



Aviva's response to the UN Principles for Sustainable Insurance - 2013

Introduction

Aviva provides insurance, savings and investment products to 34 million customers in Europe, Asia and Canada including being the number one insurer in the United Kingdom.

We combine strong life insurance, general insurance and asset management businesses under one powerful brand. We are committed to serving our customers well in order to build a stronger, sustainable business, which makes a positive contribution to society, and for which our people are proud to work.

Long term insurance and savings business from continuing operations accounted for over 58% of our total business, based on worldwide sales for the year ending December 2012. General insurance and health insurance together accounted for 42% of our total worldwide sales for year ended December 2012.

Aviva is in the top 10% of socially responsible companies globally in the Dow Jones Sustainability World Index, as well as ranked as one of the FTSE4Good top 5 companies in their index. In 2010 we became one of 50 companies to gain LEAD Global Compact status. We are a strong supporter of United Nations Principles of Responsible Investment, with representation on the UN PRI Board.

Involved in the working group to develop the [United Nations Principles for Sustainable Insurance](#) over a number of years, Aviva was pleased to become a founder signatory company in June 2012 through the commitment of our Chairman, John McFarlane. Aviva is also represented on the UNPSI Board. Our Singapore CEO, Nishit Majmudar brings a wealth of insurance business knowledge focusing on risk, but also on the very day to day practicalities of how managing a business sustainably can be of benefit all our stakeholders.

In May 2013 Greg Clark, Financial Secretary to the Treasury in the UK highlighted the insurance sector's vital contribution to the UK economy and its social fabric through meeting the

financial needs of communities and as long-term investors. Societal benefit is intrinsic to the whole purpose of existence for insurance companies.

Principle 1 - We will embed in our decision-making environmental, social and governance issues relevant to our insurance business.

Actions:

Company strategy

- Establish a company strategy at the Board and executive management levels to identify, assess, manage and monitor ESG issues in business operations.

In 2007 Aviva recognised the need for a [Board level committee](#) to oversee and review the Corporate Responsibility programme and through this we integrate ESG issues at a market and function level into one cohesive global strategy.

Each year, we assess our material ESG issues which form the basis of our Corporate Responsibility strategy and 'book of work'.

The Board CR Committee [reports its progress](#) in the Annual Report & Accounts. In 2012, the Committee undertook an annual review of its performance and effectiveness which concluded that overall the Committee was effective in carrying out its duties. Committee members identified areas for greater focus in 2013 and the Committee's remit will be extended to provide an increased focus on corporate governance, oversight of the brand, values and reputation of the Group and the Group's conduct with customers.

Acting responsibly and with integrity underpins Aviva's purpose to provide peace of mind. [Our corporate responsibility strategy](#) enables us to put this into practice.

- Dialogue with company owners on the relevance of ESG issues to company strategy

The dialogue with all [Aviva's stakeholders](#) is an ongoing process. Our shareholders are key stakeholders when it comes to environmental, social and governance issues. Aviva regularly reviews the ESG issues that are [most material to the business](#). Each year we ask shareholders to vote on our CR report. Investors can use this opportunity to vote against our approach and raise concerns. In 2012 a key issue for shareholders was [executive remuneration](#).

- Integrate ESG issues into recruitment, training and employee engagement programmes

Aviva aims to be an employer of choice and we strive to create an environment that will help [our people thrive and grow](#). We seek to [create inclusive workplaces](#) that supports employees not only [financially](#), but through [health and wellbeing](#). We [engage with employees](#) through particular campaigns around our material issues, such as ClimateWeek, Street2School and Community Development specifically and we also have an intranet forum where employees can raise and debate any issue

around the way we conduct business. In the past one year, issues as far ranging as our carbon offsetting approach, diversity and inclusion agenda, culture and values have all been openly discussed online.

In the UK, our front line manager training incorporates a module on embedding sustainability.

Risk management and underwriting

- Establish processes to identify and assess ESG issues inherent in the portfolio and be aware of potential ESG-related consequences of the company's transactions

We insure people against risk so this issue goes to the core of our business model. [Risk management](#) is integral to providing financial stability for our customers, shareholders and stakeholders. Aviva's general insurance underwriting standard states we will not undertake any activity, client risk or cover that compromises our values and could affect our brand. There are some sectors, activities and processes that are outside our risk appetite, presenting large ESG risks which we aim to avoid.

- Integrate ESG issues into risk management, underwriting and capital adequacy decision-making processes, including research, models, analytics, tools and metrics

Aviva draws on many areas of research, both on a collaborative and on a specifically commissioned basis, to inform our decision making processes. These include involvement in the [CRO Forum](#) and [ClimateWise](#), use [digital flood mapping](#) models, to name a few. Having consistency in approach for ESG risks across the various areas of the Aviva businesses and functions is increasingly important. An example of this was the exclusion of cluster munitions in respect of investments and general insurance business. We also support wider areas of research around ESG issues which at this point in time do not directly impact Aviva, but assist with better understanding of [risks, consequences and solutions](#).

Product and service development

- Develop products and services which reduce risk, have a positive impact on ESG issues and encourage better risk management

Over a number of years we have developed our focus on ESG considerations in product and service delivery. From the accessibility of products, in terms of [affordability](#), services for vulnerable people, or [payment methods](#), to the adaptation of existing products to [encourage positive ESG behaviours](#) in customers as in Aviva France.

- Develop or support literacy programmes on risk, insurance and ESG issues

We recognise that [education is insurance](#) and so we are supporting access to education. We also seek to work with others such as The Schools' Business Partnership on careers education and the Citizenship Foundation on economic

citizenship education in schools. As part of our support for [EarthWatch's mangrove research](#) we funded a young Kenyan scientist, helping to develop local scientific leaders of the future.

In a speech in April the new CEO of the UK Financial Conduct Authority gave special mention to Aviva in his first [speech](#), saying: "The best financial service companies, the most consumer-focused, go to considerable pains to make sure their customers are steered towards the best products and the most suitable. We should applaud these firms and learn from them.'

Claims management

- Respond to clients quickly, fairly, sensitively and transparently at all times and make sure claims processes are clearly explained and understood

When a customer comes to us for help, we want to respond with sensitivity and empathy. We know that a friendly word can mean a lot. These may seem like little things, but they're little things that can make a big difference. [Our 2012 report](#) highlights the steps that we have taken in India to improve complaints handling. We also know that during major life traumas, customers need the claim process to be a [quick and simple](#) as possible.

- Integrate ESG issues into repairs, replacements and other claims services

We believe that we can help customers in a more valuable, sustainable way than just them a cheque to complete a claim. Whether it is as part of a process that the customer [does not necessary see](#), or helping the [customer work through the associated challenges](#) that has caused them to claim in the first place, we can build in ESG considerations to make the process as fair and sustainable as possible.

Sales and marketing

- Educate sales and marketing staff on ESG issues relevant to products and services and integrate key messages responsibly into strategies and campaigns
- Make sure product and service coverage, benefits and costs are relevant and clearly explained and understood

Aviva's Chief Marketing Officer Amanda Mackenzie is currently the President of the UK Marketing Society. The Marketing Society has just launched their marketing manifesto. They started by creating a definition of the purpose of marketing: "To create sustainable growth by understanding, anticipating and satisfying customer need."

Aviva aligns itself to this, which includes:-

Make sustainable growth your central aim

This area is central to the purpose of marketing, but it is not always seen as the

starting point for what marketing has to achieve. It needs to be, and, of all roles in a business, marketing is best-placed to make a strong contribution to this cause.

Studying the best current thinking on sustainability reminds us that resources are finite, and that costs will rise as their scarcity increases. The marketer's job is to translate society's need for sustainability into winning solutions for customers and the business.

Leave a positive legacy

Keep one foot in the future and one in the past. Be the guardian of this chapter of the brand and business by looking to the future while remaining mindful of the brand's past, history, heritage and value.

We are currently developing a customer thesis for Aviva that will have ESG considerations at its core.

Investment management

- Integrate ESG issues into investment decision-making and ownership practices (e.g. by implementing the Principles of Responsible Investment)

Aviva was a founder member of the [Principles of Responsible Investment](#) we are continuing to embed the PRI principles into all aspect of our assets under management. Aviva Investor's CEO, [Paul Abberley](#) sits on the Board of the PRI.

Principle 2 - We will work together with our clients and business partners to raise awareness of environmental, social and governance issues, manage risk and develop solutions.

Actions:

Clients and suppliers

- Dialogue with clients and suppliers on the benefits of managing ESG issues and the company's expectations and requirements on ESG issues
- Provide clients and suppliers with information and tools that may help them manage ESG issues

We ask suppliers to disclose their sustainability policies and to publicly report their annual progress. We review their progress on sustainability issues as part of our annual contract review.

- Integrate ESG issues into tender and selection processes for suppliers

As part of our procurement process we ask potential suppliers to complete a series of questions around their corporate responsibility stance. We ask them to sign a supplier code of conducts and have a standard CR clause in our contracts. We have

a set of [CR supplier KPIs](#) to monitor our progress in this area. We also build data reporting requirements into contracts where appropriate, so that in turn we can report our impacts as accurately as possible.

- Encourage clients and suppliers to disclose ESG issues and to use relevant disclosure or reporting frameworks

We ask if suppliers disclose to frameworks like CDP, and to areas of online reporting such as Ecodesk.

Going forward, we would seek to make the supplier processes that we have in place consistent across all our markets.

Insurers, reinsurers and intermediaries

- Promote the adoption of the Principles
- Support the inclusion of ESG issues in professional education and ethical standards in the insurance industry

We work with others in the insurance sector on research and definition of issues and risks through our membership and participation in groups like ClimateWise, The Chief Risk Officers forum, The Geneva Association and the United Nations Finance Initiative Environment Programme and through Insurance Associations such as the ABI and the Insurance Bureau of Canada.

Principle 3 - We will work together with governments, regulators and other key stakeholders to promote widespread action across society on environmental, social and governance issues.

Actions:

Governments, regulators and other policymakers

- Support prudential policy, regulatory and legal frameworks that enable risk reduction, innovation and better management of ESG issues
- Dialogue with governments and regulators to develop integrated risk management approaches and risk transfer solutions

We regularly comment on regulators proposals, for example the [Pension Regulators requirements](#) to treat customers fairly in respect of pension provision in the UK. Last year we worked with various stock exchange to encourage the adoption of the [Sustainable Stock Exchange Initiative](#).

Other key stakeholders

- Dialogue with intergovernmental and non-governmental organisations to support sustainable development by providing risk management and risk transfer expertise

For the past year Aviva has provided a secondee to the HRH The Prince of Wales charities as an insurance sector adviser. Her work has included working with the Foundation for Built Community.

Last June Aviva spearheaded the collation to promote a [UN treaty on global sustainability reporting](#) at Rio+20 which became paragraph 47 in the summits outcome document.

- Dialogue with business and industry associations to better understand and manage ESG issues across industries and geographies

Aviva has been a member of the [CBI's Energy & Climate Change Board](#) since its creation in 2007.

On sustainability reporting, we convened the Corporate [Sustainability Reporting Coalition](#). The CSRC represents financial institutions, professional bodies, NGOs and investors with assets under management of approximately US\$2 trillion. We are also working with others in the IIRC and recently hosted an EU event in Brussels to promote better integration of sustainability information into companies' annual reports and accounts. The debate was well-attended by senior MEPs and European Commission officials who hope to introduce this into EU legislation by the end of the year.

- Dialogue with academia and the scientific community to foster research and educational programmes on ESG issues in the context of the insurance business

We have worked with Earthwatch for the last four years supporting scientific research into mangrove as carbon sinks. The protection and expansion of mangrove also in beneficial in the way it breaks up the impact of storm surge and tsunami and it a vital part of ecosystem services.

In 2013, Aviva together with HSBC and WWF commissioned a four year research programme with Oxford University to understand the impact of stranded assets.

- Dialogue with media to promote public awareness of ESG issues and good risk management

For a number of years we have funded research in to pension savings, the [Real Retirement report](#). We have also funded research in the UK in which patients [call for better mental health provision](#).

Through the media we highlight ways that our customers [can reduce storm, cold and flood risk](#).

Principle 4 - We will demonstrate accountability and transparency in regularly disclosing publicly our progress in implementing the Principles.

Actions:

Assess, measure and monitor the company's progress in managing ESG issues and proactively and regularly disclose this information publicly

- Participate in relevant disclosure or reporting frameworks
- Dialogue with clients, regulators, rating agencies and other stakeholders to gain mutual understanding on the value of disclosure through the Principles

Aviva has been actively monitoring and publicly reporting on progress on its management of ESG issues annually for the last fourteen years. Our reporting has grown in scope of material issue and geographic coverage, also in the level of independent [third party assurance of our work](#). We have responded to the [DJSI and CDP](#) investor surveys since 2002 and to PRI and [ClimateWise](#) Principles since their inception in 2007. We value the process of responding our Communication Of Progress as part of our LEAD membership of the [Global Compact](#).

Aviva Investors use such reporting tools and frameworks in their [engagement process](#) with companies in which we invest to encourage reporting that is sustainable and transparent.