Sustainable Investing Report

Aviva Insurance, Wealth and Retirement
2024

Contents

Introduction

This report was produced in accordance with the principles of the UK Stewardship Code 2020, published by the Financial Reporting Council (FRC). We have set out how we have complied with each principle in the Appendix.

This report was produced outlining UK IWR's view as an asset owner and is complementary to the asset manager view captured in the report prepared by Aviva Investors. It mostly covers our activities from 1 January 2024 to 31 December 2024.

Aviva's sustainable investing and stewardship policies are established, debated and monitored on a Group-wide basis, with the Group executive committee and Group sustainability team providing overall sponsorship and oversight, although please note that the entities in UK, Ireland and Canada are separate legal entities.

Throughout this report we use the term 'Aviva UK Insurance, Wealth and Retirement' and 'UK IWR' to refer to the various entities which form the Aviva life and savings businesses under Aviva Life Holdings UK Limited – the main statutory entity being Aviva Life & Pensions UK Limited (UKLAP). Where deemed necessary, we will make the distinction between Aviva UK IWR, Aviva Investors (the Aviva asset manager) and Aviva Group, but in other instances we will simply use 'Aviva'. References to IWR mean the UK including Ireland business.

References to the Transition Plan relate to the Aviva Group Transition Plan.

This report should be read in conjunction with the Cautionary statements.

CEO and CIO forewords

"We recognise that we have an important role to play in the lives of our Insurance, Wealth & Retirement (IWR) customers and we take our responsibility seriously, including focusing on stewardship and sustainability."

This report highlights our commitment to sustainable investing and stewardship, showcasing the steps we have taken to include sustainability considerations into our investment processes.

In 2024, we continued to build on our strong foundation, guided by our purpose to create a better tomorrow for our customers, communities, and the planet. Our efforts have been driven by a clear strategy and a deep understanding of the critical role we play in addressing global challenges such as climate change, biodiversity loss, and social inequality.

The current political climate in the UK has played a significant role in shaping our sustainability efforts. The UK government's pledge to achieve net-zero carbon emissions by 2050 has challenged all sectors of society to innovate and adopt greener practices. This commitment has driven substantial developments around sustainable opportunities.

In addition to our environmental efforts, we have continued to prioritise social responsibility through community investment and long-term partnerships. These efforts have helped to build stronger, more inclusive communities at the local level.

As we look ahead, we recognise that the journey towards a sustainable future is ongoing. At Aviva IWR, we are committed to continuously improving our practices, collaborating with stakeholders, and driving positive change. I am confident that with the dedication of our talented team and the support of our partners, we will continue to make meaningful progress in our sustainable investing journey.

Doug Brown
CEO of Aviva Insurance, Wealth & Retirement

"At Aviva IWR, stewardship is more than just a responsibility; it is a core principle that guides our actions and decisions. We believe that effective stewardship is essential for creating long-term value and delivering sustainable benefits for the economy, the environment, and society. Our commitment to stewardship reflects our dedication to acting in the best interests of our customers, clients, and shareholders, and to fostering a sustainable future for all."

I am pleased to share the progress and achievements we have made at Aviva IWR in our commitment to sustainable investing and sustainability. This year has been marked by further milestones that deepen our integration of environmental, social, and governance (ESG) considerations into our investment strategies.

One of our key highlights this year has been achieving a 64% reduction in carbon intensity in investments against an ambition of 25% reduction by 2025 from a 2019 baseline[1].

We have also had an increase in our sustainable assets. As of the end of 2024, UK IWR had invested £7.5 billion in sustainable assets from our baseline year 2019[2].

We have taken steps to significantly increase our allocation to over £60bn to lower carbon optimised solutions across customer mandates over the last 2-3 years[3]. Creating lower-carbon intensity optimised funds and increasing the assets managed under them demonstrates our approach to aligning our portfolio to our ambition for delivering strong, sustainable, customer outcomes.

Looking ahead, we remain committed to continuously improving our practices and driving positive change. We will continue to collaborate with stakeholders, leverage our expertise, and innovate to ensure that our investments contribute to a sustainable and resilient future.

This report shares an update on the progress we have made on stewardship over 2024 and the direction of travel for our future aims.

Ashish Dafria
Chief Investment Officer, Aviva

1. 64% reduction in the Scope 1 and Scope 2 carbon intensity by revenue of listed equity and corporate bonds held in our shareholder and with-profit funds (from a 2019 baseline)
2. Defined as green and sustainability assets, sustainability-linked debt, social bonds and investment of £1.5 billion of policyholder money in Aviva Investors climate transition funds (available at the time)
3. A portion of the investments in newer solutions are not yet fully reflected in our climate metrics

Highlights

Sustainable investing is at the heart of what we do, with the consideration and management of sustainability risks and opportunities embedded in our investment beliefs, decision-making and outcomes.

Carbon optimised solutions
We are providing customers with lower carbon optimised funds within our default low cost investment solutions designed to meet customer investment objectives and increasing our allocation to them.

Read more about this on page 38

Investments in housing and social infrastructure
We have invested in housing and social infrastructure, including social accommodation for NHS key workers, two new campuses at Cardiff and Vale College (CAVC), student accommodation and low-carbon social infrastructure in Wales.

Read more about this on page 10

Voting and Engagement oversight
We have reviewed the voting behaviour of our asset managers during the 2024 AGM season to evaluate how our managers addressed key ESG issues in their activities.

Read more about this on page 45

Climate Stewardship 2030 (CS30) Programme
For UK IWR, collaboration with asset managers (internal and external) is essential in the management of risk and decarbonisation of our investment portfolios. An example of this has been our engagement with Aviva Investors as they launched the CS30 Programme, which aims to engage with at least 100 companies responsible for at least 50 per cent of Aviva Investors' financed emissions in material sectors by 2030.

Read more about this on page 54

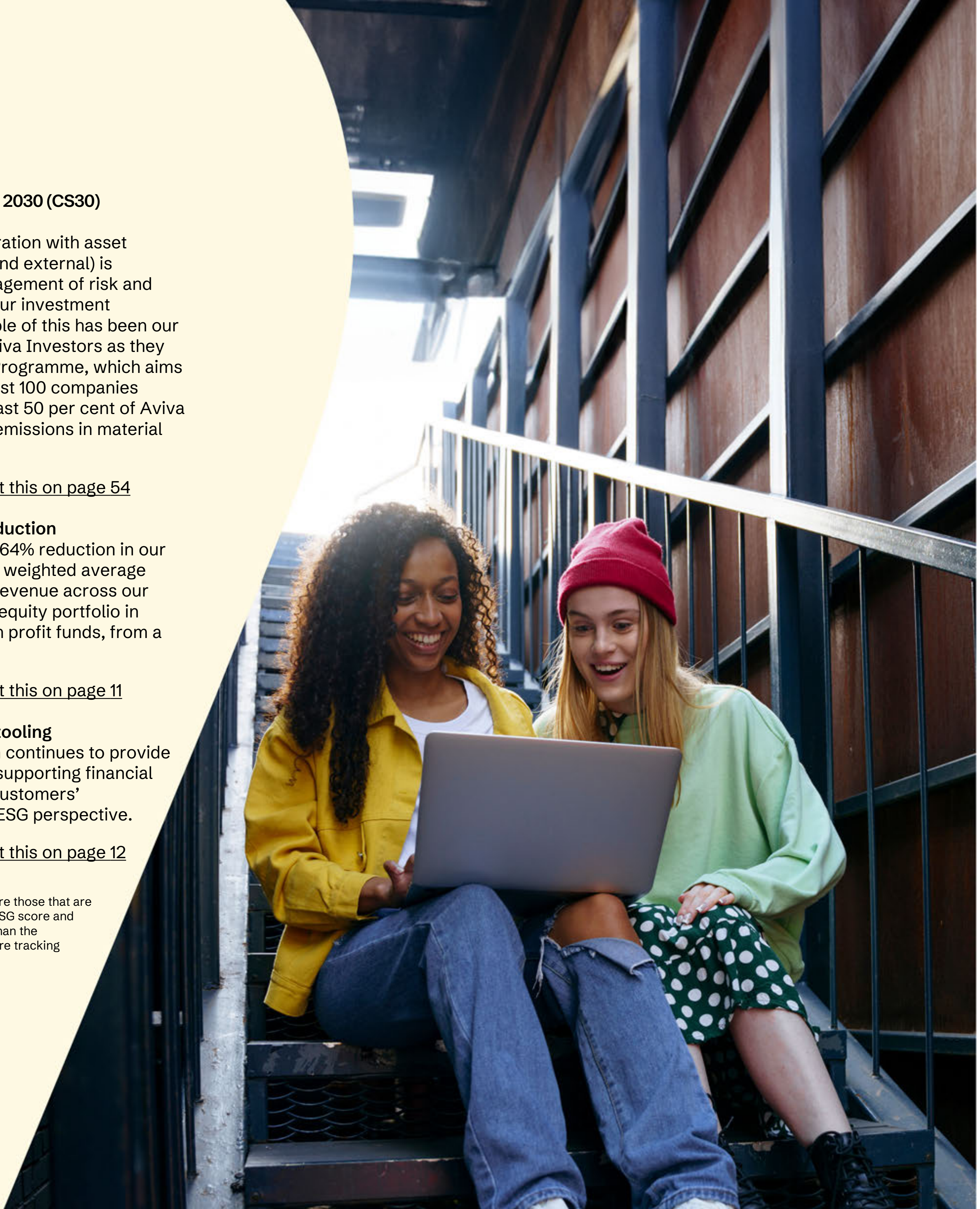
Carbon intensity reduction
We have achieved a 64% reduction in our Scope 1 and Scope 2 weighted average carbon intensity by revenue across our corporate bond and equity portfolio in shareholder and with profit funds, from a 2019 baseline.

Read more about this on page 11

Enhancing our ESG tooling
Our adviser platform continues to provide an ESG profiler tool supporting financial advisers reviewing customers' investment from an ESG perspective.

Read more about this on page 12

1. ESG optimised solutions are those that are optimised for a stronger ESG score and a lower carbon intensity than the underlying markets they are tracking



Chapter 1

Chapter 1: Our business

Aviva is a universal investor. We invest across the whole economy, and we are therefore focused on supporting real world change through national and international policy engagement, holistic stewardship, and supporting our investees and governments in achieving their goals.

Aviva Group comprises asset owners, including insurance companies, and an in-house asset manager, Aviva Investors, acting as long-term stewards of customers', clients', and shareholder assets. Climate-related considerations are integrated into investment decision-making, products, and services we offer, asset manager mandates, and asset manager oversight. We seek to increase the alignment of our investment portfolios to the goals of the Paris Agreement and in line with Aviva's climate, nature, and social action ambitions.

Asset owners within Aviva plc include: IWR, UK General Insurance (UK GI), Aviva Ireland, Aviva Canada, Aviva India, and Aviva Capital Partners.

IWR is the largest asset owner within Aviva Group.

- Savings and pension provider, providing a range of products and fund solutions to meet customer objectives. Our business covers workplace pensions, savings products, Advice, Direct Wealth, and an advisor platform.
- Insurance provider requires matching the the liability cashflows, including for annuities, which tend to be long dated. Our insurance business includes Protection and Health, while our retirement solutions include bulk purchase annuity, individual annuities, and equity release mortgages.

Customer and shareholder assets are managed by several asset managers through mandates in line with the objectives of different investment portfolios, with Aviva Investors managing a majority.

Aviva Investors is the in-house asset manager of Aviva plc and its various business units. The majority of Aviva Investors' AUM are managed on behalf of IWR, GI and other Group businesses.

To deliver on our shareholder and diverse customer investment outcomes in line with our long-term investment beliefs, our asset manager research, selection, and oversight processes includes sustainability and particularly climate considerations.

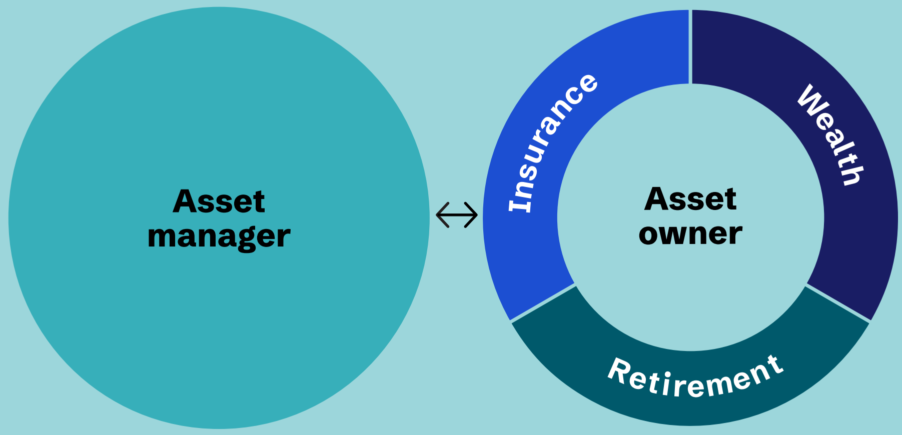
In our manager research and selection process, we consider how closely the managers' stewardship policies and ambitions align with our own. In 2023, we introduced a standalone sustainability manager oversight framework to evaluate the level of integration within a strategy.

We place a strong emphasis on qualitative reviews of mandates and conduct annual desk reviews that include consideration of sustainability and climate related issues and metrics. We apply this to all our managers.

For more details, see Chapter 3.

Aviva Investors also publishes a dedicated Sustainability Review report.

Relationship as an asset manager and an asset owner



Asset manager
Manages third party assets. Most assets are managed by Aviva Investors.

Asset owner
Holds capital and invests on behalf of shareholders (IWR, GI, Aviva).

Savings and pensions provider – invests in and holds assets on behalf of customers (including pension scheme policyholders).

Insurance provider holds and invests capital on behalf of insurance policy holders.

Aviva Insurance, Wealth & Retirement (IWR)

Aviva Insurance, Wealth and Retirement (IWR) is a significant part of the Aviva Group delivering products across Insurance, Wealth and Retirement, with over 12.4 million customers in the UK.

1

We're there to protect the things that matter most to our customers: their homes and belongings, their health and wealth, their future and their families.

We are driven by our purpose:

With you today, for a better tomorrow.

To achieve our ambition:

To be the leading UK provider and go-to customer brand for all Insurance, Wealth and Retirement solutions.

2

We have a clear strategy and plan to achieve this vision:

Growth
Accelerating growth in capital-light Wealth and Insurance - disciplined in Retirement

Customer
Growing our customer base, serving more needs and transforming experience

Efficiency
Driving operating leverage with technology and artificial intelligence at the core

Sustainability
Committed to climate and social action, and being a sustainable business

Read more on

Our strategy: page 7

3

We are guided by our values:

Care
We care deeply about the positive difference we can make in our customers' lives

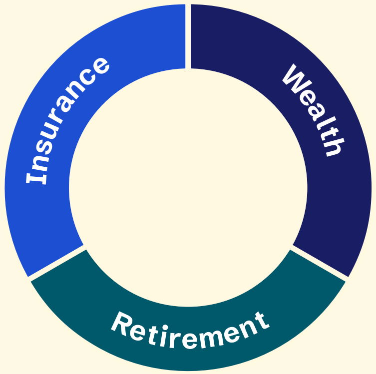
Commitment
We understand the impact we have on the world and take the responsibility that comes with it seriously

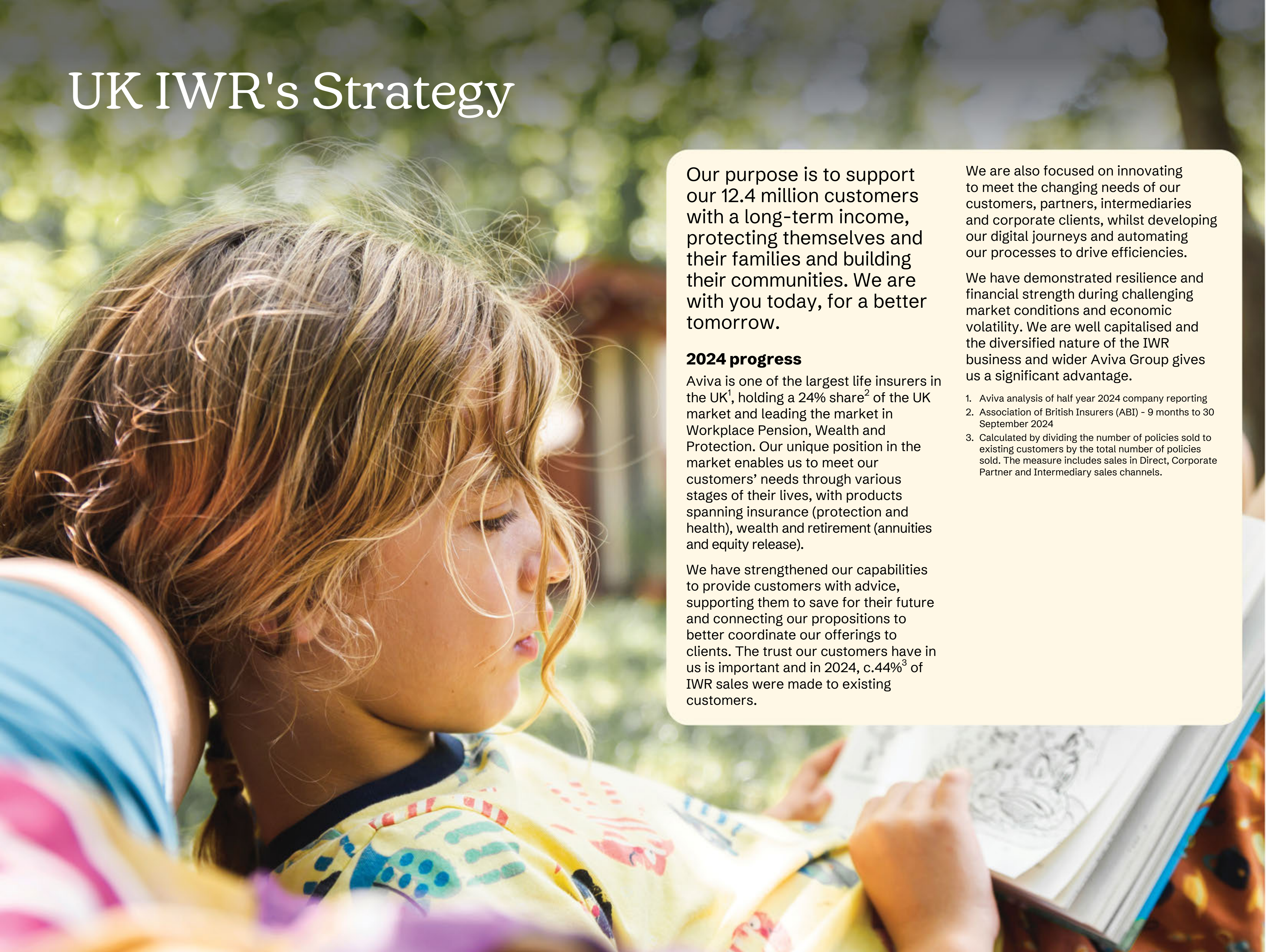
Community
We recognise the strength that comes from working as one team, built on trust and respect

Confidence
We believe the best is yet to come for our customers, our people, and society

4

Offering customers a range of products and services across:





UK IWR's Strategy

Our purpose is to support our 12.4 million customers with a long-term income, protecting themselves and their families and building their communities. We are with you today, for a better tomorrow.

2024 progress

Aviva is one of the largest life insurers in the UK[1], holding a 24% share[2] of the UK market and leading the market in Workplace Pension, Wealth and Protection. Our unique position in the market enables us to meet our customers' needs through various stages of their lives, with products spanning insurance (protection and health), wealth and retirement (annuities and equity release).

We have strengthened our capabilities to provide customers with advice, supporting them to save for their future and connecting our propositions to better coordinate our offerings to clients. The trust our customers have in us is important and in 2024, c.44%[3] of IWR sales were made to existing customers.

We are also focused on innovating to meet the changing needs of our customers, partners, intermediaries and corporate clients, whilst developing our digital journeys and automating our processes to drive efficiencies.

We have demonstrated resilience and financial strength during challenging market conditions and economic volatility. We are well capitalised and the diversified nature of the IWR business and wider Aviva Group gives us a significant advantage.

1. Aviva analysis of half year 2024 company reporting
2. Association of British Insurers (ABI) - 9 months to 30 September 2024
3. Calculated by dividing the number of policies sold to existing customers by the total number of policies sold. The measure includes sales in Direct, Corporate Partner and Intermediary sales channels.

Our values and culture

UK IWR's culture is aligned with Aviva Group's culture.

Engaging our people

In 2024, the annual Voice of Aviva survey showed exceptional levels of engagement, with 91% of colleagues saying they would recommend Aviva as an employer.

The credit for Aviva's positive culture and high engagement belongs to every one of our colleagues. Aviva uses insights from our engagement surveys and data to understand the key drivers of engagement and performance and to build robust plans around those areas.

For example, Aviva has been relentless about helping our colleagues understand our strategy and how what they do contributes to our pillars of customer, growth, efficiency and sustainability. Regular Aviva wide leadership and employee communications and broadcasts keep our people engaged and informed.

Aviva also know that inclusion and a sense of belonging along with perceptions of agility and adaptability are key drivers of engagement.

Leadership effectiveness is also high and continues to increase. Aviva's Customer Focus Index increased over the last year, with 95% of colleagues understanding how their work impacts customer outcomes.

Diagnosing culture

Aviva's annual culture diagnostic focuses on six dimensions of culture and tracks colleague perception data from the Voice of Aviva survey, as well as customer and people metrics. This is presented to and used by the Board to monitor culture.

In 2024, Aviva again saw improvements across all dimensions of the culture diagnostic, particularly around encouraging a culture of innovation and colleagues seeing how Aviva's values guide decision making and behaviour.

Putting strategic insights into action

In response to Voice of Aviva and the Culture Diagnostic Aviva have three company-wide priorities for 2025:

1. Continue to focus on our ability to adapt to new ways of working;
2. Maintain high levels of inclusion and belonging; and
3. Invest in leadership development.

+6% Leadership effectiveness increase since 2022

The Culture Diagnostic

The six dimensions used to assess Aviva's culture reflect regulatory expectations and frame discussion with the Group Executive Committee and Board on how Aviva measures and monitors our culture.

Data sources

The data used to inform the analysis against the six dimensions is based on three key sources:

- **Colleague perspectives** on, and experiences of, our culture captured in Voice of Aviva.
- **Colleague behaviours** across the employee lifecycle captured via HR data (such as senior leadership diversity, absence rates etc.).
- **Colleague and customer metrics and feedback** on their experiences of Aviva's service.

Leadership & direction
Leadership and tone from the top has the greatest influence on the culture of an organisation.

Values
Values are drivers of habitual behaviours and mindsets that characterise an organisation, and impact customer and colleague experience.

Accountability
Accountability is a critical driver of colleague performance metrics – higher accountability tends to drive better productivity and lower absence.

Diversity of thinking
Where a culture of diverse thinking exists, customers feel we are better able to meet their needs and there are higher levels of innovation and organisational agility.

Safe to speak up
A culture where it is safe to speak up enables colleagues to feel they can ask questions and raise issues without worrying about the consequences.

Customer focus
A culture where the customer is front of mind and colleagues feel able to challenge decisions and quickly resolve customer issues.

Our sustainability ambition

Our sustainability pillars

Social action
Climate action
Sustainable business

"Taking action on climate change and building stronger, more resilient communities is core to our sustainability ambition, as well as to achieving our business priorities. Creating sustainable value for our customers, shareholders, colleagues, and communities is integral to everything we do at Aviva."

Stephen Doherty
Group Chief Brand and Corporate Affairs Officer

Aviva aims to be a sustainability leader. Sustainability is integral to how we do business at Aviva. The three elements of our strategic sustainability framework are closely interconnected.

- **Find our regularly updated sustainability news at:** www.aviva.com/sustainability/sustainability-news
- **Find out more on climate reporting within the** Climate-related Financial Disclosure **and more about our long-term climate ambitions and how we aim towards a 'Just Transition' to Net Zero within the** Transition Plan
- **Find all our latest sustainability metrics in the** 2024 Sustainability Datasheet

Social action

Aviva aims to help in building stronger, inclusive communities at the local level. We focus on enhancing financial resilience, housing and infrastructure, and employability prospects.

Increasingly, Aviva is taking a place-based approach, working with cross-sector leaders on priority local challenges and opportunities to help regenerate the places where we live and work.

In 2024, the amount Aviva contributed to communities was £32.9 million, which represented 2% of our Group adjusted operating profit.

Over one million people are estimated to have benefitted from our community investment programmes across the UK, Ireland, and Canada compared to over 800,000 in 2023.

Find out more about our sustainability action stories within Norwich, York and Sheffield at:

www.aviva.com/sustainability/our-ambition/#places

Strengthening financial resilience

Aviva's principal partners helping families and businesses

Citizens Advice and Money Advice Trust

During 2024, Aviva's partnership with Citizens Advice has supported over 102,000 people with advice.

During 2024, Aviva's partnership with Money Advice Trust helped an additional 18,500 small businesses via their Business Debtline.

Business in the Community (BITC)

Aviva is BITC's first National Place Partner, helping bring together key stakeholders of community groups, businesses, and local councils to create a strategic vision for long-term change.

Aviva Foundation driving financial resilience initiatives

In 2024, the Foundation granted over £2 million and supported 17 new projects. Many of the new initiatives supported focused upon financial well-being.

Aviva Community Fund helping inspirational projects

In 2024, the Fund helped 442 community projects across the UK raise 5.4 million. This was made up of match-funding donations of 2.2 million from Aviva in addition to partner donations and crowdfunding.

Volunteering

In 2024, our Aviva-wide colleagues volunteered for 107,810 hours vs 87,599 in 2023.

Investing in housing and social infrastructure

Student accommodation

Aviva IWR is working with Aviva Investors to invest in the UK's universities, supporting cities that build the UK's future skills base.

Retirement homes

In November 2024, we partnered with Broadwood Later Living Sustainable Construction Finance Fund by providing a £100 million credit fund for the development of later-living properties, which meet selected sustainability criteria.

Healthcare

In April 2024, we announced the completion of an investment to finance the development of the new Velindre Cancer Centre in Cardiff, Wales.

Read more about this on page 39

Improving employability prospects

Bringing the world of work to young people in Sheffield

Aviva is involved in the See It Be It Sheffield programme and intends to help scale it nationally. This programme provides school age children with meaningful encounters with employers.

Raising career aspirations through education and engagement in York

'The Place' in York helps children and young people prepare for employment. Aviva, York University, and other donors support it by creating skills and employability programmes.

Early Careers pilot - live in York and Norwich

Aviva offers a range of student and graduate opportunities, including apprenticeships, placements, and work experience, designed to develop the knowledge and skills needed to succeed in the future of work. In 2024, we have given young people with Special Educational Needs or Disabilities (SEND) supported internships as a pilot in York and Norwich.

Digital skills development in Norwich

The Aviva Foundry in Norwich develops digital skills for tech roles. Partnering with Norwich City College, it helps Norfolk T-Level students gain new skills and provides work placements, potentially leading to digital careers at Aviva.

Climate action

As an insurer, and long-term investor, Aviva has an important role in helping its customers manage the risks associated with climate change so they can approach the future with confidence. In 2024, Aviva continued to decarbonise our business, supported the energy transition, and helped protect and restore nature.

See Page 44 of the Transition Plan for reference.

Decarbonising our business

Our Net Zero ambition

Aviva set out its ambition in March 2021. At the time, and indeed today, the pathways to Net Zero were not well understood. Furthermore, government action on policy, and development of new technologies were, and remain, of fundamental importance to create the conditions for success. For further information on the Group's Net Zero ambition, please see Aviva plc's Transition Plan.

Reducing Aviva's operational emissions

Aviva has an ambition to reduce Aviva's Scope 1 and Scope 2 operational emissions by 90% from a 2019 baseline by end of 2030. We have achieved a 51% reduction in Aviva's Scope 1 and Scope 2 operational carbon emissions against our 2019 baseline.

Influencing our supply chain

Aviva is working with its suppliers to engage them with Aviva's Net Zero ambitions. Aviva hosted the third supplier summit in November 2024. To support the achievement of this ambition, Aviva's short-term goal is for 70% of Aviva's suppliers (by spend) to have validated science-based targets by year-end 2025. By the end of 2024, 51% of suppliers by spend had validated science-based targets.

Financing the transition

Reducing the carbon intensity of our investments

To date, Aviva has reduced the Scope 1 and 2 carbon intensity of our corporate bond and equity portfolio in shareholder and with-profit funds by 64% compared to 2019. Looking ahead, we have included additional asset classes and funds within our 2030 portfolio decarbonisation ambition, against which we are making good progress.

Providing finance for sustainable assets

Since the end of 2019 (our baseline year) Aviva IWR have invested £7.5 billion in sustainable assets, exceeding Aviva Group's target of £6 billion by 2025. From street lighting to charging networks for electric vehicles, ultra-low carbon homes and windfarms, we are helping economies get ready for the future.

Sustainable transport

In April 2024, Aviva launched 'Rock Road', a zero-emission bus financing platform, through Aviva Capital Partners. Partnering with UK Infrastructure Bank (National Wealth Fund) and HSBC UK.

Zero energy bill homes

In October 2024, Aviva announced its partnership with Octopus Energy, to offer the 'Zero Bills' energy tariff at two of Aviva's UK build-to-rent developments with Packaged Living.

Supporting climate adaptation

Improving climate resilience

In 2021 Aviva formed a three year partnership with WWF, funding nature-based solution projects to restore ecosystems and tackle the impacts of climate change on communities.

Restoring shrinking saltmarshes

It is estimated that 85% of English saltmarsh has been lost in the last 200 years. Aviva's £25 million partnership with WWT, the charity for wetland and wildlife, aims to help reverse this loss.

Restoring woodlands, peatlands and nature

Aviva's £10 million Woodland Trust partnership is contributing to the understanding of climate change impacts.

Supporting brokers in building a more resilient business

In 2023, Aviva launched the Sustainable Business Coach. It offers SMEs guidance on starting their sustainability journey, including climate action and adaptation. By end of 2024 about 70% of Aviva's UK Club 110 brokers completed the tool, using it to embed sustainability strategies and increasing their understanding by 30%.

Helping economies become more climate ready

Aviva want to help the countries where its major businesses operate – the UK, Ireland and Canada – become climate ready. So, in 2024 Aviva launched its third Climate-Ready Index.

The Index provides insights for policymakers by highlighting areas where countries are succeeding vs. lagging in their climate adaptation efforts.

Sustainable business

Aviva aims to act as a trusted sustainability leader. Aviva's actions focus on providing purposeful proposition choice[1], being the employer of choice, and protecting human rights while maintaining good governance.

In 2024, Aviva launched a Sustainability Resources and Reporting hub online to share our commitment to being a responsible and transparent organisation.

- **Find out more at**
  www.aviva.com/sustainability/resources-and-reporting-hub
- **If you have any suggestions or queries about Aviva's sustainability programme or policies, please e-mail us at:**
  crteam@aviva.com
- **Aviva's modern slavery statement, as well as Aviva's Human Rights Policy and the Aviva Business Ethics Code 2024, can all be found on here**
  www.aviva.com/sustainability/acting-as-a-sustainable-business/

Purposeful propositions

Providing customers with sustainability-related investment options

As a Pensions provider, UK IWR is one of the UK's largest bundled workplace pensions provider. Our core default investment solutions, My Future Focus and My Future, aim to provide our customers with diversified low-cost solutions. The developed equity components of these solutions are optimised for an improved ESG score and a lower carbon intensity than their respective benchmarks, with carbon intensity reduction objectives, subject to meeting the investment outcomes.

We have taken steps to significantly increase our allocation to these lower-carbon optimised solutions across customer mandates over the last 2-3 years to align our portfolio to our ambition, while delivering customer investment outcomes. To date, we have allocated over £60 billion to lower-carbon intensity optimised solutions, with a portion invested in newer solutions that are not yet fully reflected in our climate metrics.

Tools for customers to interrogate their investment portfolio

Our adviser platform provides an ESG profiler tool supporting financial advisers reviewing customers' investments from an ESG perspective. It improves the transparency of funds, enabling customers to understand if a fund meets their investment appetite and ESG objectives.

Protecting human rights

Ongoing assessments across our businesses and supply chain

In 2023, Aviva refreshed its risk-based approach to prioritise the assessment and engagement of suppliers who may directly or indirectly employ workers at higher risk of exploitation. Guided by the International Labour Office's 11 indicators of forced labour, Aviva engaged its suppliers to understand their employment practices and the systems they have in place to prevent human rights abuses throughout the employment lifecycle, including during recruitment.

Independent recognition of our improvements in respecting human rights

During 2024 Aviva enhanced its score in the Churches, Charities and Local Authorities (CCLA) FTSE 100 Modern Slavery Statement Benchmark. The benchmark evaluates companies based on their public disclosures, compliance with the Modern Slavery Act, and conformance with Home Office guidance. The benchmark is updated annually, and in 2024 Aviva was one of twelve companies identified as 'leaders in human rights' moving up two tiers in the benchmark (2024 rating 1; 2023 rating 3).

Good Governance

Sustainability governance

Aviva has a clear and robust governance structure in place. Aviva's Sustainability Ambition Executive Committee drives and monitors the delivery of its plan - with delegated authority from the Group Executive Committee. See Chapter 2 for more details.

Bribery, corruption and our Financial Crime Standard

Preventing and tackling bribery and corruption is anchored in Aviva's values, with a clear message from senior management around a zero-tolerance approach to financial crime. Aviva covers this in its Business Ethics Code as well as a standalone Prevention of Bribery and Corruption Statement.

Living Wage, Pensions and Hours

In addition to paying the Living Wage and Living Pension in the UK, Aviva also supports the Living Hours campaign to ensure that workers have sufficient, predictable hours.

Speak Up

Aviva's malpractice helpline, Speak Up, makes it easy to report any concerns in confidence, with all reports referred to an independent investigation team. In 2024, 208 cases were reported through Speak Up (2023: 150), with none related to modern slavery.

Diversity Equity and Inclusion

Aviva has continued to make improvements in supporting diversity, equity, and inclusion (DE&I) throughout 2024. Aviva continue to be recognized in the Times Top 50 Employers for Gender Equality for the eighth year running. Aviva is a signatory of the Race at Work Charter and have introduced initiatives to support its focus areas. Aviva publish our UK Pay Gap Report annually to highlight current performance and steps being taken to improve the recruitment, retention, and progression of female and ethnically diverse employees.

1. While we integrate environmental, social, and governance (ESG) factors into our product development processes, not all propositions are focused on ESG

Our principles and investment beliefs

We are primarily long-term investors. Taking a long-term approach is one of our core investment beliefs.

UK IWR also believe that sustainability factors are material sources of both investment risks and opportunities for customers and shareholders. Therefore, integration and alignment of sustainability throughout the investment process is essential.

Our Responsible Investment Policy governs our approach to investing. We classify responsible investment according to the United Nations Principles for Responsible Investment (UN PRI) definition as "investing that incorporates environmental, social and governance factors into investment decisions." We believe that our Policy helps us practise active stewardship and ensures alignment with our long-term value culture.

We exercise our stewardship responsibilities across all of our assets, while being mindful of the type of assets, objectives and the extent to which we can influence where the assets are invested.

We recognise that we have a fiduciary duty to invest all our assets in a responsible way and for policyholder funds to continue to invest in line with policyholders' expectations. For assets where we have investment decision-making power, such as our shareholder assets and policyholder assets associated with our managed unit-linked and with-profit products, we directly embed our stewardship considerations into the investment strategy and day-to-day investment management.

For the remaining subset of products, where the customers have ultimate discretion as to the investment strategy and which funds they select, we offer a range of funds to meet objectives and preferences.

For examples of how our investment beliefs have guided our stewardship, investment strategy and decision-making, please refer to the Highlights on page 3 and to Chapter 3.

The key principles of our responsible investment policy that drive IWR's integrated investment approach are:

Sustainability factors are material sources of both investment risks and opportunities and therefore should be integrated within all active investment decision-making processes as a core determinant of future performance expectations.

Focused engagement is more effective in seeking to initiate change than divesting; however, it is appropriate to exclude companies from investment mandates who are engaged in activities that inherently contradict sustainability considerations and are not actively progressing business change to remedy this.

We (through our asset managers) should actively exert influence over the companies we invest in to improve their sustainability performance.

We should apply a minimum level of responsible investment criteria on all managed investment products we offer, primarily through our exclusion policy.

We believe it is appropriate, where viable, to support customer choice by providing a range of funds with different degrees of responsible investment criteria.

It is important investors receive full and clear disclosure of the responsible investment positioning and performance of the funds they invest in.

Our baseline exclusion policy

Generally, we strive to engage rather than ceasing to allocate capital to an investment.

However, there are certain sectors and economic activities where we do not support investment given they are misaligned with Aviva's overarching approach to sustainability. We therefore have a group-wide ESG Investment Baseline Exclusion Policy to define a framework for this and actively exclude such companies from our investment universe.

This includes seeking to exclude companies that we deem to have materially violated the principles of the United Nations Global Compact (UNGC), which include human and labour rights and alignment with the United Nations Guiding Principles (UNGPs), after taking into account any commitment they may have made to remediating action.

Exceptions are made for companies that have a validated science-based target (or equivalent) aligned with the goals of the Paris Agreement; are sovereign-owned utilities that we consider to be Paris-aligned (based on an assessment of their capital expenditure plans); or where the financing being raised is for non-fossil fuel related project finance bonds, or green or sustainability bonds, where the proceeds go exclusively to low-carbon solutions.

Activity	Description	Revenue Threshold[1]
Arctic oil	Companies that derive revenue from the production of Arctic Oil.	≥ 10%
Civilian firearms	Companies that manufacture firearms and small arms ammunitions for civilian markets. Excludes products exclusively sold for the military, government, and law enforcement markets.	≥ 5%
Cluster munitions and landmines	Companies involved in, among others, development, production, use, maintenance, offering for sale, distribution, import or export, storage or transportation of Cluster Munitions and Landmines.	0%
Nuclear weapons	Companies involved in, among others, development, production, use, maintenance, offering for sale, distribution, import or export, storage or transportation of nuclear weapons, where this supplies nuclear states outside of the UN Treaty on Non-Proliferation of Nuclear Weapons (NPT)[2].	0%
Biological and chemical weapons	Companies that manufacture chemical or biological weapons and related systems and components.	0%
Depleted uranium	Companies involved in the production of depleted uranium (DU) weapons, ammunition and armour, including companies that manufacture armour piercing, fin stabilised, discarding sabot tracing rounds (APFSDS-T); Kinetic Energy Missiles made with DU penetrators; and DU-enhanced armour, including composite tank armour	0%
Incendiary (white phosphorous)	Companies that manufacture incendiary weapons using white phosphorus.	0%
Laser blinding weapons	Companies that manufacture weapons utilising laser technology that causes permanent blindness to the target.	0%
Non-detectable fragments	Companies that manufacture weapons that use non-detectable fragments to inflict injury to targets.	0%
Oil sands	Companies that derive revenue from oil sands extraction for a set of companies that own oil sands reserves and disclose evidence of deriving revenue from oil sands extraction. This factor does not include revenue from non-extraction activities (e.g. exploration, surveying, processing, refining), ownership of oil sands reserves with no associated extraction revenues, or revenue from intra-company sales.	≥ 10%
Thermal coal	Companies that derive revenue from mining or extraction of Thermal Coal and/or its sale to external parties or Thermal Coal-based power generation.	≥ 5%
Tobacco producer	Companies that manufacture Tobacco Products.	0%
Tobacco retailer or distributor	Companies that distribute and retail Tobacco Products. This exclusion does not include a manufacturer that distributes its own Tobacco products unless it also provides logistics or distribution services to other tobacco companies.	≥ 25%
UN Global Compact	Companies that are not considered by Aviva Investors to meet the standards of the UN Global Compact based on MSCI data. The overall analysis will be informed by MSCI data, but such exclusions are determined by the Investment Manager in its discretion rather than by reliance on third-party analysis.	

1. Maximum estimated percentage of revenue
2. Aviva Investors will take guidance from the UK government on actors who have undermined the NPT (The UN Non-Proliferation Treaty)

Our stakeholders

Aviva recognises that stakeholders have diverse interests and that these interests need to be heard.

Aviva engages with various stakeholders in line with our strategy and purpose. We believe that maintaining good relationships with all our stakeholders contributes to realising our purpose to provide our customers with a long-term, stable income, and investing responsibly to support a sustainable society they want to retire into.

We believe that the three pillars of our Sustainability Ambition – Social Action, Climate Action and Sustainable Business – are an integral part of investing for the long-term to support building a better world. We keep these pillars in mind in combination with our purpose, investment beliefs, culture and strategy to facilitate our approach to stewardship.

Throughout this report we outline various ways we communicate with different stakeholders to ensure that the outcomes and ambitions we aspire to consider their needs. Chapter 3 outlines how we engage with our customers while Chapter 4 includes case studies highlighting holistic stewardship and engagements with the broader market.

Chapter 2

Chapter 2: Governance and organisation of stewardship

Facilitating effective stewardship governance

The delivery of effective stewardship requires the advocacy and sponsorship of senior leadership, sufficient resourcing and oversight to make sure we deliver on our ambitions. The following section focuses on the approach we take to govern stewardship and highlights the enhancements we have made to build on our in-house capabilities. We are committed to continually improving our oversight and assurance across all our stewardship activities.

The Group's governance structure

Sustainability is one of Aviva's four key strategic priorities. As part of both our strategic decisions and day-to-day business activities, issues or opportunities relating to sustainability remain a core consideration. We continue to have a strong system of sustainability governance, with effective and robust controls in place which recognise the nature, scale and complexity of operations across the Aviva Group.

We work to embed stewardship activities across the business, collaborating with our colleagues at Aviva Investors in their capacity as asset managers, and with the wider Group more broadly. Figure 1 outlines our Group corporate governance structure, which facilitates this collaboration and enables all parts of the Group to work towards a common stewardship ambition.

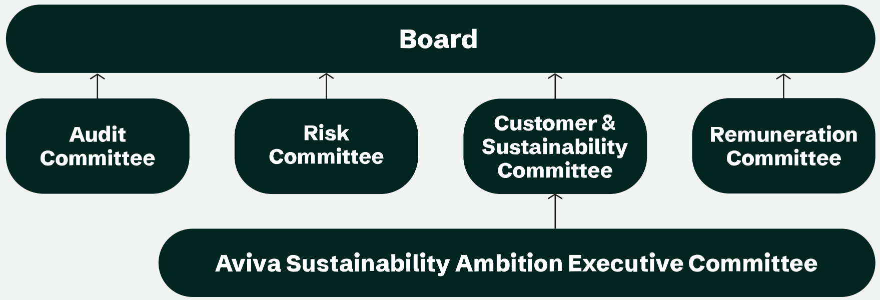
Aviva's governance framework is based on the 2018 UK Corporate Governance Code, given that Aviva is a UK Premium Listed Company. We believe that by applying these principles we set the same standards for ourselves as we expect from others.

The Aviva Sustainability Ambition Executive Committee is comprised of executive members from all the relevant functions and provides oversight and challenge in meeting our key ambitions and driving the effective, consistent delivery of the Aviva Sustainability Ambition (ASA) across Aviva. The Committee provides sustainability expertise to enable delivery and co-ordination of local activity across Aviva's markets and functions and has delegated authority from the Customer and Sustainability Committee. The Chief Sustainability Officer leads the Aviva Group Sustainability Team and reports to the Chief Brand and Corporate Affairs Officer, who is the Group Executive Committee member responsible for corporate responsibility and sustainability.

In 2024, the Aviva plc Board reviewed and approved the 2025-2027 business plan, which incorporates our climate and sustainability metrics, operating risk limits and tolerances. This allows climate-related risks and opportunities to be further embedded in our day-to-day decision making in line with the agreed climate change risk appetite.

In 2024, the Aviva Sustainability Ambition Steering Committee (ASA SteerCo) continued to operate as the executive-level forum for sustainability challenges and opportunities, with representation from leadership across the business units and Group.

Figure 1: Aviva Group sustainability-specific governance



Board

Responsible for the company's long-term sustainable success through setting the group's strategic sustainability priorities and risk appetite. The Board has final approval of the Transition Plan and Climate Related Financial Disclosure Report.

Audit Committee

Assists the Board to review the principal climate-related disclosures made in the Annual Report and Accounts and Climate-related Financial Disclosure report, consider the significant inherent challenges in the measurement of climate emissions and ensure the disclosures of these challenges are addressed and given appropriate priority.

Risk Committee

Assists the Board in its oversight of risks, including climate-related risks by assessing the effectiveness of our risk management framework, risk strategy, risk appetite and profile.

Customer and Sustainability Committee

Assists the Board in its oversight of Aviva's Sustainability Ambition by evaluating progress on the priorities and objectives, including reviewing our Transition Plan and relevant policies and our overall contribution to, impact on, and role in society in the countries we operate.

Remuneration Committee

Assists the Board in its oversight of remuneration including consideration of climate metrics when reviewing the Directors' Remuneration Policy.

Aviva Sustainability Ambition Executive Committee

Assists the Board in its oversight and challenge of the successful execution of the climate strategy.

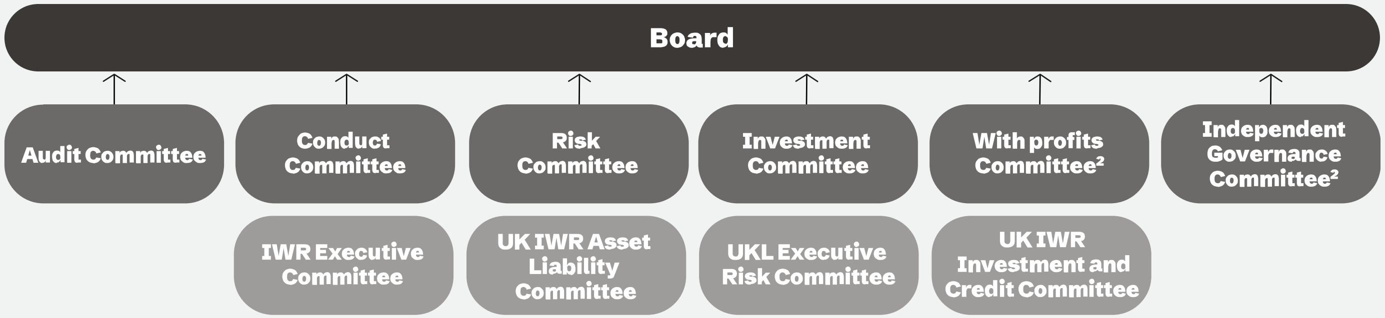
The Aviva ESG Investment Leadership Team

The Aviva ESG Investment Leadership Team (ESG ILT), which was chaired by the Aviva Investors Chief Executive Officer (CEO), with the UK IWR Chief Investment Officer (CIO) and other senior management as members, was established to co-ordinate Aviva's approach to sustainable investing. This included how sustainability considerations were integrated into investment processes across Aviva, the approval of sustainable investment policies, and the monitoring of stewardship activities. The ESG ILT was also tasked with monitoring sustainability developments in the market to ensure Aviva's sustainable investment practices remain appropriate and associated risks and opportunities for the brand are robustly managed. The ESG ILT members presented recommendations to the Group Executive Committee and Aviva plc Board, plus business unit boards, on sustainable investment policies and practices.

In 2025, the ASA SteerCo and the ESG ILT were disbanded and the Aviva Sustainability Executive Committee (ASA Executive Committee) was introduced. The ASA Executive Committee is comprised of executive members from all the relevant functions. It provides oversight and challenge in meeting Aviva's strategic ambitions, as well as quarterly updates to the Group CEO and Customer & Sustainability Committee (C&SC).

The Sustainability function reports to the Chief Brand and Corporate Affairs Officer, who chairs the ASA Executive Committee and is the Aviva senior executive responsible for sustainability.

Figure 2: Aviva UKLH governance structure. Aviva Life Holdings UK Limited Board[1]



Board committee   Management committee

1. UKLAP is wholly owned by Aviva UK Life Holdings Limited (a UK incorporated non-regulated company) and operates jointly as a Board and Board Committees
2. Sub-committees of UKLAP Board

The Group CEO is accountable for the development and execution of the Group strategy. Aviva's business CEOs are accountable for ensuring that climate is considered within their business unit. Both the Group CEO and the business CEOs are responsible for compliance with legal, regulatory, corporate governance, social, ethical, and environmental principles. In addition, management teams across Aviva are responsible for managing those areas of the business which may affect or be affected by climate change.

The business Chief Risk Officers provide independent opinion and challenge of risks including sustainability- and climate-related risks and maintain an appropriate approach to disclosure and regulatory reporting of these risks.

Alongside this, various working groups and steering committees are dedicated to actioning our climate transition plan and the wider sustainable investment agenda. Many of these are joint groups across different parts of Aviva.

UK IWR governance structure

In addition to the overarching structure at the Group level, UK IWR has its own complementary governance structure which enables sustainability matters to be integrated into our day-to-day business activities. Oversight of the relationship between UK IWR and its investment managers (including Aviva Investors) is covered by our governance structure, so that matters such as responsible investment, voting rights and management of climate risks are closely monitored. The UK Life Holdings (UKLH) Board reports to the Aviva plc Board described in Figure 1.

The UKLH governance structure consists of board, executive and senior management responsibilities as described in Figure 2.

Sustainability considerations are a standing agenda item on the UKLH Board Investment Committee, as part of the Chief Investment Officer's (CIO) regular update to the committee to ensure they are kept up to date with current actions and future plans. We conduct strategic reviews of our management of climate risk across our portfolios and the integration of sustainability within our investment strategies, alongside regular management information on a quarterly basis to the Committees, to inform the recommended course of action.

To enable our Board and the executives to carry out their roles and responsibilities including sustainability, we have established a governance structure which ensures effective and efficient decision-making. We explore a selection of these committees in further detail in Figure 3 and the role they play in embedding sustainability into the way we operate as a business.

Figure 3: Insights into a selection of Aviva UKLH and UK IWR Committees

Committee	Chair	Key sustainability function
Investment Committee	Non Exec	Responsible for assessing and approving sustainable investment strategy and policy consistent with UKLH board-approved investment beliefs and risk appetite; considering investment matters that require Aviva plc Board, Group management or UKLH Board approval; overseeing the relationship between UK IWR and its investment managers and custodians, monitoring investment performance; and monitoring our investment management functions. Sustainable investment strategy, including climate risk, is a standing agenda item.
With profits committee	Non Exec	An independent committee with responsibility for oversight of ensuring that fairness to customers is embedded in all Aviva's with-profit funds decision-making. The committee monitors and advises on management decisions that impact customer outcomes, including sustainability-related activity and broader investment matters, escalating any concerns to the UKLH Board.
Independent Governance Committee	Non Exec	Provides independent challenge in respect of the interests of relevant policyholders of workplace pensions and pathway investors. The committee considers the adequacy and quality of Aviva's policy in relation to sustainable financial and non-financial considerations; how these are considered in the investment strategy or investment decision-making; and Aviva's adequacy and quality in relation to stewardship.
Asset Liability Committee	CFO	In addition to monitoring the balance sheet and financial risk, the committee makes decisions to support the CFO in exercising their delegated authority. This ensures optimisation of opportunities and makes best use of capital across the UK IWR business, while ensuring there is appropriate oversight of the financial risk exposure, risk appetite and solvency of regulated entities. It also serves to make decisions in relation to the management of (1) the balance sheet (2) financial risk exposure and (3) position against the risk appetites as set by the Boards, which includes climate and broader sustainability-related risks and opportunities. It also makes recommendations to the Board or Board sub-committees.
Investment & Credit Committee	CIO	A committee to support the CIO in managing and overseeing UK IWR's customer and shareholder investments, including investment strategy, responsible investments, asset manager relationships and stewardship practices, and monitoring the effectiveness of investment risk management, including climate risk.
Life Credit Committee	CIO	A senior management committee was created to review and approve off-market investment transactions impacting on the shareholder funds where investment discretion is not passed to our asset managers. The committee reviews individual investment recommendations from our investment managers, including sustainability considerations as a mandatory part of the investment analysis and recommendation.

Sustainability considerations are embedded where appropriate and, in addition, a number of sustainability-related papers go through the UK IWR governance forums for noting, approval or discussion. The papers vary from standing management information and updates (for example on our progress against our sustainability ambition) to specific requests for approval.

Decisions are taken in line with the delegated authority framework, and the committees that they are presented at are driven by the decision-making authority of individuals. In most cases, these proposals are submitted to the UKL Investment & Credit Committee in the first instance and then, subject to the UK IWR delegated authority framework, may be taken right up to the Board Investment Committee for final approval.

The UK IWR Business Plan process incorporates sustainability metrics to allow management to effectively oversee the delivery of UK IWR's Sustainability Ambitions. The climate risk appetite, its metrics and associated thresholds are set by the UKLH Board and are included in the regular management information dashboard produced as part of the Chief Risk Officer report to the UKLH Board and Board Risk Committee around five times a year. If the overall appetite is breached this will be reported to the Board's Risk Committee, via the UK IWR Asset Liability Committee or the UKLH Executive Risk Committee, identifying drivers of the position and proposed mitigation actions to return to 'green'.

These forums consider stewardship issues including voting activity, updates on engagement and any conflicts of interest relating to engagement, sustainability integration and mandate breaches. Sustainability issues and recommendations are escalated to Executive and Board Committees where appropriate.

The IWR CEO attended the Aviva Sustainability Ambition (ASA) Steering Committee, which drove and monitored the performance of each of the business entities in relation to their contributions to the overall performance of Aviva Group's Sustainability Ambitions.

The IWR ExCo meeting is chaired by our CEO and attended by all business unit Managing Directors along with supporting function ExCo members, with sustainability considerations included, where appropriate, across all agenda items and regular aggregate updates. This allows for these topics to be incorporated within day-to-day business-as-usual activities and decision-making.

The IWR ASA Working Group feeds in the IWR ExCo and members represent all business units and supporting functions across IWR. The Working Group supports and co-ordinates the delivery of IWR's sustainability strategy and management of associated risks, further supporting the IWR ExCo in discharging their oversight and accountability obligations.

The UK IWR Sustainable Investment Management Group, which supported the ESG ILT in 2024, oversaw and tracked the delivery of the ASA investment ambitions. From 2025, this is the responsibility of the IWR Investments Senior Leadership Team (SLT). Sustainability continues to be embedded, with sustainability matters formally covered within existing governance, with support from working groups as required.

Review of policies to enable effective stewardship

Our governance processes, outlined earlier in this section, allow us to provide input to the review of Aviva's stewardship policies and processes. Stewardship policies that are specific to UK IWR, are reviewed and signed off by the policy owner on an annual basis to ensure they remain relevant and up-to-date.

In 2023, work began to review the UK IWR Responsible Investment Policy and Voting and Engagement Policy to assess their alignment with our long-term focus on sustainability. The review concluded in 2024 with no material changes made.

Below we set out some specific examples of sustainability or climate-related papers in 2024

UK IWR Investment Decarbonisation Update
In February 2024 an update was taken to IWR Board Investment Committee on progress made to date against the decarbonisation ambitions and the approach for our 2030 interim ambition milestone.

Sustainable Investment Principles - application
Following the approval of principles aimed to simplify the identification of assets that will support the decarbonisation of the private asset portfolio in 2023; an update was provided to the IWR Board Investment Committee on the application of those principles and future enhancements.

Emerging Markets Debt - Franchise Risk
We have been closely monitoring regional and country risks within the Emerging Market Debt mandate and have updated the EMD Reputational Risk Framework this year. This framework screens country risks from various aspects, including ESG, Financial Crime, Climate Risk, and Human Rights Risk.

In designing this framework, we collaborated with Aviva Group Sustainability, the Asset Manager's sustainability team, and Risk investment team.

Resourcing stewardship

In recognition of our belief that effective integration and management of sustainability risks and opportunities goes hand-in-hand with long-standing investment management best practice, we have structured our team so that our sustainability management is driven by and centred around our investment teams.

Led by the CIO Ashish Dafria, sustainability considerations are integrated into investment processes across UK IWR.

As CIO, Ashish is accountable for defining the investment strategy, delivering Aviva's investment sustainability ambitions, sustainable investment policies, and the monitoring of stewardship activities. With representatives from both UK IWR and the wider Group, our stewardship activities benefit from access to a range of systems, processes, research and analysis from across the entire business to inform our approach and continue to evolve it effectively. Examples of this can be found in the case studies in Chapter 3 detailing how we monitor our asset managers and service providers.

Our Sustainable Investing team

Following our recruitment strategy throughout 2023, the Sustainable Investing team continues to mature, demonstrating its subject matter expertise within the UK IWR Investment team and across the wider Aviva Group.

The Sustainable Investing team benefits from a breadth of training, experience, professional associations, and a variety of specialist skills, including climate and nature investment risk management and modelling roles, and sustainable investment management and analyst roles, enabling us to consistently drive to achieve our sustainability investment ambitions in UK IWR.

Outside of the Sustainable Investments team, other areas of UK IWR have also recruited in 2024. In Wealth, a dedicated TCFD product reporting team has been established to produce annual climate reports for each of our customer funds.

As mentioned in Chapter 1 and aligned with Aviva's commitment, we promote a culture of diversity, equity and inclusion and we believe the stewardship team benefits from this diversity.

The teams complement the skills and expertise within Aviva Investors and our external asset managers.

The Sustainable Investing team also collaborate extensively on an ongoing basis with other business areas to drive our sustainability ambition forward. This includes experts across our wider UK IWR Investments team, Group Sustainability, Group Risk, Public Policy experts and ESG teams within Aviva Investors and our external managers. These experienced professionals draw upon a diverse range of skill sets to deliver stewardship outcomes for our customers.

External Resourcing

External providers serve as valuable resources in the oversight and decision-making processes within UK IWR. Where appropriate, we outsource to specialist consultants and contractors. For example, in the past, prior to building out our internal capabilities, some of the consultants we worked with developed the methodology for carbon accounting and data models. Examples of how we oversee some of our external resourcing can be found in the case studies in Chapter 3 detailing how we monitor our service providers.

Assessment of effectiveness

As mentioned within the Committee section above, the IWR ASA Working Group continues to operate quarterly, focusing on the three ASA Pillars on a rotational basis, namely; Climate Action, Social Action and Sustainable Business.

We prioritise the delivery of success by continuously reviewing and refining our structure. We assess how we integrate sustainability into our existing governance framework on an ongoing basis, ensuring that our philosophy considers sustainability as an integral part of overall investment decision considerations and aligns with wider governance structures.

This consideration facilitates the most effective and efficient delivery of stewardship activities, streamlined across the UK IWR business along with the broader organisation.

Incentives and training

As signalled in the commitments of our last report, during 2024 Aviva carried out a range of training for our existing employees, detailed below, to support our stewardship activities and ambition as it continues to grow and evolve.

Incentivising our people to deliver positive stewardship outcomes

Incentivising positive stewardship outcomes and long-term value generation is embedded in the culture of our business. Each individual at Aviva is committed to linking a range of their work and personal objectives to sustainability outcomes as part of the annual performance process.

Our main asset managers are also incentivised to incorporate sustainability outcomes into their long-term plans. Aviva Investors was one of the first asset managers to integrate sustainability factors into pay criteria across the firm, including for its investment heads. Through its Global Reward Framework, all investment employees should support and integrate sustainability considerations into their investment processes. Sustainability metrics form part of the business scorecard and annual risk attestation. The Aviva Investors CIO's and investment desk heads consider how colleagues demonstrate their commitment to sustainable processes as part of the determination of performance and pay outcomes. We also invest for the long-term (even upwards of 50 years), which makes sustainability an essential consideration for our investment decisions.

In Schroders, one of our asset managers, sustainable leadership is key to their business and flows from their long-term outlook. Performance against sustainability goals is considered in the annual compensation review for individuals who have the ability to influence their investment and business operations, ensuring alignment with their commitment to responsible practices.

Aviva's senior management Long-Term Incentive Plan (LTIP) includes a carbon intensity measure in recognition of our net zero ambitions. As mentioned in Chapter 1, there are also measures related to diversity and inclusion.

Delivering the training our people require to achieve our stewardship ambition

Throughout 2024, Aviva continued to develop the skills of our boards and of our people with respect to stewardship considerations; see below some grouped examples of this.

Board and Committee-specific training

- The Board receives regular briefings on strategically important issues to stay informed.
- In 2024, the Board participated in training sessions on topics including Lloyd's of London, Consumer Duty, Speak Up, climate and sustainability, and crisis management. They also had an in-depth session on climate to better understand Aviva's climate goals and the challenges of achieving Net Zero. The Executive Committee attended sessions on Greenwashing, Sustainability Architecture and the Aviva Foundation.
- Additional training sessions are planned for 2025.

External Training Qualifications

- Since 2023, Aviva has offered an external training programme for UK IWR Investments team members, enhancing their skills in investments, ESG, and climate topics. 38 colleagues have registered for 42 professional qualifications.

Firm-wide

- In 2024, the internal sustainable investments training programme delivered three modules covering various topics.
- New employees complete mandatory climate training, and investment teams receive regular updates on climate themes to better understand material risks and opportunities.
- Aviva's Sustainability Academy on Aviva University allows all 25,000 colleagues to access sustainability training.
- In 2024, targeted sessions on anti-greenwashing were delivered following FCA regulations, discussing its importance and mitigation steps.

Assessment of effectiveness and looking ahead

We believe our chosen governance structures and processes remain effective in supporting stewardship, but we continually review them to ensure the effective delivery of our sustainability ambition.

Climate and sustainability training was provided for the Group and subsidiary Boards and an online sustainability training site, the 'Sustainability Academy' was rolled out to support employees with sustainability learning.

We believe that investing in continuous learning equips our employees with the necessary knowledge and tools to deliver against our Sustainability Ambitions. As mentioned above, the Sustainable Investments team are supported in pursuing externally recognised professional qualifications for key colleagues.

We continue to enhance the training above with ad hoc bespoke sustainability focused internal training and development programme for wider stakeholders and business units across Aviva.These programmes are designed to offer training that evolves in line with market requirements.

Assurance and managing conflicts

Aviva continues to review and obtain assurance, where appropriate, of our policies and processes, which ensures our reporting is fair, balanced, understandable and continues to improve.

Aviva applies a three-lines-of-defence model to managing risk; see the 'Internal Assurance' section. We are committed to obtaining internal and external assurance over our market-facing reporting where applicable, and seeking support from third-party advisors to ensure our outputs are robust and reliable.

External assurance

In 2021, Aviva's Audit Committee conducted a competitive audit tender process and recommended the appointment of EY to the Board, which was approved. At the 2024 Annual General Meeting, shareholders approved the appointment of EY as the Group's external auditor and PwC resigned after 12 years in position. The Committee reviewed and approved EY's terms of engagement, including the engagement letter and audit fee, and 2024 audit plan.

As part of our commitment to transparent reporting on our performance, EY has provided reasonable assurance over selected sustainability KPIs shared in Aviva's annual Sustainability and wider reporting suite. This includes reasonable assurance on our financed emissions metric, which included a number of asset classes owned almost entirely by IWR.

Internal assurance

As part of our three-lines of defence model, within the first line of defence, the UK IWR investment team use the research, selection and oversight process to assess our asset managers, covered in detail in Chapter 3. This also allows us to monitor the reporting information that the asset managers provide us with. The process results in a level of internal assurance that our asset managers are servicing our stewardship needs effectively.

Our Internal Audit team together with first and second-line control functions provide independent assurance over our control environment related to sustainability including, on a risk-prioritised basis, the robustness of our stewardship reporting.

In 2024 our Internal Audit team performed a review of controls to mitigate greenwashing risks relating to certain key activities within the Group, including Aviva's readiness and compliance with the FCA's anti-greenwashing guidance.

This provided assurance over existing controls while highlighting minor actions to support further strengthening and embedding.

The UKLH Audit Committee also conducts an annual review of the Internal Audit function to assess its independence, effectiveness and to satisfy itself that the quality, experience and expertise of the Internal Audit function is appropriate for the business. This is usually carried out by reviewing reports issued by Internal Audit and the output of an annual stakeholder effectiveness survey. This formal process is supplemented by regular private discussions with executive management, the Internal Auditor and the External Auditor.

1st Line

Management

Accountable for the implementation and practice of risk management. Primary responsibility for risk identification, measurement, management, monitoring and reporting lies with management.

2nd Line

Risk function

Accountable for providing quantitative and qualitative oversight and challenge of risk identification, measurement, management, monitoring and reporting, as well as advisory support to the business on risk innovation.

3rd Line

Internal audit

Responsibility for assessing and reporting on the effectiveness of the design and operation of the framework of internal controls which enable risk to be assessed and managed.

Managing conflicts

Aviva takes its fiduciary duties to customers and beneficiaries seriously. Our Group Conflicts of Interest Policy covers the main areas of risk strategy, risk appetite, governance, modifications and exceptions, and non-compliance. It aims to protect Aviva, its customers and its employees and ensure that all conflicts of interest, whether perceived or actual, are appropriately identified and managed effectively. It sets out the obligation on all staff to:

- identify and where possible avoid situations that could result in apparent, potential or actual conflicts;
- notify their line manager and other relevant parties;
- register the conflict in the conflicts of interest register;
- undertake relevant training;
- use the policy with other applicable policies and procedures; and
- update the status of the conflict if and when it changes.

The Group Conflicts of Interest Policy includes guidance on voting and engagement. Our principal objectives when considering matters such as engagement and voting are always to act in the interests of our clients and underlying beneficiaries, and to treat all clients and beneficiaries fairly. No direct self-investment is permitted in an Aviva plc equity, bond or money market issue by any Aviva Group company or associate.

Collective investment schemes (excluding Tax Transparent Funds) and investment trusts managed by Aviva Investors are not prohibited from investing in Aviva plc equities, however, where Aviva Investors is responsible for voting rights over Aviva plc shares held or managed on behalf of external clients, given the potential for a conflict of interest, Aviva Investors will exercise no discretion over those voting rights and its default position will, therefore, be to refrain from exercising those voting rights.

The Conflict of Interest Policy is reviewed annually by the Aviva plc Board and is published internally to all employees on our intranet. Presently, the Policy and its availability remain unchanged. The organisation intends to review this in due course.

All conflicts of interest are registered using an internal standard online Conflicts of Interest register. Additionally, conflicts that result from an employee's role as a statutory board director on one of Aviva's subsidiary companies or an external company must be added to the company's statutory Conflicts of Interest register.

We endeavour to robustly manage potential conflicts in our stewardship activities and therefore exercise formalised segregation of duties within UK IWR, such that proposition or underwriting teams are not directly involved in investment stewardship processes and activities, and in turn those executing stewardship responsibilities have a limited view of Aviva's business clients. We also maintain an arm's-length relationship with Aviva Investors, who engage on our behalf. Being another step removed from Aviva's business relationships, the asset manager can engage from a non-conflicted position.

This arm's length relationship is also important in managing the conflict that could arise from having an in-house asset manager. Our '5 P' process, as well as our sustainability manager oversight assessment, both detailed in Chapter 3 are applied equally to our internal and external managers and ensures a level of independent assessment; as do the segregation of functions and governance structures described in earlier in the chapter.

In accordance with the Companies Act 2006, the Company's Articles of Association allow the Board to authorise potential conflicts of interest that may arise and to impose such limits or conditions as are deemed necessary. The decision to authorise a conflict of interest can only be made by non-conflicted directors (those who have no interest in the matter being considered) and in making such a decision the directors must act in a way they consider, in good faith, will be most likely to promote the success of the Company for the benefit of its shareholders as a whole. The Board continues to monitor and note any potential conflicts of interest that each Director may have and recommends to the Board whether these should be authorised and whether conditions should be attached to any such authorisation.

The directors are regularly reminded of their continuing obligations in relation to potential or actual conflicts of interest and are required to bi-annually review and confirm their external interests, which helps to determine whether they can continue to be considered independent.

Conflicts of interest in relation to our internal asset manager's stewardship activity are addressed as a standing agenda item during quarterly business review meetings. They are presented and discussed to agree an appropriate course of action, if deemed necessary. Some of the possible actions could be to continue monitoring the conflict, to withhold a vote, vote against a resolution or support a resolution.

For example, this year, votes were withheld by Aviva Investors in our funds due to the client not instructing Aviva Investors to vote.

Chapter 3

Chapter 3: How are we invested?

As of 31 December 2024, UK IWR are responsible for overseeing approximately £284 billion of assets held across customer and shareholder portfolios.

The vast majority of our investments are managed by Aviva Investors. As such, our approach to stewardship leverages Aviva Investors' resources and expertise to develop and deliver an investment approach which considers stewardship at its core across all asset classes.

We set out our stewardship expectations for all asset managers and continue to monitor asset manager activity to ensure those expectations are being met. More details on our approach to monitoring managers can be found on later in this chapter from page 41.

We invest our customers' assets across several asset classes, the majority of which are in multi-asset solutions, utilising credit, equity, sovereign and real assets such as property and infrastructure. Figures 4, 5, 6, 7, 8, 9 and 10 provide further information on the composition of our assets; this includes customer assets and shareholder assets (which back up annuities, capital and reserves), and non-profit funds.

Figure 4: Split of investment assets (as at 31 December 2024)

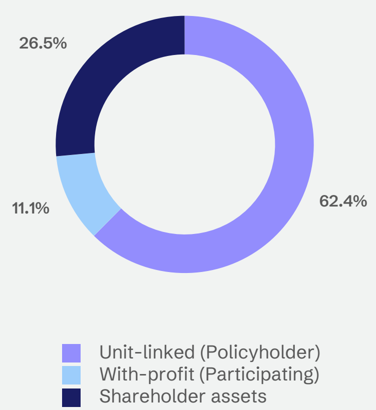


Figure 5: Shareholder assets by geography (as at 31 December 2024)

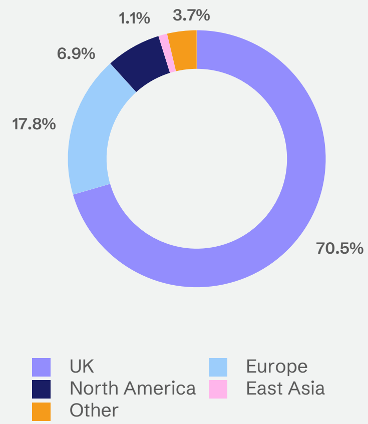


Figure 6: Shareholder assets by asset class (as at 31 December 2024)

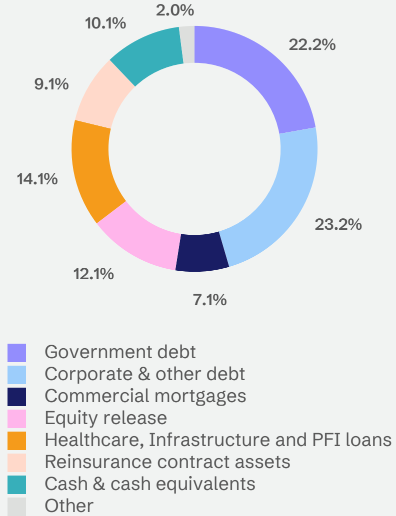


Figure 7: Unit-linked customer assets by geography (as at 31 December 2024)

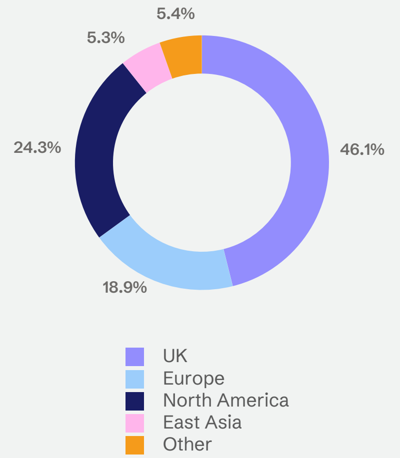


Figure 9: With-profit customer assets by geography (as at 31 December 2024)

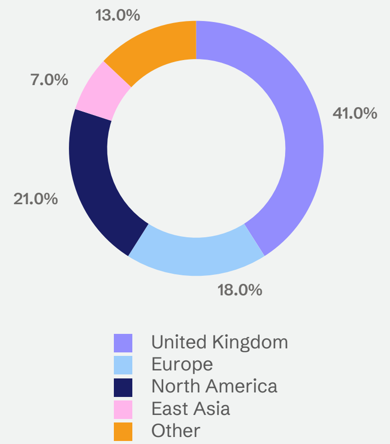


Figure 8: Unit-linked customer assets by asset class (as at 31 December 2024)

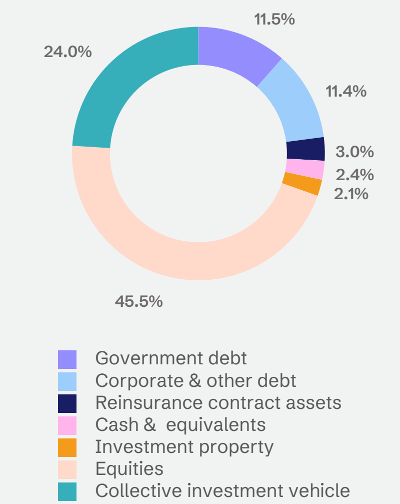
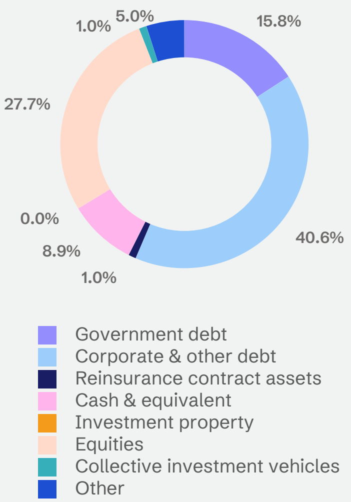


Figure 10: With-profit customer assets by asset class (as at 31 December 2024)



Who are our customers?

Understanding UK IWR's customers is critical to our stewardship approach. We need to understand the time horizon over which they are invested, how they perceive risk and how we can deliver on our fiduciary duty to protect the value of their assets, including in the long-term.

UK IWR offers our clients solutions with varying risk profiles and asset mixes to reflect their appetite to risk and their own time horizons. This will vary from growth orientated strategies that mainly invest in equities to consolidation and drawdown strategies that have a more balanced asset mix, more heavily weighted to sovereign and cash-like investments. Long-term considerations are important for both the growth and consolidation phases.

Extending our key strategic partnerships with Diligenta and FNZ will improve how we serve our customers, further simplifying our operations and supporting our growth ambitions. It will allow us to rationalise our systems and improve efficiency, bringing benefits for our customers and the business.

Products and customers

Insurance

We are one of the largest combined providers of Individual and Group Protection in the UK, insuring over nine million lives.

Through individual protection, we support customers and their families in the event of loss of income, critical illness or bereavement. Group protection helps employers keep their workforce healthy and supports them in adverse circumstances.

Our digitally led wellness proposition, DigiCare+, provides both individual and group protection customers with a holistic wellbeing solution, including health checks, access to digital General Practitioners (GPs), second medical opinions, mental health support and bereavement support.

In Health, we provide access to private medical services and treatment to 1.2 million people in the UK. This is an increase of more than 100k customers compared to 2022.

Wealth

Aviva is one of the largest workplace providers in the market[1]. In 2024, we won over 470 new corporate pension schemes, continuing our strong performance in our workplace offering.

Our Adviser Platform attracted the second highest net flows in the market[1], driving assets under administration growth of more than 20% versus last year, whilst our Pension Portfolio offering was the most advisor recommended Self-Invested Personal Pension (SIPP) in 2024, according to Defaqto research. We won 'Best Default ESG Strategy' at the Corporate Advisers 2024 Awards.

In 2024, we launched our first Junior ISA, encouraging our customers to adopt positive saving and investment habits from the first stages of life, as well as Asset Transition functionality on our Platform.

The shift to defined contribution (DC) pensions means that individuals are increasingly having to take responsibility for their financial futures. Many of them, whether individually or through their workplace schemes, place their trust in us to manage their money in a way that supports their financial wellbeing in retirement, with over 90% of contributions to a workplace pension now invested in the default investment solution following the introduction of auto-enrolment.

Reflecting the length of time an individual may be invested in a workplace pension, with the average age of our members being 44, our approach when considering stewardship in our investment decision-making is over a long-term horizon.

We offer two main default investment solutions, My Future and My Future Focus, both of which have been designed taking into account the needs of the workplace pension members in how they can access their pension savings.

Both solutions have a default strategy that can be considered 'universal', reflecting this flexibility available to members, while offering strategies that specifically target the different retirement options available (purchasing annuity; full cash withdrawal; or moving into a drawdown arrangement).

All of these strategies can be broadly categorised into two stages:

- Growth - Further away from retirement, with higher allocation to equities and direct real estate to generate above-inflation returns in the value of the members' contributions.
- Consolidation - Approaching retirement, with greater focus on reducing the level of investment risk to which the members' accumulated pension savings are exposed and, for those strategies targeting the different retirement options, aligning the investments to these strategies.

For those members who wish to make their own investment selections it is necessary for us to provide them with a range of options from which they can choose, and to meet the different preferences and risk profiles of these members.

Alongside access to a broad range of fund options they need the information on these options to be clear and readily available to support their investment selection-making; page 31 provides further detail on how we have developed tools to facilitate this decision making.

Workplace propositions received numerous Corporate Adviser Awards including 'Best Group Pensions Provider', 'Best Provider: Decumulation Proposition' and 'Ultimate Default Fund'.

Our Adviser platform has won awards for 'Leading Platform for Model Portfolio Services' (Schroders), Best ESG Provider' (Money Marketing) and 'Best Stocks & Share ISA provider' (Moneyfacts).

Succession Wealth, our advice business, continued to drive value from the wider Aviva ecosystem, increasing the value of assets secured via referrals from Aviva customers by over 84% compared to 2023. Succession Wealth was also awarded the 'Wealth Management Firm of the Year' in the Wealth & Asset Management Awards 2024.

1. Fundscape Q3 2024 press release

Retirement

Our retirement business consists of bulk purchase annuities, individual annuities and equity release.

Bulk purchase annuities allow pension trustees to secure future obligations to defined benefit scheme members by de-risking their pension schemes.

We manage exposure to longevity risk and maximise the capital efficiency of new business by partnering with reinsurance counterparties. Individual annuities give customers secure lifetime retirement income. We are one of the largest providers of UK individual annuities based on portfolio size.

Equity release supplements retirement income in a tax-efficient way by unlocking housing equity. In our Equity Release business, we have evolved our market leading proposition and won 'Best Equity Release Lender' and 'Best Equity Release Lender Customer Service' at the 2024 What Mortgage Awards.

Communication and feedback with customers and advisers

Understanding customer needs and preferences

Communication with IWR's customers is an essential part of our role in understanding their concerns, guiding them to tackle these concerns and letting them know what we are doing on issues that are important to them.

Our communication approach focuses on the following key areas:

- Investing in high-quality research to provide our customers with leading solutions;
- Consulting with customers and advisers on their preferences and target outcomes;
- Reporting back on how investments made are contributing to achieving these outcomes; and
- Wider engagement on sustainability matters with customers to inform their thinking.

Results of customer communications flow into our client relationship system, which then feeds into the development of products and reporting. While we understand the key characteristics of our customer groups, we recognise that each customer will have individual needs and that ongoing communication with customers and other stakeholders plays an important role in understanding and providing for our customers' evolving needs. We also believe that the role of communication in effective stewardship goes beyond individual customers and their assets, to wider engagement on ESG matters to support customers in understanding how our products align with their preferences.

Tracking consumer perceptions of Aviva

During 2024, Aviva conducted its quarterly Sustainability Tracker which tracks consumer perceptions towards Aviva and our key competitors across key sustainability metrics. The tracker helps us establish the key drivers of favourability across sustainability and assess how Aviva performs against these key drivers. It also establishes the level of awareness of Aviva for key partnerships and the Aviva Community Fund. Further insights such as the regional differences between consumer attitudes and perceptions are also gathered.

The Q3 Sustainability Tracker found that Aviva continues to lead across all ESG attributes, particularly when compared to competitors on a number of these attributes. For example, one in five of the general public and one in four Aviva customers are aware of the Aviva Community Fund.

In addition to the Sustainability Tracker, Aviva undertakes specific customer research to identify customer needs in relation to Aviva's product offerings.

Direct-to-customer research: Workplace Pension and Financial Advice Research

Aviva published the latest Working Lives Report: Working for Future in September 2024, gathering the views and attitudes of employers and employees across the UK on workplace, finances, wellbeing and planning for retirement.

The 2024 report shows that most employers (85%) feel responsible for ensuring employees save for an adequate retirement, with over a quarter of those (26%) saying they feel very responsible. The report also found that four out of five (80%) employees said they do not have a financial adviser to help with retirement planning. However, over half of those (56%) said they would consider using one.

In response to this, Aviva is developing a new 'Guided Retirement' product which will initially be offered to a selected group of our corporate workplace pension scheme members. It will focus on those customers taking a non-advised route into retirement. It will help to support retirees with the complex decisions they face when it comes to retiring and will provide a guided framework that supports their changing needs throughout their retirement journey.

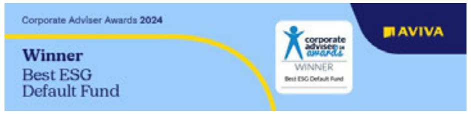
Additionally, Aviva is one of the first UK employers to be awarded the Living Pension accreditation. Aviva has also been an accredited Living Wage employer since 2014, paying its employees the real Living Wage, as certified by the Living Wage Foundation.

The Living Pension is a voluntary pension savings target for Living Wage employers and has been independently calculated to provide enough income to meet everyday needs in retirement.

To become a Living Pension Employer, organisations must provide a Living Pension savings level which equates to 12% of a full-time real Living Wage salary, of which at least 7% must come from the employer.

Aviva has opted to increase its default pension contribution rates and now automatically enrols new starters on a pension contribution of 14%, of which 10% is contributed by Aviva and 4% by the employee.

Aviva's default solution, My Future Focus, has been recognised as the Best Default ESG Strategy in the 2024 Corporate Adviser Awards. Aviva also won the Best Group Pension Provider and the Best Provider Decumulation Proposition at these awards.



Direct-to-customer research: Aviva Discovery Hub

In December 2024, Aviva launched the Pensions Discovery Hub, a research community aimed at understanding the needs of Workplace customers. We will explore topics such as customer understanding, awareness confidence in pension investment funds, attitudes towards ESG, Ethical, and Shariah funds, and customer actions regarding pension funds. Additionally, the community will focus on Pensions engagement, consolidation, nominating beneficiaries, and retirement planning.

The research findings will shape our proposition development and member engagement activities.

Our Investment Preference Tool

Recognising that our customers all have different preferences, values and requirements, 2024 was the first full year in which our Direct Wealth Investment Preference Tool was available. It is designed to assist our customers in their investment journeys on Stocks & Shares ISA's, General Investment Accounts (GIAs) and Self-Invested Personal Pensions (SIPP's).

This innovative tool allows users to search for funds which support their values whilst minimising exposure to industries that conflict with their ethical choices.

This delivery gives a clear and easy-to-understand user experience and provides invaluable support in their pursuit of responsible and tailored investment strategies.

The tool allows customers to filter funds using three categories: Environmental, Social & Governance.

Once the customer has entered the areas they wish to avoid investing in, the tool filters out funds that meet that criteria and funds are presented as a list to the customer. The customer can then choose from the selection of matching funds provided and invest into the products they want.

Consulting with advisers

Enhancing our ESG tooling on the adviser platform

We have continued to develop our award winning ESG tooling on our adviser platform. New features have been shaped and developed based on adviser feedback and collaboration.

In December 2024, we upgraded our adviser platform to incorporate:

- The regulatory SDR investment labelling regime;
- A downloadable client-friendly PDF of the Sandbox research outputs (our number 1 user feedback request);
- The ability to view individual sustainability characteristics of a fund/model's top 10 holdings;
- An improved search functionality, speeding up response times.

Recognising the importance of ongoing education and support we continued our sponsorship of the Accord Initiative which provides free to access support, guidance on regulations, suitability framework information and templates to the financial adviser community.

Figure 11: Examples from the Investment Preference Tool

Environmental issues

Which environmental credentials are important when you're picking investments?

By making a choice below, funds that don't meet those standards will be removed using MSCI's rating system. These can either be zero tolerance (0% of revenue) or highly restricted (less than 5%).

MSCI's ratings require at least 65% of the companies in the fund have been researched, that there are more than 10 holdings and reporting on the contents of the fund is within the last 12 months.

305 funds matching your choices

High impact fossil fuels
Highly restrictive. Aims to remove funds containing companies with reserves of the most environmentally damaging fossil fuels or those that are involved in fossil fuel production. This could include thermal coal and types of oil and gas to produce electricity.

Nuclear power
Highly restricted. Removes funds containing utilities which use nuclear power generation and companies that get more than 5% of their revenue from supplying the industry.

Water waste
Zero tolerance. Removes funds containing companies that use excessive amounts of water, especially in areas prone to drought. For example, textiles and meat production.

Environmental controversies
Zero tolerance. Removes funds containing companies known to be involved in environmental controversies through land, air or water pollution, as well as overuse of natural resources.

Palm oil
Highly restricted. Removes funds containing companies which get more than 5% of their revenue from producing potentially environmentally damaging palm oil.

Social issues

When you're choosing investments, which social issues are most important to you?

By making a selection below, we'll use the MSCI rating system to show you funds that highly restrict (less than 5% of revenue) involvement in industries that don't meet different social and employment issues - like alcohol, gambling or meeting labour standards.

1,499 funds matching your choices

Unfair employment practices
Remove funds containing companies which don't have fair labour practices such as paying living wages and ensuring safe and hygienic working conditions.

Controversial military weapons
Remove funds containing companies linked to controversial military weapons such as landmines, chemical weapons and cluster munitions (weapons that release lots of smaller explosives).

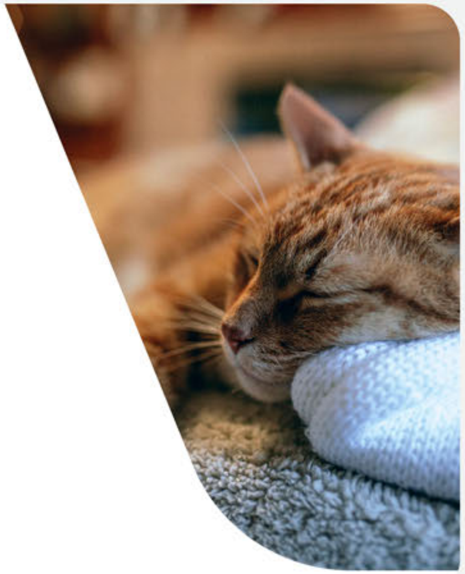
Gambling
Remove funds containing companies that earn more than 5% of their revenue from investing in or operating gambling businesses - from casinos to supporting services and products.

Alcohol
Remove funds containing companies that earn more than 5% of their revenue from producing or distributing alcohol.

Tobacco
Remove funds containing companies that earn more than 5% of their revenue from the tobacco industry. This includes producers, suppliers, distributors and retailers.

Animal welfare
Remove funds containing companies that earn more than 5% of their revenue from industries using animals. This includes animal testing, factory farming, exhibiting and breeding animals.

Adult entertainment
Remove funds containing companies that earn more than 5% of their revenue from the adult entertainment industry. This includes producers, distributors and retailers.



Governance issues

Which governance issues are important when you're selecting investments?

By making a selection below, you'll be presented with funds that minimise their exposure to companies involved in those industries.

1,121 funds matching your choices

Gender diverse leadership
Zero tolerance. Remove funds containing companies with no female directors on their boards.

Major governance controversies
Zero tolerance. Remove funds containing companies facing serious controversies related to issues such as financial crime, unethical investments, and unethical governance structures.

Major customer controversies
Zero tolerance. Remove funds containing companies facing serious controversies in areas such as competitive practices, privacy and data, and product safety.

An integrated approach to stewardship

Overview of our approach

We believe the integration of sustainable investing considerations into the investment process enables better understanding of the opportunities and challenges faced. We apply the mandate that our customers give us to invest in a way that meets their current and future needs, reflecting financial and non-financial considerations.

Each of our appointed managers are expected to demonstrate how they have identified, considered and integrated relevant sustainability factors and sustainability risks within the investment decision-making process. These expectations are explicitly referenced in our investment management agreement for investment mandates and adherence monitored through our management oversight process.

Different managers will have different processes for integration that will depend on the asset class and fund philosophy. Aviva Investors has firm-wide private and public Responsible Investment and Sustainable Risk Policies which set out how the sustainability integration process can differ according to the asset class.

Examples of integration we have seen and discussed with our active fund managers as part of our oversight of discretionary managed portfolio in 2024 are provided next:

Fixed Income - UK Housing Associations: ESG drivers of increased maintenance and development costs

UK IWR invests in our Buy & Maintain portfolio through our customer mandates.

Deteriorating property conditions in UK social housing has been a significant policy concern since the Grenfell Tower tragedy in 2017 and public outcry following a child's death from mould exposure in 2020. A 2022 report highlighted that 13% of homes in the social rented sector failed to meet the decent homes standard in 2020, with ongoing concerns about damp and mould complaints. In response, the Social Housing Regulation Act (2023) has introduced stricter consumer and property condition standards, including the removal of penalty caps and the introduction of a statutory complaints handling code. Additionally, long-term sustainability policies from the UK Climate Change Act (2008) and the Environment Act (2021) will shape future building regulations through the Biodiversity Net Gain Policy and Future Homes Standard (2025).

Following engagement with companies in the sector in 2023, Aviva Investors continued to conduct research on asset quality and development cost pressures for housing associations, where the collaboration between credit ESG analysts, credit analysts and Portfolio Managers has been crucial.

In addition to desk research and insight from their past engagements, Aviva Investors also leveraged investor industry initiatives such as Social Housing Sustainability Reporting Standard. Aviva Investors brought together these views by producing an internal ranking of the UK Social Housing Sector exposures' relative performance on asset quality risk, with a focus on fire safety, property condition and energy efficiency. This included stock audit process and results, investment plans and level of deployment and status of remediation against heightened standards.

Several portfolio changes were made following this research:

- Avoided one new issue from a housing association in September due to a lack of comprehensive stock auditing and poor knowledge of stock condition.
- Sold another issuer due to deteriorating operating margins driven by steep increase in fire safety costs from the forced merger with another entity.
- Downgraded investment rating on a third issue because of its outlier on energy efficiency with ~50% stock at EPC C or below.

As per Aviva Investors' thesis, ESG risks have materialised in 2024, playing a part in the downgrades in credit ratings due to substantial investment required in stock.

Equity - Reduction of holding

Dior is an LVMH brand, held in an externally managed fund we invest into within our customer mandates. Following concerns about a supply chain controversy and the company's decision not to grow the annual dividend, the Portfolio Managers reduced the position in 2024. One of our asset managers, Fidelity, engaged with LVMH on this and other ESG matters including governance, given various changes that were made to the management team over 2024. Engagements with the company provided satisfactory reassurance regarding the company's intent to address ESG concerns. Moreover, shorter-term difficulties that LVMH is facing are likely to fade on a three-to-five-year view, making it an attractive investment that is likely to grow its dividend again. This case illustrates that while ESG considerations are important and closely monitored, they are not the sole factor in our managers' decision-making process. For more details about Fidelity's engagement with this company, see Chapter 4.

Multi-Asset - Structural governance reforms in Japan

Japan has historically faced challenges in corporate governance, such as low gender diversity on boards, significant cross shareholdings, and insufficient incentive structures. These issues have impacted the attractiveness of Japanese companies in global markets. However, recent structural reforms and rising consumer prices have made the Japanese market more appealing from an investment perspective. For instance, after three decades of low inflation, and even deflation, its return to moderate inflation has provided investors with confidence of consumer spending and investment.

In 2023, Aviva Investors' multi-asset and ESG teams explored how potential governance changes linked to the Japanese Corporate Governance Code could improve the market's perception of value creation at Japanese firms. This code, initially introduced in 2015, updated in 2018 and 2021 and again in 2024, aims to promote improved board composition, diversity of boards and performance linked remuneration.

Additional reforms reduce barriers to takeovers and promote investor engagement. For example, a key change brought about by these reforms is the reduction of cross shareholdings, where companies hold shares in firms they do business with, insulating management from activist shareholders and locking up capital. Over the past few years, Japanese regulators have implemented measures to improve the competitiveness and attractiveness of Japanese companies, and reinforced the strength of governance reforms for improved cost of capital.

As a result of this joint analysis and observing positive trends in improved practices and the return to inflation, Aviva Investors' multi-asset desk initiated a long position in Japanese equities in September 2023. Since then, Aviva Investors have undertaken tactical trades to take advantage of short term market conditions. This was notable during August 2024, when the Bank of Japan increased interest rates impacting the popular yen carry trade that relies on Japanese rates being low. The TOPIX initially fell (12.2 per cent in JPY terms) but rebounded quickly. During this time, Aviva Investors undertook tactical trades and ultimately closed the position for profit.

While they still hold conviction in the theme of improving corporate governance, Aviva Investors sold their overweight position to capture the profit. Aviva Investors continue to monitor valuations for further potential upside.

Equity – Electricity sector

It is important to consider stock-specific issues when integrating sustainability into investments in the electricity sector as the sector is undergoing significant changes driven by the need to decarbonise and transition to cleaner energy sources. This can impact the performance and risk profile of individual stocks. This approach ensures that investments are aligned with both financial and sustainability goals, taking into account the unique challenges and opportunities presented by each stock.

Below are two examples from our managers on how sustainability issues were considered as part of the decision-making process.

National Grid: Implications of UK electricity demand

We hold National Grid in both our customer and shareholder portfolios. The UK's Electricity System Operator anticipates significant growth in electricity demand by 2035, driven by the expansion of renewable energy generation and the electrification of transport and heating. National Grid, the largest electricity network operator in the UK, is a critical infrastructure entity in the decarbonisation of the UK grid.

The investment thesis was supported by National Grid's potential for higher equity returns, enhanced cash flows, and increased capital expenditure. Additionally, the company ranked in the top quartile across several ESG metrics, including MSCI ESG scores and Aviva Investors' Elements 2.0 score. While these data inputs provided baseline signals in Aviva Investors' evaluation of the company, they supplemented these with qualitative insights to gain a deeper understanding of National Grid's ESG performance and strategic direction as a beneficiary from the transition. Aviva Investors have been engaging in positive dialogue with the company on a multi-year basis on the level of transparency underpinning their climate targets, executive remuneration, and long-term climate strategy.

Throughout 2024, the company has been a vital player in the UK Grid's decarbonisation, a key investment theme for equities. A positive view of the company was maintained in 2024, reinforcing high conviction and a buy rating on the stock. As at end 2024, National Grid was a top ten position within most of Aviva Investors' UK equity strategies. Notably, in 2024, Aviva Investors' position was increased by participating in this year's rights issue. Throughout the year, the holding in National Grid has performed well for a variety of reasons, and this has contributed positively to performance across Aviva Investors' portfolios.

Sale of position in UK Electric service company

Sustainability risk and opportunity are considered by the Schroders' investment team in their analysis, but it should be noted that sustainability issues are rarely the sole driver or consideration.

This electric services company, is, however, an example of an investment decision that has been impacted by sustainability issues. UK IWR invest into it through a UK Listed Equity fund in our customer funds. The company produces c5% of the UK's electricity and is the largest provider of renewable power by output in the UK. When wind and solar power availability is low the company has an important role in energy security at periods of peak demand. The company is one of the largest developers of BECCS ('Bioenergy with carbon capture and storage') in both the UK and US. BECCS is one of the key carbon capture technologies that will be needed to help the UK hit its Net Zero ambitions.

Schroders invested in 2020 and there has been continuing debate around the sustainability of BECCS. Schroders' ongoing analysis and engagement with the company resulted in their belief that the company's biomass pellets – sourced from forestry assets – were sustainable and the company should be a key source of reliable renewable energy in the future. This was key to Schroders' investment thesis. However, the treatment of biomass as carbon neutral is controversial and at risk from government policy reversals. The company is heavily reliant on government subsidies to make the economics of biomass work. To be carbon negative, the company needs to implement BECCS on a large scale, the cost of which is not certain.

In 2024 whilst public finances are stretched, Schroders saw it was difficult to sanction large projects with unproven returns and this elevated the risk for their holding. US BECCS has been another growth angle. However, this option looked challenged by the Trump Administration's preference for traditional fossil fuel energy sources.

As a result, following a strong run in the shares, Schroders reviewed the overall risk and reward from their investment case and decided to sell their position in early 2025.

Sovereign - Identifying positive ESG momentum on sovereign issuers

We have exposure to Morocco sovereign bonds in some customer portfolios. Morocco scores below peers on Aviva Investors' proprietary sovereign ESG score, although it screens more positively on a wealth adjusted basis. As part of Aviva Investors' regular scanning of the investable universe they tracked a positive trajectory of reforms in Morocco aligned with the government's 'New Development Model' agenda. The agenda aims to advance human development and strengthen the business environment, which Aviva Investors saw as having the potential to boost growth, promote inclusion and address sources of social unrest.

Morocco has also taken steps to improve water infrastructure following the recent drought, which undermined agricultural production, employment and growth. Despite its current dependence on fossil fuels, Morocco's ambitious climate policy framework and strong renewables development contributed to its eligibility for the IMF's Resilience and Sustainability Facility, allowing for an arrangement worth $1.3bn.

Following the positive ESG assessment and momentum, Morocco was identified as a potential investment opportunity. Aviva Investors' investment team actively sought to gain exposure to the market in their emerging market debt strategies, once valuations provided this opportunity. The debt instruments have performed well and provide further evidence of the added value of fundamental sustainability research in supporting idea generation for active portfolios.

Sovereign - Canada: Immigration policy risks

We have exposure to Canada in our sovereign debt funds in both customer and shareholder portfolios. Canada scores comparably to peers on Aviva Investors' proprietary ESG score, with strong social and governance performance. In late 2024, Aviva Investors' ESG team highlighted the prospect of stricter immigration policies, reflecting growing concerns about Canada's capacity to absorb the current rate of population growth. Immigration has been key to Canada's recent economic growth and contributed to the working age share of an ageing population. Aviva Investors also identified looming political turbulence, the potential for pre-election government spending, and risks to decarbonisation policies.

In August, Aviva Investors' investment team implemented a Canadian yield curve steepening trade. The yield curve steepens when short dated bonds outperform longer dated ones. These trades typically benefit when the market anticipates more interest rate cuts (which can result in lower yield and higher prices for shorter-dated bonds; hence the outperformance). The trade was supported by easing inflation, gradually rising unemployment, and Aviva Investors' strategy team's identification of the potential for more significant rate cuts.

A larger interest rate cut by the Bank of Canada in October 2024 supported the trade. However, uncertainty around the US election, along with the rising ESG risks Aviva Investors had identified posed headwinds. In particular, the prospect of lower immigration could lead to tighter labour markets, short-term inflationary pressure and slower rate cuts. As a result, the investment team began reducing the size of the trade and taking profits.

Shortly after publishing Aviva Investors' ESG note, the Canadian government announced plans to significantly reduce immigration from 2025. This, alongside US market moves, contributed to the flattening of the yield curve after Aviva Investors had exited the trade. By proactively monitoring ESG risks and collaborating across the ESG, strategy and investment teams in London and Toronto, Aviva Investors effectively managed the trade, avoided risks and supported investment performance.

Private Markets - Dutch real estate: capturing a premium through going green

The increase in corporate demand for offices aligning with low-carbon objectives and meeting employees' sustainability expectation, has created a shift towards prioritising environmental, social and governance (ESG) goals and wellbeing within office spaces in Amsterdam.

In 2021, 70 per cent of office real estate demand in Amsterdam was for buildings with energy label of A or better. Across the Netherlands, studies have shown that on average, a rental premium of 10.3 per cent can be achieved by office buildings with green certifications.

The FOZ building is a Grade A multi-let office space located in the heart of the Amsterdam's business district. We hold this asset through our customer funds. Its sustainable credentials include a BREEAM Excellent certification and an EPC A++ rating[1]. The site's energy is provided by a connection to the local district heat network, utilising thermal energy storage technology. This eliminates the need for fossil fuel usage on site and assists in moving some of the energy demand away from peak times, reducing the pressure on the local heat network.

Aviva Investors acquired the FOZ building in 2022. Since then, it has performed ahead of business plan expectations.

Furthermore, in 2024, and alongside a substantial metering and control strategy, FOZ embarked on an ambitious smart building optimisation programme supported by the Healthy Workers platform. This platform will assess and optimise the usage profile of energy and water on-site. These developments are expected to drive sustainable performance in operation and enable the building to be operated to its full potential which could help to unlock increased value for investors.

In summary, identifying the strong sustainability credentials of this asset has helped Aviva Investors to capitalise on the significant green premium in the Dutch office markets.

1. BREEAM: Building Research Establishment Environmental Assessment Methodology; EPC: Energy Performance Certificate. Group III to the sixth assessment report of the Intergovernmental Panel on Climate Change," IPCC, Cambridge University Press, 2022.

Private Markets - Curtain House: materials retention at the heart of retrofitting

This asset, which we hold through our customer funds, is located in Hackney, home to Victorian warehouses of which many have been turned into offices. Curtain House is a perfect example of this with a Grade II listing but suffering from poor energy efficiency and internal floor layout. This presented an opportunity to deliver a deep refurbishment project, with the objective of realising investment performance through transforming this Victorian 'brown' warehouse to 'green'. Specifically, the intention was to deliver best in class office space in Shoreditch with attractive financial returns through high quality sustainable design.

The approach Aviva Investors took retained the structure and facade, preserving historic elements of the existing building while maximising opportunities to improve the building's internal layouts and energy systems. To deliver on this ambitious project Aviva Investors engaged with their supply chain partners to drive embodied and operational optimisations in the design. This involved engagement with design teams to challenge the energy strategy, aiming for reductions in the forecasted carbon emissions from operation, and improving the current Energy Performance Certificate (EPC) rating from E, the lowest legal rating for a building let to tenants, to A.

The energy efficiency strategy for the asset now includes:

- Replacing the current gas heating system with electric heat pumps.
- Ensuring the building can be naturally ventilated through openable windows, reducing the need for air conditioning and mechanical ventilation systems.
- Upgrading the external walls' thermal efficiency by increasing insulation and providing double glazing systems.
- Installing roof solar PV panels.
- Providing storage for rainwater harvesting in the basement.

Once completed, the building aims to save around 3,000 tonnes of CO_2 from material construction retention, targets an Energy Use Intensity (EUI) of 127 kWh/m2 and has provision for the installation of 85 roof solar panels. Over a five year period, the project is projected to deliver 9.6 per cent internal rate of return to Aviva Investors' clients and their beneficiaries, as well as supporting the provision of an energy efficient asset to occupiers in the market.

Integrating Sustainability into our Customer Mandates

IWR helps provide 12.4m customers with insurance, wealth and retirement products and is one of the UK's largest bundled workplace pensions provider.

UK IWR design and build solutions for our customers using a variety of strategies and approaches from different asset managers. These solutions consider customer objectives, risk appetite and time horizon. When designing and overseeing investment strategies, the IWR Investment team look to ensure sustainability risks and opportunities are considered wherever possible.

We recognise that we have a fiduciary duty to invest all our assets in a responsible way and for policyholder funds to continue to invest in line with policyholders' expectations. For assets where we have investment decision-making control, we embed sustainability into the investment strategy and day-to-day investment management.

We do this by ensuring ESG considerations are part of the investment decision making process; for example, through holistic engagement with companies and governments and via our baseline exclusion policy which limits exposure to the most harmful types of activity.

We work with our asset managers to embed ESG risks and opportunities are embedded within the investment process in a way that enhances the risk and return profile of our solutions.

Asset Allocation

Our approach includes ensuring climate change and wider sustainability risks and opportunities are factored into capital market assumptions and asset allocation decisions. Whilst there is a huge amount of uncertainty on the future temperature pathway and the effect this will have on asset prices, we would expect our managers to have considered potential and likely scenarios and factored this into decision making.

When reviewing and setting the Strategic Asset Allocation (SAA) objectives with our managers in 2024, we continued to optimise the expected risk-adjusted returns whilst simultaneously considering our decarbonisation ambitions.

Carbon optimised solutions

My Future Focus and My Future, aim to provide our customers with diversified low-cost solutions. The developed equity components of these solutions are optimised for an improved ESG score and a lower carbon intensity than their respective benchmarks, with carbon intensity reduction objectives, subject to meeting the investment outcomes. We have taken steps to significantly increase our allocation to these lower carbon optimised solutions across customer mandates over the last two to three years.

Creating lower-carbon intensity optimised funds and increasing the assets managed under them demonstrates our approach to aligning our portfolio to our ambition whilst delivering customer investment outcomes.

To date, we have allocated over £60 billion to lower-carbon intensity optimised solutions, with a portion invested in newer solutions that are not yet fully reflected in our climate metrics; which is expected to contribute to a reduction in carbon intensity.

Manager Oversight

To deliver on our investment outcomes in line with our long-term investment beliefs, our asset manager research, selection, and oversight processes includes sustainability, including climate considerations. In our manager research and selection process, we consider how closely the managers' stewardship policies and ambitions align with our own.

See pages 41-45 for more detail on our manager oversight process.

Integrating Sustainability into our Shareholder Investments

For our annuity investments that back our liabilities, Aviva Investors and our other managers undertake detailed analysis of every asset, activity or company we look to invest in. This is guided by their in-house screening and due-diligence tools, which allows the originator to assess the asset or company's sustainability factors that may result in potential positive and adverse impacts. The integration of sustainability factors into the processes ensures sustainability opportunities and risks are considered as part of investment decision-making and form part of their wider responsibilities as an asset manager.

There are two principal types of risk we expect our managers to consider:

- Climate transition risk: Policy, legal, technology, and market changes related to climate change that may pose varying levels of financial risk to organisations.
- Climate physical risk: Event-driven (acute) or longer-term shifts (chronic) in climate patterns with financial implications for organisations.

In our cashflow-matching asset classes of infrastructure debt, real estate debt, structured finance and private corporate debt, our asset managers obtain data from intermediaries and borrowers. Where data concerning sustainability risks is not immediately available from the asset or counterparty, they will enter into dialogue with that party to secure the information needed. In cases where this is not available and the lack of information is insufficient to make an informed decision, we will not proceed with the investment.

A key focus in 2024 has been deepening the integration of climate and nature considerations and opportunities in the deal due-diligence and decision-making processes within UK IWR.

In 2024, UK IWR introduced Sustainable Investment Principles for private asset origination. These principles reflect a preference for investments aligned to or aligning with science-based 1.5°C decarbonisation pathways, as well as lower-carbon assets.

Our Sustainable Investing Team has continued to assess all private asset deals to understand the carbon footprint and therefore impact on the overall portfolio. To support the decarbonisation of our annuity investment portfolio we consider current Economic Carbon Intensity (ECI)[1] and the transition prospects of individual investments in decision-making with differentiated expectations for private asset origination and public market investments. Our private assets portfolio already includes significant exposure to low carbon infrastructure such as renewables and passenger rail, and properties with good energy performance ratings.

During our sustainability due diligence process, we calculate the carbon metrics including absolute emissions, financed emissions and ECI. We also check the temperature alignment of the assets or the companies by using 1.5°C aligned sector pathways to have a forward-looking view on the related asset or company where the data is available and credible. We have started to actively use the SBTi and TPI databases when assessing alignment of individual companies.

Where relevant, we classify the asset as Green, Credible Transition, Sustainability (including Sustainability-linked) and Social based on our Sustainable Asset Definition. We continuously look for opportunities to increase our allocation of sustainable assets, reflecting our commitment to investments that deliver financial returns and tangible contributions to our decarbonisation and/or social ambitions.

In addition to transition and physical risks, nature risks started to be considered as appropriate as part of the deal due-diligence and approval process.

The data, tools and methodologies are still maturing; however, this additional information allows us to identify opportunities and risks more readily to deliver our longer-term investment and sustainability outcomes.

In 2024, we have started to work on enhancing our ability to capture opportunities from the carbon intensive sectors/asset types where there are credible targets and transition plans and a need for finance to realise the planned investments. We have developed more comprehensive sector views for agreed priority sectors, defining the methodologies and sustainability criteria to be considered when assessing the assets/companies from these sector or asset types.

We list some examples below of how sustainability issues have been considered for deals in 2024 and how climate and nature metrics have been included as part of our assessments.

1. ECI is a Group measure and defined in Aviva plc's Reporting Criteria document.

Constructing NHS key worker accommodation

In 2024 we assessed a deal for the construction of NHS key worker accommodation in the UK. This deal could be classified as a wider social benefit asset as well as a sustainability asset due to the expected EPC B rating which will further support operational efficiency when the construction phase is complete.

Empowering education

We are funding two new campuses at Cardiff and Vale College (CAVC). This investment marks our fourth partnership with the Welsh Government under the Mutual Investment Model (MIM).

CAVC, one of the largest further education institutions in the UK, is set to benefit from two cutting-edge campuses.

The Barry Waterfront Campus, situated near the town centre, will feature vibrant student-run enterprises, including hair and beauty salons and a public restaurant.

Incorporating efforts to help mitigate potential flooding risks in the area, the Waterfront development will feature drainage systems that can manage and reduce surface water run-off from storms, through the installation of rain gardens, whilst it will be constructed to sit above predicted flood levels, even in the event of once-in-100 year storms.

It will also target zero carbon once operational, whilst seeking to adhere to an embodied carbon target of no more than 800kg of carbon dioxide equivalents per sqm.

By investing in these campuses, we are not only helping the UK get ready for the future, but also delivering significant social benefits to local communities whilst also seeking to achieve long-term savings.

Emerging Markets Debt (EMD) Franchise Risk Framework

We refreshed the Reputational and ESG risk framework for our Emerging Market Debt mandate in 2024. The mandate was first approved in 2020 with a Franchise and ESG risk framework applied from the outset. During our annual review, we identified areas of the framework we could enhance to leverage our improved capability and understanding. We use a holistic approach that combines quantitative and qualitative methods with the aim of providing an early sight of portfolio risk from reputational considerations. We test individual countries within the portfolio against various environmental, social and governance factors , alongside a country's decarbonisation commitments, financial crime indicators, and human rights metrics. The selected indicators are widely used by industry and global non-governmental organisations.

Funding energy-efficient student accommodation

We worked with our in-house manager Aviva Investors, on the completion of a new student village transaction in July 2024. The creation of a new student accommodation scheme at Staffordshire University will be located at the University's Stoke-on-Trent Campus on its Leek Road site. It is expected to deliver approximately 700 new beds, as well as a new Student Hub on a vacant brownfield site adjacent to the existing accommodation, while also refurbishing 297 existing bed facilities at Clarice Cliff Court.

Providing funding for education will help boost future generations of research and development. The new buildings will also target EPC A ratings for energy performance. Additionally, roof-mounted photovoltaic panels are expected to be installed to create on-site renewable electricity, alongside the addition of air source heat pumps in the design to minimize ongoing energy demand for hot water. We expect this funding to support Staffordshire University in creating new programs and in balancing the strong demand and shortage in the supply of Purpose-Built Student Accommodation.

Low-carbon social infrastructure facility supports Welsh Mutual Investment Model

Aviva IWR worked with Aviva Investors to complete a transaction for a new Velindre Cancer Centre which provides specialist cancer services to over 1.7 million people in South East Wales. The scheme will target a BREEAM 'Excellent' rating and is designed to use all-electric solutions and air source heat pump infrastructure, supporting low energy demand and low operational carbon. It is being developed in compliance with the Wellbeing of Future Generations (Wales) Act 2015 and with the ambition to be one of the most sustainable hospitals in the UK.

The project is being procured under the Welsh Government's Mutual Investment Model ('MIM'), which has an emphasis on improving public services and providing wider community benefits. Our financing to deliver a world-leading social infrastructure facility will create a significant legacy and positive impact on people's lives for generations to come.

Monitoring asset managers

As part of our manager research and selection process, we consider the extent to which the managers' stewardship policies and commitments align with our own. Maintaining oversight and ensuring our asset managers are investing in line with our long-term investment beliefs are crucial to our climate and stewardship ambitions.

As outlined in our manager research, selection and oversight process below, sustainability considerations are factored into each stage of our decisions. In 2024, we undertook regular ongoing oversight meetings with our existing managers and tendered for a new mandate with external managers within our matching adjustment portfolio.

Figure 12: Manager research, selection and oversight

- Sustainability considerations are incorporated in the selection and oversight process for all managers.
- The selection of managers includes an assessment of their approach to sustainability and alignment with UK IWR's Responsible Investment Policy.
- In any manager tender process the UK IWR Investments team will include detailed sustainability considerations in requests for proposals.
- We then perform thorough due diligence on shortlisted candidates using our '5 P' process (see next page), including the review of sustainability considerations in investment decisions and ongoing monitoring of their commitment to sustainability.
- There will be a minimum threshold of sustainability integration needed before any new mandate is awarded or for our work with that asset manager to continue.

Ongoing monitoring and oversight Reporting

We regularly receive and review ESG reporting in a variety of forums including carbon footprint information.

During 2024 a quarterly ESG Business Review Forum was also set up with our internal manager to provide more detailed updates on engagement activity and deep dives on sustainable integration processes for specific asset classes.

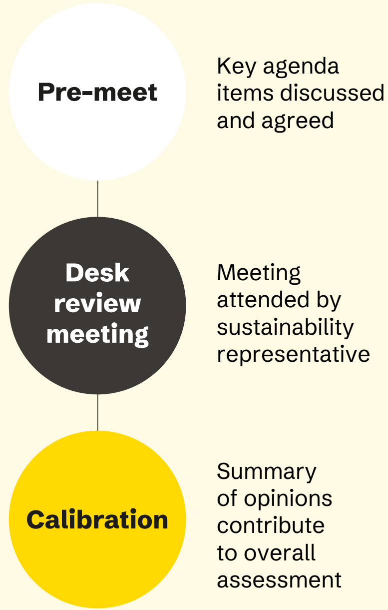
We also hold regular discussions with our managers around portfolio metrics and engagement that has taken place with the companies held in portfolios. This includes regular meetings with the sustainability teams to discuss actions within our portfolios and sustainability trends within the industry.

Portfolio sustainability and climate metrics, including carbon intensity trends and aggregate ESG scores, are also provided by our managers at the annual desk reviews. This often highlights potential areas for discussion and further review but, for our actively managed mandates, does not provide the full picture on integration of sustainability factors. We place a large emphasis on the qualitative review of the strategy.

Qualitative Review

Annual desk reviews are held with our asset managers to monitor performance and adherence to our expectations.

Figure 13: Review process



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The '5 P' process (below) is used to support manager oversight:

1. **Parent**
2. **Product**
3. **People**
4. **Process**
5. **Performance**

This process is used both to assess shortlisted candidates and to monitor our existing managers, including Aviva Investors, as we continue to hold them to account.

A qualitative sustainability review feeds into this process to provide a robust and rounded rating on a manager.

As part of this review a standalone sustainability manager oversight framework is used to consider the level of integration within a strategy. The framework looks at four main categories of sustainable integration, weighting each category differently based on our view on the level of importance; which varies by asset class. Figure 14 summarises the framework.

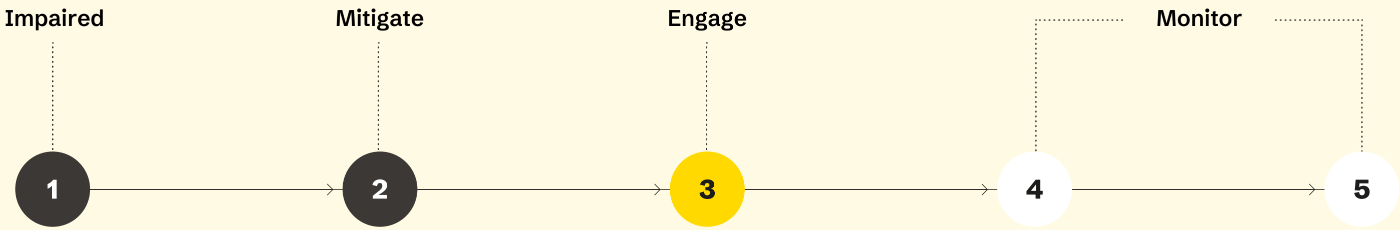
We give the managers a score from 1-5 for each category, which is then aggregated into a standalone sustainability rating between 1-5, which Figure 15 summarises.

This score is then integrated into the wider '5 P' process as a standalone score and reflected in the overall assessment of the strategy.

Where we identify areas for improvement, we will communicate this with our managers; clearly outlining our expectations. If our monitoring identifies significant concerns with our expectations of future long-term performance, we will look to make changes such as changing the underlying manager, closing funds or reducing our allocation to managers.

Figure 14: Sustainability manager oversight framework

Figure 15: Sustainability manager rating

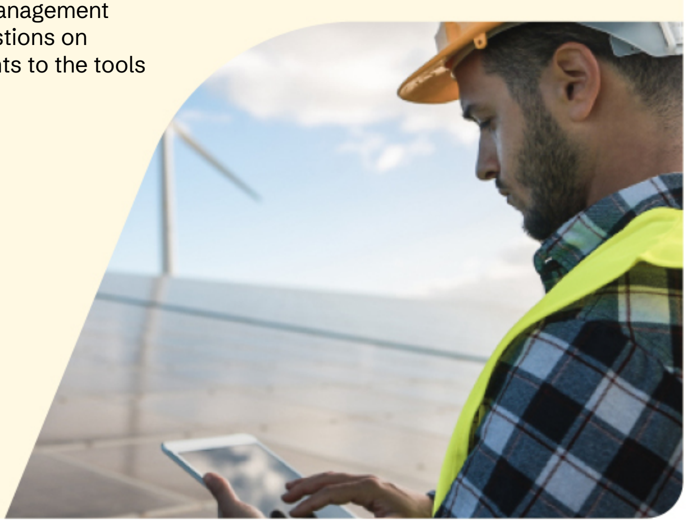


Climate Physical Risk Integration

Context
We had concerns about the evolving and increasing incidence of physical risks, such as extreme weather events including flooding, assessed by one of our managers. To address this, we conducted a thorough review of our real asset strategies over an extended timeframe to better understand their process. This review covered both customer funds and shareholders' funds across different types of assets.

Action
We held several meetings and deep dives with the manager to understand the process of their assessment of physical risk for existing holdings and new investment opportunities. We challenged the methods used to capture these risks and requested more information on their management strategies; with suggestions on potential enhancements to the tools available.

Outcome
Overall, we found a good level of integration of sustainability considerations throughout the investment decision-making process. We noted improvements in some of the metrics deployed to assess physical risk which provides us with sufficient comfort that risk is being adequately measured. This is an area that is still maturing and we continue to monitor our manager as they enhance their capability.



New Manager Selection

Context
In 2024, the decision was made to diversify the asset classes for our annuity portfolio. After conducting research, one of the new asset classes chosen was US Municipalities.

Action
To ensure a thorough and effective selection process, the sustainability team collaborated closely with other units within the UK IWR Investment team. Our role was to provide insights and expertise on sustainability considerations throughout the Request for Proposal (RFP) process. This collaborative approach ensured that sustainability was a key criterion in the selection of an asset manager for the new asset class.

We aimed to identify managers who demonstrated a strong commitment to sustainability and had the capabilities to manage the new asset class effectively. To do this we applied our "Sustainability Manager Oversight Framework" mentioned above to include questions in the RFP.

Next, we participated in the interviews with the shortlisted asset managers. During these interviews, we assessed each manager's responses and rated them based on our predefined criteria.

We paid particular attention to how they integrated sustainability into their investment processes, their track record in managing similar asset classes, and their overall alignment with our organisation's values and objectives.

Outcome
The ratings and assessments from the sustainability team were compiled and presented to the annuity asset origination team. These ratings were factored into the overall evaluation of the asset managers. Our insights helped to highlight the strengths and weaknesses of each candidate, providing a comprehensive view of their capabilities.

During the selection process, the annuity asset origination team carefully considered our ratings alongside other factors such as financial performance, risk management, and strategic fit. The collaborative effort ensured that all perspectives were taken into account, leading to a well-informed decision.

Ultimately, a manager was selected who met the needs of all the teams involved. This manager demonstrated a commitment to sustainability, had appropriate tools and resources, and showed a clear understanding of the unique characteristics of the US Municipalities asset class.

Operational oversight monitoring review

Context

UK IWR conducted a thematic review of the adherence of our external investments managers to the Financial Conduct Authority (FCA) Permitted Links rules (Conduct of Business Sourcebook (COBS) Chapter 21) for all of our externally managed Unit Linked investment mandates.

Activity

The governance team carried out a review of all current investment holdings within our Unit Linked portfolios against the Permitted Links criteria to ensure all holdings are allowable.

In addition, all contractual agreements and investment guidelines were reviewed in an attempt to identify if there were any gaps that could result in non-compliant investments being purchased in the future.

Outcome

No exceptions were identified during the review of current investment holdings. However, potential improvements to the investment guidelines of three of our smaller investment mandates were identified during the contractual review. Updates have been recommended and these have all been prioritised for implementation. Our team remain satisfied that other existing controls are sufficient to ensure that the risk of non-compliant investments being held is within tolerance, until such time as the contractual amendments have been executed.

Voting and Engagement Oversight

Context

Our manager oversight assessments are reviewed periodically to ensure that our asset managers are effectively addressing key ESG issues. This process involves a thorough examination of the voting and engagement actions taken by our asset managers. We decided to conduct this review after the main AGM (Annual General Meeting) season to evaluate how our managers addressed key ESG issues in their activities. This timing allows us to capture a comprehensive view of their actions during a period when many significant decisions are made.

Action

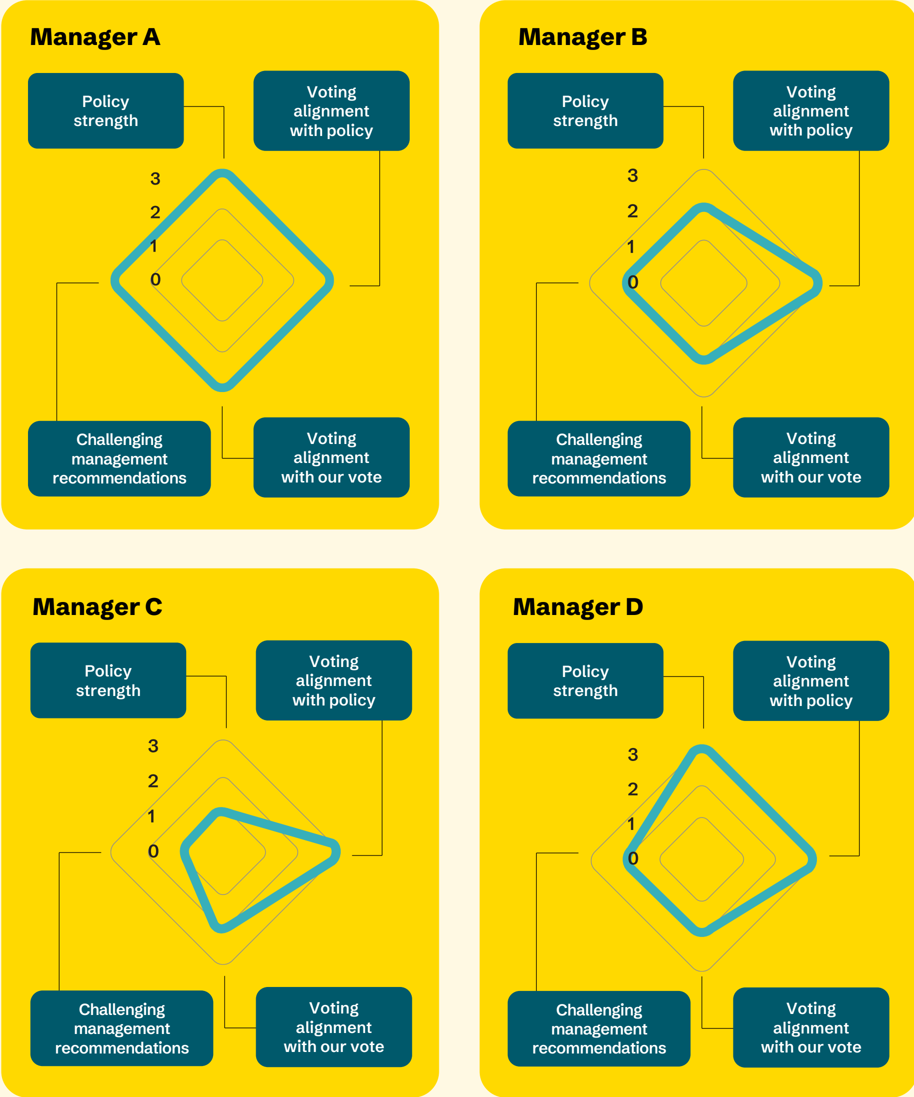
To conduct this review, we performed an in-depth analysis of the voting behaviour of our key asset managers during the main 2024 AGM season. This analysis focused on some of our most material holdings, ensuring that we were assessing the actions taken on the most impactful and relevant issues. We scrutinised the voting records to understand how our asset managers voted on various resolutions, particularly those related to ESG concerns such as climate change, diversity and inclusion, and corporate governance.

In addition to examining the voting behaviour, we assessed the strength of the voting policies of our asset managers. This involved reviewing their stated policies to determine how robust and comprehensive they were in addressing ESG issues. We then compared their actual voting behaviour to these policies to see if there was alignment. This step was crucial in understanding whether our asset managers were acting in accordance with their stated commitments or if there were discrepancies that needed to be addressed.

Outcome

The conclusions of our analysis raised several important questions, which we used to initiate discussions with our asset managers. These discussions focused on their voting activity and broader engagement with our priority companies. We sought to understand the rationale behind their voting decisions and how they were engaging with companies to drive positive ESG outcomes. These conversations were instrumental in gaining insights into their strategies and identifying areas for improvement.

Our findings from this review were used as an input to update the voting and engagement rating of our manager oversight framework. This rating helps us to monitor and evaluate the relative performance of our asset managers in addressing ESG issues. By incorporating the results of our analysis, we were able to refine our framework to better reflect the effectiveness of our managers' actions and ensure that they are aligned with our ESG goals.



Monitoring and holding service providers to account

In addition to our asset managers, UK IWR adheres to the requirements set out by the Group in order to select, manage and oversee our suppliers, including service providers that may play a role in effective stewardship.

We have regular communication with our service providers, with an operational and controls focus to ensure alignment with our expectations.

We work hard to make sure our supply chain is responsible and sustainable. We do thorough checks of suppliers before we begin working with them and ask that they sign our Supplier Code of Behaviour.

We continue to engage them around sustainability issues over time. We also help engage our suppliers to act now around the systemic issues like climate change.

Influencing suppliers

We aim to have Net Zero operations by 2030. To support our Net Zero ambitions, we are working with our partners to help decarbonise our supply chain, supported by our science-based targets. Our near-term ambition is for 70% of our suppliers (by spend) to set science-based targets by 2025.

To deliver this we implemented a number of initiatives in 2024:

- Aviva is supporting new and existing suppliers with clear sustainability guidance as part of the contracting process.
- Sustainability and carbon questions are included in all our Request For Proposal (RFP) and Request For Information (RFI) processes and form part of our consideration for purchasing decisions.
- Sustainability and carbon questions are a part of our supplier onboarding process.
- Aviva introduced incentives for suppliers that meet our sustainability requirements.
- Sustainable sourcing training will be conducted annually to upskill all Aviva's buyers to equip them with the knowledge required to engage suppliers on sustainability.
- By the end of 2024, 51% of suppliers by spend had already signed up to Science-based targets.

Supply Chain Engagement

Engaging with suppliers on their emissions, including those suppliers supporting Aviva's claims management from its underwriting activities, is key to achieving Aviva's ambitions. In November 2024 Aviva hosted its third Net Zero supplier summit with c.190 attendees, and representation from over 80 of its supply chain partners to update on Aviva's Net Zero agenda.

Aviva will continue to provide support to its supply partners through regular conversations via its supplier management community as well as a written guidance pack, outlining Aviva's expectations of suppliers and highlighting resources that will ensure suppliers are able to align to these. Aviva will also continue to develop the content available on the Aviva external supplier site, geared towards both small and large businesses.

Case Study: Monitoring data providers

As mentioned last year in our Responsible Investment Report (page 41), Aviva has been sourcing climate-related data from a data provider since 2021 to support ESG reporting, regulatory guidance, and disclosures. Since 2022, UK IWR has worked with other business areas and functions in Aviva that include Aviva Group and Aviva Investors, to review our data requirements. This is due to the evolving nature of the topic, particularly in regards to climate financial risk modelling. A number of new models and prototype models have become available in 2024 and 2025 from vendors.

In 2024, we evaluated the shortlist of vendors' offerings for physical climate risk and transition risk modelling to assess the quality of the new or updated tools. We are looking to complete the assessment in 2025.

Chapter 4

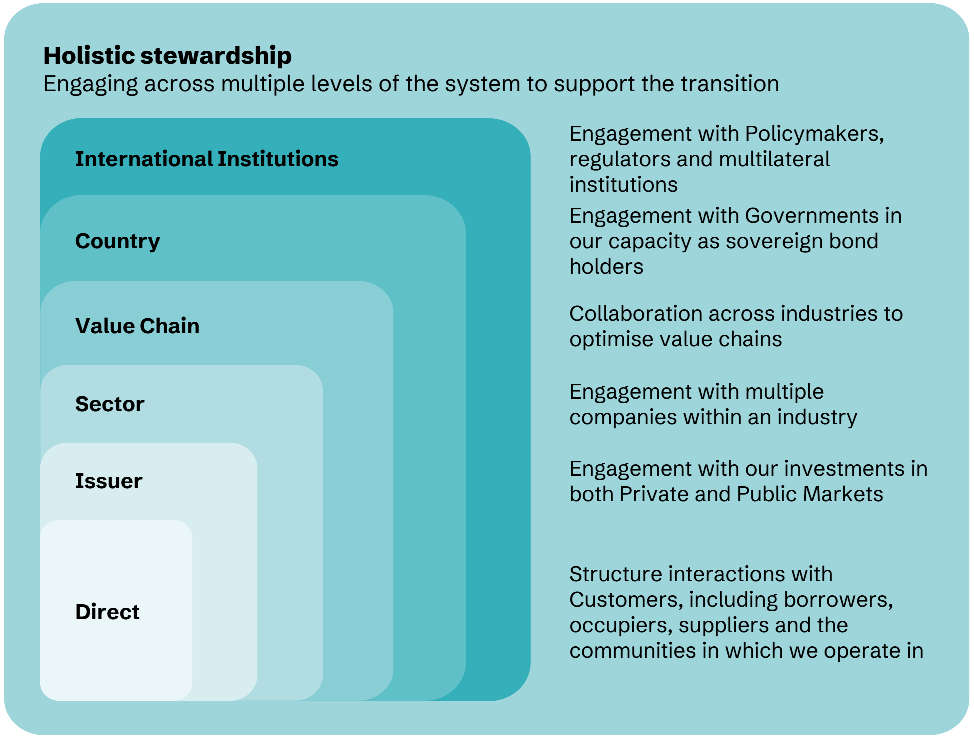
Chapter 4: Engagement

At Aviva, we seek to drive change among the issuers we invest and lend to through engagement, voting and investment decisions.

Aviva has identified different levels of the system where there are opportunities to engage and bring about change, which form component parts of our holistic approach to stewardship.

Company and issuer level engagement is a cornerstone of our approach to stewardship, but individual companies do not operate within a vacuum. They are part of a complex value chain of suppliers, customers and partners, as well as an ecosystem of competitors and peers, all of which exist within the policy and regulatory landscape shaped and enforced by national governments. As such, the efficacy of corporate engagement is limited if the overarching rules, regulations and incentives, which govern the financial system and real economy, are misaligned with sustainable operating models.

We believe insights from corporate engagements and investment teams should be harnessed to ensure that macro-level engagement with those who shape markets is robust and well-informed. Conversely, the macro-level piece helps foster the policy and regulatory environment for direct engagements to be more effective.



Holistic stewardship gives us insights into market failures that need addressing and a broad understanding of ongoing policy and regulatory developments across sectors. This informs our advocacy with other investors, regulators, and policymakers; enhances engagements with companies, and enables investment teams to position our portfolios strategically

Aviva Investors' value chain engagement programme is a prime example of this, where they convene key players across high-emissions sectors such as energy, transportation and construction, in order to understand barriers impeding transition and identify corresponding solutions. These engagements not only help to refine the asks of companies, but also the development of tangible and practical recommendations for policymakers, regulators and international institutions, to support them in establishing the enabling conditions within the market that align commercial drivers with sustainable pathways.

Direct

Recognising the importance of balancing the needs of clients with other stakeholders in creating and protecting value – particularly within the private markets context – Aviva Investors collaborates with customers (including borrowers and occupiers), suppliers, and the local communities in which they operate, throughout the process of structuring deals and transactions, as well as through ongoing asset management. In private debt asset classes, for example, Aviva Investors actively engage in transactions by creating covenants and incentives that mandate or encourage positive environmental and social outcomes. In equity investments, where they own assets directly, Aviva Investors focus asset management resources on engaging with occupiers and suppliers to reduce building energy use and engaging with communities through funding programmes to create positive social outcomes.

Issuer

Engagement and actively exercising our voting rights are fundamentally important in our stewardship and investment processes. They are key to supporting long-term value creation and enabling the outcomes Aviva Investors' clients and beneficiaries expect. Aviva Investors are keen to understand the specific business and commercial context of a company, and carefully consider the explanations that companies provide for departures from best practice, to ensure that bespoke arrangements provide appropriate checks and balances and protection for investors.

Sector

Aviva Investors engage with multiple companies within an industry to address structural problems that individual engagements with companies will not remedy by themselves.

Value chain

In a similar vein to sector level engagement, some solutions may have to come from collaboration between different entities – for example, companies responsible for significant carbon emissions and those that rely on their products. This therefore requires engagement within, and across industries, to understand barriers and identify corresponding solutions.

Country

Country level stewardship is conducted with national policymakers and regulators, including finance ministries, climate ministries and central banks. Aviva Investors undertake this engagement as a sovereign bondholder as well as a financial market participant and investor in the broader economy. Through mutually beneficial dialogue, Aviva Investors seek to gather information to inform investment decisions and use their voice to support sustainable policymaking, grow the pipeline of sustainable investment opportunities, and promote well functioning markets.

Institutional institutions

Systemic challenges, such as climate change, necessitate a system-wide response across the global financial system and those that oversee it. This means that effective stewardship efforts must also have an international focus, which is why we engage with global policymakers, regulators, and standard setters, as well as other key institutions and stakeholders. The intention behind this engagement is to accelerate system-wide reform of the national and intergovernmental institutions which oversee global markets to support in aligning the system and financial flows with global goals. This activity works in lockstep with country-level engagement.

UK IWR engagement themes

UK IWR's engagement priorities are aligned to Aviva Group's Sustainability Ambitions - Climate Action, Social Action and Sustainable Business. These priorities inform our key engagement themes.

Our engagement themes are regularly reviewed with Aviva Investors so we can reflect changes in the investment environment, including responding to new trends and regulation, or adapting to external events that matter to us.

Our 2024 stewardship engagement themes are:

- Climate
- Earth;
- People; and
- Governance.

Expectations of managers - measuring success

UK IWR delegates its engagement activity which applies equally to actively and passively managed holdings and to its asset managers under the provisions of the respective investment management agreements.

We expect engagement behaviour to be consistent with the Aviva Sustainability Ambition as well as the UK IWR Responsible Investment Policy and Voting and Engagement Policy.

As asset owners, monitoring and assessing the engagement success and outcomes of asset managers is crucial to ensure alignment with our investment objectives and sustainability goals. This process begins with establishing clear expectations and assessment frameworks, which are communicated at the outset alongside our priority themes. Regular reporting and transparent communication are essential, allowing us to track progress and make informed decisions.

To effectively monitor engagement outcomes, we employ a combination of qualitative and quantitative measures. Qualitative assessments involve reviewing the asset manager's engagement activities, such as their interactions with portfolio companies, advocacy efforts, and participation in industry initiatives with clear and regular examples. As mentioned in Chapter 3, our manager oversight framework explicitly assesses our manager's engagement credentials and consistency with our priority themes and the holistic stewardship we describe above.

To supplement this qualitative review, quantitative measures include analysing number of engagements (bilateral and collaborative), votes against and other relevant metrics such as number of engagement outcomes where there have been changes in entity behaviour in line with a prior engagement ask. This dual approach ensures a comprehensive understanding of the asset manager's impact and effectiveness.

Schroders, one of our asset managers, have a proprietary tool, ActiveIQ, for logging and tracking active ownership activity. The tool focuses on forward-looking engagement plans and tracking progress based on a milestone approach. These milestones are:

- M1: Engagement opportunity identified and communication started;
- M2: Acknowledgement by company of issues raised;
- M3: Company commits to an improvement plan;
- M4: Company implements Schroders' engagement ask.

Figure 20 on page 53 demonstrates a breakdown of the milestone status (progress) of companies that Schroders have engaged with on our behalf as at the end of 2024.

We conduct periodic reviews and audits to evaluate the asset manager's performance against these frameworks through quarterly updates on key initiatives and deep-dive sessions every six months where our managers provide insights into engagement and voting activity related to our investment mandates. This includes details on engagement successes as well as updates on where engagement has failed, and some form of escalation has been required.

These reviews can highlight areas of success and identify opportunities for improvement. If an asset manager fails to meet expectations or demonstrate progress, we may consider adjusting our engagement strategy, including reallocating assets or seeking alternative managers. This continuous evaluation process helps us maintain accountability and drive positive outcomes in our investment portfolios.

Engaging to drive systemic change

Aviva Group's approach

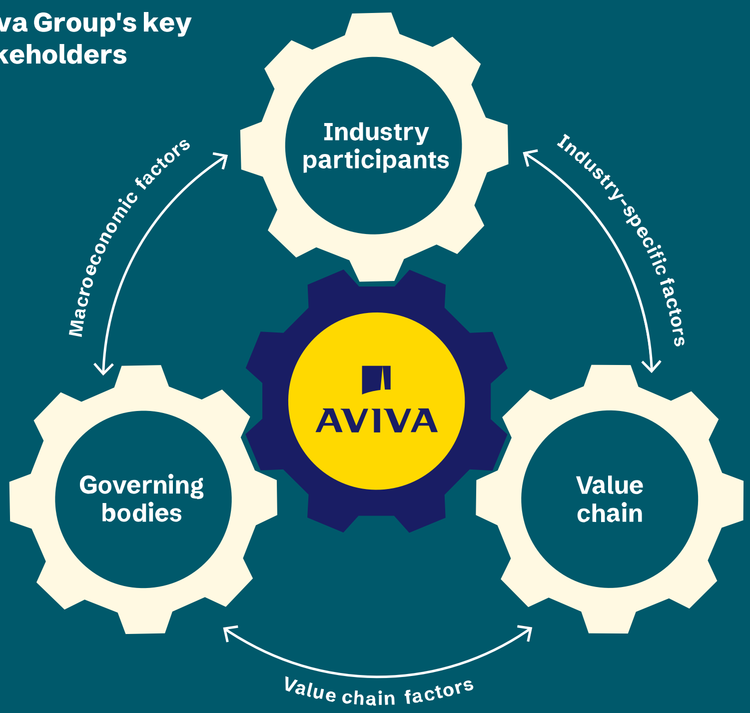
Climate change is a systemic risk to the financial system and needs collective action to drive change. The systemic nature of the risks posed by climate change is present as a result of the interconnections and interdependencies between different elements of the financial system and climate-driven physical and transitional impacts felt at a global scale. We use our voice to push for the policy, regulation, and capital market norms we need to deliver a more secure and stable future for our customers and shareholders.

This does not just mean engaging with policymakers – it means working with all key stakeholders including suppliers and investees to help them identify and deliver change within their organisations.

Aviva Group's Transition Plan relies on many macroeconomic, industry-specific, and value chain factors. Overcoming these dependencies requires collaboration between and action from these stakeholder groups and is the reason why engagement is a key lever in delivering our long-term ambition.

Read more: Dependencies and assumptions section in Aviva Group's Transition Plan

Aviva Group's key stakeholders



We categorise our stakeholders into three groups based on their role in driving systemic change.

Governing bodies

This includes policymakers, regulators and standard setters, and multilateral organisations.

Industry participants

This includes industry alliances and trade associations, civil society organisations, fund and asset managers, and brokers.

Value chain members

This includes institutional clients, issuers and holdings, supply chain, retail customers, savers, and pension plan policyholders.

Aviva Group's policy asks

Aviva Group's Transition Plan depends upon its key markets having the policy, regulatory, and legal frameworks that incentivise and enable the Transition.

Aviva Group encourages governments around the world to:

Set legally binding Net Zero commitments in line with 1.5°C warming to dramatically reduce GHG emissions.

Back up Net Zero commitments with a National Transition Plan that details policy measures, fiscal incentives, regulation, and accountability mechanisms across all areas of government.

Push for integration of climate into the international financial architecture from members of the international financial architecture – like the International Monetary Fund.

Introduce sustainability disclosure requirements for firms that minimise fragmentation, reduce reporting burden, and increase data comparability.

Unlock private finance for adaptation to build climate resilience, and embed climate adaptation into national transition planning and funding needs.

Develop and disclose national plans to deliver the targets and goals of the Kunming-Montreal Global Biodiversity Framework which are based on nature-positive sectoral pathways.

Engaging with governing bodies

Engaging with governing bodies

Governments, regulators, standard setters, and other public bodies hold multiple levers to set their national economies on the path to Net Zero. To deliver better results, these bodies should act in harmony to avoid misaligned market incentives and greater market risks.

For more information on the processes and standards in place to guide Aviva Group's engagement with government, please see Aviva's Working with Governments Policy.

Multilateral organisations

Aviva plc participates across various multilateral parties to encourage global ambition and congruence on climate and nature goals.

For several years, Aviva has attended the UNFCCC COPs and since 2022, we have attended the United Nations Convention on Biological Diversity (UN CBD) COPs.

Aviva engages with key policymakers and negotiators, advocating for ambitious commitments and actions from Parties as well as meaningful financial system reform to support the delivery of the goals of the Paris Agreement and Kunming-Montreal GBF.

Ahead of COP29 in Azerbaijan, Aviva called for developed countries to align incentives to facilitate capital mobilisation to developing countries.

Aviva also advocated for developed countries to commit to aligning the regulation of their financial institutions with transition goals. Aviva also shares insights on sustainable finance and investment topics within the G7 and G20 and, in recent years, have been invited to present to several G20 working groups on international financial system reform.

Policymakers, regulators, and standard setters

Aviva engages on specific policies and interventions that can help achieve the Group's sustainability ambition and mitigate the dependencies embedded in IWR's sustainability agenda.

Key engagement activities include:

- Engagement via direct relationships and events such as roundtables or party conferences.
- Through our investments in sovereign bonds, engagement with governments on our sustainability priorities by writing annually to finance ministers and central bank governors.
- Joining government-led sustainable finance and investment initiatives such as the National Wealth Fund Taskforce and Transition Finance Market Review, where Aviva was represented on the Expert Group.
- Producing policy papers such as the Low Carbon Investment Policy Roadmap and Building Future Communities Report.
- Responding to government and regulatory consultations on key issues.

Developing a Carbon Investment Policy Roadmap

Overview: In July 2024, Aviva Investors developed and shared a roadmap with the UK's major political parties detailing a private investor's perspective on the key public policy priorities to boost low carbon investment over the next five years. The recommendations aim to improve market conditions to unlock low carbon investment opportunities and deliver an affordable cost of finance to project developers and society.

Outcome: UK IWR has used the Roadmap to respond to three investment relevant public policy consultations over the last six months. While we are only one of many stakeholders providing input into government policy, the new government has already made a number of low carbon policy decisions in line with the Roadmap recommendations, one being the confirmation of public funding for carbon capture and storage.

Read more: our full report

Engaging with industry participants and our value chain

Engagement with industry participants

Many of the macroeconomic and industry-specific dependencies to our plan rely on engagement with industry bodies and trade associations to influence the climate and nature policy debate and agree on collective goals and policy positions.

We have a multifaceted engagement strategy that is based on our ability to influence outcomes and we apply a decision framework to determine participation in these industry bodies and associations. The framework assesses the extent to which the initiative aligns with and supports Aviva's strategic and advocacy goals, the commitments, and actions involved, as well as the potential risks and opportunities associated with our involvement.

Internally, we collaborate closely across these initiatives and organisations through our Sustainability Advocacy Forum[1].

Industry bodies

We prioritise our engagement with industry bodies based on their influence and ability to shape the market and policy environment and our role and influence within the organisations.

The following industry bodies represent our key focus for engagement; however, we are active in a wide range of alliances[2].

Net Zero Asset Owner Alliance

Participating member in the Monitoring, Reporting and Verification, Transition Finance, Engagement, and Policy Tracks working groups. Chairing of the Deforestation working group.

For the ambitions we have set through the NZAOA, please see the investment section of our Transition Plan.

PRI

Signatory and representing on multiple advisory committees and working groups, including the Collaborative Sovereign Engagement on Climate Change group.

Collaborating to create the conditions that foster sustainable investment.

Finance for Biodiversity Foundation

Participating member of the Policy Workstream and on the Advisory Board, encouraging action to align financial flows with the Global Biodiversity Framework.

CRO forum

Participating member of the Chief Risk Officers (CRO) Forum. The Forum aims to develop industry best practices in risk management including emerging and long-term risks.

PCAF

Participating member of the Climate Data working group.

Participating member of five working groups supporting the publication of new guidance to expand the robustness of investments and insurance emissions accounting.

GFANZ

Founding member, co-chairing the Nature and Policy workstreams and participating in the Mobilizing Capital workstream.

Using the platform to address our industry-specific dependencies, including the development of methodologies and influencing government policy.

CFRF Climate Financial Risk Forum

Participating member of the CFRF to support the development of guidance for financial institutions to identify and assess climate-related risks and opportunities.

CFO Forum

Participating member of the Chief Financial Officers (CFO) Forum. The Forum aims to influence financial reporting and regulatory developments.

IIGCC

Co-chairing the workstream and participating member of the Sectoral Roadmaps working group, preparing guidance to facilitate investors' management of climate risks and opportunities.

PSI Principles for Sustainable Insurance

Signatory and participating in the Working Group on Nature.

Board member (effective January 2025) contributing to the development of the PSI programme and insurer actions.

FIT

FIT Participant and member of the FIT Transition Plan Working Group.

Net Zero Asset Managers Initiative

Founding member through Aviva Investors.

Engaging with committed asset managers to support the goal of Net Zero 2050 in order to mitigate risk and maximise long-term asset value.

1. The Sustainability Advocacy Forum coordinates Aviva's Group-wide advocacy on sustainability issues
2. These affiliations are entered into on an information sharing basis and in compliance with anti-trust and competition law to ensure that there is no 'collusion' between competitors, as well as relevant market regulations to ensure the proper functioning of regulated markets. While Aviva, at all times, makes it investment decisions independently and consistent with the best interests of its investors, it considers such collaborations to serve its primary objective of preserving and enhancing value on behalf of its customers and beneficiaries.

Engagement: Case studies

The following data and examples are reflective of UK IWR mandates only.

In-house engagement

In 2024, Aviva Investors, who manage the majority of our assets, carried out 910 engagements with companies and sovereign issuers throughout the year. This included 753 substantive engagements and 133 engagements where a company has changed their behaviour in line with one of Aviva Investors' prior engagement asks. Substantive engagements with companies or sovereign issuers are defined as targeted and tailored interactions.

Figure 16 shows a breakdown of the engagements by region and Figure 17 shows a breakdown of the engagements by key themes.

Figure 16: Aviva Investors engagements by region

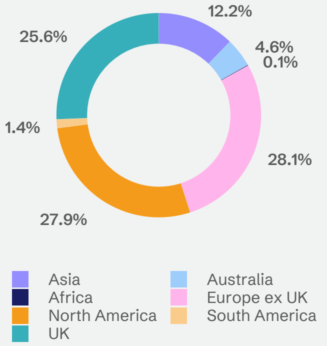
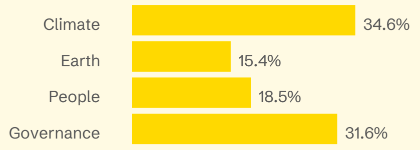


Figure 17: Aviva Investors engagements by themes



In 2024, Schroders undertook 647 engagements on our behalf with 342 issuers covering 1,529 discussion topics. Figure 18 below demonstrates these engagements by theme and Figure 19 demonstrates the number of engagements on Aviva's key engagement topics in 2024.

Schroders also discussed 698 engagement objectives with these companies.

Figure 18: Schroders engagements by region

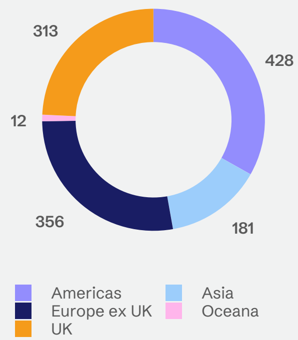


Figure 19: Schroders engagement on key engagement themes in 2024

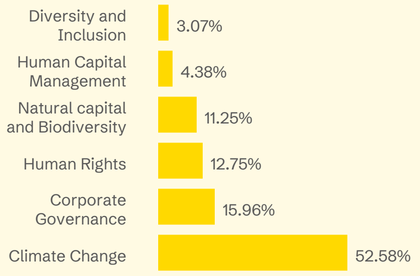
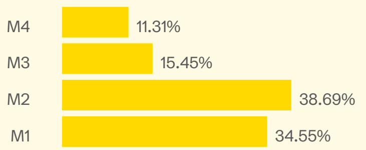


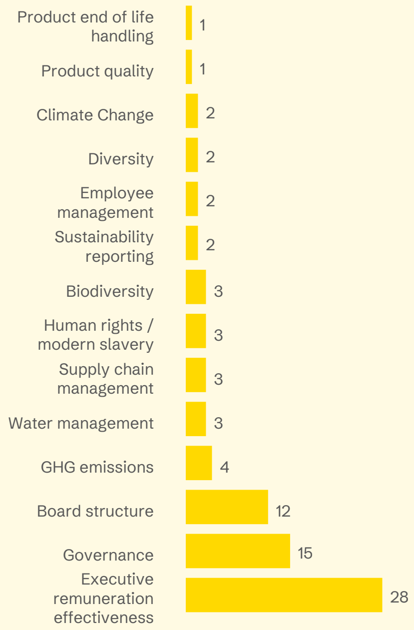
Figure 20: Schroders engagement by progress



Fidelity

In 2024, Fidelity undertook 44 engagements with investee companies on our behalf for a European equity mandate. Given this mandate, all engagements occurred in Europe. Figure 21 below demonstrates these engagements by theme in 2024.

Figure 21: Fidelity engagements by engagement themes in 2024



The following are a selection of case studies carried out on our behalf on our focus area topics, outlined earlier in this section, along with other sustainability topics of importance to us and our customers.

Climate

Climate Stewardship 2030 Programme

Building on the outcomes of the (now concluded) Climate Engagement Escalation Programme (CEEP) (see our 2023 Responsible Investment Report, pages 60-62) Aviva Investors launched a new climate stewardship programme: Climate Stewardship 2030 (CS30). This programme represents an evolved approach to addressing the complexities of decarbonisation, aiming to drive real-world outcomes and sustainable value creation.

CS30 is founded on Aviva's holistic stewardship approach and aims to engage with at least 100 companies responsible for at least 50 per cent of Aviva Investors' financed emissions in material sectors by 2030. This expanded scope brings critical demand-side industries into focus, reflecting the interconnected nature of emissions across supply chains. The approach aims to address corporate practices and systemic barriers, driving sustainable value creation.

Key features of the CS30 programme

The CS30 programme comprises two core components: direct corporate engagement and value chain engagement working together (see Figure 22). Key features include:

Direct corporate engagement

- Aviva Investors aim to engage with at least 100 supply- and demand-side companies responsible for at least 50 per cent of Aviva Investors' financed emissions in material sectors by 2030. This will initially focus on internal client assets but Aviva Investors expect to expand the scope over time, based on materiality, evolving climate risks, and market conditions.
- Utilisation of the industry-standard Net Zero Investment Framework, using proprietary indicators for a robust and nuanced assessment approach, and monitoring alignment annually[1].
- The types of topics Aviva Investors will discuss throughout this engagement programme include:
  - Emissions reduction targets
  - Transition plans, including decarbonisation strategy, capital allocation and just transition
  - Governance and remuneration, including board accountability and climate-linked remuneration
  - Climate disclosures, covering Scope 1, 2 and 3 emissions
  - Policy advocacy

1. The Net Zero Investment Framework's criteria for corporate transition plans provides six criteria to assess listed equity and corporate fixed income alignment with net-zero for high impact sectors. See 'Net Zero Investment Framework: Implementation Guide', IIGCC March 2021.

Value-chain engagement

- Supporting high-impact value-chain mobilisation by convening key players across hard-to-abate sectors with the aim of driving tangible, lasting progress by influencing policies, technologies, and financial incentives.

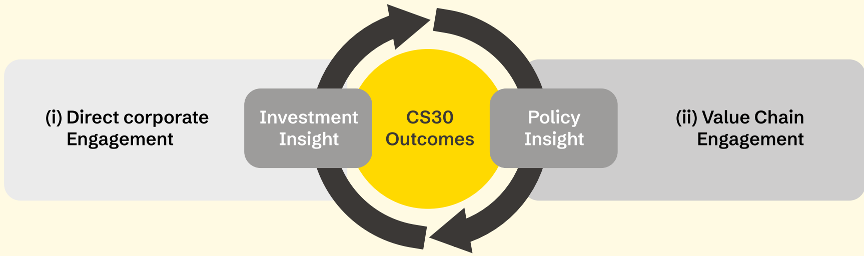
Aviva Investors' sustainable investing function leads and coordinates the execution of these engagement commitments, in collaboration with investment teams and Aviva's public policy team.

CS30 progress

In 2024, Aviva Investors conducted 135 engagements with 86 companies in the CS30, covering a significant part of their emissions. Of these, 120 engagements were substantive. Aviva Investors observed 50 outcomes aligned to their engagement asks with companies across a variety of sectors like TotalEnergies, BHP, and Air Liquide (see the below CS30 case studies for more information) where Aviva Investors have engaged substantively over several years, notably under the CEEP and now as part of the CS30.

Figure 22: CS30 key channels of influence

These channels are designed to encourage financial and real-world outcome



Source: Aviva Investors, as at December 31, 2024.

Aviva Investors also held six roundtables, engaging 45 stakeholders from key sectors, including aviation, surface transport, buildings, power, heavy industry, and agriculture[1]. The resulting insights have fed directly into their policy advocacy, including the policy roadmap published in July 2024, as well as Aviva Investors' consultation responses. The insights have also shaped their investment strategies across various sectors.

1. One roundtable (aviation) was held in 2023, as part of CEEP, which influenced Aviva Investors' updated approach to CS30

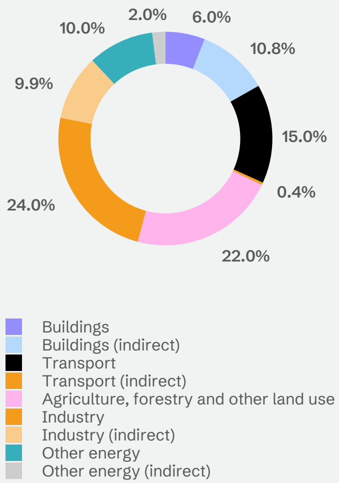
CS30 - Mobilising value chains to unlock decarbonisation opportunities

Issue

Achieving net zero emissions requires the collective unlocking of entire ecosystems. Hard-to-abate sectors such as transport and buildings are substantial drivers of fossil fuel demand, accounting for approximately one third of total CO_2e (carbon dioxide equivalent) emissions (see Figure 23), and rely on interconnected networks of manufacturers, suppliers, regulators, and end users. Without collaboration across these value chains, systemic barriers – such as supply chain inefficiencies, technological bottlenecks, and fragmented regulations – will prevent progress at the pace and scale required to meet global climate targets.

To address these challenges, Aviva Investors has prioritised value chain mobilisation as part of their holistic stewardship approach, recognising the importance of aligning stakeholders across industries to accelerate decarbonisation efforts.

Figure 23: Global CO_2e emissions breakdown



Source: Aviva Investors, IPCC 2022[27]
Dhakal, Shobhakar. Et. al., "Emissions trends and drivers", in "Climate change 2022: Mitigation of climate change. Contribution of working group III to the sixth assessment report of the Intergovernmental Panel on Climate Change," IPCC, Cambridge University Press, 2022

Action

Since 2023 (Annual Sustainability Review 2023, sections 1.1 and 4.6), Aviva Investors have initiated roundtables to mobilise entire value chains within key demand side sectors poised for significant climate change mitigation. These initiatives have brought together industry leaders, policymakers, and investors to tackle systemic barriers such as regulatory uncertainty, infrastructure bottlenecks, and financing gaps. Discussions explored sector specific solutions such as scaling EV charging infrastructure, addressing grid constraints, and incentivising energy efficiency retrofits.

Aviva Investors' three main objectives have been to:

1. Promote collaboration between policymakers, investors, and corporates to identify and overcome shared barriers.
2. Drive innovation and investment in technologies and business models essential to decarbonisation such as renewable energy, energy efficiency, and electrification.
3. Advocate for supportive policy frameworks to enable large scale and sustained progress across value chains.

Outcome

Some of the key cross cutting themes that have emerged from the discussions to date relate to financial barriers for companies and consumers, consumer sentiment and hesitancy to adopt low-carbon measures, the lack of ready infrastructure, regulatory and investment uncertainty, the need for workforce development, and challenges in supply chain development.

These insights have directly shaped Aviva Investors' investment strategies, engagement priorities, and public policy advocacy.

CS30 - TotalEnergies: Energy transition strategy

Issue

TotalEnergies is a global integrated energy company. It is held in IWR's shareholder and customer portfolios. The company has hydrocarbon exploration and production assets in 50 countries and is one of the largest producers globally. The company has begun transitioning to more sustainable activities, including biofuels, renewable generation, and electrical distribution. TotalEnergies' size, presence and ambition mean it is important to encourage transition throughout the energy sector. This engagement is separate from engagements undertaken with this company by our other managers mentioned in this chapter.

Action

Aviva Investors has engaged substantively and constructively with TotalEnergies for several years. This year Aviva Investors' ESG, equity and credit teams have conducted joint engagement, meeting with executive management and sustainability teams. They also met with the company ahead of its AGM to discuss its position on climate proposals. These engagements have focused on supporting the company's efforts to enhance its climate strategy, ensuring alignment with investor expectations and global net-zero goals.

Outcome

TotalEnergies has demonstrated notable progress in refining its energy transition strategy, focusing on areas where it continues to find value. As part of this evolution, the company has enhanced its transparency on low-carbon projects, and more importantly, provided evidence of profitability. This progress coupled with strong investor dialogue and consistent messaging around strategic priorities has strengthened Aviva Investors' view of the company's transition strategy.

This contributed to Aviva Investors' decision to exceptionally support TotalEnergies' Advisory Vote on Sustainability & Climate – Progress Report 2023 at its May 2024 AGM. This was supported by 80 per cent of investors. It has also led to a positive investment recommendation for Aviva Investors' funds. Aviva Investors will continue to engage and support TotalEnergies in balancing the demands of energy security, sustainability, and a just transition. Aviva Investors' focus will include areas such as providing enhanced Scope 3 emissions disclosures, more frequent and detailed disclosures on low-carbon investments, and developing its just transition strategy.

CS30 – Air Liquide: Advancing Scope 3 Targets and Climate Transition Planning

Issue

The chemicals sector plays a pivotal role in the global energy transition, providing essential materials for decarbonisation technologies such as renewable energy, electric vehicles, and energy storage. However, it is also one of the most challenging sectors to decarbonise due to its reliance on energy-intensive processes and fossil fuel feedstocks. For Air Liquide, a leader in industrial gases, tackling emissions across its operations and value chain is critical to aligning with global climate goals. The company is held in IWR's customer portfolio. While the company has made strides in addressing Scope 1 and 2 emissions, its Scope 3 emissions – representing a significant portion of its carbon footprint – remain a key challenge.

Action

Since 2021, Aviva Investors has engaged substantively with Air Liquide, both bilaterally and through collaboration with ShareAction's Chemicals Working Group. Aviva Investors have focused on encouraging the company to expand its decarbonisation strategy by setting validated near- and medium-term Scope 3 targets through the Science-Based Targets initiative (SBTi) and publishing a robust climate transition plan. Aviva Investors have also sought enhanced disclosures on emissions mitigation strategies, including the impact of business growth, and greater transparency on how the company plans to address its most material Scope 3 categories.

Outcome

Air Liquide has made meaningful progress in 2024. Its 2023 Sustainability Report confirmed that the company's 2050 carbon neutrality target now includes Scope 3 emissions, along with a dedicated strategy to tackle them. Additionally, Air Liquide published its first-ever Climate Transition Plan, which provides detailed insights into emissions sources, asset transition strategies, and expected reductions from key mitigation measures. While gaps remain, this sets an important benchmark for other companies in the sector. As the company approaches its 2025 emissions inflection point, Aviva Investors will continue discussions to advocate for enhanced Scope 3 transparency, validated interim targets, and persist in advocacy efforts to foster a policy environment that supports the fulfilment of climate commitments.

CS30 – BHP: Enhancing climate strategy

Issue

BHP operates in the mining sector, which is critical to the energy transition but highly carbon-intensive. BHP is held in both IWR's customer funds as well as shareholder funds. Scope 3 emissions from steelmaking—accounting for 97 per cent of BHP's total emissions—pose a significant challenge to its climate strategy. Investors seek clarity on its decarbonisation investments, just transition planning, and alignment with net-zero targets.

Action

Aviva Investors has held multi-year engagement with BHP on its climate strategy. In 2024, Aviva Investors engaged individually and collaboratively with the company ahead of its updated Climate Transition Action Plan (CTAP). This involved meeting senior stakeholders, including the Vice President of ESG, Head of Climate Risk Intelligence & Reporting, and members of the Investor Relations and ESG teams. The engagements focused on enhancing transparency, decarbonisation strategy, and alignment with net zero objectives.

Outcome

Following publication, the new plan included disclosures on steel decarbonisation investments and partnerships for developing near-zero emissions technologies. A new prioritisation framework for green steel allows investors to better assess its readiness for sector transformation.

The company committed $224 million in 2024 for decarbonisation projects and improved reporting on challenges like cost escalation and technology delays. Additionally, BHP integrated just transition principles into its social value framework.

The company sought approval for its Climate Transition Action Plan at this year's AGM, which Aviva Investors supported. In total, the resolution received 92 per cent support. Aviva Investors felt that the plan demonstrated meaningful progress. They noted improved transparency and the inclusion of just transition principles. The enhanced climate lobbying disclosures demonstrate stronger alignment between advocacy and net-zero targets.

Continued engagement will focus on ensuring BHP's decarbonisation strategy and associated capital allocation, while further developing its just transition framework to address social and stakeholder impacts across its operations.

Policy engagement

Engaging with policymakers on credible national climate plans

Issue

The Paris Agreement requires signatories to develop Nationally Determined Contributions (NDCs) which outline how each country will reduce emissions and build resilience. Governments submit new, more ambitious NDCs every five years and the next iterations are due in 2025. The first Paris Agreement stocktake took place in 2023 and concluded that the world is not yet on track, presenting material long-term investment risks. At the same time, many governments are facing elevated debt levels hindering their ability to take more direct action. Consequently, there is a growing need for NDCs to attract increasing levels of private capital to help underpin ratcheted climate ambitions.

At the start of the year, Aviva Investors identified features of NDCs that could catalyse private investment, including setting ambitious headline targets alongside information on the actions governments will take to deliver them such as sector level pathways, indicative policies and associated investment plans.

These features would also enable NDCs to act as a step towards detailed national transition plans which Aviva Investors consider to be essential to support the long-term viability of corporate transition plans[1].

Action

Aviva Investors' starting point was to communicate their NDC priorities by sending tailored letters to finance ministers from over 50 countries where they are materially invested. Aviva Investors then sought to establish a dialogue with policymakers through proactive bilateral outreach, collaborative initiatives, and participation at set-piece events.

This included engaging with sovereign representatives at COP29, the IMF and World Bank annual meetings, and through participating as a lead investor in the UNPRI co-ordinated Collaborative Sovereign Engagement on Climate Change.

Aviva Investors also engaged with international institutions such as the G20, OECD, and Coalition of Finance Ministers for Climate Action, and helped shape industry thinking through thought leadership[2], contributions to influential reports[3 4] and high-profile speaking opportunities.

1. The tipping point for climate finance - Aviva Investors, Blueprints for a Greener Economy
2. Aviva Investors, Blueprints for a Greener Economy
3. CETEX, Taking the Lead on Climate Action and Sustainable Development
4. IIGCC, Making NDCs investable - the investor perspective

Outcome

Aviva Investors' dialogues with more than 15 countries, including the US, UK, Brazil and Mexico, enabled them to add their perspective to the policymaking process and gather valuable investment insights. Aviva Investors' engagement with institutions and the wider industry also contributed to investor views on NDCs and national transition planning gaining significant traction through the year. Aviva Investors were pleased to see the UAE and Brazil submit their NDCs in November 2024 and include new emission reduction targets alongside additional detail on the sectoral transformations that would underpin delivery. The UK also announced a new ambitious emission reduction target while the G20 ministers committed to national transition planning to underpin NDCs.

Policy engagement

Boosting low-carbon investment in the UK: a policy roadmap

Issue

To keep the UK on track for net zero emissions, the Government's Green Finance Strategy estimates that 'through the late 2020s and 2030s, an additional £50-60bn capital investment will be required each year'[1]. For investors to take up this challenge, market conditions need to be such that low-carbon investments and projects can provide an appropriate level of risk adjusted returns. To commit capital at scale, investors also need to be able to identify a visible pipeline of commercially viable assets they can invest in.

Getting the public policy framework right across each key sector of the economy is, in turn, an important part of creating the right market conditions for low-carbon investment[1].

1. HM Government, "Mobilising green investment: 2023 Green Finance Strategy", GOV.UK, March 2023

Action

Recognising the importance of public policies in creating an attractive environment for low carbon investment, Aviva Investors published a Low-Carbon Investment Policy Roadmap in July 2024. The roadmap sets out key challenges slowing private sector investment in low-carbon infrastructure and businesses across eight key economic sectors, and identifies some of the most material public policy solutions to overcome these challenges.

Aviva also responded to some of the most investment relevant public policy consultations, such as on the National Planning Policy Framework, the UK's new industrial strategy, and the Review of the Electricity Market Arrangements (REMA) – one of the biggest reviews of electricity market rules in a decade.

Outcome

Aviva have significantly increased constructive engagements with the UK government on low carbon policy. This included 17 meetings with a range of departments following the publication of the roadmap, including HM Treasury, the Department for Energy Security and Net Zero, the Department for the Environment, Food, and Rural Affairs, and the Department for Business and Trade.

The government has taken actions which align with several of the key recommendations in the roadmap. These include:

- Power sector: improvements to the strike prices and annual auction pot size to unlock greater investment in renewable energy projects, such as offshore wind.
- Buildings: introducing standards to improve the energy efficiency of rented homes, growing the heat pump grant budget, and introducing incentives to grow the supply of heat pumps on the market[1].
- Public investment: committing public investment towards complex low-carbon projects, including the £21.7bn awarded for low-carbon hydrogen and carbon capture infrastructure in two industrial clusters and earmarking £5.8bn in the National Wealth Fund budget to address investment barriers in areas such as green steel, gigafactories and port infrastructure.

1. Department for Energy Security and Net Zero (2024), 'Help to save households money and deliver cleaner heat to homes'

Collaborative engagement with a Utility company

Issue

The company is one of the largest utilities companies in the world and a leader in renewable energy. We hold them in customer funds and they are one of the top contributors to our portfolio's emissions. One of our asset managers has engaged with them since 2009 on a variety of material issues, including climate change and governance. The asset manager's most recent engagement focused on key aspects of the company's decarbonisation and transition strategy, which the manager considers to be key aspects of managing the company's climate risks and supporting the company's competitive advantage as a solutions provider to deliver a transition to net zero.

The asset manager became co-leads of the collaborative engagement initiative CA100+, in 2023 and since then they have actively engaged on objectives covering lobbying, capital expenditure alignment, the just transition and governance.

Action

During engagement calls in February 2024, the asset manager recommended increased transparency on climate policy and gas disclosures. any misalignment with industry association positions on climate policies. By April 2024, the US-based company's subsidiary showed commitment to review both its climate engagement reporting and industry association memberships. Discussions in April also covered climate governance, including board structure and ESG-linked compensation and the asset manager requested a board skills matrix to identify more specifically the climate and energy transition skills on the board.

In March 2024, the asset manager asked the company to consider a formal just transition strategy with key performance indicators and improvements to their stakeholder management approach. The company shared that they are planning to include this in their sustainability report using Business for Social Responsibility's Just Transition tool and aiming to align with the new directive at the European Union level.

In May 2024, talks addressed the CA100+ benchmark, scope 1 emissions reduction, gas distribution decarbonisation, renewable capacity growth plans (including green hydrogen), and the just transition.

Outcome

The company highlighted plans to grow renewable capacity from 42 GW to 51 GW by 2026 and explained the alignment between capital expenditure and sustainability taxonomy, a classification system establishing a list of environmentally sustainable economic activities.

ESG-related loan stipulations for Broadwood Late Living private equity investment

Issue

In 2024 Aviva Investors completed a cornerstone investment into the Broadwood Later Living Sustainable Construction Finance Fund, which we invest in through our customer mandates. The Fund is targeting an attractive risk-adjusted return of 12 per cent from a portfolio of construction finance loans to developers of care homes and retirement living assets. Best-in-class sustainability standards for developments of this nature are required to ensure the assets remain attractive to potential buyers or occupiers.

Action

Throughout the origination period Aviva Investors engaged with Broadwood to discuss their priority goals for the underlying loans, focused on developments using air source heat pumps for heating in place of gas boilers, delivering EPC ratings of A and minimising upfront embodied carbon intensity. These are standards contained within Aviva Investors' 'Sustainable Design Brief', the key document which sets out their required technical standards for real estate design.

Outcome

At close, a series of mandatory requirements for developers were embedded in the terms of the deal. For an additional layer of security for Aviva Investors' sustainability requirements, they agreed with Broadwood what would happen if achievement in a category would not be possible for characteristics unique to a proposed property or development. In such a case, any exception to the sustainability criteria and mandatory requirements would require the absolute approval or waiver of Aviva Investors' investment advisory committee.

The requirements agreed were energy use intensity of 250 kWh/m², considered to be best practice for buildings of this nature which tend to require above-average heating and hot water. Further requirements locked into the terms of the financing were EPC ratings of A, up-front (the emissions from construction) embodied carbon of 600kg CO_2/m^2, air source heat pumps and the installation of infrastructure to allow for EV charging.

Ensuring these standards are met will protect Aviva Investors' clients' investment as well as driving better quality in the underlying assets, to the benefit of the buildings' occupants.

Earth

Engaging with manufacturers of hazardous chemicals

Issue

The mismanagement of hazardous chemicals can pose a significant risk to producers and users of industrial chemicals with the potential to directly impact near-term valuations. This issue was brought starkly to investors' attention with 3M's $10.3bn settlement with US public water suppliers as reparation for historic contamination of water supplies.

We hold the companies mentioned in this case study in our customer funds.

Action

Aviva Investors has led a multi-year collaborative engagement initiative in this area – creating and chairing the Investor Initiative on Hazardous Chemicals (IIHC), representing more than 70 investors globally. The IIHC aims to reduce the adverse impacts of hazardous chemicals and thereby its members' exposure to the financial risks to which they are linked.

In November 2024 Aviva Investors sent a fourth annual letter to 51 manufacturers of hazardous chemicals on behalf of the IIHC to encourage them to:

- Increase transparency by publishing the names and volumes of hazardous chemicals manufactured globally.
- Publish a time bound phase out plan of persistent chemicals (per- and polyfluoroalkyl substances (PFAS)) from production.
- Develop safer alternatives for hazardous chemicals.

Aviva Investors held annual follow-up calls to discuss these asks with four companies since 2021, co-leading the engagement with BASF in 2024, and with Dow and BASF in 2023. Aviva Investors also engaged independently with LG Chem and Sika. Aviva Investors voted against management at the annual general meetings (AGMs) of BASF and Dow in 2024 where they believed the companies were showing insufficient progress against the engagement asks.

Outcome

Aviva Investors are pleased that the importance of the issue continues to gain traction and that companies are increasingly adopting more transparent, progressive and robust approaches to responsible chemical management.

Sika has significantly enhanced transparency of its exposure reporting[1] and 0.4 per cent of sales and five per cent of revenues are associated with products containing PFAS and the EU list of 'substances of high concern', respectively. The company has introduced new substance risk management processes and is working actively with suppliers to limit PFAS exposure further.

Other companies have sought to integrate concerns over hazardous chemicals into their commercial strategy with the likes of LG Chem developing a portfolio of PFAS-free fire-resistant materials[2], while German chemicals giant BASF is seeking to have its Sustainable Future Solutions business represent more than half of total sales[2] by 2030[3].

1. Sika 2023 Annual Report, p122
2. LG Chem adds eco-friendliness to flame-retardant plastics
3. BASF: Sustainable Steering of our Product Portfolio

Cranswick: Water stewardship and sustainable agriculture

Issue

Cranswick is one of the UK's largest producers of pork and poultry. We hold this company in equity portfolios in our customer funds. Recent research has found it to be the second largest agribusiness producer of animal excreta in the UK. In the UK, currently only 16 per cent of our rivers meet 'good ecological status', and agriculture (meat production in particular) is a key driver of river pollution and its impacts on biodiversity, via the release of animal waste to the environment.

Action

In addition to a site visit to Cranswick's pig abattoir in Hull, Aviva Investors engaged with the company both bilaterally and as part of an investor group coordinated by the FAIRR Initiative (FAIRR). Aviva Investors discussed nature-related risk assessment and management processes, and the company's current waste management strategy. The company does not source its pigs or poultry from the Wye/Severn catchments where agricultural pollution is currently the focus of media controversy. The company welcomed the suggestion to disclose volumes of animal waste generated and by end destination.

Outcome

Aviva Investors noted that the company has now committed to publishing a TNFD report. It is exploring building a biogas plant, as well as purchasing animal feed from farms using regenerative practices. Aviva Investors are also encouraged that the company continued to score well on its antibiotics use in the recent Business Benchmark on Farm Animal Welfare.

Home Depot: Collaborative engagement on deforestation risks

Issue

Halting deforestation is essential for achieving net zero emissions and meeting international climate and biodiversity goals. For investors, addressing deforestation is vital to manage climate and nature-related risks, enhancing portfolio resilience and fulfilling fiduciary duties.

Aviva Investors is part of the Finance Sector Deforestation Action (FSDA) investor working group. FSDA has identified priority companies and financial institutions to engage with on deforestation risk. Aviva Investors has led engagements with ten companies and supported additional engagements with other investors[1]. Their expectations for these companies are public, and a progress report on Aviva Investors' activities has been released. In 2024, Aviva Investors/Aviva co-led the development of expectations for commercial and investment banks.

Action

As part of the FSDA initiative, Aviva Investors were the lead investor engaging with Home Depot, which is held across IWR's shareholder and customer funds. Within the public expectations initially communicated in early 2023, Aviva Investors recommended a commitment to a public deforestation and conversion-free pledge, trace supply to all forest-risk commodities, perform ongoing due diligence within operations and sourcing areas, and publicly disclose progress.

In subsequent written interactions, Aviva Investors focused on three areas:

- Making a time-bound commitment on deforestation covering all forest-risk commodities.
- Setting targets for forest fibre certification, ideally under FSC, and supporting alternative environmental products.
- Requesting further information on the company's wood purchasing policy and its implementation across global sourcing teams and suppliers.

Following their email communication, Aviva Investors chaired their first engagement call under FSDA with the company in January 2024. Here, Aviva Investors requested further information on whether the company will have an overall no deforestation and conversion policy by 2025 and its process for traceability and monitoring of its Wood Purchasing Policy.

Outcome

In early 2024, the company published its Sustainable Forestry 2024 report and updated its Wood Purchasing Policy, aligning with some FSDA expectations.

These included:

- Conducting an enhanced deforestation risk assessment of wood suppliers for both private brand and non-private brand wood products, covering 95 per cent of total purchases in fiscal year 2022. Aviva Investors are pleased with the progress on tracing supply and disclosing. Aviva Investors will continue to engage with the company to cover its full value chain overlap with primary forests and their FSDA asks into 2025.
- Requiring an enhanced approach to sustainable forestry by including additional regions at risk of deforestation for suppliers (e.g. Atlantic Forest, Cerrado, Chaco Darien), following the results of their supplier survey.

Aviva Investors also noted progress towards disclosure from the company on its third-party certification breakdown of wood supplier surveys. The company identified 61.6 per cent of Home Depot's wood as third-party certified, with 4.2 per cent FSC certified and 12.3 per cent FSC Forest Management Certified. Aviva Investors will continue to engage with the company for further information on the certification coverage of Home Depot's wood products, such as the certification schemes, the sourcing countries and the consideration of third-party verification of its supplier surveys to strengthen its monitoring and compliance processes.

1. FSDA Investor expectations of companies - 16.09.2022.docx

People

Decent work and the Living Wage in UK retail

Issue

The retail sector is one of the lowest paying in the UK, with a high proportion of workers earning below the real Living Wage. The sector also faces several headwinds as it competes for labour, adapts to technological change and manages a high inflationary environment. Rewarding staff so that they can afford the basic costs of living is important to attracting and retaining engaged employees. This can also help retailers navigate future headwinds, strengthening consumer service and in turn helping to maintain and grow their consumer base.

Action

Aviva Investors have been engaging with retailers for many years regarding wages and broader working conditions. In 2024, Aviva Investors continued their dialogue with ten food and non-food retailers in the UK including Tesco, Sainsbury's and M&S. Aviva Investors requested that companies align with the real Living Wage rates, and to adopt measures to provide security of work. Aviva Investors have also continued to integrate payment of the real Living Wage into their assessment of executive remuneration policies.

Outcome

In 2024, Tesco, Sainsbury's and M&S aligned their hourly wage rates (for staff in stores) with the real Living Wage. Sainsbury's indicated positive productivity and engagement benefits as a result of these wage increases, which contributed to an improved investment position for Aviva Investors' UK equities team. Non-food retailers have taken a more "wait-and-see" approach as they consider the actions of their peers.

Hon Hai: Managing human rights risks

Issue

Hon Hai (trading as Foxconn) is a Taiwanese electronics manufacturer and supplier to companies such as Apple (iPhone, iWatch, iPad), Amazon (Kindles), Sony (PlayStations) and Microsoft (Xboxes). IWR holds this company in our customer funds. Poor labour practices resulting in suicides, accidents and allegations of forced labour have been long-term sources of reputational and operational risks. Forthcoming EU regulation presents further potential regulatory risks to both Hon Hai and its buyers if poor labour standards are not adequately addressed.

Action

To date, the company's human rights policies and practices have not been commensurate with the company's risk exposure. This has been reflected in Aviva Investors' voting behaviour, as per their Global Voting Policy, and their repeated engagements on the topic over a number of years. Most recently, in 2023 and 2024, ESG and investment colleagues met with the company to insist the company establish a HRDD (Human Rights Due Diligence) process and conduct a human rights impact assessment (HRIA) at high-risk sites. Aviva Investors also encouraged the company to provide greater commitments to mitigate risks of forced labour and promote greater protections for temporary workers.

Outcome

In 2024 the company confirmed it was working with an external expert to conduct a pilot HRIA at two sites in China. Aviva Investors have responded to this positive step by continuing to provide the company with feedback, which the company continues to receive constructively.
In particular, Aviva Investors encouraged the company to ensure that the HRIA includes at least one of the eight high-risk sites the company has identified (rather than the two provisionally selected which are not representative of the company's more high-risk manufacturing operations).

Enhancing just transition plans in the oil and gas sector

Issue

The energy transition requires an economy-wide shift towards activities that support a low-carbon future. This is particularly true of companies in high-emitting sectors where the pace and nature of this change will differ to other sectors. This is likely to have significant impacts on workers and local communities across a company's value chain. A planned and orderly approach will be essential for minimising any negative impacts on people as one facet of a just transition, alongside maximising the benefits of the energy transition.

Action

In 2024, Aviva Investors intensified their engagements with companies across their holdings in the oil and gas sector, engaging with five oil and gas companies to better understand how companies are planning for and contributing to a just transition. In particular, Aviva Investors explored how companies demonstrate their just transition strategy, and how this is incorporated into their energy transition plans. This included, but was not limited to, assessing the company's climate commitments and developing a plan to address any potential social risks and opportunities. Aviva Investors explored whether companies engage in meaningful dialogue with stakeholders such as workers via trade unions, or other appropriate channels, to determine the short- to long-term social impacts of their climate targets. Aviva Investors also sought to understand how companies develop metrics and targets against which the company will assess its progress to deliver a just transition.

Outcome

Based on the results of Aviva Investors' engagements, few companies in this sector have developed detailed plans for how their energy transition plans will affect different stakeholder groups. Aviva Investors also found limited examples on how companies have implemented changes to operational and investment activities. However, they do not perceive this as being a company-specific issue in isolation. The pace of change across sectors and markets is slow. This is shaped by differing national interests, creating complexity for companies to navigate. As an example, some governments, in pursuing their individual growth agenda, may face shorter term challenges which take priority over longer term just-transition planning.

An improved shared understanding of this emerging risk is required, with the development of industry standards and a supportive national and international policy environment. This will require greater collaboration across the international financial architecture, with investors, companies, governments, and civil society working together to develop solutions to a shared challenge. Aviva Investors' emerging markets capital mobilisation case study below provides one example of how they are engaging with emerging markets and developing economies and their governments on climate adaptation.

The Investor Initiative for Human Rights Data (II-HRD)

Issue

Investors typically use a wide range of sources to assess companies on their sustainability credentials, such as company reporting, NGOs and ESG data providers. However, high quality, decision-useful data on corporate human rights practices across an investor's holdings, is extremely hard to obtain. This limits investors' ability to identify and manage investment risks and opportunities in their portfolios, distinguish between leaders and laggards, carry out effective stewardship, and meet emerging regulatory requirements.

Action

In 2024, Aviva Investors - a founding investor of the Corporate Human Rights Benchmark (CHRB) - partnered with the Church Commissioners for England, and Scottish Widows to convene 25 investors as part of the II-HRD. As clients of major data providers and proxy advisers, this group believes that ESG service providers are best placed to respond to the investor need for high quality human rights data at scale.

The II-HRD will use its collective influence to aim to meet three high-level objectives:

1. Improve the depth and breadth of corporate human rights data available to investors via data providers, with a focus on the universal coverage of listed companies' efforts to implement human rights due diligence and their policy level commitments to respect human rights.

2. Improve the depth and breadth of corporate human rights data available to investors, via proxy advisor voting policies and advice.

3. Generate industry wide alignment on the principles of assessing the presence of and response to corporate 'norms breaches'.

Outcome

In 2024, investors had meetings with most of the ten data providers and proxy advisory organisations in scope of the II-HRD. These included Bloomberg, Morningstar / Sustainalytics, MSCI, Refinitiv/LSEG, RepRisk, S&P Global and Glass Lewis.

Responses to the II-HRD's objectives have been mixed. One data provider said the II-HRD outreach had helped build a case internally for expanding their provision of human rights data, shared a gap analysis of their methodology against the CHRB indicators and has been proactively reaching out to host roundtables with investors.

The II-HRD will continue to engage service providers in 2025 to push for gap analyses to be completed and time frames for bridging methodological gaps to be set.

Policy engagement

Emerging Market and Development Economies (EMDE) capital mobilisation

Issue

Transition to net zero is a global challenge and the concept of a 'just transition' recognises the importance of social justice considerations being taken into account. The concept of a just transition has many facets. This includes the importance of workers' and broader human rights, the concept of common and differentiated responsibilities and respective capabilities in the global delivery of the Paris Agreement. Finance needs to flow to all countries for an effective transition, respecting that the Paris Agreement sets climate action in the context of sustainable development and alleviation of poverty.

Action

In collaboration with UK institutional investors and service providers Aviva Investors were part of a series of workshops and conversations throughout the second half of 2024 to assess barriers and challenges to increasing allocation of capital to support investment in emerging markets and developing economies linked to development, climate adaptation and mitigation. As part of this work, Aviva Investors also engaged with UK government stakeholders 38 times throughout 2024, including the UK Foreign, Commonwealth, and Development Office, and the British Embassy in Brazil.

Outcome

The findings were presented to the Minister for Development towards the end of 2024 on behalf of all stakeholders involved and as the next steps of this work progresses Aviva Investors hope to continue this engagement in 2025.

Human rights with TotalEnergies

Issue

Fidelity integrate ESG into the investment analysis underpinning all their products, including that of the mandate. They appreciate that in order to achieve dividend growth sustainably, companies have to be cognisant of all threats including those that are ESG related. Declining ESG characteristics can serve as a red flag for further due diligence, and Fidelity actively monitor such developments. An example of this is TotalEnergies.

TotalEnergies aligns well with Fidelity's investment criteria as it consistently prioritises shareholder interests and demonstrates strong forward planning. The company scores well on environmental metrics as well as on social and governance factors compared to peers and has recently refocused on renewable energy sources. Despite these characteristics, Fidelity has had concerns about allegations of human rights abuses by the Mozambican government military at the company's LNG project site.

Action

Fidelity's engagement with TotalEnergies dates back to 2020, and Fidelity continues to maintain regular engagement with the company. The Mozambique controversy was the focus of their conference call with the Investor Relations team in November 2024 and following this, Fidelity presented a number of questions to the CEO on the topic during an in-person meeting at their London offices in December 2024. During the initial discussion with the Investor Relations team, it was apparent that they had already begun working on disclosure. Fidelity encouraged them to provide more detailed information, and they were largely successful in doing so. Additionally, Fidelity have recently completed the company's annual ESG survey, where they identified the issue as a key risk and encouraged continued transparency.

Outcome

Together these engagements and the company's track record on transparency around human rights practice, provide reasonable assurance for Fidelity's ESG thesis. The company also resolutely disputes allegations and asserts that there are several factual inaccuracies in the account referenced by external sources, for example claims that a village was resettled to make way for the project and that workers were living offsite at the time of the incident. The company also firmly denies any knowledge of the human rights abuses, and has commissioned multiple independent reviews to investigate and confirm this in the past (i.e. a human rights due diligence report by LKL; a thorough survey from Community Insight Group, a report from Friends of the Earth, etc.) - none of which cited any evidence of alleged abuses. While assessing the veracity of any claims is very challenging in the absence of further information, the detail provided by the company and significant scrutiny of the project by multiple NGOs over multiple years leads Fidelity to believe that several elements of the appraisal made by one of their ESG data providers are inaccurate.

Fidelity do not see any fundamental issues with their ESG thesis on the company, however this event increased the level of scrutiny Fidelity place on the company's management of social-related risks. Fidelity will continue to monitor the Mozambique situation and engage with the company on a regular basis.

Supply Chain engagement with LVMH

Issue

As part of their thematic engagement on the supply chain and modern slavery, Fidelity have been engaging with LVMH since 2021. Fidelity have seen some improvement over the years, but they have continued to encourage the company to implement processes to identify and monitor human rights risks within their supply chain across the group and encourage enhanced disclosure on outcomes.

In June 2024, the Italian competition watchdog announced an investigation into Dior, an LVMH brand, over allegations that they used suppliers that underpaid and overworked their staff. This controversy confirmed the risk of poor labour conditions in supply chains for luxury brands and prompted further engagement with the company.

Action

In the latter half of 2024, Fidelity's Sustainable Investing team had two calls with LVMH on this topic, including a group call with the new director in charge of due diligence to discuss the company's response to the controversy in Italy. While LVMH has some processes in place aimed at identifying and preventing human rights violations in the supply chain, it is unclear whether salient risks have been identified. Fidelity encouraged the company to disclose the results of their risk assessment. Given the Dior investigation over alleged poor labour conditions at a supplier in Italy, Fidelity reiterated the need for more transparency on the outcomes of their suppliers' assessments and audits when it comes to human rights.
For example, Fidelity asked LVMH to provide details of non-compliance of suppliers and whether their auditors had a track record of finding modern slavery.

Outcome

LVMH has reviewed its suppliers code of conduct and extended the scope of its suppliers' audits. With the support of an external consultant, 12 value chains have now been identified and mapped to the associated risks. A director was appointed earlier in the year to oversee and harmonise the implementation of the French "duty of care" law across all Maisons (houses). LVMH acknowledges the need to strengthen their processes to prevent and identify human rights violations in the supply chain as well as improve transparency. Following the Dior controversy, an action plan supported by the CEO has been initiated.

Fidelity plan to monitor the company's disclosure and action plan in 2025.

Engagement on Paid Sick Leave

Issue

In 2022, one of our asset managers engaged numerous US retailers on their paid sick leave policies as part of an initiative to understand how benefits policies had evolved as pandemic induced restrictions had lifted. Disclosure of human capital management policies, including paid sick leave, helps investors to understand how companies recruit, train and retain talent. This is increasingly important in the retail sector, which experienced labour shortages post pandemic. For example, research has shown that paid sick leave is associated with improvements in retention and reductions in occupational injury and presenteeism.

This company, which we hold in our customer funds, was identified as having limited disclosure on this topic, making it difficult to ascertain whether hourly employees had access to paid sick leave, and if so, what purposes they could use paid sick leave for. The asset manager believes that providing paid sick leave to the whole workforce and allowing employees to use this leave for the purposes of receiving planned medical care or to care for a loved one in addition to illness, benefits both employees and companies.

Action

The asset manager asked the company to clarify its policies. Initially the asset manager was directed to its published materials which did not have the level of granularity they requested.

The asset manager then joined a collaborative investor initiative led by the Interfaith Center on Corporate Responsibility (ICCR) to engage the company as a group of investors interested to learn more about company policies on paid sick leave. The collaborative engagements were more constructive, and the company explained more detail on their approach to providing paid sick leave. However, the asset manager's requests to consider expanding these policies to all employees and disclosing this publicly were met with resistance. In previous years, shareholder resolutions had been filed asking the company to adopt and disclose paid sick leave policies. In 2023, working in collaboration with other investors, the asset manager adapted this proposal and co-filed it for the 2024 AGM. The objective was that the company publicly disclose its permanent paid sick leave policies, and where these go above legal requirements, including eligibility requirements.

Outcome

The company was receptive to the request, and published more information on its paid sick leave policies. This clarified that hourly associates in the US who work on average at least 30 hours per week have access to paid sick leave, and that sick time can also be used to care for a loved one or for medical appointments. The company also says a majority of "U.S. store, distribution center and fulfilment center Associates have access to paid time off under various sick leave policies."

The investor group withdrew the resolution in early 2024 as the company provided the detail the asset manager was looking for on eligibility requirements for paid sick leave.

The asset manager continue to support and encourage the company to expand its paid sick leave policies to ensure that all employees are eligible, and the asset manager views the company's responsiveness as a positive step.

Governance

Strengthening board oversight

Issue

Aviva Investors believe that strong board composition is essential in driving effective governance at investee companies. There are many factors that can indicate strong composition. Two of these factors include board independence and board diversity. Aviva Investors believe these can support improved outcomes for a variety of stakeholders, including; investors, employees, customers and communities. The AGM, and director re-elections can provide opportunity to influence the composition.

Two companies where Aviva Investors saw opportunity for improvement were the US-based payment service providers, Visa, and Jack Henry & Associates (Jack Henry). These were both held in Aviva Investors' active equity portfolios. Aviva Investors' concerns with Visa related to a dual CEO/Chair and low female diversity on the board. Aviva Investors' concerns with Jack Henry related to a dual CEO/Chair, and low board independence.

Action

Aviva Investors have conducted multi-year engagement with both companies. In 2023, at Visa Aviva Investors voted against the re-election of the Nomination Committee Chair due to poor board diversity. Aviva Investors also supported a shareholder resolution that requested splitting the combined CEO/chair role, which received 24 per cent support from investors. In 2023, at Jack Henry, Aviva Investors voted against the re-election of the dual CEO/Chair due to both their concerns regarding one person fulfilling both roles and further concerns about low overall board independence. Aviva Investors communicated both voting actions and rationales with the companies.

Outcome

Aviva Investors were pleased to see that at the 2024 AGMs, both companies proposed splitting the dual CEO/Chair roles, which Aviva Investors voted for. These proposals were both approved. Visa also appeared to address issues of board gender diversity, which was reflected in Aviva Investors' voting action. Despite the improvements, Aviva Investors have continued to engage with Visa and Jack Henry, as they feel overall board independence at both companies can be improved. This was reflected in their voting action for the year, and Aviva Investors have notified the companies on our rationale.

Board Governance at SAP

Issue

We are invested in SAP, a software and services company, through our European Equity mandates. During 2024, Fidelity engaged with the company on governance issues such as board structure and executive remuneration effectiveness. Although the company's compensation structure is fairly robust, Fidelity were concerned with the company not having a five-year holding requirement in place for performance-related incentive awards for its executives.

Action

Fidelity discussed their concerns during a conference call with SAP's remuneration committee chair and investor relations (IR) manager. Fidelity also discussed the compensation plan structure which they had voted against in the annual general meeting. Fidelity inquired whether the company has any plans to increase the shareholding requirement for the CEO and whether they have identified what this will look like in numbers.

A further discussion on board structure, executive remuneration effectiveness, and governance took place during an in-person meeting in London in December 2024. This was also an introductory meeting with the Chair who was elected in 2024. Fidelity discussed the recent departures of the chief marketing officer and chief revenue officer and his re-structure of the supervisory board.

Outcome

Regarding the executive remuneration concerns, the remuneration committee chair emphasised that it would be impossible to further stretch this given most of the company's peers are US based and subject to lower restrictions on inflated pay packages. This will result in flight-risk as well as inability to attract high-quality talent. The next say-on-pay vote will be in 2027 and until then the current policy and structure will remain. Beyond this period, SAP intends to increase the shareholding requirement for the CEO (2x base salary) but cautioned that it will take time for the CEO to build it up. Likewise for other executives, if there are any changes to the board then such requirements may not be met immediately.

The remuneration committee chair assured Fidelity that in case there are any further changes to the compensation, the IR and board will reach out well in advance to give shareholders the opportunity to provide feedback and raise concerns. The company has a history of incorporating shareholder feedback especially where remuneration is concerned, and this is evidenced by the company's move to eliminate restricted stock units (RSUs) and move to performance share units (PSUs) in 2023. Regarding the board structure, the IR representative assured Fidelity that their feedback will be considered. However, they highlighted that different investors have competing requirements. Fidelity will continue monitoring the situation and Fidelity's vote in the next AGM in 2025 will be subject to consultation with the proxy team and PMs.

Engaging with a Japanese Company on cross-shareholding

Issue

One of our asset managers has been engaging with a Japanese company specialising in the manufacturing and sales of materials handling equipment, automobiles and automobile parts, and textile machinery since 2022. We hold the company in our customer funds. The asset manager's focus has been on improving the company's corporate governance practices, including capital allocation policy, and its shareholding structure with a particular emphasis on cross-shareholdings.

Cross-shareholding has been a long-standing practice in the Japanese market, where large corporations hold strategic stakes in other companies to protect against hostile takeovers and maintain control over corporate decisions. However, the asset manager believes this practice raises significant concerns about conflicts of interest and hinders long-term shareholder value creation.

Action

Throughout 2023, the asset manager held five engagement discussions urging the company to reduce its cross-shareholding structure to align with best practices outlined in the Japan Corporate Governance Code. In November 2023, the company announced it would unwind a proportion of their cross-holdings in a partner business. Whilst this was a positive step, the asset manager noted that the sale did not divest all shares, and other group cross shareholdings remained intact.

The asset manager believes it's important to reiterate their views that the company should have a clear and detailed cross-shareholding unwinding policy, specifying a defined timeline and reduction pace. In April 2024, the asset manager sent an engagement letter to the board of directors, urging them to clarify the pace of cross-shareholding reductions and to strengthen internal controls to prevent the recurrence of recent legal violations related to the company's operations.

In response to the asset manager's concerns, the President and an investor relations representative visited the asset manager in May 2024. During this meeting, the asset manager expressed concerns over the company's shareholder return policy, which sets a 6% return on equity (ROE) target for 2026-2027 and 8% in the long term. While the asset manager acknowledged the transparency of these targets, the asset manager shared their views that they remain insufficient to drive meaningful value creation. The asset manager also emphasised the need to further reduce cross-shareholdings to improve ROE.

Outcome

They also discussed other governance-related topics, including the role of outside directors and their ability to influence board decisions in a way that better protects minority shareholder interests. The company was receptive to the asset manager's feedback. In October 2024, the company announced the sale of its remaining shares in one of its cross-shareholdings and expressed its intention to review its capital relationships with other group companies to significantly reduce cross-shareholdings. The asset manager's engagements with the company will continue to evolve and deepen on the topic of strengthening corporate governance.

Engagement on Digital Rights and Governance

Issue

One of our asset managers believes that the safety of users' online experience is a material risk for this social media company.

The asset manager's engagement with the company, which we hold in our customer funds, has been developing since 2018, when they engaged on General Data Protection Regulation (GDPR) issues facing the company. From then, the asset manager's engagement, both bilaterally and collaboratively, has focused on the company's content moderation policies, platform safety, digital rights and corporate governance.

Social media companies are facing increasing regulatory scrutiny and litigation related to the safety of their products and privacy protections, and it has incurred large penalties for GDPR violations.

Understanding how the company identifies these risks, and provides transparency to its shareholders and wider stakeholders that they are being managed, is an important component to understanding the company's long-term sustainability profile.

Action

In 2024, the asset manager was concerned about the company's responsiveness to issues that most shareholders raise, as evidenced by the voting results of Class A shareholders. The asset manager therefore took action to co-file a shareholder resolution at the 2024 AGM. The asset manager had a meeting to discuss the shareholder resolution they co-filed, requesting disaggregated vote results by share class.

Understanding these results could lead to greater minority shareholder loyalty and thereby build the type of consensus and mutual trust that can prove useful when companies experience periods of below-market performance or significant market blowbacks.

Outcome

The company appeared to acknowledge the thoughtfulness of the resolution and the work from the group to seek to find common ground with the company on the issue of dual class shares, and noted the constructive nature of the proposal.

At the 2024 AGM, while the resolution did not receive majority support, due to the nature of the dual class share structure, the asset manager believes that it received majority support from Class A shareholders.

As such, the asset manager will continue to engage on this topic and look forward to further progress on content moderation, disclosure, board independence, and alignment to shareholder expectations.

Exercising rights and responsibilities

One method in which we engage with investee companies is by exercising our shareholder voting rights.

While voting rights are delegated to IWR's asset managers, we expect voting behaviour to be consistent with Aviva's Global Voting Policy, managed by Aviva Investors. This policy is reviewed on an annual basis and updated subject to board approval, as mentioned in Chapter 2. It is in alignment with our UK IWR RI Policy and Voting and Engagement Policy.

Our Global Voting Policy highlights areas of focus and priority that may lead to engagement and voting action to promote responsible and sustainable practices. These areas, at a high level, include:

- Sustainable outcomes;
- Board leadership and effectiveness;
- Controls and audit;
- Share capital authorities;
- Shareholder rights;
- Data security;
- Remuneration;
- Investment trusts; and
- Our process and remuneration principles.

These feed back into driving progress on our engagement focus areas introduced earlier in this chapter.

Although we do not have voting rights in connection with fixed income instruments, we have considered the ways in which we can influence borrowers as fixed-income investors. To that end, the Aviva Investors Sustainable Transition Loans Framework embeds measurable sustainability commitments into our lending programme, where appropriate.

Quarterly reporting is required of Aviva Investors on all voting and engagement activity that has been conducted on our behalf and from our other asset managers on a regular basis. We seek justifications for the voting positions taken by managers and challenge those we believe are inconsistent with our expectations.

We expect our asset managers to consider all voting opportunities as a means of influencing companies to adopt sustainable business models. This does not mean that we require asset managers to vote whenever they are able to, however they should assess voting options and make conscious decisions on whether, and how, to vote.

Where possible we will bring our voting rights in-house so that we are able to exercise our vote in a consistent manner; enhancing our overall influence on the companies in which we invest. We have done this for our core passive mandates that are currently managed by an external manager.

We have also applied our voting policy to shares held through the BlackRock World Insights pooled funds, reflecting our proportional ownership of each global and regional fund. This ensures that our Global Voting Policy is applied in a consistent way across a broader share of our overall portfolio allocation, using our proxy voting service provider and allowing us to exercise a high degree of control over the decision-making process and the voting implementation.

Where we do not dictate the voting in-house, we do not require all our managers to have exactly the same votes. However, we do expect voting behaviour to be consistent with our sustainability expectations, which we expect to result in consistent voting behaviour. Details on how we have monitored this in 2024 can be found in Chapter 3.

We also expect our asset managers to co-operate and collaborate with other shareholders, where appropriate, to increase their influence on companies we invest in. Voting records for all beneficial holdings across portfolios are made publicly available via our website.

Due to the significant practical challenges it would create and the fact that we do not directly vote at company resolutions, we do not consult customers ahead of votes.

Voting oversight assessment

In 2024, we reviewed the voting activity of our largest asset managers during the 2024 AGM season. Our aim was to gain more insight into how our asset managers voted on key votes and to assess their alignment to each other, our in-house voting policy and their own voting policies. More details of the assessment can be found in Chapter 3.

Voting activity in 2024

The following data and examples are reflective of UK IWR mandates only.

In-house voting

The following is a summary of votes undertaken by Aviva Investors, who manage the majority of our assets:

- Voted on 39,639 resolutions at 3,009 meetings
- Voted in favour of 56% of climate, nature, and social shareholder proposals

Figure 24: 2024 voting activity by region

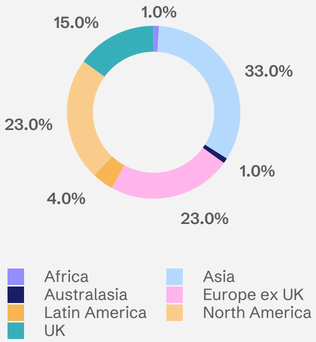


Figure 25: 2024 voting activity by issue

Votes for, against or abstained by voting topic	For %	Abstain %	Against %
Anti-takeover Measures	70 %	— %	30 %
Auditors	76 %	1 %	23 %
Climate-Related	78 %	4 %	17 %
Directors	73 %	4 %	23 %
Other	90 %	1 %	10 %
Related Party Transactions	88 %	3 %	10 %
Remuneration	52 %	2 %	45 %
Report & Accounts	95 %	1 %	4 %
Share Issues/Capital Related	85 %	— %	15 %
Shareholder Resolution	53 %	4 %	44 %
Takeover/Merger/ Reorganisation	96 %	1 %	4 %

The annual voting proxy voting reports for Aviva Investors, detailing votes cast and the rationale, can be found here: Aviva Investors Voting History

Examples of how Aviva Investors voted in 2024 and the rationale behind the votes can be found in the preceding case studies, particularly regarding BHP's climate strategy, TotalEnergies' energy transition strategy, and board oversight at Visa and Jack Henry.

External manager voting

Schroders

The following is a summary of votes undertaken by Schroders, one of our largest asset managers.

- Voted on 14,040 proposals at 1,004 shareholder meetings
- Voted against management on 11.14% of all proposals

Figure 26: 2024 voting activity by region

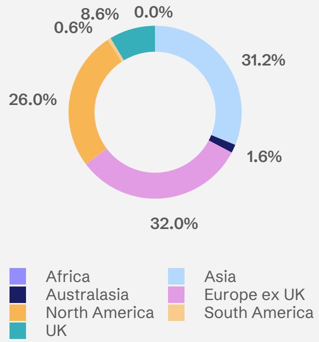
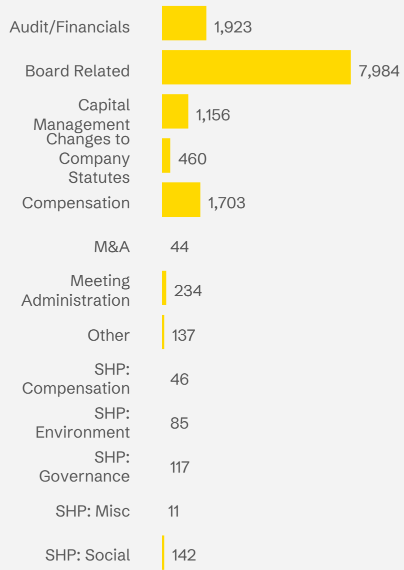


Figure 27: Schroders' 2024 voting activity by topic



External manager voting

Fidelity

The following is a summary of votes undertaken by Fidelity, one of our largest asset managers.

- Voted on 773 resolutions at 46 shareholder meetings
- Voted against management on 9% of all proposals

The annual voting proxy voting reports for Fidelity, detailing votes cast and the rationale, can be found here: Fidelity Proxy Voting Dashboard

Figure 28: Fidelity's 2024 voting activity by region

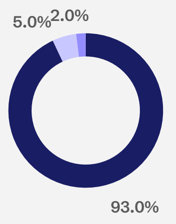


Figure 29: Fidelity's 2023 voting activity by topic

Topics	Total number of voted resolutions	For each topic, % of votes against management
Auditors	32	0%
Board	297	6%
Capital Structures	129	1%
Charter Amendments	9	11%
Remuneration	167	19%
Routine Business	92	10%
Shareholder Proposals	2	0%
Strategic/ Restructuring	21	29%
Takeover Related	2	0%
Others	22	5%
Total number	773	9%

Examples of how Fidelity voted in 2024 and the rationale behind the votes can be found in the preceding case studies.

Stock lending

We have strict procedures in place that only allow shares to be lent out up to agreed thresholds. We also recall shares on loan for the purposes of exercising voting rights where there is good reason to do so (for example, for contentious meetings or on especially important matters) and when this is considered to be in the best interests of our clients.

Escalations

Earlier in this chapter we described how our asset managers engage with investee companies on our behalf. All the engagement and voting activity is outcomes-focused and we set high standards for engagements our asset managers undertake. The sustainability manager oversight framework covered in Chapter 3, as well as the '5 P' process, detailed how this framework enables us to escalate stewardship activities where our expectations are not met.

We believe we should use our position as a large asset owner to encourage companies towards improving the way they operate. We also believe it is important to use our influence to try to drive behavioural change, rather than walk away and lose any influence to change things for the better. However, if engagement does not lead to positive change, we reserve the right to divest.

Where engagement with companies, whether on strategic, performance, general sustainability or specific voting issues, is undertaken, the effectiveness of such engagements will be measured and evaluated on a regular basis.

There will be times when, despite engagement with companies, our concerns have not been adequately addressed. Under these circumstances, the matter may be escalated into a more focused project of intervention, aimed at securing changes to the board, management, practices or strategy.

We expect our managers to use all engagement tools available, which may include:

- additional meetings with company management and/or non-executive directors.
- expressing concerns via company brokers and advisers.
- withholding support or voting against management and the non-executive directors.
- circulation of a statement of issues at an AGM.
- requisitioning resolutions at an AGM.
- requisitioning a general meeting.
- collaboration with other investors on shareholder resolutions, engagement meeting and voting.
- raising concerns with appropriate regulatory authorities.
- considered public statements and press comment
- divestment of holdings.

Examples of the escalation methods from some of our managers are featured in the case studies above.

In-house manager escalation

Our internal manager identifies six forms of escalation:

Intensified dialogue – bilateral (private): Intervention will generally begin with a 'step up' in private dialogue with the company. This comes through: a) holding additional meetings with company management to enhance Aviva Investors' understanding of its stance and help the company to understand Aviva Investors' position; and/or b) meetings being held with more senior representatives. This year, as part of their stewardship activities on climate, Aviva Investors arranged meetings with more senior stakeholders prior to AGMs to enhance their understanding of company stances, as well as ensuring a better understanding of our expectations.

Intensified dialogue – collaborative (private): Aviva Investors recognise the complexities of operating in different legislative environments. However, Aviva Investors believe collaborative actions can be a very powerful escalation tool. They may take many forms, including self-organising investor-led collaborations, formal investor coalitions and/or collaborations between investors and NGOs. Collaboration amplifies key messages, gives more weight to individual asks and increases the incentive for the company to act. It also reduces duplication and builds shared capacity between asset managers, as well as consolidating asks for companies.

Leverage shareholder rights: The next step in escalation sees Aviva Investors using their shareholder rights.

Intensified dialogue (public): The next step is sharing concerns with other investors or stakeholders through a public lens. Sharing this publicly communicates to the company the importance of issues raised and encourages the company to address these directly. This step can include public statements (including speaking to the media), press comment and writing formal public letters, or attending and asking questions and/or making statements of intent at AGMs.

Capital allocation: Depending on the investment strategy of a fund, this can take the form of underweighting an issuer compared to the benchmark, excluding from a sustainable labelled fund, or non-participation in new equity or debt offerings.

Divestment: Divestment will only be used as a last resort where other escalation levers have been exhausted. Where Aviva Investors make the decision to divest their exposure to an issuer due to unsuccessful engagement, this is likely to be where Aviva Investors see the lack of progress on the sustainability issue as a material risk to their investment. Aviva Investors will make clear the conditions for reinvestment should companies begin to meet their expectations.

External manager escalation

Each of our external managers also has their own framework for escalating engagements that fall within our expectations. As an example, Schroders' escalation toolkit is demonstrated below.

Figure 30: Schroders' methods of escalation

- Meeting or otherwise communicating with non-executive directors or chair of the board
- Expressing our concerns via company advisors or brokers
- Withholding support or voting against management and directors
- Publicly stating our concerns
- Requisitioning extraordinary general meetings
- Submitting resolutions at general meetings
- Divesting, which may mean a full or partial exit

Chapter 5

Chapter 5: Systemic risks

Aviva's principal risks, with their potential impact and key mitigating or management actions, are set out in the following pages. They are not intended to be exhaustive but have been identified as those most likely to seriously affect Aviva's strategic objectives, future performance, solvency, liquidity, or reputation over the next twelve months.

Aviva's selection of principal risks has remained stable throughout the year and are aligned with those regularly reported to the Group Executive Risk Committee and Board Risk Committee for review and discussion.

The risks are assessed by their likelihood to impact the business and have been selected on the basis of the potential significance of the impact (post-current mitigation).

The Group continues to operate in an environment of elevated macroeconomic uncertainty with global growth forecasts slowing, global trade restrictions and geopolitical tensions. Regulatory change is expected to continue throughout the coming year, and there remains an increased level of cyber attacks across the world.

The radar (right) has been updated to show our current assessment of the principal risks to our business.

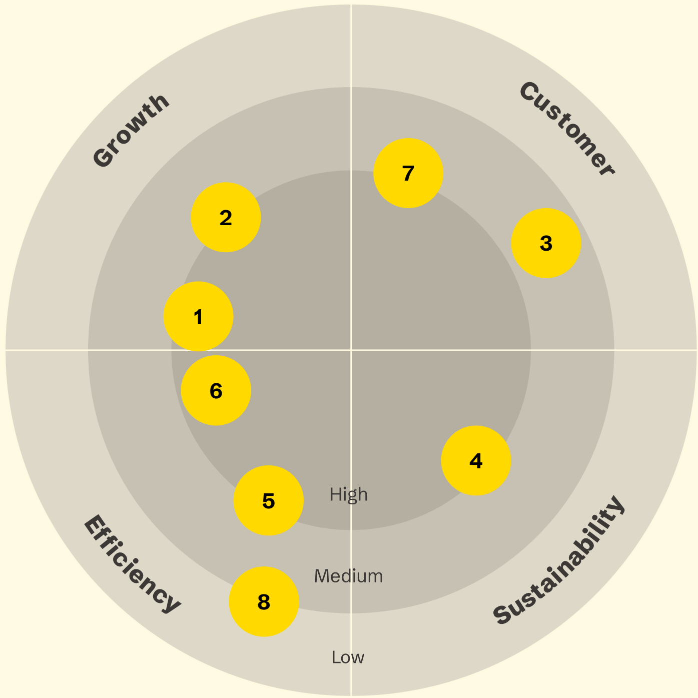
The view is dynamic and reflects the continued prioritisation of risk management activity across the business.

We regularly use stress and scenario testing (including reverse stress testing) of our principal risks to test the operational and financial resilience of our business plans and to inform our risk appetites and decision-making. We also test the availability and the impact of key management actions (e.g. expense and volume management, hedging, de-risking and debt raising), which we would use to mitigate the impact of severe financial or non-financial stresses.

Such actions would significantly improve the Group's liquidity and Solvency II Own Funds if used. The testing that we perform demonstrates that the Group maintains sufficient liquidity and surplus of Solvency II own funds over SCR to withstand a variety of severe scenarios and stresses.

Current view

Risk	
1 Geopolitical instability	5 Strategic change
2 Economic and credit	6 People risk
3 Regulatory change	7 Third parties
4 Climate change	8 IT Control environment



Foreword
Highlights
Chapters
Appendix

Strategic pillars	Growth	Customer	Efficiency	Sustainability

Risk taxonomy key

- A Market and credit risk
- B Liquidity risk
- C General insurance risk
- D Life insurance risk
- E Operational risk
- F Strategic risk

1 Geopolitical instability

Description	Key mitigation actions
Ongoing global instability could have a significant impact on financial markets and our supply chains (including claims inflation) and therefore the service we provide to our customers. There is a risk of direct contagion of the conflicts in Ukraine and the Middle East to surrounding countries. Second and third order impacts may affect global energy prices, financial markets, global trade and inflation. The uncertain global political landscape has the potential to lead to a higher volume of covert cyber security and critical infrastructure threats. Proposed measures to boost domestic production in the US risk triggering a global response of retaliatory tariffs. A potential increase in isolationist regional policies, impacting market volatility, capacity, pricing could also lead to inflationary pressures on our supply chain.	We actively monitor the economic environment through our Financial Event Response Plan, as well as the cybersecurity threat environment. We manage our direct underwriting exposure to conflict zones via our policy wordings and underwriting boundaries. A key focus is to identify how geopolitical environmental changes might impact Aviva's customers and balance sheet, allowing us to anticipate and proactively plan to prevent harmful outcomes. We perform exercises of plausible scenarios, including identification of triggers, early warning signs and developing prevention actions and contingency plans to minimise impact to our customers. We undertake stress testing and scenario analysis to understand potential impacts to our balance sheet, customers, and business suppliers. We develop contingency plans in case of major supply chain disruption, incorporating lessons learned from the 2022 outbreak of the Ukraine conflict and the Covid-19 pandemic.
Strategic pillar Customer, Efficiency	**Focus level: Increasing**
Risk Taxonomy E F	

2 Economic and credit

Description	Key mitigation actions
The year ahead is likely to be marked by significant policy uncertainty, leading to a wide range of possible outcomes for the global economy. A change in the US government is expected to bring with it a host of substantial changes across the policy spectrum: from trade to tax and spending, regulation, immigration, and foreign policy. While high inflation has eased, interest rates remain high and currency weakness may impact our customers' saving behaviour, the returns we can offer to customers, and our ability to profitably meet our promises. In the UK, the rise in employer national insurance contributions, reduction in the level at which they are paid and increases to minimum wages, risks adversely impacting our business partners' financial stability.	We limit the sensitivity of our balance sheet to investment risks. While interest rate exposures are complex, we aim to closely duration-match assets and liabilities and take additional measures to limit interest rate risk. We hold substantial capital for market risks and protect our capital with a variety of hedging strategies to reduce our sensitivity to market shocks. We regularly monitor our exposures and employ both structured and ad hoc processes to evaluate changing market conditions. We are transparent with our customers, ensuring Consumer Duty is embedded at the heart of our business.
Strategic pillar Customer, Efficiency	**Focus level: Maintaining**
Risk Taxonomy A B	

Strategic pillars	Growth	Customer	Efficiency	Sustainability

Risk taxonomy key			
	A Market and credit risk	B Liquidity risk	C General insurance risk
	D Life insurance risk	E Operational risk	F Strategic risk

3 Regulatory change

Description	Key mitigation actions
The Group is subject to extensive regulatory oversight and disclosure requirements, with multiple bodies operating across different markets and jurisdictions. Changes in government policy, legislation or regulatory expectations applying to companies in the financial services and insurance industries, in any of the markets in which the Group operates, may risk adversely affecting the range of products offered, the terms and conditions applicable to these products, distribution channels and capital requirements. This has the potential to impact financial results, dividends payable by subsidiaries and financing requirements. Insurance regulation in the UK and Ireland is currently largely based on the requirements of EU directives, though incoming Solvency UK introduces adjustments to better suit the UK's regulatory objectives post-Brexit. Ambiguity or inconsistency in regulation across different jurisdictions risks placing the Group at a competitive disadvantage to other European financial services groups.	We closely monitor local compliance and reporting against regulatory change requirements. We proactively engage with regulators across Group and markets, ensuring Aviva is compliant and well prepared for future changes. We provide clear, transparent pricing, expert underwriting and great customer service to ensure Aviva continues to provide high quality products and meet regulatory expectations in facilitating good customer outcomes.
Strategic pillar: Customer, Growth, Efficiency	Focus level: Maintaining
Risk Taxonomy: C D E	

4 Climate change

Description	Key mitigation actions
Aviva considers climate change to represent a significant risk to our customers, strategy, business model and wider society. Its effects are already being felt and we are proactively addressing these through our business plan and Sustainability Ambition. We seek to minimise our exposure to the downside from climate transition risk, which may result from the expected extensive policy, technology and market changes, while supporting solutions that will drive a transition to a low-carbon climate resilient economy. We recognise that there will be acute and chronic physical effects of climate change. We seek to limit our exposure to these risks, whilst actively supporting adaptation and building resilience. Additionally, we aim to minimise climate litigation risks, including those related to greenwashing. Climate-related risks are 'cross-cutting' rather than standalone risks within our risk taxonomy, recognising that these risks impact many other risks.	Our risk policies and business standards explicitly cover the climate-related risks and integrate them in our risk and control management activities supporting our day-to-day decisions. We take into consideration the fact that these risks do not always easily align with existing risk management processes. Aviva's climate risk appetite framework expresses the level of risk our business is willing to accept or avoid. It enables confident risk-based decision-making. We monitor our exposure using a variety of metrics and consider the rapidly evolving regulatory requirements along with changes to, and dependencies with, the macroeconomic environment. We engage with companies to encourage them to transition to a lower-carbon economy and we invest in/underwrite companies that are working towards robust and credible transition plans. We have built the possibility of extreme weather events into our general insurance pricing and reinsurance programme design and monitor actual weather losses versus expected weather losses by business.
Strategic pillar: Customer, Sustainability	Focus level: Increasing
Risk Taxonomy: A C	

Strategic pillars	Growth	Customer	Efficiency	Sustainability

Risk taxonomy key			
	A Market and credit risk	B Liquidity risk	C General insurance risk
	D Life insurance risk	E Operational risk	F Strategic risk

5 Strategic Change

Description	Key mitigation actions
The delivery of Aviva's Strategic Change activity is essential to our ambition to be market leading, and to continue delivering great customer outcomes. Numerous multi-year Transformation programmes are underway or planned across all markets. To support our growth aspirations, plans are in place and continue to be developed to increase the capability and capacity of our change delivery expertise. The scale of our change programmes requires a significant resourcing commitment. The ability to recruit, develop and retain highly skilled change delivery experts to ensure we successfully deliver the required programmes remains a risk to our strategic ambitions. Reliance on third party business partners to deliver change, in a competitive market, presents a risk to our change capacity. The integration of change programmes into business units presents a risk of disruption to business activity. Acquisitions of new businesses into the Aviva Group present integration risks and legacy business risks.	We continue to develop the Aviva Change Framework, performance metrics and underlying data quality, with second-line support, review, and challenge throughout. A key design element of our change programmes is how implementation is achieved to minimise the impact to our daily business and maximise the benefits of the change. This aims to enable our customers to enjoy the benefits of the programme without affecting the great service they receive. Our change programmes are subject to regular review and assurance. This oversight ensures that our projects are meeting projected markers and continue to add value through their implementation. We aim to develop our staff to meet the needs of the change team, aligning skills and ambitions to develop and grow both the capacity of our teams and the individual members. Post implementation, we review change programmes in detail, to ensure lessons are learnt from both the programme and process, ensuring the change process continues to evolve and refine.
Strategic pillar (Customer, Growth, Efficiency)	**Focus level: Increasing**
Risk Taxonomy E F	

6 People risk

Description	Key mitigation actions
Our people are critical to the delivery of our strategy and business plan. A failure to recruit a talented, engaged workforce risks our ability to service the needs of our customers and achieve our strategic goals. Through recruitment, development and merger and acquisition activity, Aviva have highly skilled colleagues. Not retaining our talented people risks a loss of skills and knowledge, which could have an adverse impact on our customers and on the profitability of Aviva. A diverse, inclusive workforce is at the heart of Aviva. Failure to attract staff with a diverse range of backgrounds, experiences and views would risk negatively impacting Aviva's culture. Leadership is key to the continued success of Aviva; loss of key leadership roles is a risk to the structure and underlying skills of our teams.	We have a range of development and talent programmes, graduate and apprentice schemes supported by various diversity, equity and inclusion initiatives to ensure we attract and retain the best talent. Our Aviva University and learning academies enable colleagues to develop their skills in key capabilities such as Wealth, Underwriting, Claims and Change. The Aviva Foundry is our flagship reskilling programme enabling us to build a future-ready workforce, in particular strengthening the digital and data skills we require both now and in the future. To ensure we retain our talent we have implemented innovative people policies such as flexible working and equal parental leave, as well as supporting career progression for all colleagues.
Strategic pillar (Growth, Efficiency)	**Focus level: Increasing**
Risk Taxonomy E	

Strategic pillars	Growth	Customer	Efficiency	Sustainability

Risk taxonomy key

- A Market and credit risk
- B Liquidity risk
- C General insurance risk
- D Life insurance risk
- E Operational risk
- F Strategic risk

7 Third parties

Description	Key mitigation actions
Aviva has reliance on third-parties for numerous essential services and for the successful delivery of strategic change projects. Third party control failure could pose a risk to their business performance and operational resilience, with impact to our customers' outcomes and our reputation. Aviva is reliant on third-party business partners to provide essential IT services to enable our customers to receive the great service they expect. Loss of a critical IT service is a risk to the operational capability and reputation of Aviva. Government policy changes and business environment pressures on third-parties creates risk to their business models and viability. Aviva's priority is to provide excellent service to our customers which may be impacted by failing third-party business partners.	We work closely with third-and fourth-party suppliers to ensure greater visibility and alignment of their risk management, particularly in relation to IT, cyber security, customer and employee data protection and retention. We continue to implement measures to improve and embed the Group's operational resilience including ensuring the resilience of outsourcers and third and fourth parties that support our important business services. This includes risk management, scenario testing and crisis response planning to ensure customer harm is minimised and that Aviva continues to be a trusted, financially safe business. We provide support to our business partners, sharing our skills and experience to aide them through challenging business environments to ensure our customers experience great outcomes.
Strategic pillar Customer, Growth, Efficiency **Risk Taxonomy** E F	**Focus level: Maintaining**

8 IT Control environment

Description	Key mitigation actions
New and rapidly advancing technologies such as generative Artificial Intelligence and quantum computing threaten to out-pace regulations, governance and control frameworks. Failure to understand and react to their impacts on customer behaviours, pricing, and distribution models could pose a risk to delivering on our strategy, competitive advantage and reputation. Heightened geopolitical tensions have also caused an increase in the frequency and aggressiveness of cyber-attacks on large institutions. Systems outages could affect our ability to service customers, either due to the direct effect on Aviva's systems, or on the systems of third-party business partners.	Our operational risk and control management framework provides us with the tools and techniques to reduce future losses, protect good customer outcomes, and protect against adverse reputational and regulatory impact. We carefully design, assess and regularly test our controls to ensure they are effectively mitigating the key causes and consequences of risks inherent to the business. We have specific controls in place to manage the increasingly volatile IT, cyber and data threat landscape. We invest heavily in our IT infrastructure, ensuring our business is at the forefront of technology and suitably equipped to defend against cyber-attacks. We actively monitor and respond to attacks on our IT infrastructure, continually evolving our protection mechanism to ensure the integrity of our systems. Through our internal communications system, we educate all our colleagues on the moving trends of cyber criminals. Through our mandatory training, we ensure all our staff are aware of how to identify cyber-attacks.
Strategic pillar Growth, Efficiency **Risk Taxonomy** E	**Focus level: Maintaining**

Looking forward

Key areas of focus for 2025:

People development

We will continue to enhance the skills of our colleagues across Aviva.

Offer sustainable propositions for our customers

Develop investment products and services to enhance our sustainable investment practices.

Review our policies

We will continue to review our sustainable principles and policies to ensure they continue to evolve in line with market and industry development to make sure they remain appropriate.

Engage in climate-aware investing and develop investment frameworks

Use a range of climate metrics to support decision-making and manager oversight whilst developing appropriate frameworks that support our Net Zero ambition.

Holistic stewardship

Engage across multiple levels of the system to support the transition and selective divestment where the sustainability risks fundamentally misalign with our sustainable investing approach.

Collaborations, awards and accreditations

Founders
Founding signatory of the Carbon Disclosure Project (CDP) and the first asset manager to formally integrate corporate responsibility into voting policy
Founding signatory of ClimateWise
Founding signatory to the Farm Animal Investment Risk and Return (FAIRR)
Founding partner of Oxfam 365 Alliance Coalition with call to action at Rio+20 Coalition
Founding signatory to the Powering Past Coal Alliance Finance Principles
Founder of the Sustainable Stock Exchange Initiative
Founding signatory of the UN Principles for Responsible Investment (UN PRI)
Founding signatory of the UN Principles of Sustainable Insurance (UN PSI)
Founding member of the World Benchmark Alliance (WBA)

Members
Member of Finance for Biodiversity
Member of Global Financial Alliance for Net Zero (GFANZ)
Member of Net Zero Asset Managers Initiative (NZAM)
Member of Net-Zero Asset Owner Alliance (NZAOA)
Member of Aldersgate Group
Member of Asian Corporate Governance Association (ACGA)
Member of Association of British Insurers (ABI)
Member of European Sustainable Investment Forum (Eurosif)
Member of Global Investors for Sustainable Development (GISD)
Member of Global Real Estate Sustainability Benchmark (GRESB)
Member of the Institutional Investors Group on Climate Change (IIGCC)
Member of The Investment Association
Member of Investor Action on Antimicrobial Resistance, FAIRR
Member of the Investor Forum Investor Group on Climate Change
Member of the World Business Council for Sustainable Development
Member of Flood Re Consultative Forum
Member of the Employers' Initiative on Domestic Abuse
Member of the Good Business Charter
Member of the Slave-Free Alliance
Member of IFRS Sustainability Alliance
Member of Institute of Business Ethics
Member of UK Transition Plan Taskforce (Amanda Blanc Co-Chair, member of Delivery Group)
Member of the TNFD Supporters Forum
Member of UN Environment Programme Finance Initiative (UNEP FI)

Signatories
Signatory of the CCLA Investor letter on modern slavery
Signatory of CERES FAIRR initiative on fast food supply chains
Signatory of Cerrado Manifesto (deforestation), FAIRR
Signatory to the Change the Race Ratio campaign
Signatory to Climate Change Commitment (Launched by Better Building Partnership)
Signatory to 2012 FRC Stewardship Code
Signatory to Race at Work Charter
Signatory to the Social Mobility Pledge
Signatory of Terra Carta
Signatory of the UK Social Impact Implementation Task Force signatory
Signatory of the UN Global Compact
Signatory to the UN PRI Investor Statement on Corporate Action on Deforestation
Signatory to the UN PRI Investor Statement on Palm Oil
Signatory to Women in Finance Charter
Signatory to the Prompt Payment Code
Signatory of the Climate Pledge
Signatory of Finance Sector Deforestation Action Initiative (FSDA) Commitment on Eliminating Agricultural Commodity-Driven Deforestation
Signatory of the Sustainability Principles Charter for the Bulk Annuity Process

Commitments
UN Race to Zero
Business Ambition for 1.5 degrees / Science-Based Targets initiative
The Power of Communication
RE100 (A global corporate renewable energy initiative bringing together hundreds of large and ambitious businesses committed to 100% renewable electricity.)
EV100 (A global initiative that brings together companies committed to switching their fleets to electric vehicles and installing charging infrastructure by 2030.)
Armed Forces Covenant
Plain Numbers

Awards
PWC's Building Public Trust Awards 2021 and 2022
Third Sector Business Charity Awards 2021
The Corporate Engagement Awards 2021
Global Good Awards 2021 and 2022
Third Sector Business Charity Awards 2022
The Times Top 50 Employers for Women Awards 2021, 2022
Irish Pension Awards 2021
The FS Awards
Irish Pension Awards 2022
Business and Finance ESG Awards 2022
Awarded ethical accreditation by The Good Shopping Guide

Community partnerships
Partnership with the Canadian Association of Black Insurance Professionals
Climate-focused partnership with WWF
Partnership with Citizens Advice and Money Advice Trust to increase the financial resilience of people across the UK
Sponsor of 'Dive In Festival', a global diversity and inclusion insurance festival, covering all diversity characteristics
iCAN, a multicultural insurance network driving change across the industry
INvolve, experts on inclusion
The Social Mobility Foundation
The Diversity Practice
The Valuable 500
Living Wage Employer

Accreditations
Good Shopping Guide by The Ethical Company
The Good Business Charter

Further information on some of these initiatives can be found here: www.aviva.com/sustainability/acting-as-a-sustainable-business/

Appendix

The report should be read in its entirety to obtain the fullest picture of our stewardship activities during 2024. To facilitate navigation, the table below provides links to the sections within the report that demonstrate how UK IWR complies with the 12 Principles of the UK Stewardship Code.

Stewardship Code Principles	Location in the report	Relevant pages
Principle 1: Signatories' purpose, investment beliefs, strategy and culture enable stewardship that creates long-term value for clients and beneficiaries, leading to sustainable benefits for the economy, the environment and society.	Foreword by Doug Brown | Foreword by Ashish Dafria	Page 2
	Chapter 1: Our business | Aviva IWR on a page | UK IWR | Our values and culture | Our sustainability ambition | Our strategy | Our principles and investment beliefs | Our Baseline Exclusion Policy | Our stakeholders	Chapter 1: Pages 4-15
Principle 2: Signatories' governance, resources and incentives support stewardship.	Chapter 2: Governance and organisation of stewardship | Resourcing stewardship | Incentives and training	Chapter 2: Pages 17-22
	Chapter 3: Monitoring asset managers | Monitoring and holding service providers to account	Chapter 3: Pages 41-46
Principle 3: Signatories manage conflicts of interest to put the best interests of clients and beneficiaries first.	Chapter 2: Assurance and managing conflicts | Managing conflicts	Chapter 2: Pages 23-24
Principle 4: Signatories identify and respond to market-wide and systemic risks to promote a well-functioning financial system	Chapter 5: Systemic risks | Identifying and acting on risks | Looking forward | Collaboration, awards, and accreditations	Chapter 5: Pages 72-78
Principle 5: Signatories review their policies, assure their processes and assess the effectiveness of their activities.	Foreword by Ashish Dafria	Page 2
	Chapter 2: Governance and organisation of stewardship | Assurance and managing conflicts	Chapter 2: Pages 17-24
Principle 6: Signatories take account of client and beneficiary needs and communicate the activities and outcomes of their stewardship and investment to them.	Chapter 3: How are we invested? | Who are our customers? | Communication and feedback with customers and advisers | An integrated approach to stewardship	Chapter 3: Pages 26-34
Principle 7: Signatories systematically integrate stewardship and investment, including material, environmental, social and governance issues, and climate change, to fulfil their responsibilities.	Chapter 3: An integrated approach to stewardship | Monitoring asset managers | Monitoring and holding service providers to account	Chapter 3: Pages 34-45
	Chapter 4: Engagement | Engagement case studies	Chapter 4: Pages 48-66
Principle 8: Signatories monitor and hold to account managers and/or service providers.	Chapter 3: Monitoring asset managers | Monitoring and holding service providers to account	Chapter 3: Pages 41-46
Principle 9: Signatories engage with issuers to maintain or enhance the value of assets.	Chapter 4: Engagement | Engagement case studies	Chapter 4: Pages 48-66
Principle 10: Signatories, where necessary, participate in collaborative engagement to influence issuers.	Chapter 4: Engagement | Engagement case studies	Chapter 4: Pages 50-66
	Chapter 5: Systemic risks | Collaboration, awards and accreditations	Chapter 5: Pages 72-78

Stewardship Code Principles	Location in the report	Relevant pages
Principle 11: Signatories, where necessary, escalate stewardship activities to influence issuers.	Chapter 3: Monitoring asset managers | Monitoring and holding service providers to account	Chapter 3: Pages 41-45
	Chapter 4: Engagement case studies | Exercising rights and responsibilities | Voting activity | Escalations	Chapter 4: Pages 53-69
Principle 12: Signatories actively exercise their rights and responsibilities.	Chapter 3: An integrated approach to stewardship | Monitoring asset managers | Monitoring and holding service providers to account	Chapter 3: Pages 34-45
	Chapter 4: Engagement case studies | Exercising rights and responsibilities | Voting activity	Chapter 4: Pages 53-68

Cautionary statements

Climate-related cautionary statement

Climate metrics

References to climate metrics in this cautionary statement also equally refer to projections, forecasts and other forward-looking statements in this document, unless the context indicates otherwise. The climate metrics used in this report should be treated with special caution, in particular as they are more uncertain than historical financial information, and given the wider uncertainty around the evolution and impact of climate change.

Climate metrics include:

- Estimates of historical emissions and investment in sustainable assets;
- Actual and expected weather-related losses;
- Forward-looking climate metrics, used for setting of our ambitions and targets as well as, climate scenarios, climate projections and forecasts.

Climate metrics are also used to assess climate-related risks and opportunities in funds/investment strategies.

These metrics should be considered alongside and set in the context of the notes. Our understanding of climate change effects, data, metrics and methodologies and its impact and wider sustainability impacts continue to evolve. Accordingly, both historical and forward-looking climate metrics are inherently uncertain and, therefore, could be less decision-useful than metrics based on historical financial statements. Below and in the next column we provide a non-exhaustive list of some of the challenges associated with using climate metrics in more detail.

1. Methodologies for estimating and calculating GHG emissions or emissions intensities and other climate metrics vary widely

There is a lack of standardisation and comparability with many diverging frameworks and methodologies for calculating climate metrics.

In particular:

- Some methodologies use company-specific historical emissions data while others may only provide estimations of emissions based on sectoral or geographical data or averages.
- Scope 2 emissions can be calculated using both market and location-based methods. Some issuers disclose only market-based, some only location-based, and some use both methods. This variability in disclosure practices reflects the evolving nature of climate metric methodologies and disclosures.
- Methodologies that incorporate emissions ambitions and targets may rely on different criteria for the types of ambitions and targets that can and cannot be used.
- Methodologies vary in their use of Scope 1, Scope 2 and/or Scope 3 GHG emissions. Some use only Scope 1 data, while others use Scope 1 and Scope 2 and yet others take Scope 1, Scope 2, and Scope 3 GHG emissions into account.
- Certain methodologies take cumulative historical GHG emissions into account while others incorporate point-in-time assessments of emissions intensity.

There is a risk that climate metrics may result in over or under estimations.

2. Calculating climate metrics is a complex exercise and requires making extensive judgements and assumptions

Some climate data, and in particular forward-looking climate scenarios, and related targets are based on underlying assumptions made about climate change policies, technologies and other matters that are uncertain or not yet known.

Any material change in these underlying variables may cause the assumptions, and therefore, the climate metrics, analysis, ambitions and targets which have been calculated based on those assumptions, to be incorrect.

In particular:

- Temperature scenarios generally include, and future-looking statements will be based upon, a set of assumptions that incorporate existing or planned global or regional policies, or business-as-usual sociodemographic projection, and projections for technological progress (including negative emissions and sequestration technologies) and regulatory developments, none of which may happen as contemplated.
- Some assumptions attempt to compensate for existing data gaps, such as past emissions trends or comparable and reliable company specific ambitions and targets. These assumptions may prove to be incorrect and not accurately represent the actual data.
- Modelling issues specific to financed emissions raise additional challenges, particularly around allocating emissions to the wide range of invested assets, insured emissions and financed activities.
- For example, when a financial institution holds a diversified investment portfolio across multiple sectors it is inevitable that the value chains of investees will cross over due to the closely interlinked nature of the real economy. As a result, the Scope 1 emissions of Energy providers are captured within the Scope 2 emissions of all companies that purchase this electricity.
- For the Scope 3 emissions of investments this is amplified by upstream and downstream value chains of investees crossing many times over, leading to significant double counting if absolute Scope 3 emissions are aggregated at the portfolio level.

There is a risk that the judgement exercised, or the estimates or assumptions used, may subsequently turn out to be incorrect.

3. There are challenges with obtaining complete, standardised, accurate, verifiable, reliable, consistent and comparable climate-related data

Climate-related risks and opportunities and their potential impacts and related metrics depend on access to complete, standardised, accurate, verifiable, reliable, consistent and comparable climate-related data. The insurance industry, like other sectors, is grappling with data availability and quality.

In particular:

- Climate-related data may not be generally available from counterparties or customers or, if available, it is generally variable in terms of quality and, therefore, may not be complete, standardised, accurate, verifiable, reliable, consistent or comparable.

- Companies may rely on aggregated information based on high-level sector data developed by third parties that may be prepared in an inconsistent way using different methodologies, interpretations, assumptions or reporting periods.
- Data is less readily available for some invested asset types and there may also be data gaps, particularly for private companies, that are filled using "proxy" or other data, such as sectoral average, again developed in different ways.
- There is no single, global, cross-sector data provider that adequately and consistently covers the necessary scope for data to analyse emissions and assess physical and transition risks across operations and investment portfolios.
- While some regulators and standard-setters mandate additional disclosure of verified climate-related data by companies, such standards are still developing, and not as widely standardised across sectors and markets as those for financial reporting, and there are potential gaps between needed and available data.

The availability of climate, industrial classification, energy use and efficiency data, including information used as a proxy for that data (e.g. EPC rating) depends on a variety of public, private and civic sector sources. Historically, climate data was largely environmental and weather data was produced by government agencies, however, the challenge is finding the relevant sources, if they exist, and then validating, cleaning and standardising the data in an accessible form or format.

Further development of reporting standards, scientific understanding of climate change and global and regional laws could materially impact the metrics, ambitions and targets contained within this report and may mean that subsequent reports do not allow a reader to compare metrics, ambitions and targets on a like for like basis. Certain disclosures are likely to be amended, updated, recalculated and re-presented in future reports.

There are many uncertainties, assumptions, judgements, opinions, estimates, forecasts and non-historic data surrounding the climate metrics, data, models and scenarios used to create the 2024 climate-related financial disclosures report; and the measurement technologies, analytical methodologies and services that support them remain in an early stage of development.

Accordingly, the quality and interoperability of these models, technologies and methodologies are also at a relatively early stage of development.

Significant data gaps in sectors, sub-sectors and across invested asset classes are impeding not only climate risk management, but also the development of mitigation actions and adoption of strategies, as well as aspects of operations, credit and market risk and investment analysis that depend on data-informed processes.

In summary, the information in this report is subject to significant uncertainties and risks which may result in the Group being unable to achieve the current plans, expectations, estimates, ambitions, targets or projections.

Some of the information in this report has been or may have been obtained from public and other sources, including from third parties, and Aviva has not independently verified it. Aviva makes no representation or warranty regarding its completeness, accuracy, fitness for a particular purpose or non-infringement of such information, nor is revision of such information in Aviva's control.

Other forward-looking statements

This report should be read in conjunction with the other documents distributed by Aviva through The Regulatory News Service (RNS). This report contains, and we may make, other verbal or written 'forward-looking statements' with respect to certain of Aviva's plans and current ambitions and expectations relating to its future financial condition, performance, results, strategic initiatives and objectives and other future events and circumstances.

Forward-looking statements include, without limitation, projections, estimates, commitments, plans, approaches, ambitions and targets (including, without limitation, sustainability commitments, ambitions, goals and targets). Statements including those containing the words 'believes', 'intends', 'expects', 'projects', 'plans', 'will', 'seeks', 'aims', 'may', 'might', 'could', 'should', 'outlook', 'objective', 'predict', 'likely', 'target', 'goal', 'guidance', 'trends', 'future', 'estimates', 'potential', 'possible', 'ambition' and 'anticipates', and words of similar meaning, are forward-looking.

By their nature, all forward-looking statements are subject to known and unknown risks and uncertainty. Accordingly, there are or will be important factors that could cause actual results - and Aviva's related plans, expectations and targets - to differ materially from those indicated in these statements. Climate-related forward-looking statements, in particular, can be subject to increased uncertainty due to the challenges in assessing climate-related risks and vulnerabilities, compared to more conventional financial risk assessments.

Factors that could cause actual results to differ materially from those described in these statements include:

- Regulatory measures addressing climate change and broader sustainability-related issues; and
- The development of standards and interpretations, including evolving requirements and practices in climate or sustainability reporting; and the ability of the Group, together with governments and other stakeholders to measure, manage, and mitigate the impacts of climate change and broader sustainability-related issues effectively.

A detailed description of other relevant factors is contained within Aviva's most recent annual report available on its website at www.aviva.com/investors/results-presentations-reports/

Due to such uncertainties and risks, readers are cautioned not to place undue reliance on such forward-looking statements; such statements should be regarded as indicative and illustrative only. Forward-looking statements in this report are current only as of the date on which such statements are made. Notwithstanding any statements of intent or expectation in this report, Aviva does not undertake to update our forward-looking statements except as required by applicable law and does not provide any representation, assurance or guarantee that the occurrence of the events expressed or implied in any forward-looking statements will actually occur.

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Use of Carbon Trust Data

The Carbon Trust Group (CT) supported the calculation of financed emissions metrics for infrastructure debt and commercial real estate mortgages and presented the final data in Aviva's proprietary data model developed prior to the CT's engagement. The calculation of financed emissions is based on Partnership of Carbon Accounting Financial (PCAF) methodologies and dependent on the data available. Carbon Trust has not considered the interest of any other party when supporting with the calculation of the financed emissions. To the fullest extent permitted by law, Carbon Trust accepts no responsibility and denies any liability to any other party for its work in supporting the calculation of financed emissions.

As the calculations are based on information made available by Aviva and other third parties, Carbon Trust does not warrant that the information presented in the calculations is complete, accurate or up to date.

Carbon Trust is not an auditor and cannot in every instance independently verify or validate the information it receives. Any person who obtains access to Aviva's calculations of financed emissions and chooses to rely on them will do so at their own risk.

Furthermore, the calculations of financed emissions shall in no event be interpreted and construed as an assessment of the economic performance and creditworthiness of Aviva or any of its products or investments.

Use of Deepki Data

Deepki supported the calculations of financed emissions for direct real estate through provision of reported real estate emissions from physical meter readings and invoicing. Where reported data is not available, estimates for direct real estate are provided and are calculated using regionally specific energy intensity factors based on consumption data from across Deepki's wider database of buildings, which use floor area and property type.

Deepki is an ESG data platform covered by an ISAE 3000 type II attestation. Carbon emissions data included within the Deepki platform are assured through ISO 14064 which assures the relevance, completeness, consistency, accuracy and transparency of carbon data calculated and displayed within the platform. However, to the fullest extent permitted by law, Deepki accepts no responsibility for the content, information, data posted online and/or disseminated or published through the platform which enables Aviva to collect ESG data to monitor Aviva Investor's portfolio. As Deepki have not reviewed or moderated, selected, verified or checked the content, information or data in any way and is acting only as a hosting provider, any person relying on financed emissions metrics for direct real estate does so at their own risk.

The asset and associated ESG data for Aviva Investor's managed assets is reported "as is". Deepki makes no warranty as to the accuracy, integrity, completeness, absence of defects, non-infringement of intellectual property rights and/or suitability of the direct real ESG data for any purpose whatsoever.

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