aviva Investors and the Cambridge Institute for Sustainability Leadership worked with the BBC to create the BBC Bitesize video, ‘Is your pension contributing to climate change?’ The video is part of the BBC’s Sustainable Thinking series, which seeks to connect people with their money on an intellectual and emotional level by demonstrating how their money can be used as a tool for positive change.

The video emphasises the fact a person’s pension may be one of their most important contributions to the financial market. It also points out that pensions will invest in different companies, some of which may undertake unsustainable activities, such as in the fossil fuels, energy and mining sectors. The power of pension investments’ collective voice, through engagement with company management and voting at AGMs, can be a powerful force in transitioning these companies’ activities towards more sustainable practices. The video outlines two practical actions that can be taken: asking for disclosure of where your pension is invested; and asking for your pension provider’s voting record at company AGMs, as engagement can be a more powerful driver of change than divestment.

The video can be downloaded at the BBC website.[1]

“It is important we help consumers understand the key role they can play in tackling climate change through their savings and investments.”

1. ‘Is your pension contributing to climate change?’, BBC, February 2020.

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INVESTMENT APPROACH

Stewardship, investment and ESG integration

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ESG integration across all asset classes

Responsible investing is a driving force across our £365 billion of assets under management.

We take seriously our duty to act as a trusted agent of our clients' assets, and endeavour to protect, maintain and grow the long-term value of their investments. Consistent with those obligations, we maintain maintains a deep conviction that environmental, social and governance (ESG) factors can have a material impact on investment returns and client outcomes. This is why we integrate ESG factors into investment analysis and the investment decision-making process.

As we outline above, our approach is set out in our firm-wide responsible investment philosophy and our ESG policies, which explain how this is implemented for each asset class.

Our commitments are also embedded into our internal controls environment and are subject to robust challenge from the firm's control functions.

Targeted qualitative and quantitative ESG research is produced and integrated into investment processes at a macro, thematic, sector, industry, company and security level. For example, our sustainable outcomes team produces top-down thematic research on a range of sustainability issues, including climate change, biodiversity loss and social inequality. This is complemented by the bottom-up company and industry analysis produced by our ESG corporate research team, together providing portfolio managers with proprietary insight into ESG material factors at the macro and micro level.

We also have a set of proprietary quantitative ESG scoring tools that help us assess ESG and climate risk across our investments, as well as to underpin the assessment of ESG risks at a security and a portfolio level across asset classes.

Finally, responsible investment specialists are embedded within our investment teams to build quantitative and qualitative insights into fundamental investment analysis. This structure also ensures our engagement activity is part and parcel of the investment process. We believe ESG has to be resourced with experts that have the expertise and experience to understand sustainability issues. In an industry that is embracing ESG at a fast pace, protecting high levels of skills across our ESG function is essential and something we value and prioritise. After all, an ESG course doesn't make you a climate expert!

Our portfolio managers use insights gathered from this research and quantitative and qualitative analysis as well as through direct interactions with our responsible investment specialists to inform their investment decisions. It should be noted that ESG criteria is only binding on the portfolio manager's investment decision for funds with binding ESG criteria. For funds without binding ESG criteria, the portfolio manager retains discretion over stock and asset selection.

Investment processes and governance may vary across geographical jurisdictions. In some cases, the investment manager is not bound by ESG guidelines.

> *"Targeted qualitative and quantitative ESG research is produced and integrated into investment processes at a macro, thematic, sector, industry, company and security level."*

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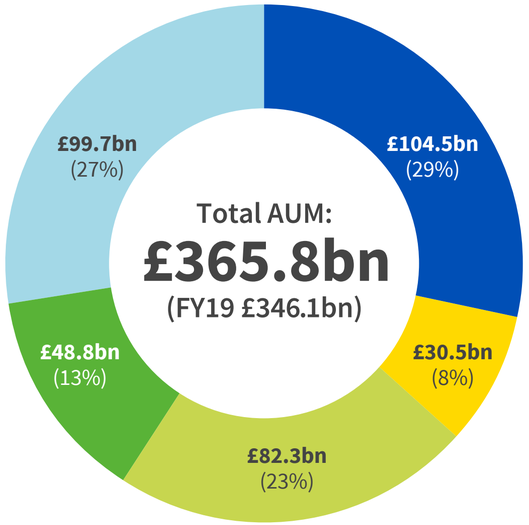
Asset class breakdown

Assets under management

The chart below shows breakdown of assets under management (AUM) by asset class and geography, as at year-end 2020. This is intended to provide context to the more detailed description of our responsible investment approach across different asset classes in the pages that follow.



Fund manager location

Credit	
Canada	6%
France	11%
Singapore	4%
UK	69%
USA	11%
Total	**£104.5bn** (29%)

Equity	
France	23%
Poland	7%
UK	64%
USA	5%
Total	**£30.5bn** (8%)

Multi-asset and Macro	
France	12%
Poland	2%
UK	86%
Total	**£82.3bn** (23%)

Real Assets	
France	11%
UK	89%
Total	**£48.8bn** (13%)

Solutions	
France	66%
UK	34%
Total	**£99.7bn** (27%)

Source: Aviva Investors.

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ESG integration in equity and credit

Aviva Investors' corporate ESG research

Sector primer reports

Focuses on education, provides a 'how-to guide' for analysing and engaging on ESG characteristics of companies within sector group

Industry reports

Focuses on industry dynamics and provides a view on best/worst in class players on key ESG performance metrics

Company reports

Company specific assessment of ESG performance (including specification of an ESG rating and momentum), engagement topics and controversies

Application specific reports

- Company/sector briefing
- Company meetings
- Fund specific

Quantitative ESG foundation

In 2020, we enhanced our risk assessment methodologies. We launched our new proprietary quantitative ESG score for companies, ESG Elements. This is designed to be predictive of long-term corporate financial performance. In conjunction with our data science team, we conducted an analysis using a ten-year sample period to identify which ESG factors are the key drivers to outperformance. This is calibrated at an industry level and uses factors from ESG rating providers and our own internal voting score. Importantly, this score is available for over 20,000 companies through our research platforms. By providing our investment teams with timely, high-quality data, we can help inform better investment decisions.

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ESG integration in equity and credit (cont'd.)

Integration within equity and credit

To support the integration of ESG factors into the decision-making process of the equity and global credit teams, we maintain a team of ESG analysts who monitor and evaluate sectors, industries and companies using agreed proprietary ESG criteria.

The ESG content produced is made available to portfolio managers and investment teams through formal reports and is used by the credit and equity teams to support investment decisions (including analysis for potential investment, holdings tracking, and review for potential divestment). It is also used for the broader education of the investment teams on sector-specific ESG themes, as well as engagement with companies and clients.

Research content is communicated to portfolio managers and analysts through notes and reports published on the Aviva Investors Internal Research Hub (IRH) and via various investment forums. ESG analysts also contribute to portfolio reviews led by portfolio managers and asset class-specific investment analysts.

Investment opportunities are evaluated on an individual basis, and companies, industries or sectors with high ESG risk exposures must be reviewed and justified by the portfolio management teams.

ESG Elements Dashboard

INTEGRATION CASE STUDY

Boohoo supply chain challenges

E S G **Boohoo Group plc** (United Kingdom)

Issue:

Boohoo Group, a company we reviewed as a potential investment, was marred by the findings of significant failings in the oversight of supply chain. This stemmed from poor corporate governance and not having the right checks and balances in place.

Action:

Before Boohoo had announced it was undertaking an independent review of its UK supply chain, we had looked at the company through a governance lens, given the positive and negative buzz around the group. Our analysis revealed a number of red flags, which we discussed separately with the management team and independent non-executive directors. We followed up with a number of suggestions that would enhance transparency and stakeholder interaction.

Outcome:

Since our engagement with Boohoo, the company has published the findings of the independent review, which has identified many failings in the Leicester supply chain and recommended improvements to Boohoo's governance, compliance and monitoring processes. While it is important to allow the company time to address these issues, our specific requests are outside of the recommendations of the review, which we think are also necessary for improved levels of trust and to put Boohoo on a more proactive footing. Until we start seeing some positive signs of improvement, we are unlikely to invest.

INTEGRATION CASE STUDY

Material risks remain despite governance improvements at SoftBank Group

E S G **SoftBank Group** (Japan)

Issue:

At the beginning of 2020, SoftBank faced heightened investor scrutiny with questions raised around some of its tentpole investments, most notably Uber and WeWork (with the latter seeing the failure of its IPO several months earlier). Following a prior engagement in 2019, we commended its willingness to engage with investors but also maintained concerns around the company's governance, particularly the level of key-man risk (given the central role that CEO Masayoshi Son played within the group) and the lack of transparency in the company's investment processes. These concerns were echoed by our credit analyst covering the company.

Action:

A follow-up engagement was sought in February together with the credit team to discuss the company's governance profile and wider sustainability concerns. While reassuring that broader governance and sustainability improvements were planned for the near future, Son remained a key figure in many critical elements of the governance structure and the board comprised of predominantly non-independent directors. As a result, our immediate concerns with the company's governance practices were incorporated into the credit team's analysis.

Outcome:

After the February meeting, SoftBank Group made some notable changes to its board composition, which saw the proportion of external directors increase to 44 per cent by November. While this is a step forward in improving management oversight, our main issue with key-man risk remains, along with additional concern around transparency from the company's more recent investment activities. These concerns were reiterated at a further meeting with the company in December, and we look to continue our engagements with the outcomes flowing through to our credit rating and exposure.

INTEGRATION CASE STUDY

Thematic investing focused on building efficiency and smart cities

E S G **Various** (Global)

Issue:

For countries and industries to successfully work towards delivering the Paris Agreement target of 1.5 degrees Celsius by 2050, climate mitigation actions need to be accelerated. Improving building efficiency as a solution overall has significant potential to help address global warming. The building sector has the scope to reduce emissions directly by increasing the use of efficient materials and appliances. Energy-efficient cooling systems offer another action to help reduce the effects of climate change. This is particularly important as increased demand for cooling is almost inevitable as the world gets warmer. As countries, notably in emerging markets, experience rapid urbanisation, 'smart' cities also offer a potential way to mitigate cities' environmental impact.

Action:

Our ESG team identified a near-term catalyst to invest in this theme, explicitly as governments commit to reach net-zero emissions by 2050. This was specifically supported in the UK with the BEIS Select Committee outlining building efficiency improvements as a fundamental pillar to achieve net zero. Our equity team devised a basket that aligned to this theme. The individual stocks selected included, but were not limited to, heating, ventilation and air conditioning businesses, companies with exposure to 'smart' cities through the Internet of Things (IoT) and building material companies. This was consequently screened from an ESG perspective and the result was supportive.

Outcome:

The investment idea was last reviewed in Q3 2020 and performance remains positive overall. With each review, the equity team monitors the performance of individual stock performance and ESG profiles. Recent market developments, including the outcome of the US election, remain supportive to the overall investment theme.

INTEGRATION CASE STUDY

French oil major Total sets out a roadmap to 2050 net-zero emissions

E S G **Total SA** (France)

Issue:

The accelerating climate momentum underway in the energy sector triggered a first climate-related shareholder resolution at Total in 2020, asking the company to align its strategy with the Paris Agreement. The shareholder resolution captured a widely held view that Total's existing climate ambitions were at risk of being inadequate as the low-carbon transition accelerates.

Action:

Following extensive engagement with the company, we decided to support the resolution, despite Total's announcement to become a net-zero oil producer by 2050. In doing so, we communicated the need for it to articulate a clear transition plan, including interim milestones to bring together the different elements of its ambition and provide proof points on how its capital allocation framework will be shaped over time.

Outcome:

Total subsequently provided additional detail on its climate roadmap, including interim targets and several long-term scenarios that sketched out a slowing demand curve for oil and gas after 2030. Consistent with this, the company is pivoting its business towards renewables, despite cuts to Group capex of 20 per cent. As a result, Total now leads its sector peers on renewables and will catch up with the installed capacity of some of Europe's foremost renewable players by 2022. The outcome of this engagement process flowed through to our fundamental equity view and strengthened our conviction and position in the stock.

INTEGRATION CASE STUDY

Supporting hospitals in the fight against COVID-19

E **S** G **Tristel** (United Kingdom)

Issue:

The healthcare sector has helped offer solutions that have supported society to react and adapt to the challenges of the COVID-19 pandemic.

One of the companies that has contributed is Tristel, a UK-listed manufacturer of infection prevention, contamination control and hygiene products, and supplier to healthcare environments globally.

Action:

Aviva Investors first invested in Tristel in October 2019. We believed the company was supported by a strong governance and corporate culture. We also believed it was well positioned to combat long-term risks presented by anti-microbial resistance (AMR) – and the subsequent demand for improved hospital hygiene solutions.

Outcome:

While the long-term risks of AMR are yet to fully materialise, throughout 2020 Tristel's products supported hospitals in their fight to reduce contamination risk of medical devices and healthcare surfaces by COVID-19 – potentially saving lives from infection.

The pandemic has also highlighted the effectiveness of its products – improving its brand profile and distribution. This resulted in improved investment performance, supporting the international expansion of the company and positioning it well in the context of facing longer-term ESG risks such as AMR – or the threat of another pandemic.

INTEGRATION CASE STUDY

Johnson Controls' disappointing response to contamination of local groundwater

E S G **Johnson Controls** (United States)

Issue:

During our evaluation of Johnson Controls for investment in the building controls and safety sector, the size of the company's liability over pollution of local groundwater in Wisconsin raised red flags to our investment team. In 2017, Johnson Controls began investigating the pollution of groundwater by its testing of firefighting foam over decades in Wisconsin. The foam contained perfluoroalkyl and polyfluoroalkyl substances, or PFAS (also used in products such as nonstick cookware). PFAS are highly persistent, extremely difficult to remove and their concentrations build up over time. PFAS can remain in nature for hundreds, or even thousands, of years, hence their nickname 'forever chemicals'. Studies on humans have found links between PFAS exposure and a number of health disorders, including various cancers, hormone disruption, lowered birth weights and negative effects on the immune system.

Action:

Our ESG analysts carried out an assessment of the company's response to the ongoing dispute over PFAS contamination. The company allocated $140 million to remediation but analysts estimate liability could be many times greater. Despite the company being listed in the World's Most Ethical Companies list and 100 Best Corporate Citizens List, and AAA rated by our ESG research provider, we found its efforts to resolve this incident disappointing, in particular its cooperation with local authorities and steps taken to prevent further pollution.

Outcome:

Based on the ESG assessment, we decided against investing in the company. We are continuing our engagement with the company and will revisit our investment appetite if we see positive change.

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ESG integration in multi-asset

ESG is integrated into the two legs of the multi-asset investment process:

1. Top-down through the formulation of macroeconomic views and the asset allocation process.
2. Bottom-up through the selection of individual building blocks that are used to gain exposure to different regions and asset classes.

The primary expression of ESG from a top-down perspective is the integration of ESG criteria in the formulation of the Aviva Investors House View. This is where key stakeholders from across the business come together to formulate our macroeconomic views and likely risk scenarios a portfolio could face within a two- to three-year investment timeframe. The House View is reviewed quarterly and involves investment professionals from across Aviva Investors, distilling asset class, ESG, economic and investment strategy views into a centralised outlook.

A dedicated ESG specialist is embedded within the multi-asset team to help ensure material ESG factors are considered when determining the firm-wide macro outlook. As a result, themes such as the implications of global climate negotiations, populism and nationalism, and governance and social reform across key markets have helped form the base-case outlook, as well as a deep dive on biodiversity loss. We are also in the process of developing an accelerated feedback loop between ESG specialists across the business and development of the firm-wide macro outlook by streamlining how information is shared.

From a bottom-up perspective, ESG is integrated into the investment processes of individual building blocks in three ways:

1. The in-house management of passive capabilities means we can optimise the ESG characteristics of indexed portfolios. We do so by tilting index weights towards companies with better ESG credentials, subject to tracking error constraints for the optimised index.
2. We can include ESG impact funds as building blocks within the broader multi-asset portfolios, for example funds that seek to drive the transition to net zero and which are invested in companies aligned to the Paris Agreement goal of limiting global warming to less than two degrees Celsius.
3. The in-house active capabilities we use as building blocks are characterised by the ESG integration of the underlying portfolio management processes. This reflects the cooperation between the dedicated ESG specialists and the portfolio managers that is embedded within the approaches taken by each of our asset classes.

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“Themes such as the implications of global climate negotiations, populism and nationalism, and governance and social reform across key markets have helped form the base-case outlook, as well as a deep dive on biodiversity loss.”

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ESG integration in multi-strategy

ESG is integrated throughout the Aviva Investors Multi-Strategy (AIMS) investment process. As with multi-assets, this starts with the formation of the Aviva Investors House View.

Within the idea generation process, considerations include not only traditional fundamental and technical drivers but also ESG risks and opportunities, which include a forward-looking assessment of positive and negative ESG factors that may determine the success of an idea. In many respects, this was already being done (think bad corporate governance practices or corruption in a country), but having it formalised within the investment process ensures consistency and discipline in the evaluation of all ideas generated for the portfolio. It is now a standard and essential part of the risk management process.

ESG is also an important driver within the idea generation process. In particular, multi-strategy portfolios' flexible and unconstrained approach enables the implementation of specific views via a bottom-up, relative-value long/short strategy for a more targeted expression of an ESG theme. The generation of these types of ideas provide another source of alpha generation and enhanced portfolio diversification.

In addition to applying Aviva Investors' baseline ESG exclusion policy, the AIMS strategies apply a minimum ESG threshold policy by which instruments are flagged for review before potential inclusion into portfolios.

In the specific case of emerging market sovereigns, a forward-looking qualitative outlook is also incorporated. Where a security is below this threshold, it may still be included in the portfolio but requires a credible positive ESG case around the security's engagement and direction of travel to be made and approved by the head of AIMS.

The investment process also includes a quarterly ESG review of the securities already held within the AIMS portfolios. The review flags and potentially removes securities with ESG ratings below the ESG thresholds. It will remain at the fund managers' discretion whether to remove a security from the portfolio based on those considerations after consultation with our ESG team.

"Within the idea generation process, considerations include not only traditional fundamental and technical drivers but also the ESG risks and opportunities."

AVIVA INVESTORS

INTEGRATION CASE STUDY

Shift to electric vehicles drives outperformance

E S G **Various** (Global)

Issue:

The electrification of cars has been a key megatrend within the auto sector for a number of years. However, the pivot away from combustible engines has been a bumpy ride, with technology, regulation and consumer preferences moving at different speeds. This has cast a shadow on the profitability of an industry that had committed billions of dollars in investments to enable the transition.

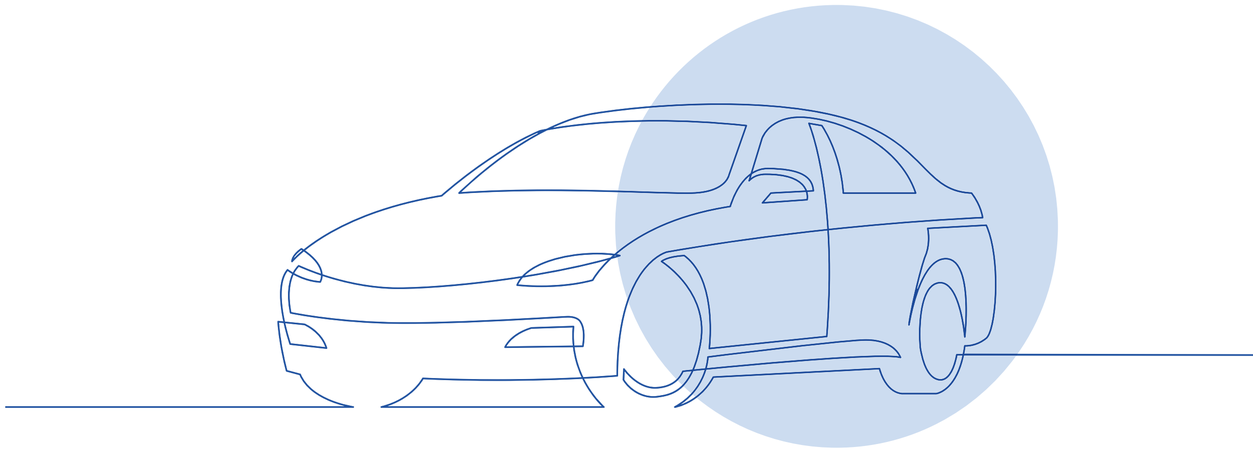
Amidst the uncertainty, we focused our ESG research on key trends that had the opportunity to make 2020 an inflexion point for electric vehicles (EVs). This included regulatory action in China incentivising consumer demand (China has a 60 per cent global market share of the EV market), a dramatic fall in the price of batteries, significant improvements in battery ranges, the launching of a catalogue of new electric models in higher volume segments, and government-supported rollout of charging infrastructure.

Action:

The ESG team worked with counterparts across the equity and multi-asset teams to create a targeted basket of companies primed to benefit from the shift to electric. Conscious of the multitude of idiosyncratic risks currently engulfing the auto sector, we sought to create balanced exposure throughout the EV value chain. This included our top picks among raw material providers, semiconductor and battery manufacturers, tyre producers and original equipment manufacturers with the broadest range of new vehicles aligned with stringent emissions regulations.

Outcome:

Boosted by electrical vehicles featuring prominently in national green recovery plans, including the introduction of subsidies and an expansion of charging infrastructure, the targeted basket of companies performed exceptionally, delivering a near 40 per cent return year to date.



ESG integration in sovereign debt

ESG analysis forms an integral part of our fundamental assessment of sovereign issuers. Sovereign ESG analysis is both quantitative and qualitative – an approach that allows us to form a holistic assessment of the ESG credentials of issuers and how they are likely to evolve.

Quantitative ESG foundation

The Aviva Investors ESG country model assigns a composite ESG score to more than 170 countries. Country ESG scores are derived from over 400 individual data points, which form 11 composite indicators. The score provides an actionable metric, giving a clear overview of an issuer to portfolio managers and analysts on how a sovereign compares to its peers. The scores can be used to highlight potential areas of concern that can be further investigated within our qualitative process.

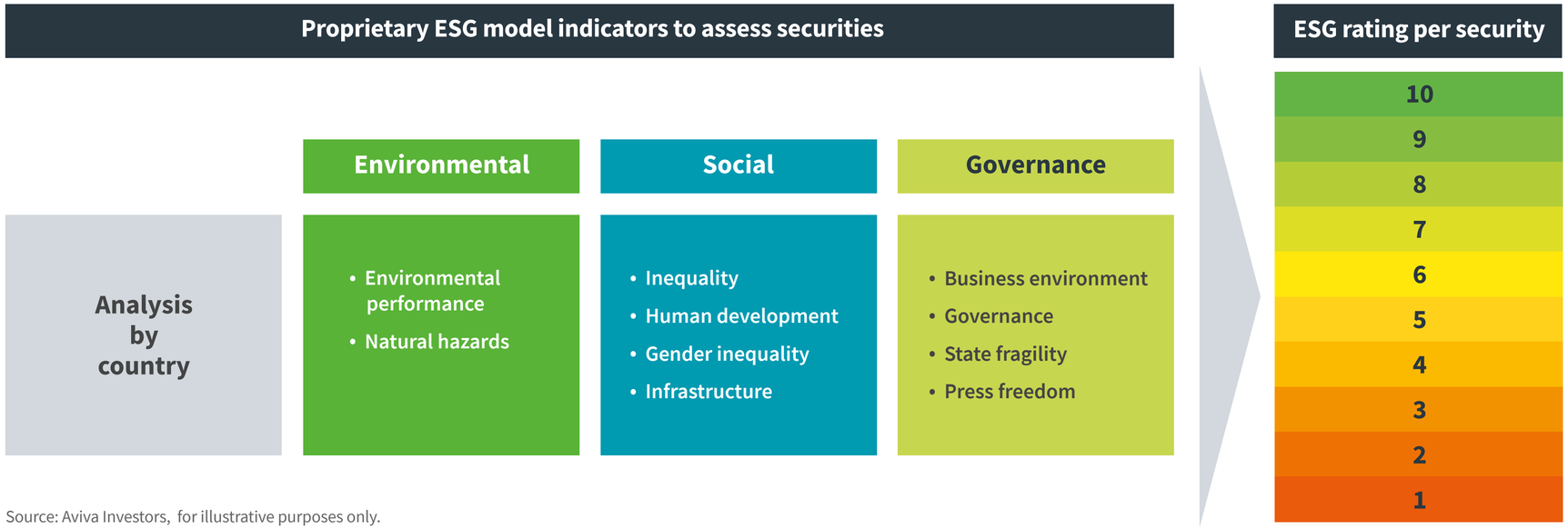
Qualitative ESG assessment

The qualitative process provides a subjective forward-looking framework for assessing sovereign ESG factors, culminating in an ESG momentum assessment that complements the ESG country model. Specific areas of focus for the qualitative analysis will vary by country based on materiality to the investment case.

For core emerging market countries, a deep dive report is produced, which complements the outputs of the fundamental sovereign analysis process. Focus areas for the reports are linked to the 11 composite indicators covered in the ESG sovereign monitor. ESG views are integrated into the formal country review process, which brings together the assessment of ESG alongside MFVT (macro, fundamental, valuation and technical) factors. At the formal country review meetings, ESG specialists present their country views and are challenged on their analysis alongside sovereign analysts and portfolio managers.

The formal qualitative ESG country reviews are supplemented by bespoke analysis focused on specific developments or emerging ESG trends. Qualitative insights or concerns can be used to form the basis of bespoke issuer engagement projects, while the insights gained from issuer engagements can also be used to inform our country views.

ESG proprietary scoring framework for sovereigns



Source: Aviva Investors, for illustrative purposes only.

Data accessibility

The ESG content produced is made available to portfolio managers and investment teams through our main research sharing platform, Confluence, where it can be viewed alongside the traditional sovereign country analysis. The ESG scores are also uploaded to the portfolio management system so portfolio managers can see in real time the ESG scores for their portfolios and how positioning changes are likely to affect these scores.

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INTEGRATION CASE STUDY

Green gas to 4,000 households

E S G

Issue:

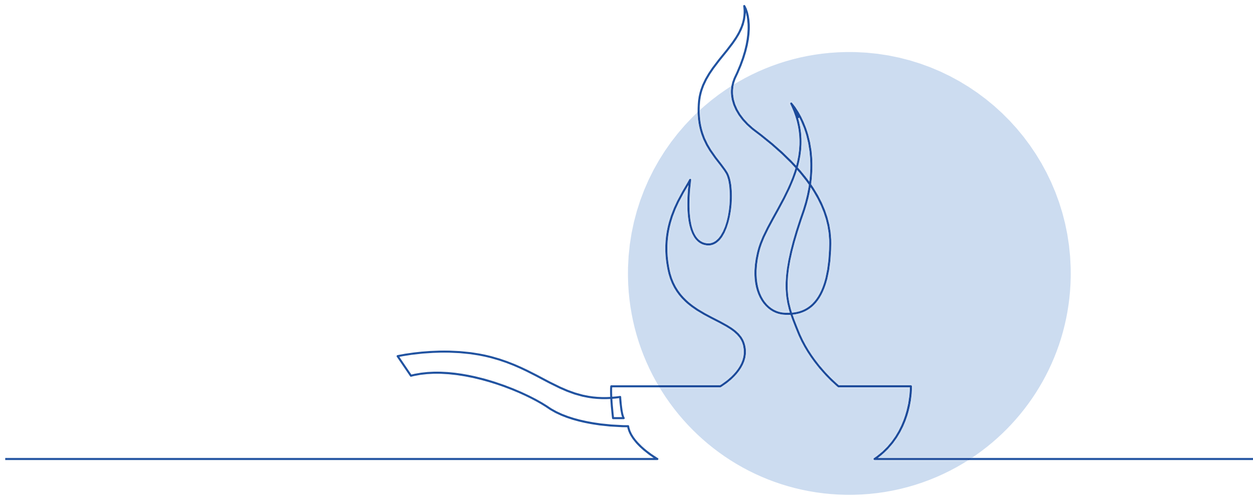
Waste from farming and food production contributes to greenhouse gas emissions when not disposed of in the correct way. Anaerobic digestion is a process that generates power from the biomass within our waste and is a source of renewable energy.

Action:

This year, we completed the purchase of a new anaerobic digestion unit located on Heath Farm in Blankney, Lincolnshire, for more than £20 million. This was our first anaerobic digestion transaction. It is projected Heath Farm could produce over 4.3 million cubic metres per year of green gas to the UK grid, equivalent to an estimated 4,000 households. The renewable energy produced will be used for onsite operations, while the by-product produced in the anaerobic digestion process will be used as a fertiliser for growing crops. This contributes towards circular economy principles through reducing resource demand, thus minimising environmental impact.

Outcome:

Investing in this asset type demonstrates our commitment to sourcing energy from renewable origins, minimising reliance on fossil fuels and subsequently reducing emissions. As the UK transitions towards low carbon fuel alternatives, this asset will be at a reduced risk to future regulatory changes, but also play a vital role in the UK's future energy mix, demonstrating the value it will bring to infrastructure equity and, in turn, our clients.



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INTEGRATION CASE STUDY

20 Gracechurch Street tops GRESB

E S G

Issue:

The Global Real Estate Sustainability Benchmark (GRESB) is a framework used to assess and benchmark the ESG performance of real assets. It is split into the management component, measuring the entity's ESG strategy and leadership, and the performance component, measuring asset performance. The outcome is an overall GRESB score, which is demonstrated by 1 (low) to 5 (high) stars. Each year, the score is relative to the submission peer group, providing a good reflection of an asset's relative performance. The data also provides valuable insight into key areas of focus, assisting asset managers in their investment planning to strengthen ESG credentials.

Action:

This year, 20 Gracechurch Street was submitted to GRESB, achieving a score of 80 per cent – 10 per cent higher than the GRESB average. Furthermore, the asset was awarded 'Sector Leader' within its peer group as well as a GRESB Green Star, a significant achievement. The asset outperformed the GRESB average within the management and performance components. This clearly demonstrates it has a leading approach to ESG, and that our investment in the smart buildings programme to continuously improving asset performance has been recognised and is adding value to 20 Gracechurch Street.

Outcome:

Generating value to our clients is a key priority. While this year's scores showcase the asset's strong ESG credentials, we will be using this data to add further value by identifying areas for improvement and increasing asset resilience. This will help to protect value and minimise climate transition risk in the long term.

"The Global Real Estate Sustainability Benchmark (GRESB) is a framework used to assess and benchmark the ESG performance of real assets."

AVIVA INVESTORS

INVESTMENT APPROACH

Monitoring managers and service providers

AVIVA INVESTORS

Monitoring service providers

Proxy advisers

Aviva Investors has implemented a systematic review process with respect to working with proxy advisers. At the end of each voting season, we conduct a series of meetings to review our voting policy based on emerging trends that we or our advisers have observed.

The objective of these engagements is to identify key areas where our own voting policy can be strengthened, understand what our advisers are expecting with respect to broader trends and set in motion an approval process for modifying our custom voting policy ahead of the new voting season. In addition to this formal review process, we engage on an ad hoc basis; in cases where we identify errors or seek further clarification, we arrange engagement meetings with proxy advisers throughout the year.

ESG data providers

With regard to our largest third-party data provider, we hold quarterly review meetings to discuss any shortcomings around data or research output. These meetings are informed by an internal third-party data record where instances of erroneous data or missing research input are systematically logged by ESG analysts and operations managers. Additionally, we hold ad hoc meetings to discuss broader trends in ESG that may inform our internal research views.

The Aviva Investors market data team is an independent function which takes accountability for managing commercials and renewals with all of our market data service providers. This function operates an hourglass model that sits between the business and the contracted suppliers. There are controls and triggers in place to ensure contracts do not automatically roll and that the service quality and accuracy of data coverage continue to meet the needs of the business.

Manager research

Our manager research team considers ESG factors in all aspects of its due diligence, investment analysis, decision making and monitoring activities. Whilst an initial understanding of ESG integration is critical at the fund selection stage, it is also important to monitor ongoing adherence to ESG practice.

Our established '7P' research framework looks at the following areas: parent, product, people, philosophy, process, positioning and performance. We seek to examine ESG integration through the lens of each, as demonstrated in the chart below.

In judging ESG integration, we seek both qualitative and quantitative evidence of application. We aim to judge the efficacy of the approach relative to expected criteria, peers and industry trends.

All direct manager interactions seek to clarify approaches to ESG as well as to encourage enhancements to ESG integration. We conduct a biennial ESG survey to remain on top of industry developments and identify best practice.

We support active ownership through direct engagement with management and voting when deemed appropriate.

Parent	We review and assess the firm-wide commitment to ESG and any relevant cross-organisation policies and procedures.
Product	We identify and interpret any specific ESG product objectives and/or constraints.
People	We look to understand and assess the quality and structure of human capital devoted to ESG integration.
Philosophy	This is where we gauge the manager's view as to the beneficial impact of ESG integration (e.g. beneficial to alpha generation and/or risk management).
Process	We seek to understand how ESG is integrated into the investment decision-making process. This may include areas such as: research, model development, portfolio construction and risk management.
Positioning	By analysing portfolio composition, we seek to ensure alignment with the expectations around ESG integration. If applicable, we may also examine engagement activity and voting history.
Performance	Here we examine how ESG integration has contributed to fund-level performance.

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Engagement

AVIVA INVESTORS

ENGAGEMENT

Engagement

AVIVA INVESTORS

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Driving change through company engagement

Engagement is a vital part of our investment process across asset classes. We use our influence through engagement and voting to promote sustainable business practices, gain insight and reduce investment risk.

Engagement routinely takes the form of meetings or calls with the board or senior sustainability executives. We set out clear objectives for engagement and follow up where appropriate. Engagement outcomes are registered in our database, reflected in our voting and feed into our proprietary ESG scoring tool. For active holdings, engagement is undertaken in close cooperation with the investment teams, who often lead on engagement meetings and the key conclusions from company engagements are fed back to fund managers through various forums, including daily, weekly and quarterly update meetings, and written company, industry and thematic notes.

Effective engagement is resource intensive and prioritisation is key. We use our ESG proprietary ESG scoring tool (ESG Elements) and sector-specific research to help identify areas of greatest concern and overlay considerations, such as the size of our holding, thematic priorities, AGM-related priorities and event-triggered engagement.

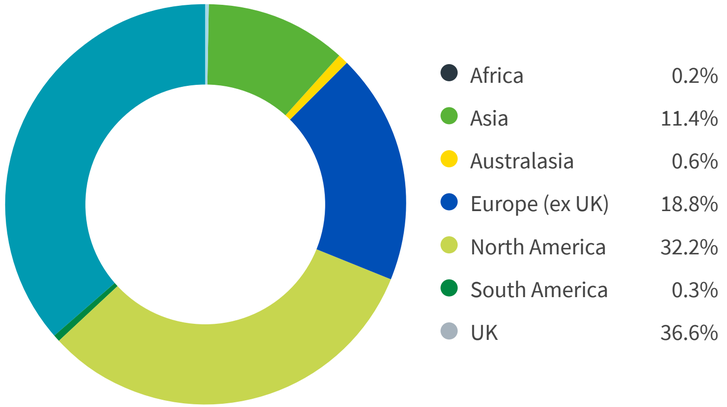
We draw up engagement plans annually, with progress reviewed and assessed quarterly. In 2020, we undertook 1,501 substantive company engagements and also participated in a further 1,927 collaborative letter-based engagements, addressing topics such as climate disclosure and human rights.

Over the past year, we achieved 90 engagement ‘wins’ where we saw changes in corporate behaviours in line with a prior Aviva Investors’ engagement ask.

Our 2020 engagement statistics – key numbers

- Undertook **3,428** company engagements, including **1,501** substantial interactions
- Recorded **90** incidents of engagement successes

Engagements by region



Source: Aviva Investors.

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Identifying companies for engagement

The diagram below shows how we bring together quantitative and qualitative data alongside recent developments to build a view of which companies we should engage with.

Quantitive

Size of exposure
Low ESG scores

+

Qualitative

ESG company and sector risk assessment
ESG thematic priorities
Client priorities

+

Reactive

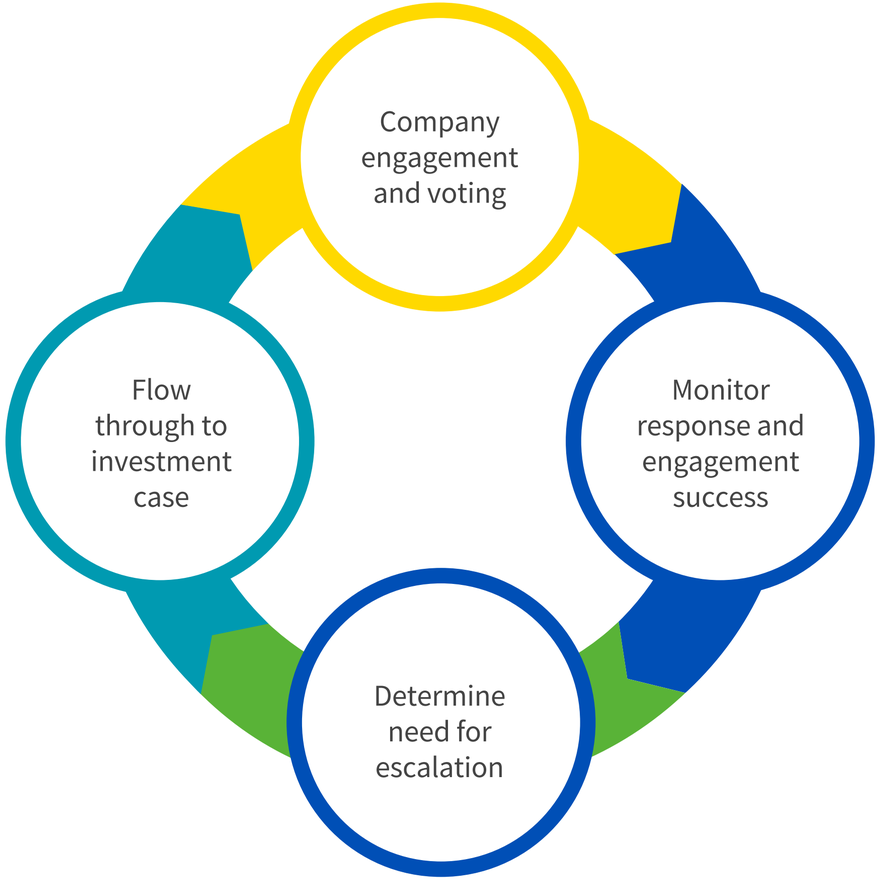
Company events
ESG news flow

=

Company engagement list

Engagement execution

The diagram below shows how the different elements of our engagement approach reinforce one another.



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ENGAGEMENT CASE STUDY

Engagement with AT&T validates our positive view

E S G **AT&T Inc.** (United States)

Issue:

Historically, we have had concerns over the board composition and oversight at AT&T, particularly following data breaches, employee discontent and customer issues. The acquisition of Time Warner in 2018 presented additional governance risks, specifically with regard to integration and culture. We had previously assigned a negative ESG rating to AT&T.

Action:

Given our substantive credit exposure in AT&T, and as part of our ESG rating review, we arranged a call with the company to discuss relevant ESG risks. The company outlined a series of positive changes, including the separation of the CEO and chair roles, an issue that we had in prior years.

Outcome:

We updated our internal ESG rating from negative to neutral to reflect the number of areas where AT&T has progressed. These include the shift in approach on corporate culture, its good performance on human rights and the targets it has set to reduce its environmental impact. Our forward-looking engagement is now centred on gender diversity and strengthening oversight of cyber-related risks.

ENGAGEMENT CASE STUDY

Activist showdown at Lagardère

E S G **Lagardère SCA** (France)

Issue:

Lagardère's governance is limited by its legal structure, a hybrid structure between a partnership and a limited liability company. This is a historic area of concern as it allows Arnaud Lagardère to be in control despite his personal holding, LCM, having only a seven per cent stake in Lagardère. This structure limits the level of accountability of the Lagardère's supervisory board to minority shareholders. The activist Amber Capital, which has been a significant shareholder in Lagardère for the past four years and held a 18 per cent stake at the time of the 2020 AGM, launched the 'A Stronger Lagardère' campaign. Its concerns include financial underperformance and capital allocation in recent years. Amber submitted resolutions to replace most of the board and challenge the complex holding structure.

Action:

After careful consideration, having engaged with Lagardère and Amber Capital, we decided not to support the proposed Amber board. While Lagardère board composition improved in recent years, we identify high risks linked to the governance structure, which undermine the oversight capacity of the supervisory board. However, the power struggle that was likely to result from a new board with managing director Mr Lagardère would have further disrupted the company in the challenging times. We did, however, decide to hold specific directors to account and supported two revocations.

Outcome:

Amber failed to gain majority support. The situation became even more complex with the news that Vivendi had built a new ten per cent take in the company followed by further high-profile investors taking stakes in operating companies. Vivendi and Amber formed an alliance to try and push through board representation, a move that was rejected by the board and the Tribunal de Commerce de Paris. The limited visibility on the ultimate goals of the parties involved, and the complexity of the holding structure, casts a shadow over minority shareholder rights as well as the prospects of future value creation.

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ENGAGEMENT CASE STUDY

Glencore publishes a climate roadmap to 2050 net-zero emissions

E S G **Glencore** (Switzerland)

Issue:

While global coal demand is expected to decline according to projections by the International Energy Agency, the commodity is still supported by robust growth in most Asian markets. As such, the fate of coal is inherently tied to decisions made in Asian capitals, notably China, where half of the world's coal-powered energy is consumed. While from a valuation perspective Glencore's decision to hold these assets is considered to benefit future cash flows, it necessitates in our view a credible, long-term climate roadmap, cognisant of transition risks and underpinned by interim targets.

Action:

Particularly against the backdrop of the EU Green Deal and interim 2030 reduction target, we continued our engagement with the company's chair Tony Hayward, as well as outgoing CEO Ivan Glasenberg, focusing on Glencore's climate strategy.

Outcome:

Glencore announced targeting net-zero emissions by 2050, across Scope 1, 2, and 3, in contrast to peers that have primarily focused on direct emissions. In doing so, the company announced interim targets of reducing Scope 3 emissions by 40 per cent by 2035 before reaching net zero in 2050. In addition, revenue generated by its coal operations is expected to be recycled into Glencore's portfolio of transition metals, which will benefit from increasing demand due to a combination of decarbonisation trends, electrification and population growth.

ENGAGEMENT CASE STUDY

Equinor drops plans to drill in the Great Australian Bight

E S G **Equinor** (Norway)

Issue:

Nearly a third of all natural World Heritage sites are subject to extractive activity, despite protection from the UNESCO World Heritage Convention. Following a number of successful engagements on this topic, including SOCO International, BP and Chevron, we extended our engagement to drilling in the Great Australian Bight marine sanctuary. While not a World Heritage site, it is of particular significance, given the higher risks of deep sea drilling and that more than 270 deep sea species previously unknown to science have been discovered in the area.

Action:

We engaged with the company multiple times in 2018, outlining our concerns over a) the exceptional marine significance of the Bight, b) the challenging operating conditions, c) the long-term financial viability of the project and d) the consistency of development in this region given Equinor's recent public messaging on climate change. We wanted to know more about Equinor's scenario planning (for example, had the company conducted a financial worst case scenario in the event of a major spill?).

Outcome:

In February 2020, Equinor told authorities it had decided to scrap the $200 million project. It is the third major oil company to abandon plans to drill in this area, following BP and Chevron. The company announced the decision was based on a deterioration in the relative commercial viability of the project. It is likely Equinor's decision may also have been influenced by the forest fires in Australia and increased public focus on climate change.

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ENGAGEMENT CASE STUDY

Speaking out against ‘national security’ action

E **S** G **Banks** (United Kingdom)

Issue:

In June 2020, the Hong Kong government introduced a new security law – a response to the democratic protests that swept the region through much of 2019 and early 2020. The law permitted the detention and prosecution of individuals deemed to be a threat to national security. The law also contained provisions that specifically targeted the financial sector, including the right for authorities to freeze the financial assets of anti-government protestors. Furthermore, the US government in its response imposed international sanctions on Hong Kong government officials who were perceived in leading the introduction of the new law.

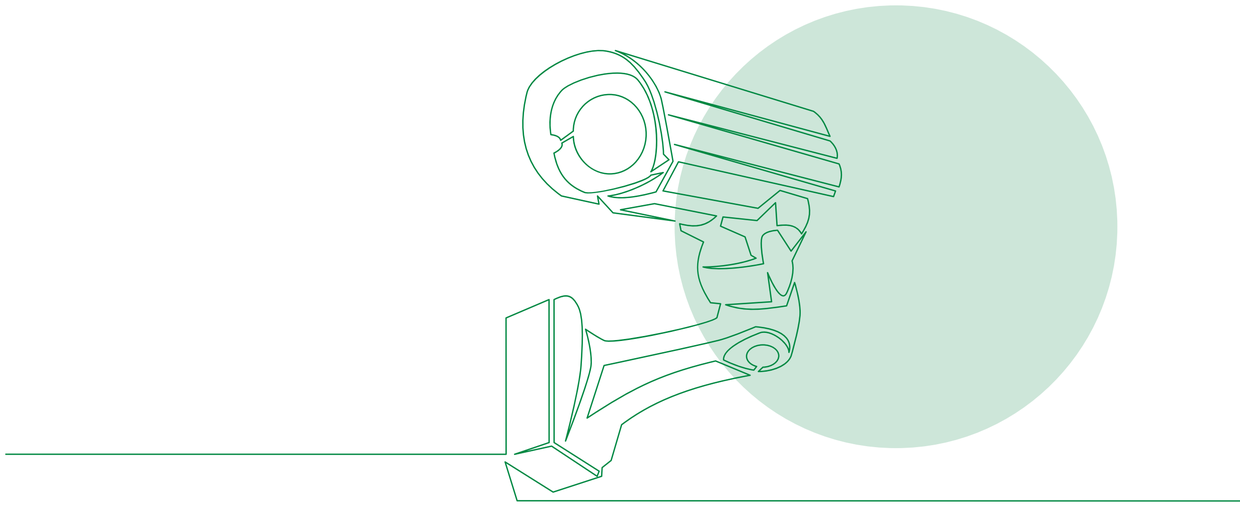
Action:

Both events presented a set of complex political, regulatory and social challenges for international financial companies operating in the region. HSBC and Standard Chartered were two banks with large exposure to these risks.

We became concerned over potential human rights risks and were the first global investor to publicly voice our concern over HSBC’s support of the new law. We subsequently met the chairs and management of HSBC and Standard Chartered in the following weeks to better understand ESG and investment risks arising from the situation and to outline our expectations.

Outcome:

Both companies outlined their actions to preserve their legal and social licence to operate. We also discussed a potential solution with HSBC to follow a precedent set by the telecoms sector in creating principles and disclosure frameworks for dealing with sensitive customer information requests from governments. We continue to monitor the environment in Hong Kong and any associated impact on and response from banks operating in the region.



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ESG integration in real assets – stakeholder engagement programme

Engagement in real assets

We believe being active owners of real assets through engagement with our stakeholders is critical to creating environmental and social outcomes for our clients and society.

We believe engagement in real assets can be defined as structured interaction on environmental and social issues with our customers, including borrowers and occupiers, suppliers and the communities we operate in. This engagement can be carried out through the transaction process or through ongoing asset management. In private debt asset classes, we actively engage in transactions through creating covenants and incentives that mandate or encourage environmental and social impacts. In equity investments where we own assets directly, we focus asset management resources on engaging occupiers and our suppliers to reduce building energy use, and engaging communities to create positive social impacts.

£1 billion committed to sustainable transition loans

In 2020 we announced a commitment to originate £1 billion in sustainable transition real estate debt over the next four years, supported by the launch of our proprietary sustainable transition loans framework.

We will use the framework to seek out sustainable real estate loan investment opportunities in line with the UN Sustainable Development Goals. This will focus on key sustainability targets such as energy efficiency and green initiatives, including onsite renewables. Through working with ESG ratings and research agencies, we are able to provide second-party verification and accreditation for the framework, ensuring the loans comply with the LMA's sustainability-linked loan principles. This is a critical challenge in the fight against climate change, with the built environment responsible for over 40 per cent of carbon emissions globally.

As part of the initiative, we embed measurable ESG commitments into our lending programme, setting out specific requirements for real estate borrowers to adhere to, in order to reduce carbon emissions from buildings, as we continue to support the transition to a low-carbon economy. Through the framework and loans programme, we will instil long-term sustainability-linked incentives for borrowers, to ensure measurable environmental and energy improvements on buildings we lend against. Borrowers can benefit from a marginal reduction in the cost of debt, awarded when predetermined sustainability improvements have been made.

We made strong progress against our commitment in 2020 with a £154 million refinancing provided to CLS Holdings in September, which was structured to include KPIs explicitly linked to sustainability targets, including a reduction in margin on the loan dependent on meeting specific targets assessed annually throughout the life of the facility.

continues over

We made strong progress against our commitment in 2020 with a

£154m

refinancing provided to CLS Holdings in September.

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ESG integration in real assets – stakeholder engagement programme (cont'd.)

Driving toward net zero through smart buildings

In December 2020 we published our real assets net-zero pathway, detailing how we will support our clients to transition their investments to net-zero emissions by 2040.

The pathway outlines the actions we will take to invest in low-carbon solutions, while also decarbonising existing assets across our portfolio. We have already made significant progress towards our goals, including partnering with Carbon Intelligence on a smart buildings programme. So far, the programme has delivered over £1.4 million in cost savings, and contributed to a 62 per cent reduction in Aviva Investors' carbon emissions since 2015.

The smart buildings programme was originally devised in 2016 and initially set out with the aim of future-proofing our assets, optimising operational efficiency and continuing to drive energy and cost savings across the portfolio. The success has been achieved through strong collaboration with Carbon Intelligence and our partners in property management. As of 2020, 19 sites are enrolled in the programme, with target savings of £1.75 million by the end of 2020.

The programme works by using smart building technology, which continually collects and analyses building management systems, air quality and energy consumption data to provide clear insight into building performance and interrogate potentially energy wasting anomalies. It allows for remote monitoring, which proved crucial in managing assets during COVID-19 lockdowns – helping save over £500,000 and 700 tonnes of carbon in our portfolio between April and June 2020.

These programmes play an essential role in not only ensuring buildings run efficiently, but also in improving the quality and comfort of a building to support tenant engagement programmes and improve occupier wellbeing. Smart buildings can extend the life of plant and equipment, saving costs and embodied carbon from replacements. The programme is now being used to manage successful reoccupation, reporting on occupancy and air quality data, giving tenants the confidence they need to feel safe to return to work.

"Smart buildings can extend the life of plant and equipment, saving cost and embodied carbon from replacements."

AVIVA INVESTORS

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ENGAGEMENT CASE STUDY

Energy demand reduction in action

E S G **Various** (United Kingdom)

Issue:

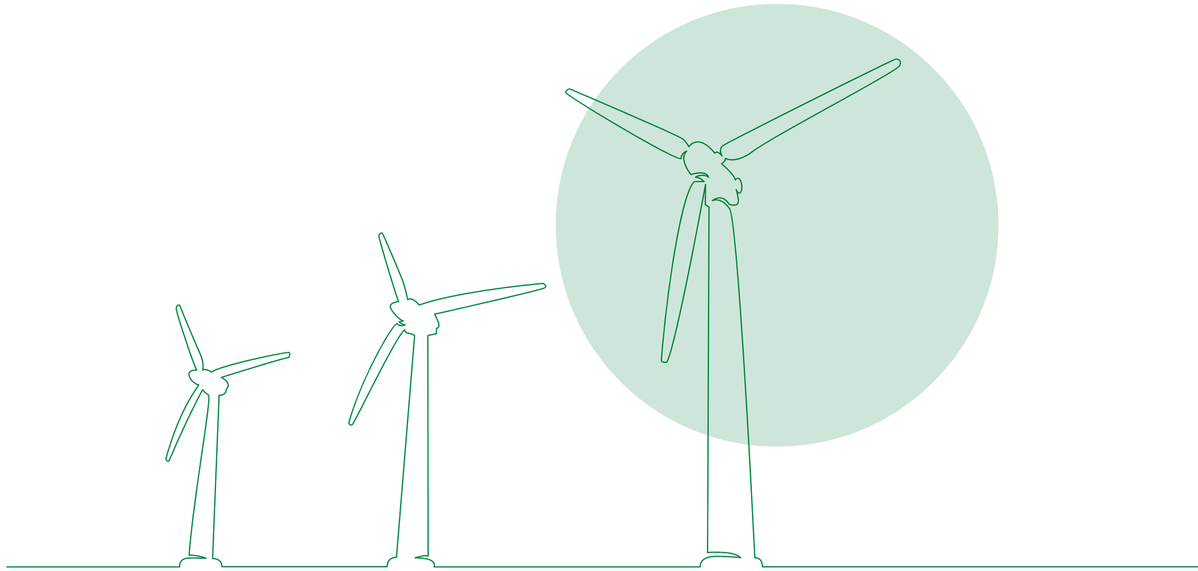
Offices are a significant contributor to the climate crisis, often using the highest volumes of energy in commercial real estate. To address this, our portfolio of UK offices are targeting an energy intensity reduction of ten per cent by 2025. 40 Berkeley Square, an asset comprising approximately 75,000 sq ft of Grade A office space in central London, was one of the highest energy consuming assets in the UK office portfolio.

Action:

Since July 2019, Berkeley Square has reduced its energy intensity by 18 per cent, achieving considerable progress in a year through our smart buildings programme. This was achieved through basic engineering interventions, such as tightening time schedules for the heating, ventilation and air conditioning system in reception, reducing fan speeds overnight and installing a timer on hot water tanks for periods of no occupancy.

Outcome:

Onsite initiatives achieved over 1,000MWh hours of energy consumption savings, which equates to approximately £133,000 in avoided costs for our occupier. Carbon savings of 251 tonnes were achieved through the programme, equivalent to that emitted by 29 average homes per year. This results in a less carbon-intensive asset, contributing to a more attractive investment opportunity and driving value preservation for our clients in the long term.



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ENGAGEMENT CASE STUDY

Structuring for impact in real estate

E S G **Various** (United Kingdom)

Issue:

Emissions from the logistics sector in real estate are rising due to the increasing volumes of onsite electronic equipment used to sort, pick and ship internet shopping. Real estate leasing can be used to address this problem, with owner and occupier working together to increase onsite energy generation, reducing the strain on the national grid.

Action:

In 2020, we financed the installation of a solar photovoltaic (PV) installation at Next plc's distribution centre in Southampton. With installation targeting completion in June 2021, the solar project will facilitate renewable energy supply for Next, and help advance Aviva Investors' net-zero commitments. Energy from the solar PV system will be used to power Next's initiatives, such as the recent installation of a robotic picking system, an efficient way to organise clothes within its warehouses. We funded the cost of the solar array installation at £3 million, in return for an additional rent of £210,000 per annum.

Outcome:

The project involves the installation of a 2,900kW system, which is expected to generate over 1,980 MWh of clean energy and mitigate over 1,027,000 kg of carbon dioxide per year. Next is expected to achieve estimated savings of approximately £218,000 within a year of the system installation, with a total payback period of just over seven years. Financing clean energy initiatives not only provides effective engagement with tenants on net-zero initiatives, but also further enhances the environmental resilience of the asset and provides stable and tangible financial returns.

AVIVA INVESTORS

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Collaboration

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Collaborative engagement

Active engagement and collaboration with other investors is an important, if not essential, requirement for being able to exercise appropriate influence at companies.

Collaboration allows information sharing on existing and emerging sustainability risks and enables aligned stakeholders to exert their collective influence to bring about change. We are connected to shareholders and broader stakeholders through various national, regional and global forums that facilitate collective discussion and action.

In 2020, Aviva Investors placed a particular focus on its participation in the following industry initiatives.

- 30% Club
- Asian Corporate Governance Association
- Business for Nature Pledge
- Change the Race Ratio
- Climate Action 100+
- Corporate Human Rights Benchmark
- Digital Inclusion Benchmark
- Prince of Wales' Terra Carta (Aviva)
- UK Investment Association
- World Benchmarking Alliance

For a full list of collaborative initiatives, please see in Appendix.

COLLABORATION CASE STUDY

Board accountability: Rechenschaftspflicht

E S **G** **Various** (Germany)

Issue:

German companies continue to lag behind their European peers on key governance standards, with supervisory board members elected for the maximum five-year term permitted by law. This is in direct contrast to other European markets, which have embraced investor-led trends for shorter board election cycles.

In 2019, the German Corporate Governance Code Commission, in a public consultation, proposed to recommend three-year terms for shareholder-elected supervisory board members. We considered this a sensible compromise that was supported by large international institutions and local investors. The commission ultimately withdrew this decision from the final proposals.

Action:

In August 2020, we were co-signatories to a collective engagement letter, comprising other like-minded asset managers representing c. $8.3 trillion of assets under management, to the constituents of the DAX 30 Index. We are asking the biggest publicly listed German companies to voluntarily adopt a three-year election cycle for shareholder-elected supervisory board members. We believe this is critical in ensuring an appropriate level of accountability of directors as the current system could give rise to occasions where investors have to wait five years after a corporate failing to express discontent on an individual director's actions.

Outcome:

While momentum is building for change, German corporates are stubbornly holding on to excessive director mandates. Until we see practical change, we will continue with our current approach of withholding support for directors standing for longer than three years.

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COLLABORATION CASE STUDY

Tackling the endemic issue of racial discrimination

E **S** G **Various** (Global)

Issue:

Although protection from racial discrimination is a human right, worldwide demonstrations following the brutal deaths of three black Americans, George Floyd, Breonna Taylor and Ahmaud Arbery, were a wake-up call for many companies in 2020.

In our sustainable outcomes research, we identified the grave impact racism is having on corporate stakeholders, particularly their employees and customers. It leads to racial disparities in everything from education and health to job opportunities and wealth. For example, the average wealth of a white family in America is ten times that of the average black family, while employees from black and other ethnic minorities are promoted at a lower rate and are leaving companies at a higher rate than their white colleagues. This inequality flows through to company boards, despite evidence that ethnic diversity at board and executive level is a bigger driver of performance than gender: 37 per cent of FTSE 100 companies have no ethnic minority representation on the board while 37 per cent of US companies do not have a black member on their board.

Left unchecked, this brings risks to companies, including litigation risk and reputational risk as well as lost opportunities to cater for all customers. A challenge for investors in addressing this risk is a lack of disclosure – for example, 72 per cent of the Russell 1000 companies do not disclose racial or ethnic workforce information.

Action:

Following our research and a series of internal conversations, Aviva launched its Black Lives Matter action plan and signed up to the Change the Race Ratio initiative in October 2020, which committed us to action on representation, culture, transparency and support. We also outlined a framework with three areas where we expect the companies we own to take action:
(1) Making sure they create an inclusive culture through leadership, strategy and governance;
(2) Understanding and taking steps to tackle racial bias in how they deliver for customers, suppliers, employees and their local communities;
(3) Disclosing data, particularly on representation and pay.

Outcome:

We have started to deliver on our internal action plan, which has included numerous actions, including appointing Mohit Joshi as a non-executive director in October 2020, and beginning a reverse mentoring programme. We will continue to take action in 2021, including the setting of targets to increase ethnic diversity on our Group Executive Committee in 2021. As an investor, we have started to engage with companies using our framework and updated our voting policy. From this year, we will be voting against companies that do not have ethnic minority representation on their board. We have also begun to create collaborative initiatives that will engage with companies to encourage them to meet the Parker Review recommendations and commit to the Change the Race Ratio.

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COLLABORATION CASE STUDY

Tesco commits to triple sales of plant-based meat alternatives

E S G **Tesco plc** (United Kingdom)

Issue:

Reducing meat consumption is important for climate change and for biodiversity loss. A 2019 Intergovernmental Panel on Climate Change report stated that a shift towards plant-based diets would help to mitigate and adapt to climate change, via reduced greenhouse gas emissions (for example, methane emitted by cows) and reduced deforestation, which is driven by the need to grow feed for cattle, poultry and fish.

Action:

As part of our long-term collaboration with Farm Animal Investment Risk & Return (FAIRR) on the issue of sustainable protein, we led an investor call with Tesco to better understand the company's progress on protein diversification, its long-term ambitions to diversify its product portfolio and improve the sustainability of its supply chain.

Outcome:

In September, Tesco announced a new commitment to increase the sales of plant-based meat alternatives by 300 per cent by 2025. Tesco has also set out a range of measures to improve the availability and accessibility of plant-based foods, and committed to publishing the sales of plant-based proteins as a proportion of overall protein sales every year to track progress. The company has grown its Wicked Kitchen and Plant Chef ranges, and is also focusing on blended products to enable reduced meat consumption in those who do not try fully plant-based options.

This comes alongside a wider set of sustainability measures that Tesco has developed with WWF as part of its sustainable basket metric. Taken together, these measures will aim to halve the environmental impact of the average UK shopping basket. We expect to see more commitments like this from retailers and food producers.

AVIVA INVESTORS

COLLABORATION CASE STUDY

Hon Hai commits to 2050 net-zero emissions target

E S G **Hon Hai Precision Industry** (Taiwan)

Issue:

As the impact of climate change continues to materialise, 2020 saw big commitments from companies across all sectors. We are active members of the Climate Action 100+ investor initiative, which engages with the largest 100 systemic emitters. The group, which represents more than $47 trillion in AUM, has been engaging with Hon Hai Precision Industry for several years to strengthen its climate-related disclosures and curb emissions. This year, the initiative communicated its Climate Action 100+ net-zero company benchmark, outlining key areas companies will be measured against in their progress to becoming net-zero businesses.

Action:

In addition to regular group investor calls, our ESG team held one-to-one meetings with Hon Hai and our equity team. We discussed the importance of climate change as a business risk, as well as its commercial implications given Apple's environmental commitments. We encouraged Hon Hai to commit to an emissions reduction target and demonstrate how this was embedded in its strategy.

Outcome:

Since the beginning of this multi-year engagement, Hon Hai's progress has included greater transparency on environmental information and improvements in the management of environmental performance systems across its activities. In addition to committing to TCFD reporting, in November, the company announced a net-zero emissions commitment by 2050. We welcome this milestone and are pleased to see the company's willingness to align with the Paris Agreement. Further details will be disclosed at a later stage regarding the implications for its value chain. We will continue to engage on strategic oversight and governance of climate change on the board.

COLLABORATION CASE STUDY

Food producers: more reasons to collaborate

E S G **Food producers** (United Kingdom)

Issue:

The engagement effort was prompted by media reports that the number of COVID-19 infections at food factories could be more than 30 times higher than reported.

We also noted proposals from industry representatives that key workers in the sector should be on the list of early recipients for COVID-19 vaccines. This was an acknowledgment from industry representatives that the unique nature of food processing means workers face a higher risk of contracting COVID-19.

Action:

In December 2020, we led a collaborative engagement with UK-listed food producers to understand their response to the COVID-19 crisis with respect to employee welfare. The collaborative engagement group comprised asset managers and asset owners holding c. £1 trillion in assets under management. The initiative was prompted by concerns over the lack of adequate mass testing at facilities and whether workers undergoing self-isolation received full compensation.

This echoed the campaign we led at the beginning of the COVID-19 crisis, where we sought assurances from food retailers, restaurants and food producers that employees were not penalised for self-isolating after exhibiting symptoms.

Outcome:

Our engagement with companies is ongoing with responses received from most. The quality of response has been mixed with a stark divergence of practices. This will remain a critical engagement programme as the effects of the pandemic continue. The fair treatment of workers during this period will serve as an acid test of a company's commitment to stakeholders.

COLLABORATION CASE STUDY

Strengthening use of an antimicrobial resistance (AMR) lens on investments

E **S** G **Various** (United Kingdom)

Issue:

The COVID-19 pandemic meant that 2020 was a year in which the potential for health crises to become financial crises was highlighted as never before. The World Health Organization (WHO) has described antimicrobial resistance (AMR) as one of the greatest threats to global health today.[1] This is reflected in the fact that at least 700,000 people die each year due to drug-resistant diseases; a figure projected to rise to 10 million a year by 2050.[2] As resistance is rising, antibiotics are becoming less effective. This threatens the prevention and treatment of a growing list of infections, including pneumonia, tuberculosis and gonorrhoea.

Action:

To help address this issue, in November 2020 we became a founding member of the coalition for Investor Action on AMR, as one of 12 investors (with combined AUM of $6.7 trillion). The initiative, launched at the World Economic Forum in Davos, is backed by the Access to Medicine Foundation, the FAIRR Initiative, the Principles for Responsible Investment and the UK Government Department of Health and Social Care.

Outcome:

The coalition is harnessing investor efforts to align the broader financial community with international initiatives such as the WHO Global Action Plan on AMR. As a member, we are strengthening our use of an 'AMR lens' to assess, integrate and mitigate AMR-related risks when making investment decisions. As part of the coalition, we have committed to raise awareness on AMR as a market failure and engage with policymakers on AMR funding and regulation to correct this, as well as to continue to highlight its investment materiality.

1. 'Antibiotic resistance now 'global threat', WHO warns', BBC News, April 2014.
2. 'Antimicrobial Resistance: Tackling a crisis for the health and wealth of nations', AMR Review, December 2014.

COLLABORATION CASE STUDY

Biodiversity – galvanising action to protect natural capital and reverse degradation

E S G **Various** (United Kingdom)

Issue:

Biodiversity is experiencing unprecedented declines due to the current model of economic development and population growth. The Living Planet Index has recorded an overall decline of 68 per cent in species population sizes since 1970.[1] Yet, biodiversity underpins many economic activities through the provision of ecosystem services. Recent estimates state that over half the world's GDP is moderately or highly dependent on ecosystem services. In its *Global Risks Report 2021*, the World Economic Forum places biodiversity loss in its top five risks by likelihood and impact.[2]

Action:

To help address this issue, we became a signatory to Business for Nature. This global coalition is demonstrating action and amplifying a powerful business voice by calling for governments to reverse nature loss. By convening a united business voice, the coalition is able to bring awareness to the business case for reversing nature loss and in turn find solutions to the issue. Other important partners include the World Economic Forum, the ICC, the WWF, and HM Treasury.

Outcome:

Biodiversity loss is a severe threat to our ability to generate long-term returns for clients; having a united voice to encourage policymakers to act to correct the market failure of nature loss is vital. One significant contribution made by Business for Nature has been the collective feedback it gave to the proposed CBD post-2020 Framework,which articulated a collective business voice pushing for more ambition and accountability. Aviva Investors contributed to this, offering support and input as well as suggesting additional areas of focus, including the need for effective and widely used environmental impact assessments, a 'biodiversity tax' and nature accounting, as well as recognising the importance of ambitious biodiversity targets, and having the mechanisms in place to monitor progress against them.

WWF collaboration: Our Planet – Too Big to Fail

To help promote the key role that financial services can play in tackling climate change, we collaborated with WWF on the short film, 'Our Planet: Too Big to Fail'.[3]

The film explains the link between nature and the global economy, including the potentially devastating impacts of inaction. The project included climate champion Sir David Attenborough and leading sustainable finance figures such as Mark Carney, Professor Sir Partha Dasguptha and Aviva Investors' Steve Waygood.

Our contribution focused on the severity of the potential economic impact of a warmer future: $43 trillion would be wiped off the stock of capital if we hit a scenario of a six degrees Celsius warmer future. It also speaks to the importance and necessity of rethinking how capitalism should be restructured at the top table for us to have a sustainable future. The project goes beyond raising awareness; it aims to spark constructive debates and prompt meaningful action within institutions. The importance of five main goals was emphasised: 1) understand and minimise risks; 2) declare and halt your negative impact; 3) consider all stakeholders in decision making; 4) seize new opportunities; and 5) help build the new system we need.

1. Living Planet Index, March 2021.
2. 'The Global Risks Report 2021', WEF, January 2021.
3. 'Our planet: Too big to fail', WWF, 2020.

ENGAGEMENT

Escalation

AVIVA INVESTORS

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Engagement escalation

Where engagement with companies, whether on strategic, performance, general ESG or specific voting issues, is undertaken, the effectiveness of such engagements will be measured and evaluated on a regular basis. We maintain a database to record our voting and engagement with companies, which allows us to review the effectiveness of our activities.

There will be times when, despite engagement with companies, our concerns have not been adequately addressed. Under these circumstances, the matter may be escalated into a more focused project of intervention aimed at securing changes to the board, management, practices or strategy.

Considerations when determining escalation

In making decisions as to whether engagement will be escalated, a number of factors will be considered, including:

- circumstances in which an issue has arisen;
- relevant best practice standards and investor guidelines;
- reasons and explanations provided by the company;
- potential significance of the issue for our investments and our clients;
- pattern of issues, in combination or over time;
- client mandates, preferences and portfolio strategies; and
- traction the initiative and objectives will have with the wider shareholder base, and scope for collaboration with other stakeholders.

Forms of escalation

Aviva Investors has and will use all engagement tools available. The particular approach and avenues we take will depend on the circumstances of each case and may change in light of progress or other developments.

Escalation may include:

- additional meetings with company management and/or non-executive directors;
- expressing concerns via company brokers and advisers;
- withholding support or voting against management and the non-executive directors;
- circulation of a statement of issues at an AGM;
- requisitioning resolutions at an AGM;
- requisitioning a general meeting;
- collaboration with other investors;
- raising concerns with appropriate regulatory authorities;
- considered public statements and press comment; and
- divestment of holdings.

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Climate engagement escalation programme

Aviva Investors considers climate change to be the greatest systemic challenge facing society, the global economy and companies. Failure to act will have catastrophic and pervasive consequences, including for capital markets and asset valuations.

'Engagement First' philosophy

Aviva Investors' ESG philosophy promotes the relative merits of engagement over divestment as the more effective mechanism of delivering positive change and outcomes for our clients and society. Our strong preference for engagement is built upon two key factors. Firstly, there is a lack of critical mass in the market for divestment (in the first instance) to be a meaningful tool for change – there is a queue of other investors ready to take our place should we decide to sell. Secondly, and more significantly, while divestment sends a signal of dissatisfaction to a company, it does not allow for a clear communication of a desired future state and expected roadmap for change. We prefer to stay invested, stay engaged, and partner with companies as they develop a climate strategy, allowing us to continue to influence the transition pathway as well as the pace.

However, we recognise that for our engagement approach to have impact, it must be accompanied by a robust escalation process. There are a number of escalation tools available to us including the ultimate sanction of divestment.

Focused climate engagement programme

Aviva Investors identified 30 systemically important carbon emitters from the oil and gas, mining and utilities sectors that together contribute towards nearly a third of global carbon emissions. The companies have now been included within a targeted climate engagement programme.

Our engagement with these companies is centred on following five areas:

1. **Climate targets:** Set 2050 net-zero scope 3 emissions targets for the entirety of their business operations. Targets and transition plans should be aligned with science and ideally validated by the Science Based Targets Initiative.
2. **Transition plans:** Climate roadmaps must include near-term transition targets and be fully integrated into corporate strategy, capital frameworks and the core investment case communicated to the market.
3. **Management incentives:** Climate objectives and targets must be meaningfully reflected in short and long-term variable pay plans for senior leadership and the wider business.
4. **Climate disclosures:** Align disclosures with the TCFD framework, including high-quality reporting of business impacts under various climate scenarios. This should enable investors to model different projections of underlying asset valuations.
5. **Climate lobbying:** Align all lobbying activities with the ambitions of the Paris Agreement. This must include a critical evaluation of positions promoted by trade associations and affiliated industry groups.

Company progress will be monitored on a six-monthly basis, at which point we will determine the need for escalation. This may include votes against directors, the filing of shareholder proposals and working with aligned stakeholder groups to apply further pressure.

Work is underway to ensure companies that fail to make sufficient progress at the conclusion of the programme will trigger full divestment across our equity and credit portfolios where Aviva Investors has discretion to take action.

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Exercising rights and responsibilities

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Holding management to account through voting

Voting is a crucial part of the investment process and we have had a formal and considered voting policy since 1994. We have explicitly incorporated corporate responsibility disclosures and performance into our voting since 2001; being one of the first asset managers to do so globally. Our voting policy is reviewed annually and signed off by the Aviva Investors board.

Our 2020 voting statistics – key numbers

- Voted on **72,025** resolutions at **6,457** shareholder meetings
- Voted against 24 per cent of management resolutions, including **43 per cent** of pay proposals
- Voted in favour of **98 per cent** of climate and social shareholder proposals

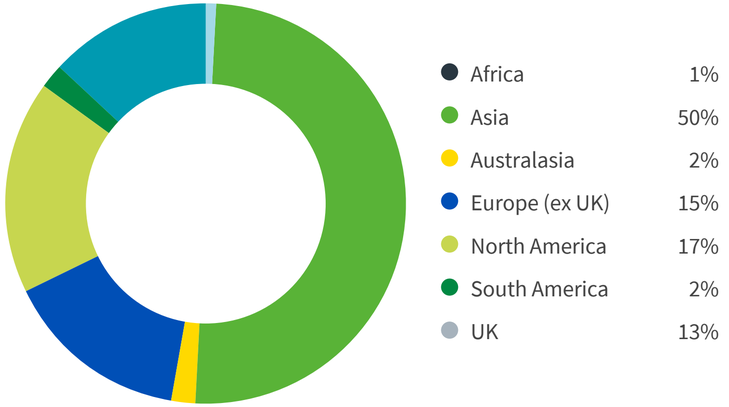
ShareAction review of 102 significant shareholder proposals between September 2019 and August 2020.[1]

2020 voting activity by issue

	Number of resolutions	Non-support (%)
Directors	28,290	32%
Remuneration	7,680	43%
Auditors	5,369	22%
Shares issues/capital related	10,506	15%
Report & accounts	4,862	10%
Related party transactions	3,079	18%
Takeover/merger/reorganisation	1,258	9%
Anti-takeover measures	90	31%
Shareholder resolution	936	55%
Shareholder resolution (supported by management)	1,133	14%
Other	8,822	13%

Source: Aviva Investors.

2020 voting activity by region



Source: Aviva Investors.

1. 'Proxy voting records challenge asset managers' responsible investment claims', ShareAction, December 2020.

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Voting decisions

Votes are determined by the stewardship function (ESG analysts) in conjunction with portfolio managers, who inform the decision-making process by bringing their knowledge and assessment of company strategy and any special circumstances. The starting point for vote decisions is the Aviva Investors global voting policy,[1] which is reviewed on an annual basis and updated subject to board approval. The Aviva Investors global voting policy covers board leadership and effectiveness; accountability; remuneration; corporate sustainability; investment trusts; our process; and remuneration principles.

To support us in making voting decisions on thousands of meetings a year, we subscribe to research from a number of third-party providers. These include Institutional Shareholder Services (ISS), the Investment Association's IVIS service and MSCI. We use research for data analysis only and do not automatically follow research provider voting recommendations. We also receive recommendations from ISS based on our own policy, which we can override in consideration of other factors, including internal views, additional context provided in external research, and company explanations.

Given the number of companies we own in our portfolios (including index funds), we seek to prioritise engagement by size or value of holding and where it is most likely to benefit our clients. This allows us to consider additional context from the company, which occasionally results in us changing a vote. In addition, every year we write to the large majority of the companies we hold to notify them of our voting policy (highlighting any changes we have made), and also direct them to our voting records, where they are able to see how we have voted at their AGMs, etc., and our reasons for not supporting any resolutions.

As can be seen from our voting records, we have a strong record of opposing resolutions and holding boards to account.

We maintain a database to record our voting and engagement with companies, which allows us to review the effectiveness of our work. For our priority holdings, we review these on a quarterly or half-yearly basis.

There will be times when, despite engagement with companies, our concerns have not been adequately addressed. Under these circumstances, the matter may be escalated into a more focused project of intervention aimed at securing changes to the board, management, practices or strategy. As part of our escalation process, we may ask to discuss issues with executive and/or non-executive directors, work with other institutions and investors to press for change or exercise our voting rights against the board. As a last resort we may requisition a general meeting of a company or a resolution at an Annual General Meeting, or support others who are doing so. We may also make public statements where we believe this is appropriate. However, we expect this to happen only in the most extreme cases.

"We maintain a database to record our voting and engagement with companies which allows us to review the effectiveness of our work."

1. 'Policies and Documents,' Aviva Investors, March 2021.

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How vote decisions are determined

While we do not consult clients ahead of each vote (given the significant practical challenges this will create), we are always keen to understand their views on particular issues or companies and are happy to provide details of how we voted after the event. We have also been involved in a pilot scheme with the start-up Tumelo, enabling end investors to have a voice and be empowered to be part of the voting process. More broadly, we have been working with our client experience project team and will institutionalise a standard question asking clients about their stewardship preferences and priorities. This will be invaluable in shaping our voting policy and engagement plans to continue to meet client aims and expectations.

There may also be occasions where voting exceptions have been specifically agreed with our clients in segregated funds, but generally we retain responsibility for ensuring voting is carried out in a manner consistent with our own approach to stewardship. If a pooled fund investor asked us to vote a certain way, we would not be able to do this unless it was consistent with our view or the vote direction was in the best interests of all investors in that fund. We may also contact clients if there is a conflict of interest situation.

Stock lending – we manage our own stock lending programmes and have strict procedures in place that allow us only to lend shares up to agreed thresholds. We also recall shares on loan for the purposes of exercising voting rights where there is good reason to do so (for example, for contentious meetings or on especially important matters) and when this is considered to be in the best interests of our clients.

Voting disclosure – In line with best practice, we make all our voting history (all our voting decisions and a summary of our engagement) publicly available on our website.[1]

For voting disclosure, meetings are updated one month in arrears (for example, a meeting held on 1 December 2020 will be displayed on 1 January 2021). In addition to providing the key reasons in respect of any against votes and abstentions, we provide detailed rationale on resolutions we have 'exceptionally' supported.

We are working towards making our votes more inclusive and accessible through a pilot with the start-up, Tumelo, so that people can see more easily and in real time the voting that we are doing on their behalf. Moreover, for our standard reporting we also show our voting record for the fund in question, wherever this is possible.

Fixed income votes – Voting has the most direct relevance to equity investments as shareholders have the right to vote at shareholder meetings, such as annual general meetings (AGMs). As the name suggests, shareholders have an annual opportunity to exercise their voting rights and hold boards to account. However, Aviva Investors' stewardship principles are also applied where appropriate to other asset investment classes such as fixed income and property. For example, bondholder meetings may be convened to seek consent from the relevant bondholders in respect of amendments to trust deeds or indentures that may affect the terms of the bonds. Decisions on these votes will be determined by the fixed income analysts and fund managers based on what they consider to be in the best interests of the funds and clients.

"We have also been involved in a pilot enabling end investors to have a voice and be empowered to be part of the voting process."

1. 'Policies and Documents,' Aviva Investors, March 2021.

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Executive pay

This section looks at the shift from traditional Long-Term Incentive Plans to alternative incentive structures, and what this means for shareholders.

Long-term incentive plan (LTIP), awards are granted to management to incentivise behaviour and decisions that lead to long-term outperformance. Strong performance is likely to result in the vesting of LTIP awards (which will typically be after a period of three years), and if the pre-set performance targets, such as financial and/or shareholder return measures, have been met.

There are numerous types of LTIPs, but the pros and cons of the three most common are summarised in the following table:

Comparing LTIPs

Type	Pros	Cons
Performance share plan (PSP) Release of award dependent on achievement of pre-determined targets	Vesting outcomes are generally a fair reflection of performance Reward opportunity is generally higher than annual bonus potential; therefore incentivising long-term performance over short term	Difficulty for boards in setting appropriate targets (that are realistic and challenging) three years before performance is measured Divergence of shareholder views on the most appropriate performance metrics
Value creation plan (VCP) Management share in the value created based on rise in share price	Reward only earned for significantly improved long-term performance, so strongly aligned with shareholder interests Should focus management on real value creation rather than multiple performance metrics	Vesting outcomes are typically very generous, sometimes excessive Share price can be affected by numerous (external) factors outside management's control (so outcomes may not be a fair reflection of performance)
Restricted share plan (RSP) Management receive shares after a pre-determined period which are not subject to rigorous performance targets	Reduced quantum Simplicity Increased likelihood of awards vesting enables management to increase their shareholdings in the business relatively quickly (improving their alignment with shareholders)	Could lead to reward for failure Award opportunity can often be less than annual bonus potential; therefore management may choose to focus more on short-term performance

Source: Aviva Investors.

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Executive pay (cont'd.)

When assessing LTIP vesting outcomes, concerns would typically be around the misalignment with shareholders' interests and/or excessive quantum.

While remuneration committees have been encouraged to create pay plans they think will best align management and shareholder interests, in practice, pre-2020 the significant majority of companies have kept with their PSPs. Remuneration committees have been much more inclined to make changes to the PSPs (if necessary) rather than introduce an alternative plan. This has been the safe option because of the large divergence of shareholder views on what incentive arrangements work best, and because PSPs are more broadly accepted and understood. However, 2020 saw the biggest shift away to date from these traditional plans and it is unlikely to be a coincidence. The global pandemic has led to boards approaching pay plans differently.

In 2020, we saw an increase in the number of restricted share plans (RSPs) and value creation plans (VCPs) being introduced and this is expected to continue in 2021 and beyond. These plans are effectively the polar opposite of each other. As their name suggests, VCPs typically only pay out for the achievement of significantly improved long-term share price performance, hence, being very much aligned with shareholder interests. But if such performance is achieved, then rewards can be substantial, often worth millions of pounds and, and therefore, VCPs are potentially controversial.

Awards under RSPs are effectively not subject to performance targets, but the quid pro quo for the additional certainty of RSP awards vesting is that their face value is significantly less than what management would be granted under a traditional PSP (typically up to a 50 per cent reduction). As the pandemic has shone an even brighter light on inequality, a significant reduction in executive pay may be well received. Another benefit of an RSP is its simplicity as the need to regularly review and amend performance targets (for new grants) has been removed, saving the board and shareholders a significant amount of time.

Given the extremely challenging and volatile trading environment, it is easy to see why RSPs are becoming more popular. It is increasingly difficult for many companies to set demanding and realistic performance targets, and a large number of PSP awards granted in 2017 did not vest in 2020 due to COVID-19, a theme that is likely to continue over the next couple of years at least. Hence, PSPs, which normally form the largest part of an executive's pay opportunity, are falling short. Another reason RSPs are in favour is because the increased certainty of awards vesting helps executives build up a meaningful shareholding in the company more quickly, hence providing better alignment of interests with investors. The big dilemma for investors, however, is why should management receive any reward if they deliver poor performance? Under a PSP and a VCP, this scenario would rarely occur. As such, the extent of the reduction in reward is a critical factor in our decisions as to whether or not to approve these plans. We also typically insist on RSP awards being subject to some vesting conditions, such as a financial underpin. While some companies argue the inclusion of any performance condition reintroduces the problems RSPs are trying to avoid, there is a balance to be struck so that the company has to at least deliver a minimum level of performance before management are entitled to awards. Unfortunately, as the charts on this page highlight, of more than 25 RSPs that have been put to shareholder approval (or are in the consultation process), we have supported just a handful because companies have failed to meet our expectations.

A notable exception to this trend was the RSP proposed by BT Group plc. The company responded positively to the concerns we raised – it significantly reduced the quantum of rewards and ensured the plan contained a robust underpin that has to be met before awards can vest. More broadly, our support for the new pay arrangements reflected the company's fair treatment of employees during the pandemic (headcount reductions suspended and increased pay for front-line staff).

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Main reasons for not supporting RSPs

Concerns over quantum / insufficient reduction compared to previous PSP awards	57.1%
Lack of underpin	14.3%
Weak justification for plan	28.6%

Source: Aviva Investors.

Executive pay (cont'd.)

It is a similar story for VCPs, although it should be noted there have been far fewer VCPs sought in comparison to RSPs. Given the concerns over potential quantum (which was best illustrated through the excessive awards made to the management of UK housebuilder Persimmon in 2018 and 2019), we strongly encourage companies to include a monetary cap as, regardless of how strong the performance might be or the amount of shareholder value created, we want to know the absolute maximum a director will receive. Our other focal point has been the extent to which the share price targets are sufficiently challenging. The problem is that most of the companies proposing VCPs have seen a sharp fall in their share prices as a result of COVID-19. Therefore, our challenge is to determine to what extent the share price will recover once the pandemic is over and whether the targets represent real value creation. Our concern is that management could be significantly rewarded for share price recovery based on factors outside their control. However, it is interesting to see when VCPs are proposed by companies that have had good performance (even during the pandemic) as this suggests management are very ambitious and confident of strong long-term performance. For failing to address the aforementioned concerns, we have only been able to support a couple of the VCPs sought in 2020. There are others we have concerns over that are still under consultation.

We are happy to be flexible in our approach if remuneration committees demonstrate restraint and ensure alignment with the experience of shareholders and all stakeholders. In fact, 2020 has shown there is still work to be done. More broadly, while we supported more executive pay arrangements in 2020 than previous years (see table right) and companies should be given credit for showing restraint (in many cases, reducing pay), we have reservations this will not continue in 2021. Companies went through a period of paralysis in 2020, but pay and misalignment could rise again in 2021. New plans will, therefore, be subject to increased scrutiny.

Alternative plans can also give shareholders better insight into what boards are thinking. Do RSPs indicate tough times ahead and VCPs the opposite? If only it were that simple.

Main reasons for not supporting VCPs

Concerns over quantum / absence of monetary cap	55.6%
Share price targets insufficiently challenging	22.2%
Weak justification for plan	22.2%

Source: Aviva Investors.

Proportion of votes cast against remuneration-related resolutions

This table shows votes against remuneration-related resolutions going down, corresponding to the comparative restraint shown in relation to executive pay arrangements in recent years.

	2018	2019	2020
UK	33%	33%	22%
US	72%	67%	62%
Global	50%	46%	43%

Source: Aviva Investors.

VOTING CASE STUDY

Royal Dutch Shell – improving executive pay arrangements after years of opposition

E S G **Royal Dutch Shell plc** (United Kingdom)

Issue:

We have had long-standing issues over excessive executive remuneration at RDS, including misalignment with shareholder returns. In particular, the generous long-term incentive plan (LTIP) grants (for example, 680 per cent of salary for the CEO per annum) have meant CEO awards equivalent to 230 per cent of salary vest for only the achievement of threshold performance conditions (for example, third place out of five companies on total shareholder return).

We acknowledge pay has to fit the size, scale and complexity of the business, but are opposed to high pay for mediocre performance.

Action:

We had not supported the pay arrangements at RDS since 2011. We engaged with the company during this time, and in 2019 and 2020 ramped up our communications, re-emphasising we would be holding directors to account for failing to address concerns.

Outcome:

Following on from the positive changes made to pay arrangements in 2019, including the introduction of energy transition targets (as part of the company's climate change commitments), in 2020 the company significantly reduced the variable pay opportunity.

Specifically, the company reduced the on-target bonus and maximum awards for LTIP awards to 600 per cent instead of 800 per cent of salary. We also welcomed a number of structural changes to improve alignment with shareholders. These changes allowed us to support the 2020 pay report.

VOTING CASE STUDY

Clap for Heroes

E S G **Cranswick plc** (United Kingdom)

Issue:

Most workers in food production factories in the UK were classed as essential, so the sites were working at full strength at the height of COVID-19. On account of the nature of lockdowns, with more people working from home and closure of food and hospitality venues, financial performance in this sector has been relatively strong.

Ahead of Cranswick's AGM in August 2020, we noted from its annual report and media reports that three workers within its factories had died as a result of contracting the virus.

We also observed from the company's disclosures that group CEO's pay versus median employee pay for the year increased significantly: up from 79:1 to 101:1.

We are concerned the results of favourable financial performance are not being equitably distributed with the wider workforce, particularly during a crisis when workers are literally putting themselves at risk. Subsequent events where there was a high incidence of COVID-19 cases around food factories bear out the risks faced by these workers.

Action

We voted against the remuneration report resolution at the 2020 AGM, noting the total pay package of the group CEO for the year under review at c. £2.9 million, which included payment of maximum bonus; 99 per cent vesting under the LTIP, and non-workforce aligned pensions, was out of step with the climate and did not reflect the gravity of the fatalities linked to its operations. We expect the remuneration committee to exercise due care and apply discretion on the level of executive pay-outs.

Outcome:

We informed the company about our voting action and continue to engage with it on these matters. We will hold the directors directly accountable for their response at the 2021 AGM.

VOTING CASE STUDY

ExxonMobil – taking voting action for greater climate accountability

E S G **ExxonMobil** (United States)

Issue:

The challenging macro environment due to COVID-19 is indicative of what lies in store as a result of climate change. In a turbulent year for oil stocks, ExxonMobil's share price was down 40 per cent by year end, writing off $20 billion worth of assets. Exxon remains committed to a strategy of continuing oil and gas production, betting on a swift recovery in fuel prices.
Our view is that Exxon's strategy remains risky and could further misallocate capital as the company prioritises carbon intensive resources over mapping out a credible transition strategy.

Action:

We acted in 2020 by voting against the re-election of all nine directors on Exxon's board. In doing so, we communicated our concerns with respect to the company's governance of climate-related risks, weak targets and the extent to which it subjects unproved reserves and unsanctioned capex to stringent resiliency criteria.

Outcome:

The company announced a new set of climate targets in December of 2020 to reduce the emissions intensity of its production (Scope 1 and 2) by 15 to 20 per cent by 2025. Exxon's announcement may have sought to assuage investor pressure. However, as far as scope and ambition are concerned, this emissions pledge is modest and does not represent a change in strategy for the company.

VOTING CASE STUDY

Support for landmark climate resolution at Mizuho Financial Group

E S G **Mizuho Financial Group** (Japan)

Issue:

Japanese banks are among the world's largest lenders to coal power developers and have faced criticism as international peers pivot away from the practice and align themselves with the ongoing low-carbon transition.
As more companies and countries move towards less carbon intensive energy sources such as renewables, coal-fired-plants represent a material stranded asset risk to businesses and, by extension, their lenders.

Action:

Being Japan's third largest bank, a shareholder resolution was filed at Mizuho's AGM in June, which would require the company to disclose its climate risks and publish its plans to ensure investments were aligned with the Paris Agreement. This represented the first climate motion to be put to shareholders of a listed company in Japan. Although Mizuho had strengthened its policy in April to end financing for new coal power projects, we supported the proposal in order to ensure a level of market discipline over management for continued improvement of the company's climate-related disclosures.

Outcome:

The climate motion received almost 35 per cent of the votes submitted. Although short of the two-thirds required to pass, it signalled a significant level of support from the investor community for the low-carbon transition and a shift away from the practice of coal financing. With Prime Minister Yoshihide Suga later announcing in October Japan's commitment to a 2050 net-zero greenhouse gas emissions target, we anticipate further changes in the private sector's attitude to tackling climate change, as well as greater pressure from investors and wider stakeholders for these changes to happen sooner.

VOTING CASE STUDY

Apple makes a positive step towards greater transparency around human rights

E S G **Apple Inc** (United States)

Issue:

Relative to its peers in the technology hardware sector, Apple reports extensively on its sustainability performance and has announced an ambitious commitment to carbon neutrality across its supply chain and products by 2030, having already achieved its previous goal of carbon neutrality across its own operations. However, the company remains highly exposed to risks associated with its supply chain and has faced numerous controversies over the years, most recently, allegations of forced labour in factories operated by its supplier partners. In addition, we had noted limited disclosure of policies concerning freedom of expression and limited information around government requests for content access or removal.

Action:

To reflect our concerns around the lack of transparency on these issues, we supported a shareholder resolution at Apple's 2020 AGM, which requested reporting on the company's freedom of expression and access to information policies. We also sought an initial engagement with Apple on sustainability matters to understand the company's plans going forward and how it intended to address its sustainability-related issues.

Outcome:

Following the 2020 AGM and our initial outreach to the company, Apple published a new human rights policy in September in which it publicly committed to respecting freedom of information and expression as human rights. Further engagement with the company followed in which other ESG topics were discussed. While gaps remain, we welcome the positive sustainability momentum.

VOTING CASE STUDY

BHP resists calls for a moratorium on mining

E S G **BHP Group Limited** (Australia)

Issue:

A shareholder resolution was submitted at BHP's October 2020 AGM, requesting the company place a moratorium on activities at cultural heritage sites, refrain from enforcing contractual rights on native title holders from speaking publicly, and disclose its expectations regarding industry association lobbying on cultural heritage issues.

Action:

We were initially intending to support this resolution as it would reinforce the company's commitment to protect cultural heritage sites. However, upon engagement with BHP, we gained a deeper understanding of the company's existing efforts to ensure native title holders' right to free, prior and informed consent (FPIC).

More broadly, it was apparent BHP is already meeting many if not all requirements set forth in the shareholder resolution to ensure native title holders are continuously consulted, and their consent is obtained from the outset.

It could be argued that despite BHP's best efforts to ensure FPIC, there remains a residual risk tied to the weak legal framework in Western Australia. The resolution could, therefore, be viewed as a means to eliminate potential risks by requiring a moratorium. However, the company argued an open-ended moratorium may spell material operational risks as BHP is currently operating across four different jurisdictions, each with their own legal frameworks.

Outcome:

On 13 October 2020, the company announced the resolution was withdrawn, with the proponents noting it was "on the request and recommendation of the First Nations Heritage Protection Alliance after they brokered an outcome with BHP". We continue our engagement with BHP on the topic given the dynamic and complex challenge of operating in and near cultural heritage sites.

VOTING CASE STUDY

Alphabet – when ‘doing no evil’ is not enough

E S G **Alphabet** (United States)

Issue:

Alphabet, through its multiple platforms such as Google and YouTube, has a ubiquitous place in modern life. Initially lauded for its role in democratising information gathering and sharing, over recent years the darker side of data-driven algorithms and unfettered dissemination of content has become more apparent.

The company famously refreshed its long-standing motto of ‘Do no evil’ to ‘Do the right thing’. However, in practice Alphabet has made little headway in tackling thorny issues of data privacy, countering inherent discrimination embedded in artificial intelligence and controls governing the distribution of misinformation and hate speech.

Action:

Recognising the challenges of pressing for change at Alphabet, given the controlled and closed culture of the firm, we joined a collaborative initiative with like-minded minority investors. Although the company introduced positive operational improvements and initiated a debate on the ethics of artificial intelligence, the actions did not reflect the urgency or gravity of the human rights risks inherent within a business that has extended far beyond its core search engine product to include finance, security and health.

Consequently, Aviva Investors co-filed a resolution at the 2020 annual meeting, calling on Alphabet to establish a human rights risk oversight committee composed of independent directors. The resolution recommended the committee provide an ongoing assessment of how Alphabet manages the impacts of the company’s products and services on human rights, and its alignment with international standards.

Outcome:

The resolution received an unprecedented level of support, accounting for 45 per cent of independent shareholders, sending a clear signal to the company of the need to take action. The increased focus from investors was in part catalysed by the COVID-19 crisis accentuating societies dependency on technology. In October, the company revised the mandate of the board audit committee to include risk oversight of data privacy and security, civil and human rights, sustainability and reputational risks. While this falls short of fully meeting investor demands, it represents a positive step towards greater strategic ownership of human rights risks by the board.

We will continue to work with investors to press Alphabet to adopt more progressive controls and practices, as the company seeks to navigate a principles-based pathway through the myriad social challenges and ethical dilemmas that lie ahead.

“We will continue to work with investors to press Alphabet to adopt more progressive controls and practices.”

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Governance of ESG

The next few pages introduce you to all of the people across Aviva Investors who have an ESG investment governance or execution role.

Mark Versey
Chief Executive Officer

David Cumming
Chief Investment Officer, Equities

Peter Fitzgerald
Chief Investment Officer, Multi-Asset & Macro

Daniel McHugh
Chief Investment Officer, Real Assets

Colin Purdie
Chief Investment Officer, Credit

Steve Waygood
Chief Responsible Investment Officer

Mirza Baig
Global Head of ESG Research and Stewardship

Marte Borhaug
Global Head of Sustainable Outcomes

Ed Dixon
Head of ESG, Real Assets

Abigail Herron
Global Head of ESG Strategic Partnerships

Cyril Martin
Head of Investment Solutions Strategy and Design

Sophie Rahm
Global Head of ESG Solutions

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Harnessing the power of private finance to serve the world we live in

For us, investing responsibly is not a fad: it is an investment belief. By embedding responsibility across all levels of our organisation, we aim to improve our risk management and investment performance, while at the same time helping contribute to the transition to a more sustainable future. As an active owner of capital, our scale and influence help us drive the change required to build a future our clients are able to retire into.

At the beginning of 2020, we embarked on an evolution in how we govern ESG. We have now embedded ESG subject matter experts within each asset class and at the heart of each of the their investment processes. All chief investment officers now have formal responsibility for ESG integration, with associated performance measures as part of the reward framework. We are ultimately united by a firm-wide ambition to work with and for our clients to do what is right for them, society and the world around us.

Our work in 2020 provides an even stronger foundation for 2021 and the ensuing decade; one that will be defined by our collective response to COVID-19, as well as the climate emergency. COVID-19 has demonstrated how a health and environmental issue can become a profound social problem, causing material governance challenges for companies and countries alike. As Mark Versey says at the beginning of this report, humanity's response to Covid gives us hope we can address other sustainability crises too.

As an industry, we are only just scratching the surface of our ability to drive the international agenda for sustainable development. We have experienced first-hand what we can do as a business to shape the intergovernmental agenda and remain hugely excited about what we can do to promote further change.

Our financial services system has a responsibility to serve society and the real economy. But its very complexity clouds the solution. As participants in financial markets, we are in a privileged position to see how the power of private finance can be harnessed to serve the world we live in today and will retire into tomorrow. In the absence of appropriate oversight, society and the real economy often serve financial interests rather than the other way around. We think it is important to put this right.

You will have read about the progress we have made so far in supporting a transition to a more sustainable economy. Now meet the team that made this possible...

"Our financial services system has a responsibility to serve society and the real economy."

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ESG specialists embedded within the business

Our ESG views are informed by connected thinking across asset classes, across multi-stakeholders and across the industry.

Our cross-cutting GRI function facilitates knowledge-sharing across the business and upskills the investment teams.

Nicky Ashlee
Personal Assistant

Jess Foulds
GRI Function Manager

Pippa Morgan
Lead Campaign Manager

Thomas Tayler
Senior Manager

Richard Butters
Senior ESG Analyst, Credit Integration Lead

Malini Chauhan
ESG Analyst

Charles Devereux
ESG Analyst

Alice Fisher
ESG Liquid Markets Team PA

Doris Ko
ESG Operations Manager

Nathan Leclercq
Senior Corporate Governance Analyst

Andrea Perales Padron
ESG Analyst

Louise Piffaut
Senior ESG Analyst, Equities Integration Lead

Sora Utzinger
Senior ESG Analyst, ESG Research Lead

Rebecca Vine
Senior Corporate Governance Analyst

Louise Wihlborn
ESG Analyst

Thomas Dillon
Senior Macro ESG Analyst

Eugenie Mathieu
Senior Impact Analyst (Earth Pillar Lead)

Vaidehee Sachdev
Senior Impact Analyst (People Pillar Lead)

Rick Stathers
Senior Impact Analyst (Climate Pillar Lead)

Bertrand Absolut
ESG Analyst, Real Assets Europe

Trevor Keeling
Sustainable Design Associate

Stanley Kwong
ESG Associate Director

Jack Morris
Responsible Investment Associate

Eleanor Austin
ESG Solutions Analyst

Silvia Pignato
ESG Analyst

Camille Pons Cabrita
ESG Analyst

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Appendix

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Appendix: Collaborative initiatives

Founders

- Founding signatory of the Carbon Disclosure Project (CDP) & first asset manager to formally integrate corporate responsibility to voting policy
- Founding signatory of ClimateWise
- Founder of Corporate Human Rights Benchmark (CHRB)
- Founder of Corporate Sustainability Reporting Coalition
- Founder of Digital Inclusion Benchmark
- Founding signatory to the Farm Animal Investment Risk & Return (FAIRR)
- Founding partner of Oxfam 365 Alliance Coalition with call to action at Rio+20 Coalition
- Founding signatory to the Powering Past Coal Alliance Finance Principles
- Founding partner of Project Everyone
- Founder of the Sustainable Stock Exchange Initiative
- Founding member/sponsor of TeamPride
- Founding member of the Trinity Challenge (data-driven solutions to global health issues)
- Founding signatory of the UN Principles for Responsible Investment (UN PRI)
- Founding member of the World Benchmark Alliance (WBA)

Members

- Member of 30% Club
- Member of Aldersgate Group
- Member of Asian Corporate Governance Association (ACGA)
- Member of Association of British Insurers (ABI)
- Member of Better Building Partnership (BBP)
- Council of Institutional Investors
- Strategic partner of EAT (start-up dedicated to transforming the global food system)
- Member of the European Fund and Asset Management Association (EFAMA)
- Asked to join European Commission's High-Level Expert Group on Sustainable Finance
- European Sustainable Investment Forum (Eurosif)
- Asked to join the FSB Taskforce on climate-related financial disclosures
- Global Investors Collaboration Services (GIGN)
- Global Investors for Sustainable Development (GISD)
- Aviva Investors joined the Green Finance Taskforce (a govt initiative to push green finance in the UK and implement recommendations from the TCFD)
- GRESB
- Institute of Chartered Accountants in England and Wales (on ICAEW's Financial Reporting Committee)
- Member of the Institutional Investors Group on Climate Change (IIGCC)
- Aviva Investors became a supporting member of the International Cooperative and Mutual Insurance Federation (ICMIF)
- Member of the International Corporate Governance Network (ICGN)
- The Investment Association
- Investor Action on Antimicrobial Resistance, FAIRR
- Member of the Investor Forum
- Investor Group on Climate Change
- UN-Convened Net-Zero Asset Owner Alliance
- Plastics Solutions Investor Alliance
- Member of PLSA (previously: National Association of Pension Funds)
- Sustainability Accounting Standards Board (SASB)
- Member of the UK Sustainable Investment and Finance Association (UKSIF)
- Aviva is first insurance company to join UNFCCC Climate Neutral Now
- Member of the World Business Council for Sustainable Development

Signatories

- Signatory of Access to Nutrition Initiative
- Artic refuge/ANWR Investors letter urging oil and gas companies to not drill in Arctic refuge
- Signatory to the Business in the Community Ireland, Low Carbon Pledge
- CCLA Investor letter on modern slavery
- CERES
- Signatory of Cerrado Manifesto (deforestation), FAIRR
- Signatory to the Change the Race Ratio campaign
- Signatory to Climate Change Commitment (launched by BBP)
- Signatory to 2012 FRC Stewardship Code
- Global Reporting Initiative (GRI)
- Pensions and Lifetime Savings Association Marine plastics letters
- Signatory to Race at Work Charter
- Investor support for Seafood Business for Ocean Stewardship (SeaBOS)
- Signatory to the Social Mobility Pledge
- Signatory of Terra Carta
- The UK Social Impact Implementation Task Force signatory
- Signatory to the UN Environment Programme Finance Initiative (UNEP FI)
- Signatory of the UN Global Compact

continues over

Appendix: Collaborative initiatives (cont'd.)

Signatories (cont'd.)

- Signatory to the UN Principles for Sustainable Insurance
- Signatory to the UN PRI Investor Statement on Corporate Action on Deforestation
- Signatory to the UN PRI Investor Statement on Palm Oil
- Signatory to Women in Finance Charter

Collaboration/event

- Access to Medicine Index
- The Prince's Accounting for Sustainability Project
- Became a partner of British Red Cross
- Business for Nature
- Aviva was the first carbon-neutral international insurer
- Carbon Tracker Initiative
- Climate Action 100+
- The Economics of Ecosystems and Biodiversity
- Forum for the Future
- Global Initiative for Sustainability Ratings (GISR)
- Grantham Institute
- The International Integrated Reporting Council
- International Sustainability Unit (ISU)
- The Investment Association Remuneration and Share Schemes Committee
- Chair of the Investment Association Sustainability and Responsible Investment Committee
- Natural Capital Declaration
- Aviva calls for pension funds to be net-zero by 2050
- Launched Roadmap for Sustainable Capital Markets & Sustainable Markets Manifesto
- ShareAction
- Shareholder Voting Working Group (SVWG)
- Smith School Stranded Assets Programme, University of Oxford
- Collaboration with Tomorrow's Company
- UN Conference on Trade and Development (UNCTAD) event
- CEO speaks at UN General Assembly on Sustainable Finance
- Pledge at the UN summit to 'balance of economic development, the welfare of people and a sound environment, by incorporating these considerations into business activities'

Awards

- Stewardship Disclosure (Asset Manager) award category at the ICGN Global Stewardship Awards (Nov 2019)
- ESG Manager of the Year, Global Investors, Group Investment Excellence Awards (July 2019)
- UN Foundation Award for Business Leadership on the Sustainable Development Goals (Oct 2018)
- UN Momentum for Change Award in 2017 for our commitment to reducing our environmental impact, and for helping to write the world's first corporate governance code and the UN Principles for Responsible Investment (Oct 2017)
- Responsible Investor Award for Innovation & Industry Leadership (June 2017)

Contact us

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