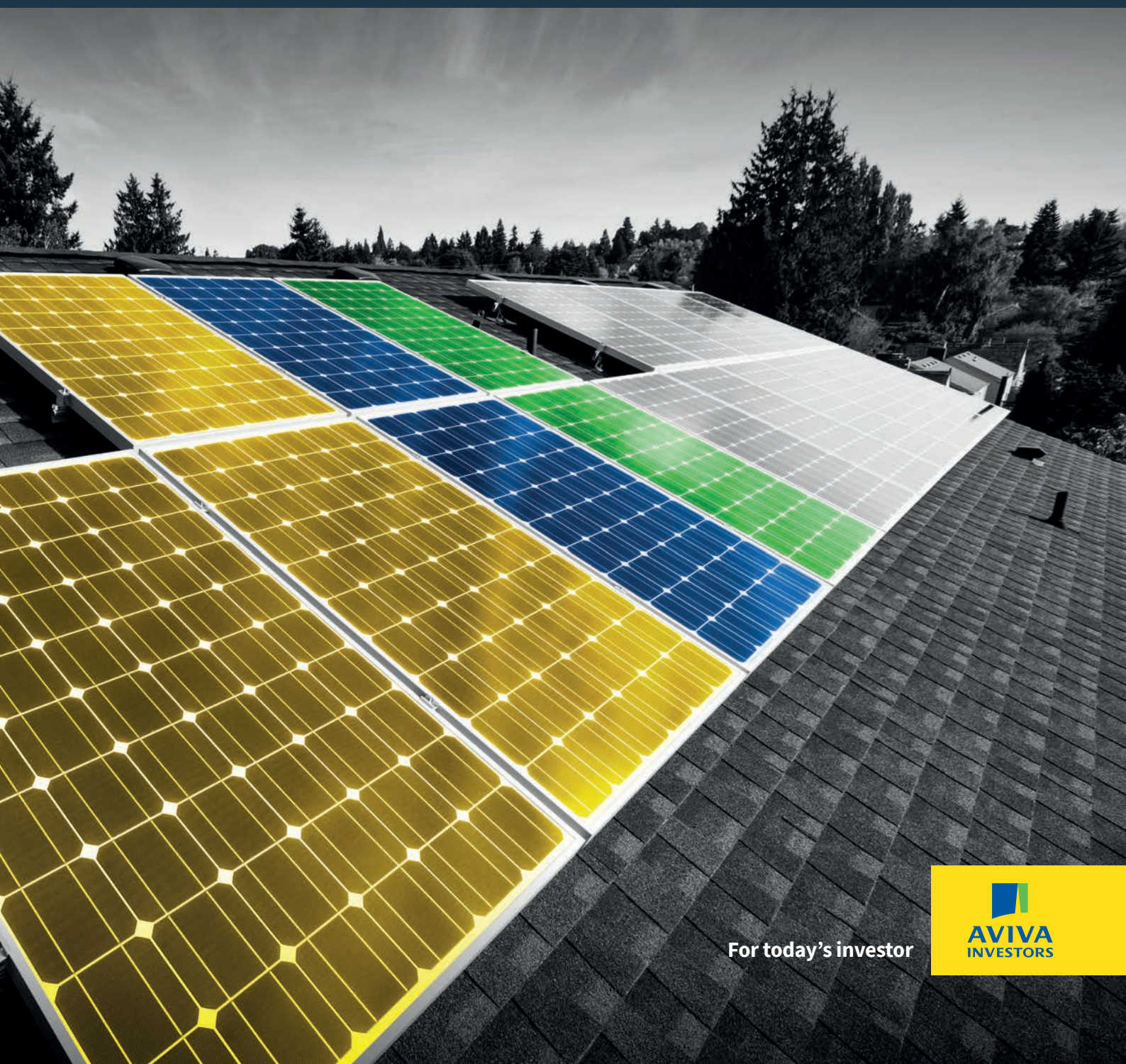


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# Infrastructure Equity ESG Report

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Our Impact in 2019



For today's investor



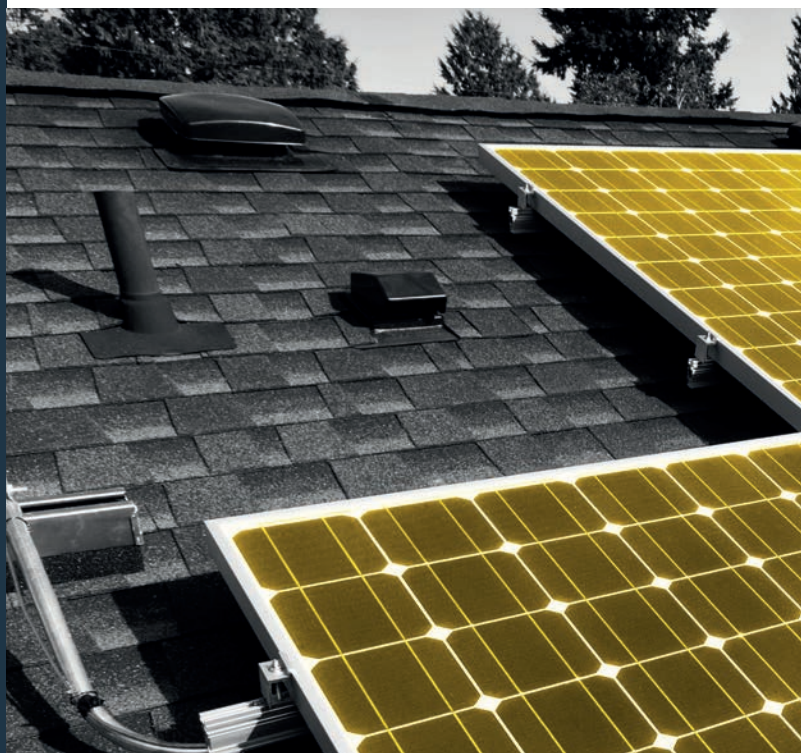
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## Foreword from Darryl Murphy

As I write this we are in the middle of an unprecedented crisis as the impact of COVID-19 affects all our daily lives. We have a firm-wide responsible investment philosophy, which states that Aviva Investors recognises and embraces our duty to act as responsible long-term stewards of our clients' assets. The current crisis serves to remind us that as a responsible investor we must fully support our economy and society.

Our infrastructure strategy is focused on investing in physical assets that deliver long term, sustainable cashflows over the lifetime of the asset. ESG factors lie at the very heart of this investment strategy. This means not only being aware of the impact of ESG risks to our investments but also how our investments can contribute to the world we live in. Climate change is an existential risk to society and as a long term investor we have a role to play in mitigating this risk through supporting the transition to a low carbon economy.

This report demonstrates our track record in investing in energy transition projects that support the pathway to net zero in the UK and how our investments actively support our communities.

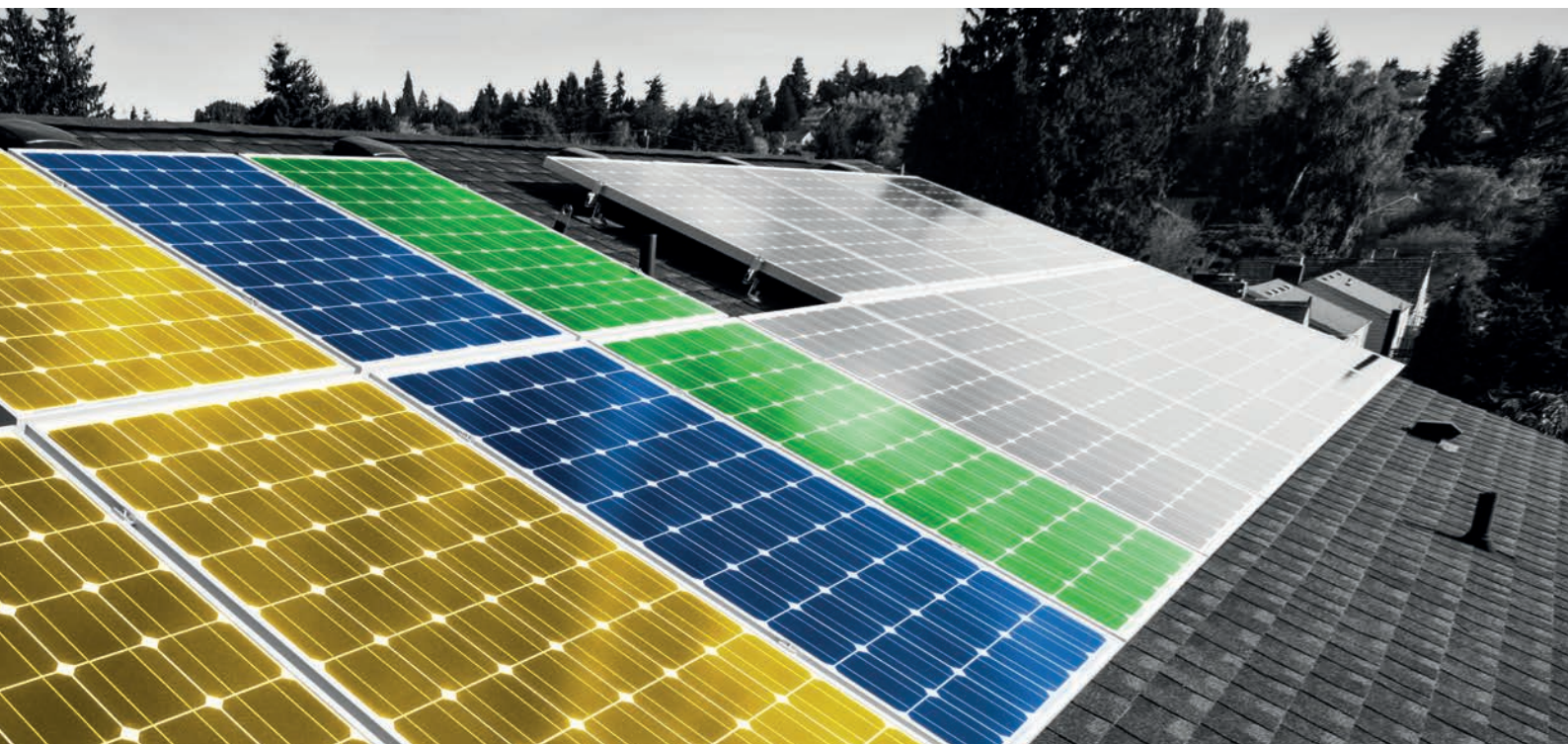
I am proud to be responsible for our infrastructure investment business which continues to deliver for both our clients and society and we remain committed to keeping ESG at the heart of everything we do.



*“Climate change is an existential risk to society and as a long term investor we have a role to play in mitigating this risk through supporting the transition to a low carbon economy.”*

**Darryl Murphy**

Managing Director, Infrastructure



## Our 2019 impact in numbers

### 160,000 tCO<sub>2</sub>e

Greenhouse Gas (GHG) emissions savings from our renewable energy installations

### 27 MWh

Electricity demand reduction through our six Energy Centres supporting NHS hospitals

### 24,887

Solar photovoltaic installations providing 75MWh of clean energy to households

### 370 tCO<sub>2</sub>e

Carbon savings achieved per annum for every £1m invested in our infrastructure

### 232 MWh

Energy generation from our 92 medium and utility-scale on-shore wind turbines

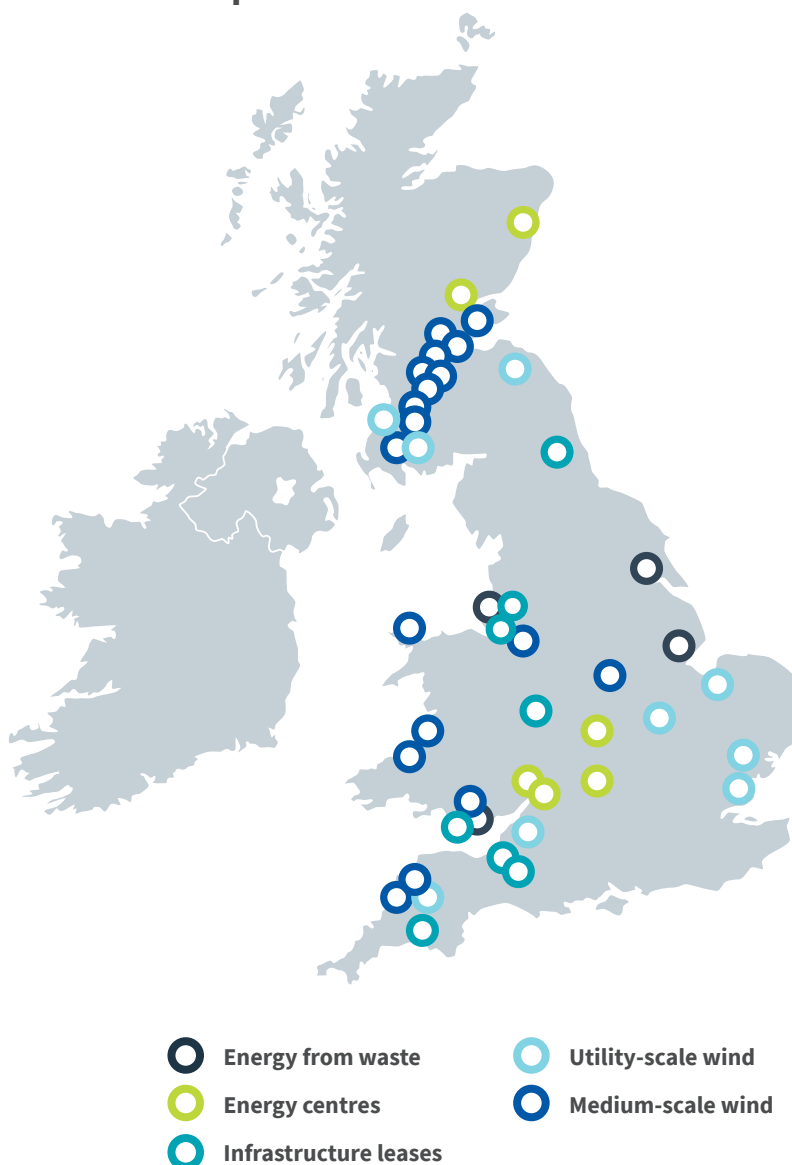
### 3,892

Rural homes connected by TrueSpeed fibre, transforming the way people live and work

### £145,000

Granted to 42 community projects funding community transport and facilities

## Our portfolio



## Supporting the drive for net zero

**This year the UK government became the first major economy to pass a legally binding net zero target. The target will drive the UK to bring greenhouse gas emissions to net zero by 2050 bringing significant changes to the economy.**

The transition to a net zero economy will need substantial investment in renewable energy infrastructure. A recent report from Imperial College found at least 42 per cent of electricity must be supplied by renewable sources by 2030 to reach net zero emissions by mid-century. This will require the UK's renewable power capacity to double, and investment in the sector to grow from £10bn to £20bn annually.

Forecasted growth in the renewable energy sector presents a significant opportunity for Aviva Investors. In July 2015, we announced an investment target of £500m annually for the next five years in low-carbon infrastructure. In 2019, the infrastructure equity desk contributed to exceeding the target, completing £154m of new investment into wind, solar, biomass, and energy efficiency projects. This led to an overall total for Aviva Investors of £713m, far exceeding our £500m investment target.

This year we announce a new ambitious target of £10bn low carbon infrastructure investment by 2030. Approximately £600m of this will be led by the Aviva Investors Infrastructure income strategy, through new opportunities in solar, wind, energy centres and energy from waste. This level of investment in renewable and low-carbon energy generation supports the transition to net zero and will create 150,000 tonnes of carbon emissions savings, equivalent to emissions from 15,000 households.

## Our 2019 highlights

### Growing our portfolio of energy centres

In 2019 we funded the construction of a 3.3MW combined heat and power (CHP) energy centre, working with the University Hospitals Coventry and Warwickshire NHS Trust. The CHP engine provides power and heat to the University Hospital of Coventry and Warwick. Additional financing from the transaction was provided to fund energy efficiency equipment upgrades including efficient lighting in the Trust's St. Cross Hospital in Rugby. This was our seventh energy centre transaction, providing essential power to critical social infrastructure in the UK. Energy centres play an important role in creating grid stability as the UK grid gradually transitions to low-carbon, allowing assets with significant heat demand to benefit from efficient and decentralised power generation.

### Investing in energy from waste

In the year we approved construction and operation of a 20MW gasification facility, typically referred to as energy from waste, located in Newport in South Wales. This type of asset uses Refuse Derived Fuel (RDF), typically in the form of black bag waste which cannot be recycled. This type of project addresses two environmental challenges, the need for clean energy and the need to avoid pollution from landfill. Energy from waste is classed as a renewable energy technology and is predicted to play a key role in decarbonisation for both energy and waste management sectors as the UK transitions to net zero in the lead up to 2050.

### Connecting communities

In the year we made significant investments in broadband infrastructure, investing in ITS Technology Group. The group builds, owns and operates high speed full fibre networks in the UK, addressing the substandard network capability and meeting increasing business demands for data transmission infrastructure. Customers supported by ITS include hospitals, schools and business parks who benefit from broadband speeds of up to 1gb per second, up to 10x faster than the speeds received via legacy copper infrastructure. The roll-out of broadband across the UK has been shown to support increased productivity and employment growth, contributing to improved quality of life.

## Spotlight on

### Energy from waste

In the UK we generate almost half a ton of municipal waste per person each year. Historically, this waste was almost entirely disposed of in landfill, due to the low cost and ease of doing so. But the pollution and methane emissions from landfill were later proven to have a hugely damaging effect and have been a major contributor to the climate crisis. Over the last 20 years, the UK has been successful in reducing waste sent to landfill, but some stubborn waste streams remain. In 2017, over 15 million tonnes of municipal waste were still sent to landfill, with a further 3.2 million tonnes of refuse exported to be processed abroad.

In addition to the environmental challenge of waste management, the demand for energy from renewable sources is also creating challenges for the UK. Sourcing a high proportion of electricity from wind and solar requires unprecedented flexibility from our electricity grid, currently provided through battery storage and generators. As the volume of renewables on the grid grows every year, this flexibility becomes increasingly more difficult to achieve.

An increasingly viable solution to the issues of waste and the demand for consistent baseload power is energy from waste. This process involves the conversion of waste of any kind into useful energy, in the form of electricity, heat or gas. Energy from waste can generate electricity consistently, known as baseload power, and so could play a vital role in the UK's future energy mix. Technologies of this kind impact both energy supply and management of waste and are referred to as bioenergy.



The energy from waste process also creates significant environmental benefits over sending waste to landfill. For every tonne of waste processed through an energy from waste facility approximately 400kg of CO2 emissions are saved. Through increasing the UK's broader efforts to increase recycling rates and divert waste to energy from waste facilities, methane emissions from landfill could be reduced by 49 million tonnes of carbon each year, equivalent to the emissions from 22 million petrol cars.

## Broadband

The percentage of households benefitting from a broadband connection has soared from 70 per cent in 2009 to 93 per cent in 2019. Despite this high level of coverage, rural communities still suffer from poor connection speeds. The recent Future Telecoms Infrastructure Review demonstrated the Government's intention to connect hard-to-reach rural areas to fibre broadband to address this issue. Higher connection speeds have been proven to benefit productivity in the education sector, removing the barriers to efficient working for teachers and providing access to what is now an essential learning tool for children.

One of our investments in fibre broadband through TrueSpeed provides free services to several local schools within its network area. TrueSpeed donate their fibre service free of charge to aid with local education and access to digital infrastructure for rural community schools and their pupils. Schools can access this service free of charge when broadband connections reach 30 per cent in the area surrounding the school. The service comes with no installation fee and provides reliable futureproof broadband for life, helping both teachers and students with faster access to the internet and online services.

## Communities

This year we have invested over £145,000 in communities surrounding our renewable energy assets throughout the UK. This is delivered through five Community Grant funds associated with our Utility-Scale wind farms, with a total of 42 projects funded this year. Projects can range from sports equipment to machinery and plant to support the maintenance of community assets, and typical grants range from £1,000 to £5,000.

In the year we approved a grant to FOSCOS, The Friends of Southminster Community Open Spaces, enabling the purchase of a memorial bench and tools for volunteers who plant and maintain trees in a forest in Southminster. FOSCOS is an established team of around 16 volunteers who work in partnership with the local parish and district councils and have previously won a Maldon District Conservation award for their work.

In March we made a grant to Maldon & Essex Lifesaving Swim Club, providing Life Support and basic first aid in schools and clubs within the Maldon District Communities. The club was established in 2008 as a Not for Profit Community Club to support public knowledge of life-saving, life support, water safety, and first aid. The club actively encourages community participation and is particularly keen to educate young people, currently delivering an inclusive programme of life support skills into schools. Our grant contributed to water safety education for 1,000 young people in 12 months.

## Advocacy

As a responsible investor, we work tirelessly to help shape the infrastructure industry, advocating for better standards and promoting the societal value of renewable, low-carbon and connectivity infrastructure.

We are a member of the Global Real Estate Sustainability Benchmark (GRESB) Infrastructure Advisory Board. This consists of voluntary, individual representatives from the investor and industry partner community. The Advisory Board provides strategic advice and input to the GRESB Board, guiding the continuous improvement of its products and services related to infrastructure assessment.

Our Senior Associate Anne-Sophie Eveno is an Non-Executive Director on the Global Infrastructure Project Finance Association Board. IPFA is the global professional association that connects organisations, and individuals involved in infrastructure and energy project financing. Anne-Sophie's work with the IPFA supports thought leadership, networking and professional development for its members, driving continuous progress for the benefit of the industry.



## Integrating ESG in our investment process

Our investment selection process is designed to identify and value environmental, social and governance factors from origination through to asset management. We prioritise investments that create a positive contribution to society and conduct extensive due diligence to assess potential negative impacts. This process is described in our corporate ESG policy and procedures and our teams receive training and support to integrate this thinking in their role.

Our Infrastructure Equity team sources and originates every transaction, and they ensure adherence to our strict investment guidelines. Where support is needed for high risk or high impact transactions, we draw in specialist advice from our Global Responsible Investment (GRI) team. This is of critical importance for infrastructure investments as they are usually held over a longer time horizon, meaning stakeholder and societal risks and impacts must be closely considered before investment.

Post-acquisition management is central to our proposition. Our infrastructure team is responsible for the ongoing supervision, monitoring and management of assets. This is to ensure that assets meet not only their operating requirements but also the broader impact of the asset on the environment and the community. This includes environmental and health & safety issues, as well as ongoing engagement with the communities. Our infrastructure management is assessed annually by the UN Principles for Responsible Investment and achieved an A+ rating (the highest score achievable).

*“We prioritise investments that create a positive contribution to society”*

**Darryl Murphy**  
Managing Director,  
Infrastructure

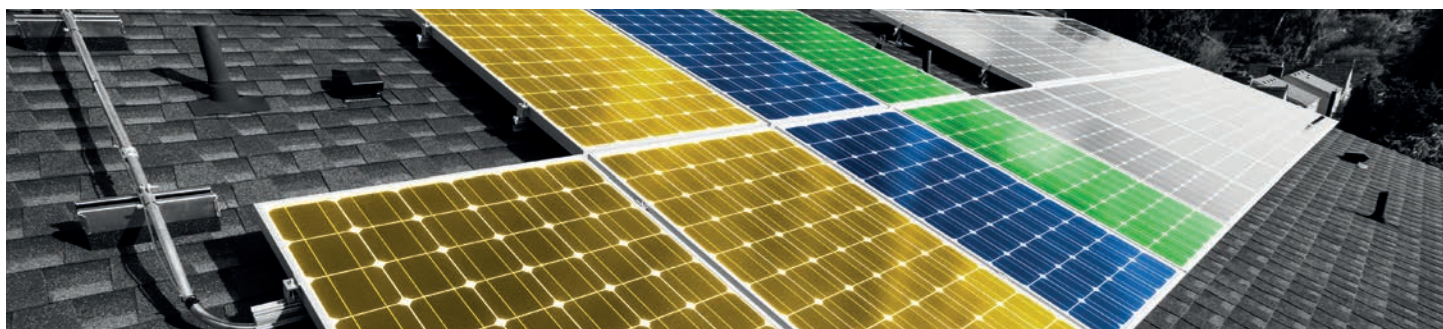
## Performance benchmarking

GRESB was launched in 2009 by a group of pension funds and asset managers (including Aviva Investors) who wanted to have access to comparable and reliable data on the ESG performance of their investments. In the intervening years, led by Aviva Investors as a founding member, it has grown to become the leading environmental, social and governance (ESG) benchmark for real estate and infrastructure investments.

GRESB assessments are guided by what investors and the industry consider to be material issues in the sustainability performance of real asset investments and are aligned with international reporting frameworks such as GRI and PRI. Participants receive comparative intelligence on where they stand against their peers, and a roadmap with the actions they can take to improve their ESG performance.

We participate in GRESB to help us understand our environmental, social and governance performance in comparison to our peers. More importantly, it gives us greater insight into how we can continue to create tangible outcomes in the way we invest in and manage our assets.

In 2019 we submitted ten assets to GRESB, achieving a rating of two stars and 61 per cent, against a peer average of 71 per cent. Performance improvements targeted for the year ahead include monitoring environmental and social performance of our contractor partners.



## About this report

This report summarises the environmental and social impact of the Aviva Investors Infrastructure Income strategy in 2019.

### Important Information

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