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AVIVA INVESTORS

Private Markets | Sustainable Investment

Social Loan Framework

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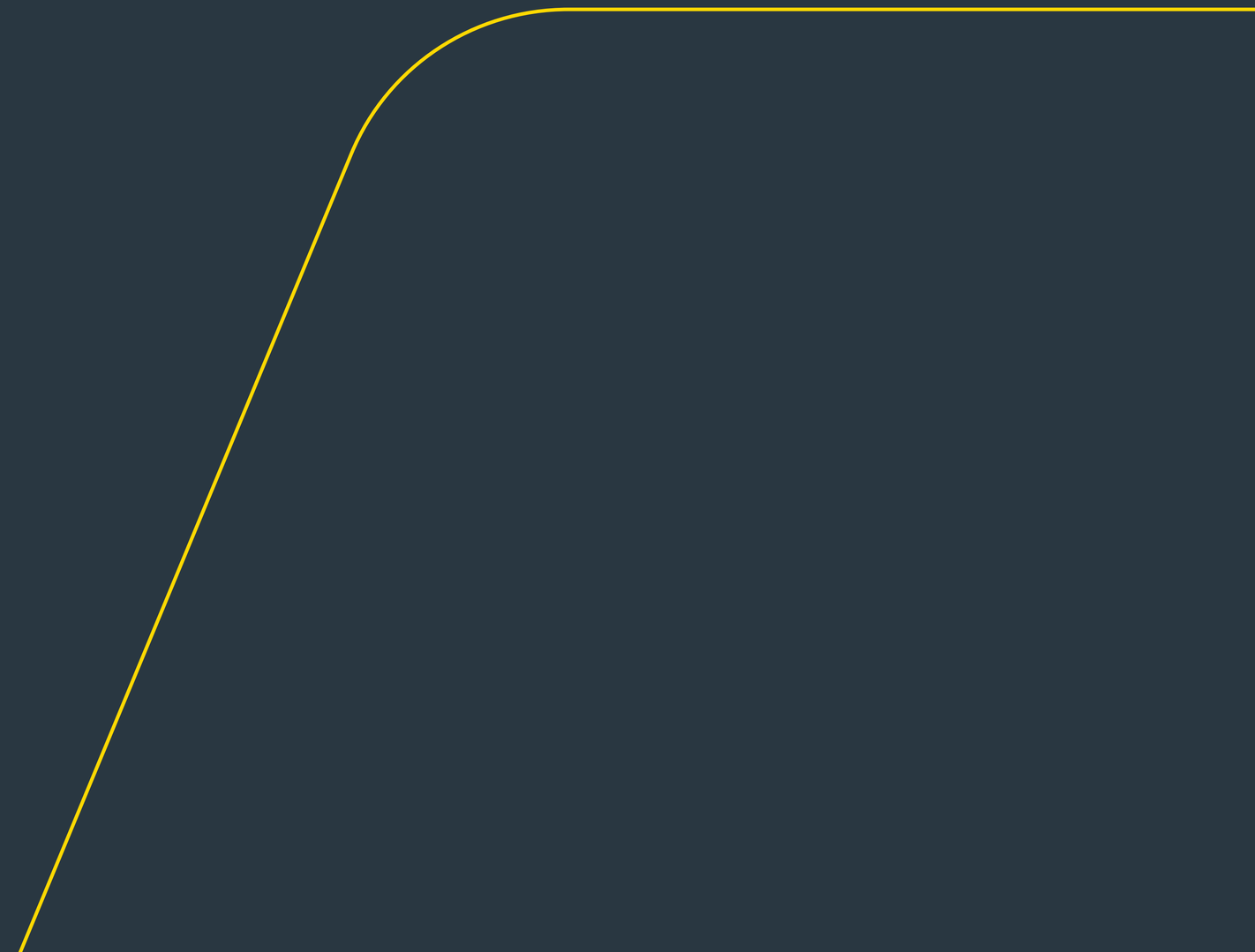


Introduction to the framework

The Aviva Investors Social Loan Framework ("the Framework") has been developed to demonstrate how Aviva Investors will provide financing to fund projects which aim to deliver social benefits.

Social Loans are defined by the Loan Market Association ("LMA") as any type of loan instrument and/or contingent facilities (such as bonding lines, guarantee lines, or letters of credit) made available exclusively to finance/re-finance, in whole or in part, new and or/existing Eligible Social Projects. A Social Loan is a useful instrument for borrowers to de-risk and improve the resilience of an asset through raising finance for specific capex which directly improves an asset's social credentials. From a lender's perspective, this creates an opportunity to support social projects and the positive transformation of assets whilst also maintaining transparency through the appropriate disclosure and reporting against environmental, social, and governance ("ESG") criteria throughout the loan term.

The Framework has been designed to be aligned with the LMA Social Loan Principles ("LMA SLP")[1], and the International Capital Markets Association Social Bond Principles ("ICMA SBP")[2] – an internationally recognised voluntary set of standards aiming to promote transparency in the sustainable finance market. Aviva Investors aims to review the Framework periodically, in alignment with updates to relevant market standards and best practices.

It is important to note that certain social projects may also have environmental co-benefits and be eligible as a Green Loan – in which case classification should be determined by the issuer based on the primary objectives of the underlying financing. Moreover, although Sustainability Linked Loans and Social Loans can co-exist within the same facility, a key difference persists – in the case of Social Loans, all core components as outlined below must be met, while the controlled use of proceeds is not essential to categorise a Sustainability Linked Loan. Instead, borrowers are incentivised to improve their sustainability profile through aligning the loan terms to borrower's performance against key performance indicators ("KPIs"), often in the form of margin ratchets.

1. Social Loan Principles, Loan Market Association, March 2025
2. Social Bond Principles, International Capital Markets Association, June 2025

A Social Loan is a useful instrument for borrowers to de-risk and improve the resilience of an asset through raising finance for specific capex which directly improves an asset's social credentials

Guidelines

Under the Framework, Social Loans must align with the four core components of the LMA SLP and ICMA SBP. Both internationally recognised frameworks comprise of voluntary recommended guidelines to be applied on a deal-by-deal basis and seek to promote transparency, disclosure and reporting in the social financing market.

Pillar 1	Pillar 2	Pillar 3	Pillar 4
Use of Proceeds	**Process for Project Evaluation and Selection**	**Management of Proceeds**	**Reporting**
Funds can only be used for eligible projects which provide clear social benefits.	Borrowers must communicate and disclose the process to determine the eligibility of the project.	Proceeds of Social Loan must be tracked to ensure transparency and to maintain the integrity of the project.	Records and allocations of proceeds should be kept and made available to the institutions participating in the loan.

Pillar 1

Use of Proceeds

The fundamental pillar of the Social Loan Framework is the exclusive use of loan proceeds for Eligible Social Projects. All funds raised through a Social Loan will be allocated solely to projects that deliver clear and measurable social benefits and must be documented in finance documents and related marketing material where applicable. If the loan is used for refinancing, the borrower should disclose the proportion of financing versus refinancing and clarify the look-back period for refinanced projects. A Social Loan can be structured as one or more tranches within a loan facility and may be provided in the form of a term loan, a revolving credit facility, or other contingent facilities.

Eligible Social Projects aim to address or mitigate specific social issues or generate positive social outcomes for, but not limited to, target populations. This can include those who are:

- Individuals living below the poverty line[3];
- Excluded and/or marginalised populations and communities;
- People with disabilities;
- Migrants and/or displaced persons;
- The undereducated (including those with illiteracy or digital illiteracy);
- Underserved individuals owing to a lack of quality access to essential goods and services;
- The unemployed;
- Women and/or sexual and gender minorities;
- Ageing populations and/or vulnerable youths; and
- Other vulnerable groups, including those affected by natural disasters, climate change, or climate transition projects that exacerbate socioeconomic inequity.

The LMA explicitly recognises the following broad indicative categories under Eligible Social Projects. This can include assets, investments, and other related and supporting capital and/or operating expenditures relate to one or more social objects, including but not limited to the following:

LMA Categories	Example Sectors
Affordable basic infrastructure	• Clean drinking water • Sewers • Sanitation • Transport • Renewable Energy
Access to essential services	• Healthcare • Education and vocational training • SME and microfinancing • Fibre and internet infrastructure, technology, or services
Affordable, social or supported housing	• Affordable or social housing
Employment and labour market	• Programmes, infrastructure, or services designed to prevent and/or alleviate unemployment
Food security and sustainable food systems	• Physical, social, and economic access to safe, nutritious, and sufficient food • Resilient agricultural practices • Reduction in food loss or waste • Improved productivity of small-scale producers
Socioeconomic advancement and empowerment	• Equitable access to and control over assets, services, resources, and opportunities; equitable participation and integration into the market and society, including a just transition and reduction of income inequality

3. In accordance with local/regional definitions

Pillar 2

Process for Project Evaluation and Selection

The borrower shall clearly communicate to its lenders the social sustainability objectives of the Social Projects, the process by which the borrower determines how the projects to be funded fit within the Eligible Social Project categories, and complementary information on the processes by which the borrower identifies and manages perceived, actual, or potential environmental and social risks associated with the relevant projects.

Where relevant, borrowers are encouraged to provide information on alignment with official or market-based taxonomies, eligibility criteria, and any exclusion criteria. The borrower should also have processes in place to identify and mitigate material risks of negative social or environmental impacts. This ensures that all projects funded under the Social Loan are selected with integrity and transparency, and that their social objectives are robustly justified.

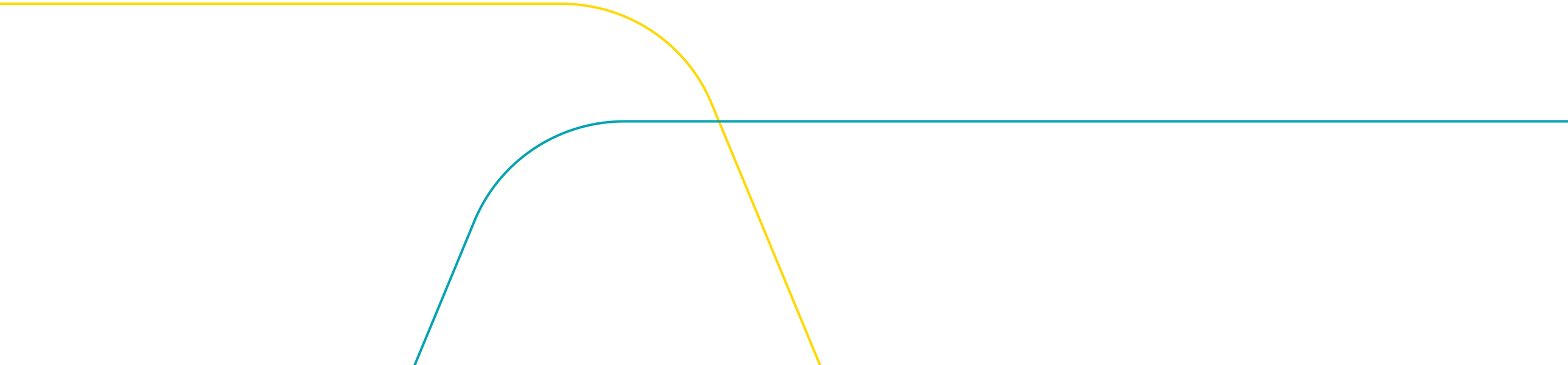
Pillar 3

Management of Proceeds

To maintain transparency and promote the integrity of the Social Loan, the net proceeds must be credited to a dedicated account or otherwise tracked in an appropriate manner. The borrower is encouraged to track the management of proceeds through a formal internal process linked to the financing of Social Projects, including:

- **Tracking:** Proceeds are tracked using internal systems to ensure they are allocated to eligible projects.
- **Allocation:** Funds are allocated to projects as they are identified and approved.
- **Temporary Holding:** Unallocated proceeds are held in cash or cash equivalents until they can be allocated to eligible projects. If there are any intended temporary placement of unallocated proceeds, the borrower should inform lenders of the intended duration and rationale.

For facilities with multiple tranches, each social tranche shall be clearly labelled and tracked separately. A facility cannot be labelled as social if it includes a social and non-social tranche. Proceeds may be managed on a loan-by-loan or aggregated (portfolio) basis.



Pillar 4

Reporting

The borrower will provide up-to-date information on the use of proceeds, updated at least annually until full allocation (or until maturity for revolving facilities), and promptly in the event of material developments. Annual reports will include:

- **List of Social Projects:** A comprehensive list of the Social Projects to which the Social Loan proceeds have been allocated.
- **Project Descriptions:** Brief descriptions of the projects, including their objectives and expected social benefits.
- **Allocated Amounts:** Details on the amounts allocated to each project.
- **Impact Metrics:** Information on the expected and, where possible, achieved social impacts of the projects.

In cases where confidentiality agreements, competitive considerations, or a large number of underlying projects limit the level of detail that can be disclosed, the information can be presented in generic terms or on an aggregated portfolio basis (e.g., percentage allocated to certain project categories). Reporting is only required to be provided to all participating institutions, although borrowers are encouraged to make this information public where feasible.

Transparency is crucial in communicating the expected and/or achieved impacts of the projects. It is recommended that the reporting include qualitative performance indicators and, where feasible, quantitative performance measures. The key methodologies and assumptions used in determining these quantitative measures should also be disclosed. Borrowers with the ability to monitor achieved impacts are encouraged to include those in regular reports.

External Verification

An external second party opinion may be appointed to assess alignment with the Framework, especially if the borrower lacks sufficient internal expertise. Self-certification is also acceptable if the borrower can demonstrate internal expertise and robust processes. Documentation of internal or external review processes shall be shared with all participating financial institutions and made public where appropriate.

Key Risks

Declassification Risk: If the Social Loan Principles are breached (i.e. the use of proceeds is not exclusively used for Eligible Social Projects or cannot be evidenced) then the loan will be declassified. Should this occur, neither the Borrower nor Lender can refer to/market the financing as a Social Loan. Borrowers will be given an agreed-upon remediation period before the declassification is applied.

Investment & currency risk: The value of an investment and any income from it can go down as well as up and can fluctuate in response to changes in currency exchange rates. Investors may not get back the original amount invested.

Real estate/infrastructure risk: Where investments are made in real estate/ infrastructure, investors may not be able to switch or cash in an investment when they want because real estate/infrastructure may not always be readily saleable. If this is the case we may defer a request to switch or cash in shares or units. Investors should also bear in mind that the valuation of real estate is generally a matter of valuers' opinion rather than fact.

Important Information

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Contact us

80 Fenchurch Street
London EC3M 4AE
+44 (0)20 7809 6000
avivainvestors.com

AVIVA INVESTORS