AVIVA INVESTORS

For today's investor

WHITEPAPER

Harnessing the international financial architecture to deliver a smooth and just transition

Sustainable finance proposals for the G7 & G20

April 2021

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Contents

A foreword from Mark Versey 3

Executive summary 4

Coalition for the International Platform for Climate Finance and acknowledgements 5

Introduction 6

Current status 7

Proposals overview 8

Harnessing the international finance architecture for climate change 9

Appendix 12

Aviva's commitment to a net zero future 13

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A foreword from Mark Versey

Times of crisis are a shock to any system. As triggers for deep reflection, crises force us to question our values, institutions and relationships. They offer a unique opportunity to reconsider how we do things. Long-held assumptions and institutional stubbornness go out the window. Change becomes something to embrace, not something to fear.

Indeed, it was from the crisis-torn ruins of World War II that the current global economic and political architecture was conceived and built. As the war drew to a close, dignitaries and delegates gathered in Bretton Woods in 1944 to sketch out a vision and plan for liberal democracy including the design of the United Nations, the World Bank and the International Monetary Fund.

Had you been privy to the conversations at Bretton Woods and the meetings thereafter, you would not have heard mention of climate change. It simply wasn't on people's radar. It took until the late 1980s, and James Hansen's now-famous speech in front of US Congress, before coordinated responses to climate change even started to be considered and a further three decades to reach consensus in the 2015 Paris Agreement on climate change.

Now over seven decades since those World War II conversations, there has not been an obvious or sustained effort to try to reconfigure, redesign or revisit the international financial architecture that evolved from there. Bar some minor tinkering, the current international order was essentially created before general awareness of the climate crisis and was, instead, set up to help sustain world peace, economic growth and poverty alleviation. To these goals we need to add the challenge of climate change which represents a growing and catastrophic threat to life on our planet.

While the 2015 Paris Agreement represents a vital, timely and ambitious political agreement, five years on the international community still lacks a strategy to finance the commitments. Part of the limited progress is due to what, OECD Secretary General Angel Gurría calls 'the great carbon entanglement'. Governments globally, on behalf of their respective citizens, rely on revenues from fossil fuels. Success in meeting our climate change targets requires our economies to change, which will take finance – both public and private. Yet the international financial and diplomatic architecture has not currently found a way to move at the scale and pace needed to achieve this. Perhaps not surprising when you consider its age and original purpose.

To deliver a finance strategy for Paris we will need enhanced international cooperation between public and private financial institutions. The focus needs to be on significantly raising the total of private finance invested in climate adaptation and mitigation solutions globally, how this money can best complement public finance and how public policy, globally, regionally and nationally can help accelerate these capital flows.

The suggestions presented in this paper are meant to act as a friendly reminder that the systems of yesterday need not be the systems of tomorrow. Conditions change, the world is dynamic and new challenges emerge. As we stare down the barrel of the climate crisis gun, now seems the time to take a different approach.

I would like to offer my personal thanks to all involved in the Coalition for an International Platform for Climate Finance for their input and ideas, which have provided the foundations for this paper.

Mark Versey
Chief Executive Officer

"The international community still lacks a strategy to finance the Paris Agreement. To deliver that strategy we will need enhanced international cooperation between public and private financial institutions."

Executive summary

The international community lacks a comprehensive strategy to transition finance to support the Paris Agreement on climate change. The proposals in this paper focus on how the international financial architecture could help deliver that strategy by harnessing finance to deliver a smooth and just transition.

It recommends that the G20:

1. Invite the OECD to bring forward proposals for convening an International Platform for Climate Finance (IPCF), setting out how it would:
   - (i) Bring together financial institutions (eg. banks, insurers, investment managers) with those that shape the markets to produce a Global Finance Transition Strategy
   - (ii) Offer Technical Assistance to developing countries seeking to produce capital raising plans for their Nationally Determined Contributions (NDCs)
   - (iii) Promote – and measure – ever greater flows of climate finance by all financial institutions into the areas where it is needed most
   - (iv) Produce an annual report analysing the efficiency, effectiveness and consistency of the various international initiatives on climate finance.

   Recommend that the G20/OECD principles of Corporate Governance be updated; develop an OECD Convention on Fiduciary Duty and Climate Change; and update the OECD Framework for Consideration of Prospective Members to require net zero country commitments.

2. Invite IMF Board of Governors to clarify that the IMF's mandate to promote sustainable growth and financial stability includes consideration of climate risk, and request that it extend its Technical Assistance Climate Change Policy Assessments (CCPAs) to become a required part of all IMF Article 4 economic surveillance work.

3. Invite the World Bank to report back to the G20 Indonesia Summit in 2022 regarding how it can ensure the Systematic Country Diagnostic and the Country Partnership Frameworks are most supportive of the implementation of NDCs and to invite the International Finance Corporation to update, develop and extend its Environmental and Social Performance Safeguards to be more focussed on transition plans and Science-based targets (SBTs), as well as Task Force on Climate-Related Financial Disclosures (TCFD) requirements.

4. Clarify that the mandates of the Financial Stability Board, Basel Committee and International Association of Insurance Supervisors include the consideration of climate risk. Invite these institutions to produce a report on how they intend to update regulation to better manage the exogenous and endogenous nature of systemic climate risks. In particular, to analyse potential unintended consequences of the structure of banking and insurance prudential requirements.

5. Encourage participation in, and implementation of recommendations from, the Coalition of Finance Ministers for Climate Action and Network for Greening the Financial System (NGFS) by finance ministries and central banks respectively.

6. Invite the United Nations to collaborate with OECD IPCF to convene a UN Finance Assembly, including finance minister participants of Helsinki Principles, central bank governors of NGFS and CEOs of systemically important financial institutions (SIFIs).

7. Replicate the 2021 alignment of the country hosts of the G7 and G20 with UNFCCC COP co-hosts for the future triennial stocktakes and the 5-yearly reviews of progress of the Paris Agreement. Importantly, with the addition of a G77+ country as a third co-host for each of these COPs in order to maintain the principle of inclusivity.

Bringing the above organisations together in this way would help to build a just, coherent and coordinated transition plan for the global economy and set out how to finance the transition by transitioning finance.

"Bringing together these organisations in this way would help to build a just, coherent and coordinated transition plan for the global economy."

Coalition for the International Platform for Climate Finance and acknowledgements

This proposal has benefited considerably from a significant number of discussions held by the Coalition for the International Platform for Climate Finance, and the broad range of organisations and individuals that have provided excellent ideas and input.

The Coalition for the International Platform on Climate Finance (IPCF) exists to advocate for the creation of a platform to operationalise, facilitate and track global progress against the objectives of Article 2.1.c of the Paris Climate Agreement.

The proposals here are presented to contribute to and inform the climate change and finance debate in this pivotal year, recognising the need for ongoing discussion and refinement with all concerned to help move the debate forward and implement these as effective solutions.

The organisations listed below by their logos are public allies of the Coalition. Thanks and acknowledgment go to all these organisations, as their time, expertise and challenge is hugely appreciated and has been very valuable to help develop these ideas.

Thanks and acknowledgment also go to individual contributors for their input to these ideas: Patrick Arber, Caroline Ashley, Joumana Asso, John Belgrove, Pete Betts, Murray Birt, Ian Callaghan, Ben Carr, Abrar Chaudhury, Jahan Chowdhury, Mike Clark, Mark Cliffe, James Close, Alex Currie, Rowan Douglas, Fiona Ellis, Iskander Erzini Venoit, Angela Falconer, Jess Foulds, Hugh Francis, Neil Gaskell, Caroline Haas, Nick Haslam, Tom Heller, Elise Hockley, Sima Kammourieh, Silke Krawitz, Amanda Latham, Kate Levick, Zach Malik, Lucy McCracken, Sam Mealy, Pippa Morgan, Oliver Morriss, Justin Mundy, Luba Nikulina, Gordon Power, Nick Robins, Carlos Sanchez, Roc Sandford, Carolyn Saunders, Zsuszanna Schiff, Charlotte Sewell, Ciara Shannon, Paul Stevers, Tom Tayler, Jeff Twentyman, Peter Webster, James Whiteman.

Inclusion here is not to suggest that all these individuals endorse this paper and, as ever, any errors or omissions belong to the author Steve Waygood. However, their challenges, ideas, and suggestions were enormously valuable.

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Introduction

Arguably, the key question in relation to the Paris Agreement is how to harness finance to help ensure a well managed and just transition to net zero by or before 2050?

Well managed in this context means avoiding the long-term economic collapse toward the end of the century implied by the business-as-usual physical risk scenarios. It also means avoiding a short-term systemically damaging Minsky moment catalysed by transition risk. Harnessing finance requires coherent and coordinated systemic change within banking, insurance and investment – across every institution, sector and region. To achieve this needs a further step-change in the pace and scale of reforms on climate finance. The focus should be financing the transition by transitioning the financial system itself.

The twin challenges of urgency and complexity define the climate finance challenge. It has already required new concepts, new terms, new measures, as well as new mandates, standards and regulations. This work now needs to be extended across a range of frontiers within finance and across all sectors in the real economy.

The international financial architecture overseeing the allocation of capital is no exception.[1] Indeed, it is arguably the most urgent and significant of all. But it is also among the most overlooked.

To that end, it is an encouraging step that the Green Finance Study Group has been revived at the G20 as a Sustainable Finance Working Group, alongside the existing G20 International Financial Architecture Working Group, with a status that can make policy recommendations to the G20.[2]

While this Sustainable Finance Working Group is necessary, it is insufficient by itself to mobilise capital on the scale required. This white paper's policy recommendations to enhance the existing international financial architecture are offered by investors and market participants in the hope of making a thoughtful contribution to this climate finance debate.

1. The 'international financial architecture' refers to the global institutional governance arrangements that seek to uphold the effective functioning of the global monetary and financial systems.
2. 'Second G20 Finance Ministers and Central Bank Governors meeting Communiqué' Italian G20 Presidency, 7 April 2021.

Back to contents

Current status

The international community lacks a comprehensive strategy to finance the objectives of the Paris Agreement on climate change. This is despite the significant scale of investment required; despite the very broad changes to the economy implied; and despite an enormous effort so far from a significant number of outstanding climate finance actors.

The delivery of such a Global Finance Transition Strategy will need enhanced international cooperation between public and private financial institutions. This requires harnessing and updating the international financial architecture, which is the purpose of this paper.

The need for a Global Finance Transition Strategy is rendered more acute by the worst global economic crisis in over 100 years, caused by COVID-19. This crisis has pushed many developing countries beyond their fiscal limits, constraining their ability to provide essential services such as healthcare and education.

The World Bank warns that as a result of COVID-19, external financing needs for lower-income countries could increase by up to $100 billion per year, and for middle-income countries, up to $600 billion annually.[3] In the absence of stronger action, the World Bank warns of "an unfolding socioeconomic catastrophe that poses huge cross-border risks, including for future contagions, social tensions and unrest, and new waves of displacement and migration".[4] This is a once-in-a-century global economic crisis. A large-scale international finance planning effort can mobilise capital markets, help to prevent global depression and accelerate a sustainable economic recovery.

Action by private finance leaders over the last 18 months or so has put net-zero finance on a positive trajectory for some asset owners, asset managers, underwriters and banks. There now needs to be a broadening of net-zero action across actors, particularly investment consultants, stock exchanges and credit rating agencies which could be delivered as momentum builds to COP26. The UN Race to Zero and creation of the new Glasgow Financial Alliance for Net Zero (GFANZ) is a very welcome step to galvanize the sector, ensure coordination, set standards and encourage a race to the top. In due course, an effective way of scaling up commitments would be for the main UN affiliated PRI, UNGC, UNEPFI, PSI, PRB and SSE initiatives to update their own core Principles to be net-zero aligned.[5]

After bringing initiatives and organisations together to create an effective, co-ordinated way of working, a comprehensive vision for how to transition finance is needed. In particular, how to evolve the existing international architecture: this is the focus of this paper.

It should be noted that these proposed enhancements to the international financial architecture are second-order corrections. The primary market failure in relation to climate change is one of misallocation of capital which the private sector cannot resolve without urgent public policy action.

The best way of harnessing private finance is to secure and enhance the profit motive, by ensuring that polluters pay the full cost of their emissions. This requires governments to internalise environmental and social costs into companies' profit and loss statements. It would be irrational for investors to incorporate such costs until these market failures are corrected through government fiscal interventions, market mechanisms such as carbon trading schemes and/or appropriate regulations. This is because the hidden costs do not currently affect financial figures, do not appear on the balance sheet and affect companies' profitability and valuations. The consequences of this are that unsustainable companies have a lower cost of capital than they should and so are more likely to be financed than more sustainable peers.

The proposals in this paper are finance sector reforms rather than primary changes to the profit motive. So they would be a complement to, and catalyst of, the impact of primary action by governments, but not a substitute for urgently needed coordinated policy action.

"A large-scale international finance planning effort can mobilise capital markets, help to prevent global depression and accelerate a sustainable economic recovery."

3. 'World Bank Group COVID-19 Crisis Response Update', World Bank, 2020.
4. 'Saving Lives, Scaling-Up Impact and Getting Back on Track. World Bank Group COVID-19 Crisis Response', World Bank, 2020.
5. It is notable that none of these UN initiatives - Principles for Responsible Investment, UN Global Compact, UN Environment Finance Initiative, Principles for Sustainable Insurance, Principles for Responsible Banking and Sustainable Stock Exchange - encapsulate the concept of net zero. The PRB principles explicitly reference the Paris Agreement and Sustainable Development Goals.

Back to contents

Proposals overview

Many of the proposals offered here build on various reforms that are already underway among the international financial institutions. These proposals do not require new international bodies.

They instead require bold and defined steps to evolve existing institutions – global, regional and bilateral – such that they work together as a system. It is arguable that the process of building this system requires a degree of over-sight to ensure cogency and coherence. However, rather than a new Bretton Woods institution, it should be plausible and arguably more efficient to build a platform, from existing initiatives within the global governance ecosystem, so that institutions on both the supply and demand side of private finance can meet. Though a challenging idea, it has been done before (e.g. the OECD for the Marshall Plan). But it does need a professional and well funded secretariat.

Aviva has been working with a coalition of 38 institutions advocating for the creation of an International Platform for Climate Finance (IPCF) within the public sector, with private sector collaboration, to coordinate this thinking, and drive these system changes in a coherent and coordinated way.[6]

This proposed new platform would act as a climate finance bridge, bringing together the demand for finance with the supply from private and public finance. The platform would be tasked with the specific aim of building and maintaining a Global Finance Transition Strategy that sets out how to finance the transition by transitioning finance. This plan will be monitored and maintained in a manner that is consistent with the UNFCCC planning process, but not coordinated by the UNFCCC itself.

In this proposal, the mandate of the OECD would be updated to include the delivery of this new collaborative platform, the associated strategy as well as the public reporting on progress. The IPCF would include, in particular, the largest global financial institutions, the World Bank, the UN and its member states. Participation in the platform will be voluntary, but with strong encouragement from member states to their multinational fora, their national financial institutions and private sector beyond.

The IPCF would provide technical support to countries to create and execute robust investment plans to deliver their Paris commitments, helping governments incorporate and attract private sector funding at scale. In turn, it would also encourage and advise large private financial institutions on how to scale up their own climate contributions and align their investments and lending with the Paris Agreement. Where possible, it would act as match-maker between the two, drawing on the best public and private sector expertise to do so.

Finally, it would share best-practice in climate finance raising across countries, ultimately developing an overview of financing needs and opportunities globally, thereby helping to develop and oversee the first global investment plan for Paris.

Put simply, the IPCF will measure the scale of the market failure, assess the sums required, propose ideas for specific policy and investment interventions to UN member states, and advise on and then bring together national capital raising plans that steward public and private finance flows toward the delivery of the Paris Agreement.

It is therefore suggested that the G20 invite the OECD to bring forward proposals for convening the IPCF and set out how it would:

(i) Bring together private finance with those that shape the markets to produce a Global Finance Transition Strategy

(ii) Offer Technical Assistance to developing countries seeking to produce capital raising plans for their NDCs helping to bridge developed country private finance with developing country needs

(iii) Promote – and measure – ever greater flows of climate finance by all financial institutions into the areas where it is needed most

(iv) Produce an annual report analysing the efficiency, effectiveness and consistency of the various international initiatives on climate finance

The next section provides a little more detail on the institutions that could contribute to this IPCF and could collaborate with the OECD to deliver its objectives.

6. The Coalition public allies are listed on page 5.

AVIVA INVESTORS

Back to contents

Harnessing the international finance architecture for climate change

Action: To bring together the key actors in the international financial architecture with the key actors in private and public finance to participate in a climate finance platform.

Purpose: The platform will contribute to the stewarding of a well-managed global economic transition to net zero on or before 2050 by harnessing the innovative potential of capital markets.

Members: Heads of the multilateral financial institutions (listed below 1-10), multilateral development banks, representatives of GFANZ and the UN Race to Zero initiatives.

Outputs:

(i) A vision for international financial architecture on climate finance in the form of a Global Finance Transition Strategy

(ii) A private finance forum for sharing best practices, finance plans and investment appetites

(iii) Technical Assistance for developing countries and support to access developed country financial institutions, as well as multilateral and regional funding sources to drive transition finance

(iv) A mechanism to promote, measure and monitor flows of climate finance by all financial institutions[7]

(v) An annual report on progress.

Secretariat: OECD

Recommendations for the G7 and G20 to consider:

1. **Organisation for Economic Co-operation and Development**
Invite the OECD to develop proposals for a standing OECD facility to provide the secretariat for an International Platform for Climate Finance which brings together private finance and the international community in a structured and well-coordinated way.

The platform will set out how the international financial architecture will work together to ensure a well-managed, just transition to net zero on or before 2050. The OECD is a strong candidate to host the secretariat as it was originally created for the Marshall Plan, is well funded at circa €380m per annum, is ideally placed in Paris and is already connected to G20 and UNFCCC discussions. Staff typically have considerable expertise on the interface of finance with climate. To be an effective voice on global transition would require collaboration across developed and developing countries, which would need to be explicit in the platform's mandate.

The G20 should invite the OECD to build a technical assistance facility to:

(i) Help developing countries build NDC financing strategies[8]

(ii) Build interest among global pension and insurance companies in transition investment as an asset class

(iii) Support arranging banks by increasing the number of interested institutional investors.

Also the G20 could invite the OECD to update its Principles of Corporate Governance to include the producing of TCFD reports, transition plans with SBTs and the submission of these to an advisory AGM vote.

The OECD should also develop a Convention on Fiduciary Duty and Climate Change to help align the international legal framework for pension schemes (building on the OECD's work in this area).

In addition, it should update the OECD Framework for Consideration of Prospective Members to require net-zero country commitments.[9] A biennial dialogue on a Global Finance Transition Strategy could be convened, comprising all members of the platform, as well as representatives from international financial institutions, the UN Development System, key civil society and philanthropic players, and the private sector.

The annual report would enable stakeholders to assess the adequacy of responses from private finance and the public sector and the future collective effort required. In short it will ensure markets are harnessed to the delivery of a well-managed and just transition to net zero on or before 2050.

2. **International Monetary Fund**
Invite IMF Board of Governors to clarify that the IMF's mandate to promote sustainable growth and financial stability includes consideration of climate risk, and invite it to extend its Technical Assistance Climate Change Policy Assessments (CCPAs) to become a required part of all IMF Article 4 economic surveillance work.

The CCPA should also be evolved to include an assessment of financial market policy aligning with sustainability (of the sort set out in the EU Action Plan for Financing Sustainable Growth). The IMF, World Bank and regional development banks should strengthen and coordinate their technical assistance and partnership with the national authorities to support the extending of central bank mandates to incorporate the achievement of a sustainable economic growth pathway that fosters net zero.

continues over

7. This would build on the work of the Standing Committee on Finance and their Biennial Assessment and Overview of Climate Finance Flows.
8. For example, such as 'Kenya: Financing Strategy for Nationally Determined Contribution' Cote D'Ivoire also has one in development.
9. Expanding the OECD's membership, for example to include China, India, Brazil, would be an important first step. This would be in addition to the IPCF membership which would be voluntary but open to all UN member states.

Back to contents

Harnessing the international finance architecture for climate change (cont'd.)

3. **World Bank**
Invite the World Bank to report back to the G20 Indonesia Summit in 2022 regarding how it can ensure the Systematic Country Diagnostic and the Country Partnership Frameworks are most supportive of the implementation of NDCs and provide further support for the creation of NDC capital raising plans.

   To also recommend that the World Bank broadens its blended finance work to consider the benefits of other existing asset classes and finance mechanisms to promote increased inward investment for developing countries.

   This could include, for example, promoting greater foreign portfolio investment on local markets; using institutional investor influence to enhance the climate credentials of foreign direct investment from developed country listed companies; examining impediments to increasing pension and insurance company developing country climate solution investments (such as benchmark restrictions and the unintended consequences of risk appetites within investment mandates).

4. **International Finance Corporation**
Invite the IFC, as part of the World Bank Group, to update, develop and extend its Environmental and Social Performance Safeguards – and the underlying Equator Principles for banks and project finance – to be more focussed on transition plans, SBTs and TCFD.

   The IFC should also develop a verification process that can be applied to all insurance company and pension funds structured finance. This will provide more confidence in the market and deal with the franchise risk and technical knowledge that prohibits pension and insurance investment at scale. (Arguably ISO has a role here too but the process for building official sector standards is very slow.)

5. **Financial Stability Board, Basel Committee and International Association of Insurance Supervisors**
In the G20 communique, invite these institutions to formally clarify that their mandates include the explicit consideration of climate risk. Invite them to produce a report on how they intend to manage the exogenous and endogenous nature of systemic climate risks. Including exploring the potential unintended consequences of banking and insurance prudential requirements, to examine whether they inadvertently encourage certain investments and inappropriately reduce the cost of capital of energy intensive sectors, particularly in the oil and gas, chemical and auto sectors.

   Extend stress testing to include climate risk and update banking and insurance prudential reporting requirements to encourage financial institutions to disclose perceived market failures so these can be addressed.

   The TCFD process should also endorse net zero and build guidance on transition plans for financial firms. For large loans, banks could be encouraged to offer lower rates to companies with satisfactory TCFD reports, a transition plan and SBTs. For corporate underwriting, insurance companies could also be encouraged to take into account satisfactory TCFD reports, a transition plan and SBTs.

6. **International accounting bodies: International Organization of Securities Commissions, International Financial Reporting Standards, International Accounting Standards Board, Association of Chartered Certified Accountants and Institute of Chartered Accountants in England and Wales**
Welcome the current plans in relation to promoting sustainability accounting practices, integrated reporting and embedding the TCFD and high-quality transition plan guidance into accounting standards, listing rules, and auditor competence. Encourage IFRS to expand focus beyond climate and include a 'double materiality' focus.

7. **United Nations**
To collaborate with the OECD to convene a UN Finance Assembly (including finance minister participants of the Helsinki Principles, central bank governors of NGFS and CEOs of SIFIs). Deploy intellectual resources of UN Global Investors for Sustainable Development (GISD)[10] and UN Conference on Trade and Development (UNCTAD)[11]

   UNCTAD could also extend its World Investment Report to include an assessment of how Foreign Direct Investment could include TCFD, and net-zero commitments from multinationals and how this, in turn, is funded by private finance. Develop guidance for central banks and their respective investment policies on their role with regard to liquidity and awareness building on climate finance (Also, see 8 below).

continues over

10. GISD has a private finance CEO network, which could help.
11. UNCTAD in particular has a significant trust base in G77+/ developing countries. Developing Country support will be critical to a good outcome of G7, G20 and COP26 finance work.

Back to contents

Harnessing the international finance architecture for climate change (cont'd.)

8. **National finance ministries and central banks**
   It is critical that finance ministers and central bank governors be engaged in addressing these risks at a national level too. It is welcome to see G20 finance ministers participating in the Coalition of Finance Ministers for Climate Action (including France, Germany, Mexico, Spain and the United Kingdom) and would be positive for others to follow suit.

   For central banks and supervisors, participation in the NGFS is encouraged and the almost complete participation of G20 central banks within this process is recognised (the exceptions include Argentina, India, Saudi Arabia, and Turkey – see Appendix for a list of members). As a recent LSE report puts it: "As guardians of the financial system, central banks and supervisors also need to introduce explicit strategies to support the transition to net zero as the next stage in confronting the risks of climate change".[12] This is part of the emergence of financial authorities engaging with net zero.

9. **G20 International Financial Architecture Working Group**
   The remit of this group includes financing for development in low-income countries as well as co-ordination between international financial institutions including multilateral development banks. This paper's proposals have strong alignment with the Sustainable Development Goals (SDG) particularly SDG 7 and 13.[13]

   Therefore there would be a natural alignment for the G20 International Financial Architecture Working Group to support the development of a Global Finance Transition Strategy, and it could do so alongside the G20 Sustainable Finance Working Group.

10. **Greater multilateral alignment**
    This is the first time in history where G7/G20 and COP have been co-hosted by the same hosts.[14] This has enabled far greater focus on climate finance than a UN COP by itself normally generates. And if finance is not harnessed, then the Paris Agreement will not be delivered. This geopolitical coincidence should be recreated for all the key UNFCCC milestones, particularly the triennial stocktake and the 5-yearly review of progress of the Paris Agreement – but with the addition of a G77+ country as a third co-host for each of these COPs in order to maintain the principle of inclusivity. In this way, it would be possible to institutionalise "building back better". At the geopolitical level doing so would be a major step towards better harnessing private finance to ensuring a well-managed and just transition to net zero on or before 2050.

To conclude, to navigate a just, coherent and coordinated transition to net zero, requires finance to be transitioned to ensure that private and public capital is directed and allocated effectively. Creating a platform to help bring the major organisations and institutions together to communicate and collaborate on how to achieve that seems like an urgent priority.

> *"To navigate a just, coherent and coordinated transition to net zero, finance needs to be transitioned to ensure private and public capital is directed and allocated effectively."*

12. N.Robins, S. Dikau, and U. Volz. 'Net-zero central banking: A new phase in greening the financial system', London School for Economics, 15 March 2021. The paper cites a two-fold rationale for the engagement of central banks and supervisors: "first, achieving a net-zero economy is the best way of minimising the risks of climate change to the stability of the financial system and the macroeconomy; and second, central banks and supervisors need to ensure that their activities are coherent with net-zero government policy".
13. SDG 7: ensure access to affordable, reliable, sustainable and modern energy for all. SDG 13: take urgent action to combat climate change and its impacts.
14. In 1999 Germany hosted all 3 events, but the G20 was limited to the finance track.

Back to contents

Appendix

G20 participation in NGFS and The Coalition of Finance Ministers for Climate Action

G20 Member	G7	NGFS	The Coalition of Finance Ministers for Climate Action
Argentina			✓
Australia		✓	
Brazil		✓	
Canada	✓	✓	✓
China		✓	
European Union	✓	✓	
France	✓	✓	✓
Germany	✓	✓	✓
India			
Indonesia		✓	✓
Italy	✓	✓	✓
Japan	✓	✓	✓
Mexico		✓	✓
Russia		✓	
Saudi Arabia			
South Africa		✓	
South Korea		✓	
Turkey			
United Kingdom	✓	✓	✓
United States	✓	✓	✓
Spain (permanent guest)		✓	✓

Source: Aviva Investors, April 2021.

Back to contents

Aviva's commitment to a net zero future

For over 300 years, Aviva has been a company that faces up to the challenges ahead. And with a climate disaster looming, those challenges have never been more pressing or threatening.

This is why Aviva plans to become a net zero carbon emissions company by 2040. This is the most demanding target of any major insurance company in the world today. The undertaking, which will inform every aspect of operations and investment decisions at Aviva, is part of our strategy to be the UK's leading insurer, contributing to a sustainable economic recovery.

A single company or even a group of companies cannot make the world net zero. This is going to take action from governments too. This paper is therefore part of our campaign for systems level change so that not just our investment but the whole financial system works towards a sustainable future.

You can find more about Aviva's Net Zero 2040 plan here: https://www.aviva.com/newsroom/perspectives/2021/03/taking-climate-action/

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Back to contents

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