

Environment

1 Policy objective

1.1 The objective of this policy is to limit the impact that our businesses have on the environment and to manage environment risk as effectively as possible. Aviva is aware of the significance of the environmental challenge for our business and for society posed by climate change. This policy sets out how we will engage to meet the various environmental challenges and opportunities in line with Aviva's commitment to good environmental practice and innovation.

1.2 Climate change is commonly regarded as one of the greatest challenges of the century. Our climate change position statement is:

"The core of our business is making provision for future events. As a forward thinking insurer we are making provision for the effects of climate change through adapting and creating new products and services to meet this challenge. We also seek to reduce our own CO₂ output and we encourage others to do the same through our influence as investor and purchaser. We will work with others to better understand the future implications of climate change and play our part in helping to develop and deliver society's continuing response."

1.3 Aviva is a founding signatory to the Association of British Insurers (ABI) insurance climate change principles - "ClimateWise". The diverse nature of the insurance industry means that different signatory organisations will be able to take action in different ways on the principles. As signatories we will comply with all areas that can be applied to our business or explain why it is impossible to do so.

1.4 Working individually and collectively to reduce the economy's and society's long term risk from climate change, and within the confines of a competitive market, we will:

- Lead in risk analysis.
- Inform public policy making.
- Support climate awareness amongst our customers.
- Incorporate climate change issues / concerns / opportunities into our investment strategies.
- Reduce the environmental impact of our business.
- Improve governance, reporting and transparency.

1.5 Further details can be found in the ClimateWise principles www.climatewise.org

2 Policy owner

2.1 The group policy owner for this policy is the group corporate social responsibility director. This policy is an element of corporate social responsibility (CSR).

2.2 The executive sponsor for this policy is the group human resources director.

3 Primary audience

3.1 This policy makes clear to all our stakeholders - our customers, employees, shareholders and investors, suppliers and business partners, non-governmental organisations and pressure groups and the communities in which we operate - what our position is on the environment and on climate change in particular and how we propose to respond to these challenges.

3.2 As one element of CSR, responsibility for embedding the environment policy across the regions and businesses lies with our CSR regional contacts and CSR nominated managers respectively. This policy directs these individuals on the effective embedding, monitoring and reporting of progress on the environment programme.

- 3.3 Although specialist staff have responsibility for the environment policy, all staff must recognise that they hold responsibility for minimising their environmental impact in their day to day activities e.g. minimising energy consumption, use of natural resources, considerations around business travel. Responding to environmental challenges, particularly climate change requires the involvement of all.

4 Scope

- 4.1 The scope of the policy is groupwide and applies to all Aviva operations including businesses and legal entities.
- 4.2 For joint ventures and outsourcing arrangements, senior management should satisfy itself, as far as reasonably practicable, that the systems and controls which are in place are appropriate to monitor and mitigate risk.
- 4.3 Further, Aviva expects equivalent standards from its suppliers and business partners. Guidelines for suppliers and business partners are outlined in the purchasing and supplier management policy.

5 Alignment to risk appetite

5.1 Inherent risks

This policy supports management of the following inherent risks:

5.1.1 Environmental impact

- The group may not be able to uphold its commitment to reduce its carbon dioxide emissions. This may have financial implications for the group's global carbon neutral commitment.

5.1.2 Climate risk

- The group fails to regularly update on pricing and capital allocation to reflect the latest scientific evidence in respect of the climate risk prevailing, in accordance with Financial Services Authority (FSA).

5.1.3 Environmental legislation / regulation

- Non compliance with local environmental legislation / regulation by any part of the group. This may have financial / reputational implications for the group.

5.2 Risk appetite

In addition to the risk appetite statements specified in the risk management and internal control policy, the specific risk appetite statements in relation to this policy are below.

The group has no appetite for:

- Unaccounted increases in the group's carbon dioxide emissions that compromise the group's public global carbon neutrality status.
- Inappropriate reserving and capital allocation in respect of the prevailing climate risk which may compromise the reputation or financial stability of the company.
- Unfavourable reputational or financial implications by failing to comply with local environmental legislation / regulation.

6 Minimum standards

6.1 Risk management and control

(Principles for efficient capital management are addressed in the capital management policy).

The key risk processes and principles covering the inherent risk areas above are set out in this section.

6.1.1 Planning / change

Management information for environment risk should be used to provide insight, inform the operational planning process and influence resource allocation including capital. Environmental actions should be considered as part of the business planning exercise.

6.1.2 Risk appetite

Risk appetite statements and tolerances should be clearly defined and refreshed on a regular basis (at least annually) and as an integral part of the planning process. Risk appetite should be defined for a business as usual situation within an established business and also needs to be sufficiently flexible to deal with a variety of situations (e.g. rapid market expansion, managing significant change) and should support rather than constrain sensible risk taking to deliver business strategy.

6.1.3 Risk analysis

Regular reviews (at least on a quarterly basis) of environmental systems and processes must be actively performed to ensure inherent environmental risks are effectively managed.

CSR regional contacts must ensure that businesses undertake an environment risk assessment to identify those areas susceptible to environment risk and introduce preventative controls into new and existing systems and processes.

6.1.4 Controls

Appropriate controls must be in place to ensure the following requirements are met:

A. Governance

Group CSR and the CSR regional contacts, will strive to integrate environmental considerations and opportunities into:

- i. Development and implementation of a corporate policy.
- ii. Business decision making.
- iii. Development and delivery of insurance / investment products and vehicle services.
- iv. Purchasing and supplier management.
- v. Exploiting opportunities to maximise efficiency and minimise environmental impact through our working practices, in areas such as energy management, paper usage, waste reduction and recycling, and communications:
 - o *Energy* - there must be a commitment to reduce the use of energy, water and other natural resources and implement regular maintenance and improvement programs to ensure that the buildings operate at their optimal environmental efficiency.
 - o *Waste* - the reduction of waste must be a key objective for businesses. Where possible, waste materials are recycled and separated for collection by specialist organisations. Where waste cannot be recycled, the disposal is in strict compliance with the law and according to the best practicable environmental option.
 - o *Communication* - property services must communicate openly with staff, tenants and users of the premises to encourage them

to support the environment policy and involve them in relevant environmental initiatives.

- o *Transport* - Aviva's business vehicles must comply with emission regulations. The use of telephone, video and web conferencing as an alternative to business travel is encouraged. When business travel is necessary the mode of travel should be considered, taking into account financial impacts with environmental, health and safety and work / life balance implications. Alternative types of low polluting transport as a means of travelling to work is encouraged.
- vi. Managing our buildings and facilities by integrating measurable, monitored environmental actions into our business plans.
- vii. Incorporating best practice for environmental efficiency into new builds and refurbishments.
 - o *Built environment* - the management of buildings where we have control must reflect best engineering practice to minimise any risk to human health and the environment. Property services must maintain clean drinkable water and the supply of air to the offices to a high standard, while minimising any hazardous effects from emissions or materials.
- viii. Raise staff awareness, encourage and enable them to make an effective contribution to environmental improvement, both in work and within the local community.
- ix. Participate in external initiatives designed to improve environmental awareness and performance.

B. Environmental objectives

- i. Group CSR will annually review the group's performance worldwide as part of the annual CSR reporting cycle to ensure that we are meeting our environmental objectives and targets and will publish reports annually.

C. Delegated authorities

- i. A system of delegated authorities must be maintained by the CSR regional contacts in their regions which provide a clear and appropriate allocation of environmental responsibilities, including environmental support at senior management level.

D. Environmental responsibilities

- i. Environmental responsibilities must be incorporated within business CSR nominated managers' and other relevant individuals' job descriptions, objectives and performance assessments.

E. Environmental resource

- i. Adequate environmental resource must be available to manage the regional and local business environmental programmes. This includes designing, documenting, operating, reporting and monitoring an appropriate management system that is adequate to meet local, regional and group requirements.

F. Environmental management

- i. CSR regional contacts must ensure that the businesses in their regions share and apply best practice in environmental management.

G. Policy compliance

- i. CSR regional contacts must ensure that businesses meet group policy compliance reporting requirements in line with group requirements. Regions must disclose all material areas of non compliance.

6.1.5 Actions

Where differences in risk appetite and the residual risk profile have been identified by the risk analysis process, remedial action plans must be put in place. In instances where controls are deemed to be deficient, these action plans should include improvements in both the control design and its operation. In all cases action plans should contain SMART (specific, measurable, achievable, realistic and time-bound) actions with progress reported on a regular basis to management.

6.1.6 Line management and reporting

- i. Regions must fulfil the reporting requirements of group CSR. Procedures must be established to enable the reporting of environment related risk issues to local management and group senior management on a regular basis.
- ii. Clear lines of internal accountability, responsibility and reporting must be established. Primary responsibility for managing environment related risks rests with the head of business. Appropriate internal controls must be in place, operating effectively and staff must be adequately trained.
- iii. Relevant environmental key performance indicators (see appendix) must be included in the regions' quarterly performance management monitoring (PMM) report.

Escalation of breaches

- i. Material breaches of this policy, including any identified issues that could lead to a breach, should be notified to the group policy owner and the regional chief risk officer immediately (within 24 hours). Where breaches are identified that are material at group level, the group chief risk officer should also be notified.
- ii. Materiality of a breach or issue can be determined by reference to the delegated authority limits for risk management that outline the relevant escalation protocols.
- iii. The group policy owner will advise the relevant oversight committee (i.e. ORC or ALCO) and executive sponsor of any material breaches.
- iv. As primary responsibility for risk management lies with line management it is expected material breaches will be also reported up through functional management. All material breaches should be documented through the quarterly risk reporting cycle.

6.2 Responsibilities

6.2.1 Business

Head of business:

- Ensures that the business manages environmental risk and operates in line with the minimum standards in this policy.
- Maintains an appropriate control structure and culture to manage environmental risk exposure within appetite.
- Meets management information reporting requirements to demonstrate that environmental risks within the business are being managed effectively.

Local policy owner:

- Acts as a local subject matter expert and provides guidance in relation to the policy.
- Ensures that the requirements within this policy are understood by the business to assist them in implementing local compliance monitoring arrangements.
- Escalates any areas of concern directly to the group policy owner where issues cannot be resolved locally.

Staff:

- It is the responsibility of all staff to familiarise themselves with Aviva's environment policy.

6.2.2 Region

The responsibility of the region is to provide appropriate oversight and challenge, as part of the second line of defence, in order to satisfy itself that the businesses in the region operate in line with this policy.

- CSR nominated regional contacts have a responsibility for implementing the environmental programme across their regions, as detailed in points 6.1.1 - 6.1.6 above.
- Regional executive management have a comparable responsibility for their regional operations. They must review the region's environmental programme progress at least annually to ensure that it fulfils the objectives of the policy.

6.2.3 Group

The group policy owner:

- Maintains the integrity of policy content and develops adequate guidance material to support implementation.
- Acts in an advisory capacity to set the risk appetite and provides guidance on establishing the control environment to ensure risks are managed within appetite.
- Provides advice, support and technical guidance in relation to the policy, including application for waivers and notification of breaches.
- Defines the management information required from the business for the oversight committees to discharge their governance oversight and also provides technical advice and reports to these committees as appropriate.

Other responsibilities:

- The group chief executive is the main board director with primary responsibility for the environment programme. The group board CSR committee is responsible for reviewing and monitoring the group environmental programme.
- Group CSR has liaison responsibility with CSR regional contacts and is responsible for coordinating a coherent environmental programme across the regions.
- CSR nominated managers must coordinate and oversee the business embedding, target setting, monitoring, and reporting on the environment programme.

7 Waivers and exceptions

- 7.1 In exceptional circumstances, and on a case by case basis, a waiver or exception may be granted to this policy.
- 7.2 All requests for a waiver or exception in respect of any requirements of this policy must be discussed with the regional chief risk officer. Applications should be forwarded to the group policy owner (cc group chief risk officer) with a supporting detailed business / operational justification signed by the business head requesting the waiver or exception.
- 7.3 The group policy owner, in liaison with the group chief risk officer, will decide upon the application and advise the region of the outcome. The group policy owner will provide details to the relevant oversight committee (i.e. ORC or ALCO) and executive sponsor of any waivers or exceptions granted.

8 Reference to supporting materials

8.1 Group committees

Terms of reference are available on the intranet for these group committees:

- Group board CSR committee

8.2 Group policies

The entire policy set has been designed to support an effective risk management and internal control environment.

8.3 Risk and control matrix

This document demonstrates the linkage between the inherent risks, control objectives, and illustrative key controls and key indicators (qualitative and quantitative) that can be used to provide insight and evidence as to whether the inherent risks the policy is seeking to address are being mitigated adequately in practice.

A matrix should be maintained for each policy. Gathering evidence through indicators will provide the insight into the effectiveness of the internal control environment, and so limiting the need for detailed testing.

8.4 Glossary

Central glossary is maintained within the risk management and internal control policy. Specific terms unique to this policy are attached in the technical glossary provided.

Technical glossary

Term	Definition
ABI	Association of British Insurers - the UK trade association for insurance companies.
CO ₂	Carbon dioxide - the most common of the greenhouse gases - which causes the atmosphere to warm.
Climate change	Changes in temperature, rainfall and other aspects of climate, with potentially disastrous effects for many people. Partly natural and partly anthropogenic (i.e. man made) The latest scientific report advises that anthropogenic climate change is responsible for the increases in the rate of current and future climate changes (IPCC4).
Carbon neutral / carbon neutrality	Reducing carbon emissions to zero by energy efficiency, behavioural changes, new low or zero carbon technologies and offsetting remaining emissions so the net effect is zero.
Carbon offsetting	Buying and retiring an emission reduction that has been achieved or will be achieved by a third party. This compensates for emissions which have occurred elsewhere.

Appendix

Environmental key performance indicators

CSR aspect	Key issue	Objective	Target	Key performance indicator (KPI)	Business response based on performance from 1 Jan - 31 Dec
1. Environment (offsetting)	Climate change	To mitigate against climate change by offsetting the business's remaining CO2 emissions	Aviva to offset its remaining CO2 emissions annually at a Group level and reallocate cost to businesses	Aviva's remaining CO2 emissions offset annually	(Yes/No)
2. Environment (CO2 emissions)	Climate change	To mitigate against climate change by reducing the business's annual CO2 emissions	Business to reduce its CO2 emissions by X% annually	Percentage reduction in the business's annual CO2 emissions	(- %)
3. Environment (water)	Water management	To mitigate against excessive use of natural resources by reducing the amount of water used by the Business	Business to reduce its amount of water used by X% annually	Percentage reduction in the business's annual amount of water used	(- %)
4. Environment (waste)	Waste management	To mitigate against environmental impact by sourcing only what is needed and managing waste more efficiently	Business to reduce its total amount of waste by X% annually	Percentage reduction in business's annual amount of waste	(- %)
5. Environment (recycled waste)	Waste management	To mitigate against environmental impacts by managing waste produced more efficiently	Business to increase its total amount of recycled waste by X% annually	Percentage increase in business's annual proportion of waste that is recycled	(+ %)

6. Environment	CSR Profile	To improve the business's reputation on environmental issues	Increase the percentage response rate given by the business's employees to the global employee climate survey question : "I think<my business>: acts responsibly in relation to the environment"	Business's reputation in relation to the environment (+ %)
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