

3 October 2018

HRH The Prince of Wales  
The Prince's Accounting for Sustainability Project  
Clarence House  
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**MAILING ADDRESS**

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Sir

I represent Aon plc, a leading global professional services firm providing a broad range of risk, retirement and health solutions. We are in the business of thinking long term to help clients reduce volatility and improve performance. With around £3 trillion in assets under advice globally within our investment consultancy services, we recognise that we have a privileged and influential role to play in how institutions allocate capital and select fund managers.

I was invited, alongside representatives of competitor organisations somewhat "out of the blue" to Clarence House in June 2016 to an evening dinner and debate with some of the A4S leaders, asset owners and other stakeholders. What happened that evening left an impression with me and with hindsight was an important catalyst in our firm's commitment to allocate greater resources to environmental, social and governance ("ESG") related research. I was sadly unable to take up the offer of the subsequent invitation to the A4S Finance Leaders' Summit that November at St James Palace. This was due to a scuba diving vacation commitment in a beautiful and most pristine part of the world called Palau, Micronesia (where they take Responsible Tourism very seriously). So I was concerned my absence might be misconstrued as lacking interest or engagement. Thankfully, the A4S team kindly still invited me and subsequently other colleagues to more events in 2017 and since. Aon is this year a proud contributor to the recent "Financing our Future" report. We regard this report as a pivotal and practical guide that we hope will encourage others to progress on this journey towards a sustainable future.

Let me take this opportunity, at the time of celebrating Your Royal Highness's 70<sup>th</sup> birthday, to set out some of the tangible actions our firm Aon has taken in this short timeframe. A4S has inspired us and thereby contributed to building momentum to our mission to bring ESG awareness agendas to all of our institutional clients, rather than simply supporting demand led enquiries as usual. We are working with many clients in various stages of Responsible Investment ("RI") programme development, from educational initiatives for investment staff and boards (we have delivered over 50 training sessions with clients this year) to full-on deployment of RI policies, procedures and portfolios. We firmly believe that understanding ESG criteria are key to long-term value creation and risk management considerations. Our published RI Policy attests to this.

We have developed climate change deterministic scenarios. These new mega-trend scenarios look at how climate change could impact assets, liabilities and funding levels for pension schemes over different time horizons. We have developed an ESG rating system for buy-rated investment strategies which is designed to assess whether and how well investment managers integrate RI, and more specifically ESG considerations, into their investment decision making process. Our global RI survey has proved hugely insightful and helped our clients to understand where they stand relative to their peers. As highlighted in our survey, a common impediment to wider adoption of RI principles among institutional investors is the lack of a standardised framework for evaluating RI behaviours in fund managers. Our ESG ratings are designed to help address this issue by assessing managers consistent with the UN PRI's Investment Manager reporting framework. We have developed a process which assists trustees to identify their beliefs and

objectives on this subject area. This then feeds into discussions around their policy and governance practices to develop and implement relevant changes. We have helped clients to draft RI policies and update Statement of Investment Principles ("SIP") wording to reflect trustee views and incorporate guidance from the Pensions Regulator, as well as reviewing the policies of clients' investment managers. We have published a number of thought-leadership pieces and white papers on RI which have been sent to clients to help raise awareness and create debate. We have hosted various client events, conferences, webcasts and seminars with RI leading the agenda. We now publish a dedicated quarterly RI newsletter.

As a business we recognise that we are essentially dominated by mathematicians and economists, for sure we are not climate scientists nor social policy innovators. So I knew it was important to reach out to experts and form partnerships with industry leaders, academics and practitioners if we were to then ourselves educate our clients, the asset owners. Aon therefore has a number of partnerships, demonstrating our commitment to RI as well as developing & delivering thought-leadership to our clients.

I've witnessed how A4S has a unique ability to bring global finance leaders together to discuss issues and actions with respect to sustainability. By doing so, it better enables the finance industry to proceed with an integrated approach to scale up effective actions across the global finance and accounting community. It is a privilege to be now part of the initiative established by Your Royal Highness back in 2004. We are also a member of the University of Cambridge Institute for Sustainability Leadership ("CISL") Investment Leaders Group ("ILG"). We are a global signatory to the United Nations Principles for Responsible Investment ("UN PRI"). Within our insurance arm we have partnered with ClimateWise on all major projects as a member. Aon was recently involved with the Physical and Transition Climate Risk Projects, which are due to be released in late 2018. We also chaired a European Bank for Reconstruction and Development ("EBRD") working group on physical climate risk, culminating in a major report released at the end of May 2018. We have become a signatory to the UN's Principles for Sustainable Insurance ("PSI"), the first insurance broker to do so.

The RI practices of many pension schemes are still somewhat in their infancy, hence much of the work undertaken to date has been around raising awareness, educating trustees and reviewing, updating and drafting RI policies and SIPs. There remain many barriers to tackle and a wide variation in the interpretations of how ESG considerations fit with fiduciary duties between clients and particularly between the geographies of where the clients are located.

Looking ahead we expect to see greater implementation and action following on from increased awareness and policy guidance. Regulation helps drive these forward and recent developments in the UK from the Department of Work and Pensions ("DWP") are particularly welcome. We will continue to develop solutions for our clients and are expanding our range of investment opportunities that can be presented to clients. We will also continue to educate our consultants around RI and long-term financial risks.

We feel this agenda is finally really gaining genuine traction. I appreciate Your Royal Highness has tangibly and passionately promoted this vision for so many years, but industry is finally catching up.

Many Happy Returns Sir

With best wishes



John Belgrove | Senior Partner  
Aon