Sustainability-related disclosures

Aviva Investors – Climate Transition Global Credit 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'

This financial product promotes environmental characteristics. The Climate Transition Global Credit Fund ("The Sub-Fund") invests at least 70% of total net assets (less derivatives for efficient portfolio management techniques) in bonds of companies from anywhere in the world (including emerging markets) responding to climate change which meet the Investment Manager's eligibility criteria as described below (the core investment). There will be no sustainable investments as defined under SFDR. The Sub-Fund's objective is to earn income and increase the value of the Shareholder's investment, while outperforming the benchmark (Bloomberg Global Aggregate Corporate Index) over the long term (5 years or more).

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) and a qualitative assessment as part of the investment analyst research process.

It is anticipated that the sustainability indicators reported on for this Sub-Fund will include, but not be limited to:

1. Portfolio metric of any revenue derived from excluded activity (e.g., thermal coal)
2. UNGC 'severe' and 'very severe' incidents avoided and commentary on any exceptions
3. Additionally, the Sub-Fund will measure exposure to the Principle Adverse Impacts indicators

Our security selection and screening process ensures that companies are only eligible for inclusion within the portfolio if they promote environmental characteristics.

The Investment Manager actively engages with issuers with the aim of positively influencing climate-related behavior and helping to create competitive returns. Each portfolio company has a bespoke, timebound engagement plan linked to the Environmental characteristics the Sub-Fund is promoting on science-based targets ("SBTs") and CDP disclosures. Where we do not see sufficient progress, we will take escalating action.

The ESG characteristics of the Sub-Fund include its two investment sleeves, being the solutions and transitions sleeves. The below criteria are binding on the investment process to ensure underlying investments are inclusive of those securities promoting environmental or social characteristics:

A. Aviva Investors' firm-wide baseline exclusions policy
B. Fund-specific fossil fuel exclusions

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 principle adverse indicators we have committed to prioritise as a firm, and will integrate for consideration by the Investment Manager.

We use third party vendors for certain data and as such rely upon their methodologies which may mean that some data is estimated and/or that the Investment Manager may, from time to time, incorrectly assess a security, issuer or index. The Investment Manager will review its relationship with third party ESG data providers on a periodic basis, taking appropriate action or escalation where this is deemed necessary.

The Investment Manager operates a fully integrated approach to investment and ownership, combining the skills of our fund managers, investment analysts and ESG specialists across asset classes. During daily, weekly and quarterly discussion forums, we will continually monitor an entity's management and performance, including developments which may have a significant impact on valuation or risk profile. As part of our analysis, we track areas of performance, including management of key ESG areas.

We believe that persistent and constructive dialogue with issuers, corporates and sovereign representatives is vital to preserve and enhance the value of assets on behalf of our beneficiaries and clients. There are specific policies and procedures which provide the governance and control of the fund exclusions and where applicable related divestment activity. These policies and procedures are focussed on a specific Exclusion Policy, and the embedding of Good Governance.

An index has not been designated as a reference benchmark to meet the environmental or social characteristics promoted by the financial product.

(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 invests at least 70% of total net assets (less derivatives for efficient portfolio management techniques) in bonds of companies from anywhere in the world (including emerging markets) responding to climate change which meet the Investment Manager's eligibility criteria as described below (the core investment).

In this core investment the Sub-Fund excludes fossil fuel companies and has two investment sleeves:

- A Solutions sleeve, which will invest in corporate bond issuers whose goods and services provide solutions for climate change mitigation and adaptation.
- A Transition sleeve, which allocates to companies positively aligning to a warmer climate and a low-carbon economy and orientating their business models to be resilient in a warmer climate and a low-carbon economy.

(d) 'Investment strategy

The Sub-Fund's objective is to earn income and increase the value of the Shareholder's investment, while outperforming the benchmark (Bloomberg Global Aggregate Corporate Index) over the long term (5 years or more) by investing in bonds of company that are deemed to be responding to climate change effectively.

The Sub-Fund invests mainly in bonds of companies from anywhere in the world (including emerging markets) responding to climate change which meet the Investment Manager's eligibility criteria as described below (the "core" investment). Specifically, the Sub-Fund invests in bonds of corporate, governmental, and quasi-governmental issuers.

Sustainability Risk indicators are considered, alongside a range of financial and non-financial research. The sustainability risks or impacts are weighed against all other inputs when considering an investment decision, with no specific limits imposed, therefore the Investment Manager retains discretion over which investments are selected.

The Investment Manager actively engages with issuers with the aim of positively influencing climate-related behavior and helping to create competitive returns.
In addition, the Sub-Fund has exclusions based on Aviva Investors' Baseline Exclusion Policy as noted under section (g).

Good Governance

The Investment Manager's 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 the Investment Manager's 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 Sub-Fund 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 where there is appropriate coverage. Good governance indicators form a substantial component of the Investment Manager's ESG scoring tools and ESG research.
Aviva Investors' ESG function, comprising governance and responsible investment specialists, provide analysis to support the Investment Manager's investment teams and help them in building a robust assessment of good governance practices.

(e) 'Proportion of investments

It is expected that at least 70% of investments will be aligned with the environmental/social characteristics of the Sub-Fund, as described above. Amongst the investments aligned with the environmental/social characteristics of the Sub-Fund, there will be no sustainable investments as defined under SFDR.

There may on occasion be investments used for hedging and efficient portfolio management purposes (such as derivatives or securities lending) or liquidity holding purposes (such as ancillary liquid assets, eligible deposits, money market instruments and money market funds). For clarity, these investments will not align to the Environmental or Social characteristics of the Sub-Fund, and there will be no minimum safeguards applied to these investments.

(f) 'Monitoring of environmental or social characteristics

It is anticipated that the sustainability indicators reported on for this Sub-Fund will include, but not be limited to:

1. Portfolio metric of any revenue derived from excluded activity (e.g., thermal coal)
2. UNGC 'severe' and 'very severe' incidents avoided and commentary on any exceptions.
3. Additionally, the Sub-Fund will measure exposure to the Principle Adverse Impacts Indicators that the Investment Manager has committed to prioritising in its Principle Adverse Impact Statement. For reference these include:
    a. Indicators relating to Greenhouse Gas (GHG) Emissions
    b. Indicators pertaining to activities negatively affecting biodiversity-sensitive areas
    c. Indicators relating to Board Gender Diversity

Capital allocation
Our security selection and screening process ensures that companies are only eligible for inclusion within the portfolio if they promote environmental characteristics. Fund holdings are monitored and reviewed on an ongoing basis to assess their environmental characteristics and will be subject to a formal review on a periodic 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. 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 environmental characteristics the Sub-Fund is promoting on science-based targets ("SBTs") and CDP disclosures. The proportion of companies setting, or committing to, a Science Based Target (SBT) will be monitored against our 2030 goal of 90% of holdings having a SBT.

As noted above, ESG characteristics of the fund include its two investment sleeves, being the solutions and transitions sleeves. The Investment Manager uses the following sustainability indicators to report on these characteristics:

- For the solutions sleeve we assess that companies have more than 20% revenue generated from solutions product and services and then report at regular intervals on the proportion of solution providers in the portfolio
- For the Transition Sleeve, the Investment Manager will assess the proportion of companies in the Sub-Fund displaying strong climate governance. This may include but not limited to, the percentage of companies attaining a certain Climate Risk Management Score.

(g) 'Methodologies

The below criteria are binding on the investment process to ensure underlying investments are inclusive of those securities promoting environmental or social characteristics:

Aviva Investors' firm-wide 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:

1. 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.

2. MSCI's controversy screening data to identify recent controversies to the Principles set out under the UN Global Compact. An Aviva Investors 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 & time bound engagement program.

Fund-specific fossil fuel exclusions which are 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%

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

Active ownership

Each portfolio company has a bespoke, timebound engagement focusing on Science Based Targets and CDP disclosure. We will systematically monitor progress against our requests for change by conducting an annual assessment of companies ranking them in one of five categories ranging from laggards to leaders. To maximise impact, we have set out a clear escalation pathway ultimately leading to divestment if sufficient progress is not made against our asks. We will report on the outcomes of our engagement programme in our 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 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 principle adverse indicators we have committed to prioritise as a firm, and will integrate for consideration by the Investment Manager as detailed above. 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. The Investment Manager commits to reporting on the PAI's disclosed above, in accordance with our regulatory obligations.

The Investment Manager has reviewed a variety of market leading ESG data providers to ensure that it has procured quality data. The Investment Manager will review its relationship with third party ESG data providers on a periodic basis, taking appropriate action or escalation where this is deemed necessary.

The Investment Manager uses third party vendors for certain data and as such relies upon their methodologies which may mean that some data is estimated. However, the Investment Manager does not consider estimates to be a material part of the data used in its investment process.

(I) 'Limitations to methodologies and data

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 sustainable investment objective.

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 fund meeting its objectives and ESG characteristics.

There are specific policies and procedures which provide the governance and control of the fund exclusions and where applicable related divestment activity. These policies and procedures are focussed on a specific Exclusion Policy, and the embedding of Good Governance and ESG Sovereign Assessment into the investment process.

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 fund's ESG characteristics that it is promoting. 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.

The Investment Manager 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