Mobilising Finance to Support the Global Goals for Sustainable Development:

Aviva's Calls to Action

AVIVA

Foreword

By Mark Wilson

I've always been crystal clear why I'm in business: to make a greater positive impact each year on the lives of our customers and clients and society as a whole. Making a profit is a by-product – albeit a very important one – of that core activity. In business, we create financial value for shareholders – but only if we create a wider social value for customers and society.

If this is what we are to achieve it follows that our activities benefit society today – but also continue to have a positive impact in the future. That is why at Aviva one of our company values is to "create legacy" or, as I call it, be a good ancestor.

Good ancestors make responsible, sustainable choices and those decisions still stand up in the long term – in 5 or 10 or 50 years' time.

At Aviva we've been in business for over three centuries because our own good ancestors created legacy. They made long term investments and managed long term risks.

Now it falls to us to create a legacy of our own – and the Global Goals provide us with a unique opportunity to do so.

Aviva is publishing this short paper to coincide with the launch of the Global Goals at the United Nations in New York as one part of Aviva's own contribution to making the Goals a reality.

It sets out some of what we are doing as a business to promote the Goals and how we are acting in a way that is true to them. It also includes some simple calls for action – initiatives which could make a real difference, by promoting dialogue amongst our employees, building on the work of Project Everyone in bringing the Goals to everyone across the world; by benchmarking sustainability –agreeing a consistent, authoritative and simple set of benchmarks; and by helping the UN engage with the investment community so we can harness the $300 trillion of investment finance in global markets and secure a sustainable future.

The launch of the Global Goals could inspire every part of society to create legacy. But it is just the start. It is up to us to make them a reality.

Mark Wilson
Group Chief Executive Officer, Aviva plc

“My vision is that we are in business to create legacy.”

Contents

> Acting responsibly over the longterm means we are here for our customers throughout their lives and ensures we make a contribution to our communities
>
> Scott Wheway, Chairman, Governance Committee

Introduction

The phrase sustainable development was defined by Gro Harlem Brundtland in Our Common Future as "development that meets the needs of the present without compromising the ability of future generations to meet their own needs" (Brundtland, 1987, p43). This is a definition that motivates us, as the legacy we create for future generations is so important.

Aviva is one of the world's largest insurance companies and can trace its history back more than three hundred years to 1696. Such long-term success requires thoughtful strategic planning and a careful analysis of the risks and opportunities ahead. Crucially, it also requires thinking in the long-term and behaving sustainably.

The United Nations Global Goals for Sustainable Development, which build upon and expand the Millennium Development Goals, aim to make sustainable development a reality. Aviva believes that the Goals represent a unique opportunity for policy makers, companies, investors and others to work together to affect positive change.

Business, and finance in particular, have a critical role in ensuring that the Goals are met. The Global Goals have great aspirations for the roughly $150 billion worth of official development assistance (ODA). However, we believe there is insufficient focus on encouraging investors to redeploy the $300 trillion of capital in the global markets in a way that will help to achieve these goals.

With some 169 targets, from ending hunger to providing water and sanitation for all, and an estimated cost of around $2-3 trillion attached to achieving these ambitious Goals, we cannot expect governments and civil society alone to meet the challenge. It will need capital markets and global investors to play their part. Aviva's Roadmap for Sustainable Capital Markets was aimed at UN policy makers and published in June 2014. It set out how policy makers can move capital markets to a more sustainable basis. For our part, inspired by the Brundtland report, our aim is to promote "capital markets that finance development that meets the need of the present, without compromising the ability of future generations to meet their own needs".

This paper follows Aviva's Roadmap and provides specific calls to action from a business and finance perspective. With the right focus, and by working together, we have an unprecedented opportunity to shape a better, more sustainable future for everyone. This is our responsibility as we strive to be a good ancestor that creates a real legacy for future generations.

Call to action: transparency and communication

Aviva is a founding partner of Project Everyone, which aims to tell everyone in the world about the Goals. The more famous these Global Goals are, and the more widely they are understood by **everyone** - the more politicians will take them seriously, finance them properly and make them work.

The same mobilisation needs to happen in business too. As asset owners and asset managers, Aviva has a duty to protect and enhance the value of client assets. This includes engaging companies on their sustainability performance and putting pressure on policy makers to address the key sustainability challenges within our capital markets and the broader economy.

As an investor, we can be a catalyst for the innovation of sustainable technologies and entrepreneurialism required to meet the growing demand for goods and services from an increasing global population.

As the Global Goals are being signed by 193 World Leaders, Aviva is also making sure that the Chairmen and women of the world's largest publically listed companies in the world are aware of these goals. We will be asking them to consider how their own businesses, at their best, can help to deliver on these Global Goals. We will also be encouraging the Chairmen and women to report to society on what they have done to deliver the Goals, perhaps via a statement integrated into their report and accounts.

We believe that momentum for sustainable investment is at a tipping point. Over 1,300 investors managing around $60 trillion have committed to the UN-supported Principles for Responsible Investment (PRI). However there remains a failure by a majority of investors to turn these aspirations into action. Last month for example, the PRI reported that only 43% of its signatories integrate ESG into the fundamental analysis of company valuations in equities[2].

The biggest barrier preventing investors from properly incorporating environmental, social or governance (ESG) factors into their investment decisions is the inaccessibility of consistent data such as carbon emissions, employee turnover or water use.

It is important to acknowledge many companies do publish some ESG data. Nearly 2,000 companies report climate change information to the Carbon Disclosure Project (CDP) and around 10,000 companies report ESG data using the Global Reporting Initiative's framework. However these items are not consistent or global enough to meet investor needs.

When it comes to global financial architecture the only ones who can deliver the standardized ESG data which investors require are stock exchanges and their regulators.

Stock exchanges have a unique role in capital markets, as it their listing requirements and guidance that ensure companies file data that is material, meaningful and comparable with their peers. Stock exchanges and their regulators ensure that when an investor analyses a traditional financial indicator such as a profit and loss statement they can trust that it's been calculated in similar ways whether that company is in Boston, Beijing or Berlin. They must be required to do the same for sustainability indicators.

2 PRI Report on Progress 2015

Some individual stock exchanges lead the way on corporate ESG disclosure. The Johannesburg Stock Exchange and the Australian Securities Exchange have included ESG disclosure as a listing requirement and this summer bourses in Hong Kong, Singapore and Malaysia. In the US, Nasdaq has launched a sustainability working group within the World Federation of Exchanges to further pursue progress.

However, unless most exchanges in most jurisdictions all move at once, there is an opportunity for companies to move their business to a different exchange. It also creates confusion for companies who list in multiple jurisdictions.

We warmly welcome the UN's leadership of the Sustainable Stock Exchange Initiative in this regard, which has led to a significant number of Stock Exchanges publicly committing to do more to integrate sustainability issues within their own listing environment. The United Nations Conference on Trade and Development (UNCTAD) and the United Nations Global Compact have done particularly impressive work in this area. However, they do not have the global mandate to solve this problem.

The body that is best-placed strategically to overcome this is IOSCO – the International Organization of Securities Commissions - which is the influential global hub for all securities regulators.

Aviva has been calling for some time for Governments to instruct IOSCO to develop a consistent and comparable international approach to corporate disclosure of sustainability performance, and we continue to believe that is a good approach to aid transparency and comparability in sustainability reporting.

Call to action: benchmarking sustainability

The ability to assess a company's relative governance and performance in the context of non-financial factors is of central importance to institutional investors. There are vast amounts of information on how businesses behave sustainably, but as this information does not adhere to clear standards it is difficult to compare. Industry and investors need to be able to quickly and easily compare these companies with others in their sector. This requires a much clearer public picture of the relative performance of companies. Therefore, in addition to promoting access to the data itself, we believe that a series of transparent benchmarks ranking corporate sustainability performance against a range of Sustainable Development Goal (SDG) issues are required.

These performance benchmarks could cover climate change, human rights, occupational health and safety, labour standards, natural resource depletion, access to healthcare and other key development issues. They may be convened by the relevant UN agency, and would need to be transparent and accountable to all stakeholders with input from companies, civil society, investors and independent rating providers on the methodology.

Publishing periodic assessments of these results would become a market-led mechanism for motivating good corporate performance in this area. It would also act as a guide to investors regarding where to allocate capital among the leaders, and where they may need to use their influence to improve some of the practices of under-performers.

In 2014, Aviva partnered with other investors, research agencies and civil society organisations to develop the Corporate Human Rights Benchmark. This will publicly rank the top 500 globally listed companies on their human rights policy, process and performance, using the UN Guiding Principles on Business and Human Rights as a framework. By publishing results, this will harness the competitive nature of the market to drive better human rights performance. The benchmark has received financial backing from the governments of the United Kingdom and The Netherlands.

More generally, in 2011 we convened the Corporate Sustainability Reporting Coalition (CSRC) with the aim of transforming how open companies are about how they manage improving corporate reporting on material, environmental, social and governance issues. This was launched at the private sector forum of the UN General Assembly that same year.

In preparation for the Rio + 20 Earth Summit, our CSRC calls for nations to commit to developing an international framework on non-financial reporting. The focus of the advocacy was on securing a date when all companies listed on stock exchanges would be required to 'report or explain' on their ESG as they do for their financial statements. It would be left to the market to view the robustness of their reports or the explanation on why they were not producing reports.

Such disclosure is in all companies' interests, since reporting is one of the most important catalysts for changes that contribute to the long-term health of a business. In addition it can help focus and make visible efforts towards sustainable development. Vitally, it would also provide the data investors need to integrate sustainability issues within their valuations work, and stakeholders to benchmark corporate performance, thereby enabling long term investment and consumption patterns that support the Global Goals.

This shows the potential power of the UN's activity and its support of the development of Principles, those for Responsible Investment or Sustainable Insurance for example, must be warmly welcomed. However, these Principles are not market standards. Aviva also strongly believes that civil society, individual and institutional investors would benefit from a best practice responsible investment standard.

It is difficult for the end consumer to assess whether their money is genuinely being invested responsibly and in a way that is consistent with long term sustainable development. A standard would resolve this, and could be developed into a kitemark that responsible investors could display on their product literature. We believe that the UN could work with The International Organization for Standardization, which would be the right guardian and convenor of such a standard.

Call to action: building capacity on sustainable finance

Governments and inter-governmental institutions have a role to play to correct market failure. Capital markets are large and complex, and will not be sustainable without government actions to correct certain market failures.

If the economy is to be moved onto a truly sustainable basis, then we would expect to see governments taking action to correct the many distortions in the pricing systems on fisheries, freshwater, climate change and natural resource depletion. This is how sustainability issues become relevant to our corporate valuation work and this is how our capital is put to work in the right places.

We welcome that the Global Goals refer to finance in a number of places. However, none of them will single-handedly move the markets on a scale required to correct the market failure. We need to reallocate trillions of unsustainable investments into commercial activities that support the delivery of the SDGs. This will require strong action by member states including a range of fiscal measures, market mechanisms and standards that correct price signals. Governments need to take bold action to correct the market failures around unsustainable growth.

One key to this is improving financial literacy so that end consumer investors understand how their money is being used and know how to check that it is promoting sustainable development. A lack of financial literacy leads to a situation where the vendor has an excellent understanding of the product but the end consumer has very little. The above standard will help resolve this, but only in part.

For the SDGs to happen, we need to build the capacity of all stakeholders on sustainable finance.

Aviva would like to see the UN provide a 'home' for sustainable finance, where investors and policy makers could regularly meet to exchange ideas on how to build more sustainable markets. This initiative would also build the UN's understanding of finance as a power for good and act as a catalyst to restructure the markets to act sustainably.

We believe consideration should be given to establishing a UN body to coordinate and magnify the existing work of the UN on Sustainable Finance, perhaps via a Resolution at the UN General Assembly. The Addis Outcome Document commits governments to strengthen follow-up processes, with The Economic and Social Council convening an Annual Forum on Financing for Development with universal, intergovernmental participation. There is one day dedicated to a "special high-level meeting with the Bretton Woods institutions, WTO and UNCTAD". But what about private sector investors? We propose a UN Conference on Sustainable Finance which would also look at the global architecture and consider an expanded role for the Annual Forum on Financing for Development. This would engage with the private sector, investors and other relevant stakeholders.

Aviva's commitments

As this report coincides with the signing of the Global Sustainable Development Goals, we have included which of Goals Aviva is working towards through these commitments:

- Building on a 32% reduction since 2010, our long term target is now to reduce our CO2 emissions by 40% by 2020 and 50% by 2030 (Goal 13)
- Investing over $£3.8 billion [£2.5 billion] in low carbon infrastructure over five years, with an associated carbon savings target for this investment of 100,000 tonnes of CO2 annually (Goals 7,9 & 13)
- Maintaining our record as the first carbon neutral insurer (since 2006); our approach to carbon offsetting has directly improved the live of over 800,000 people since 2011 (Goals 2,3,4,5,7,8 & 15)
- Continuing to embed our Responsible Investment integration management system, which builds environmental, social and governance considerations into all asset classes -now covering more than 90% of Aviva Investors global assets under management (up from 80% in 2013) (Goals 8,9,13 & 16)
- Paying the UK-wide living wage (Goal 8)
- Promoting good practice on Business and Human Rights. Aviva has had a human rights policy for over 10 years and has just launched a refreshed company policy based on the UN Guiding Principles on Business and Human Rights. This influences the way we manage business and our supply chain and we have also partnered with others to launch the Corporate Human Rights benchmark. This benchmark will be used to rank the top 500 globally listed companies on their human rights policy, process and performance, harnessing the competitive nature of the markets to drive better human rights' performance. A great example of how collaborative sector based initiatives can tangibly contribute towards the SDG's (Goal 8, 12 & 16)
- Working as a team with charities, governments and the UN on our Street to School programme has touched the lives of over 1,000,000 children (from vocational training for homeless youth in Canada to birth registration for street children in Jakarta so they can access education and much more). Together we've helped catalyse cross sector action and we will support the Committee on the Rights of the Child to advance their general comment to provide authoritative guidance to states on street child issues. (Goal 4 & 16)
- Making major new investments through our global Community Fund programme, and the passion of our people giving what they are good at. We will help thousands of community projects nominated by local people and share our skills through volunteering to improve the lives of people in our communities. (Goals 1,3 &4)

Conclusion

Aviva backs the Global Goals. We're in business to create legacy - not being sustainable would be the biggest contemporary market failure. The Global Goals represent a unique opportunity to be good ancestors for future generations. The calls to action are part of Aviva's response to this opportunity and are designed to map out the role financial markets could play in creating a sustainable future for us all. That might mean, not market failure, but nothing less than a vindication of markets themselves.

THE GLOBAL GOALS
For Sustainable Development

J4471 PP03 09/2015