

## Sustainability-related disclosures

### *Aviva Investors – Natural Capital Transition Global Equity (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 2019/2088 and Articles 25 to 36 of Commission Delegated Regulation (EU) 2022/1288 of 6 April 2022.

#### (a) ‘Summary’

Alongside aiming to generate long-term capital growth the sub-fund’s sustainable investment objective is to support the transition towards a nature positive economy, by investing in equities of companies that are providing solutions to reduce human impact on nature or transitioning their business models towards a more nature positive economy, and by engaging with portfolio companies.

The Natural Capital 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 principles of 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.

At least 90% of the sub-fund’s total net assets are invested in equities and equity-related securities of global companies, except in limited circumstances. At the point the sub-fund makes an investment into such an asset, that asset will qualify as a sustainable investment.

The sub-fund can invest 10% of total net assets in ancillary liquid assets, eligible deposits, money market instruments, money market funds and derivatives used for exposure to equity indices for managing cashflows, or in derivatives used for hedging. Exposure to equity indices would be for a limited amount of time and in limited circumstances to manage cash flows. Such assets would not be deemed as sustainable investments.

The Sub-Fund's sustainable investment objective is embedded in the sub-fund’s investment process. To be eligible for inclusion as a sustainable investment, companies must positively contribute to the sub-fund’s sustainable investment objective.

The stock selection and screening process ensures companies are only eligible for inclusion if they qualify as sustainable investments.

The Investment Manager measures and reports on the Sub-Fund's progress in achieving its sustainable investment objective across the three following areas:

1. Capital allocation

The Investment Manager will measure and report on various indicators aligned to the Sub-Fund’s philosophy to avoid significant harm, invest in solutions and back transition. The Sub-Fund's annual 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 linked to the sustainable investment objective, focusing on biodiversity impact assessment and quantified biodiversity targets.

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. The SFC4Ex supports attainment of the Sub-Fund's sustainable investment objective by planning campaigns linked to the objective. The annual outcomes report will report on the SFC4Ex's activity and what was achieved that supports attainment of the sustainable investment objective.

As Article 9 products require a minimum percentage of sustainable investments, the Investment Manager sources varied data points from a number of third-party providers to inform its view of a sustainable investment. The Investment Manager's 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 sustainable investment objective, or that conflict with ESG principles, as well as mandatory and selected voluntary principle adverse indicators. The Investment Manager also assesses issuers for operational alignment with the sub-fund's sustainable investment objective and undertakes qualitative overlays.

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 research from an analyst, which includes broad ESG risk consideration, the company will undergo a rigorous assessment by sustainable specialists.

The Sub-fund has a bespoke engagement programme linked to the sustainable investment objective. All companies held in the Sub-Fund are asked to carry out a biodiversity impact assessment, set quantified biodiversity targets within a specific timeframe and improve performance in a particular area of weakness related to biodiversity as identified by the team.

**(b) 'No significant harm to the sustainable investment objective'**

To ensure that sustainable investments in the sub-fund do not cause significant harm to any environmental or social objective, there are two levels of screening applied:

1. Aviva Investors' 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%
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\* This is applicable until 31 July 2023. As from 1st August 2023, the percentage of revenue threshold for nuclear weapons will be 0% for 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 (1970).

\*\*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.

2. Fund-level screening based on the indicators for principal adverse impacts (“PAI”) on sustainability factors. Aviva Investors assesses an issuer’s performance against each of the relevant indicators and the sub-fund will not invest where it is considered that an issuer is causing significant harm to an environmental or social objective. Relevant indicators include all the mandatory PAIs as well as those voluntary indicators selected at a firm-level that are relevant to the theme of the Sub-Fund. Please refer to the PAI Statement on Aviva Investors website for further detail here <https://www.avivainvestors.com/en-gb/capabilities/sustainable-finance-disclosure-regulation/>.

The Investment Manager has a proprietary framework for taking the PAI indicators into account, which differs depending on the type of indicator. Where applicable, the Investment Manager has assigned red flag to issuers which are considered to cause significant harm to an environmental or social objective. These issuers will be excluded from the investment universe for this Sub-Fund. Any exceptions to this process will be rare and will be independently verified. Furthermore, due diligence will be carried out on every company by portfolio managers and ESG analysts. Where PAI data does not exist, the team will seek to qualitatively assess Do No Significant Harm on a best-efforts basis. This may include engaging directly with companies to ask them for the missing data.

The Investment Manager uses the MSCI overall controversy flag (where a “red” flag is considered a fail) to ensure that sustainable investments are aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights (“UNGPBHR”), including the principles and rights set out in the eight fundamental conventions identified in the Declaration of the International Labour Organisation (“ILO”) on Fundamental Principles and Rights at Work and the International Bill of Human Rights. The MSCI methodology covers violations of the OECD Guidelines, United Nations Global Compact Principles (“UNGC”), the ILO conventions and the UNGPBHR (which references the International Bill of Human Rights), amongst many other global norms and conventions. All issuers with a red flag will be excluded from the investment universe for this Sub-Fund.

**(c) ‘Sustainable investment objective of the financial product’**

Alongside aiming to generate long-term capital growth the Sub-Fund’s sustainable investment objective is that it aims to support the transition towards a nature positive economy, by investing in equities of companies that are providing solutions to reduce human impact on nature or transitioning their business models towards a more nature positive economy, and by engaging with portfolio companies.

A nature positive economy is one where the loss of nature and biodiversity is reversed so that the health, abundance, diversity and resilience of species and ecosystems recover and improve.

Companies can support the transition by reducing the water, waste, emissions, resource and energy use, and wider biodiversity impacts, of their operations, their products and their supply chain; by providing solutions to reduce human impact on nature; and by contributing to the restoration of key ecosystems.

**(d) ‘Investment strategy’**

The Investment Manager believes that the risks and opportunities associated with the consequences of natural capital erosion and the necessary measures to reduce biodiversity loss, regenerate the planet and transform the economy into one that is nature positive are currently mispriced. Therefore, companies which are better managing their impact on nature present an opportunity to benefit from increases in value over the long term.

The Natural Capital Transition Global Equity Fund (the “Sub-Fund”) is part of Aviva Investors Sustainable Transition 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.

This Sub-Fund focusses on “Natural Capital” which is a term used to describe the world’s stocks of natural assets, including all living things, soil, air, water and geology (primarily aligned to the principles of SDGs: 12 Responsible Consumption and Production, 13 Climate Action, 14 Life Below Water and 15 Life on Land).

The Natural Capital Transition Global Equity Fund is actively managed and at least 90% of the Sub-Fund’s total net assets are invested in equities and equity-related securities of companies from anywhere in the world (including emerging markets), except in limited circumstances as per the paragraph below. At the point the Sub-Fund makes an investment into such an asset, that asset will qualify as a Sustainable Investment.

The Sub-Fund invests in “sustainable investments” that contribute to the fund’s objective, either through the company’s products or services (“solutions” companies) or via the company’s operations (“transition” companies). Companies will be identified as eligible for investment as Sustainable Investments if they satisfy the “Solutions” or “Transitions” criteria and are not excluded from the investment universe. Further details on the “Solutions” and “Transitions” criteria can be found in the Prospectus.

## **Invest in solutions**

The Sub-Fund invests in “solutions” companies providing goods and services that reduce human impact on nature. It invests across four principal themes aligned with the principle of the UN Sustainable Development Goals:

- i. Sustainable land
- ii. Sustainable ocean
- iii. Circular economy
- iv. The fight against climate change

By investing in “solutions” companies in line with these four themes, these sustainable investments directly contribute towards the sub-fund’s sustainable investment objective. Companies will be eligible for investment if they derive at least 20% of their revenue aligned with the themes set out above. The Sub-Fund is also permitted to invest up to 10% of the portfolio in solutions companies with less than 20% revenue. This is in recognition of the fact that nature-based solutions are in their relative infancy, and there is a need to allocate capital to those companies producing new, important and innovative solutions to tackle the environmental crisis. For clarity, these companies will still be subject to the same Do No Significant Harm, Good Governance and Minimum Safeguards tests.

The Investment Manager has therefore chosen 20% threshold of revenues based on the sustainable products and services used to select “Solutions” companies in order:

- To reflect that absolute contribution to sustainable activities requires scalable solutions and therefore to not penalise large companies with diverse product/revenue streams but who do provide genuine solutions to sustainable activities
- It is a threshold the Investment Manager believes to demonstrate significant part of any companies revenues (i.e. it is “material” to those companies business strategy)

## **Back transition**

Alongside applying the solutions criteria, the investment manager will also apply the binding “transitions criteria” to identify a pool of companies eligible for investment as “transition companies”. This binding criteria

requires that companies pass the fund's T-Risk framework or Earth pillar deep dive, and therefore positively contribute to the sustainable investment objective through their operations.

Aviva Investors' analysis results in the sectors being allocated a Transition Risk rating, ranking as either high, medium or low impact upon natural capital. For each sector, the Investment Manager then looks at a tailored range of natural capital-related indicators, which differ by sector depending on the nature of that sector's impacts. The Investment Manager uses third-party data providers which include an extensive range of NGO rankings on specific issues, for example deforestation, plastics and sustainable protein. Companies that are categorised as high and medium impact are subject to higher scrutiny and require stronger management of biodiversity issues in order to be considered for investment by the Sub-Fund.

A Transition company is defined as one supporting or driving the sustainable transition. It does not refer to companies who in themselves are transitioning or transitional.

Even if companies meet the baseline expectations, engagement progress is also essential and has portfolio implications. The Investment Manager will engage with investee companies to ensure they are actively working to mitigate their negative environmental impacts. This is evidenced by carrying out a biodiversity impact assessment and setting quantified biodiversity targets within a timeframe that is tailored to the company's transition pathway, with an escalation programme in place which may ultimately lead to divestment in the event that the company fails to meet minimum expectations.

### **Bespoke engagement**

The Sub-Fund has a bespoke engagement programme linked to the sustainable investment objective. All companies held in the Sub-Fund are asked to carry out a biodiversity impact assessment, set quantified biodiversity targets within a specific timeframe and improve performance in a particular area of weakness related to biodiversity as identified by the team. If achieved, these asks will result in companies reducing their negative impacts on natural capital, thus supporting the transition towards a nature positive economy.

### **Avoid significant harm**

The Sub-Fund will follow the Investment Manager's sustainable transition 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:

1. The Investment Manager's ESG Baseline Exclusions Policy, as detailed above under section b).
2. A set of exclusions that apply across all equity funds in the Sustainable Transition fund range focussing 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 external data provider'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

3. Where relevant, exclusions specific to the Sub-Fund. For this Sub-Fund, this includes the following:

- Environmental controversies
- Intensive agriculture
- Pesticide production

The environmental controversies exclusions will be based on MSCI's ESG controversy scoring methodology and include Red and Orange flag controversies related to land use and biodiversity, toxic spills and releases, energy and climate change, water management, operational non-hazardous waste, and management of supply chain environmental impact

The intensive agriculture and pesticide production exclusions will be based on a maximum acceptable percentage of estimated revenue derived from the specific activity, the maximum acceptable percentage of revenue threshold for these activities is 10%.

Further information on the sustainable transition equity exclusion policy can be found on the website <https://www.avivainvestors.com/en-gb/about/responsible-investment/policies-and-documents/>.

The stock selection and screening processes ensures that companies are only eligible for inclusion within the portfolio if they are contributing to the Sub-Fund's sustainable investment objective and are not subject to exclusions. Companies within the portfolio are reviewed on a periodic basis to ensure they continuously align with the Sub-Fund's sustainable investment objective, are doing no significant harm and are flagged for review in the case of any ad hoc events. Exclusion lists are also updated and screened against the portfolio on a periodic basis. This is monitored by our formal risk oversight and governance processes.

The Investment Manager will conduct an annual assessment of each company's progress on the engagement programme. Where there is insufficient progress, escalating action will be taken which may ultimately lead to divestment from those companies that fail to meet our minimum expectations.

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

Aviva Investors 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 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 Sub-Fund 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 Aviva Investors 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 in equities and equity-related securities of companies from anywhere in the world (including emerging markets), except in limited circumstances as per the paragraph below. At the point the Sub-Fund makes an investment into such an asset, that asset will qualify as a Sustainable Investment. If the Investment Manager determines that a holding in the Sub-Fund no longer qualifies as a Sustainable Investment due to a change in circumstances, the Investment Manager will either divest from the holding or the company may be entered into a timebound engagement programme where it is considered that the changes can be addressed in order to re-classify the holding as a Sustainable Investment.

The Sub-Fund can invest 10% of total net assets in ancillary liquid assets, eligible deposits, money market instruments, money market funds and derivatives used for exposure to equity indices for managing cash flows, or in derivatives used for hedging. Exposure to equity indices would be for a limited amount of time and in limited circumstances to manage cash flows. Such assets would not be deemed as Sustainable Investments. Some but not all of the underlying constituents of the equity indices may nevertheless qualify as sustainable investments. The Sub-Fund may hold more than 10% of total net assets in such investments in limited circumstances, such as if there is a sudden and material subscription during a time of exceptional market conditions that does not allow immediate allocation to Sustainable Investments.

The Sub-Fund's Sustainable Investments have an environmental objective but are not actively targeting alignment with the EU Taxonomy.

The above results in the following asset allocation, except in limited circumstances as noted above:

- Minimum 90% Sustainable (100% environmental)
- Maximum 10% Not Sustainable:
  - o Includes ancillary liquid assets, eligible deposits, money market instruments, money market funds and derivatives used for exposure to equity indices for managing cash flows, or in derivatives used for hedging.

**How does the use of derivatives attain the sustainable investment objective?**

Where derivatives are used to gain exposure to individual equities and equity-related securities of companies for investment purposes, the Sustainable Investment test will be applied on a look through basis to the underlying asset. At the point the sub-fund makes an investment into such an asset, that asset will qualify as a Sustainable Investment.

Where derivatives are used for hedging or for gaining exposure to equity indices, such assets would not be deemed as Sustainable Investments. Exposure to equity indices would be for a limited amount of time.

**(f) 'Monitoring of sustainable investment objective'**

**Capital allocation**

The Sub-Fund's sustainable investment objective is embedded within its investment process. To be eligible for inclusion within the portfolio as a sustainable investment, companies must positively contribute to the sub-fund's sustainable investment objective. This is a key part of the Investment Manager's test for "sustainable investments", alongside DNSH, minimum safeguards and good governance. The Investment Manager's stock selection and screening process ensures that companies are only eligible for inclusion within the portfolio if they qualify as Sustainable Investments. Sub-Fund holdings are monitored and reviewed on an ongoing basis to assess their designation as Sustainable Investments 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 the Investment Manager's formal risk oversight and governance processes. Sub-Fund holdings are also flagged for review in the case of any ad hoc events.

The KPIs the Investment Manager uses to assess whether a holding is a "sustainable investment" are the same as those it uses to measure and monitor the attainment of the Sub-Fund's sustainable investment objective which are set out under the heading 'capital allocation' in the Methodologies section G. These are built into portfolio management systems and form part of the Investment Manager's portfolio review process for assessing and monitoring holdings and portfolios.

In the event that a portfolio company fails the quantitative aspects of the Sustainable Investment criteria, the Investment Manager will first assess the nature of the failure. As the Investment Manager's quantitative tests are reliant on third-party data, such failures could be a result of anomalies including (without limitation): inaccurate, incomplete or out-of-date data; changes to accounting practice; or corporate actions. In some cases, therefore, the quantitative tests may not fully reflect that company's sustainable investment credentials.



In these cases, the Investment Manager will first carry out a review and seek to engage with the company to complement the data-driven metrics with a qualitative assessment as to whether the company should continue to be considered a Sustainable Investment. If following a reasonable period, the Investment Manager's enquiries of the company and/or more detailed research is unable to confirm that the company should continue to be treated as a Sustainable Investment or where the company fails Do No Significant Harm tests or Good Governance, then the holding will be sold on a best endeavours basis and no longer than 90 days after that determination.

**(g) 'Methodologies**

There is no single metric to adequately measure progress against the Sub-Fund's sustainable investment objective, so measurement and reporting will consist of a suite of metrics across the following three areas:

**Capital allocation**

The Investment Manager will measure and report on various indicators aligning to the Sub-Fund's philosophy to avoid significant harm, invest in solutions and back transition. The Sub-Fund's annual report will include, where possible:

- Solutions revenue
- Relevant PAI indicators:
  - Activities negatively affecting biodiversity
  - Emissions to water
  - Hazardous waste ratio
- Other indicators:
  - Top quartile environmental management scores
  - Positive contribution to natural capital
  - Science Based Targets
  - Carbon Disclosure Project (CDP) Climate Scores

Expectation is to see an improvement in the Sub-Fund's performance on these metrics 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 Index – as a reference point or comparator and any such reporting will make clear when this is the case. These metrics will be used to gauge progress, not to define or categorise sustainable investments.

**Active ownership**

Each portfolio company has a bespoke, timebound engagement plan linked to the sustainable investment objective focusing on Biodiversity impact assessment and quantified biodiversity targets. Progress against asks will be systematically monitored, by conducting an annual assessment of companies ranking them on a scale from one to five. There is also an escalation pathway which may lead to divestment if engagement asks are not met. The Investment Manager will report on both these aspects, as well as any successful engagements, as part of its annual outcomes 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 sustainable investment objective by planning campaigns linked to the objective. The annual outcomes report will report on the SFC4Ex's activity and what was achieved that supports attainment of the sustainable investment objective.

**(h) 'Data sources and processing'**

As Article 9 products require a minimum percentage of sustainable investments, the Investment Manager sources varied data points from a number of third-party providers to inform its view of a sustainable investment.

The Investment Manager's 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 sustainable investment objective, or that conflict with ESG principles, as well as mandatory and selected voluntary principle adverse indicators. The Investment Manager also assesses issuers for operational alignment with the sub-fund's sustainable investment objective and undertakes qualitative overlays.

The Investment Manager has reviewed a variety of market leading ESG data providers to ensure that it has procured quality data. All the relevant quantitative data specific to the Investment Manager's assessment of sustainable investments will be available to its investment teams within its primary portfolio management application.

The Investment Manager uses third-party vendors for certain data and as such rely 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'**

For the global equity universe the Sub-Fund invests in there is generally a good coverage of high quality, transparent, comparable and accurate ESG data covering sustainability risks and adverse impacts, as well as more general ESG-related factors. However due to different regulatory regimes and reporting requirements there is not always a consistent standard across jurisdictions, sectors and/or companies.

The Investment Manager has access to multiple data sources which it constantly reviews. The Investment Manager's goal is to ensure it has broad and deep coverage of information to enable a sound consideration of sustainability factors. Any unavoidable gaps in data availability are mitigated by the Investment Manager's side-by-side qualitative assessment of ESG factors. As an active manager it uses third party scores to inform research, company level ESG scoring is highly subjective. The Investment Manager therefore focuses on using multiple sources of information to build up its own view of a company. As a result, data limitations do not materially affect the attainment of the sustainable investment objective.

There is a risk that third party data may be incomplete, inaccurate or unavailable. Where the Investment Manager builds proprietary models, these may rely on third party provider data inputs. 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 it 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 from a third party.

**(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 equity research from an analyst, which includes broad ESG risk consideration, the company will undergo a deep dive assessment by sustainable specialists which will be refreshed on an ongoing basis. This review looks to ensure that the company is not involved in significant harm or existing controversies as well as to validate its sustainable credentials leveraging the expertise of our sustainable specialists. 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 linked to the sustainable investment objective. All companies held in the Sub-Fund are asked to carry out a biodiversity impact assessment, set quantified biodiversity targets within a specific timeframe and improve performance in a particular area of weakness related to biodiversity as identified by the team. If achieved, these asks will result in companies reducing their negative impacts on natural capital, thus supporting the transition towards a nature positive economy.

Where the Investment Manager does not see sufficient progress, it will take escalating action which may lead to divestment from those companies that fail to meet its minimum expectations.

**(l) 'Attainment of the sustainable investment objective'**

No reference benchmark has been designated for the purposes of attaining the sustainable investment objective.

The methodologies the Investment Manager uses to measure and report on the Sub-Fund's progress in achieving its sustainable investment objective are set out below and include a suite of metrics across the following three areas:

**Capital allocation**

The Sub-Fund seeks to invest in solutions and to back transition. To do this the Investment Manager considers multiple indicators of positive contribution to a sustainable investment:

Solutions revenue

Relevant PAI indicators:

- 7. Activities negatively affecting biodiversity
- 8. Emissions to water
- 9. Hazardous waste ratio

Other indicators:

- Top quartile environmental management scores
- Positive contribution to natural capital
- Science Based Targets
- Carbon Disclosure Project (CDP) Climate scores

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. These metrics will be used to gauge progress, not to define or categorise sustainable investments.

**Active ownership**

Each portfolio company has a bespoke, timebound engagement plan linked to the sustainable investment objective focusing on biodiversity impact assessment and quantified biodiversity targets.

The Investment Manager will systematically monitor progress against its asks by conducting an annual assessment of companies.

**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 sustainable investment objective by planning campaigns linked to the objective. The annual outcomes report will report on the SFC4Ex's activity and what was achieved that supports attainment of the sustainable investment objective.