Sustainability-related disclosures

Aviva Investors – Climate Transition Global Equity Fund (the "Sub-Fund")

For financial products that promote environmental or social characteristics, financial market participants shall publish the information referred to in Article 10(1) of Regulation (EU) EN 32 EN 2019/2088 and Articles 25 to 36 of Commission Delegated Regulation (EU) 2022/1288 of 6 April 2022.

(a) 'Summary'

'No sustainable investment objective

This financial product promotes environmental or social characteristics, but does not have as its objective sustainable investment.

'Environmental or social characteristics of the financial product

The Sub-Fund promotes environmental characteristics, aiming to support the transition towards a net zero economy that is also more resilient to higher temperatures. The below criteria are binding elements on the investment process to ensure underlying investments are inclusive of securities promoting environmental or social characteristics.

1. The Investment Manager's ESG Baseline Exclusions Policy
2. Climate Engagement Escalation Programme
3. Corporate Good Governance Qualitative Assessment

In addition to the above, the Sub-Fund, as part of the Sustainable Transition fund range, is subject to the following sustainable outcomes approach:

4. The Investment Manager's Sustainable Transition equity exclusion policy
5. Eligibility criteria
6. Sub-Fund-specific engagement programme

'Investment strategy'

The Climate Transition Global Equity Fund (the "Sub-Fund") is part of our Sustainable Transition equity range which aims to support three key sustainable outcomes – relating to People, Climate and Earth (or Natural Capital) – closely aligned to the UN Sustainable Development Goals ("SDGs"). Each fund in the range follows a common investment philosophy to avoid significant harm, invest in solutions and back transition aligned to its particular theme.

We believe the risks and opportunities associated with climate change and the necessary measures to transform the economy into one that is aligned to net zero and more resilient to higher temperatures are currently mispriced. As such, companies able to better manage their impact on climate change present opportunities to benefit from potential increases in value over the long term.

Recognising the UN Sustainable Development Goals ("SDGs") are interlinked – meaning that targeting specific goals could likely have a positive outcome on other SDGs - the fund is primarily targeting SDG 7: Affordable and Clean Energy; and SDG 13: Climate Action.

'Proportion of investments'

The Sub-Fund invests at least 90% of total net assets (excluding ancillary liquid assets, eligible deposits, money market instruments and money market funds) in equities and equity-related securities of companies from anywhere in the world (including emerging markets) which meet the Investment Manager's eligibility criteria (the "Core Investment") as described in section C.

''Monitoring of environmental or social characteristics

Capital allocation

Our stock selection and screening process ensures that companies are only eligible for inclusion within the portfolio if they promote environmental characteristics. Sub-Fund holdings are monitored and reviewed on an ongoing basis to assess their environmental characteristics and will be subject to a formal review on an annual basis. Exclusion lists are also updated and screened against the portfolio on a periodic basis and this is monitored by our formal risk oversight and governance processes. Sub-Fund holdings are also flagged for review in the case of any ad hoc events.

Active ownership

Each portfolio company has a bespoke, timebound engagement plan focusing on science-based targets ("SBTs") and CDP disclosures.

'Methodologies'

We will measure and report a suite of metrics across the following three areas.

1. Capital allocation

We will measure and report on various indicators aligned to our philosophy to avoid significant harm, invest in solutions and back transition. Our annual sustainability report will include where possible: solutions revenue, relevant PAI indicators and other indicators (such as SBTs and CDP scores).

2. Active ownership

Each portfolio company has a bespoke, timebound engagement plan focusing on SBTs and CDP disclosures.

3. Market reform

Aviva Investors' Sustainable Finance Centre for Excellence ("SFC4Ex") works in partnership with clients, policymakers and regulators, sharing knowledge and collaborating to build a sustainable future.

'Data sources and processing'

We source varied data points from a number of third-party providers to inform our investment thesis. Our primary data usage involves revenue screening to assess the percentage of an issuer's revenues derived from business activities that align with the Sub-Fund's objective, or that conflict with ESG principles, as well as mandatory and selected voluntary principle adverse indicators. We also assess issuers for operational alignment with the Sub-Fund's objective and undertake qualitative overlays.

'Limitations to methodologies and data'

We use data from different sources and continuously seek to improve its quality, consistency and sourcing. Our aim is to ensure we have broad and deep information to ensure robust consideration of sustainability factors. Any unavoidable gaps in data are mitigated by qualitative assessments of ESG factors. As such, the data limitations do not affect how the environmental characteristics promoted by the financial product are met.

'Due diligence'

Prior to investment, each company in the portfolio will undergo financial and sustainable due diligence to ensure it is appropriate to the sub-fund meeting its objectives. Following a formal research note from an analyst, which includes broad ESG risk consideration, the company will undergo a rigorous assessment by sustainable specialists.

'Engagement policies'

The sub-fund has a bespoke engagement programme (the Climate Transition Engagement Programme) linked to the sub-fund's objective. All companies in the portfolio are asked to develop and formally validate SBTs in line with the Science Based Targets Initiative ("SBTi") criteria; provide annual public disclosure to the CDP's Climate Change questionnaire; and strive for continuous improvement in performance.

Where an index is designated as a reference benchmark to attain the environmental or social characteristics promoted by the financial product, 'Designated reference benchmark'

No reference benchmark has been designated for the purpose of attaining the environmental characteristics promoted by the Sub-Fund.

(b) 'No sustainable investment objective

This financial product promotes environmental or social characteristics, but does not have as its objective sustainable investment.

(c) 'Environmental or social characteristics of the financial product

The Sub-Fund promotes environmental characteristics, aiming to support the transition towards a net zero economy that is also more resilient to higher temperatures. The below criteria are binding elements on the investment process to ensure underlying investments are inclusive of securities promoting environmental or social characteristics.

1. The Investment Manager's ESG Baseline Exclusions Policy
2. Climate Engagement Escalation Programme
3. Corporate Good Governance Qualitative Assessment

1. The Investment Manager's ESG Baseline Exclusions Policy, which includes the following exclusions:

- Controversial weapons including nuclear weapons
- Civilian firearms
- Thermal coal
- Non-conventional fossil fuels (arctic oil and tar sands)
- Breaches of principles of the UN Global Compact ("UNGC"); and
- Tobacco.

The exclusions are based on:

a) A maximum acceptable percentage of estimated revenue derived from the specific activities, the maximum acceptable percentage of revenue thresholds are:

- Controversial weapons 0%, except for nuclear weapons which are at 5%
- Civilian firearms 5%
- Thermal coal 5%*
- Non-conventional fossil fuels (arctic oil and tar sands) at 10%*
- Tobacco producers at 0% and tobacco distribution or sale at 25%

*Companies that have an approved SBTi (Science Based Target) which has a classification of 1.5°C or Well Below 2°C are an exception to these thresholds.

b) MSCI's controversy screening data to identify recent controversies to the principles set out under the UN Global Compact. An AI ESG Analyst qualitative assessment is additive to this process to confirm if the failings are irredeemable based on company behaviours since the controversy. If we consider failings to be redeemable we will place the company into a structured and time bound engagement program.

Further details on the Investment Manager's baseline exclusions policy is available at https://www.avivainvestors.com/en-gb/about/responsible-investment/policies-and-documents/

2. Climate Engagement Escalation Programme

In February 2021, Aviva Investors announced its Climate Engagement Escalation Programme' which will require 30 companies regarded as 'systemically important carbon emitters' to deliver net zero scope 3 emissions by 2050 and establish robust transition roadmaps to demonstrate their commitment to immediate action on climate change as the world's carbon budget diminishes.
The programme will run for between one and three years, depending on individual company circumstances, and incorporate clear escalation measures for non-responsive businesses or those that do not act quickly enough. Aviva Investors is committed to full divestment of targeted companies that fail to meet its climate expectations. Divestments will apply across the firm's equity and debt exposures.

3. Corporate Good Governance Qualitative Assessment

The Corporate Good Governance Qualitative Assessment criteria as outlined in the SFDR, is considered through the lenses outlined above. For corporates, the good governance principle introduced by SFDR will be met through a combination of the UNGC (as part of the Baseline Exclusions Policy noted above) and a qualitative assessment as part of the investment analyst research process. Good governance indicators form a substantial component of the Investment Manager's ESG scoring tools and ESG research.

In addition to the above, the Sub-Fund, as part of the Sustainable Transition fund range, is subject to the following sustainable outcomes approach:

4. The Investment Manager's Sustainable Transition equity exclusion policy
5. Eligibility criteria
6. Sub-Fund-specific engagement programme

4. The Investment Manager's Sustainable Transition equity exclusion policy

The Sub-Fund will follow the Investment Manager's sustainable transition equity exclusion policy which is designed to ensure no significant harm is caused to natural capital, people or the climate. It is comprised of three levels of exclusions:

A. The Investment Manager's ESG Baseline Exclusions Policy, as described above:

B. A set of exclusions that apply across all equity funds in the Sustainable Transition fund range focusing on nature, climate and social related issues. These are as follows:

- Fossil fuels (enhanced)
- ESG controversies

The fossil fuel (enhanced) exclusions will be based on:

a) A maximum acceptable percentage of estimated revenue derived from the specific activities, the maximum acceptable percentage of revenue thresholds are:

- Thermal coal at 0%
- Arctic oil and gas production at 0%
- Natural gas power generation at 15%
- Liquid fuel power generation at 10%
- Unconventional oil and gas production at 0%
- Conventional oil and gas production at 10%
- Oil and gas extraction and production at 10%
- Oil and gas distribution and retail, equipment and services, petrochemicals, pipelines and transportation, refining and trading at 75%

The fossil fuel (enhanced) exclusions are identified using third party data, in some instances the Investment Manager will review a company's approved science based target and long term strategy to consider an exemption.

b) A maximum acceptable amount of reserves, the maximum reserve thresholds are:

- Thermal coal reserves 0 metric tonnes
- Shale oil and gas reserves at 0 mmboe
- Oil shale and tar sands reserves at 0 mmboe

- Unconventional oil and gas reserves at 0 mmboe
- Oil and gas reserves and 1000 mmboe

The ESG controversies exclusions will be based on MSCI's ESG controversy scoring methodology and include ongoing very severe (Red flag) ESG controversies relating to violations of national or international conventions and commonly accepted global norms (such as UN Global Compact), implicating a company directly through its actions, products, or operations.

C. Where relevant, exclusions specific to the Sub-Fund.

This Sub-Fund does not have any level 3 exclusions.

5. Eligibility criteria

The Sub-Fund's investment objectives are to increase the value of the Shareholder's investment over the long term (5 years or more) and aim to support the transition towards a net zero economy that is also more resilient to higher temperatures, by investing in equities of companies that are either providing solutions that help tackle the impacts of climate change or transitioning their business models towards a net zero and/or warmer economy, and by engaging with portfolio companies.

In its Core Investment, the Sub-Fund has two investment sleeves:

- a "Solutions" sleeve, which allocates to stocks of companies that are deemed to be contributing to the objective by providing products and services for climate change mitigation and adaptation;
- a "Transition" sleeve, which allocates to stocks of companies that are deemed to be contributing to the objective by reducing their impact on climate change through their operations or that are positively aligning to and orientating their business models to be resilient in a warmer climate and a low-carbon economy and, in doing so, better managing their environmental risks and opportunities.

Please refer to the prospectus for further details.

6. Sub-fund-specific engagement programme

Each portfolio company has a bespoke, timebound engagement plan focusing on Science Based Targets and CDP disclosure. We will conduct an annual assessment of each company's progress on the engagement programme, scoring them in one of five categories ranging from laggard to leader. Where we do not see sufficient progress, we will take escalating action which will ultimately lead to divestment from those companies that fail to meet our minimum expectations.

(d) 'Investment strategy

Aviva Investors believe the risks and opportunities associated with climate change and the necessary measures to transform the economy into one that is aligned to net zero and more resilient to higher temperatures are currently mispriced. As such, companies able to better manage their impact on climate change present opportunities to benefit from potential increases in value over the long term.

Recognising the UN Sustainable Development Goals ("SDGs") are interlinked – meaning that targeting specific goals could likely have a positive outcome on other SDGs - the sub-fund is primarily targeting:

- SDG 7: Affordable and Clean Energy
- SDG 13: Climate Action

The Climate Transition Global Equity Fund is actively managed and at least 90% of the Sub-Fund's total net assets (excluding ancillary liquid assets, eligible deposits, money market instruments and money market funds) in equities and equity-related securities of companies from anywhere in the world (including emerging markets) which meet the Investment Manager's eligibility criteria as described below (the "Core Investment").

Companies will be identified as eligible for Core Investment satisfy the "Solutions" or "Transition" criteria and are not excluded from the investment universe. Further detail on the two investment sleeves as well as the Fund's engagement programme and exclusions are set out below.

Invest in solutions

The Sub-Fund invests in "solutions" companies providing goods and services that provide solutions for climate change mitigation and adaption:

i. Mitigation themes seek to mitigate the risk of climate change and includes, for example, sustainable transport, energy efficiency or renewable energy
ii. Adaption themes seek to help communities to adapt to the adverse physical impacts of climate change and includes, for example, water, health, forestry and agriculture

Companies will be eligible for investment if they derive at least 20% of their revenue from the themes set out above.

Back transition

This Sub-Fund invests in "transition" companies that are contributing to the transition towards a net zero economy and/or one that is more resilient to higher temperatures by reducing their impact on climate change through their operations or that are positively aligning to and orientating their business models to be resilient in a warmer climate and a low-carbon economy.

Transition companies are identified using our proprietary Transition Risk ("T-Risk") model. The model provides a measure of the risk exposure of sub-industries to decarbonisation and adaptation issues, providing a quantitative risk metric which is converted into an alphanumeric risk ranking (e.g. high, medium or low). The model then seeks to measure the quality of climate risk management in place at individual companies. Companies that are in higher T-risk sub-industries are required to demonstrate stronger management of climate issues in order to be considered for investment by the Sub-Fund. Our T-Risk model thus ensures that firms have taken steps to manage their impact on, and exposure to, climate change.

Bespoke engagement

The Sub-Fund has a bespoke engagement programme linked to the Sub-Fund's objective. All companies held in the Sub-Fund are asked to develop and formally validate science-based emission reduction targets ("SBT") in line with the Science Based Targets Initiative ("SBTi") criteria and to provide annual public disclosure to the CDP's Climate Change questionnaire and strive for continually improving performance. If achieved, these asks will result in companies reducing their negative impact on, and effectively managing the risks associated with, climate change, thus supporting the transition towards a net zero economy.

Avoid significant harm

As detailed above, the Sub-Fund will follow the Investment Manager's sustainable transition exclusion policy which is designed to avoid significant harm caused to the climate, natural capital or people.

What is the policy to assess good governance practices of the investee companies?

Our policy considers global best practice guidelines such as the ICGN Global Corporate Governance Principles and the G20/OECD Principles of Corporate Governance but are also informed by our investment philosophy and numerous years of stewardship and voting experience.

The Sub-Fund will only invest in securities from issuers that maintain governance practices in-line with national governance standards. The Investment Manager will not invest in securities from issuers that are in violation of the international norms and conventions set out by the United Nations Global Compact Principles. The Investment Manager will avoid investment in securities from issuers that fail to protect the basic rights of investors and employees through sound management practices or that are involved in tax evasion, corruption, or other governance scandals, unless they have taken adequate remedial action.

The good governance criteria as outlined in the SFDR will be met through a combination of the UNGC (as part of the Baseline Exclusions Policy noted above) and a qualitative assessment as part of the investment analyst

research process. Good governance indicators form a substantial component of our ESG scoring tools and ESG research.
Aviva Investors' ESG function, comprising governance and responsible investment specialists, provide analysis to support our investment teams and help them in building a robust assessment of good governance practices.

(e) 'Proportion of investments

The Sub-Fund invests at least 90% of total net assets (excluding ancillary liquid assets, eligible deposits, money market instruments and money market funds) in equities and equity-related securities of companies from anywhere in the world (including emerging markets) which meet the Investment Manager's eligibility criteria as described above (the "Core Investment").

For liquidity purposes, the Sub-Fund may also invest on an ancillary basis in eligible deposits within the meaning of point 9 listed under "Permitted Securities and Transaction" of section "General Investment Restrictions and Eligible Assets for UCITS Fund", money market instruments or money market funds. Under unfavourable market circumstances during which the investment strategy would become impossible to continue implementing and the Sub-Fund would no longer be able to achieve its investment objective, the Sub-Fund may, on a temporary basis, invest up to 100% of its net assets in such assets. For the avoidance of doubt, investment in such assets is not part of the core investment policy of the Sub-Fund.

The Sub-Fund does not have a commitment to make Sustainable Investments.

Where derivatives are used to gain exposure to individual equities and equity-related securities of companies, the Investment Manager's eligibility criteria will be applied on a look through basis to the underlying asset. Where derivatives are used for hedging or for gaining exposure to equity indices, such assets would be classed as efficient portfolio management and not deemed to promote any environmental or social characteristics. Exposure to equity indices would be for a limited amount of time.

(f) 'Monitoring of environmental or social characteristics

Capital allocation
Our stock selection and screening process ensures that companies are only eligible for inclusion within the portfolio if they promote environmental characteristics. Sub-Fund holdings are monitored and reviewed on an ongoing basis to assess their environmental characteristics and will be subject to a formal review on an annual basis. Exclusion lists are also updated and screened against the portfolio on a periodic basis and this is monitored by our formal risk oversight and governance processes. Sub-Fund holdings are also flagged for review in the case of any ad hoc events.

Active ownership
Each portfolio company has a bespoke, timebound engagement plan linked to the sustainable investment objective, focusing on science-based targets ("SBTs") and CDP disclosures.

(g) 'Methodologies

The Investment Manager will measure and report a suite of metrics across the following three areas.

Capital allocation
The Investment Manager will measure and report on various indicators aligning to our philosophy to avoid significant harm, invest in solutions and back transition. The Investment Manager's annual sustainability report will include, where possible:

- Solutions revenue
- Relevant PAI indicators:
  1. GHG emissions

2. Carbon footprint
3. Carbon intensity
5. Share of non-renewable energy consumption and production
6. Energy consumption intensity per high impact climate sector

- Other indicators:
  - Science Based Targets
  - CDP Climate scores

The Sub-Fund does not have an explicit emission reduction target but does target 90% of the companies held in the portfolio to have science-based climate targets by 2030. The Investment Manager also expects to see an improvement in the Sub-Fund's performance on the other metrics listed above on a year-by-year basis. However, there is no guarantee this data will show an annual improvement over time, as during different periods the Investment Manager will have different holdings at different stages of their transition plans. Some metrics will use the Sub-Fund's performance benchmark – the MSCI All Country World Net TR Index – as a reference point or comparator and any such reporting will make clear when this is the case.

Active ownership
Each portfolio company has a bespoke, timebound engagement focusing on Science Based Targets and CDP disclosure.
The Investment Manager will systematically monitor progress against our asks by conducting an annual assessment of companies ranking them in one of five categories ranging from laggards to leaders. The Investment Manager also has an escalation pathway ultimately leading to divestment if our engagement asks are not met to ensure our engagement has teeth. The Investment Manager will report on both these aspects, as well as any successful engagements, as part of its annual sustainability report.

Market reform
Aviva Investors' Sustainable Finance Centre for Excellence ("SFC4Ex") works in partnership with clients, policymakers and regulators, sharing knowledge and collaborating to build a sustainable future. The SFC4Ex supports attainment of the Sub-Fund's environmental characteristics by planning campaigns linked to the Sub-Fund's objective. The annual sustainability report will report on the SFC4Ex's activity.

(h) 'Data sources and processing'

Our primary data usage involves revenue screening to assess the percentage of an issuer's revenues derived from business activities that align with the Sub-Fund's environmental and social characteristics, or that conflict with ESG principles, as well as the mandatory principle adverse indicators indicated above. We also assess issuers for operational alignment with the Sub-fund's environmental and social characteristics and undertake qualitative overlays.

Issuer names captured under the Aviva Investors Baseline Exclusions Policy are updated twice a year, on a six-monthly basis. PAI data is obtained on a monthly basis. Aviva Investors commits to reporting on the PAI's disclosed above, in accordance with our regulatory obligations.

We have reviewed a variety of market leading ESG data providers to ensure that we have procured quality data. All the relevant quantitative data specific to our assessment of environmental and social characteristics will be available to our investment teams within our primary portfolio management application.

We use third party vendors for certain data and as such rely upon their methodologies which may mean that some data is estimated. However, we do not consider estimates to be a material part of the data used in our investment process.

(I) 'Limitations to methodologies and data

There is generally a high quality of transparent, comparable and accurate ESG data covering sustainability risks and adverse impacts, as well as more general ESG-related factors. The regulatory environment and the reporting requirements for issuers are developing at different speeds and there is not always a consistent standard across jurisdictions, sectors and/or companies. Furthermore, the methodologies of data providers differ significantly and therefore there may be circumstances where portfolios or companies have drastically different ESG scores/ratings amongst providers.

We have access to multiple data sources which we constantly review. Our goal is to ensure we have broad and deep coverage of information to enable a sound consideration of sustainability factors. Any unavoidable gaps in data availability are mitigated by our side-by-side qualitative assessment of ESG factors. As a result the data limitations do not affect the attainment of the fund's environmental characteristics.

Data from third party data providers may be incomplete, inaccurate or unavailable. Where we seek to rely on proprietary models these may similarly rely on information which is incomplete, inaccurate or unavailable. As a result, there is a risk that Aviva Investors may, from time to time, incorrectly assess a security, issuer or index. There is also a risk that Aviva Investors, or the third-party data providers on which we may depend, may not interpret or apply the relevant ESG characteristics correctly. Aviva Investors does not warrant the fairness, accuracy or completeness of any data used, or assessment made.

(j) 'Due diligence

Prior to investment every company in the portfolio will undergo financial and sustainable due diligence to ensure that it is appropriate to the sub-fund meeting its objectives. Following a formal research note from an analyst, which includes broad ESG risk consideration, the company will undergo a deep dive assessment by sustainable specialists. This review looks to ensure on a best efforts basis that the company is not involved in significant harm or existing controversies as well as to validate its sustainable credentials. No investment will happen until this due diligence is complete.

The Aviva Investors risk and controls framework encompasses a combination of strategies, policies, culture, governance arrangements, tools and reporting procedures. Appropriate controls are developed and embedded to adequately meet business strategic goals and to minimise current and future risk to an acceptable risk exposure level. We have formal controls relating to due diligence on assets. Second line consists of risk and compliance functions (directly reporting to the CRO), who act as a partner to the business and whose core purpose is to independently challenge, advise and guide the business in the delivery of its strategy and plans, whilst safeguarding its customers and shareholders. A key part of our risk and control framework is the completion of independent second-line reviews. Such reviews are conducted by assessing the design and completeness of key controls that are in place and will also cover thematic areas informed by the risk-based compliance monitoring programme.

(k) 'Engagement policies

The Sub-Fund has a bespoke engagement programme (the Climate Transition Engagement Programme) linked to the sub-fund's objective. All companies held in the Sub-Fund are asked to develop and formally validate science-based emission reduction targets ("SBT") in line with the Science Based Targets Initiative ("SBTi") criteria and to provide annual public disclosure to the CDP's Climate Change questionnaire and strive for continually improving performance. If achieved, these asks will result in companies reducing their negative impact on, and effectively managing the risks associated with, climate change, thus supporting the transition towards a net zero economy.
We will conduct an annual assessment of each company's progress on the engagement programme, scoring them in one of five categories ranging from laggard to leader. Where we do not see sufficient progress, we will take escalating action which will ultimately lead to divestment from those companies that fail to meet our minimum expectations.

(l) where an index is designated as a reference benchmark to attain the environmental or social characteristics promoted by the financial product, 'Designated reference benchmark'
An index has not been designated as a reference benchmark to meet the environmental or social characteristics promoted by the financial product