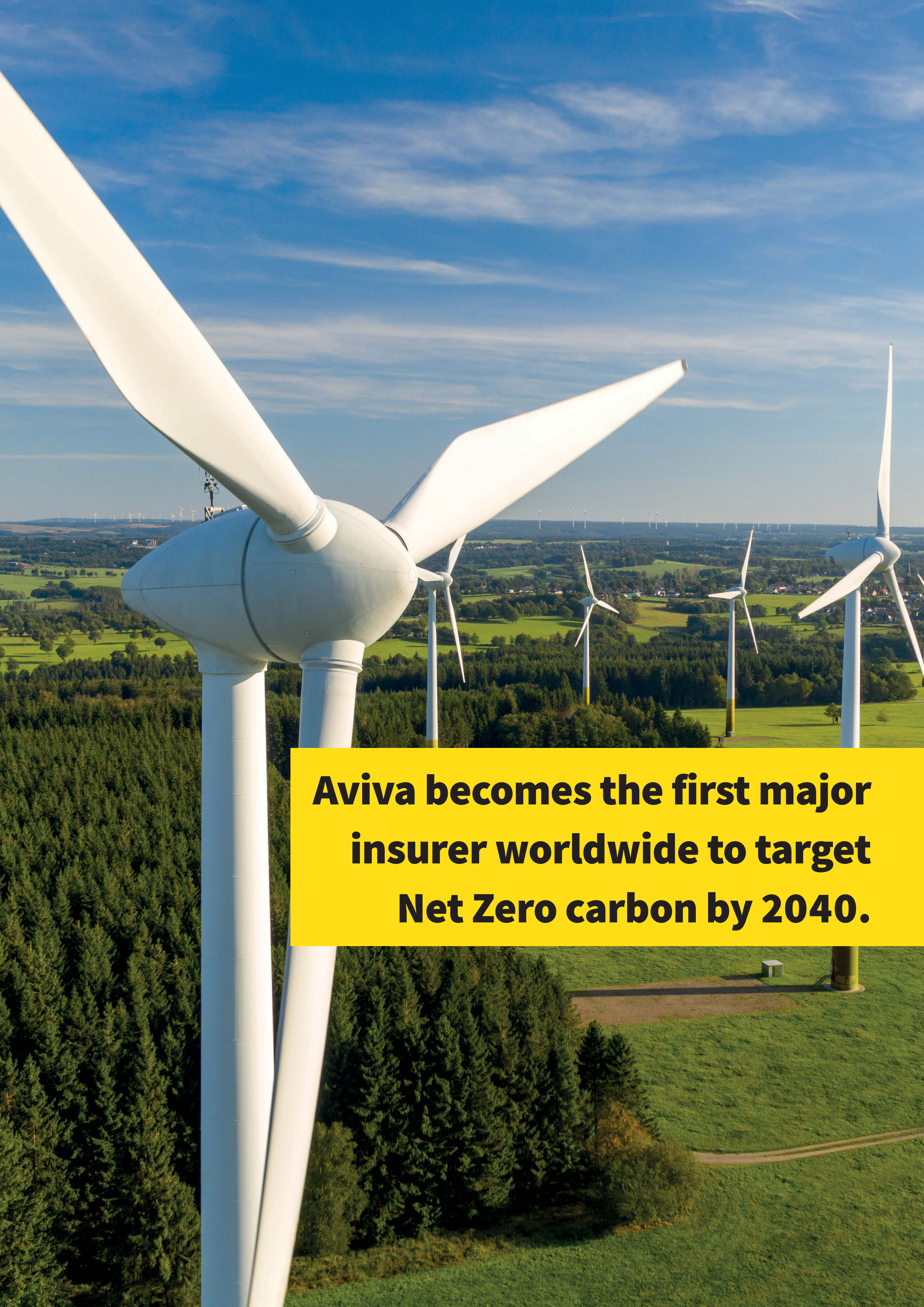
# Aviva Life & Pensions Ireland DAC
# Our Sustainability Policy

September 2023



## Aviva becomes the first major insurer worldwide to target Net Zero carbon by 2040.

# Introduction

Aviva Life & Pensions Ireland DAC (ALPIDAC) is authorised by the Central Bank of Ireland as a life insurance undertaking. ALPIDAC's ultimate parent company is Aviva plc ("Aviva").

On 29 March 2019 Aviva Life and Pensions UK Limited, ('UKLAP') the original provider of your policy transferred some of its insurance business to ALPIDAC by way of a Court sanctioned insurance business transfer scheme under Part VII of the Financial Services and Markets Act 2000. This transfer included your policy. From the 29 March 2019 the provider of your policy is ALPIDAC.

ALPIDAC and UKLAP entered into a reinsurance treaty whereby UKLAP reinsured the transferred life assurance business on behalf of ALPIDAC. This means the day to day administration is undertaken by UKLAP or one or more of its outsourced companies.

ALPIDAC and UKLAP are referred to as "we" throughout this document.

Sustainability and environment, social, and governance issues ("ESG") are a core part of Aviva's culture. Climate change is one of the biggest challenges facing humanity. As a leading global insurer, Aviva has a responsibility to ensure that how it does business has little, if any, impact on the environment.

# Net Zero by 2040

Aviva has a publicly stated goal to be the leading financial services firm in the UK and Ireland on climate change. This will be delivered by an ambitious plan to become a "Net Zero" carbon emissions company by 2040. Becoming a fully Net Zero company by 2040 means focusing on the companies in which Aviva invests or the debt securities of which it purchases. Aviva aims to be Net Zero in carbon emissions across its operations and supply chain by 2030 and through its shareholder and policyholder investments[(1)] by 2040.

In focusing on an ambition up to twenty years into the future, it is important to set the destination, but little will be achieved without more immediate targets and milestones to mark the way.

Therefore, Aviva has set out the following plan and timelines for achieving these goals:

- Exclude investment for companies extracting/generating from thermal coal at the 5% revenue threshold, and oil sand and arctic drilling, at the 10% revenue threshold for Aviva Investors passive funds, by the end of 2023 unless they have targets in line with the Science Based Targets initiative ("SBTi")[(2)].
- By 2025, Aviva plan to cut the carbon intensity of its investments by 25%.
- And by 2030, Aviva plans to cut the carbon intensity of its investments by 60%. This is ahead of the Paris (2050 Global Climate Agreement) aligned target of 50% cuts by 2030.

Progress towards these targets will be tracked through annual, public reporting.

# Aviva Life & Pensions Ireland DAC's (ALPIDAC) approach

ALPIDAC has put in place a documented and consistent process for making investment decisions (the "Investment Process"). This applies to all its investments whether they are made directly, via an Investment Management Agreement ('IMA') or through an external collective fund.

Under the Sustainable Finance Disclosure Regulation (Regulation (EU) 2019/2088) (the "SFDR"), ALPIDAC is defined as a Financial Market Participant ("FMP") and is required to publish a number of entity-level disclosures on its website including:

- Information on how sustainability risk has been integrated into the investment process.
- Information on how its remuneration arrangements are consistent with the integration of sustainability risk into the investment process; and
- Information on how the adverse impacts of investment decisions on sustainability factors are considered.

*1. Where Aviva or its subsidiaries and affiliates invest in externally managed collective investment vehicles, it will not be able to apply sustainability or ESG criteria through voting engagement with the companies, holdings of which make up the externally managed collective investment vehicles. However, please see further information on the approaches taken by certain of the investment managers of such vehicles below*

*2. Science Based Targets initiative (SBTi) is a collaboration between United Nation Global Compact, CDP (a global disclosure system), World Resources Institute and World Wide Fund for Nature. This initiative is highly respected and defines and promotes best practice in science-based target pathway setting. Offering a range of target-setting resources and guidance to set science-aligned targets for operations, supply chain and, more recently, investments, the SBTi independently assesses and approves companies' targets in line with its strict criteria.*

# Aviva Life and Pensions Ireland DAC's (ALPIDAC) approach to sustainability integration in the Investment Process

In ALPIDAC, we realise that the world is faced with the catastrophic and unpredictable consequences of severe climate change, resource depletion, and other sustainability-related issues. Nature is our home and sustainable investment is a means to manage it better than we have in the past.

ALPIDAC have developed and maintains a Sustainable Investment Policy (the "SIP Policy"). UKLAP has developed and maintains a Responsible Investment Policy. These outline the framework and approach taken for sustainable and responsible investment in its investment decision making process.

Although ALPIDAC is not a signatory to the United Nations Principles for Responsible Investment ("UN PRI"), nor do we engage directly with individual companies to identify and reduce Environmental, Social and Governance ("ESG") risks in portfolios, a number of the investment managers ALPIDAC uses to manage its assets are signatories to the UN PRI. These investment managers engage directly with companies in which they hold shares or debt securities with the aim of reducing ESG risks. One of our investment managers, Aviva Investors was a founding signatory to UNPRI in 2006[(3)]. They are also A rated by Share Action[(4)].

We believe that it is important that ALPIDAC disclose to our unit-linked pension and investment policyholders information regarding ALPIDAC's and UKLAP's approach to the integration of sustainability risks and the consideration of adverse sustainability impacts in its investment policy.

ALPIDAC defines 'responsible investment' as the integration of ESG factors, employee matters, respect for human rights, anti-corruption, anti-bribery matters, sustainability risk, and driving change through monitoring proxy voting at the annual general meetings of investee companies (collectively, 'Sustainability Factors') into the Investment Process. Lets look at the meaning of some of these terms:

## What is a sustainability risk?

A sustainability risk is an environmental, social, or governance event or condition that, if it were to occur, could cause a negative and material impact on the value of an investment.

## What is a sustainable investment?

A sustainable investment is one where the entities in which we ultimately invest or whose debt securities we purchase follow good governance practices and the precautionary principle of 'do no significant harm' is ensured, so that no environmental or social objective is significantly harmed.

## Examples of sustainable investment:

- An investment in an economic activity that contributes to an environmental objective, as measured, for example, by key resource efficiency indicators on the use of energy e.g. electricity. This includes renewable energy, raw materials, water and land, on the production of waste, greenhouse gas emissions, or on the impact on biodiversity and the circular economy, or
- An investment in an economic activity that contributes to a social objective, in particular an investment that contributes to tackling inequality or that fosters social cohesion, social integration and labour relations, or
- An investment in human capital or economically or socially disadvantaged communities, provided that such investments do not significantly harm any of those objectives and that the investee companies follow good governance practices, in particular with respect to sound management structures, employee relations, remuneration of staff and tax compliance.

At ALPIDAC, we believe that focusing on sustainability factors by identifying high quality companies for investment and/or asset managers (including collective investment schemes under their management) that pursue an ESG/sustainable investment agenda is likely to improve the medium long term risk-adjusted return for our unit-linked policyholders, but this is not guaranteed.

*3. Source: UNPRI 2020.*
*4. Source: Share Action*

While ALPIDAC and UKLAP considers ESG factors in the investment decision-making process, this does not mean that ESG factors/sustainability considerations are the sole or foremost considerations for investment decisions. It is also worth highlighting that ALPIDAC and UKLAP has not adopted an exclusions policy at this time. Further, given the wide variety of funds available to policyholders, varying approaches may be taken when assessing and weighing up sustainability considerations within the funds' investment process in link with a particular fund's investment strategy. A different and deeper approach will be in place for products with more specific ESG considerations compared to less developed ESG product areas.

## Consideration of the Principal Adverse Impacts of Investment Decisions

Our intention is to integrate our consideration of the principal adverse impacts of investment decisions on sustainability factors into our due diligence process along with consideration of the relevant financial risks. By principal adverse impacts we mean the impacts of investment decisions that may result in negative effects on sustainability factors. Our intention is to consider the adverse impacts on people, the environment and society that investee companies cause, contribute to, or to which they are directly linked.

## Unit-Linked Funds and their Sustainability Factors

The unit-linked funds are managed by third-party investment managers, through either an Investment Management Agreement ('IMA') or through an external collective fund and the due diligence that ALPIDAC undertakes on each investment is set out below.

ALPIDAC and UKLAP has divided the unit-linked funds open to policyholders into three broad categories in line with the Sustainable Finance disclosures Regulations called Article 9 (A9), Article 8 (A8), and Article 6 (A6) funds. The extent to which the Sustainability Factors in our Sustainable Investment Policy ("SIP") are considered varies by category of fund as explained below

### A6 Unit-linked Funds

The manner in which Sustainability Factors are integrated into ALPIDAC's investment process varies significantly from one unit-linked fund to another among A6 unit-linked funds.

While some of the investment managers of A6 unit-linked funds take one or more of the following factors: ESG factors, employee matters, respect for human rights, anti-corruption, anti-bribery matters, and sustainability risk, into account in making investment decisions, such factors are not binding on ALPIDAC's appointed investment managers when making investment decisions.

Further, where we, or investment firms managing assets for ALPIDAC under an IMA or as the investment manager of a collective investment vehicle invest in third-party collective investment vehicles, we or they will not be able to apply sustainability or ESG criteria through voting engagement with these companies, the holdings of which make up the externally managed collective investment vehicles.

In general, for A6 unit-linked funds we currently do not consider adverse impacts of investment decisions on sustainability factors.

### Article 8 'Light Green Funds' (A8) Unit-Linked Funds

A8 unit-linked funds promote environmental or social characteristics or a combination of these two characteristics and provide information on:

- The way an extent to which the characteristics of the fund are met.
- The methodologies used to assess, measure and monitor the environmental or social characteristics or the impact of the sustainable investments selected for the product, including its data sources, screening criteria for the underlying assets and the relevant sustainability indicators used to measure the environmental or social characteristics of the financial product.
- If an index has been designated as a reference benchmark for an A8 unit-linked fund, a description will be provided as to the way in which the index is consistent with those characteristics and an indication of where the methodology used for the calculation of the index is to be found.

### Article 9 ‘Dark Green’ (A9) Unit-Linked Funds

A9 unit-linked funds have and promote as their objective sustainable investment and use an index designated as a reference benchmark and;

provide information on:

- how the designated index is aligned with the objective.
- the methodologies used to assess, measure and monitor the impact of the sustainable investments selected for the ALPIDAC product, including its data sources, screening criteria for the underlying assets and the relevant sustainability indicators used to measure the overall sustainable impact of the product.
- the overall sustainability-related impact of the ALPIDAC product by means of relevant sustainability indicators.
- comparisons between the overall sustainability-related impact of the product with the impacts of the designated index and a broad marked index through sustainability indicators.

As part of our due diligence process, we require information from the investment manager of the relevant fund on how the designated index is aligned with the sustainable investment objective and an explanation as to how the objective differs from a broad market index.

## Due Diligence

Since 30 June 2021, in addition to ALPIDAC’s investment due diligence, we have been asking our investee companies to consider integrating into their investment process not just relevant financial risk but also consideration of the principal adverse impacts of investment decisions on sustainability risks that might have a negative impact on the financial return of an investment. We also monitor the compliance of our investment managers with these requirements through our due diligence process.

## Stewardship

- All voting and engagement activity is delegated to the asset manager under the provisions of the respective investment management agreements. We expect asset managers to consider all voting rights attached to shares, whether held in active or passive funds, and exercise these rights appropriately. Aviva’s Voting and Engagement Policy can be found on our website.
- All managers of funds and mandates made may make available a voting, stewardship and engagement policy. This should contain their approach to the management of conflicts of interest when exercising voting rights. Aviva’s conflict of interest policy can be found within our Business Ethics Code on our website.
- Quarterly reporting is required from asset managers on all voting and engagement activity that has been conducted on our, and our customers’, behalf. Voting records for all beneficial holdings across portfolios will be made publicly available through our website.
- We expect asset managers to establish a supportive and constructive dialogue with the boards of the companies they invest in on our behalf. We expect them to understand the specific business and commercial context of a company and conduct regular engagement with company management and other stakeholders on specific climate, social and governance related issues; and to exert influence where appropriate.

## Remuneration Policy Aligned with Sustainability Factors

ALPIDAC and UKLAP maintains a Remuneration Policy in line with the Solvency II Directive and any other applicable regulations. An underlying principle of the Remuneration Policy (the ‘Policy’) is to promote sound and effective risk-taking. The Remuneration Policy already aims to ensure that the remuneration pay-outs are appropriate and that the risk profile, long term objectives and goals of the firm and interest of the policyholders are adequately reflected in them. Performance-based remuneration for staff is awarded in a manner which promotes sound risk management and does not encourage excessive risk-taking. As such ALPIDAC is satisfied its existing remuneration arrangement adopted under the Remuneration policy are consistent with the integration of sustainability risk considerations, where these are relevant and material for the product.

## Amendments to this Document

Where we amend information in relation to these disclosures, we shall provide a clear explanation for such amendment on this document.

For information about the funds available to you and the risks please visit **olab.aviva.com**

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