

Aviva Biodiversity Policy

Introduction

Protecting and enhancing the planet's precious biodiversity is an integral part of Aviva's longstanding commitment to sustainability.

Both the Intergovernmental Panel on Climate Change (IPCC) and the Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services (IPBES) recommend tackling climate change and biodiversity loss together; they are closely linked and success in one fundamentally depends on success in the other. We agree, and our action to tackle biodiversity loss goes hand in hand with our Aviva Sustainability Ambition, including our 2040 net-zero plan. This document:

- sets out the case for immediate action
- illustrates what Aviva is currently doing to address biodiversity loss
- introduces a set of principles to guide our decision-making and action on biodiversity
- details five areas where we believe we can help reverse biodiversity loss by 2030.

The case for action

Biodiversity is defined as the variability among living organisms from all sources¹. This includes variation within and between species as well as their numbers. Living organisms interact with their physical environment in a functional unit known as an ecosystem and together they provide benefits to society known as ecosystem services. These include:

- Direct resources such as food, freshwater or medicines
- Activities such as pollination which enables our food systems, micro-organisms that decompose waste and forests that remove pollutants, capture carbon and protect us from extreme weather events
- Cultural as well as mental and physical health benefits provided by nature
- Supporting services that are critical for all the above such as water and nutrient cycling, oxygen production and soil formation.

This wide range of services means that USD44 trillion – equivalent to more than half of the world's GDP – is moderately or highly dependent upon nature.² Despite this, human activity is destroying nature worldwide, the population sizes of mammals, birds, fish, amphibians and reptiles have seen an alarming average drop of 68% since 1970.³ Biodiversity loss is a recognised driver of financial risks,⁴ and yet the financial sector continues to contribute to biodiversity loss through its investment and underwriting activities. This needs to change.

¹ The IPBES core glossary (<https://ipbes.net/glossary/biodiversity>)

² http://www3.weforum.org/docs/WEF_New_Nature_Economy_Report_2020.pdf

³ <https://livingplanet.panda.org/en-gb/>

⁴ <https://publications.banque-france.fr/en/silent-spring-financial-system-exploring-biodiversity-related-financial-risks-france>

Current commitments and activity

In May 2021, we signed the Finance for Biodiversity pledge and joined the Terra Carta Initiative. As part of our Finance for Biodiversity pledge commitments, we aim to play our part in *reversing the loss of nature by 2030*,⁵ a goal that has also been echoed by the G7 and UK government.⁶ This poses real challenges: robust data on biodiversity is lacking, aligned global standards are not yet agreed, and assessment tools and methodologies are under development.

At this stage, the information needed to set specific targets does not exist. However, as a member of the Finance for Biodiversity Impact Assessment Working Group, Aviva is supporting the development of assessment tools, methodologies and biodiversity related metrics. In this way we will be able to understand our dependencies and impacts and subsequently develop appropriate targets and goals.

Aviva engages in collaborative industry initiatives, such as our involvement in global business coalition, Business for Nature, which represents \$4.1 trillion in the collective revenues of its members. We contributed to the Nature Handbook for Business from the Council for Sustainable Business (CSB) published in August 2021, which supports companies to identify actions to help reverse biodiversity loss.

Aviva has campaigned against building on floodplains for many years, calling for stricter planning regulations to ensure new homes aren't built in high-risk areas without adequate defences in place and calling on the UK government to make this mandatory in the planning process.⁷ The adverse impact on biodiversity only strengthens the case for such action. Floodplains are an important part of the river ecosystem providing both flood protection and sustaining high biodiversity present there, yet estimates suggest 70-90% of Europe's floodplain area is degraded due to human activity.⁸

In our Building Future Communities⁹ report we set out seven key steps to protect homes and business premises from flood and extreme weather events over the next 30 years. This includes greater use of innovative nature-based solutions that are adapted to the UK landscape to help guard against multiple climate risks. Climate change impacts – especially flooding, extreme heat and subsidence are being felt today and are likely to become drastically worse over the next 30 years. Nature-based solutions can protect against these risks and at the same time positively impact biodiversity, demonstrating the co-benefits of responding to these dual challenges together.

For example, in partnership with the World Wide Fund for Nature (WWF), we are piloting a project in the river Soar catchment in Leicestershire, working with different local groups to explore nature-based solutions to address the 'triple challenge' of feeding a growing population, combatting the climate crisis and reversing nature loss. In Canada, we are investing in WWF-Canada's Nature and Climate Grant Program, to help local groups and Indigenous organizations restore degraded lands and shorelines in order to improve habitats and capture carbon.

To be effective, these solutions need to be tailored to the unique features of the landscape in the region where they are being used and for the particular risks in that region. For example, tree planting can be an effective defence against some climate risks, but planting trees on heathland or wetland can damage existing biodiverse and carbon-rich habitats, doing more harm than good.¹⁰ One size does not fit all and our strategic partnership with WWF will help ensure our efforts are appropriate.

⁵ <https://www.financeforbiodiversity.org/about-the-pledge/>

⁶ Government sets out commitments to biodiversity and sustainability in G7 Nature Compact - GOV.UK (www.gov.uk)

⁷ <https://www.aviva.co.uk/content/dam/aviva-public/gb/pdfs/personal/aviva-edit/surveys-and-reports/aviva-edit-flood-report-2020.pdf>

⁸ <https://www.eea.europa.eu/publications/why-should-we-care-about-floodplains>

⁹ https://www.aviva.com/content/dam/aviva-corporate/documents/newsroom/pdfs/reports/building_future_communities_report_july_2021.pdf

¹⁰ RSPB, WWF UK and the Nature-Based Solutions Initiative, 'The Role of Nature-based Solutions for Climate Change Adaptation in UK Policy', 2021, pp. 5

Aviva's biodiversity principles

Aviva applies the following biodiversity principles to guide our decision-making and actions on biodiversity.

1. **Protect and restore biodiversity** – not just minimise loss
2. **Identify and manage** biodiversity impacts, dependence on ecosystem services and risks
3. **Collaborate** with others to improve measurement, disclosure and action on biodiversity
4. **Engage** companies in the first instance and exercise our rights and responsibilities as stewards to support them to tackle biodiversity loss
5. **Act for progress now**, whilst recognising the challenges and evolving our approach in line with emerging best practice
6. **Champion biodiversity** through our own people and operations, through the businesses we invest in and underwrite, and through what we ask of governments
7. **Prioritise** areas where we can make the greatest impact

Building on our biodiversity principles, Aviva have identified five areas below where we believe we can contribute to help reverse biodiversity loss by 2030.

Understanding risks and assessing impacts

As a long term business, we recognise that today's impacts can materialise into future risks. As such, understanding our existing biodiversity impacts, dependence and risks together is good risk management. To manage our risks from and our impacts and dependence on biodiversity loss we commit to carry out an assessment of our investments (corporate bond, equity, sovereign and real asset portfolios), underwriting and operations to identify and prioritise key areas of impact and dependency^A including using relevant assessment tools as they become available. We aim to complete this by the end of 2023.

This assessment will allow us to:

- Set and disclose targets to increase our positive and reduce negative impacts on biodiversity^B
- Review our underwriting risk appetite and underwriting boundaries, focusing our attention on areas where we can make the biggest difference

- Incorporate the biodiversity impacts into procurement decision-making
- Develop enhanced safeguards and screening practices for high impact sectors^A across our investment and underwriting activities
- Develop comprehensive policies to safeguard World Heritage Sites based on the recommendations set out in the joint guide from WWF, UNEPFI, PSI & UNESCO.¹¹
- Report annually and be transparent about our progress and any significant positive and negative contribution to global biodiversity goals linked to our financing activities and investment portfolios.

We will prioritise the areas where we have the greatest exposure and where we can make a material difference.

¹¹ <https://www.unepfi.org/psi/wp-content/uploads/2019/10/PSI-WWF-UNESCO-guide.pdf>

Engagement and Support

Our default approach is to engage with companies to encourage and support them to address biodiversity impacts and dependence and manage associated risks. Consistent with our approach to climate action, divestment is not our first choice but having it as an option gives our engagement teeth. Once we have assessed our investment and underwriting portfolio impacts on biodiversity, we will evaluate whether an exclusion policy could materially reduce those impacts.

We already have baseline investment and underwriting exclusions^c for the following activities on account of their climate change and biodiversity impacts:

- **Arctic Drilling^d** – Drilling for oil in the Arctic Ocean is fraught with difficulty due to the region's extreme climate and remote location. This makes oil spills more likely. A significant oil spill could have irreversible effects on the region, with the region lacking the infrastructure that would be required for a clean-up operation. This would make such an event potentially catastrophic.
- **Oil Sands^e** – Oil sands are amongst the most carbon intensive fuels on the planet – Greenpeace (May 2021) estimates that the amount of greenhouse gases emitted per barrel of oil sands can be 30% higher than conventional oil,¹² as well as having negative impacts on biodiversity, water quality and local indigenous groups.

Additionally, we do not insure the processing of toxic waste materials^f or global mining conglomerates and underground mining operations.

Our impact assessment will help us to prioritise our engagement activities, focusing on those in high impact sectors^g and where we have the largest exposures across our investment, underwriting and operations activities. We will encourage these companies to take action on biodiversity loss and support them in identifying appropriate actions and targets^h including exploring potential science based targets for nature.

Aviva Investors will continue to engage on priority themes of deforestation, sustainable protein, plastics, hazardous chemicals and the circular economy, with companies in the high impact sectors in addition to our extensive climate change engagement programme. Planning is currently underway for an engagement programme with 40 companies, focussing on each company's biodiversity policies and targets. Additionally, we will carry out an assessment of deforestation risk in our portfolio as the first step in assessing wider biodiversity impacts and dependencies.

In terms of our voting policy, we commit to the following:

- We will vote in favour of proposals asking companies to abstain from operating in, or using materials extracted from, protected areas, key biodiversity areas or those deemed environmentally sensitive.
- We will vote against targeted management resolutions at the worst performing forest risk commodity companies in the Global Canopy Forest 500 ranking¹³
- We will support shareholder resolutions asking management to assess, report on and reduce key impacts and dependencies on nature for high impact sectors.^A

Deforestation

Deforestation is a high priority issue for Aviva, as it sits at the nexus of both climate change and biodiversity loss. In October 2021 we signed up to the Financial Sector Commitment Letter on Eliminating Commodity-Driven Deforestation. We will use our best efforts via engagement and stewardship to eliminate forest-risk agricultural commodity-driven deforestation activities at the companies in our investment portfolio and in our financing activities by 2025.

We welcome the UK COP Presidency's ambition and leadership in respect of deforestation, but also recognise the practical difficulties in delivering deforestation free portfolios: to date, no public company with significant involvement in high risk forest commodities has been able to guarantee there is no deforestation in their supply chain.

We are determined to play our part in driving change by encouraging the companies we own to do more to eliminate deforestation. Our first step will be to carry out a formal assessment of our portfolios for deforestation risk and to prioritise direct commodity driven deforestation. Our focus remains on engagement with high risk companies to deliver real world impact, rather than avoidance or divestment.

¹² <http://oci.carnegieendowment.org/#total-emissions>

¹³ scoring 0 / 5 in the Global Canopy Forest 500 ranking <https://forest500.org/>

Restoration

As well as acting to limit harm, we also have the potential to promote biodiversity by creating and investing in new products. We will explore the potential for insurance products that can contribute to biodiversity restoration. Through our Climate Transition Real Assets strategies we will invest a minimum of £50m in 2021-22 in afforestation and sustainably managed forest. This allows us to achieve net zero without additional carbon credits.

Our direct investments in forestry will be made in accordance with the Woodland Carbon Code and forests owned in whole or part by Aviva Investors' clients will be managed in line with the Forest Stewardship Council sustainable forestry management practices. This is in addition to the £100m investment in nature-based solutions by 2030 committed as part of our climate ambition.¹⁴

Aviva Canada has written a piece of Surety business for a pipeline that moves gas from an existing gas well that has been in production for years and has a 5-10-year life still remaining. Once the well production is uneconomical, we are providing a guarantee for the reclamation work to remove the pipeline and restore the land to its prior condition. The agreement is with the Province of Alberta. We hold the corporate guarantees and/or collateral as security for Aviva, guaranteeing they will complete the reclamation work. Aviva Canada spent a lot of

time ensuring the gas well has the economics (including a stress test of their models) to meet the reclamation obligation and/or the corporate guarantors have other assets capable of meeting the reclamation requirements. Cash has been set aside in a trust account to pay for the reclamation as mines get closer to end of life.

We recognise the passion and interest in this area from our employees, with the formation of the Wild Aviva working group consisting of colleagues across the business with an interest in conservation. We have piloted a number of initiatives at our Bristol site including installing bird boxes, planting wild flowers, and a dawn chorus survey which will enable us to record species as the site 'comes to life' early in the morning. We aim to roll these out to the rest of our UK sites fostering the commitment and engagement of our employees by supporting these local initiatives.

Across our office site locations we commit to undertaking an assessment of species and habitats to baseline our office site biodiversity. We will then look at actions we can take to preserve and restore biodiversity as appropriate for each location. We look to work with local partners including local councils and charities where possible.

¹⁴ <https://www.aviva.com/newsroom/perspectives/2021/03/taking-climate-action/>

Influencing

Influencing governments and policymakers to make systems-level changes to support the transition to a sustainable future is a key part of the Aviva Sustainability Ambition. The Finance for Biodiversity Pledge commits signatories to reverse biodiversity loss by 2030 and we call on governments and policymakers in the UK and around the world to ensure that our financial system does not place demands on the natural world that exceed its supply.

The UK government has highlighted the current state of biodiversity, identifying key activities that facilitate biodiversity loss and some of the market failures.¹⁵

Governments must now agree and commit to clear, shared goals to stem and reverse biodiversity loss by 2030. This should include SMART (Specific, Measurable, Achievable, Realistic and Timely) targets and interim milestones. Explicit commitment to biodiversity loss reduction and specific targets should be accompanied by financing plans. We believe government action to create the enabling conditions for investors to derive an income stream from the restoration of nature is key to unleashing private sector investment into this most fundamental of public goods.

Companies and financial institutions should be encouraged to assess and report on both their impacts and dependencies on nature to aid in the appraisal of nature-related risks and opportunities. Initiatives such as the Taskforce for Nature-related Financial Disclosures, where we are a member of the Stakeholder Group, must be rapidly developed to help with this.

The April 2022 Convention on Biological Diversity (CBD) in Kunming, China is a critical moment for galvanising international efforts to halt and reverse biodiversity loss, as the CBD's 2011-2020 Strategic Plan will be updated with a Post-2020 Global Biodiversity Framework. This framework will determine the priorities for individual governments and the actions companies take would be expected to align. As such, it needs to be definitive and ambitious and to reflect the role a sustainable financial system must play, if the CBD's shared 2050 vision of living in harmony with nature is to be achieved.

Aviva continues to work in conjunction with our strategic partner, WWF, to drive an ambitious outcome for the Convention on Biological Diversity (CBD) post-2020 Framework that is inclusive of all stakeholders.

On a local level, Aviva is campaigning for action to be taken to ensure companies are incentivised to protect the environment in which they operate and to ensure that "protected areas" are genuinely protected. We will continue to increase our activity making the case for biodiversity restoration and protection as well as a global financial system to serve this.

Metrics, Targets and Reporting

We welcome activity from external stakeholders who are developing measurement approaches and biodiversity indicators. In particular, the development of the World Benchmarking Alliance Nature Benchmark and the Science Based Targets for Nature are promising. Aviva is a member of the Taskforce for Nature-related Financial Disclosures (TNFD)⁶ Stakeholder Group and we will continue to work with the TNFD to support progress in this area.

Once we have completed our assessment and baselined our biodiversity impacts and dependencies, we intend to set more detailed targets to help us reach our goal to reverse nature loss by 2030, aligned to the Post-2020 Global Biodiversity Framework. We expect to report annually against these targets including any positive or negative contribution to global biodiversity goals linked to our investment, underwriting and operational activities. We call upon other companies to adopt a similar approach.

Our customers, colleagues, communities and economy all depend on a thriving natural environment. It takes all of us to make the changes that are needed to help protect and restore the biodiversity that sustains us all.

¹⁵ https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/957292/Dasgupta_Review_-_Abridged_Version.pdf

Footnotes

A. The Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services (IPBES) and Portfolio Earth highlights the following industry sectors as key drivers of biodiversity loss:

- Food system and agricultural commodities, notably fisheries, aquaculture and mariculture; and agriculture and grazing (crops, livestock, agroforestry)
- Forestry and non-food forest commodities
- Metal and mineral mining
- Fossil fuels
- Infrastructure (dams, cities, roads)
- Tourism
- Relocation of goods and people (air, sea & road)

Additionally, the UNEPFI Beyond Business As Usual Report highlighted the following sectors as having high inherent dependencies on ecosystem services: Agricultural Products, Apparel, Accessories & Luxury Goods, Brewers, Electric Utilities, Independent Power Producers & Energy Traders, Distillers & Vintners, Forest Products, Water Utilities.

B. Shareholder assets and customer assets where we have decision-making control. Where we do not have this control (for example, where it rests with trustees of pensions schemes) we will engage with the decision-makers to explain our approach.

C. In line with our climate commitments, this exclusion applies by the end of 2021 to companies making more than 5% of their revenue from these activities. We make an exception for those companies serious about their transition out of high carbon fuels and who have committed to clear Science-Based Targets aligned to the Paris Agreement target of limiting temperature rises to 1.5 degrees.

D. Arctic Drilling – The definition of Arctic is geographical and includes oil production activities north of the 66.5 latitude. This includes offshore or onshore oil production.

E. Oil Sands is a type of unconventional fossil fuel consisting of sand, bitumen (dense crude oil), clay, minerals and water, it is heavy and frequently requires significant amounts of water and energy to extract and refine.

F. Toxic waste being any chemical or substance that presents a significant hazard to health or the environment as defined by local legislation and regulations. We would consider customers where such processing is an incidental non-core activity where this is fully compliant with all environmental regulations and legislation.

G. The Taskforce for Nature-related Financial Disclosures (TNFD) consists of 4 founding partners (Global Canopy, the United Nations Development Programme (UNDP), the United Nations Environment Programme Finance Initiative (UNEP FI) and the World Wide Fund for Nature (WWF) which support the Informal Working Group and Technical Expert Group. They aim to deliver a reporting framework which complements the Taskforce on Climate-related Financial Disclosures (TCFD) framework to give companies and financial institutions a complete picture of their environmental risk. The framework is due to be delivered in 2023.