**Additional Note to Aviva’s Response to the Renewed Sustainable Finance Strategy Consultation**

Aviva welcomes this consultation on the EU’s Renewed Sustainable Finance Strategy. We are strongly supportive of the EU’s leading and progressive role on sustainable finance policy. The EU’s achievements in the short time since the publication of its Sustainable Finance Action Plan are highly commendable and we applaud the implementation of it.

The Action Plan to date has focussed on legislative changes that incentivise capital allocation to sustainable activities (“financing green”). In developing this Renewed Strategy the Commission must also focus on creating the conditions that incentivise companies to commit to the transition to a sustainable, net zero economy. It must ensure that it is the role of financial market participants to challenge companies to make credible and ambitious plans for the transition and then use their stewardship activities to hold them to account for those plans. The risk is that focussing solely on “green” and “brown” will ignore the vast majority of the market that lies in the middle. Without a transition focus we will not move the markets as a whole onto the sustainable footing that they need to have. We cannot deliver Paris solely through new “green” investment, we need to ensure that the whole financial system undergoes the transition to a sustainable future.

In that light and in addition to, and amplifying some of, the points covered in our consultation response we think that the EU needs to place considerable weight to how these particular issues form part of its renewed strategy:

**Modernising modern portfolio theory:**We call on the EU to fund a concerted effort to secure the intellectual firepower of well-respected mainstream economists and finance professors in supporting the transition to a more sustainable economy. We need to challenge the sustainability of market conventions. How can free markets deliver a socially optimum outcome when they discount and disregard the long term future so pervasively? One example, the valuation assumptions within discount cash flow - particularly the terminal value, as well as the tragedy of (valuation) horizons, and the social consequences of discounting for the well-being of future generations.

**EU SDG Financing:** We call on DG DEVCO to establish a plan as to how the EU ensures that EU finance helps to undergird not undermine the UN Sustainable Development goals (SDGs). Such work could be achieved by building on the UNEP Inquiry into sustainable finance within the specific context of the EU.

**Extending “Polluter Pays” to the fossil fuel sector:** We call for the mandatory application of Extended Producer Responsibility, or the principles behind it, to fossil fuel extractors and utilities so they are required to pay for the cost of carbon capture and storage - and that money is used to support the Just Transition Fund. This could be done through the upcoming revision to the Waste Framework Directive.

**Supporting globally coherent sustainability disclosure:** We call on the EU to work in parallel through the G7 and G20 to secure a mandate for the Trustees of the IFRS Foundation to begin work on a new set of new Sustainability Standards to sit alongside and be connected with the International Accounting Standards. This would drive coherence in reporting and disclosure of material long term sustainability issues, as well as how the reporting entity impacts on the achievement of the SDGs.

**Democratising finance:**We call on the EU to facilitate the right of citizens to make choices as to how their money is used. We call for a democratisation of finance. For example, harnessing FinTech so that all pension investors have easy access to a pensions dashboard that sets out to the ultimate pensioner what they own, how it is performing financially, and then how it is performing in relation to its impact on people and the planet, and then enables them to help shape how their AGM votes are cast on their behalf.

**Reviewing prudential rules:** We call for the EU to conduct research into the impact that current prudential rules have on systemic risk arising from climate change. A major factor in institutional investors’ decisions about what to invest in is based on the amount of capital they must hold against each investment. If regulators set capital levels to reflect the long-term risks of assets to financial stability, they would incentivise more strategic asset allocation in sustainable assets and a transition away from polluting assets. This would result in the largest investors in the world moving money in a more sustainable direction without costing governments a euro.

**SDG Governance:** We call on the EU to integrate sustainability into Corporate and Investors Stewardship Codes. Internationally no governance codes have yet integrated the full governance implications of the SDGs.

**Public ranking of companies on their climate performance**: We call on the EU to back at scale public league tables ranking companies’ climate disclosure reports, sector by sector, for example through support for the World Benchmarking Alliance.

If you would be interested in discussing any of these points please do not hesitate to contact us at [public.policy@aviva.com](mailto:public.policy@aviva.com).

Aviva is a leading international savings, retirement and insurance business. We help our 33 million customers manage uncertainty by providing them with life, general and health insurance and asset management solutions.

We are committed to addressing the existential risk that is posed by climate change. Put simply, our business is not sustainable unless the planet is sustainable. Aviva was the first global insurance group to be carbon neutral. We have reduced CO2 emissions by 66% since 2010 and are aiming to reduce them by 70% by 2030. Our asset management arm, Aviva Investors, is an investor in the green transition.

We are a strong supporter of the European Commission’s sustainable finance agenda. We were a member of the European Commission’s High-Level Expert Group on sustainable finance and at the start of this mandate, we published our thoughts on the priorities for the sustainable finance agenda, ‘[Building a Sustainability Union](https://clicktime.symantec.com/3NFeZWYS1YMWibJbSZgMMi66H2?u=https%3A%2F%2Furldefense.com%2Fv3%2F__http%3A%2Fwww.aviva.com%2Fcontent%2Fdam%2Faviva-corporate%2Fdocuments%2Fsocialpurpose%2Fpdfs%2Feu-sustainable-finance-the-sustainability-union.pdf__%3B%21NW73rmyV52c%21WQkQCocepxuAQTq4UL-PpIx7UmtlHrtztw69mxv4RGsc1x4zz9ABXt6zdu2EM9SWNl3JU3v7XA%24)’.

At a global level we have helped create the World Benchmarking Alliance and we are members of the Global Investors for Sustainable Development Initiative and the Financial Stability Board’s Taskforce on Climate-Related Financial Disclosure. We are also members of the UN-convened Net Zero Asset Owners Alliance. Last September we published our [Marshall Plan for the Planet](https://www.google.co.uk/url?sa=t&rct=j&q=&esrc=s&source=web&cd=&ved=2ahUKEwiC-5iqs7vqAhVrTRUIHa_dA0kQFjABegQIChAD&url=https%3A%2F%2Fwww.aviva.com%2Fcontent%2Fdam%2Faviva-corporate%2Fdocuments%2Fsocialpurpose%2Fpdfs%2Fmarshall-plan-for-the-planet.pdf&usg=AOvVaw1VVgUkYlHmfPhvsHaHouD4) on how governments and the private sector must work together to finance Global Goals.