

# Aviva and Nature: our journey so far

EIOPA stakeholder engagement on  
biodiversity loss risk for insurers

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# The Business Case to Act

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

- Protecting and restoring the planet's biodiversity is crucial in and of itself. It is also intimately connected to the world's response to the climate crisis. Rich ecosystems contribute to and enhance ways of mitigating or adapting to climate change. On the other hand, human-made climate change is one of the main drivers of biodiversity loss.
- Any chance of a sustainable future for us all depends on tackling both issues together. Our action to tackle biodiversity loss therefore goes hand in hand with Aviva's longstanding [commitment to sustainability](#), including our [2040 net-zero plan](#).
- Despite our economies and financial system reliance on nature, most financial activities, public and private, occur with little or no consideration of the impact they are having on the natural world. Not only is this causing significant harm to our biodiversity, it is also failing to consider the very real and significant risks to our assets that biodiversity loss poses.
- The private financial sector is the lynchpin in funding to these activities and is in turn exposed to the risks, as are our customers. As a result, we recognise that we have a critical role to play in halting and reversing biodiversity loss through changing our practices.

# Laying the Foundations – Biodiversity Policy 2021

We were one of the first insurance companies in the world to introduce a specific [Biodiversity Policy in 2021](#).

It covers our underwriting and investment activities, as well as our operations of the business itself.

Our policy sets out the case for action, and seven principles that guide our decision-making and actions.



**Protect and restore biodiversity** – not just minimise loss



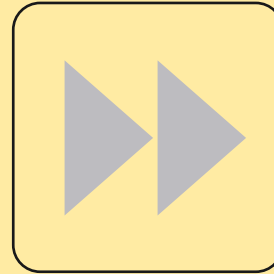
**Identify and manage biodiversity impacts**, dependence on ecosystem services and risks



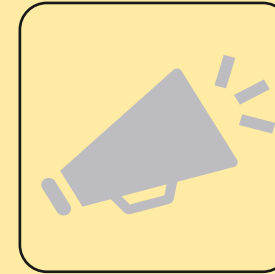
**Collaborate** with others to improve measurement, disclosure and action on biodiversity



**Engage** companies in the first instance and exercise our rights and responsibilities as stewards to support them to tackle biodiversity loss



**Act for progress now**, whilst recognising the challenges and evolving our approach in line with emerging best practice



**Champion biodiversity** through our own people and operations, through the businesses we invest in and underwrite, and through what we ask of governments



**Prioritise** areas where we can make the greatest impact

# From principles to actions – Biodiversity Report 2022

- Building on these seven biodiversity principles, we identified five key areas where we believe we can contribute to help reverse biodiversity loss by 2030, and set out associated activities.
- Following on from our biodiversity policy, we published our [first Biodiversity Report in 2022](#).
- This Report provided a progress update towards the commitments set out under the Biodiversity Policy, and update on the work and ambition across these key areas
- It highlighted highlights our positive and negative contribution to global biodiversity goals across financing activities, investment portfolios and underwriting.

## Five areas of focus:

1. Understanding risks and assessing impacts

2. Engagement and support

3. Restoration

4. Influencing

5. Metrics, targets and reporting

# 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 nature dependencies, impacts, risks and opportunities together is good risk management.**
- To manage our risks from, and our impacts and dependence on nature, we have **carried out an assessment of our investments (corporate bond, equity, sovereign and real asset portfolios), underwriting and operations.** Undertaking such a risk assessment is also delivering against our commitments under the Finance for Biodiversity Pledge and the Terra Carta Initiative we signed up to in 2021.
- This assessment is crucially allowing us to identify and prioritise key areas of impact and dependency, including using relevant assessment tools as they become available, and deliver on existing commitments. We will continue to prioritise the areas where we have the greatest exposure and where we can make a material difference.
- This wider assessment **builds on the assessment of the deforestation risks we conducted across different business areas,** and with its results published in our 2022 report.
- The value of conducting such a deforestation risk assessment was underscored when we signed the [Financial Sector Commitment Letter on Eliminating Commodity-Driven Deforestation](#) in 2021. This entails a commitment to 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.

# Deep dive: Deforestation Risk Assessment (i)

- Our initial priority had been to focus on a formal **assessment of our investment and financial activities for deforestation risk**, prioritising direct commodity-driven deforestation.
- We carried out a **deforestation risk assessment across our financial portfolios (credit, equity, multi-asset and real assets), underwriting and direct operations in 2022**.
- The first step in undertaking this deforestation risk assessment was to carry out a **review of data and tools available** to help us assess our risks.
- In the absence of accurate data reflecting actual deforestation linked to companies, we chose to use datasets which used **proxy indicators on how strong a company's policy is on deforestation**.
- Due to the lack of this deforestation performance data, we believe policy indicators provided an initial step towards understanding our exposure to companies with high deforestation risk and how to prioritise action on agricultural commodity driven deforestation.

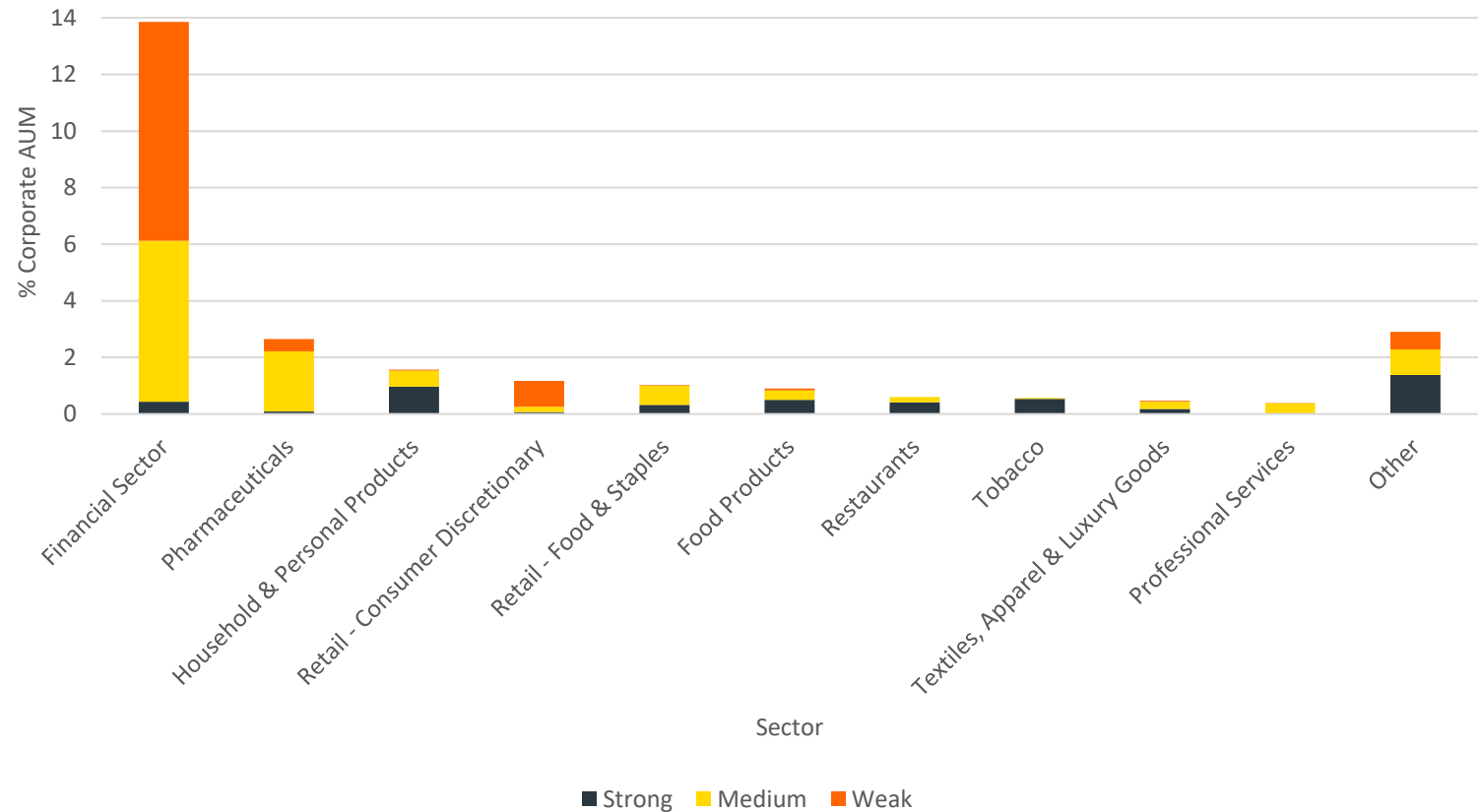
Source	How is deforestation risk considered within this data set?
CDP Forests	Provides company information of policies, volumes, traceability and certification
Forest 500	Provides information on 350 companies and 150 financial institutions on their zero deforestation commitments, commodity-specific policies, traceability and whether progress has been reported transparently
SPOTT	Provides information on public disclosure of policies, operations and ESG commitments split by palm oil, pulp and paper and rubber
Global Forest Watch	Provides satellite imagery to provide near-real time monitoring of deforestation across the globe

# Deep dive: Deforestation Risk Assessment (ii)

## Corporate Holdings results

- We found that **roughly a quarter (26%) of our corporate holdings by value were included in these datasets** and therefore were considered by the NGO community to have exposure to deforestation.
- **Over half this quarter were financial institutions, which have an exposure to deforestation via the companies they finance.**
- The other half have exposure to deforestation via their supply chains, and the largest holdings we had with exposure here are in the pharmaceutical, household & personal products and retail sectors.

Aviva's corporate holdings by proportion exposed to deforestation by sector and strength of deforestation management score

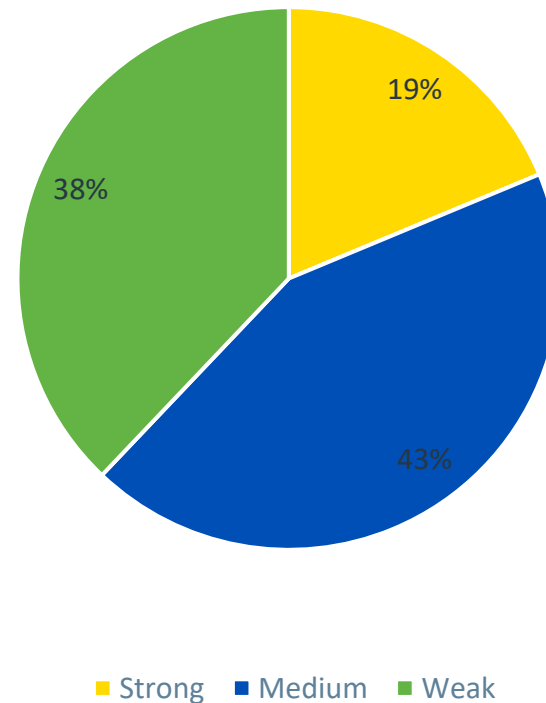


# Deep dive: Deforestation Risk Assessment (iii)

## Corporate Holdings results

- Overall, 38% of our holdings were exposed to deforestation risk were judged to be weak on managing this risk, while 43% are medium, and 19% strong.
- We have drawn on these conclusions to inform our engagement strategy since. We have also since further refined our model using additional indicators and updated datasets from CDP Forests, SPOTT and Forest 500.
- Additionally, we have been looking at how Global Canopy's TRASE tools can be applied to our assessment as a next step to provide a more granular understanding of trade flows.

Proportion of Aviva's corporate holdings exposed to deforestation split into strong, medium and weak deforestation management sectors by value of holdings

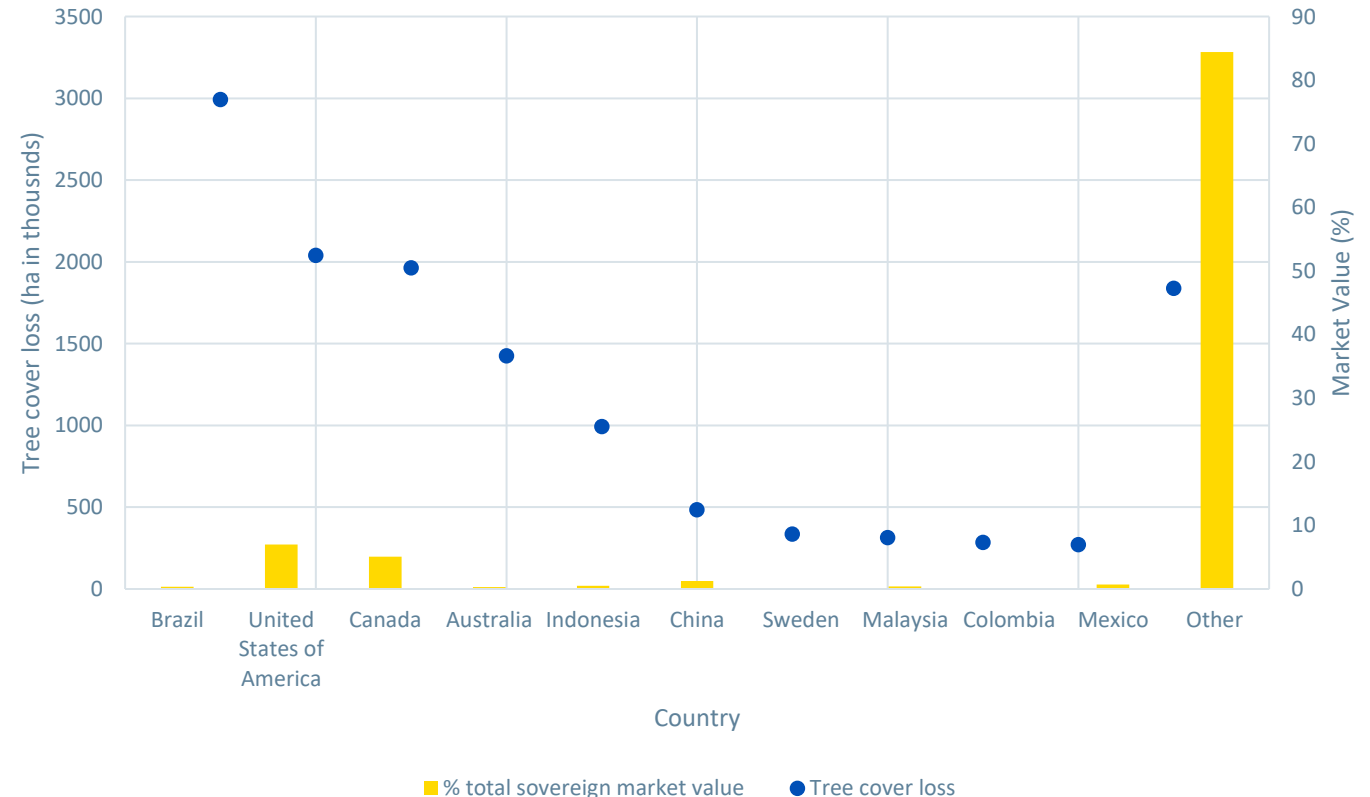


# Deep dive: Deforestation Risk Assessment (iv)

## Sovereign Holdings results

- Using Global Forest Watch data we identified the sovereign debt issuers with the greatest average tree cover loss 2019-21 in our holdings - Brazil, the United States and Canada were the countries we invested in with the greatest loss in this period.
- The vast majority of our holdings were in countries with low tree cover loss, and we had relatively minimal exposure to countries with high deforestation rates.** For example, Brazil accounted for just 0.3% of our sovereign debt holdings.
- Looking at the drivers of tree cover loss in our holdings, the largest driver was forestry. Our main exposure to commodity driven deforestation was in Brazil, Indonesia and Malaysia, which accounted for 1.2% of our overall sovereign debt investment.

Tree cover loss 2019-2021 in key sovereign holdings



Note: Averaged tree cover loss between 2019 – 2021 for the 10 sovereign debt holdings with the greatest tree cover loss, with remaining holdings shown as Other. A >30% canopy cover threshold as a default for all statistics to be consistent with Global Forest Watch. Tree cover data was produced by the University of Maryland's GLAD laboratory in partnership with Google (Hansen et al., 2013)

# Deep dive: Deforestation Risk Assessment (v)

## Real Assets results

- In our real asset portfolio, we focussed our deforestation assessment on standing real estate assets, real estate developments and European assets in construction.
- As our assets were located in Europe and the United Kingdom, we found **no exposure to commodity-driven tree loss in these asset locations** according to Global Forest Watch data.
- In these geographic locations, tree cover loss had increased in Germany and Spain over a three-year period, which can be attributed to the forestry industry.

## Annuities results

### *Direct real assets:*

- In our direct real assets annuities portfolio, **we found exposure to forest linked commodity-driven deforestation to be low**. Assets were either located in the United Kingdom, Ireland and Netherlands - where all three countries have been found to have no commodity-driven deforestation according to Global Forest Watch.

### *Private Corporate Debt:*

- Exposure to forest risk commodity-driven deforestation was conducted by a sector and country level basis as more granular data was not available.
- By taking a sector lens, our exposure to commodity-driven deforestation is in our Conglomerate (1 company), Chemicals (1 company) and Infrastructure (3 companies).
- However, given the geographical coverage of the Chemical and Infrastructure companies which we hold, **we believe our exposure to forest risk commodities to be low**.

# Deep dive: Deforestation Risk Assessment (vi)

## Underwriting results

### Aviva UK

- As our agricultural portfolio in Aviva UK was  $\leq 0.5\%$  of our Commercial Income and not associated in commodity-driven agriculture, we focussed the remaining assessment on activities linked to forest risk commodities in Aviva Canada and Aviva Ireland

### Aviva Ireland

- We provide insurance to farmers in Ireland, with the main activities being covered are Dairy (17%), Beef (58%), Sheep (15%), Tillage (7%) and Other (3%). In this context these policies are 100% underwritten by Aviva and not co-insured with other insurers.
- According to Global Forest Watch, forestry is the main driver of tree cover loss between the years of 2001-2021 in Ireland. Therefore, our exposure to commodity-driven deforestation in Ireland is zero.

### Aviva Canada

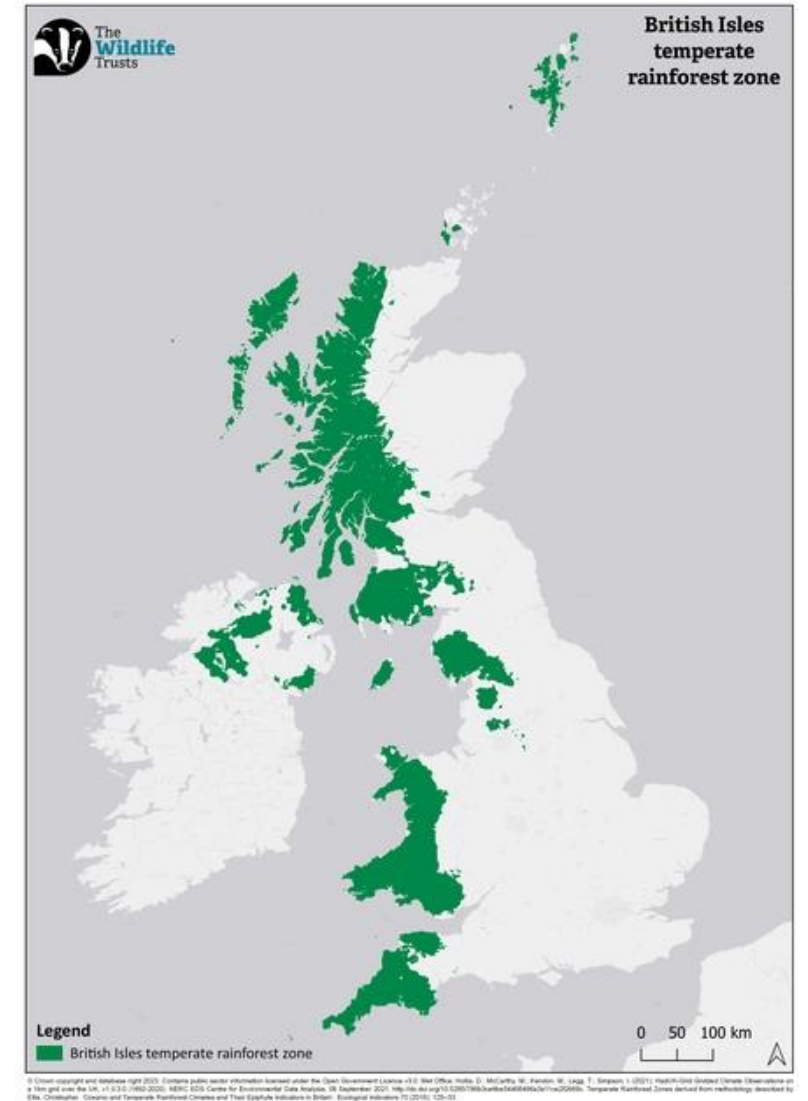
- We provide insurance to properties and business interruption for primary and secondary lumber manufacturing processes, where the final lumber product is predominately used nationally and in the United States for the residential construction industry. Annual direct written premium is  $<1\%$  in forestry. All insurance policies which we provide to customers are co-insured, with a  $\leq 40\%$  proportional share.
- In Canada, the main driver of tree cover loss between the years is forestry and wildfires. Between the years 2019 and 2021, forestry accounted for  $\sim 58\%$  and wildfires accounted for  $\sim 41\%$  of total tree cover loss between this three-year period (Global Forest Watch, 2022).

# 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.
- We already have **baseline investment and underwriting exclusions** for the following activities on account of their climate change and biodiversity impacts (Arctic Drilling and Oil Sands), and Aviva Investors has committed to several **nature-related issues in terms of their voting policy** (inc. asking companies to abstain from operating in, or using materials extracted from, protected areas, key biodiversity areas or those deemed environmentally sensitive).
- **Deforestation has been 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. In 2022 we strengthened our voting policy by making deforestation a more formal element.
- We vote against targeted management resolutions at companies with significant exposure to commodity-driven deforestation risk over their lack of robust policies and targets on reducing deforestation. We continue to 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.

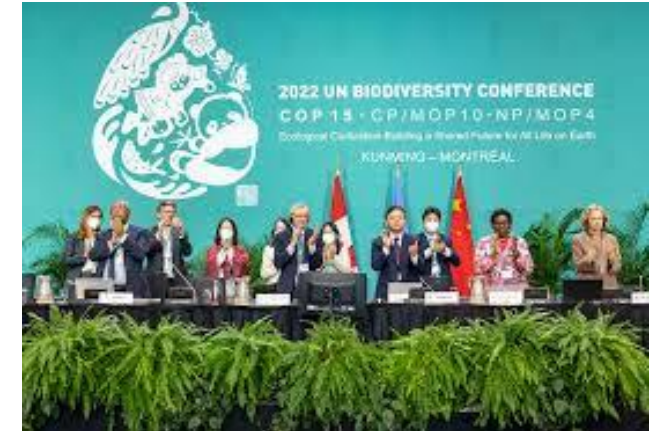
# Restoration

- With **our strategic partner, WWF**, we have been implementing nature-based solutions to address the ‘triple challenge’ of feeding a growing population, combatting the climate crisis and reversing nature loss.
- We are partnering with The Wildlife Trusts to help **restore the UK’s temperate rainforests** over the next 60 years. Native to the British Isles, temperate rainforest is an incredibly rare and biodiverse habitat that now covers less than 1% of the UK. This partnership is part of our nature-based solutions programme.
- In **Canada**, we fund WWF-Canada’s Nature and Climate Grant Program, to help **local groups and Indigenous organisations** restore degraded lands and shorelines to improve habitats and capture carbon.
- Through our **Wild Aviva programme** our employees have piloted several biodiversity initiatives at our own office locations, 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.



# Influencing

- We aim to **use our influence to advocate for systemic changes** to the international financial architecture, collaborating across industry through partnership and alliances.
- At a global level, we have worked closely with our strategic partner, WWF, to drive an ambitious outcome at the Convention on Biological Diversity (CBD) COP15 in Montreal in 2022, which led to the **Kunming-Montreal Global Biodiversity Framework (GBF)**.
- Aviva and WWF were invited to join the UK **Transition Plan Taskforce (TPT)** - a multi-stakeholder group set up to develop a 'gold standard' for transition plans. We both had pivotal roles on the Taskforce - Amanda Blanc (Aviva CEO) as co-chair, and Tanya Steele, Chief Executive of WWF-UK, representing the only civil society organisation on the Steering Group for the Taskforce – which we used to raise the standard of the transition plan guidance, and its consideration of nature. We are using the TPT disclosure framework (launched in October 2023) to inform the development of our second transition plan.
- On a **local level**, we have campaigned 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 continue make the case for nature restoration and protection as well as a global financial system to serve this.



# Metrics, Targets and Reporting

- We have welcomed activity from external stakeholders who are developing measurement approaches and nature indicators. In particular, the development of the World Benchmarking Alliance Nature Benchmark and the Science Based Targets for Nature (SBTN) have been promising.
- Aviva Investors has been a **member of the Taskforce for Nature-related Financial Disclosures (TNFD) Forum**, and have provided feedback on beta versions of the framework. We are currently working through the final recommendations to understand and plan how best to adopt the framework.
- We are **signatories to the Finance for Biodiversity Foundation Pledge**, which means we will contribute to the protection and restoration of biodiversity and ecosystems through our finance activities and investments by:
  - Collaborating and sharing knowledge
  - Engaging with companies
  - Assessing impact
  - Setting targets
  - Reporting publicly on the above

Thank you for listening.

You can find out more about  
Aviva's work on nature at  
[Sustainability - Aviva plc](#)

