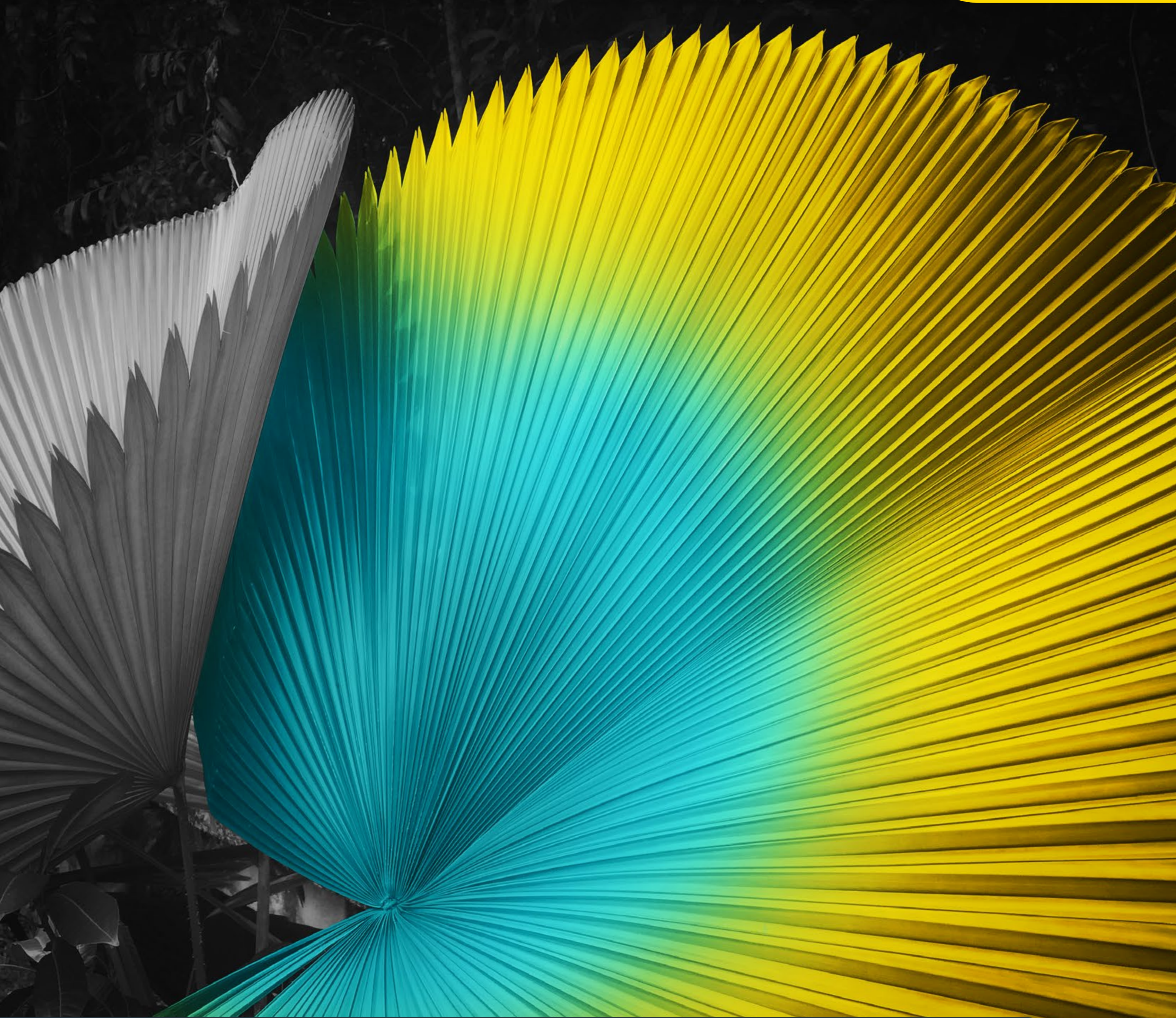
AVIVA INVESTORS



Our sustainability approach

Our sustainability approach

We recognise that the future economy is likely to look fundamentally different to the present. Meeting the sustainability targets adopted at major global summits, for example, at COP21 in Paris[1], requires a global economic transition.[2] The pathways for doing so are not straightforward and they present significant risks and trade-offs,[3] but also opportunities for those equipped to capitalise on them.

We see there is no 'one-size-fits-all' approach to sustainability when it comes to investing, and therefore we aim to work in partnership with our clients to understand their specific sustainability needs and identify the right solutions to meet their goals.

We believe that, in seeking to deliver long-term risk-adjusted returns for our clients, we must engage with participants in different areas of the financial system to support the transition to a sustainable economy – what we call 'holistic stewardship'.

[1] Other examples include the Kunming-Montreal Agreements as well as the UN Sustainable Development Goals.

[2] Including but not limited to ensuring the economic system enables decarbonisation, protects and restores nature, and operates on a more 'just' and inclusive basis.

[3] Sustainable investing trade-offs – Aviva Investors

Our sustainable investing approach consists of three pillars:

1. Actions to unlock value
2. Solutions that start with you
3. Experience and integrity

It is across these three pillars that we seek to understand our clients' sustainability preferences and deliver the right solutions for them.

1 Actions to unlock value

We maintain a fundamental conviction that ESG factors can have a material impact on investment returns and client outcomes.

We believe that acting on this conviction is consistent with our duties to act in the best interests of clients as well as the integrity of the market. We aim to integrate financially material ESG insights into our investment process. This allows us to better manage risk, identify investment opportunities and support the delivery of long-term risk-adjusted returns. We also believe that applying a double materiality lens[4] to this analysis can enrich the investment picture. This approach is underpinned by support from our firm's executives and is reflected in our investment in well-resourced sustainability teams that are structurally embedded into investment processes. In Public Markets, our ESG analysts work together in investment forums with traditional analysts and portfolio managers to feed ESG insights into investment analysis and decision making, where relevant and appropriate.[5] In Private Markets, our sustainability team works closely with originators and investment managers, to integrate relevant and suitable ESG considerations into the acquisition and ongoing management of our clients' assets. These structures maximise connectivity between sustainability and investment experts, building on quantitative inputs from in-house and third-party data, to help capitalise on the breadth and depth of our analysts' sustainability expertise.[6]

We recognise the potential to maximise the long-term value of our clients' investments through engagement with various actors within the financial system - what we call 'holistic stewardship'.

There are many instances where we engage directly with our stakeholders in Private Markets - our occupiers, borrowers, suppliers and portfolio companies - with the aim of supporting their businesses to grow sustainably. Similarly in Public Markets, there are many scenarios where we engage in constructive dialogue with our investee companies, including on Environmental, Social and Governance (ESG) issues, to encourage best practice; and we take a strategic approach to voting.[7] Nevertheless, we recognise there are limitations to how far or how fast companies can change, without addressing the broader structural challenges that surround them. To address these system-wide challenges, we take a holistic approach, working with a range of participants across the financial ecosystem.

Our firm-level multi-year engagement programme on the transition strategies of global airlines, has brought together companies from across the aviation value chain to discuss key opportunities and challenges impeding decarbonisation.

For example, we convene sector roundtables to consider the dynamics in both the supply and demand sides of an industry.[8] We engage with sovereign issuers on key stewardship priorities. We also have macro-stewardship programmes to engage with policymakers, regulators and international institutions[9] to seek the correction of market failures and in turn mitigate systemic risks.[10] Engaging with each of these is intended to mutually reinforce and to help address impediments to a system-wide sustainable transition.

We believe in client choice and in the provision of varied strategies to suit different investors' needs.

To this end, we have a range of different investment strategies, from ESG integration to strategies with additional sustainability characteristics, to those with explicit sustainability objectives.

Our engagement programmes, thematic research and sustainable product suite are built around three thematic sustainability pillars - Climate, People and Earth.

These pillars represent what we see as three major global sustainability challenges that underpin the UN Sustainable Development Goals,[11] namely social justice, biodiversity loss and climate change. They also provide a framework against which we believe investors can align their investments to sustainable outcomes.[12]

We believe it is typically more effective to use our influence through engagement to drive change rather than divest.

However, there are specific sectors and economic activities where we consider the sustainability risks to the climate, people and planet are so severe, that providing equity and debt funding to companies engaged in those sectors or activities is fundamentally misaligned with our approach to sustainability. We therefore have a Baseline Exclusion Policy to actively exclude such companies from our investment universe where we have the discretion to do so.[13]

[4] Double materiality refers to not only the impact of the environment, society and governance on investments but also the impact of investments on environment and society.

[5] Note that acting on ESG insights is not binding on the decision making of the portfolio managers, beyond any binding criteria in the prospectus or IMA.

[6] ESG analysts have specialisms across themes, sectors and asset classes.

[7] 2024 Global Voting Policy

[8] Value-chain engagement for decarbonisation - Aviva Investors

[9] Examples include World Bank, IMF and UNFCCC.

[10] Unlike market inefficiencies - which provide opportunities for above-market returns - market failures erode the way markets function over time. Market failures threaten the existence of the market itself and therefore the ability to generate long-term risk-adjusted returns for investors.

[11] The 17 Goals of the UN SDGs

[12] Given the UN SDGs were originally designed for use by state entities.

[13] Baseline Exclusions Policy - Summary

2 Solutions that start with you

We understand that investors' sustainability preferences will differ significantly dependent upon sustainability commitments, regulatory backdrop, and other stakeholder expectations.

We believe it is our responsibility to bring clarity to what a specific investment strategy does and doesn't do from a sustainability perspective. This includes working together with investors and other key stakeholders, like financial advisers, to articulate the implications of having an explicit sustainability objective and to understand possible trade-offs, helping investors identify suitable strategies for their needs.

Where a client has a specific sustainability objective or is seeking to address a specific sustainability challenge, we work in partnership with them to understand their needs and develop the right solutions to meet their goals.

This includes exploring the implications of any sustainability commitments they may have as well as analysing the various approaches that can support their delivery. Whether they have net-zero targets and carbon removal needs, biodiversity commitments or other forms of sustainability ambition, we can explore different ways to optimise their portfolio against a range of sustainability metrics to bring about different portfolio-level and real-world outcomes. We will also look at bespoke exclusions and different forms of financing, as well as the sustainability characteristics of different asset classes, among other considerations.

In one of our portfolios, our acquisition of Glen Dye Moor in Scotland aims to capture over 1.4 million tonnes of carbon and is an example of our commitment to innovative nature-based solutions and technologies.

Partnering which extends beyond portfolio-level outcomes.

A fundamental part of working in partnership is understanding our clients' sustainability priorities to take targeted action on real-world outcomes as part of our holistic stewardship approach. This might include taking action on real-world decarbonisation or nature restoration goals.

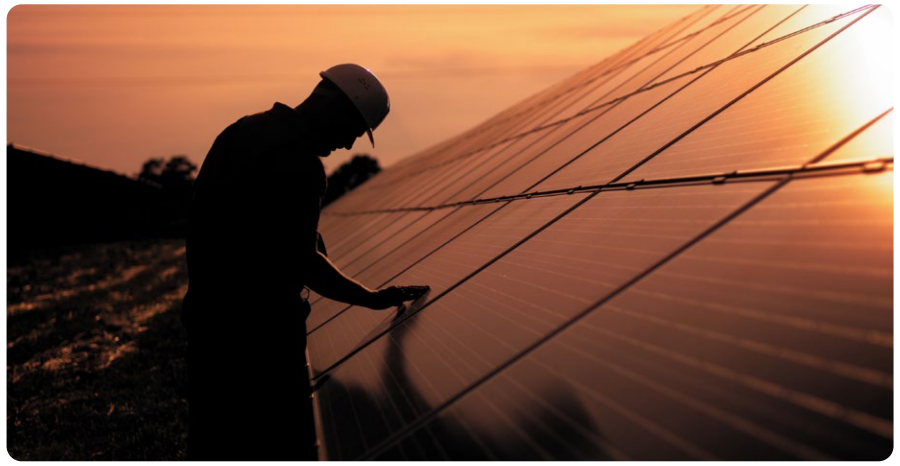
It is through understanding our clients' priorities and continuous ideas exchange with stakeholders across the financial system that we can take a deliberate and meaningful approach to how we allocate capital and steward investments.

3 Experience and integrity

We seek to take the learnings we have been gathering over the past three decades and apply them to today's sustainability challenges.[14]

Whether that relates to having been a first mover on solar energy in the UK or having played an active role at COP15 to help shape the Global Biodiversity Framework, our years of experience can help us see through sustainability fads to deliver meaningfully on our clients' sustainability goals.

Furthermore, being part of a parent company that has existed for over three hundred years, we recognise the importance of continuous learning and adapting to change. Of course we don't have all the answers today, but we will not sit still either. We are committed to acting in partnership with clients and other actors across the financial system to take deliberate and meaningful action to support the delivery of long-term risk-adjusted returns for investors aligned to their sustainability preferences.



[14] See p10 for key milestones on our sustainability journey for an illustration of our journey to date.

Key milestones on our sustainability journey

2001
Our corporate governance voting policy requires companies to disclose their policy on social and environmental issues.[15]

2006
Founding signatory to the United Nations Principles for Responsible Investment.

2012
Acquired an investment in a residential solar project, the largest in the UK at the time, totalling 23 megawatts of capacity.[16]

Led creation of the Corporate Sustainability Reporting Coalition, which would play a critical role in the adoption of UN SDG 12.6.[17]

2014
Aviva Investors became a founding member of the Corporate Human Rights Benchmark (CHRB), the first of its kind free-to-access public benchmark, which ranks global companies on their human rights policies and practices.[18]

2015
Aviva Investors were at the launch of the UN Sustainable Development Goals at UNGA in NYC.

Joined the Financial Stability Board's (FSB) Task Force on Climate-Related Financial Disclosures (TCFD).[19]

2016
Aviva Investors were invited onto the European Commission's High-Level Expert Group on Sustainable Finance.[20]

2018
In September 2018, on the eve of the General Debate of the 73rd session of the UN General Assembly in New York, the World Benchmarking Alliance (WBA) was launched, which Aviva worked with the UN Foundation, BSDC, and the Index Initiative to create.[21]

2021
Announced a commitment to a major peatland restoration, woodland creation and best-in-class carbon capture project in Scotland following our acquisition of Glen Dye Moor, with the aim of capturing over 1.4m tonnes of carbon – the largest natural capital acquisition in the UK at the time.[22]

2022
At COP15, Aviva co-chaired the Finance for Biodiversity's Public Policy Advocacy Group representing finance at the negotiations.[23]

2023
Aviva Investors helped to establish a pilot collaborative sovereign engagement initiative on climate, focused on Australia, and co-ordinated by the UN-backed Principles for Responsible Investment.[24]

15 "SEE" or "Social, Environmental and Ethical" issues are referenced in our 2001 Corporate Governance Policy.
16 Aviva Investors - Investment in residential solar portfolios - Aviva plc
17 Coalition representing US$2 trillion of investor assets calls on Ministers at Rio+20 Earth Summit to mandate corporate sustainability reporting - Aviva plc
18 CHRB_report_06_singles.pdf (business-humanrights.org)
19 Bloomberg press release
20 High-Level Expert Group on sustainable finance (HLEG) - European Commission (europa.eu)
21 How it started, World Benchmarking Association
22 Land Commission webpage
23 Aviva press release
24 PRI Australia Pilot Progress Report

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The overarching approach described here on how we incorporate sustainability considerations into investing, including ESG integration and stewardship activity, is a summary of our firm-wide capabilities and overall approach and beliefs. How and the extent to which this applies to different products will vary. For some products, this approach may have a less material impact, for example, in our passive strategies.

Other products may take a more targeted or binding approach to the incorporation of sustainability, for example, in the case of our Sustainability-themed product suite. Certain aspects of this overall approach may not have an impact on every product's investment approach, for example, certain stewardship activity may not have a direct link to the investments in every product.

Individual product documents will describe the elements of our approach that materially impact that product.

The extent to which the consideration of ESG insights and sustainability themes influences investment decisions can vary per decision and thus in overall portfolio construction

Therefore, these considerations may not result in a specific action being taken in all cases. The exception to this would be where a product has an explicit sustainability goal meaning it is targeting a specific sustainability outcome. Double materiality considerations may also not always necessitate specific action being taken for most of our assets under management.

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