Aviva's Climate-Related Financial Disclosure

2020 Metrics and Targets summary

£11.7 billion invested in Green Assets[1]

We aim to align our business to a 1.5°C world, and influence others to do the same

Primary levers:

1. Net Zero company by 2040[2]
2. Reduction in the carbon footprint of our investments by 25% by 2025 and by 60% by 2030, and aim to transition all assets[3] to be Net Zero by 2040
3. Launch new Climate Engagement Escalation Programme[4] strategy in 2021
4. Develop investment and insurance ‘climate conscious’ products and services to support our customers
5. Operations and supply chain Net Zero by 2030

What we will do

- Further invest in Green Assets[1] by 2025.
- Engage with and encourage companies to transition to a low carbon economy and divest from highly carbon-intensive fossil fuel companies where we consider they are not making sufficient progress towards the engagement goals set.
- Not invest in or insure coal (generation or mining). By the end of 2022, we will have divested all companies making more than 5% of their revenue from coal unless they have signed up to the Science Based Targets initiative[5].
- Integrate consideration of long-term sustainability issues into the products and services we offer.
- Develop climate conscious products and services, which reward customers for environmentally responsible actions and provide some element of adaptation/resilience or additional cover where possible for those customers at risk of extreme weather impacts.

“The COVID-19 crisis has shown the world can act with speed and determination. We need to match this resolve in tackling climate change. Our window of opportunity is closing. Aviva is working towards a 1.5-degree world.”

Amanda Blanc, Group Chief Executive Officer

1 Low carbon infrastructure debt & equity; such as Solar photovoltaics (PV), offshore & onshore wind, new energy centres reducing users’ demand for energy, waste to energy, green hydrogen generation, battery storage, low carbon public transport & electric vehicle charging infrastructure and energy efficient buildings. Green bonds that meet Climate Bonds Initiative’s requirements, Social bonds and Sustainability bonds, Green loans and specific climate-related funds (such as the Climate Transition fund range). To determine the scope of our green assets, we have used “our and our customers assets” this includes all shareholder, with-profits and unit linked assets but excludes external mandates not on Aviva’s balance sheet.

2 ‘Net Zero company’ target covers all material ‘Scopes 1, 2 and 3’ carbon emissions (including investment, operations, supply chain); we are also developing a methodology for Net Zero underwriting.

3 Scope of our target will be core markets, all main asset classes (credit, equities, direct real estate, and sovereigns when methodology developed this year; including both active and passive funds), and shareholder assets and those policyholder assets where we have decision making control and we have carbon emissions data.

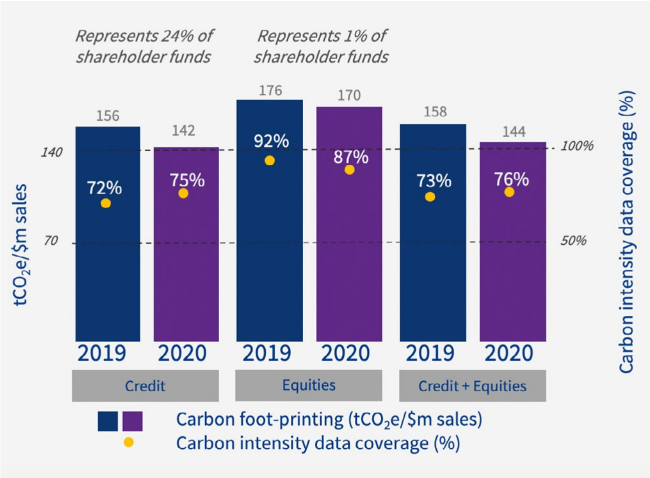
4 Where Aviva has the discretion to make divestment decisions.

5 The Science Based Targets initiative is a collaboration between United Nations Global Compact, CDP (a global disclosure system), World Resources Institute and Worldwide Fund for Nature. It supports companies to set emission reduction targets in line with the decarbonisation required to limit global temperature increases to 1.5°C.

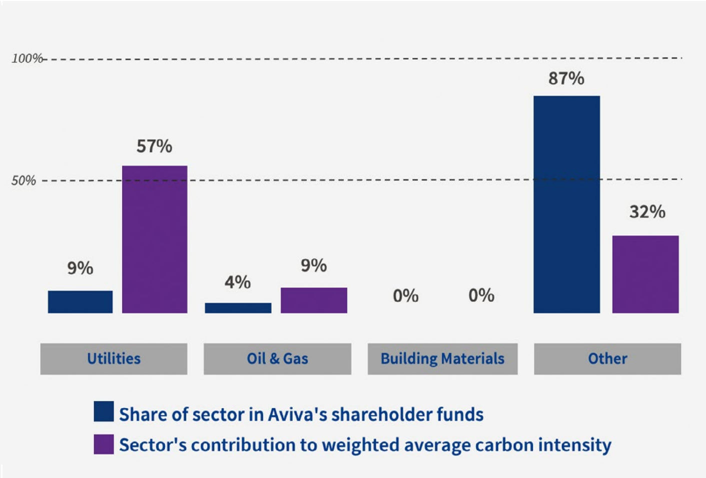
Carbon footprinting

We are committed to supporting a low carbon economy that will improve the resilience of our economy, society and the financial system. We signed up to the UN-convened Net Zero Asset Owner Alliance (NZAOA). We target a reduction in the carbon footprint of our investments by 25% by 2025 and by 60% by 2030, and we aim to transition all assets[3] to Net Zero by 2040. We use weighted average carbon intensity data to assess our investment portfolio's sensitivity to an increase in carbon prices and our progress to the 1.5°C Paris Agreement target. Despite being backward-looking, this measure provides a good proxy for assessing the sensitivity of these assets to a potential increase in carbon prices.

Weighted average carbon intensity (tCO_2e/$m sales) of credit and equities in Aviva's shareholder funds as at 31/12/2020 compared to 2019. Source: Aviva/MSCI[6].



Aviva's exposure to carbon intensive sectors in shareholder funds (credit and equities) as at 31/12/2020. Source: Aviva.

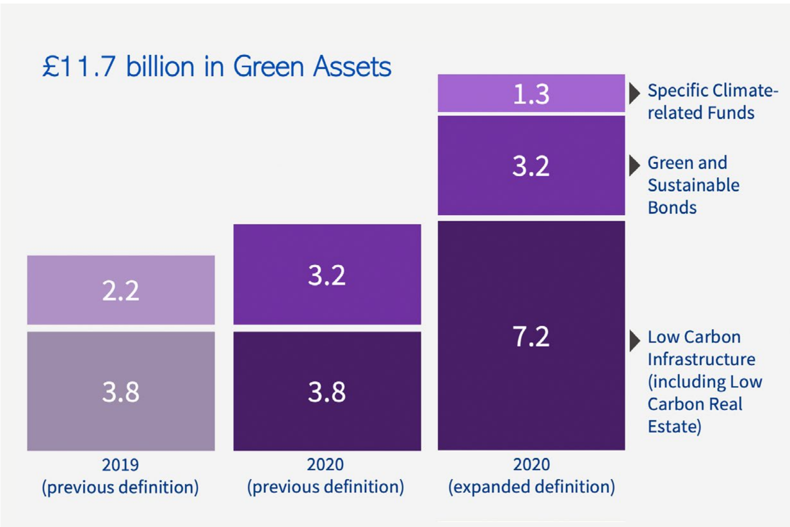


Our carbon footprinting intensity has reduced compared to last year in line with our 25% NZAOA reduction target by 2025. This is due to proactive investing by Aviva into less carbon intensive industries as well as companies reducing their carbon intensity. The utilities sector is the largest single contributor, representing 9% of the portfolio but contributing 57% of the weighted average carbon intensity. Our objective over time is to reduce the carbon intensity to align our investment portfolio to the Paris Agreement target. To achieve this, our first goal is to drive change in the companies we invest in through direct engagement. We also reserve the right to reduce our exposure to the intensive companies who are not making the transition to a low carbon economy and move capital towards those who are.

Green Assets

We track our green assets and we believe increasing our investment in low carbon and renewable energy generation capacity is a significant opportunity.

Green Assets[1]. Source: Aviva.



In 2020 we expanded our previous definition of green assets[1] to include low carbon real estate and specific climate-related funds (such as the Climate Transition fund range) as well as explicitly excluding external mandates.

Of the £11.7bn in green assets, £7.2 bn are in low carbon infrastructure (including £3.4bn in low carbon real estate), £3.2bn in green and sustainable bonds and £1.3bn in specific climate-related funds (e.g. AI's climate transition funds)[7].

In 2020, we invested £1bn in green and sustainable bonds.

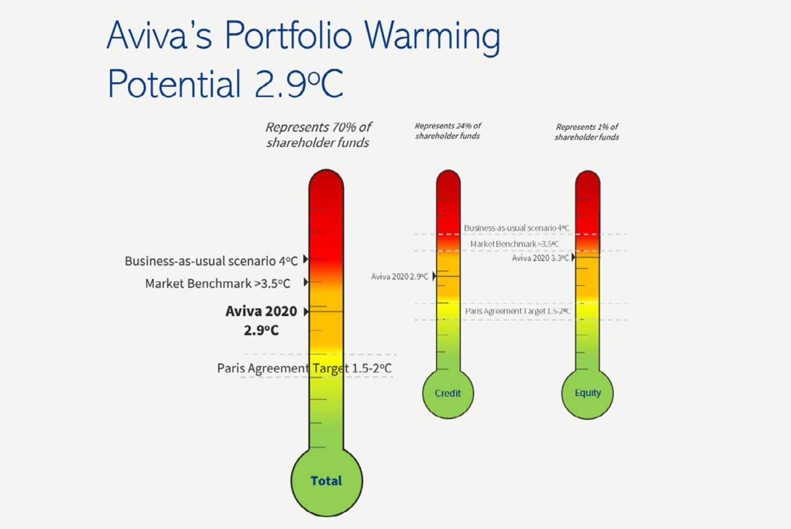
6 For MSCI data used throughout this report: Although Aviva's information providers, including without limitation, MSCI ESG Research LLC and its affiliates (the "ESG Parties"), obtain information (the "Information") from sources they consider reliable, none of the ESG Parties warrants or guarantees the originality, accuracy and/ or completeness, of any data herein and expressly disclaim all express or implied warranties, including those of merchantability and fitness for a particular purpose. The Information may only be used for your internal use, may not be reproduced or redisseminated in any form and may not be used as a basis for, or a component of, any financial instruments or products or indices. Further, none of the Information can in and of itself be used to determine which securities to buy or sell or when to buy or sell them. None of the ESG Parties shall have any liability for any errors or omissions in connection with any data herein, or any liability for any direct, indirect, special, punitive, consequential or any other damages (including lost profits) even if notified of the possibility of such damages.

7 The initial definition from 2015 was based on the green assets available at that time. Low carbon infrastructure debt as at 30 September 2020, low carbon infrastructure equity as at 31 December 2020, green bonds as at 30 September 2020, UK direct low carbon real estate as at 3 December 2020, French direct low carbon real estate as at 4 December 2020, climate specific funds as at 31 December 2020, Aviva Asset Origination as at 31 December 2020.

Portfolio Warming Potential

We use a portfolio warming potential metric to assess our shareholder funds' credit, equity, real estate, green assets and sovereign bond investments' alignment with the Paris Agreement target. This is calculated as a weighted average of individual issuers' warming potential. This is based on the alignment of each company within the portfolio to the sectoral greenhouse gas emission intensity needed for each sector to make its contribution to reach the Paris Agreement target.

Warming potential (in °C) for Aviva's shareholder funds as at 31/12/2020. Source: Aviva/ MSCI[8].



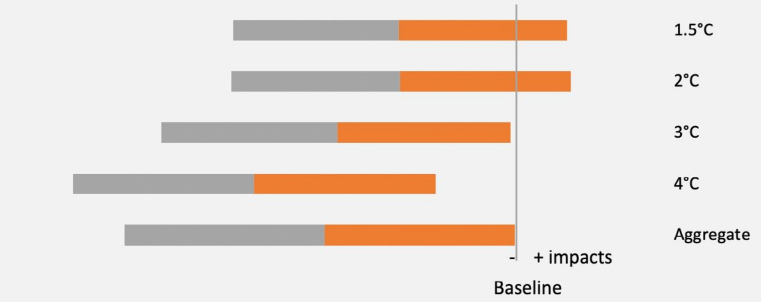
On a like-for-like basis taking into account the methodological[9] improvements made, the total warming potential of our shareholder funds remains unchanged from last year at 2.9°C[10], despite slight reductions in the warming potential of our shareholder funds equity and corporate credit portfolios[11].

While clearly still above the Paris Agreement's target, it is lower than the warming potential of the market benchmark portfolio[12] (>3.5°C) and significantly lower than the portfolio warming potential of the business-as-usual scenario (4°C).

Climate Value-at-Risk (Climate VaR)

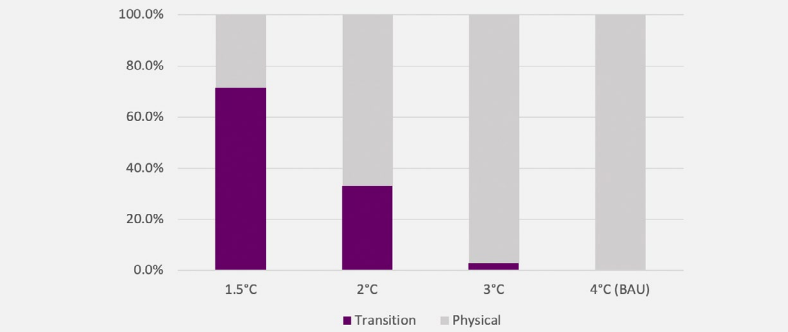
We calculate a Climate VaR for different Intergovernmental Panel on Climate Change scenarios to assess the climate-related risks and opportunities under different emission projections and associated temperature pathways. This measure enables the potential business impacts of future climate-related risks and opportunities to be assessed in each scenario and in aggregate.

Aviva's Climate VaR output by scenario for shareholder funds as at 31/12/2020. Source: Aviva.



The grey bars represent the range of outputs between the 5th percentile and the central estimate for each scenario and the orange bars represent the range between the central estimate and the 95th percentile.

Transition versus physical risks by scenario for Aviva's shareholder funds[13] as at 31/12/2020. Source: Aviva.



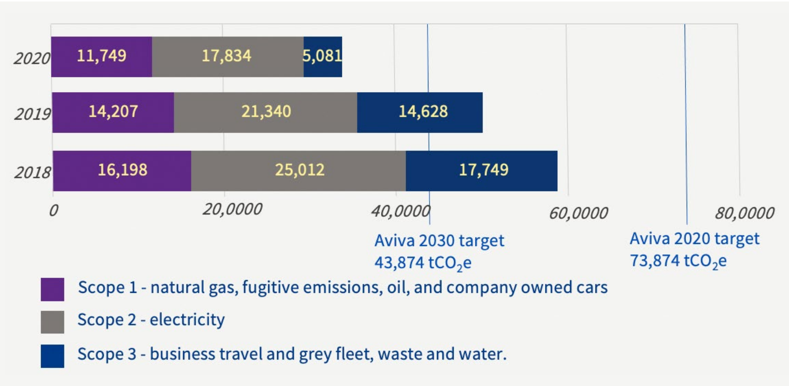
1. Aviva is most exposed to the 4°C scenario where physical risk dominates, negatively affecting long-term investment returns on equities, corporate bonds, real estate, real estate loans and sovereign exposures. The aggressive mitigation 1.5°C and the 2°C scenarios are the only scenarios with potential upside.
2. When aggregated to determine the overall impact of climate-related risks and opportunities across all scenarios, the plausible range is dominated by the results of the 3°C and 4°C scenarios, reflecting that neither existing nor planned policy actions are sufficiently ambitious to meet the 1.5°C Paris Agreement target.
3. In the 1.5°C scenario transition risk is larger than physical risk even after taking into account mitigating technology opportunities. In the 2°C scenario, the picture is reversed, whereas in the 3°C and 4°C scenarios physical risk dominates. Similar to last year, in all scenarios the impact on insurance liabilities is more limited than on investment returns.

8 Certain information ©2021. MSCI ESG Research LLC. Reproduced by permission.
9 The portfolio warming potential methodology captures Scopes 1, 2 and 3 emissions and a cooling potential element, to capture avoided emissions, based on low carbon patents and revenues as well as company-reported decarbonisation targets to provide a forward-looking perspective. In 2019, the methodology was based on Scope 1 emissions only.
10 Scope 3 emissions data is largely estimated. To account for this, we have applied a credibility weighting to the Scope 3 potential element contribution to our overall warming potential. The sensitivity of our overall warming potential to the credibility weighting applied is ±0.2°C.
11 We do not expect our portfolio warming to drop by a full decimal point every year as we are looking to align our portfolio over the coming decades.
12 MSCI all country world index investable market index.
13 Credit, equities and real estate.

Operations carbon emissions

We have measured our operational carbon emissions since 2004. We aim for our operations and supply chain to be Net Zero by 2030[14].

Absolute operational carbon emissions tCO_2e. Source: Aviva.



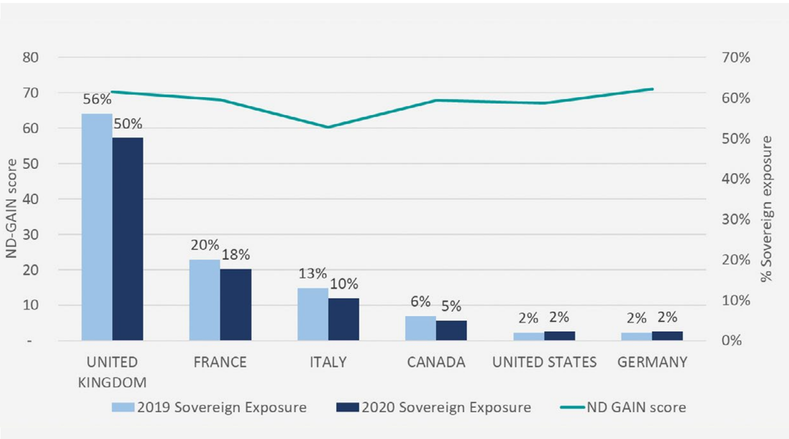
We have already achieved our 2030 operational target set in 2010 by reducing our emissions by 76%. Now, 62% of electricity used by our global operations is from renewable resources.

Aviva has been carbon neutral in respect of our operations since 2006 through the purchase and retirement of carbon offsets from the voluntary carbon market.

Sovereign holdings

To measure our sovereign holdings' exposure to climate related risks, we have used the Notre Dame-Global Adaptation (ND-GAIN) Index. This measures a country's vulnerability to the physical effects of climate change and its readiness to adapt to, and mitigate, these effects (ND-GAIN index 0-100, higher is better).

Aviva's top sovereign holdings in shareholder funds versus ND-GAIN as at 31/12/2020 compared to 2019. Source: Aviva/ND-GAIN 2018.



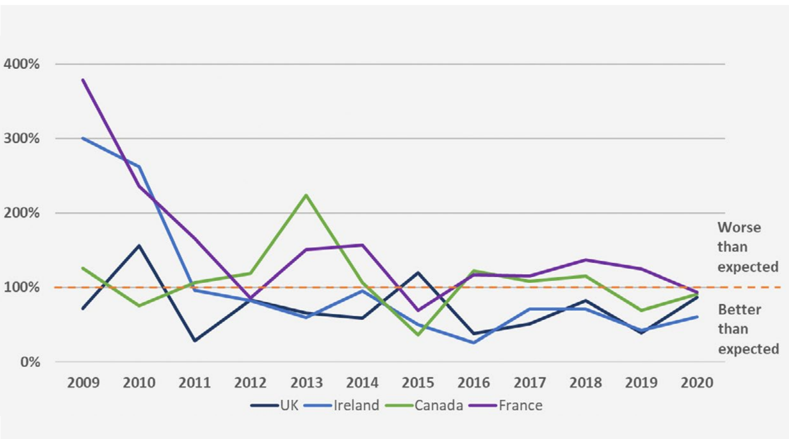
Aviva is predominantly exposed to sovereigns from developed markets, via its sovereign bond holdings. Aviva has no significant exposure to countries highly vulnerable to the physical effects of climate change and our exposure to moderately exposed countries is captured as part of our risk management and monitoring of sovereign risk.

Aviva also has no material exposure to sovereigns whose credit quality is reliant on oil and gas production.

Weather-related losses

Our general insurance business exposure is predominantly in Northern Europe and Canada. We recognise that weather-related events may become more frequent, severe, clustered and persistent. The speed of this change and the ability of society to adopt mitigation strategies may affect our ability to profitably provide products for our customers at affordable levels over the longer term. We monitor actual versus expected weather losses in order to validate the models and make sure we are capturing changes in exposure and any trends over time.

Actual weather-related losses versus expected weather losses by year and business unit (net of reinsurance (Canada, UK, Ireland) and gross of reinsurance (France)). Source: Aviva.



This year actual losses are broadly in line or better than expected. We require our general insurance businesses to protect against all large, single catastrophe events by purchasing reinsurance in line with local regulatory requirements or, where none exist, to at least a 1-in-250-year event. The catastrophe reinsurance programmes limit Aviva's losses depending on territory from a relatively low retention level (£150m on a per-occurrence basis and £175m on an annual aggregate basis) up to at least a 1-in-250-year event.

14 We will be moving from sourcing credits for avoiding emissions which make our operations carbon neutral to solutions which remove carbon emissions from the atmosphere.

For further details please see Aviva's Climate-Related Financial Disclosure 2020 at **www.aviva.com/TCFD**

If you have any questions please contact **crteam@aviva.com**