AVIVA INVESTORS

Sustainability Review 2024

Actions to unlock value

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How to read this report

This report is the Aviva Investors' 2024 submission to the FRC Stewardship Code.

Please refer to the index in the Appendix of this document detailing how each of the sections relates to the Principles of the Code.

For related information on Aviva Group's sustainability activities, you may also wish to refer to:

- Aviva's Climate Transition Plan
- Task Force on Climate-related Financial Disclosures (TCFD) reporting.

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Foreword by Mark Versey,

Chief Executive Officer

"At Aviva Investors, our view is clear that a sustainability lens provides key insights into both financial risks and opportunities across public and private market investing."

The sustainable investing market environment is evolving rapidly and, in some cases, becoming increasingly polarised. Against that backdrop, it is particularly important for asset managers to articulate, respectfully, why we believe our approach is in the best long-term interests of our clients.

At Aviva Investors, our view is clear that a sustainability lens provides key insights into both financial risks and opportunities across public and private market investing; that sustainability megatrends will shape the long-term stability and health of capital markets, economies, and wider society; and that we have a responsibility to use our influence to help catalyse the transition to a more sustainable and low-carbon future. While the investment community has an important role in building that future, we also recognise that we are only one stakeholder in an integrated and complex network, made up of companies, industries, supply chains, civil society, national governments, regulators, and multilateral institutions.

That is why at Aviva Investors, we have developed a strategic approach to 'holistic stewardship' where we have designed and executed an interconnected set of engagement programmes, seeking to influence system-wide change. In this report we showcase several examples of our approach, including our long-standing dialogue with national governments, the convening of sector specific value-chain roundtables, as well as our leadership in establishing collaborative investor initiatives to address industry level sustainability risks.

Beyond our efforts to support system level change, the report also details our bespoke approach to integrating sustainability risks and opportunities in how we manage our underlying assets, with the primary objective of delivering enhanced long-term risk-adjusted returns. Ultimately, aiming to deliver the best investment outcomes for our clients is why we exist as a business, and serves as the foundation of our stewardship activities, directing how we exercise our voting rights and our interactions with investee companies and borrowers.

Over time we will continually seek to refine and strengthen our approach to stewardship, investment integration, and management of sustainability solutions; guided by a laser focus on long-term value creation and the delivery of our clients' sustainability objectives.

Mark Versey
Chief Executive Officer, Aviva Investors

Aviva Investors' sustainability approach in summary

It is a fundamental part of our sustainability approach to work in partnership with investors to identify and shape solutions to meet their evolving needs.

Actions to unlock value

We believe that material ESG insights can have a fundamental impact on clients' investment returns and outcomes. This is why our 40+ strong Sustainable Investing team is committed to working with key stakeholders from across the business, leveraging the breadth and depth of their knowledge to enhance processes and seek to deliver on investors' increasingly nuanced sustainability goals.

As an asset manager with scale and global reach, we use engagement, voting and investment decisions to support the transition to a sustainable future. We also engage with stakeholders at multiple levels in the financial system, including with policymakers and regulators, to unlock long-term value for investors – an approach we call 'holistic stewardship'.

Solutions that start with you

We understand that investors' sustainability preferences will differ significantly dependent upon sustainability commitments, regulatory backdrop, and other stakeholder expectations. It is a fundamental part of our sustainability approach to work in partnership with investors to identify and shape solutions to meet their evolving needs.

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.

Experience and integrity

Our long-standing heritage means that we are well placed to meet the challenges of today's investor and their future needs. We seek to take the learnings we have been gathering over the past three decades and apply them to today's sustainability challenges.

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 preferences.

1

2024 sustainability highlights

2024 stewardship highlights

1,166
Total engagements with companies and sovereign issuers

67,334
Total number of votes on resolutions at 6,354 shareholder meetings

190
Engagement outcomes

922
Substantive company engagements

20 per cent
Votes against management resolutions

17
Meetings with the UK Government to discuss low-carbon policy development to improve investment conditions

40
Substantive sovereign engagements

49 per cent
Votes in favour of climate, nature and people shareholder resolutions

Definitions

- Company engagements are defined as interactions with corporate entities on sustainability and governance issues in interactions led by the public markets Sustainable Investing team. Interactions led by investment teams are not reported here, however they may have participated in Sustainable Investing team-led engagements.
- Sovereign engagements are defined as interactions conducted by the ESG Sovereign team with countries and multilateral institutions e.g. the International Monetary Fund.
- 'Substantive' engagements with companies or sovereign issuers are defined as targeted and tailored interactions including bilateral meetings, correspondence, group meetings and consultation responses.
- Examples of shareholder resolution topics we voted on in 2024 include entities publishing their climate plans or disclosures (climate), child labour and diversity (people), and supply chain risk management and reporting on plastic packaging (nature). For more information on how we vote on resolutions, please see our Global Voting Policy.
- Engagement outcomes are changes in the behaviour of an entity that are in line with one of our prior engagement asks.
- Our meetings with the UK Government following the publication of Aviva Investors' 'Low Carbon Investment Policy Roadmap' included meetings with a range of departments including HM Treasury, the Department for Energy Security and Net Zero, the Department for the Environment, Food, and Rural Affairs, and the Department for Business and Trade.

2024 private markets highlights

1,500

Homes built or in pipeline designed to be fully electric[1], making use of air-source heat pump systems instead of traditional gas boilers

1st

'Sustainable Financing Deal of the Year - Europe'

category at the Real Estate Capital Awards for our £57 m transition loan to Urban Logistics REIT plc

Zero energy bills

We're funding the development of 48 new homes with solar panels and battery storage, meaning customers could benefit for five years[3]

£65m[2]

towards Zenobē's 4,000 EV target

Electric commercial vehicles on the road by end 2026, targeted by Zenobē

We completed £65m of new debt financing in 2024 to support their growth

AA rating

EPC rating of our 1,048 build-to-rent homes built or in pipeline in Spain, with a 10-20% energy performance improvement on local regulations due to our energy performance targets

£30m

Indirect investment into cutting edge climate technologies including Neustark AG[4]

135

New bi-mode and electric trains financed for the UK West Coast Mainline's AT300 fleet

The specific assets identified above will typically not be held in all of our private markets strategies.

[1] Homes heated by air source heat pumps in our build to rent pipeline.
[2] The £65m we provided alone is not expected to cover the full 4,000 vehicles. Zenobē is also supported by other investors.
[3] Qualifying for Octopus' Zero Bills tariff, available for five years.
[4] Swiss company who mineralise CO_2 (carbon dioxide) in recycled concrete aggregate.

CASE STUDY

Engaging with policymakers on credible national climate plans

Issue

The Paris Agreement requires signatories to develop Nationally Determined Contributions (NDCs) which outline how each country will reduce emissions and build resilience. Governments submit new, more ambitious NDCs every five years and the next iterations are due in 2025.

The first Paris Agreement stocktake took place in 2023 and concluded that the world is not yet on track, presenting material long-term investment risks. At the same time, many governments are facing elevated debt levels hindering their ability to take more direct action. Consequently, there is a growing need for NDCs to attract increasing levels of private capital to help underpin ratcheted climate ambitions.

At the start of the year, Aviva Investors identified features of NDCs that could catalyse private investment, including setting ambitious headline targets alongside information on the actions governments will take to deliver them such as sector level pathways, indicative policies and associated investment plans.

These features would also enable NDCs to act as a step towards detailed national transition plans which we consider to be essential to support the long-term viability of corporate transition plans.[5]

Action

Our starting point was to communicate our NDC priorities by sending tailored letters to finance ministers from over 50 countries where we are materially invested. We then sought to establish a dialogue with policymakers through proactive bilateral outreach, collaborative initiatives, and participation at events.

This included engaging with sovereign representatives at COP29, the IMF and World Bank annual meetings, and through participating as a lead investor in the UNPRI co-ordinated Collaborative Sovereign Engagement on Climate Change.

We also engaged with international institutions such as the G20, OECD, and Coalition of Finance Ministers for Climate Action, and helped shape industry thinking through contributions to influential reports and high-profile speaking opportunities.[6, 7]

Outcome

Our dialogues with more than 15 countries, including the US, UK, Brazil and Mexico, enabled us to add our perspective to the policymaking process and gather valuable investment insights.

Our engagement with institutions and the wider industry also contributed to investor views on NDCs and national transition planning gaining significant traction through the year.

We were pleased to see the UAE and Brazil submit their NDCs in November and include new emission reduction targets alongside additional detail on the sectoral transformations that would underpin delivery. The UK also announced a new ambitious emission reduction target while the G20 ministers committed to national transition planning to underpin NDCs.

5 The tipping point for climate finance - Aviva Investors
6 CETEX, Taking the Lead on Climate Action and Sustainable Development, September 2024
7 IIGCC, Making NDCs Investable – the Investor Perspective, June 2024

CASE STUDY

Boosting low-carbon investment in the UK: A policy roadmap

Issue

To keep the UK on track for net-zero emissions, the Government's Green Finance Strategy estimates that 'through the late 2020s and 2030s, an additional £50-60 billion capital investment will be required each year'[8]. For investors to take up this challenge, market conditions need to be such that low-carbon investments and projects can provide an appropriate level of risk-adjusted returns. To commit capital at scale, investors also need to be able to identify a visible pipeline of commercially viable assets they can invest in. Getting the public policy framework right across each key sector of the economy is, in turn, an important part of creating the right market conditions for low-carbon investment.

Action

Recognising the importance of public policies in creating an attractive environment for low-carbon investment, we published our Low-Carbon Investment Policy Roadmap in July 2024. The roadmap sets out key challenges slowing private sector investment in low-carbon infrastructure and businesses across eight key economic sectors, and identifies some of the most material public policy solutions to overcome these challenges.

We also responded to some of the most investment relevant public policy consultations, such as on the National Planning Policy Framework, the UK's new industrial strategy, and the Review of the Electricity Market Arrangements (REMA) – one of the biggest reviews of electricity market rules in a decade.

Outcome

We have significantly increased our constructive engagements with the UK government on low-carbon policy. This included 17 meetings with a range of departments following the publication of the roadmap, including HM Treasury, the Department for Energy Security and Net Zero, the Department for the Environment, Food, and Rural Affairs, and the Department for Business and Trade.

We welcome action that the government has taken which address several of the key recommendations in our roadmap. These include:

- **Power sector:** improvements to the strike prices and annual auction pot size to unlock greater investment in renewable energy projects, such as offshore wind.
- **Buildings:** introducing standards to improve the energy efficiency of rented homes, growing the heat pump grant budget, and introducing incentives to grow the supply of heat pumps on the market[9].
- **Public investment:** committing public investment towards complex low-carbon projects, including the £21.7bn awarded for low-carbon hydrogen and carbon capture infrastructure in two industrial clusters and earmarking £5.8bn in the National Wealth Fund budget to address investment barriers in areas such as green steel, gigafactories and port infrastructure.

[8] HM Government, "Mobilising green investment: 2023 Green Finance Strategy", GOV.UK, March 2023
[9] Department for Energy Security and Net Zero (2024), 'Help to save households money and deliver cleaner heat to homes'

CASE STUDY

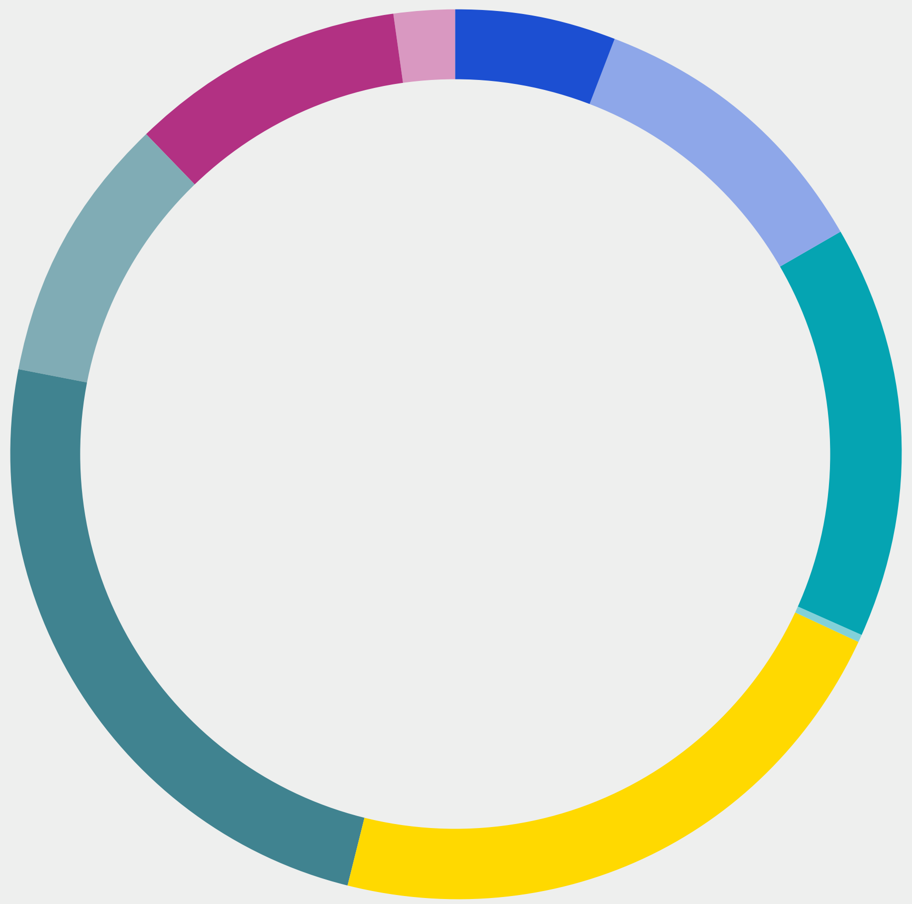
Mobilising value chains to unlock decarbonisation opportunities

Issue

Achieving net zero emissions requires the collective unlocking of entire economies. Hard-to-abate sectors such as transport and buildings are substantial drivers of fossil fuel demand, accounting for approximately one third of total CO_2e (carbon dioxide equivalent) emissions (see Figure 1), and rely on interconnected networks of manufacturers, suppliers, regulators, and end users. Without collaboration across these value chains, systemic barriers – such as supply chain inefficiencies, technological bottlenecks, and fragmented regulations – will prevent progress at the pace and scale required to meet global climate targets.

To address these challenges, Aviva Investors has prioritised value chain mobilisation as part of our holistic stewardship approach, recognising the importance of aligning stakeholders across industries to accelerate decarbonisation efforts.

Figure 1: Global CO_2e emissions breakdown



Buildings	6%
Buildings (indirect)	10.79%
Transport	15%
Transport (indirect)	0.37%
Agriculture, forestry and other land use	22%
Industry	24%
Industry (indirect)	9.89%
Other energy	10%
Other energy (indirect)	1.96%

Source: IPCC, 2022[10]

[10] Dhakal, Shobhakar. Et. al., "Emissions trends and drivers", in "Climate change 2022: Mitigation of climate change. Contribution of working group III to the sixth assessment report of the Intergovernmental Panel on Climate Change," IPCC, Cambridge University Press, 2022.

CASE STUDY

Mobilising value chains to unlock decarbonisation opportunities

Action

Since 2023 (Annual Sustainability Review 2023, sections 1.1 and 4.6), we have initiated roundtables to mobilise entire value chains within key demand side sectors poised for significant climate change mitigation. These initiatives have brought together industry leaders, policymakers, and investors to tackle systemic barriers such as regulatory uncertainty, infrastructure bottlenecks, and financing gaps. Discussions explored sector specific solutions such as scaling EV charging infrastructure, addressing grid constraints, and incentivising energy efficiency retrofits.

Our three main objectives have been to:

1. Promote collaboration between policymakers, investors, and corporates to identify and overcome shared barriers.
2. Drive innovation and investment in technologies and business models essential to decarbonisation such as renewable energy, energy efficiency, and electrification.
3. Advocate for supportive policy frameworks to enable large scale and sustained progress across value chains.

Outcome

Some of the key cross cutting themes that have emerged from the discussions to date relate to financial barriers for companies and consumers, consumer sentiment and hesitancy to adopt low-carbon measures, the lack of ready infrastructure, regulatory and investment uncertainty, the need for workforce development, and challenges in supply chain development.

These insights have directly shaped our investment strategies, engagement priorities, and public policy advocacy.

CASE STUDY

Engaging with manufacturers of hazardous chemicals

Issue

The mismanagement of hazardous chemicals can pose a significant risk to producers and users of industrial chemicals with the potential to directly impact near-term valuations. This issue was brought starkly to investors' attention with 3M's $10.3bn settlement with US public water suppliers as reparation for historic contamination of water supplies.

Action

Aviva Investors has led a multi-year collaborative engagement initiative in this area – creating and chairing the Investor Initiative on Hazardous Chemicals (IIHC), representing more than 70 investors globally. The IIHC aims to reduce the adverse impacts of hazardous chemicals and thereby its members' exposure to the financial risks to which they are linked.

In November 2024 we sent a fourth annual letter to 51 manufacturers of hazardous chemicals on behalf of the IIHC to encourage them to:

- Increase transparency by publishing the names and volumes of hazardous chemicals manufactured globally.
- Publish a time bound phase out plan of persistent chemicals (per- and polyfluoroalkyl substances (PFAS)) from production.
- Develop safer alternatives for hazardous chemicals.

We have held annual follow-up calls to discuss these asks with four companies since 2021, co-leading the engagement with BASF in 2024, and with Dow and BASF in 2023. We also engaged independently with LG Chem and Sika. We voted against management at the annual general meetings (AGMs) of BASF and Dow in 2024 where we believed the companies were showing insufficient progress against the engagement asks.

Outcome

We are pleased that the importance of the issue continues to gain traction and that companies are increasingly adopting more transparent, progressive and robust approaches to responsible chemical management.

Sika has significantly enhanced transparency of its exposure reporting[11] that 0.4 per cent of sales and five per cent of revenues are associated with products containing PFAS and the EU list of 'substances of high concern', respectively. The company has introduced new substance risk management processes and is working actively with suppliers to limit PFAS exposure further.

Other companies have sought to integrate concerns over hazardous chemicals into their commercial strategy with the likes of LG Chem developing a portfolio of PFAS-free flame-retardant materials[12], while German chemicals giant BASF is seeking to have its Sustainable Future Solutions business represent more than half of total sales by 2030[13].

11 Sika 2023 Annual Report, p122
12 LG Chem adds eco-friendliness to flame-retardant plastics
13 BASF: TripleS: transparent sustainability for our customers

CASE STUDY

Aligning remuneration with corporate performance

Context: Promoting sustainable UK capital markets

There has been increased focus on how to develop the UK's capital markets to support the UK's economic growth and maintain its status as a leading financial centre. Many companies have delisted from UK stock markets in recent years, including 88 in 2024, either by re-listing abroad or being acquired by international listed companies or private owners. Others have chosen not to list in the UK when they launch their Initial Public Offering (IPO). Reasons cited include low valuations and poor liquidity.

Efforts are underway to improve the attractiveness of the UK and to build a business culture that is more supportive of growth. Measures being explored concern reform to direct investment capital towards UK-listed and early-stage companies and infrastructure, supported by a reduction in regulation that inhibits investment or risk taking.

Stewardship-related items have also come under review and we have been actively involved in these. In July, the FCA's Listing Rules were amended to better accommodate companies with unequal voting rights and simplified to encourage more effective merger and acquisition activity. We provided feedback into these consultations.

Other actions have looked to improve the quality of investor and corporate dialogue to promote improved information exchange that supports improved investment and business decision making. To this end, in September our CEO joined the Steering Committee for the newly created Investor & Issuer Forum.

Finally, the frameworks that underpin effective governance and stewardship by UK companies are changing. In January, the Financial Reporting Council (FRC) updated the UK Corporate Governance Code. In October, the FRC launched a consultation to review the Stewardship Code, which provides the basis for this Annual Sustainability Review. We have also been involved in this consultation, participating in industry forums to provide feedback.

Many actions are underway to promote UK capital markets, and we are committed to support where we can.

CASE STUDY

Aligning remuneration with corporate performance

Issue

In addition to items already mentioned, remuneration practices of UK-listed companies is one area being explored as part of efforts to promote UK capital markets. These practices came to life over the 2024 AGM season, with greater focus on aligning pay levels and structure for UK-listed companies with a global presence, to policies and practice adopted by global (predominantly US-listed) peers. It has been felt that the previous UK industry guidance and approaches to pay was restrictive and did not consider nuance of individual business models. This could disincentivise risk taking and inhibits firms in attracting and retaining talent – affecting company performance. Examples of concerned companies included AstraZeneca, a pharmaceutical group, London Stock Exchange Group (LSEG), a financial services provider, and Smith & Nephew, a medical equipment provider. All have significant business exposure to the US.

Action

As in previous years, we considered remuneration policies and awards, according to the context of the relevant company and their strategy and performance. We undertook consultations with the relevant board directors and teams responsible for executive remuneration at investee companies. Our equity investment team were also consulted to assess how proposed pay awards and pay structures were aligned to performance.

We also participated in broader industry engagement on the theme, and as members of the Investment Association's Remuneration and Share Scheme's Committee, we contributed to the update of the association's Principles of Remuneration, which sets guidance for companies on investor views of remuneration best practice.

Outcome

In our examples, we supported remuneration policy proposals at LSEG and Smith & Nephew. LSEG received 89 per cent support and Smith & Nephew was more contentious - receiving 57 per cent support.
We acknowledged that under the new policies, long-term outperformance will continue to be the main driver of additional pay and they reflect both companies' competitive positioning, including recruitment and retention challenges. Smith & Nephew had also adopted recommendations we had made on bonus deferrals.
We abstained at AstraZeneca, whose policy received 36 per cent votes against. Whilst we recognised a similar context to our aforementioned cases, we held concerns that the LTIP (long-term incentive plan) vesting at threshold performance was too high. We outlined our rationale that higher payouts should be contingent upon exceptional performance, so that they consider this ahead of the 2025 AGM. We will monitor pay outcomes for alignment to performance for relevant companies at their 2025 AGMs.

At a market level, the updated Investment Association's Principles of Remuneration was updated to become less prescriptive, and re-emphasised the importance that they were principles, not rules, and that companies should be encouraged to develop structures that aligned with their strategy and business model, and performance objectives.

Overall, we will continue to track progress on remuneration practices as a lever to support UK growth ambitions by rewarding companies and their talent for exceptional performance and taking appropriate risk.

CASE STUDY

Dutch real estate: Capturing a premium through going green

ESG investment thesis

The increase in corporate demand for offices aligning with low-carbon objectives and meeting employees' sustainability expectations has created a shift towards prioritising environmental, social and governance (ESG) goals and well being within office spaces in Amsterdam. In 2021, 70 per cent of office real estate demand in Amsterdam was for buildings with energy label of A or better. Across the Netherlands, studies have shown that on average, a rental premium of 10.3 per cent can be achieved by office buildings with green certifications.

The FOZ building is a Grade A multi-let office space located in the heart of Amsterdam's business district. Its sustainable credentials include a BREEAM Excellent certification and an EPC A++ rating[14]. The site's energy is provided by a connection to the local district heat network, utilising thermal energy storage technology. This eliminates the need for fossil fuel usage on site and assists in moving some of the energy demand away from peak times, reducing the pressure on the local heat network.

Impact on portfolio positioning

We acquired the FOZ building in 2022. Since then, it has performed ahead of business plan expectations.

Furthermore, in 2024, and alongside a substantial metering and control strategy, FOZ embarked on an ambitious smart building optimisation programme supported by the Healthy Workers platform. This platform will assess and optimise the usage profile of energy and water onsite. These developments are expected to drive sustainable performance in operation and enable the building to be operated at its full potential which could help to unlock increased value for investors.

In summary, identifying the strong sustainability credentials of this asset has helped us to capitalise on the significant green premium in the Dutch office market.

[14] BREEAM: Building Research Establishment Environmental Assessment Methodology; EPC: Energy Performance Certificate.

For illustrative purposes only and not intended as an investment recommendation. Past performance is not a reliable indicator of future returns.

CASE STUDY

Antofagasta: Mining companies and water usage

ESG investment thesis

Antofagasta is a Chilean based copper mine operator, which also runs a rail network and manages a water distribution concession. Copper is crucial for energy transition technologies, and its demand is expected to exceed supply this decade as electricity demand grows.

Water management is a critical issue in the mining industry, as water is often taken from groundwater sources, directly competing with local communities. We have long engaged with companies on the management of these impacts, and have sought expert views on the human rights impacts of copper mining in Chile, given the current social and political environment. This contributed to our understanding of the steps that Antofagasta is taking to improve their impact on the region, particularly at their Los Pelambres mine.

Antofagasta's desalination project at the mine uses seawater instead of freshwater, which is used by local communities, to meet 90 per cent of the operation's water requirements. This initiative demonstrates Antofagasta's proactive approach to foster positive relations and avoid potential conflict around water usage. We also continue to engage with the company on board oversight.

Impact on portfolio positioning

On our UK equities desk, positioning on the mining sector shifted in 2024 following a review of the near-term drivers, as well as sustainability risk management. Antofagasta demonstrated positive momentum on community relations, providing a point of differentiation in a sector challenged with social issues, which have been an overhang for some of their peers.

We reduced or exited positions in a number of mining companies due to several factors including commodities exposure and ESG concerns. In contrast, we purchased Antofagasta across multiple UK equity funds and held an overweight position relative to the benchmark. Due to a variety of factors, the company has been additive to performance across our UK equity portfolios over the year, performing strongly since initiation.

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2

Strategic approach

Our sustainability beliefs and approach

At Aviva Investors we recognise that the future economy is likely to look fundamentally different to the present one, characterised by decarbonisation, the protection and restoration of nature, and the need to operate on a more 'just' and inclusive basis.

We take our role seriously in navigating these developments on behalf of clients. The journey to this future economy is not straightforward and presents significant risks and trade-offs, but also opportunities for those equipped to capitalise on them.

In seeking to deliver long-term risk-adjusted returns for our clients, we believe in engaging with participants in different areas of the financial system to support the transition to a sustainable economy. Our engagement approach is carried out across six levels of influence, leveraging our agency and expertise to facilitate change. We call this multi-faceted approach to engagement 'holistic stewardship' (see the Holistic Stewardship section for more information on the levels and our engagement approach).

We also recognise the importance of integrating ESG (environmental, social and governance) insights into investment processes – where material – with the intention of enhancing long-term risk-adjusted returns for investors.

Finally, we see that 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.

To support the wide ranging activity that underpins our sustainable investing approach, teams within the Sustainable Investing function carry out work, including within the following areas:

- the integration of ESG insights into investment decision-making processes
- stewardship (including engagement and voting activity)
- application of our Baseline Exclusions Policy
- identification of stewardship priorities using the UN Sustainable Development Goals (SDGs) as a framework
- sustainability-related tools and analytics

We believe there is no 'one size fits all' approach when it comes to sustainable investing

ESG integration

We believe that material ESG insights can have a fundamental impact on clients' investments returns and outcomes. We aim to integrate financially material ESG insights into our investment process to better manage risk, identify investment opportunities and support the delivery of long-term risk-adjusted returns. Our ESG integration and stewardship teams are closely connected to our investment function through various touchpoints and forums, both formal and informal, ensuring close collaboration and the sharing of ideas, including relevant ESG insights.

Investment opportunities in sustainability themes

We can pursue investment opportunities for our clients through the identification of sustainability themes. Seeking investment returns in this way involves being discerning about where we see opportunities for alpha generation.[15] These themes can take the form of climate solutions, for example, through the decarbonisation of buildings or electrification of transport. One example of an investment that benefited from these kinds of shifts was our stake in a business that helps electric vehicle drivers in Europe reduce their carbon emissions by charging during off peak hours.

Through our holistic stewardship approach, we seek to unlock further opportunities for investors, for example, by way of the value chain roundtables we have held on these themes. The roundtables bring together relevant sectors with their respective trade associations and regulatory bodies to discuss their shared sector, value chain, and systemic bottlenecks impeding decarbonisation.

At our roundtable on aviation, discussions covered the need for shared infrastructure investment and technologically feasible, economical solutions to enable a net-zero energy transition; as well as greater economic incentives and stable, predictable and reliable policy frameworks to help build the business case for investment.

Investible themes might also present themselves through increased demand for renewable energy. For example, by way of electrification of the grid and the resulting demand for renewable energy infrastructure. Not only does this present opportunities in the built environment but also investments in corporate issuers that are exposed to these themes are likely to be well positioned to benefit.

Waste management and the circular economy is yet another theme that can present opportunities. For example, certain national policy signals such as when the US Environment Protection Agency (EPA) enhanced its focus on landfill methane emissions in 2024, helped to encourage key opportunities for recycling and renewable natural gas (RNG).

This in turn benefited the waste management companies that are able to enhance recycling and convert methane into RNG to boost revenue and cut fuel costs, increasing profitability, especially amid rising commodity prices. Investments linked to this theme are in effect meeting society's growing need for electricity generation, while also providing solutions to the issue of waste management.

Being able to address both issues concurrently can help to position technology developers, for example, for stronger financial performance.

[15] Alpha: excess returns earned on an investment above the benchmark return when adjusted for risk.

Holistic stewardship

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'. We have identified six levels of influence in the financial system where we see opportunities to engage and bring about change.

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 ESG issues, to encourage best practice; and we take a strategic approach to voting.

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.

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

Our stewardship approach covers governance and a broad range of thematic sustainability issues, on which we seek to engage companies we invest in. Our stewardship priorities support long-term value creation for our clients, and include considerations of climate, people and earth issues. You can read more about the levels of influence and our approach to engagement in the Holistic Stewardship section.

Baseline Exclusions Policy

Broadly speaking, we believe it is more effective to use our influence to drive change through engagement rather than ceasing to allocate capital to an investment. Once investors sell, they are no longer able to apply pressure to company boards and may be replaced by shareholders with fewer ESG concerns.

However, there are certain sectors and economic activities where we do not invest given they are misaligned with Aviva's overarching approach to sustainability. We therefore have a Baseline Exclusions Policy to define a framework for this.

This includes seeking to exclude companies that we deem to have materially violated the principles of the United Nations Global Compact (UNGC) after taking into account any commitment they may have made to remediating action.

Implementation of the policy is underpinned by third-party data as well as internal analysis. While we make every effort to use accurate and complete data, we are reliant on third-party providers and there is a risk information may be incomplete, inaccurate or unavailable. You can read more about this in our Sustainability data providers section.

Tailoring our approach to our clients' specific sustainability needs

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

Moreover, we partner with our clients 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 acting 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. The function undertakes activity that is specifically tailored to different clients' specific goals and needs. This includes:

- Sustainability strategies with varied underlying fund methodologies, for example in relation to the UN SDGs or impact investing frameworks.
- Implementation of sustainability overlays (for example choice of metrics, methodologies and stewardship activity relating to net zero ambitions) to help investors achieve any sustainability-related commitments through their investments.

Sustainability strategies to suit clients' varied sustainability needs

We believe in client choice and in the provision of varied strategies to suit different investors' needs. We have a range of different strategies, from those with additional sustainability characteristics to those with explicit sustainability objectives. Recognising certain clients also want to target specific outcomes linked to the SDGs, we continue to develop our capabilities to deliver research, engagement and solutions as part of our approach to sustainability.

Sustainability overlays on portfolios (for example net zero)

Aviva Investors is a key enabler in the delivery of our parent company Aviva's Sustainability Ambition[16].

We recognise that there are several stages to tailoring a solution that suits the specific needs of clients' net zero ambitions:

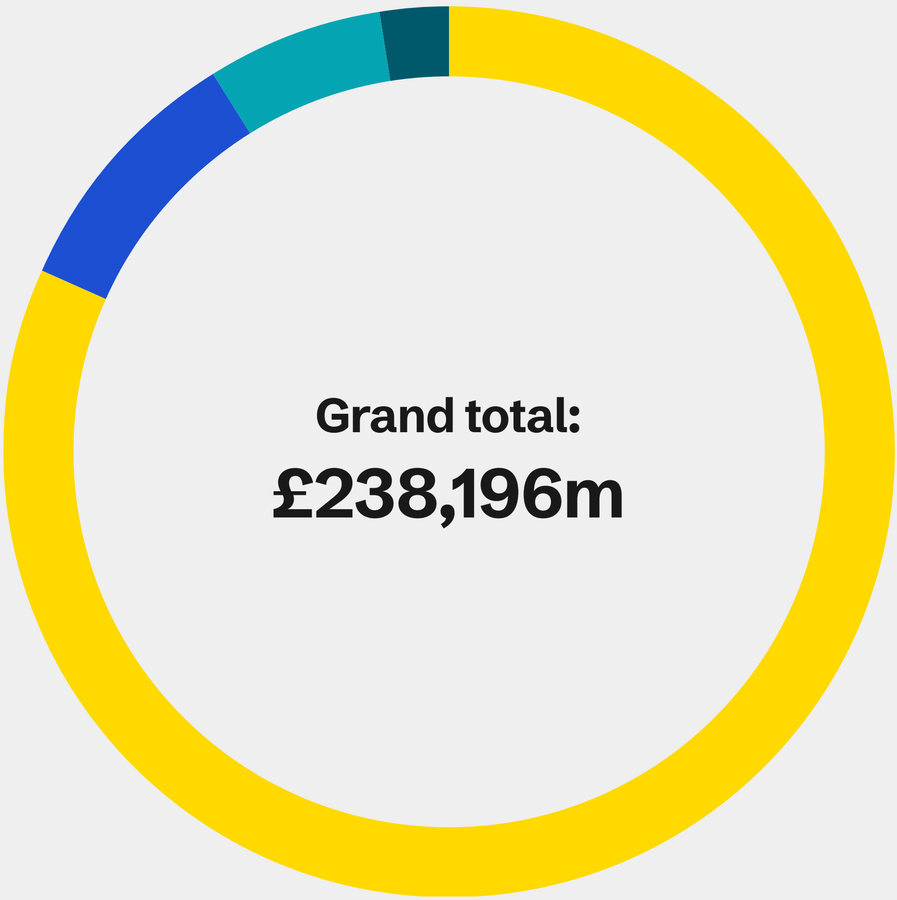
- Understanding our clients' sustainability ambitions i.e., portfolio decarbonisation, real world impact or both.
- Devising the right investment framework for clients based on their goals including the exploration of existing frameworks, for example the Institutional Investors Group on Climate Change (IIGCC) and Implied Temperature Rise (ITR), as well as establishing key performance indicators (KPIs) for success.
- Creating an action plan and helping clients to understand what compliance with their specific framework will mean for their portfolios e.g., research, engagement activity and portfolio construction.
- Ongoing monitoring and tracking to ensure we communicate with our clients through every step of their sustainable investing journey.

[16] You can read more about Aviva's Sustainability Ambition here.

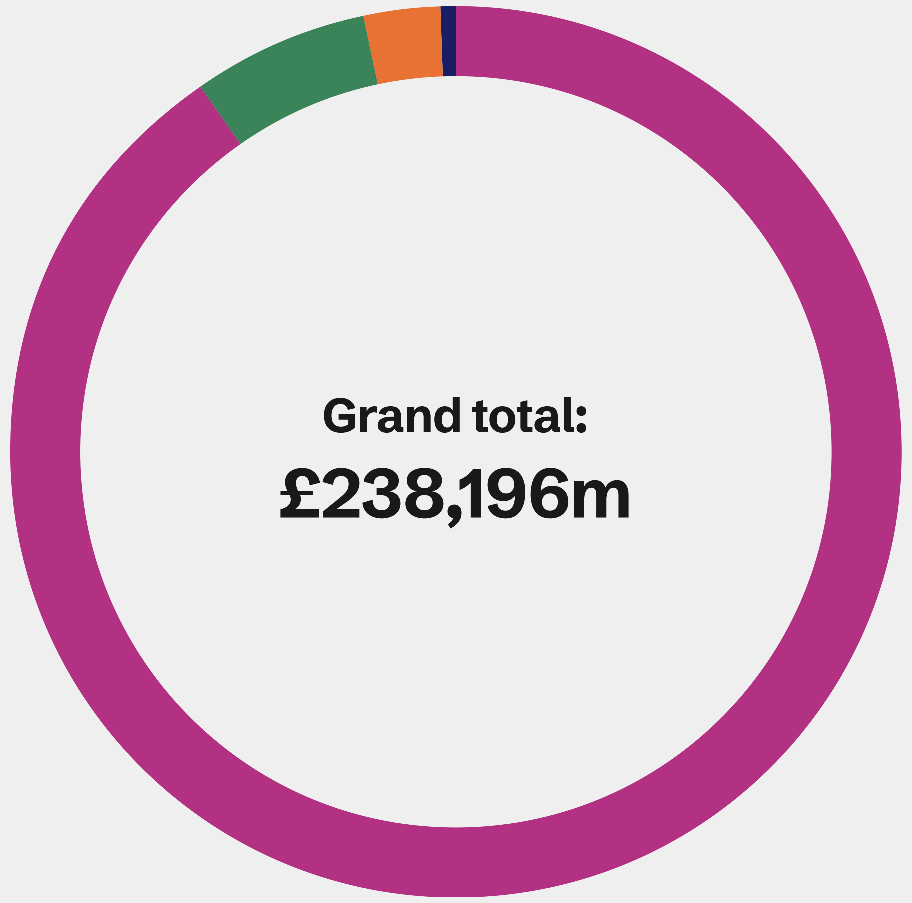
Our client and beneficiary needs

We manage £238.2bn for clients around the world, including Aviva plc entities. The charts below give an overview of our client base, as at year end 2024.

Figure 2: Aviva Investors' breakdown of client base by client type and geography



Client type	%
Internal	82.0
Institutional ex Insurance	9.4
Wealth/Retail	6.3
Insurance	2.4



Mandate domicile	£m	%
UK	215,451	90.5
Europe ex UK	14,832	6.2
Americas	6,636	2.8
APAC	1,277	0.5

Source: Aviva Investors, as at December 31, 2024.
All percentages may not total 100% due to rounding.

Understanding our clients' sustainability preferences

We serve clients in different geographies around the world and invest in a variety of asset classes on their behalf. Understanding what matters to our clients with respect to stewardship themes and practices is a key input into the development of our firm-wide stewardship priorities. We regularly review and refine our priorities to inform how we allocate our time and seek to innovate going forward. We are able to gather feedback from clients in a variety of ways, including through bilateral meetings and roundtables.

Whilst our firm-level stewardship priorities provide the basis of the activity we undertake on behalf of clients, where a client wishes to pursue specific sustainability themes, we can also work in partnership with them to understand their particular needs and explore the feasibility of this activity as well as the relevance to their portfolio. Dependent on client need and asset class, certain activity may not be feasible, and it will be important to set an appropriate strategic direction and expectations. For example, we would need to set different expectations if we were looking to engage issuers on SBTi targets in an emerging markets-focused portfolio versus in a portfolio predominantly invested in developed markets.

Where a client has a specific sustainability objective or is seeking to address a specific sustainability challenge, we can explore the implications of any sustainability commitments they have as well as analysing the various approaches to 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.

We use a relationship management tool as one of the mechanisms to support us in building out an increasingly detailed picture of our clients' sustainability preferences and requests. Throughout 2024 we continued to develop the reporting mechanisms of this tool to further increase the feedback loop between the specific sustainability preferences of our clients and the sustainability capabilities we can offer. We plan on continuing this work in 2025 to enhance client touchpoints and our tailored approach to client sustainability preferences.

For professional clients specifically seeking to invest through a segregated mandate, we can capture their sustainability preferences through a questionnaire built into our client relationship system. Our professional clients' views are obtained on the following factors, which we update in line with regulations (including MiFID II):

- Whether or not they wish to address specific sustainability themes or issues through their investments.
- Which sustainability themes are most important to them, linked to the UN SDGs.
- Whether and how they wish to obtain higher ESG credentials than the relevant benchmark (for example, by increasing exposure to high ESG performers).
- Whether our baseline exclusions policy meets their expectations and if there are other screens/exclusions they want to implement.
- Their preferences around labels for products, such as the LuxFLAG.

> Understanding what matters to our clients with respect to stewardship themes and practices is a key input into the development of our firm-wide stewardship priorities.

Communicating with clients

Communication plays a critical role in effective stewardship, in terms of consulting with clients on their preferences and outcomes sought, and reporting on how their investments are contributing to achieving these. As an asset manager, we are conscious that while there might be a chain of intermediaries involved, we ultimately manage money for individuals. It is therefore an essential part of our role to communicate clearly to clients – whether institutional, wholesale or retail – what we are doing on important issues, including clear communication of the components of our sustainability approach.

In 2024, we continued to provide evidence on the sustainability activities we undertake for our clients. This section shows illustrative examples of the kind of reporting we provide to clients for relevant strategies. To provide these reports we rely on data from third-party providers alongside external and proprietary models. While we make every effort to use accurate and complete data, there is a risk information may be incomplete, inaccurate or unavailable. You can read more about this in our Sustainability data providers section.

Quarterly ESG reporting

We embed ESG reporting as standard for funds that receive quarterly reporting.[17] The ESG section of the report is divided as follows:

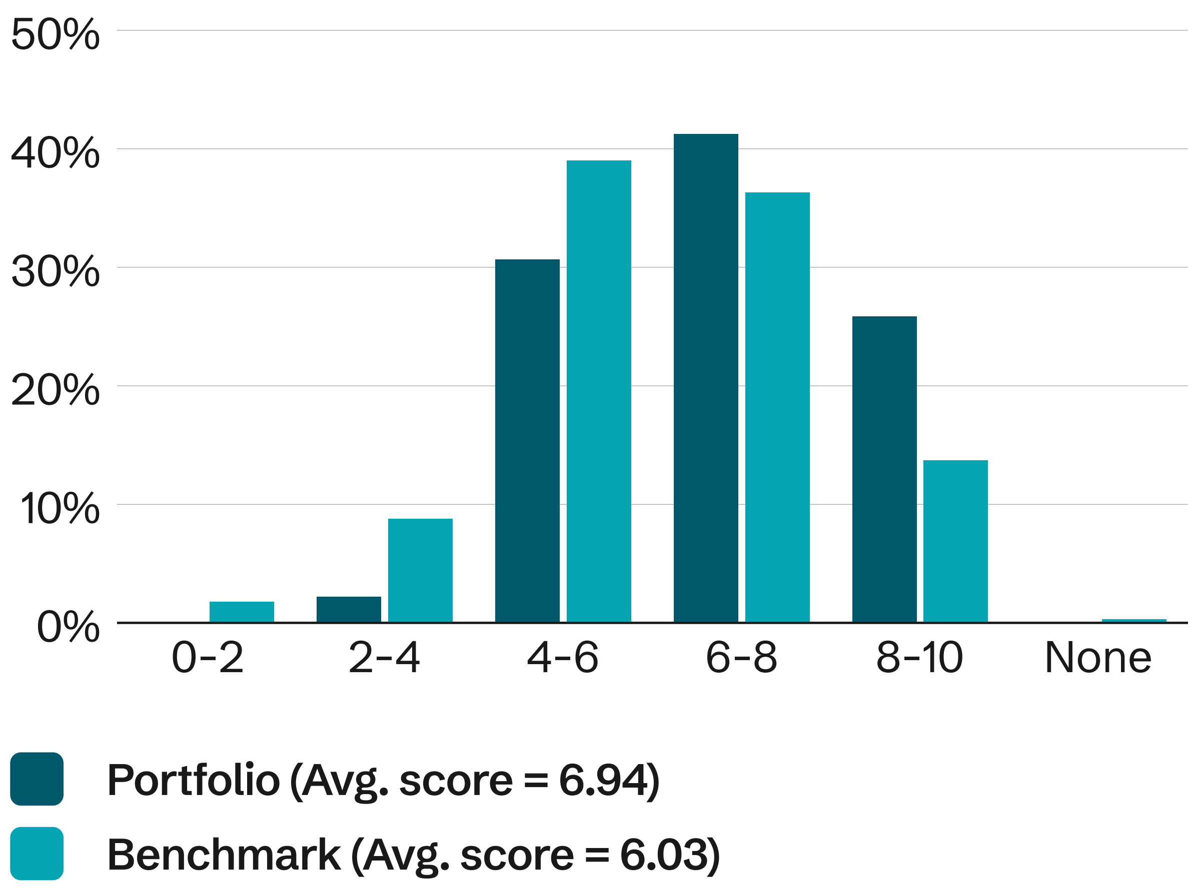
- overall ESG assessment
- environmental assessment
- active engagement.

This is described in more detail throughout this section.

Overall ESG assessment

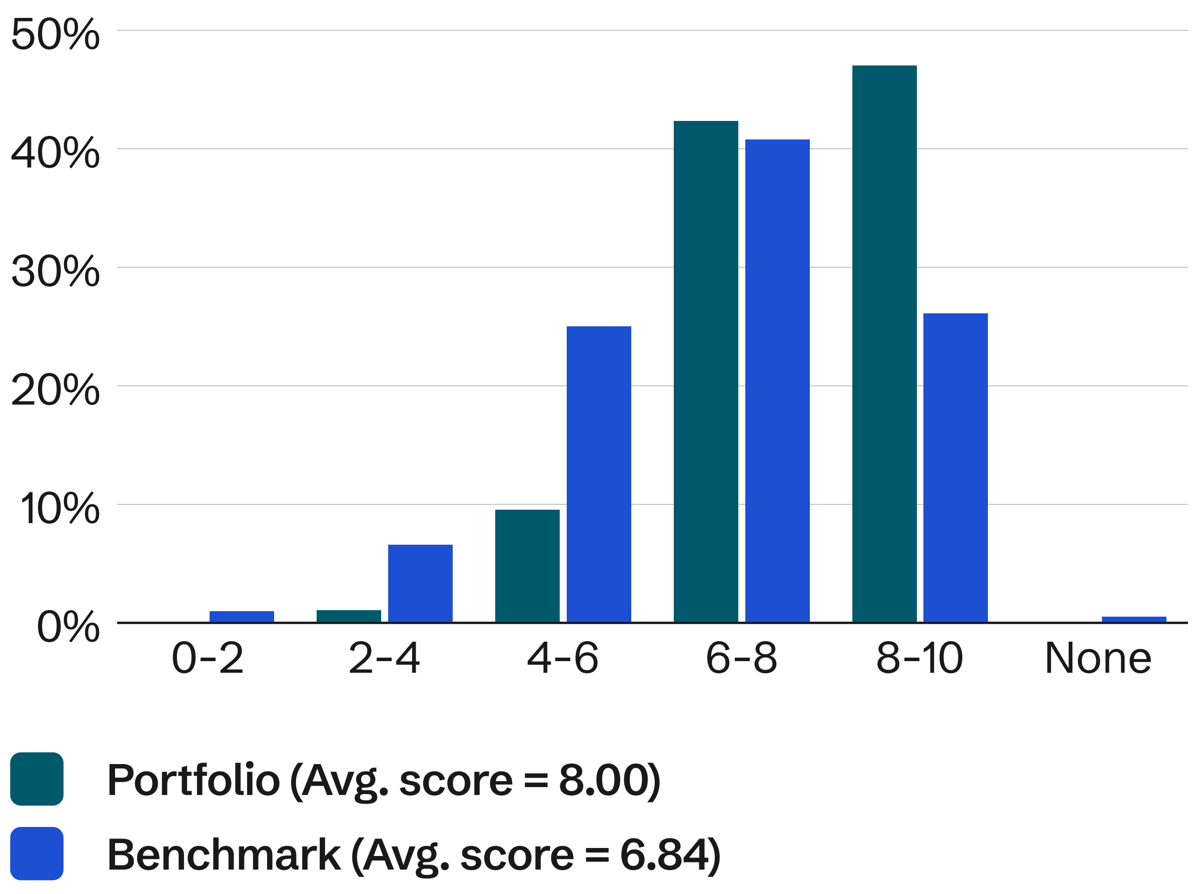
The overall ESG assessment section makes reference to both our proprietary ESG scores and the MSCI ESG scores. Below (Figures 3 and 4) is an example of how this information is presented. Investors can compare how the holdings in their portfolio compare to the benchmark holdings on the basis of our ESG proprietary scores as well as on the basis of the MSCI ESG scores.

Figure 3: Proprietary score (by % market value)



Source: Aviva Investors and MSCI, as at 30 June, 2024

Figure 4: MSCI score (by % market value)



Source: Aviva Investors and MSCI, as at 30 June, 2024

[17] Note that ESG client reports may differ across strategies and may not be available for all products and strategies.

Environmental assessment

The environmental assessment focuses on ESG metrics that are specific to the investment mandate. For a climate-related mandate for example, this could include carbon intensity or portfolio warming potential.

ESG assessment tailored to multi-asset portfolios

For our multi-asset strategies, we provide visibility on a combination of the following carbon related metrics, dependent on the specifics of the investment strategy:

- Scope 3 emissions intensity
- carbon footprint for Scopes 1 and 2 emissions
- percentage of corporates owning fossil fuel reserves.

Figure 5 is an example of an environmental assessment carbon intensity report for corporates.

Figure 5: Carbon intensity report example

Environmental, Social and Governance (ESG)

Environmental assessment

Carbon intensity (Corporate)

Carbon intensity is an industry standard for measuring greenhouse gases associated to a portfolio.

This is not a specific target or input to the investment process, therefore there may be a variance to the benchmark, so this data is intended for informational purposes only.

	Description	Portfolio score	Benchmark (SAA)	Portfolio vs. benchmark (SAA)
Corporate - Carbon intensity scope 1 & 2 (t/USD million sales)	Carbon intensity is a measure of greenhouse gas emissions (scope 1 & 2) normalised by the companies revenue, which allows for comparison of emissions between companies of different sizes. The lower the number the better.	119.32	131.06	-8.96%
% Market Value coverage		92%	88%	

Source: Aviva Investors and MSCI, as at 30 September 2024.

	Description	Portfolio score	Benchmark (SAA)	Portfolio vs. benchmark (SAA)
Corporate - Carbon intensity scope 3 (t/USD million sales)	This figure represents the company's most recently estimated Scope 3 total emissions normalized by sales in million USD, which allows for comparison between companies of different sizes. The lower the number the better.	721.29	725.39	-0.57%
% Market Value coverage		89%	85%	

Source: Aviva Investors and MSCI, as at 30 September 2024.

	Description	Portfolio score	Benchmark (SAA)	Portfolio vs. benchmark (SAA)
Corporate - Carbon footprint scope 1 & 2 (t/USD million EVIC)	This figure represents the company's most recently reported or estimated Scope 1 and 2 emissions normalized by the most recently available enterprise value including cash (EVIC) in million USD. This ratio facilitates portfolio analysis by allocating emissions across equity and debt. The lower the number the better.	47.41	49.13	-3.51%
% Market Value coverage		90%	86%	

Source: Aviva Investors and MSCI, as at 30 September 2024.

	Description	Portfolio score	Benchmark (SAA)	Portfolio vs. benchmark (SAA)
Corporate - Fossil fuel reserves (% market value)	This field identifies companies with evidence of owning fossil fuel reserves regardless of their industries, including companies that own less than 50% of a reserves field. Fossil reserves are defined as proved and probable reserves (i.e. 1P and 2P) for coal and proved reserves (i.e. 1P) for oil and natural gas. Evidence of owning reserves includes companies providing the exact volume of reserves, and companies making a statement about their ownership of reserves. The lower the number the better.	5.52%	5.55%	-0.03%

Source: Aviva Investors and MSCI, as at 30 September 2024.

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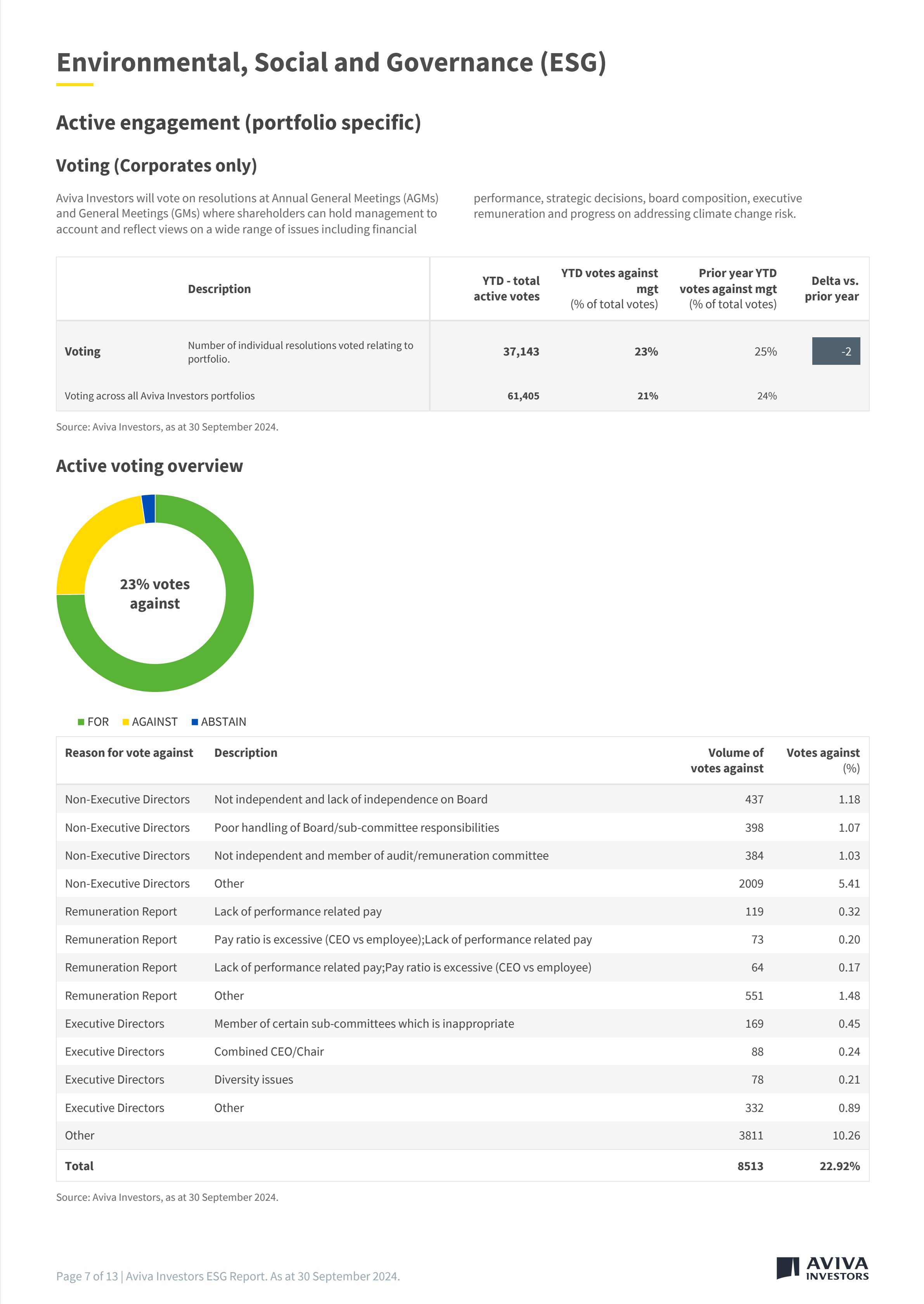
AVIVA INVESTORS

Source: Aviva Investors and MSCI as at September 30, 2024.

Engagement and voting

Case studies on voting (if relevant) and active engagement on portfolio holdings show clients examples of how we engage and the resulting outcomes. Each subsection in this part of any report provides a high level overview, with more information available if required, including timeseries data and granular breakdowns. We detail portfolio specific voting along with a breakdown of where we did not vote with management. Finally, engagement activity on behalf of the strategy is captured. This gives clients insights into stewardship activity relating to the portfolio and helps to hold managers to account. A short summary of each engagement is provided, accompanied by a more detailed case study, where relevant (see Figure 6).

Figure 6: Sample reports on engagement activity and voting (where relevant)



Environmental, Social and Governance (ESG)

Active engagement (portfolio specific)

Voting (Corporates only)

Aviva Investors will vote on resolutions at Annual General Meetings (AGMs) and General Meetings (GMs) where shareholders can hold management to account and reflect views on a wide range of issues including financial performance, strategic decisions, board composition, executive remuneration and progress on addressing climate change risk.

Description		YTD - total active votes	YTD votes against mgt (% of total votes)	Prior year YTD votes against mgt (% of total votes)	Delta vs. prior year
Voting	Number of individual resolutions voted relating to portfolio.	37,143	23%	25%	-2
Voting across all Aviva Investors portfolios		61,405	21%	24%	

Source: Aviva Investors, as at 30 September 2024.

Active voting overview

Reason for vote against	Description	Volume of votes against	Votes against (%)
Non-Executive Directors	Not independent and lack of independence on Board	437	1.18
Non-Executive Directors	Poor handling of Board/sub-committee responsibilities	398	1.07
Non-Executive Directors	Not independent and member of audit/remuneration committee	384	1.03
Non-Executive Directors	Other	2009	5.41
Remuneration Report	Lack of performance related pay	119	0.32
Remuneration Report	Pay ratio is excessive (CEO vs employee);Lack of performance related pay	73	0.20
Remuneration Report	Lack of performance related pay;Pay ratio is excessive (CEO vs employee)	64	0.17
Remuneration Report	Other	551	1.48
Executive Directors	Member of certain sub-committees which is inappropriate	169	0.45
Executive Directors	Combined CEO/Chair	88	0.24
Executive Directors	Diversity issues	78	0.21
Executive Directors	Other	332	0.89
Other		3811	10.26
Total		8513	22.92%

Source: Aviva Investors, as at 30 September 2024.

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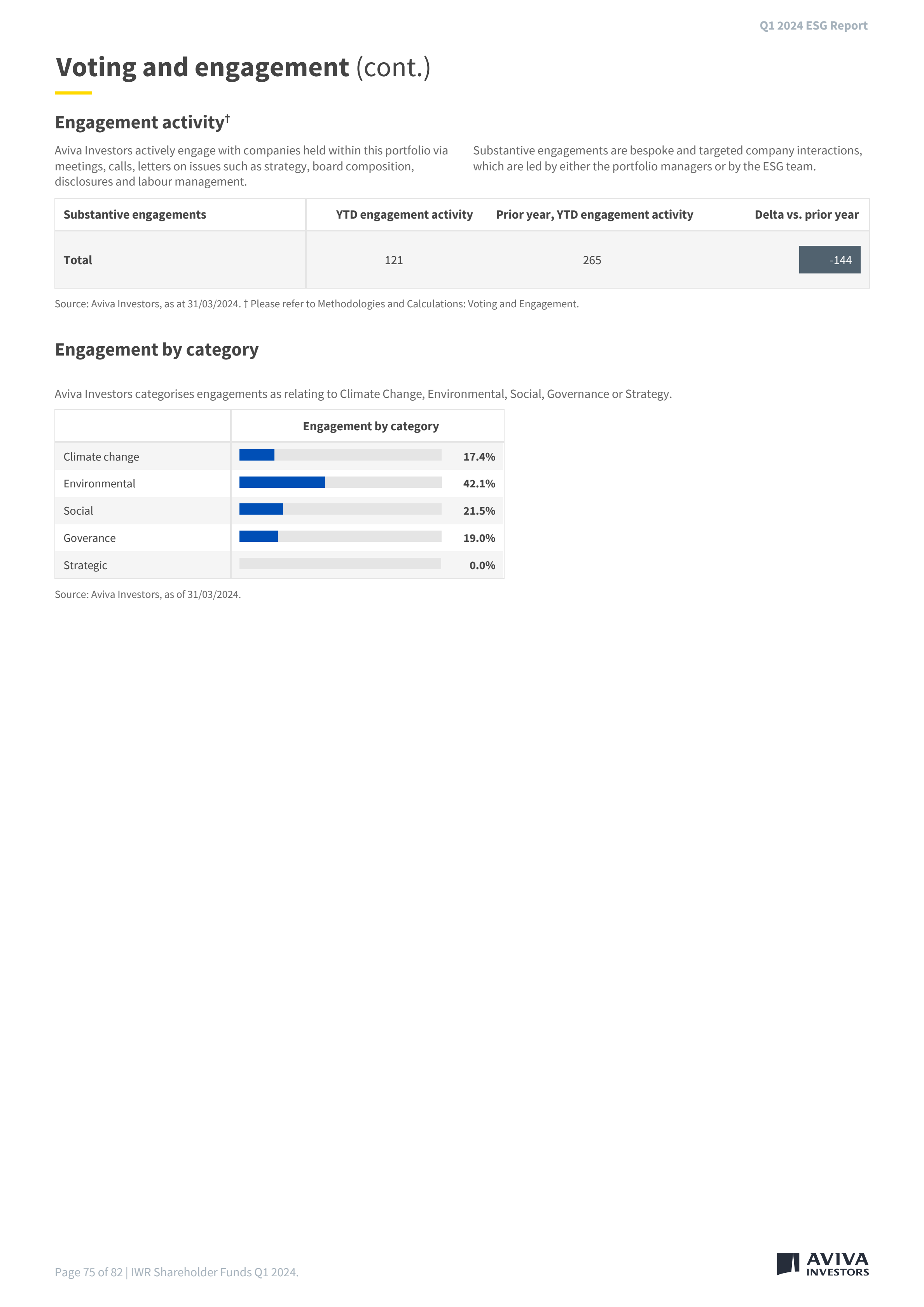
AVIVA INVESTORS



Q1 2024 ESG Report

Voting and engagement (cont.)

Engagement activity†

Aviva Investors actively engage with companies held within this portfolio via meetings, calls, letters on issues such as strategy, board composition, disclosures and labour management.

Substantive engagements are bespoke and targeted company interactions, which are led by either the portfolio managers or by the ESG team.

Substantive engagements	YTD engagement activity	Prior year, YTD engagement activity	Delta vs. prior year
Total	121	265	-144

Source: Aviva Investors, as at 31/03/2024. † Please refer to Methodologies and Calculations: Voting and Engagement.

Engagement by category

Aviva Investors categorises engagements as relating to Climate Change, Environmental, Social, Governance or Strategy.

	Engagement by category
Climate change	17.4%
Environmental	42.1%
Social	21.5%
Goverance	19.0%
Strategic	0.0%

Source: Aviva Investors, as of 31/03/2024.

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AVIVA INVESTORS

Source: Aviva Investors, as at March 31, 2024.

Reporting on sustainable funds

Sustainable product suite

We report on sustainability activity relating to our sustainable product suite. Reports will differ across strategies, given that metrics and data included in each report will be relevant to the strategy's individual sustainability and investment objective.

Portfolio KPIs

For some funds, we continued to report on portfolio KPIs (sample shown in Figure 7), which are used as indicators of whether a company is positively aligned to the objectives of the fund.[18]

UN SDG alignment

Our strategies with SDG alignment objectives are based on internal frameworks and research, however for reporting and monitoring purposes we currently use MSCI SDG data[19], which can provide an indication of the extent to which a company's solutions, revenue or operations are aligned positively or negatively to a specific SDG. We acknowledge the current limitations of SDG data and do not base investment selection on this methodology alone.
We are developing an in-house view to help establish a framework for measuring alignment to the UN SDGs at the company and portfolio levels and to support elements of our thematic research.

Figure 7: Sample report on portfolio KPIs

Key Performance Indicator	Fund	MSCI ACWI (All Country World Index)
Percentage of companies with ≥20% natural capital or climate change solutions revenues	42%	14%
Percentage of companies in the top quartile for environmental management	76%	34%
Percentage of companies with positive or highly positive overall natural capital contribution	56%	28%
Percentage of companies with a Science Based Target	56%	21%

Source: Aviva Investors, as at December 31, 2023. Latest data available for use at time of reporting.

18 KPIs are not necessarily used as an input into the decision-making process to invest into individual companies and we take various sustainability and investment factors into account.
19 More information on the MSCI SDG Alignment methodology is available here: https://www.msci.com/documents/1296102/15233886/MSCI+SDG+Alignment+Methodology.pdf

Thematic engagement programme updates

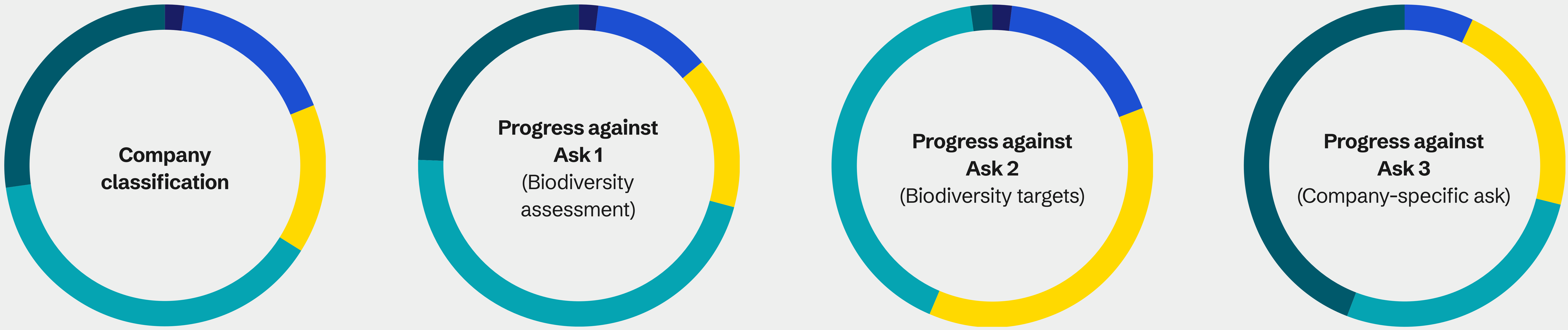
For some funds, we have structured engagement programmes that target all companies within a portfolio for a period of three years from their inclusion. For these funds, we share updates from the engagement programmes with our clients to demonstrate company progress against our asks.

Figure 8 is an example of how we depict company performance against engagement asks through our evaluation framework, ranking them from Level 1 (most aligned) to Level 5 (least aligned).

Sustainability case studies

For specific sustainable private markets strategies, we provide comprehensive reports of case studies. These include real life examples of where our investments have contributed to a lower carbon economy. For example, investments that aim to avoid emissions and those that aim to reduce GHG (greenhouse gas) emissions where avoidance is not possible. We also provide case studies for investments that aim to remove CO_2 as well as private equity solutions that 'align' to the climate transition. Some of these case studies can be seen throughout this document.

Figure 8: Company performance against engagement asks



	Company classification	Progress against Ask 1 (Biodiversity assessment)	Progress against Ask 2 (Biodiversity targets)	Progress against Ask 3 (Company-specific ask)
Level 1	2%	2%	2%	0%
Level 2	17%	12%	17%	7%
Level 3	15%	15%	37%	22%
Level 4	39%	46%	41%	27%
Level 5	27%	24%	2%	44%

Source: Aviva Investors, as at December 31, 2023. Latest data available for use at time of reporting.
All percentages may not total 100% due to rounding.

Sustainability reporting at entity level

Aviva Investors is committed to reporting on our sustainability activities at an entity level and produces various firm-wide reports, with this report being an important example.

Principal Adverse Impacts (PAIs)

In the context of Sustainable Finance Disclosure Regulation (SFDR), the most significant negative effects on sustainability factors that are material, or likely to be material, are referred to as principal adverse impacts (PAI). Aviva Investors Luxembourg produces a Principal Adverse Impacts statement annually. This is a consolidated statement on PAIs on sustainability factors of Aviva Investors Luxembourg, including indicators across both public and private markets.

Task Force on Climate-Related Financial Disclosures (TCFD)

In conjunction with our parent company, Aviva, we publish an annual TCFD entity report that sets out how we take climate related matters into account in managing or administering investments on behalf of clients. This report includes the entity level reporting under the FCA's PS 21/24 Enhancing climate-related disclosures by asset managers (in an appendix).

Interactive educational resources

We are committed to helping clients stay informed of recent developments in sustainable investing. This is to help empower them to better navigate the sustainable investing landscape and investment solutions that may suit their needs and priorities.

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 trade-offs, where relevant. This is intended to help investors identify suitable strategies for their needs.

We also understand that communicating effectively around stewardship goes beyond reporting on the individual investment strategies that clients are directly invested in. It is also important to share more in-depth thought pieces to communicate with investors how we are approaching broader trends and developments in the sustainable investing landscape.

In 2024 we produced various educational materials, including:

- Partnering with King's College Business School to create the 'Consumer Duty: Delivering Good Client Outcomes', designed to increase participants' understanding of Consumer Duty through a sustainability lens. The first 150+ cohort of participants successfully completed the module and the next will begin in 2025.
- Publication of our Navigating Nature report, which sets out the actions we are taking to understand nature-related risks and opportunities.
- Continued inclusion of sustainability topics distributed through our insight webpages and email programmes, such as the article on our approach to holistic stewardship 'Only Connect' and our reflections on the 2024 AGM season in 'Striking a Balance'.
- A series of client breakfasts covering various topics including a session on our Net Zero Roadmap and how the UK can journey towards a low-carbon economy through private investment.
- A series of sector roundtables to bring together stakeholders from across the value chain of high impact sectors.
- Our video series 'Powering Change', in which we update clients on the actions of our Sustainable Investing team on research and engagement.

Assessing our effectiveness

Ultimately, our stewardship approach is a key means by which we seek to serve the best interests of clients. We undertake stewardship with the aim of unlocking long-term value for clients within their particular risk, return and any sustainability parameters. We do this not only through our engagement with the investments we manage on their behalf but also the regulatory and policy environments in which we operate.

Effective stewardship requires a delicate balance between the management of long-term systemic risks and making investment choices relative to where markets are today. To assess whether we are striking this delicate balance and in turn undertaking effective stewardship for our clients, we would consider the following:

- Identification of the most material sustainability risks to our clients' portfolios.
- Leveraging our resources and organisational structure to take action to mitigate those risks.
- Actively listening to our clients' specific sustainability goals and needs.
- Working in partnership with our clients to identify and communicate any possible trade-offs linked to their sustainability goals and needs.

Identifying and mitigating sustainability risks

With over three decades of experience stewarding our clients' investments, we are committed to playing an active role in shaping the policy environment in which we manage assets on behalf of clients. We also see other forms of engagement activity as crucial components of being able to unlock long-term value. Engagement is one of a number of levers that we use at Aviva Investors when managing clients' assets and portfolios as we navigate the path to a more sustainable future. Other levers include the integration of material ESG insights into investment processes and the use of climate-focused metrics and risk management.

We recognise that the levers available to us should not be applied homogeneously across all investment strategies. Instead, and in line with our commitment to play our part in managing long-term risks for our clients, we seek to manage risks and harness opportunities in our clients' portfolios using appropriate levers where they align with the strategy's investment objectives (this is not binding on the investment manager's decision beyond any specific criteria in the relevant mandate or fund prospectus). This balance of risks and opportunities is particularly apparent in the context of decarbonisation considerations.

We believe it is our role to understand where trade-offs exist between a client's sustainability preferences and their investment goals, in order to assess their relative importance and advise a course of action

Identifying and advising on any sustainability-related trade-offs

We believe it is our role to understand where trade-offs exist between a client's sustainability preferences and their investment goals, in order to assess their relative importance and advise a course of action. Trade-offs are a fundamental tenet of investing and sustainable investing is no different as it covers a hugely diverse set of strategies, each with its own risk, return and sustainability profile.

We work in partnership with our clients and support them in their choice of investment approach given their sustainability preferences, needs and any goals they may have. Our discussions cover their priorities on portfolio outcomes versus real world outcomes, how this would play out in different asset classes, risk tolerances and time horizons.

In short, it is through this combination of risk management utilising engagement and portfolio-level analysis, identification of investible opportunities and navigating trade-offs that we believe we can deliver effective stewardship and serve the best interests of our clients.

3

Integration approach

Our approach to ESG integration

We take our duty to act as a trusted agent of our clients' assets seriously, and endeavour to protect, maintain and grow the long-term value of their investments. Consistent with those obligations, we maintain a deep conviction that ESG factors can have a material impact on returns and client outcomes. This is why we integrate ESG considerations, including views on climate, nature, governance and social issues, into investment analysis and decision-making.[20]

A culture of collaboration underpins this firm-wide approach to ESG integration, which is consistently applied within each asset class and tailored to different investment desks' processes. Our ESG integration and stewardship teams work closely, and have multiple touch points, with our public and private investment functions. This helps to ensure close communication and collaboration between our investment professionals and sustainability analysts.

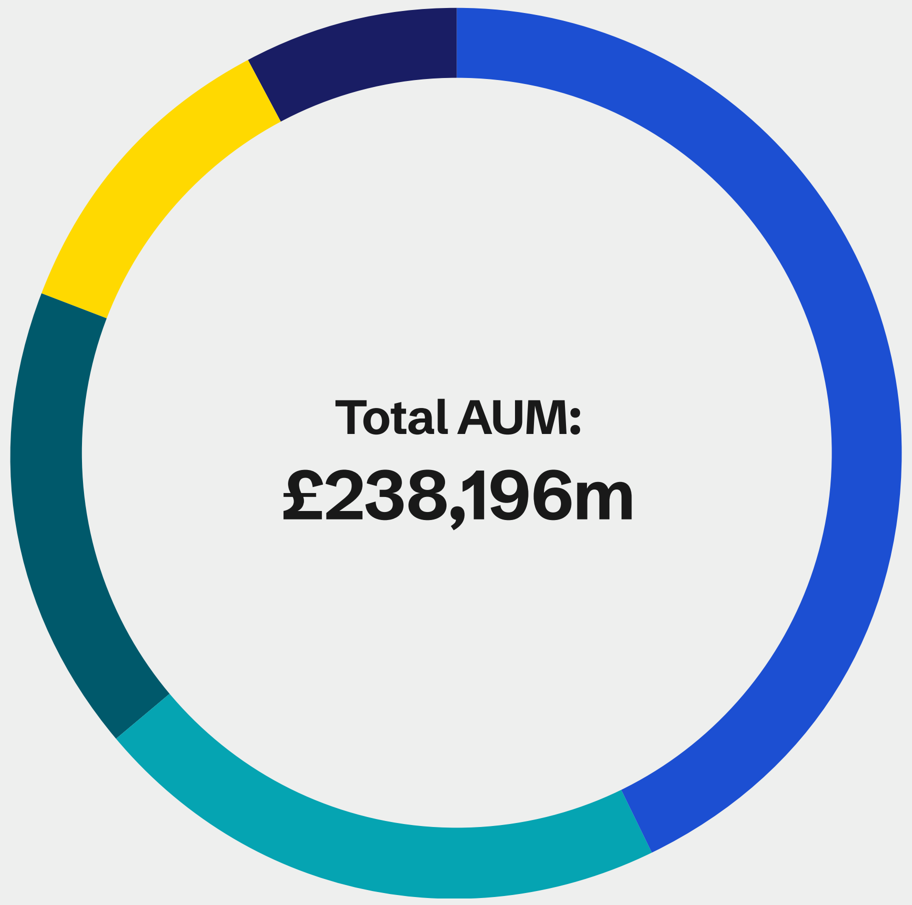
Our approach to ESG integration is set out in our firm-wide private and public markets Responsible Investment and Sustainability Risk policies. The delivery of our ESG integration approach follows each asset class's investment process governance, controls and risks review framework.

Assets under management (AUM)

Figure 9 shows breakdown of AUM by asset class, as at year end 2024. This is intended to provide context to how we apply our ESG integration approach in our different asset classes over the pages that follow:

> We take our duty to act as a trusted agent of our clients' assets seriously, and endeavour to protect, maintain and grow the long-term value of their investments

Figure 9: Aviva Investors' breakdown of assets under management by asset class



Investment Area	£m	%
Fixed Income	102,325	43.0
Index Enhanced	50,260	21.1
Private Markets	40,432	17.0
Multi-asset and Macro	26,964	11.3
Equity	18,216	7.6

Source: Aviva Investors, as at December 31, 2024.

[20] This is not binding on the investment manager, beyond any specific ESG criteria which is in a Fund prospectus or Investment Management Agreement.

ESG integration in public markets

It is a fundamental part of our sustainability approach to work in partnership with investors to identify and shape solutions to meet their evolving needs.

Across our public markets asset classes, the consideration of ESG in our investment processes is underpinned by a four pillar framework which ensures consistency and robustness of our approach. This is firmly rooted into our processes and tailored to reflect the nuances of asset classes and strategies[21]. The aim of our ESG integration approach is to enhance client outcomes, by identifying sustainability-related risks and opportunities within our investment process.

Research

Our holistic approach to research across our ESG analyst and investment teams enables informed investment decision making through targeted, relevant and timely quantitative and qualitative analysis into themes, sectors, companies and countries.

Connectivity

Our ESG analyst and stewardship teams actively participate in various investment forums and partner with other analysts and portfolio managers to reach a shared understanding of research priorities, risks and opportunities.

Our ESG analysts are specialised by asset class, allowing us to provide tailored ESG insights that meet the needs of each investment desk.

Portfolio construction

We facilitate the translation of ESG analysis into actionable insights that can be reflected in portfolios, including by influencing capital allocation and supporting idea generation.

Our commitment to ongoing training empowers our ESG analyst and investment teams to deepen their understanding of sustainability factors that impact returns and client outcomes. We ensure our approach to ESG integration for each asset class aligns with the relevant investment processes, time horizons and mandates of different strategies.

Evaluate and monitor

Portfolios, trade ideas and holdings are subject to ongoing review, including via our ESG quarterly reviews, which are conducted at strategy level. These forums provide an opportunity to highlight ESG characteristics of the strategy and constitute the basis for challenge.

Our Investment Oversight Committee provides a regular mechanism for governance and has ESG as a standing agenda item that enables escalation between ESG analysts, portfolio managers and our investment risk teams.

[21] Respective asset class investment processes and controls underpin the delivery of the framework, providing first-line integration controls, with investment risk as a second-line review process. The review process ensures we apply our ESG integration framework in a tailored fashion.

ESG integration in equities

Within our equity strategies, ESG considerations are a foundational consideration that inform our investment decisions. All members of our investment teams have analytical responsibilities and collaborate in ESG integrated sector hubs to generate ideas applicable across our strategy range.

At each stage of the investment process – screening, idea generation, stock selection, portfolio construction, and engagement – our strategies benefit from analyst-led top-down and bottom-up analysis across global sectors and geographies, enhanced by thematic insights from our ESG team.

Our investment and ESG analyst teams work together to produce targeted, relevant and timely analyses of themes, sectors and companies. This holistic approach enables fully informed investment decisions. We aim to protect and drive performance by understanding company fundamentals, with a strong emphasis on selecting credible businesses that offer long-term growth and resilience.

This integration approach is not binding on the investment manager's decision beyond any specific criteria in the relevant mandate or fund prospectus.

Research

Within our equity investment functions, we leverage a wide range of ESG data and analytics tools. These include our in-house corporate ESG score, Elements 2.0, which indicates how companies manage their level of sustainability risk, environmental data and Principle Adverse Impact (PAI) indicators, supported by our PAI Notation Tool (PAINT). These tools are integral in embedding sustainability issues across our portfolios, and provide a broad base level coverage. See the section on managers and service providers for more information on our use of data.

This is augmented by qualitative insights, allowing for a nuanced understanding of ESG impacts and opportunities within our investment views. Our equity research notes are a testament to this approach, as these contain bottom-up assessments of material ESG issues that influence our fundamental views.

To supplement the bottom-up analysis into the investment process, our Sustainable Investing team produces thematic research focusing on sector trends that enable a more forward looking understanding of investment relevant themes. The insights derived from this research are not static – they continuously evolve and adapt – reflecting changes in the ESG landscape, regulatory environments, and market trends.

Connectivity

Our framework emphasises the importance of connectivity through investment forums, shared research and joint engagement efforts. This collaborative ethos ensures ESG insights are deeply integrated within our team and across the sector hubs of the equities team.

The Sustainable Investing team's close collaboration with equity analysts fosters bottom-up research and sector specific sustainability trends analysis. The equities and ESG teams collaborate to identify and conduct engagement activity together. Engagement outcomes are discussed and inform investment views on an ongoing basis. This collaboration leads to an enriched investment picture.

A good illustration of this collaborative mindset is our joint engagement activity with TotalEnergies, conducted with global equity portfolio managers. The focus of our dialogue has been on the company's transition strategy and how this feeds into their business strategy. In particular, we discussed the guidance on Return on Average Capital Employed for their renewable power segment. You can read more about our history of engagement with TotalEnergies in their case study. This positive outlook led to an increase in our holding. TotalEnergies was a top holding contributing to performance in our Global Equity Income strategy[22].

Collaboration between the equities team and the ESG team also enables impactful stewardship activities.

[22] Any companies mentioned are for illustrative purposes only and are not intended to be an investment recommendation.

Portfolio construction

At the initial screening stage, we implement baseline exclusions and SFDR related screens where applicable. We also incorporate sustainability trends at a sector level within our capital allocation decisions. By embedding thematic research within the investment process, portfolio managers can take a comprehensive view of holdings with regard to position weighting relative to benchmarks, sizing and risk management. It is in the best interest of our clients to ensure that any risk exposure taken within the fund or mandate is adequately compensated for, which our ESG integrated approach contributes to by ensuring that both fundamental and technical factors are well accounted for.

The continuous assessment of ESG factors leads to an iterative process in which portfolio construction decisions influence and are influenced by our ongoing research and connectivity insights. Our regular meeting cycle facilitates the generation and debate of coherent, high conviction ideas across the equity team and the company's wider investment platform, including the other public markets investment desks.

Evaluate and monitor

We conduct strategy level reviews on a quarterly basis. This ensures ongoing evaluation and refinement of our ESG integration. These reviews include a review of the strategy's ESG characteristics, including ESG scores as well as the emissions profile of our portfolios. This enhances our understanding of sustainability risks of our investments, as well as helping us prioritise engagement opportunities. The quarterly evaluations feed critical information back into the research and portfolio construction processes.

CASE STUDY

Antofagasta: Mining companies and water usage

ESG investment thesis

Antofagasta is a Chilean based copper mine operator, which also runs a rail network and manages a water distribution concession. Copper is crucial for energy transition technologies, and its demand is expected to exceed supply this decade as electricity demand grows.

Water management is a critical issue in the mining industry, as water is often taken from groundwater sources, directly competing with local communities. Taking into account the high environmental impact of the industry, we have long engaged with companies on how these impacts are managed, and have sought expert views on the human rights impacts of copper mining in Chile, given the current social and political environment. This contributed to our understanding of the steps that Antofagasta is taking to improve their impact on the region, particularly at their Los Pelambres mine.

Antofagasta's desalination project at the mine uses seawater instead of freshwater, which is used by local communities, to meet 90 per cent of the operation's water requirements. This initiative demonstrates Antofagasta's proactive approach to foster positive relations and avoid potential conflict around water usage. We also continue to engage with the company on board oversight.

Impact on portfolio positioning

On our UK equities desk, positioning on the mining sector shifted in 2024 following a review of the near-term drivers, as well as sustainability risk management. Antofagasta demonstrated positive momentum on community relations, providing a point of differentiation in a sector challenged with social issues, which have been an overhang for some of their peers.

We reduced or exited positions in a number of mining companies due to several factors including commodities exposure and ESG concerns. In contrast, we purchased Antofagasta across multiple UK equity funds and held an overweight position relative to the benchmark.

Due to a variety of factors, the company has been additive to performance across our UK equity portfolios over the year, performing strongly since initiation.

For illustrative purposes only and not intended as an investment recommendation. Past performance is not a reliable indicator of future returns.

CASE STUDY

National Grid: Implications of UK electricity demand

ESG investment thesis

The UK's Electricity System Operator anticipates significant growth in electricity demand by 2035, driven by the expansion of renewable energy generation and the electrification of transport and heating. National Grid, the largest electricity network operator in the UK, is a critical infrastructure entity in the decarbonisation of the UK grid.

The investment thesis was supported by National Grid's potential for higher equity returns, enhanced cash flows, and increased capital expenditure. Additionally, the company ranked in the top quartile across several ESG metrics, including MSCI ESG scores and our Elements 2.0 score. While these data inputs provided baseline signals in our evaluation of the company, we supplemented these with qualitative insights to gain a deeper understanding of National Grid's ESG performance and strategic direction as a beneficiary from the transition. We have been engaging in positive dialogue with the company on a multi-year basis on the level of transparency underpinning their climate targets, executive remuneration, and long-term climate strategy.

Impact on portfolio positioning

Throughout 2024 the company has been a vital player in the decarbonisation of the UK Grid, a key investment theme for equities. A positive view of the company was maintained in 2024, reinforcing high conviction and a buy rating on the stock. As at end 2024, National Grid was a top ten position within most of our UK equity strategies. Notably, in 2024, our position was increased by participating in this year's rights issue. Throughout the year, the holding in National Grid has performed well for a variety of reasons, and this has contributed positively to performance across our portfolios.

For illustrative purposes only and not intended as an investment recommendation. Past performance is not a reliable indicator of future returns.

ESG integration in fixed income – corporate credit

Our fixed income teams integrate ESG factors into their investment decision making process. The ESG integration approach aims to enhance investment performance, manage risks, and capitalise on opportunities through a structured, consistent and repeatable process that involves close collaboration between ESG credit analysts, fixed income credit analysts and portfolio managers.

While we apply ESG integration at a functional level and throughout credit research, each desk may consider and apply ESG factors differently based on credit quality, sector, portfolio objectives and constraints, jurisdiction and time horizons. The credit desks include investment grade, high yield, emerging market debt, buy and maintain, liquidity and liability driven investment among others.

Given the need for close collaboration, our asset class specific ESG Credit Integration team is structured so that ESG analysts have both sector and desk responsibilities. This enables a partnership mindset with both credit analysts and portfolio managers.

This integration approach is not binding on the investment manager's decision beyond any specific criteria in the relevant mandate or fund prospectus.

Research

ESG factors are taken into consideration in research and issuer analysis by our fixed income research team, capturing instances where ESG considerations can be financially material to investment performance. The base level coverage leverages our quantitative metrics, including the in-house corporate ESG score, Elements 2.0., which indicates how companies manage their sustainability risks; environmental data and Principle Adverse Impact (PAI) indicators, supported by our PAI Notation Tool (PAINT). This is complemented by qualitative analysis. Our credit research reports evidence how ESG considerations have been reflected into investment views. In order to support this exercise, we developed a credit specific proprietary ESG Materiality Map in 2024. The tool enables the identification of the most material issues for each sector as well as guidance on potential quantifiable impacts and expected time horizons. This acts as a guide for bottom up analysis.

Credit analysts also evaluate issuers' governance practices as part of their credit research and assign Good Governance ratings (Green, Amber or Red) for issuers they cover. This is supported by proprietary and external ESG data, which serve as a quantitative baseline from which to build a comprehensive view. Analysis is also supported by third-party research and, crucially, by insights from issuer dialogue.

To complement the bottom up analysis, ESG credit analysts present thematic sectoral insights targeted to investment needs in credit investment forums. Research insights are presented on a regular cadence and on an ad hoc basis such as ESG thematic presentations and issuer and regional insights.

Connectivity

The collaboration between portfolio managers, credit research and ESG analysts is key to our investment process. The quantitative data and qualitative research notes are accessible to all public markets investment teams through our portfolio and research management platforms.
ESG considerations form part of investment meetings, some of which are listed in Figure 10:

Figure 10: Examples of ESG integration touchpoints in investment meetings

Title	Description
Fixed income daily meetings	A discussion forum where ESG issues are also raised with investment teams as well as traditional news and investment updates.
Bi-weekly sector-level meetings	A forum for discussion of sector and issuer level matters. These meetings include sector thematic insights.
Emerging markets debt corporate weekly meeting	Discussing new topics of interest in the EMD corporate sector plus potential bond issuances, positioning and research pipeline. This includes ESG developments at sector and regional levels.
Buy and maintain monthly investment universe meetings	Updates on the investment universe and discussion of sector and issuer level recommendations across different time horizons. ESG team members attend.
Liquidity annual reviews	Aimed at revisiting names currently in the internally defined investable universe; designed to reassess the inclusion of an issuer in the universe and to highlight any new developments.

Source: Aviva Investors, as at December 31, 2024.

The ESG credit team, portfolio managers and credit analysts seek to actively engage with issuers throughout the fixed-income issuance cycle. Interactions with management (new issue roadshows, earnings calls, etc.) provide valuable opportunities to address concerns on new bonds and the broader company strategies and market developments. We seek to conduct engagement activities collaboratively – whether proactive on our stewardship priorities or reactive to emerging issues – so that the insights can be integrated into investment views where material. The credit team works closely with the stewardship team and other investment desks in issuer level dialogues.

In 2024, the ESG credit team led thematic sector engagement initiatives on several issues deemed as financially material or likely to become so. Examples include our engagements with European banks on climate transition risks, and global telecommunications on data privacy and security risks.

Portfolio construction

We help translate ESG analysis into actionable insights that can be reflected in portfolios, which could influence capital allocation and also support idea generation. This includes the presentation of sector level insights that can feed into sector weightings, and tailored research to give nuance on the time horizon of material ESG issues.

Evaluate and monitor

We hold detailed desk level reviews on a quarterly basis, primarily to evaluate the ESG performance and positioning of our credit investment desks. The aim is to enrich the investment picture by bringing together quantitative and qualitative insights, for a better understanding of how sustainability risk is managed at a portfolio level. In addition to ESG scores, we also aim to understand portfolios' carbon emissions trends and climate risks. These forums provide a basis for challenge, such as scrutinising holdings of concern and identifying areas for enhancement.

When ESG risks are identified, we may undertake additional analysis or engage directly with issuers to gain a comprehensive understanding of the exposures. The reviews also help with the ESG research pipeline and identify information sharing and collaboration opportunities between the desk and the sustainable investing team.

The ESG analyst with responsibility over the desk under review leads the process, ensuring that targeted insights are effectively communicated from across our sector coverage and across the sustainable investing function.

CASE STUDY

UK water: Management of environmental risks influencing our credit views

ESG investment thesis

Environmental performance has deteriorated in the UK water sector in recent years, evidenced by the increasing numbers of serious pollution incidents and sewage spills from storm overflows. We believe this to be due to the long-term failures in infrastructure investment within the sector.

According to a 2024 environmental agency report, only 16 per cent of all surface waterflows and 16 per cent of rivers in the UK achieved a good ecological status in 2019. Sewage treatment works and sewer overflows by UK water companies prevent 36 per cent of water bodies from achieving good ecological status by disrupting the natural balance of nitrogen and phosphorus in rivers and lakes.

In 2024, the Water Services Regulation Authority, or Ofwat, attached significant financial incentives to environmental performance via the framework launched in the Price Review of 2024 (PR24). Failure of water companies to meet deliverables could incur substantial penalties while funding cuts risk further environmental underperformance across the sector.

Our ESG analysts worked closely with the credit analyst to analyse Ofwat's customer and environmental framework, examining targeted and projected performance across 10 UK water companies. This assessment leveraged insights from the substantial sector engagement we undertook in 2023 (see our 2023 Annual Sustainability Review, page 84).

Impact on portfolio positioning

Given the continued deterioration of environmental performance, and lack of sufficient management of the issues, our credit analysts downgraded the Good Governance ratings of all issuers in the sector to Amber. One specific issuer was downgraded to Red, indicating the importance of our concerns around misreporting and breaching environmental laws. We have sought to take a holistic approach by also engaging with Ofwat for a regulatory environment that is conducive to increased investment in water infrastructure and the much needed improvement of environmental performance.

Our joint analysis led to issuer specific recommendations based on the assessment of PR24, resulting in portfolio changes across several desks. The reductions were mainly in holdings, but we also made selective trades to improve the quality of our investments.

CASE STUDY

US waste management companies and landfill methane emissions

ESG investment thesis

The US Environmental Protection Agency (EPA) is increasing focus on landfill methane emissions, responsible for over 14 per cent of the US annual methane output. Recent studies indicate that methane collection efficiency is lower than thought, resulting in 75 to 200 per cent higher leaked emissions than previously estimated. The EPA's 2024-27 plan emphasises enforcing landfill methane regulations, potentially resulting in fines and increased operational costs for non compliance. At the time of analysis, we perceived this increased scrutiny may require higher capital expenditure for monitoring and capturing methane leaks.

However, there are key opportunities in recycling and renewable natural gas (RNG). At the time of analysis, we perceived the industry is enhancing recycling and converting methane into RNG to boost revenue and cut fuel costs, thus increasing profitability, especially amid rising commodity prices. Waste management companies are also crucial in preventing high concentrations of PFAS in landfill leachate from contaminated groundwater through innovative treatments. PFAS in landfills could potentially be EPA's next area of focus. Considering these key environmental risks, we assessed top sector performers.

Impact on portfolio positioning

Our ESG credit team worked closely with portfolio managers to assess the sector, with a view to increasing exposure to best performers who would benefit from this trend. Following internal discussions, Waste Connections (WCN) emerged as a standout in emissions management, circularity, PFAS risk management, and clean energy. The company effectively managed risks while controlling costs, seizing opportunities, and achieved strong ESG performance alongside profitability. Whilst formed in mid-2024, our investment thesis around the economic opportunity of landfill methane capture remains compelling despite potential regulatory shifts.

We complemented this view by engaging with the company on issues such as landfill methane emissions and PFAS risks, leading to incremental improvements in methane detection and capture and monetisation. Recognising the strong ESG performance and financial synergy at that time, the investment team added Waste Connections to two of our Canadian portfolios.

For illustrative purposes only and not intended as an investment recommendation. Past performance is not a reliable indicator of future returns.

CASE STUDY

UK Housing Associations: ESG drivers of increased maintenance and development costs

ESG investment thesis

Deteriorating property conditions in UK social housing has been a significant policy concern since the Grenfell Tower tragedy in 2017 and public outcry following a child's death from mould exposure in 2020. A 2022 report highlighted that 13% of homes in the social rented sector failed to meet the decent homes standard in 2020, with ongoing concerns about damp and mould complaints. In response, the Social Housing Regulation Act (2023) has introduced stricter consumer and property condition standards, including the removal of penalty caps and the introduction of a statutory complaints handling code. Additionally, long-term sustainability policies from the UK Climate Change Act (2008) and the Environment Act (2021) will shape future building regulations through the Biodiversity Net Gain Policy and Future Homes Standard (2025).

Following engagement with companies in the sector in 2023 (see our 2023 Annual Sustainability Review, page 98), we continued to conduct research on asset quality and development cost pressures for housing associations, where the collaboration between credit ESG analysts, credit analysts and Portfolio Managers has been crucial. In addition to desk research and insights from our past engagements, we have also leveraged investor industry initiatives such as Social Housing Sustainability Reporting Standard. We brought together these views by producing an internal ranking of the UK Social Housing Sector exposures' relative performance on asset quality risk, with a focus on fire safety, property condition and energy efficiency. This included stock audit process and results, investment plans and level of deployment and status of remediation against heightened standards.

Impact on portfolio positioning

Several portfolio changes were made following this research:

- Avoided one new issue from a housing association in September due to a lack of comprehensive stock auditing and poor knowledge of stock condition.
- Sold another issuer due to deteriorating operating margins driven by steep increase in fire safety costs from the forced merger with another entity.
- Downgraded investment rating on a third issuer because of its outlier on energy efficiency with ~50% stock at EPC C or below.

As per our thesis, ESG risks have materialised in 2024, playing a part in the downgrades in credit ratings due to substantial investment required in stock. For example, one of the housing associations referenced to above was downgraded by Fitch Ratings (A to A-) on October 2024, and S&P Global Ratings revised the outlook for another housing association from "stable" to "negative" in June 2024, in line with our previous internal assessment downgrade.

ESG integration in fixed income – sovereign debt

ESG considerations are integrated throughout our sovereign investment process, in line with the four pillar approach. Our sovereign ESG research centres on factors that can impact entire economies – leveraging data, qualitative insights and engagement. This research is developed in partnership with investment teams, ensuring it is tailored to the distinct drivers of returns for developed and emerging markets. Our investment decision makers are receptive and well equipped to incorporating ESG insight into portfolio construction where material, supported by continuous monitoring and review, all with the aim of enhancing investment performance.

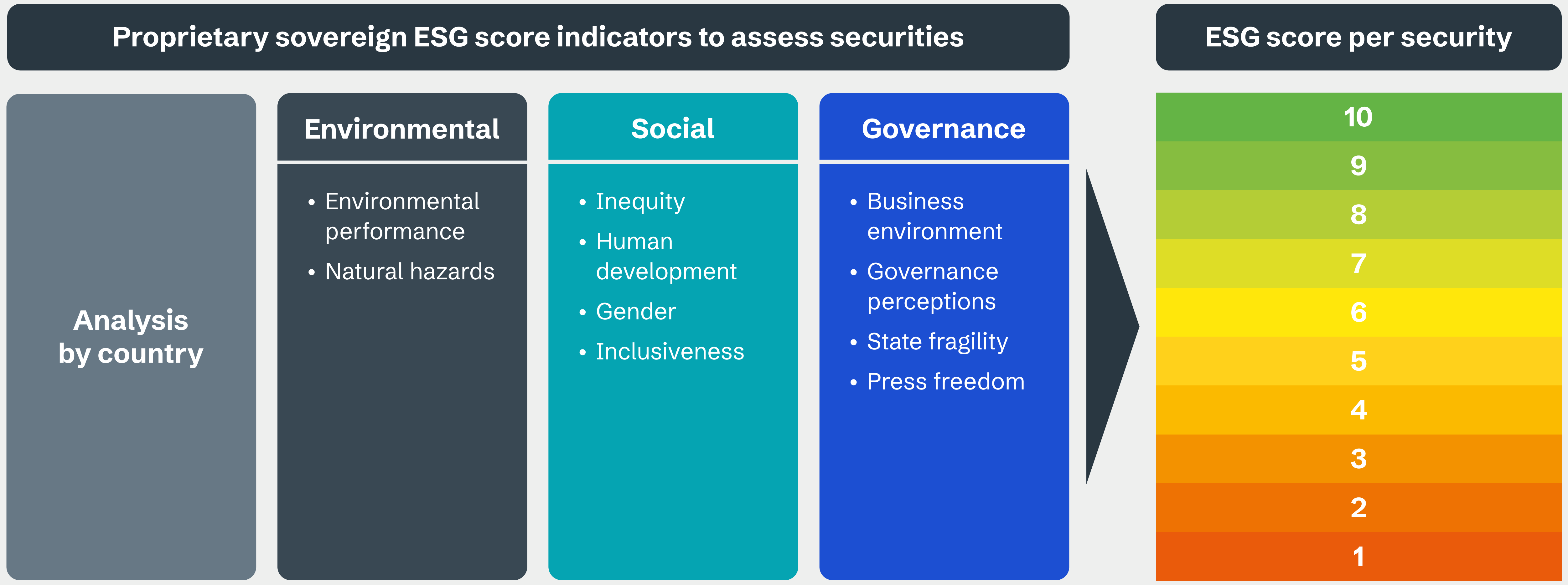
This integration approach is not binding on the investment manager's decision beyond any specific criteria in the relevant mandate or fund prospectus.

Research

Our proprietary sovereign ESG score (see Figure 11) provides a comprehensive overview of the ESG profiles of sovereign debt issuers including on emissions, inequality and institutional strength. The score enables peer comparisons, trend analysis and is complemented by additional metrics such as wealth adjusted data, serving as a starting point for identifying potentially material risks and opportunities for further investigation.

Our specialist ESG analysts conduct qualitative research to provide more holistic, timely and forward looking assessments of issuers, events and themes, guided by materiality to specific investment cases. In 2024, this included generating insight related to the potential implications of a series of major elections, including in South Africa. Our research can also benefit from insight gained through our holistic approach to stewardship, including engagements with policymakers.

Figure 11: Proprietary sovereign ESG score framework



Note: for illustrative purposes only.
Source: Aviva Investors, as at December 31, 2024.

Connectivity

ESG analysts collaborate closely with sovereign investment desks, actively participating at various forums. This enables us to share high frequency, verbal updates on ESG watchpoints at morning meetings and partner with other analysts on more in-depth stock takes at weekly and monthly sessions, with a focus on emerging markets.

By dividing individual responsibilities between developed and emerging markets, we are able to build partnerships with relevant individuals and investment desks. This approach helps ensure our insights are developed and presented together with the relevant fundamental, macroeconomic and investment views. Our quantitative data and qualitative research notes are accessible to all public markets investment teams through our portfolio and research management platforms.

We also collaborate to establish and deliver against our sovereign engagement priorities, ensuring they are investment-relevant and that we grasp all opportunities for dialogue (for an example of this, see our case study on our engagement with policymakers on national transition plans).

Portfolio construction

Partnering with investment teams to deliver tailored insight at key decision-making forums enables us to play an active role in the idea generation process and in monitoring issuers, events and themes that directly influence portfolio positioning. The frequent, action-oriented interactions between ESG sovereign specialists and investment teams also helps build a deeper understanding of the sustainability factors that can impact returns across different desks.

Our insight extends to specific ESG labelled bonds, where relevant. We also play a role in monitoring sustainability risks that can determine fund restrictions on certain sovereign issuers for relevant strategies.

Evaluate and monitor

Our sovereign ESG specialists lead quarterly ESG portfolio reviews for relevant strategies, ensuring the ESG characteristics of portfolios are widely understood. This process allows us to champion our insights and set research priorities. Where applicable, we also compare the ESG profile of current holdings against potential alternative investments.

Additional oversight from the Investment Oversight Committee can prompt involvement from Aviva Investors' risk function when potential ESG risks are elevated. Their involvement brings further reassurance that we are aware of, and compensated for, material risks.

CASE STUDY

Identifying positive ESG momentum on sovereign issuers

ESG investment thesis

Morocco scores below peers on our proprietary sovereign ESG score, although it screens more positively on a wealth adjusted basis. As part of our regular scanning of the investable universe we tracked a positive trajectory of reforms in Morocco aligned with the government's 'New Development Model' agenda. The agenda aims to advance human development and strengthen the business environment, which we saw as having the potential to boost growth, promote inclusion and address sources of social unrest.

Morocco has also taken steps to improve water infrastructure following the recent drought, which undermined agricultural production, employment and growth. Despite its current dependence on fossil fuels, Morocco's ambitious climate policy framework and strong renewables development contributed to its eligibility for the IMF's Resilience and Sustainability Facility, allowing for an arrangement worth $1.3bn.

Impact on portfolio positioning

Following the positive ESG assessment and momentum, Morocco was identified as a potential investment opportunity. The investment team actively sought to gain exposure to the market in our emerging market debt strategies, once valuations provided this opportunity. The debt instruments have performed well and provide further evidence of the added value of fundamental sustainability research in supporting idea generation for active portfolios.

For illustrative purposes only and not intended as an investment recommendation. Past performance is not a reliable indicator of future returns.

CASE STUDY

Canada: Immigration policy risks

ESG investment thesis

Canada scores comparably to peers on our proprietary ESG score, with strong social and governance performance. In late 2024, our ESG team highlighted the prospect of stricter immigration policies, reflecting growing concerns about Canada's capacity to absorb the current rate of population growth. Immigration has been key to Canada's recent economic growth and contributed to the working age share of an ageing population. We also identified looming political turbulence, the potential for pre-election government spending, and risks to decarbonisation policies.

Impact on portfolio positioning

In August, the investment team implemented a Canadian yield curve steepening trade. The yield curve steepens when short dated bonds outperform longer dated ones. These trades typically benefit when the market anticipates more interest rate cuts (which can result in lower yields and higher prices for shorter-dated bonds; hence the outperformance). The trade was supported by easing inflation, gradually rising unemployment, and our strategy team's identification of the potential for more significant rate cuts.

A larger interest rate cut by the Bank of Canada in October 2024 supported the trade. However, uncertainty around the US election, along with the rising ESG risks we had identified posed headwinds. In particular, the prospect of lower immigration could lead to tighter labour markets, short-term inflationary pressure and slower rate cuts. As a result, the investment team began reducing the size of the trade and taking profits.

Shortly after publishing our ESG note, the Canadian government announced plans to significantly reduce immigration from 2025. This, alongside US market moves, contributed to the flattening of the yield curve after we had exited the trade. By proactively monitoring ESG risks and collaborating across the ESG, strategy and investment teams in London and Toronto, we effectively managed the trade, avoided risks and supported investment performance.

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ESG integration in multi-asset

Within our multi-asset solutions, there are several aspects that are fundamental to our philosophy and investment process across the entire range of funds. The first step in the investment process is determining the Strategic Asset Allocation (SAA), which we review annually. This sets the long-term asset allocation to different regions and asset classes and uses our Capital Market Assumptions, which are projections about the future performance and volatility of various asset classes.
Our fundamental view is to invest in a globally diverse portfolio and when appropriate, invest into alternative asset classes, to maximise our opportunity set and increase the potential for diversification.

Given the nature of investment markets, we believe it is important to manage solutions dynamically. We therefore use Tactical Asset Allocation (TAA) within our actively managed funds in order to seek additional returns.

To truly ensure client needs are at the forefront of what we do, we look to manage portfolios as cost-effectively as possible while ensuring sustainability is considered in the process by utilising our scale and internal active and passive capabilities. For example, in our more actively managed portfolios, we invest in strategies from our Sustainable Outcomes franchise in public and private markets. We also apply an ESG optimisation process on specific strategies, with the aim of having a better ESG score than the underlying markets. Allocations to global equities also favour companies with lower carbon intensity than underlying markets. For some strategies, we have a multi manager research team that helps with the selection of external managers to ensure they fit our criteria.

Underpinning all of this is ESG integration. We believe ESG factors can have a material impact on investment returns, and hence integrate ESG considerations throughout our solutions.

This integration approach is not binding on the investment manager's decision beyond any specific criteria in the relevant mandate or fund prospectus.

Research

When generating investment ideas within the multi-asset investment process, we consider not only traditional financial and technical metrics but also ESG factors. We start with comprehensive ESG data and analytical tools like our proprietary corporate ESG rating, Elements 2.0, and third-party data to incorporate ESG perspectives into both our top-down and bottom-up basket trades. This data provides a broad base level coverage of ESG issues, which is crucial for informed decision making.

We do not just rely on quantitative data, as we also conduct qualitative analysis to gain a more nuanced understanding of ESG impacts and opportunities. Our multi-asset pre-trade notes, combine both quantitative and qualitative metrics, including ESG factors, to produce an overall view. This process includes an assessment of ESG factors that may impact on the overall trade idea. In many respects, the formal consideration of ESG factors helps ensure consistency and discipline in the evaluation of investment ideas.

Connectivity

We aim for collaboration between the ESG and investment teams, ensuring insights are shared on a proactive and reactive basis that can lead to positive client outcomes. ESG insights can provide another source of alpha and enhanced diversification, as in the case of our Japanese long equities trade, facilitated through collaboration of ESG analysts and portfolio managers.

The public markets ESG team relay feedback from engagement and voting activities to the multi-asset team. We also have the opportunity to collaborate on thematic engagements. For example, multi-asset portfolio managers actively participated in our value chain roundtables. These provided good indications about the bottlenecks, as well as the potential solutions a particular sector faces in its decarbonisation. This allows portfolio managers to understand potential ESG risks and opportunities within a sector, with a forward looking lens.

Similarly, feedback from country/institutional level engagements is insightful for both multi-asset portfolio managers, and the managers of underlying building blocks.

Portfolio construction

Research and connectivity flow into our third pillar. Our multi-asset portfolio managers integrate ESG insights into idea generation and portfolio construction where this adds value to investment outcomes. To ensure timely insights, the ESG team delivers regular knowledge sharing sessions to the investment teams, updating them on market themes and developments, internal projects and regulatory updates. This enables investment teams to better understand material ESG risks and opportunities for sectors and countries, which they can price into valuations.

A baseline factor when producing a trade idea is the House View, produced quarterly. This sets out the collective view of our investment teams on the current state of global markets and where they may be heading. The House View is useful when making TAA decisions, as it allows us to adjust the portfolio over a short to medium term horizon. For example, we closed our tactical overweight to Japanese equities this year for profit.

While the House View focuses mainly on growth projections, as well as other economic metrics such as inflation and interest rates, it also accounts for key investment themes that are likely to be important in global markets in the next twelve months. The House View involves several investment teams including representatives from the sustainable investing team. We aim to integrate material sustainability trends when determining the firm-wide macroeconomic outlook.

For instance, in determining our fourth-quarter view, sustainability was discussed as part of the assessment of the likely impact of President Trump's proposed trade policies on US energy, as well as changing competitive dynamics within clean tech industries. Our ESG analysts provided insights on specific sectors where decarbonisation trends are an important driver of the investment view, like the automobile sector.

These fit alongside our baseline exclusions policy, which generates an investable universe.

Evaluate and monitor

Portfolios, trade ideas, and holdings are subject to ongoing review, including via agreed ESG watchpoints. Portfolio case studies are developed periodically to demonstrate how ESG integration has affected investment decisions, with asset class investment directors providing quality assurance.

Respective asset class investment processes and controls underpin the delivery of this framework, providing first line integration controls, with investment risk a second line review process. The review process ensures we apply our ESG integration framework in a tailored fashion.

By integrating ESG considerations into the appropriate steps of our investment process, we aim to enhance investment outcomes for our clients.

CASE STUDY

Structural governance reforms in Japan

ESG investment thesis

Japan has historically faced challenges in corporate governance, such as low gender diversity on boards, significant cross shareholdings, and insufficient incentive structures. These issues have impacted the attractiveness of Japanese companies in global markets. However, recent structural reforms and rising consumer prices have made the Japanese market more appealing from an investment perspective. For instance, after three decades of low inflation, and even deflation, its return to moderate inflation has provided investors with confidence of consumer spending and investment.

In 2023, our multi-asset and ESG teams explored how potential governance changes linked to the Japanese Corporate Governance Code could improve the market's perception of value creation at Japanese firms. This code, initially introduced in 2015, updated in 2018 and 2021 and again in 2024, aims to promote improved board composition, diversity of boards and performance linked remuneration.

Additional reforms reduce barriers to takeovers and promote investor engagement. For example, a key change brought by these reforms is the reduction of cross shareholdings, where companies hold shares in firms they do business with, insulating management from activist shareholders and locking up capital. Over the past few years, Japanese regulators have implemented measures to improve the competitiveness and attractiveness of Japanese companies, and reinforced the strength of governance reforms for improved cost of capital.

These combined measures could enable more growth and innovation, promote greater external investment, and even encourage more mergers and acquisition (M&A) activity.

Impact on portfolio positioning

As a result of this joint analysis and observing positive trends in improved practices and the return to inflation, our multi-asset desk initiated a long position in Japanese equities in September 2023. Since then, we have undertaken tactical trades to take advantage of short-term market conditions. This was notable during August 2024, when the Bank of Japan increased interest rates impacting the popular yen carry trade that relies on Japanese rates being low. The TOPIX initially fell (12.2 per cent in JPY terms) but rebounded quickly. During this time, we undertook tactical trades and ultimately closed the position for profit.

While we still hold conviction in the theme of improving corporate governance, we sold our overweight position to capture the profit. We continue to monitor valuations for further potential upside.

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ESG integration in private markets

It is a fundamental part of our sustainability approach to work in partnership with investors to identify and shape solutions to meet their evolving needs.

As long-term stewards of our clients' assets, our duty involves the responsible allocation and management of capital to create stable income and capital growth. To create and protect value, we must balance the needs of clients with those of other stakeholders including customers, partners, communities and the wider society. This is achieved by understanding material ESG factors and sustainability risks that can impact investment returns and by assessing investments for their potential to adversely impact stakeholders.

We consider three principal types of risk categories:

Strong ESG integration at the start of the process ensures that sustainability risks are considered as part of investment decision making and forms part of our wider responsibilities as an asset manager. We conduct detailed technical analysis of every asset, activity or company we consider for investment. This process is guided by our in-house screening and due diligence tool, which allows us to assess ESG factors that may result in potentially adverse impacts on sustainability.

ESG integration in private markets is a comprehensive process that involves assessing and managing sustainability risks across various asset classes. By incorporating ESG considerations into our investment decisions, we seek to help in creating and protecting value for our clients while contributing to broader environmental and societal goals.

This integration approach is not binding on the investment manager's decision beyond any specific criteria in the relevant mandate or fund prospectus.

1 Climate transition risk

Policy, legal, technology, and market changes related to climate change that may pose varying levels of financial risk to organisations.

2 Climate physical risk

Event-driven (acute) or longer-term shifts (chronic) in climate patterns with financial implications for organisations.

3 Stakeholder risk

The risk of an ESG-related incident or event caused by our assets that causes harm to a stakeholder. Under this risk category, we also consider reputational and governance risks.

ESG integration in cashflow matching

In our cashflow matching asset classes, such as infrastructure debt, real estate debt, structured finance, and private corporate debt, ESG integration involves a thorough assessment of the borrower's ESG practices and the potential risks associated with the investment. We engage with borrowers to obtain relevant ESG data and ensure that sustainability risks are adequately addressed. If information received is insufficient to make an informed decision when considered alongside financial information, we will not proceed with the investment. This process includes evaluating the borrower's commitment to reducing carbon emissions, managing environmental impacts, and adhering to social and governance standards.

More broadly, to support our origination strategy we have recently developed deep dive risk assessments into high risk jurisdictions, sectors and activities to further underpin investment decision making.

ESG integration in active equity

For our active equity asset classes including infrastructure equity, real estate equity, and real estate long income and direct real estate investments, ESG integration focuses on assessing the sustainability of the property. This includes evaluating the energy efficiency of the building, its carbon footprint, and the potential for implementing green technologies. We also consider the social impact of the property, such as its accessibility and contribution to the local community.

CASE STUDY

Dutch real estate: Capturing a premium through going green

ESG investment thesis

The increase in corporate demand for offices aligning with low-carbon objectives and meeting employees' sustainability expectations, has created a shift towards prioritising environmental, social and governance (ESG) goals and well being within office spaces in Amsterdam. In 2021, 70 per cent of office real estate demand in Amsterdam was for buildings with energy label of A or better. Across the Netherlands, studies have shown that on average, a rental premium of 10.3 per cent can be achieved by office buildings with green certifications.

The FOZ building is a Grade A multi-let office space located in the heart of Amsterdam's business district. Its sustainable credentials include a BREEAM Excellent certification and an EPC A++ rating[23]. The site's energy is provided by a connection to the local district heat network, utilising thermal energy storage technology. This eliminates the need for fossil fuel usage on site and assists in moving some of the energy demand away from peak times, reducing the pressure on the local heat network.

Impact on portfolio positioning

We acquired the FOZ building in 2022. Since then, it has performed ahead of business plan expectations.

Furthermore, in 2024, and alongside a substantial metering and control strategy, FOZ embarked on an ambitious smart building optimisation programme supported by the Healthy Workers platform. This platform will assess and optimise the usage profile of energy and water onsite. These developments are expected to drive sustainable performance in operation and enable the building to be operated at its full potential which could help to unlock increased value for investors.

In summary, identifying the strong sustainability credentials of this asset has helped us to capitalise on the significant green premium in the Dutch office market.

[23] BREEAM: Building Research Establishment Environmental Assessment Methodology; EPC: Energy Performance Certificate.

For illustrative purposes only and not intended as an investment recommendation. Past performance is not a reliable indicator of future returns.

CASE STUDY

Curtain House: Materials retention at the heart of retrofitting

ESG investment thesis

This asset is located in Hackney, home to Victorian warehouses of which many have been turned into offices. Curtain House is a perfect example of this with a Grade II listing but suffering from poor energy efficiency and internal floor layout. This presented an opportunity to deliver a deep refurbishment project, with the objective of realising investment performance through transforming this Victorian 'brown' warehouse to 'green'. Specifically, the intention was to deliver best in class office space in Shoreditch with attractive financial returns through high quality sustainable design.

Impact on portfolio positioning

The approach we took retained the structure and façade, preserving historic elements of the existing building while maximising opportunities to improve the building's internal layouts and energy systems. To deliver on this ambitious project we engaged with our supply chain partners to drive embodied and operational optimisations in the design. This involved engagement with design teams to challenge the energy strategy, aiming for reductions in the forecasted carbon emissions from operation, and improving the current Energy Performance Certificate (EPC) rating from E, the lowest legal rating for a building let to tenants, to A.

The energy efficiency strategy for the asset now includes:

- replacing the current gas heating system with electric heat pumps.
- ensuring the building can be naturally ventilated through openable windows, reducing the need for air conditioning and mechanical ventilation systems.
- upgrading the external walls' thermal efficiency by increasing insulation and providing double glazing systems.
- installing roof solar PV panels.
- providing storage for rainwater harvesting in the basement.

Once completed, the building aims to save around 3,000 tonnes of CO_2 from material construction retention, targets an Energy Use Intensity (EUI) of 127 kWh/m2 and has provision for the installation of 85 roof solar panels.

Over a five year period, the project is projected to deliver a 9.6 per cent internal rate of return to our clients and their beneficiaries, as well as supporting the provision of an energy efficient asset to occupiers in the market.

CASE STUDY

Partnering with developers at Merchants Yard, Ipswich

ESG investment thesis

The UK government has recently committed to a brownfield first approach to housebuilding, prioritising funding to support the delivery of thousands of new homes and unlock abandoned and neglected sites. Against this backdrop, we entered into a partnership with Packaged Living for the development of Merchants Yard, a build to rent (BtR) scheme for the construction of 163 single family homes on a brownfield site in Ipswich. A partnership with Packaged Living would advance the offering of efficient homes and flexible rent solutions while avoiding future emissions from fossil fuels.

Achieving highly energy efficient, low-carbon, and low energy bill homes is not only essential to providing our clients with access to high quality assets, but also to ensuring that the homes are attractive to potential renters in the market who seek to minimise running costs. This partnership would also serve to accelerate housing development and support the UK national target of building 1.5 million new homes in five years to address the critical housing shortage.

Impact on portfolio positioning

Heating and domestic hot water being provided by air source heat pumps instead of gas boilers, minimum Energy Performance Certificate (EPC) ratings of 'B', and inclusion of the Home Quality Mark, a national standard which ensures quality and sustainability. Each home will also be equipped with an electric vehicle charging point and will be connected to public infrastructure via pedestrian and cycle links. In addition, Aviva Investors has actively engaged with Utopi, a smart monitoring system, to ensure all homes allow the occupier to monitor and reduce their energy use.

By late 2024 43 dwellings had been completed and the project continues into 2025.

For illustrative purposes only and not intended as an investment recommendation. Past performance is not a reliable indicator of future returns.

CASE STUDY

Assessing risk in chocolate production supply chains

ESG investment thesis

Our structured and private debt team were approached to provide supply chain finance (SCF) to a leading European chocolate manufacturer under a rolling facility.[24] While the borrower in question was very stable and well rated, the transaction was referred to the sustainability team for their view, given that chocolate production and manufacturing is relatively high risk as a sector, owing to supply chain risks and climate related impacts.

A deep dive into the borrower's operations, policies and supply chain oversight revealed that it had already implemented traceability systems for its cocoa and palm oil, with coverage among the best in class for the sector and ambitious targets to reach 100 per cent certification and visibility to assess, identify and monitor deforestation risks. It also had robust policies to tackle, identify and monitor labour issues (such as child labour) within its supply chain. The business also partners with several bodies to help improve livelihoods for farms, strengthen child protection systems, access to quality education, and adequate community infrastructure.

Impact on portfolio positioning

Ultimately, the sustainability team were able to gain assurance that the borrower had the appropriate policies, systems, and targets in place to mitigate against the supply chain risks inherent within the cocoa industry. The borrower was assessed on the interventions it is making across its business and its trajectory in relation to managing the risks.

[24] SCF is a subset of Trade Finance and involves early settlement by the investor of invoices submitted by well established corporates. The investor takes over the right to receive payment from the corporate on their normal terms (usually 90 to 180 days).

For illustrative purposes only and not intended as an investment recommendation. Past performance is not a reliable indicator of future returns.

4

Holistic stewardship

Our approach to holistic stewardship

Aviva Investors recognises that the future economy is likely to look fundamentally different to the present. Meeting the targets adopted by national governments at major international summits such as COP21 in Paris[25], COP15 as part of the Kunming Montreal Agreement[26], and the UN Sustainable Development Goals, requires a system-wide transition of the global economy from which trade-offs, risks and opportunities will arise.

We aim to foster a feedback loop between each level of engagement and our investment desks

As an investment manager and steward of our clients' capital, we believe that engaging across different levels of the financial system and the real economy to support this transition is a key part of maximising the long-term value of our clients' investments. We also believe this can help in enabling clients to meet any sustainability goals, such as net zero emissions targets. Doing so effectively requires us to understand the levels of engagement we can utilise, what they are capable of achieving in their own right, but also to recognise their inherent limitations within a complex and highly interconnected system.

Company and issuer level engagement is a cornerstone of our approach to stewardship, but individual companies do not operate within a vacuum. They are part of a complex value chain of suppliers, customers and partners, as well as an ecosystem of competitors and peers, all of which exist within the policy and regulatory landscape shaped and enforced by national governments. The latter, in turn, operate as part of an extensive network of intergovernmental frameworks and agreements, which are overseen by international institutions. As such, the efficacy of corporate engagement is limited if the overarching rules, regulations and incentives, which govern the financial system and real economy, are misaligned with sustainable operating models. The existence of systemic issues, also known as market failures, requires correction by policymakers and regulators. But as financial market participants, we believe we have a responsibility to use our position and insights across the system to support the stakeholders in making well informed and timely corrections (please refer to the promoting well-functioning markets section for more information). That is why we look to augment our company level dialogue through targeted engagement across different levels of the system.

Our value chain engagement programme is a prime example of this, where we convene key players within hard-to-abate sectors such as energy, transportation and construction, in order to understand barriers impeding transition and identify corresponding solutions. These engagements not only help to refine our asks of companies, but also the development of tangible and practical recommendations for policymakers, regulators and international institutions, to support them in establishing the enabling conditions within the market that align commercial drivers with sustainable pathways.

We refer to this multifaceted approach to stewardship, where we aim to foster a feedback loop between each level of engagement (please see the next page for more information on our levels of engagement) and our investment desks, as 'holistic stewardship'. We believe it to be the most effective and impactful way for Aviva Investors to support the necessary systemic changes to deliver the investment and real world outcomes our clients seek. It involves an ongoing process of dialogue, partnership, challenge, iteration and refinement, as well as consistently striving to develop more effective means of collaboration across our stewardship and investment teams. You can read more about our holistic approach to stewardship here.

[25] The Paris Agreement | UNFCCC
[26] COP15 Landmark Biodiversity Agreement

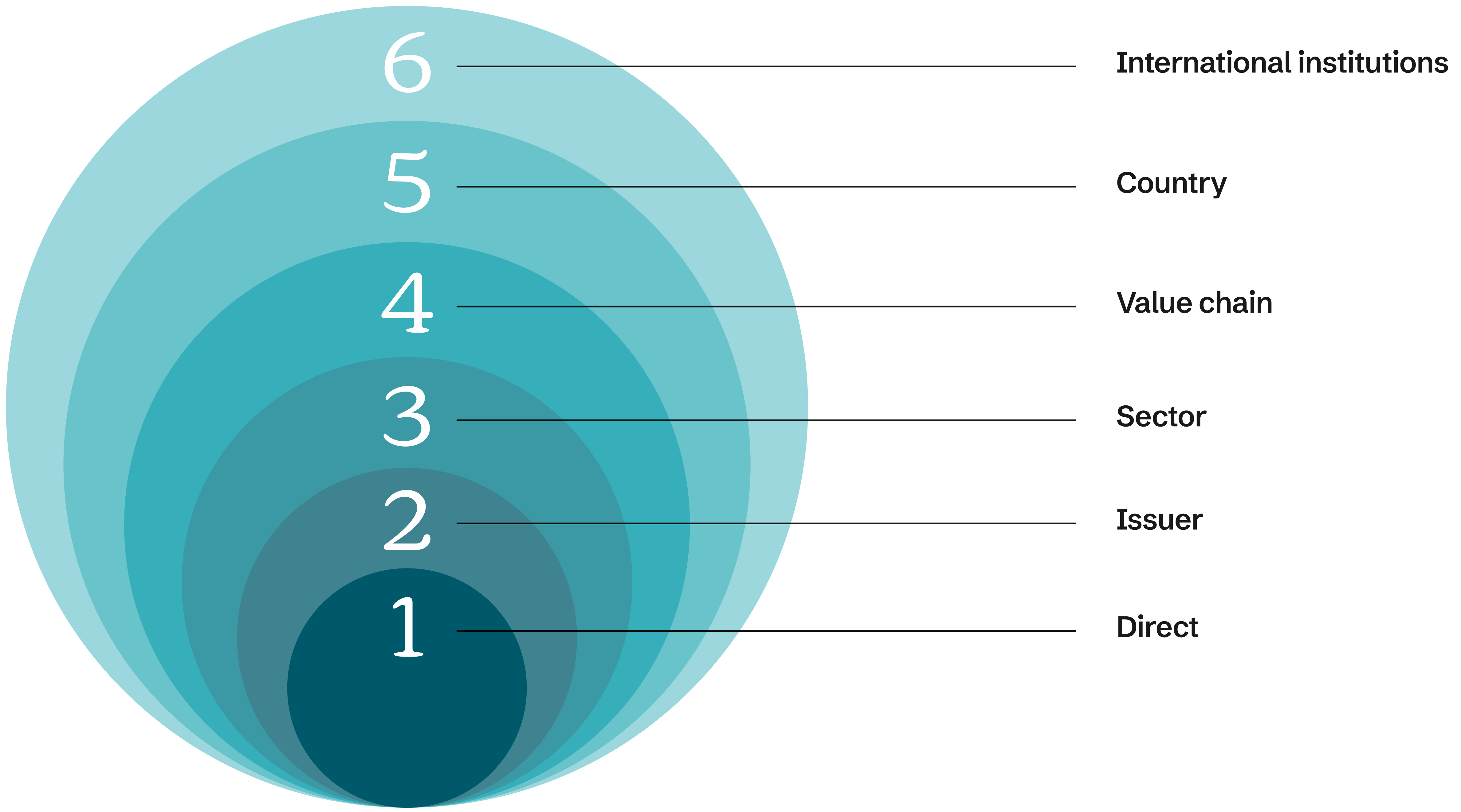
Approach to engagement

We have identified different levels of the system where there are opportunities to engage and bring about change, and which form component parts of our holistic approach to stewardship (see Figure 12).

Across all levels of engagement, Aviva Investors recognises the power of working collaboratively with fellow investors and financial actors. This can involve direct meetings or written communications with companies alongside other investors as part of a broader initiative, or participating in initiatives which support investors in engaging with sovereign issuers, with whom opportunities to engage major issuers are scarce.

Aviva Investors recognises the power of working collaboratively with fellow investors and financial actors

Figure 12: Holistic stewardship – stakeholder engagement across multiple levels



Source: Aviva Investors, as at December 31, 2024.

1 Direct

Recognising the importance of balancing the needs of clients with other stakeholders in creating and protecting value – particularly within the private markets context – Aviva Investors collaborates with customers (including borrowers and occupiers), suppliers, and the local communities in which we operate, throughout the process of structuring deals and transactions, as well as through ongoing asset management. In private debt asset classes, for example, we actively engage in transactions by creating covenants and incentives that mandate or encourage positive environmental and social outcomes. In our equity investments, where we own assets directly, we focus asset management resources on engaging with occupiers and suppliers to reduce building energy use and engaging with communities through funding programmes to create positive social outcomes.

Systemic challenges such as climate change necessitate a system-wide response across the global financial system and those that oversee it

2 Issuer

Engagement and actively exercising our voting rights are fundamentally important in our stewardship and investment processes. They are key to supporting long-term value creation and enabling the outcomes our clients and beneficiaries expect. We seek to establish supportive and constructive relationships with the companies in which we invest, whether through bond holdings or share ownership. This is in order to influence corporate practice which can support delivery of financial or sustainable objectives, as well as provide us with insights to better understand and act upon investment risks and opportunities. We are keen to understand the specific business and commercial context of a company, and carefully consider the explanations that companies provide for departures from best practice, to ensure that bespoke arrangements provide appropriate checks and balances and protection for investors.

3 Sector

We engage with multiple companies within an industry to address structural problems that individual engagements with companies will not remedy by themselves.

4 Value chain

In a similar vein to sector level engagement, some solutions may have to come from collaboration between different entities – for example, companies responsible for significant carbon emissions and those that rely on their products. This therefore requires engagement within, and across industries, to understand barriers and identify corresponding solutions.

5 Country

Country level stewardship is conducted with national policymakers and regulators, including finance ministries, climate ministries and central banks. We undertake this engagement as a sovereign bondholder as well as a financial market participant and investor in the broader economy. Through mutually beneficial dialogue, we seek to gather information to inform investment decisions and use our voice to support sustainable policymaking, grow the pipeline of sustainable investment opportunities, and promote well functioning markets.

6 International institutions

Systemic challenges, such as climate change, necessitate a system-wide response across the global financial system and those that oversee it. This means that effective stewardship efforts must also have an international focus, which is why we engage with global policymakers, regulators, and standard setters, as well as other key institutions and stakeholders. The intention behind this engagement is to accelerate system-wide reform of the national and intergovernmental institutions which oversee global markets to support in aligning the system and financial flows with global goals. This activity works in lockstep with our country level engagement.

Measuring engagement outcomes

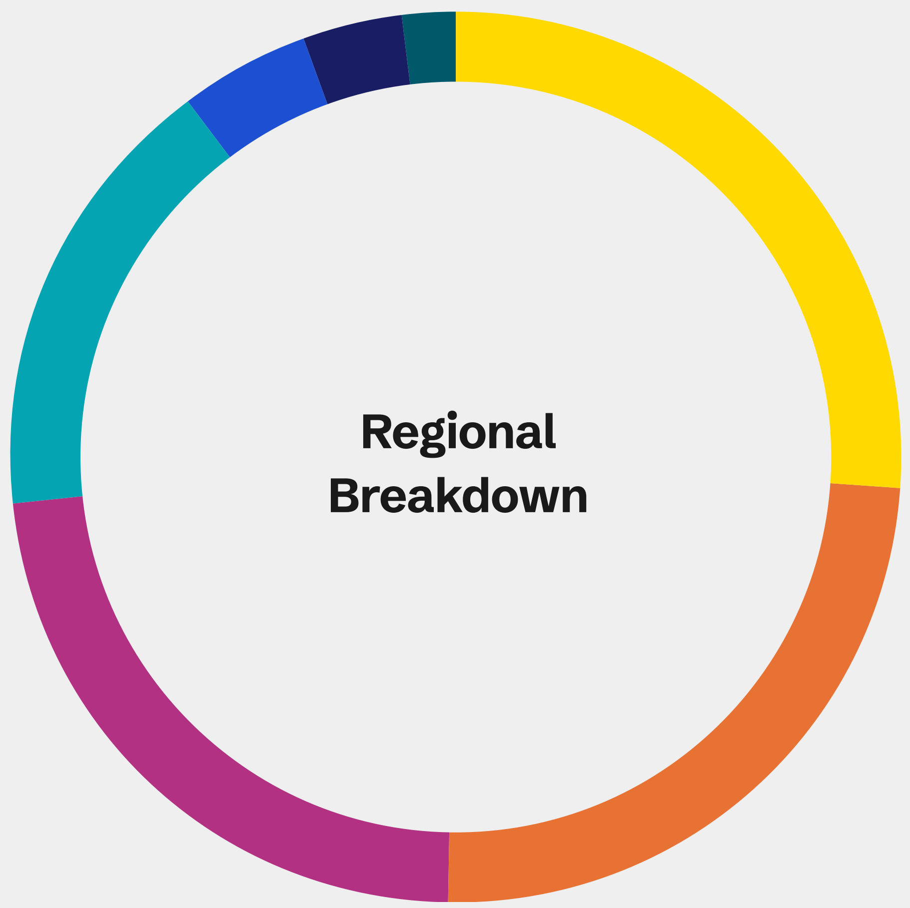
In recent years, we have seen increasing levels of interest from our clients for us to evidence the outcomes from our corporate engagement activities and to have continually improved our approach in this area. Within our public markets investments, ahead of our corporate engagements, we conduct a gap analysis of the company to understand how their policy, practice and performance may be aligned to our expectations. For our priority themes, companies are benchmarked against their peers.

We use this insight to help decide what our engagement objectives can be and share this during or after our interaction with an issuer. We may also share insights from our benchmarking to help companies understand their competitive positioning. Our interactions are recorded in an internally managed database, outlining any recommendations made. The recommendations are monitored, reviewed and any outcomes logged if and when observed (achievement of outcomes may take place over multiple years).

Where necessary, we may look for alternative forms of engagement and voting activity if progress is not observed (our approach to alternative forms of engagement, including escalation and voting, is described in the rest of this section). We will determine what further engagement and voting approach is required based on the responsiveness of the company, the severity of an issue and the urgency of an intended outcome.

The next two pages show an overview of our key engagement statistics from 2024.

Figure 13: Breakdown of 2024 sustainability engagements by geographic region



Europe ex UK	26.2
North America	24.2
UK	23.2
Asia	16.3
Australasia	4.7
Latin America	3.5
Africa	1.9

Source: Aviva Investors, as at December 31, 2024.
All percentages may not total 100% due to rounding.

2024 engagement statistics

1,166
Total engagements with companies and sovereign issuers

768
Total number of companies engaged

60
Total number of sovereigns engaged

1,032
Total number of engagements with companies

134
Total number of engagements with sovereigns

922
Substantive company engagements

40
Substantive sovereign engagements

190
Engagement outcomes

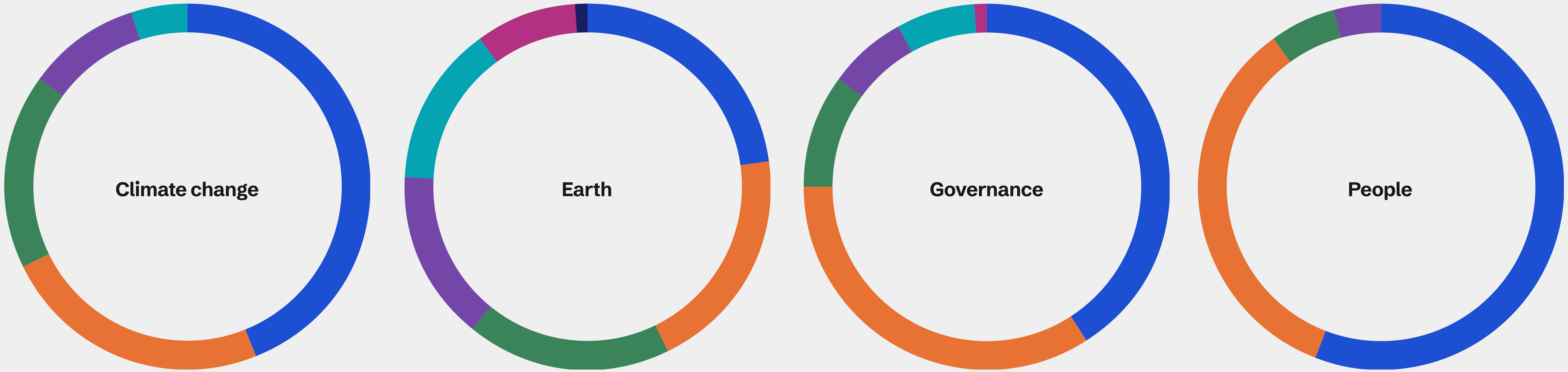
Definitions

- Company engagements are defined as interactions with corporate entities on sustainability and governance issues in interactions led by the public markets Sustainable Investing team. Interactions led by investment teams are not reported here, however they may have participated in Sustainable Investing team-led engagements.
- Sovereign engagements are defined as interactions conducted by the ESG Sovereign team with countries and multilateral institutions e.g. the International Monetary Fund.
- We can engage with any given company or a sovereign more than once in a year.
- ‘Substantive’ engagements with companies or sovereign issuers are defined as targeted and tailored interactions including bilateral meetings, correspondence, group meetings and consultation responses.
- Engagement outcomes are changes in the behaviour of an entity that are in line with one of our prior engagement asks.

2024 engagement statistics

These graphs give an overview of the issues raised in our company engagements during the year. The issues relate to our four engagement themes: Climate, Earth, People and Governance. Some engagements will encompass more than one issue or theme, and one 'theme' may transcend different pillars. For example, for the purpose of reporting we have mapped our hazardous chemicals engagements to the issue, 'People - Product Safety and Quality', however it can also be linked to nature themes. As such, these graphs should be considered an illustrative overview only.

Figure 14: Engagement statistics



Climate change

Strategy	44%
Reporting/disclosures alignment	24%
Targets	17%
Lobbying/public policy	10%
Performance	5%

Earth

Biodiversity management	23%
Sustainable land use and forestry	20%
Reporting alignment/disclosures	18%
Circular economy and pollution	15%
Sustainable food systems	14%
Water conservation	9%
Lobbying/public policy	1%

Governance

Remuneration	41%
Board structure/ composition	34%
Strategy, purpose and financial direction	10%
Audit and controls	7%
Shareholder rights	7%
Other	1%

People

Human rights	56%
Product access, safety and quality	34%
Public health/nutrition	6%
Other	4%

Source for all four charts is Aviva Investors, as at December 31, 2024.

Approach to escalation

‘Engagement first’ philosophy

Within our public markets investments, we promote the relative merits of engagement over divestment of corporate holdings as a more effective mechanism of delivering positive change and outcomes for clients and society. Our preference for engagement is built upon two key factors.

First, there is a lack of critical mass in the market for divestment (in the first instance) to be a meaningful tool for change; there is a queue of other investors ready to take our place should we decide to sell holdings.

Secondly and more significantly, while divestment sends a signal of dissatisfaction to a company, it does not allow for a clear communication of a desired future state and expected roadmap for change. We prefer to stay invested and engaged, and partner with issuers, allowing us to continue to influence the direction of travel as well as the pace of progress.

There will be times, however, when stronger measures are necessary to encourage a company to engage on our concerns. Our escalation approach contains several considerations and different levers available to us. However, the application of the policy will vary meaningfully on a case-by-case basis, balancing the engagement history and the environment in which the issuer operates.

Considerations for escalation

In making decisions as to whether engagement will be escalated, several factors will be considered, including:

- the potential significance of the issue for our investments and clients
- the circumstances in which an issue has arisen
- relevant best-practice standards and investor guidelines
- the reasons and explanations provided by the company
- the pattern of issues, in combination or over time
- client mandates, preferences and portfolio strategies
- the traction the initiative and objectives will have with wider shareholders, and scope for collaboration with other stakeholders

We promote the relative merits of engagement over divestment of corporate holdings as a more effective mechanism of delivering positive change

Forms of escalation

1. Intensified dialogue – bilateral (private): Intervention will generally begin with a 'step up' in private dialogue with the company. This comes through: a) holding additional meetings with company management to enhance our understanding of its stance and help the company to understand our position; and/or b) meetings being held with more senior representatives. This year, as part of our stewardship activities on climate, we arranged meetings with more senior stakeholders prior to AGMs to enhance our understanding of company stances, as well as ensuring a better understanding of our expectations.
2. Intensified dialogue – collaborative (private): We recognise the complexities of operating in different legislative environments. However, we believe collaborative actions can be a powerful escalation tool. They may take many forms, including self-organising investor-led collaborations, formal investor coalitions and/or collaborations between investors and NGOs. Collaboration amplifies key messages, gives more weight to individual asks and increases the incentive for the company to act. It also reduces duplication and builds shared capacity between asset managers, as well as consolidating asks for companies.
3. Leverage shareholder rights: The next step in escalation sees us using our shareholder rights.
4. Intensified dialogue (public): The next step is sharing concerns with other investors or stakeholders through a public lens. Sharing this publicly communicates to the company the importance of issues raised and encourages them to address these directly. This step can include public statements (including speaking to the media), press comments and writing formal public letters, or attending and asking questions at and/or making statements of intent at AGMs.
5. Capital allocation: Depending on the investment strategy of a fund, this can take the form of underweighting an issuer compared to the benchmark, excluding from a sustainable labelled fund, or non-participation in new equity or debt offerings.
6. Divestment: Divestment will only be used as a last resort where other escalation levers have been exhausted. Where we make the decision to divest our exposure to an issuer due to unsuccessful engagement, this is likely to be where we see the lack of progress on the sustainability issue as a material risk to our investment. We will make clear the conditions for reinvestment should companies begin to meet our expectations.

Approach to voting

Votes are determined by the stewardship function in conjunction with portfolio managers, who inform decisions by bringing their knowledge and assessment of company strategy and any special circumstances. The starting point for vote decisions is our global voting policy, reviewed on an annual basis and updated subject to board approval. The policy covers key governance themes. These include board leadership and effectiveness, reporting and disclosures, controls and audit, share capital authorities, shareholder rights, data security, executive remuneration, shareholder proposals, investment trusts, and our process. We also consider key environmental and social themes.

To support us in making voting decisions on thousands of meetings a year, we subscribe to research from third-party providers. Our main provider for voting services since October 2023 is Glass Lewis. We also subscribe to IVIS research (provided by the Investment Association) and MSCI. We use research for data analysis only and do not automatically follow research provider voting recommendations. We also receive recommendations from Glass Lewis based on our own policy, which we can override in consideration of other factors, including internal views, additional context provided in external research, and company explanations.

In 2024, we voted at 99 per cent of meetings at which we were eligible to vote. Unvoted meetings were primarily due to additional costs associated with legal and administrative processes in certain jurisdictions, which outweighed the benefits of casting a vote.

Given the number of companies we own in our portfolios (including index funds), we seek to prioritise engagement by size or value of holding and where it is most likely to benefit our clients. This allows us to consider additional context from the company, which occasionally results in us changing a vote. In addition, our voting policy and voting records are publicly available, containing our reasons for not supporting resolutions.

We maintain a database to record our voting and engagement with companies, which allows us to review the effectiveness of our work. We review priority holdings quarterly or half yearly.

There will be times when, despite voting against and/or engaging with companies, our concerns have not been adequately addressed. Further details of this are included within the escalation section.

Significant votes

In line with the vote reporting guidance from the Pensions and Lifetime Savings Association (PLSA), we provide clients with details of what we consider the most significant votes in relation to their portfolios.

The purpose is to help pension trustees meet their regulatory duties and demonstrate how they are acting as effective stewards of their assets. Over time, this should give clients a better understanding of how asset managers are using their votes to hold management to account and improve the sustainability of companies.

Here are the key criteria we look at in determining significant votes:

- whether the vote is high profile or controversial, which may include a significant level of external interest
- the commercial impact of a vote, e.g., the approval of a large merger or acquisition
- the potential impact on stewardship outcomes from our key areas of focus, for example when our voting decisions seek/have achieved an improvement in the diversity of the board or more broadly across the organisation
- shareholder resolutions deemed material, e.g., even if they do not obtain majority support, they are still likely to encourage the board to address material ESG issues that may otherwise create risks for the company, such as climate change
- how significant the holdings are in relation to the fund and our aggregate holding – the larger the holding, the greater our ability to effect change

Other voting considerations

Clients

We do not typically consult clients ahead of individual votes, given the significant practical challenges this would create. However, we engage with clients on a regular basis to better understand their preferences and outline our views on specific vote-related issues.

There may also be occasions where voting exceptions have been specifically agreed with clients in segregated funds. But generally we retain responsibility for ensuring voting is carried out in a manner consistent with our own approach to stewardship.

If a pooled fund investor asked us to vote in a certain way, we would first check to see if this request matched the way we were initially planning to vote. If not, we would look to accommodate that request in respect of only its proportion of the total number of shares.

Please see the Conflicts of Interest section for more information on how we consult clients ahead of votes where there is or may be a conflict of interest.

Stock lending

We have strict procedures in place that only allow shares to be lent out up to agreed thresholds. We also recall shares on loan for the purposes of exercising voting rights where there is reason to do so (for example, for contentious meetings or on especially important matters) and when this is considered to be in the best interests of our clients.

Voting disclosure

In line with best practice, we make all our voting history publicly available on our website.

For voting disclosure, meetings are updated one month in arrears (for example, a meeting held on 1 December 2024 will be displayed on 1 January 2025). Our voting disclosure includes details on each resolution and vote decisions. In addition to providing the key reasons of any against votes and abstentions, we provide a detailed rationale on resolutions we have 'exceptionally' supported.

For our standard reporting we also show our voting record for the fund in question.

Fixed income votes

Voting has the most direct relevance to equity investments as shareholders have the right to vote at shareholder meetings, such as AGMs. As the name suggests, shareholders have an annual opportunity to exercise their voting rights and hold boards to account.

However, our stewardship principles are also applied to other asset investment classes such as fixed income and property, where appropriate. For example, bondholder meetings may be convened to seek consent from the relevant bondholders in respect of amendments to trust deeds or indentures that may affect the terms of the bonds. Decisions on these will be determined by fixed income analysts and fund managers based on what they consider to be in the best interests of the fund and clients.

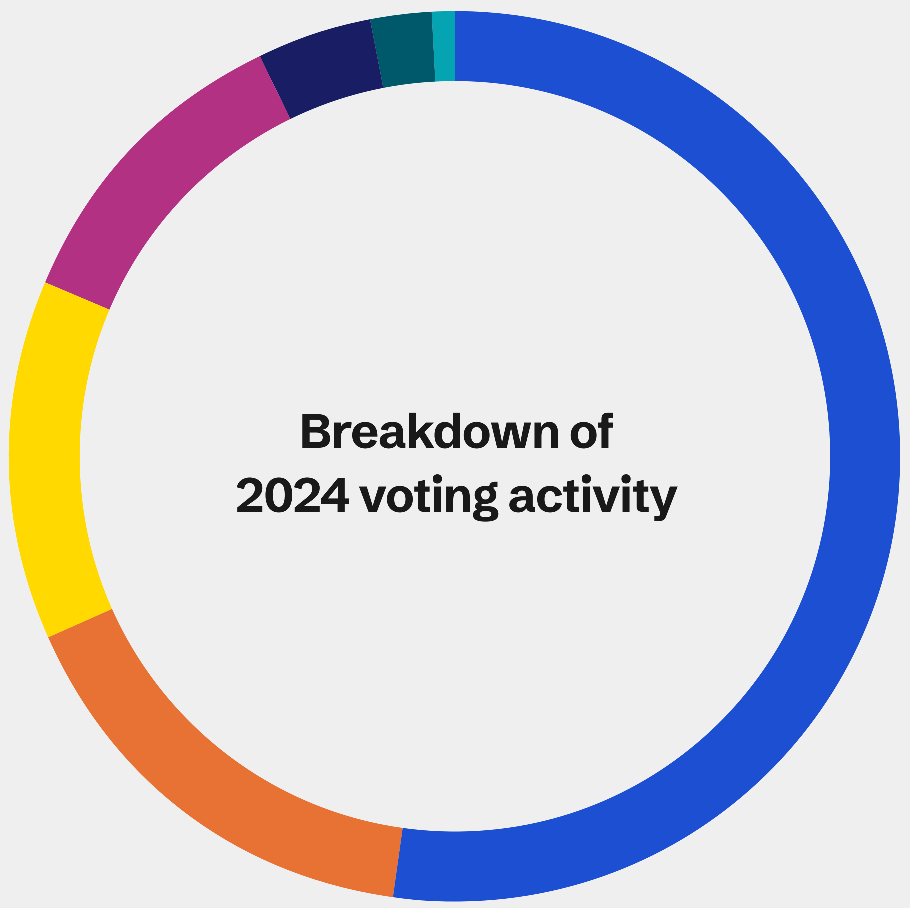
2024 voting outcomes

Voting is a crucial part of the investment process and we have had a formal and considered voting policy since 1994. We have explicitly incorporated responsibility disclosures and performance into our voting since 2001; we were one of the first asset managers to do so globally. The statistics below show breakdowns of our 2024 voting activity.

67,334

Total number of votes on resolutions at 6,354 shareholder meetings

Figure 15: Breakdown of 2024 voting activity by geographic region



Asia	52.4
North America	16.1
Europe ex UK	12.9
UK	11.5
Latin America	4.2
Australasia	2.0
Africa	0.8

Source: Aviva Investors, as at December 31, 2024.
All percentages may not total 100% due to rounding.

2024 voting outcomes

Figure 16: Votes for, against or abstained by voting topic

Topic	For	Against	Abstain
Anti-takeover measures	82%	18%	0%
Auditors	80%	19%	1%
Climate-related	77%	18%	5%
Directors	73%	23%	3%
Related party transactions	84%	14%	2%
Remuneration	58%	40%	2%
Report and accounts	96%	3%	1%
Share issues/capital related	81%	18%	0%
Shareholder resolution	46%	50%	4%
Shareholder resolution (supported by management)	0%	100%	0%
Takeover/merger/reorganisation	95%	4%	1%
Other	89%	10%	0%

Source: Aviva Investors, as at December 31, 2024.

Figure 17: Shareholder resolutions supported by theme

Theme	For
Earth	62%
Climate	54%
People	44%

Source: Aviva Investors, as at December 31, 2024.

Figure 18: Number of companies at which we voted against management resolutions or abstained (by engagement theme)

Theme	Number of companies
People	1,087
Climate	67
Earth	65

Source: Aviva Investors, as at December 31, 2024.

Promoting well-functioning markets

As an investment manager, and steward of our clients' capital, we have a duty to act in the best interests of clients and the integrity of the market.[27]

At present, the financial system contains multiple market failures, of which there are several types. They undermine the ability of financial markets to price assets in a manner that reflects their 'true' cost or fundamental value, as the information or conditions necessary to find the 'true' price of assets is distorted. One example of a market failure is information asymmetry, where an issuer has information that could be material to its share price if publicly disclosed, but due to a lack of comprehensive and reliable disclosure, is not required to.

If prices do not reflect fundamental value and the true extent of risk, then the ability of markets to function efficiently and with integrity is eroded. This can lead to the build-up of market-wide and systemic risks.

Systemic risks to the financial system are those that arise from an impairment of all or part of the financial system and have the potential to have serious negative consequences for the real economy. They are non-diversifiable and undermine the proper functioning of the market. Therefore they can have a material impact on client returns and their best interests.

There are several sustainability-related challenges which pose market-wide and systemic risks, of which climate change and nature-loss are prime examples, but also aspects of inequality.

To truly act in the best long-term interests of our clients, we believe we need to ensure – to the extent we have tools at our disposal – the financial system and real-world systems into which we invest their money have integrity and are not undermined by market failures and systemic risks.

We can seek to mitigate these risks through engagement with our holdings and corporate action. But in the face of market failures, where there is a misalignment between sustainable objectives and commercial ones, firms deploying more sustainable practices within a system that fails to adequately reward such activity may find themselves at a competitive disadvantage.

Consequently, through our sovereign engagement and macro stewardship activity, we work to highlight potential market-wide and systemic risks with those empowered to make the changes necessary to rectify market failures. We develop practical recommendations for policymakers and regulators. These help to inform them in regard to introducing targeted corrections which seek to grow the pipeline of commercially viable sustainable investment opportunities. They also ensure risk is accurately priced in the market, and therefore support the creation of a policy environment aligned with an efficient and just transition towards implementing high-level government pledges. Market participants are ultimately dependent on policymakers and regulators to implement these changes. However, that does not absolve them of responsibility to highlight issues where they arise and engage with them to promote well-informed and effective interventions. We believe that doing so is a key mechanism through which we can seek to promote well-functioning markets and therefore act in the long-term best interests of our clients.

> As an investment manager, and steward of our clients' capital, we have a duty to act in the best interests of clients and the integrity of the market

[27] FCA Handbook COBS 2.1.1, COBS 2.1.4, COLL 6.6.24 and 6.6A.

Overview of thematic priorities

We have determined our engagement priorities based on themes that we believe are important to the long-term value of our investments (see Figure 19). We also incorporate preferences obtained through dialogue we conduct with clients throughout the year. Our engagement themes are regularly reviewed so we can reflect changes in the investment environment, including responding to new trends and regulation, or adapting to external events that matter to our clients. The high-level themes will have relevance for most investment desks, but the integration of the themes, their insights, and the impact of their outcomes will vary given the differing time horizons and investment objectives of funds.

Engagement can be conducted proactively or reactively (for example, in response to a negative event). For proactive engagements, we have developed engagement plans for our priorities, and we identify stakeholders for these plans based on factors including, but not limited to, the size of our exposure, our active positioning, proportion of capital held, or the exposure to a risk and opportunity. As a multi-asset investor we seek to select stakeholders for engagement so that they benefit the breadth of our clients.

Figure 19: Our 2024 stewardship engagement priorities by theme

Climate

- Financial system reform
- Boosting low-carbon investment in the UK
- Physical climate risk adaptation and mitigation measures
- Net zero and decarbonisation

Earth

- Nature and biodiversity risks and impacts
- High-integrity nature and carbon markets
- Growing the pipeline of investable projects
- Deforestation
- Land use
- Water
- Circular economy

People

- Human rights
- Decent work
- Just transition
- Education

Governance

- Strategy
- Capital allocation
- Remuneration
- Board oversight and effectiveness

Source: Aviva Investors, as at December 31, 2024.

Climate: Transitioning to a low-carbon future

Swift and meaningful action is needed to ensure the global economy's transition towards the goals set out by the Paris Agreement and the climate ambitions of our clients.

In 2024, Aviva Investors focused climate-related engagement activity on seeking to drive progress across our investments, key sectors and value chains. We've also engaged with policymakers and regulators to establish the supportive conditions for a system-wide transition.

The 2015 Paris Agreement set a target to hold the increase in global average temperature to well below 2°C and pursue efforts to limit it to 1.5°C, requiring signatories to create national determined contributions (NDCs) with emissions reduction targets and other measures. The 2023 global stocktake confirmed that existing national commitments were insufficient and emphasised the private sector's role in achieving NDCs. It urged countries to enhance policies, incentives, and regulations to scale up investments for a global transition. As such, in 2024, Aviva Investors has advocated for national transition plans to support NDC implementation. This is part of a "transition plan ecosystem" in which transition plans from countries, regulators, financial institutions and corporates inform the ambition and delivery of transition from each element of the global economy. This will be vitally important in giving markets greater clarity and certainty around the direction of policy and therefore help in identifying and scaling sustainable investment opportunities.

In the UK context, and similar to our work on national transition planning, we have focused on the need to create market conditions which enable the £50-60bn per year of additional low-carbon capital investment required in order to meet the UK's net zero target – much of which will need to come from the private sector. The Boosting Low-Carbon Investment in the UK Policy Roadmap we published this year, and the related engagement activity, has aimed to help policymakers identify some of the key policy measures that could help unlock the requisite private investment.

This work has complemented and, in turn, been informed by, our work to engage with both supply- and demand-side industries. Aviva Investors recognises that achieving a system-wide transition requires engagement not only with traditional energy producers like oil, gas, and mining companies, but also with demand-side sectors like chemicals, steel producers, and aviation. These sectors face particular challenges in aligning with a 1.5°C pathway, making targeted engagement essential. That is why, building on the outcomes of the (now concluded) Climate Engagement Escalation Programme (CEEP), we launched the Climate Stewardship 2030 Programme (CS30), which has brought critical hard-to-abate demand-side industries into focus, reflecting the interconnected nature of emissions across supply chains.

Private market investors have a central role to play in the transition towards a low-carbon economy. Buildings and infrastructure networks, for example, serve as major contributors to carbon emissions, with 38 per cent of global energy-related GHG emissions being attributable to buildings and construction. As such, Aviva Investors has, across relevant private markets strategies, focused on decarbonising the built environment to minimise the emissions real estate produces and to improve the energy efficiency of buildings. This is particularly important considering 85 per cent of today's buildings are projected to still be in use by 2050.[28] For all new developments and major refurbishments, we engage with developers using our bespoke Sustainable Design Brief, which sets minimum ESG standards and stretch targets for key EU and UK markets across commercial, residential and logistical assets.

[28] Maria Smith, et al., "Built for the environment report", RIBA, May 2, 2023; see also, "Building renovation: where circular economy and climate meet", European Environment Agency, July 19, 2023.

CASE STUDY

ESG-related loan stipulations for Broadwood Later Living private equity investment

Issue

In 2024 we completed a £25m cornerstone investment into the Broadwood Later Living Sustainable Construction Finance Fund. The Fund is targeting an attractive risk-adjusted return of 12 per cent from a portfolio of construction finance loans to developers of care homes and retirement living assets. Best-in-class sustainability standards for developments of this nature are required to ensure the assets remain attractive to potential buyers or occupiers.

Action

Throughout the origination period we engaged with Broadwood to discuss our priority goals for the underlying loans, focused on developments using air source heat pumps for heating in place of gas boilers, delivering EPC ratings of A and minimising upfront embodied carbon intensity. These are standards contained within our ‘Sustainable Design Brief’, the key document which sets out our required technical standards for real estate design.

Outcome

At close, a series of mandatory requirements for developers were embedded in the terms of the deal. For an additional layer of security for our sustainability requirements, we agreed with Broadwood what would happen if achievement in a category would not be possible for characteristics unique to a proposed property or development. In such a case, any exception to the sustainability criteria and mandatory requirements would require the absolute approval or waiver of our investment advisory committee.

The requirements agreed were energy use intensity of 250 kWh/m², considered to be best practice for buildings of this nature which tend to require above-average heating and hot water. Further requirements locked into the terms of the financing were EPC ratings of A, up-front (the emissions from construction) embodied carbon of 600kg CO_2/m², air source heat pumps and the installation of infrastructure to allow for EV charging.

Ensuring these standards are met will protect our clients’ investment as well as driving better quality in the underlying assets, to the benefit of the buildings’ occupants.

CASE STUDY

Engaging with policymakers on credible national climate plans

Issue

The Paris Agreement requires signatories to develop Nationally Determined Contributions (NDCs) which outline how each country will reduce emissions and build resilience. Governments submit new, more ambitious NDCs every five years and the next iterations are due in 2025.

The first Paris Agreement stocktake took place in 2023 and concluded that the world is not yet on track, presenting material long-term investment risks. At the same time, many governments are facing elevated debt levels hindering their ability to take more direct action. Consequently, there is a growing need for NDCs to attract increasing levels of private capital to help underpin ratcheted climate ambitions.

At the start of the year, Aviva Investors identified features of NDCs that could catalyse private investment, including setting ambitious headline targets alongside information on the actions governments will take to deliver them such as sector level pathways, indicative policies and associated investment plans.

These features would also enable NDCs to act as a step towards detailed national transition plans which we consider to be essential to support the long-term viability of corporate transition plans[29].

Action

Our starting point was to communicate our NDC priorities by sending tailored letters to finance ministers from over 50 countries where we are materially invested. We then sought to establish a dialogue with policymakers through proactive bilateral outreach, collaborative initiatives, and participation at set-piece events.

This included engaging with sovereign representatives at COP29, the IMF and World Bank annual meetings, and through participating as a lead investor in the UNPRI co-ordinated Collaborative Sovereign Engagement on Climate Change.

We also engaged with international institutions such as the G20, OECD, and Coalition of Finance Ministers for Climate Action, and helped shape industry thinking through contributions to influential reports and high-profile speaking opportunities.[30, 31]

Outcome

Our dialogues with more than 15 countries, including the US, UK, Brazil and Mexico, enabled us to add our perspective to the policymaking process and gather valuable investment insights.

Our engagement with institutions and the wider industry also contributed to investor views on NDCs and national transition planning gaining significant traction through the year.

We were pleased to see the UAE and Brazil submit their NDCs in November and include new emission reduction targets alongside additional detail on the sectoral transformations that would underpin delivery. The UK also announced a new ambitious emission reduction target while the G20 ministers committed to national transition planning to underpin NDCs.

29 The tipping point for climate finance - Aviva Investors Aviva Investors, Blueprints for a Greener Economy
30 CETEX, Taking the Lead on Climate Action and Sustainable Development
31 IIGCC, Making NDCs investable - the investor perspective

CASE STUDY

Boosting low-carbon investment in the UK: A policy roadmap

Issue

To keep the UK on track for net zero emissions, the Government's Green Finance Strategy estimates that 'through the late 2020s and 2030s, an additional £50-60bn capital investment will be required each year'[32]. For investors to take up this challenge, market conditions need to be such that low-carbon investments and projects can provide an appropriate level of risk-adjusted returns. To commit capital at scale, investors also need to be able to identify a visible pipeline of commercially viable assets they can invest in. Getting the public policy framework right across each key sector of the economy is, in turn, an important part of creating the right market conditions for low-carbon investment.

Action

Recognising the importance of public policies in creating an attractive environment for low-carbon investment, we published our Low-Carbon Investment Policy Roadmap in July 2024. The roadmap sets out key challenges slowing private sector investment in low-carbon infrastructure and businesses across eight key economic sectors, and identifies some of the most material public policy solutions to overcome these challenges.

We also responded to some of the most investment relevant public policy consultations, such as on the National Planning Policy Framework, the UK's new industrial strategy, and the Review of the Electricity Market Arrangements (REMA) – one of the biggest reviews of electricity market rules in a decade.

Outcome

We have significantly increased our constructive engagements with the UK government on low-carbon policy. This included 17 meetings with a range of departments following the publication of the roadmap, including HM Treasury, the Department for Energy Security and Net Zero, the Department for the Environment, Food, and Rural Affairs, and the Department for Business and Trade.

We welcome action that the government has taken which address several of the key recommendations in our roadmap. These include:

- Power sector: improvements to the strike prices and annual auction pot size to unlock greater investment in renewable energy projects, such as offshore wind.
- Buildings: introducing standards to improve the energy efficiency of rented homes, growing the heat pump grant budget, and introducing incentives to grow the supply of heat pumps on the market[33].
- Public investment: committing public investment towards complex low-carbon projects, including the £21.7bn awarded for low-carbon hydrogen and carbon capture infrastructure in two industrial clusters and earmarking £5.8bn in the National Wealth Fund budget to address investment barriers in areas such as green steel, gigafactories and port infrastructure.

[32] HM Government, "Mobilising green investment: 2023 Green Finance Strategy", GOV.UK, March 2023

[33] Department for Energy Security and Net Zero (2024), 'Help to save households money and deliver cleaner heat to homes'

CASE STUDY

Engaging with the Transition Finance Market Review

Issue

How finance can continue to be provided to those businesses that are essential to the transition and to support decarbonisation of existing economic activities, whilst also delivering returns? This is a key question as investors and their clients seek to navigate the transition, and to manage the risks and opportunities it presents.

Action

In 2024, the UK government commissioned the Transition Finance Market Review (TFMR). The TFMR was chaired by Vanessa Havard-Williams, supported by an expert group drawn from across UK financial and corporate entities. Aviva Investors was represented on the expert group and Aviva also provided a group-wide response to the TFMR's call for input. Through the expert group, we provided detailed input and advice to the Chair. We also commented on and provided input to each draft and the final report.

Outcome

The TFMR report was launched in October 2024. It set out a definition of transition finance that incorporates the financial flows, products and services that facilitate an economy-wide transition to net zero consistent with the Paris Agreement.

We were particularly pleased to see the emphasis in the report on transition planning, the importance of shifting real economy incentives, and stewardship across all asset classes including policy advocacy. The report's statement that "those who want a transition need to advocate for it in the interest of their clients and beneficiaries" is aligned to our own approach to stewardship.

CASE STUDY

Engaging on Japan's climate transition

Issue

Japan's first climate framework law was adopted in 1998 and, over recent years, the government has committed to reach carbon neutrality by 2050 and reduce greenhouse gas emissions by 46 per cent by 2030, including by transforming its energy system. To achieve those goals, the government aims to mobilise ¥150tr in new investments over the next decade, through public-private collaboration.

Japan's 2023 Green Transformation (GX) strategy set out policies to underpin those ambitions, including efforts to promote energy efficiency, renewables and grid development. The plans included upfront investment support through the issuance of new sovereign climate transition bonds.

Action

In late 2023, we conducted multiple engagements in Tokyo with the Japanese Ministry of Economy, Trade and Industry (METI), Ministry of Finance (MOF) and Ministry of Environment, alongside the Principles for Responsible Investment and other investors.

While discussing Japan's approach to managing climate risks and the proposed transition bond framework, we expressed our support for clarity on carbon intensity thresholds and timelines for the use of transitional technologies. This was to ensure the credibility of the transitional activities and financing.

After a series of post-meeting follow-ups, our sovereign ESG and investment teams met METI and MOF again at the start of 2024 as part of the climate transition bond roadshow.

Outcome

We were pleased to see that the proceeds from Japan's innovative climate transition bonds were aligned with what we consider credible transition activities. This included clean energy subsidies and research and development expenditure. We invested in the bonds following issuance in February, switching out of conventional bonds.

By engaging early and in-person, we had a greater opportunity to share our perspective on how the GX strategy and transition bonds could contribute to a credible transition. We continue to engage constructively on climate topics, including by meeting the MOF in November.

Climate Stewardship 2030 Programme

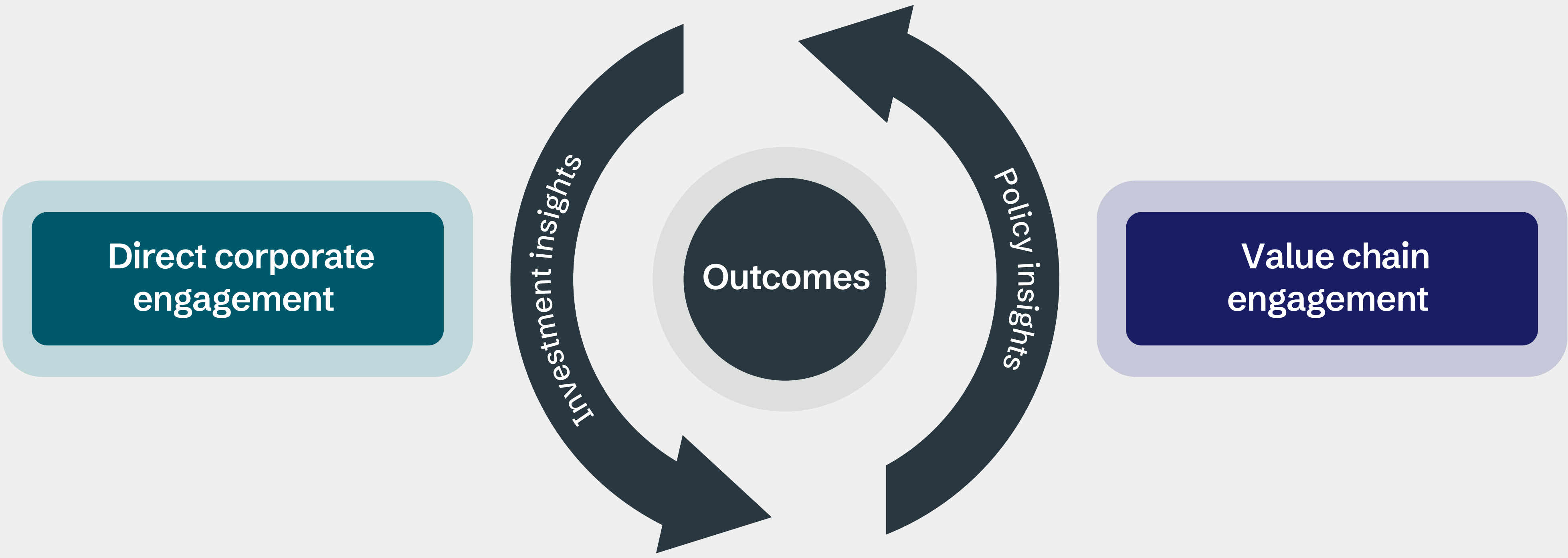
Building on the outcomes of the (now concluded) Climate Engagement Escalation Programme (CEEP) (see our 2023 Annual Sustainability Review, pages 113-116) we launched a new climate stewardship programme: Climate Stewardship 2030 (CS30). This programme represents an evolved approach to addressing the complexities of decarbonisation, aiming to drive real-world outcomes and sustainable value creation.

CS30 is founded on our holistic stewardship approach and aims to engage across corporates, sectors and value chains with at least 100 companies responsible for at least 50 per cent of Aviva Investors' financed emissions in material sectors by 2030. The expanded scope brings critical demand-side industries into focus, reflecting the interconnected nature of emissions across supply chains. The approach aims to address corporate practices and systemic barriers, driving sustainable value creation.

Key features of the CS30 programme

The CS30 programme comprises two core components: direct corporate engagement and value chain engagement, working together (see Figure 20). Key features include:

Figure 20: CS30 key channels of influence
These channels are designed to encourage financial and real-world outcomes



Source: Aviva Investors, as at December 31, 2024.

Direct corporate engagement

- We aim to engage with at least 100 supply- and demand-side companies responsible for at least 50 per cent of Aviva Investors' financed emissions in material sectors by 2030. This will initially focus on internal client assets, but we expect to expand the scope over time, based on materiality, evolving climate risks, and market conditions.
- Utilisation of the industry-standard Net Zero Investment Framework, using proprietary indicators for a robust and nuanced assessment approach, and monitoring alignment annually.[34]
- The types of topics we will discuss with companies throughout this engagement programme include:
  - Emissions reduction targets
  - Transition plans, including decarbonisation strategy, capital allocation and just transition
  - Governance and remuneration, including board accountability and climate-linked remuneration
  - Climate disclosures, covering Scope 1, 2 and 3 emissions
  - Policy advocacy

Value-chain engagement

- Supporting high-impact value-chain mobilisation by convening key players across hard-to-abate sectors with the aim of driving tangible, lasting progress by influencing policies, technologies, and financial incentives.

Our sustainable investing function leads and coordinates the execution of these engagement commitments, in collaboration with investment teams and Aviva's public policy team.

CS30 progress

In 2024, we conducted 135 engagements with 86 companies in the CS30, covering a significant part of our emissions. Of these, 120 engagements were substantive. We observed 50 outcomes aligned to our engagement asks with companies across a variety of sectors like TotalEnergies, BHP, and Air Liquide (see the below CS30 case studies for more information) where we have engaged substantively over several years, notably under the CEEP and now as part of the CS30.

We also held six roundtables, engaging 45 stakeholders from key sectors, including aviation, surface transport, buildings, power, heavy industry, and agriculture.[35] The resulting insights have fed directly into our policy advocacy, including the policy roadmap we published in July 2024, as well as our consultation responses. The insights have also shaped our investment strategies across various sectors.

[34] The Net Zero Investment Framework's criteria for corporate transition plans provides six criteria to assess listed equity and corporate fixed income alignment with net-zero for high impact sectors. See "Net Zero Investment Framework: Implementation Guide", IIGCC, March 2021.
[35] One roundtable (aviation) was held in 2023, as part of CEEP, which influenced our updated approach to CS30.

CASE STUDY

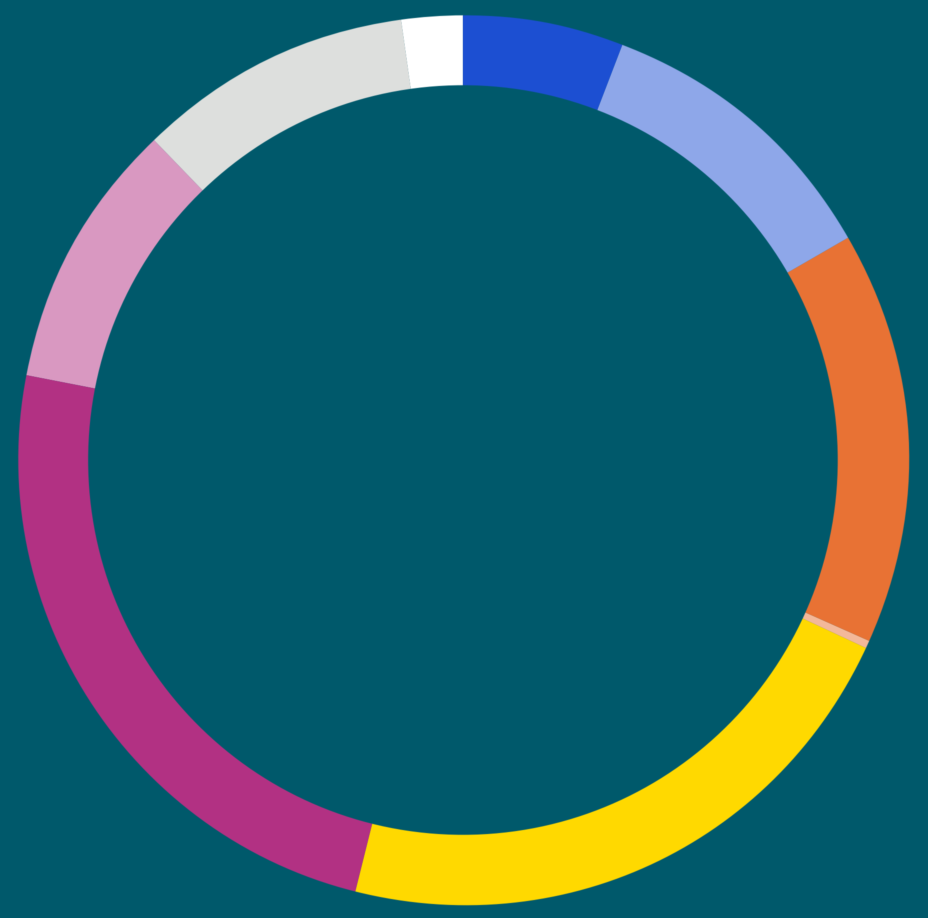
CS30 - Mobilising value chains to unlock decarbonisation opportunities

Issue

Achieving net zero emissions requires the collective unlocking of entire economies. Hard-to-abate sectors such as transport and buildings are substantial drivers of fossil fuel demand, accounting for approximately one third of total CO_2e (carbon dioxide equivalent) emissions (see Figure 21), and rely on interconnected networks of manufacturers, suppliers, regulators, and end users. Without collaboration across these value chains, systemic barriers – such as supply chain inefficiencies, technological bottlenecks, and fragmented regulations – will prevent progress at the pace and scale required to meet global climate targets.

To address these challenges, Aviva Investors has prioritised value chain mobilisation as part of our holistic stewardship approach, recognising the importance of aligning stakeholders across industries to accelerate decarbonisation efforts.

Figure 21: Global CO_2e emissions breakdown



Buildings	6%
Buildings (indirect)	10.79%
Transport	15%
Transport (indirect)	0.37%
Agriculture, forestry and other land use	22%
Industry	24%
Industry (indirect)	9.89%
Other energy	10%
Other energy (indirect)	1.96%

Source: IPCC, 2022[36]

[36] Dhakal, Shobhakar. Et. al., "Emissions trends and drivers", in "Climate change 2022: Mitigation of climate change. Contribution of working group III to the sixth assessment report of the Intergovernmental Panel on Climate Change," IPCC, Cambridge University Press, 2022.

CASE STUDY

CS30 - Mobilising value chains to unlock decarbonisation opportunities

Action

Since 2023 (Annual Sustainability Review 2023, sections 1.1 and 4.6), we have initiated roundtables to mobilise entire value chains within key demand side sectors poised for significant climate change mitigation. These initiatives have brought together industry leaders, policymakers, and investors to tackle systemic barriers such as regulatory uncertainty, infrastructure bottlenecks, and financing gaps. Discussions explored sector specific solutions such as scaling EV charging infrastructure, addressing grid constraints, and incentivising energy efficiency retrofits.

Our three main objectives have been to:

1. Promote collaboration between policymakers, investors, and corporates to identify and overcome shared barriers.
2. Drive innovation and investment in technologies and business models essential to decarbonisation such as renewable energy, energy efficiency, and electrification.
3. Advocate for supportive policy frameworks to enable large scale and sustained progress across value chains.

Outcome

Some of the key cross cutting themes that have emerged from the discussions to date relate to financial barriers for companies and consumers, consumer sentiment and hesitancy to adopt low-carbon measures, the lack of ready infrastructure, regulatory and investment uncertainty, the need for workforce development, and challenges in supply chain development.

These insights have directly informed our investment strategies, engagement priorities, and public policy advocacy.

CASE STUDY

CS30 - TotalEnergies: Energy transition strategy

Issue

TotalEnergies is a global integrated energy company. The company has hydrocarbon exploration and production assets in 50 countries and is one of the largest producers globally. The company has begun transitioning to more sustainable activities, including biofuels, renewable generation, and electrical distribution. TotalEnergies' size, presence and ambition mean it is important to encourage transition throughout the energy sector.

Action

Aviva Investors has engaged substantively and constructively with TotalEnergies for several years. This year our ESG, equity and credit teams have conducted joint engagement, meeting with executive management and sustainability teams. We also met with the company ahead of its AGM to discuss its position on climate proposals. These engagements have focused on supporting the company's efforts to enhance its climate strategy, ensuring alignment with investor expectations and global net zero goals.

Outcome

TotalEnergies has demonstrated notable progress in refining its energy transition strategy, focusing on areas where it continues to find value. As part of this evolution, the company has enhanced its transparency on low-carbon projects, and more importantly, providing evidence of profitability. This progress coupled with strong investor dialogue and consistent messaging around strategic priorities has strengthened our view of the company's transition strategy.

This contributed to our decision to exceptionally support TotalEnergies' Advisory Vote on Sustainability & Climate – Progress Report 2023 at its May 2024 AGM. This was supported by 80 per cent of investors. It has also led to a positive investment recommendation for our funds. We will continue to engage and support TotalEnergies in balancing the demands of energy security, sustainability, and a just transition. Our focus will include areas such as providing enhanced Scope 3 emissions disclosures, more frequent and detailed disclosures on low-carbon investments, and developing its just transition strategy.

CASE STUDY

CS30 – Air Liquide: Advancing Scope 3 targets and climate transition planning

Issue

The chemicals sector plays a pivotal role in the global energy transition, providing essential materials for decarbonisation technologies such as renewable energy, electric vehicles, and energy storage. However, it is also one of the most challenging sectors to decarbonise due to its reliance on energy-intensive processes and fossil fuel feedstocks. For Air Liquide, a leader in industrial gases, tackling emissions across its operations and value chain is critical to aligning with global climate goals. While the company has made strides in addressing Scope 1 and 2 emissions, its Scope 3 emissions – representing a significant portion of its carbon footprint – remain a key challenge.

Action

Since 2021, Aviva Investors has engaged substantively with Air Liquide, both bilaterally and through collaboration with ShareAction's Chemicals Working Group. We have focused on encouraging the company to expand its decarbonisation strategy by setting validated near- and medium-term Scope 3 targets through the Science-Based Targets initiative (SBTi) and publishing a robust climate transition plan. We have also sought enhanced disclosures on emissions mitigation strategies, including the impact of business growth, and greater transparency on how the company plans to address its most material Scope 3 categories.

Outcome

Air Liquide has made meaningful progress in 2024. Its 2023 Sustainability Report confirmed that the company's 2050 carbon neutrality target now includes Scope 3 emissions, along with a dedicated strategy to tackle them. Additionally, Air Liquide published its first-ever Climate Transition Plan, which provides detailed insights into emissions sources, asset transition strategies, and expected reductions from key mitigation measures. While gaps remain, this sets an important benchmark for other companies in the sector. As the company approaches its 2025 emissions inflection point, we will continue discussions to advocate for enhanced Scope 3 transparency, validated interim targets, and persist in advocacy efforts to foster a policy environment that supports the fulfilment of climate commitments.

CASE STUDY

CS30 - BHP: Enhancing climate strategy

Issue

BHP operates in the mining sector, which is critical to the energy transition but highly carbon-intensive. Scope 3 emissions from steelmaking—accounting for 97 per cent of BHP's total emissions—pose a significant challenge to its climate strategy. Investors seek clarity on its decarbonisation investments, just transition planning, and alignment with net zero targets.

Action

Aviva Investors has held multi-year engagement with BHP on its climate strategy. In 2024, we engaged individually and collaboratively with the company ahead of its updated Climate Transition Action Plan (CTAP). This involved meeting senior stakeholders, including the Vice President of ESG, Head of Climate Risk Intelligence & Reporting, and members of the Investor Relations and ESG teams. The engagements focused on enhancing transparency, decarbonisation strategy, and alignment with net zero objectives.

Outcome

Following publication, the new plan included disclosures on steel decarbonisation investments and partnerships for developing near-zero emissions technologies. A new prioritisation framework for green steel allows investors to better assess its readiness for sector transformation. The company committed $224 million in 2024 for decarbonisation projects and improved reporting on challenges like cost escalation and technology delays. Additionally, BHP integrated just transition principles into its social value framework.

The company sought approval for its Climate Transition Action Plan at this year's AGM, which we supported. In total, the resolution received 92 per cent support. We felt that the plan demonstrated meaningful progress. We noted improved transparency and the inclusion of just transition principles. The enhanced climate lobbying disclosures demonstrate stronger alignment between advocacy and net zero targets.

Continued engagement will focus on BHP's decarbonisation strategy and associated capital allocation, while further developing its just transition framework to address social and stakeholder impacts across its operations.

Earth: The ecosystem underpinning our economy

The science is clear: nature is deteriorating globally. Biodiversity is declining faster than at any time in human history, and as of last year, six of nine 'planetary boundaries' have now been transgressed, increasing the risk of irreversible environmental damage. Over the past 50 years, global wildlife populations have declined by 69 per cent, and around 1 million species face extinction within decades. Healthy ecosystems are essential for the sustained flow of ecosystem services that underpin economies, businesses, and financial systems – making the preservation of nature critical for generating long-term risk-adjusted financial returns. The role of nature in climate mitigation and adaptation further underscores the importance of driving the system-wide transition, at the pace and scale required, to deliver nature-related global goals. Understanding potential exposure to nature-related risks, and addressing them, is crucial to safeguarding the long-term value of investments and delivering for our clients.

In 2024, Aviva Investors has engaged across multiple levels of the system on a range of issues which are perpetuating the nature crisis. Recognising the power and importance of collaboration, we have also sought out opportunities to do so collectively with fellow investors through initiatives such as Nature Action 100, FSDA, FAIRR's Waste & Pollution engagement, and VBDO's Investor Statement on Plastic.

As part of our Public Markets team's engagement with our holdings to drive nature-positive aligned practices and maximise the long-term value of our investments, we formalised our nature-related stewardship with companies, launching three structured engagement programmes across a number of key themes:

1. **Nature Engagement Programme:** Targeting 15 companies across mining, oil & gas, consumer goods, and banking, this programme seeks to encourage companies to eliminate deforestation and ecosystem conversion, aiming to halt biodiversity loss across supply chains by 2030.
2. **Water Stewardship Programme:** Engaging 14 companies in the UK food value chain, this programme addresses water pollution from unsustainable farming practices to protect ecological standards and reduce reputational risks to businesses and their investors.
3. **Circular Economy Stewardship Programme:** Engaging 13 telecommunications and hardware manufacturers, this programme promotes re-use, recycling, and sustainable design to support circular economy principles and secure supply chain resilience.

Recognising the importance of enabling policy and regulatory conditions to align commercial drivers with delivery of the Kunming-Montreal Global Biodiversity Framework (GBF), we have looked to engage with policymaking institutions and at key international moments. This included COP16 in Cali, Colombia, where Aviva sought to contribute, as part of the Finance for Biodiversity and PRI delegations, a finance perspective on implementing the Kunming-Montreal GBF.

Aviva Investors' stewardship activities, as well as the tools and investment solutions we have developed to help our clients meet their own nature-related goals, needs and investment objectives, are outlined in a thematic activity report we published this year: Navigating Nature: Opportunities for the Investor of Tomorrow.

CASE STUDY

Engaging with manufacturers of hazardous chemicals

Issue

The mismanagement of hazardous chemicals can pose a significant risk to producers and users of industrial chemicals with the potential to directly impact near-term valuations. This issue was brought starkly to investors' attention with 3M's $10.3bn settlement with US public water suppliers as reparation for historic contamination of water supplies.

Action

Aviva Investors has led a multi-year collaborative engagement initiative in this area – creating and chairing the Investor Initiative on Hazardous Chemicals (IIHC), representing more than 70 investors globally. The IIHC aims to reduce the adverse impacts of hazardous chemicals and thereby its members' exposure to the financial risks to which they are linked.

In November 2024 we sent a fourth annual letter to 51 manufacturers of hazardous chemicals on behalf of the IIHC to encourage them to:

- Increase transparency by publishing the names and volumes of hazardous chemicals manufactured globally[37].
- Publish a time bound phase out plan of persistent chemicals (per- and polyfluoroalkyl substances (PFAS)) from production.
- Develop safer alternatives for hazardous chemicals.

We have held annual follow-up calls to discuss these asks with four companies since 2021, co-leading the engagement with BASF in 2024, and with Dow and BASF in 2023. We also engaged independently with LG Chem and Sika. We voted against management at the annual general meetings (AGMs) of BASF and Dow in 2024 where we believed the companies were showing insufficient progress against the engagement asks.

Outcome

We are pleased that the importance of the issue continues to gain traction and that companies are increasingly adopting more transparent, progressive and robust approaches to responsible chemical management.

Sika has significantly enhanced transparency of its exposure reporting[38] that 0.4 per cent of sales and five per cent of revenues are associated with products containing PFAS and the EU list of 'substances of high concern', respectively. The company has introduced new substance risk management processes and is working actively with suppliers to limit PFAS exposure further.

Other companies have sought to integrate concerns over hazardous chemicals into their commercial strategy with the likes of LG Chem developing a portfolio of PFAS-free flame-retardant materials, while German chemicals giant BASF is seeking to have its Sustainable Future Solutions business represent more than half of total sales[39] by 2030.

[37] LG Chem adds eco-friendliness to flame-retardant plastics
[38] Sika 2023 Annual Report, p122
[39] BASF: TripleS: transparent sustainability for our customers

CASE STUDY

Aviva Investors at Biodiversity COP16

Issue

The sixteenth meeting of the Conference of the Parties to the Convention of Biological Diversity (CBD COP16), held in Cali, Colombia, marked a crucial step in advancing the Kunming-Montreal GBF agreed at COP15. With a focus on translating commitments into implementation, it provided a key opportunity to demonstrate progress towards nature through mobilising private finance, integrating biodiversity into economic systems, and establish accountability through improved data and reporting. The conference sought to build momentum in addressing nature loss and the need for coordinated action across societal stakeholders including public and private sectors.

Action

Aviva Investors participated actively at COP16 through the Finance for Biodiversity delegation. We participated in discussions on the role of data and engagement in embedding biodiversity into financial systems and emphasised the essential role of private finance in delivering GBF goals. Alongside this, we published and launched Navigating Nature: Opportunities for the Investor of Tomorrow at our first event at a CBD COP at the second ever Finance Day at CBD COP, providing practical approaches for aligning investments with nature objectives. We also submitted policy recommendations to governments to support effective GBF implementation.

Outcome

While COP16 advanced important conversations, progress fell short in four key areas: aligning nature and climate in policy and transition planning, embedding nature into the global financial architecture, finalising a resource mobilisation strategy, and securing robust national biodiversity pledges. These gaps highlight the need for more cohesive and actionable frameworks.

Despite these challenges, the overall trend remains positive. Growing investor demand and corporate innovation in nature-positive solutions will help close the financing gap to halt biodiversity loss by 2030. With negotiations resuming in February 2025, we look forward to tangible actions on resource mobilisation and clearer private sector expectations. Our stewardship approach will reflect these priorities.

CASE STUDY

Cranswick: Water stewardship and sustainable agriculture

Issue

Cranswick is one of the UK's largest producers of pork and poultry. Recent research has found it to be the second largest agribusiness producer of animal excreta in the UK. In the UK, currently only 16 per cent of our rivers meet 'good ecological status', and agriculture (meat production in particular) is a key driver of river pollution and its impacts on biodiversity, via the release of animal waste to the environment.

Action

In addition to a site visit to Cranswick's pig abattoir in Hull, we engaged with the company both bilaterally and as part of an investor group coordinated by FAIRR. We discussed nature-related risk assessment and management processes, and the company's current waste management strategy. The company does not source its pigs or poultry from the Wye/Severn catchments where agricultural pollution is currently the focus of media controversy. The company welcomed the suggestion to disclose volumes of animal waste generated and by end destination.

Outcome

We are pleased that the company has now committed to publishing a TNFD report. It is exploring building a biogas plant, as well as purchasing animal feed from farms using regenerative practices. We are also encouraged that the company continued to score well on its antibiotics use in the recent Business Benchmark on Farm Animal Welfare.

CASE STUDY

Home Depot: Collaborative engagement on deforestation risks

Issue

Halting deforestation is essential for achieving net zero emissions and meeting international climate and biodiversity goals. For investors, addressing deforestation is vital to manage climate and nature-related risks, enhancing portfolio resilience and fulfilling fiduciary duties.

Aviva Investors is part of the Finance Sector Deforestation Action (FSDA) investor working group. FSDA has identified priority companies and financial institutions to engage with on deforestation risk. Aviva Investors has led engagements with ten companies and supported additional engagements with other investors.[39] Our expectations for these companies are public, and a progress report on our activities has been released. In 2024, Aviva Investors/Aviva co-led the development of expectations for commercial and investment banks.

Action

As part of the FSDA initiative, we were the lead investor engaging with Home Depot. Within the public expectations initially communicated in early 2023, we recommended a commitment to a public deforestation and conversion-free pledge, trace supply to all forest-risk commodities, perform ongoing due diligence within operations and sourcing areas, and publicly disclose progress.

In subsequent written interactions, we focused on three areas:

- Making a timebound commitment on deforestation covering all forest-risk commodities.
- Setting targets for forest fibre certification, ideally under FSC, and supporting alternative environmental products.
- Requesting further information on the company's wood purchasing policy and its implementation across global sourcing teams and suppliers.

Following our email communication, we chaired our first engagement call under FSDA with the company in January 2024. Here, we requested further information on whether the company will have an overall no deforestation and conversion policy by 2025 and its process for traceability and monitoring of its Wood Purchasing Policy.

CASE STUDY

Home Depot: Collaborative engagement on deforestation risks

Outcome

In early 2024, the company published its Sustainable Forestry 2024 report and updated its Wood Purchasing Policy, aligning with some FSDA expectations.

These included:

- Conducting an enhanced deforestation risk assessment of wood suppliers for both private brand and non-private brand wood products, covering 95 per cent of total purchases in fiscal year 2022. We are pleased with the progress on tracing supply and disclosing. We will continue to engage with the company to cover its full value chain overlap with primary forests and our FSDA asks into 2025.
- Requiring an enhanced approach to sustainable forestry by including additional regions at risk of deforestation for suppliers (e.g., Atlantic Forest, Cerrado, Chaco Darien), following the results of their supplier survey.

We also noted progress towards disclosure from the company on its third-party certification breakdown of wood supplier surveys. The company identified 61.6 per cent of Home Depot's wood as third-party certified, with 4.2 per cent FSC certified and 12.3 per cent FSC Forest Management Certified. We will continue to engage with the company for further information on the certification coverage of Home Depot's wood products, such as the certification schemes, the sourcing countries and the consideration of third-party verification of its supplier surveys to strengthen its monitoring and compliance processes.

People: At the heart of the economy

People are at the heart of the real economy, the businesses it is comprised of, and they therefore underpin the financial system. People are crucial to the functioning of markets, and we therefore believe that successful companies are ones that understand and consider their employees, customers and the communities within which they operate.

Throughout 2024, and as part of our engagement activity on human rights due diligence (HRDD) we have conducted dialogue with portfolio companies in high-risk sectors or those with exposure to high-risk geographies (or conflict affected and high-risk areas (CAHRAs)) in their value chains. With multiple pieces of EU regulation emerging, companies need to have strong human rights policies and processes in place. And, perhaps more importantly, companies need to demonstrate the effectiveness of these processes at managing human rights risks and impacts. As part of our engagements on HRDD, and recognising the heightened human rights risks concerning indigenous peoples and local communities, we had a particular focus on engaging with companies in the mining sector. We see this as an increasingly important area driven by exploration demands for metals and minerals to support the climate transition, as well as interlinkages with biodiversity and deforestation risks.

From a private markets perspective, a number of our real estate equity funds are actively managed to help support fair economic opportunities in the areas in which we operate. The implementation of Aviva Investors' Social Value Framework provides a structure for teams to embed social considerations into the design process, and a 'Local Needs Analysis' is conducted for all assets, with social value action plans being designed and delivered through strategic partnerships. We also engage directly with our supply chains to deliver social impact. For example, two general contractors for build-to-rent schemes in Madrid and Barcelona have agreed to go above BAU and deliver training and employer engagement opportunities for local students.

Our just transition-related corporate stewardship has involved engaging with companies, particularly in the oil and gas sector, to determine whether they have a suitable and integrated just transition strategy which demonstrates, among other things, a plan to address any potential social risks and opportunities. The concept of a 'just transition' recognises the importance of social considerations, and it has many facets. These include the importance of workers' and broader human rights, the concept of common and differentiated responsibilities and respective capabilities in the global delivery of the Paris Agreement. It encapsulates the need for finance to flow to all countries for an effective transition, given that the Paris Agreement sets climate action in the context of sustainable development and the alleviation of poverty.

As part of our just transition-related macro stewardship work, we have focused on identifying barriers and highlighting potential solutions with policymakers to unlock investment opportunities for developed economy institutional investors to allocate more capital towards emerging markets and developing economies (EMDEs) to support them in transitioning their economies. This reflects a growing awareness that without adequate public and private financial flows towards EMDEs – which currently represent 70 per cent of global emissions – meeting the targets set out by the Paris Agreement will not be possible. With EMDEs including some of the most climate-vulnerable regions, this is an issue of fundamental importance to the just transition.

CASE STUDY

Decent work and the Living Wage in UK retail

Issue

The retail sector is one of the lowest paying in the UK with a high proportion of workers earning below the real Living Wage. The sector also faces several headwinds as it competes for labour, adapts to technology change and manages a high inflationary environment. Rewarding staff so that they can afford the basic costs of living is important to attracting and retaining engaged employees. This can also help retailers navigate future headwinds, strengthening consumer service and in turn helping to maintain and grow their consumer base.

Action

We have been engaging with retailers for many years regarding wages and broader working conditions. In 2024, we continued our dialogue with ten food and non-food retailers in the UK including Tesco, Sainsbury's and M&S. We requested that companies align with the real Living Wage rates, and to adopt measures to provide security of work. We have also continued to integrate payment of the real Living Wage into our assessment of executive remuneration policies.

Outcome

In 2024, Tesco, Sainsbury's and M&S aligned their hourly wage rates (for staff in stores) with the real Living Wage. Sainsbury's indicated positive productivity and engagement benefits as a result of these wage increases, which contributed to an improved investment position for our UK equities team. Non-food retailers have taken a more "wait-and-see" approach as they consider the actions of their peers.

CASE STUDY

Hon Hai: Managing human rights risks

Issue

Hon Hai (trading as Foxconn) is a Taiwanese electronics manufacturer and supplier to companies such as Apple (iPhone, iWatch, iPad), Amazon (Kindles), Sony (PlayStations) and Microsoft (Xboxes). Poor labour practices resulting in suicides, accidents and allegations of forced labour have been long-term sources of reputational and operational risks. Forthcoming EU regulation presents further potential regulatory risks to both Hon Hai and its buyers if poor labour standards are not adequately addressed.

Action

To date, the company's human rights policies and practices have not been commensurate with the company's risk exposure. This has been reflected in our voting behaviour, as per our Global Voting Policy, and our repeated engagements on the topic over a number of years.
Most recently, in 2023 and 2024, ESG and investment colleagues met with the company to request the company establish a HRDD (Human Rights Due Diligence) process and conduct a human rights impact assessment (HRIA) at high-risk sites. We also encouraged the company to provide greater commitments to mitigate risks of forced labour and promote greater protections for temporary workers.

Outcome

In 2024 the company confirmed it was working with an external expert to conduct a pilot HRIA at two sites in China. We have responded to this positive step by continuing to provide the company with feedback, which the company continues to receive constructively. In particular, we encouraged the company to ensure that the HRIA includes at least one of the eight high-risk sites the company has identified (rather than the two provisionally selected which are not representative of the company's more high-risk manufacturing operations).

CASE STUDY

Enhancing just transition plans in the oil and gas sector

Issue

The energy transition requires an economy-wide shift towards activities that support a low-carbon future. This is particularly true of companies in high-emitting sectors where the pace and nature of this change will differ to other sectors. This is likely to have significant impacts on workers and local communities across a company's value chain. A planned and orderly approach will be essential for minimising any negative impacts on people, as one facet of a just transition, alongside maximising the benefits of the energy transition.

Action

In 2024, we intensified our engagements with companies across our holdings in the oil and gas sector, engaging with five oil and gas companies to better understand how companies are planning for and contributing to a just transition. In particular, we explored how companies demonstrate their just transition strategy, and how this is incorporated into their energy transition plans. This included, but was not limited to, assessing the company's climate commitments and developing a plan to address any potential social risks and opportunities. We explored whether companies engage in meaningful dialogue with stakeholders such as workers via trade unions, or other appropriate channels, to determine the short- to long-term social impacts of their climate targets. We also sought to understand how companies develop metrics and targets against which the company will assess its progress to deliver a just transition.

Outcome

Based on the results of our engagements, few companies in this sector have developed detailed plans for how their energy transition plans will affect different stakeholder groups. We also found limited examples on how companies have implemented changes to operational and investment activities. However, we do not perceive this as being a company-specific issue in isolation. The pace of change across sectors and markets is slow. This is shaped by differing national interests, creating complexity for companies to navigate. As an example, some governments in pursuing their individual growth agenda, may face shorter term challenges which take priority over longer term just transition planning.

An improved shared understanding of this emerging risk is required, with the development of industry standards and a supportive national and international policy environment. This will require greater collaboration across the international financial architecture, with investors, companies, governments, and civil society working together to develop solutions to a shared challenge. Our emerging markets capital mobilisation case study provides one example of how we are engaging with emerging markets and developing economies and their governments on climate adaption.

CASE STUDY

The Investor Initiative for Human Rights Data (II-HRD)

Issue

Investors typically use a wide range of sources to assess companies on their sustainability credentials, such as company reporting, NGOs and ESG data providers. However, high quality, decision-useful data on corporate human rights practices across an investor's holdings, is extremely hard to obtain. This limits investors' ability to identify and manage investment risks and opportunities in their portfolios, distinguish between leaders and laggards, carry out effective stewardship, and meet emerging regulatory requirements.

Action

In 2024, Aviva Investors - a founding investor of the Corporate Human Rights Benchmark (CHRB) - partnered with the Church Commissioners for England, and Scottish Widows to convene 25 investors as part of the II-HRD. As clients of major data providers and proxy advisers, this group believes that ESG service providers are best placed to respond to the investor need for high quality human rights data at scale.

The II-HRD will use its collective influence to aim to meet three high-level objectives:

1. Improve the depth and breadth of corporate human rights data available to investors via data providers, with a focus on the universal coverage of listed companies' efforts to implement human rights due diligence and their policy level commitments to respect human rights.
2. Improve the depth and breadth of corporate human rights data available to investors, via proxy advisor voting policies and advice.
3. Generate industry wide alignment on the principles of assessing the presence of and response to corporate 'norms breaches'.

Outcome

In 2024, investors had meetings with most of the ten data providers and proxy advisory organisations in scope of the II-HRD. These included Bloomberg, Morningstar / Sustainalytics, MSCI, Refinitiv/LSEG, RepRisk, S&P Global and Glass Lewis.

Responses to the II-HRD's objectives have been mixed. One data provider said the II-HRD outreach had helped build a case internally for expanding their provision of human rights data, shared a gap analysis of their methodology against the CHRB indicators and has been proactively reaching out to host roundtables with investors.

The II-HRD will continue to engage service providers in 2025 to push for gap analyses to be completed and time frames for bridging methodological gaps to be set.

CASE STUDY

Emerging Market and Development Economies (EMDE) capital mobilisation

Issue

Transition to net zero is a global challenge and the concept of a 'just transition' recognises the importance of social considerations being taken into account. The concept of a just transition has many facets. This includes the importance of workers' and broader human rights, the concept of common and differentiated responsibilities and respective capabilities in the global delivery of the Paris Agreement. Finance needs to flow to all countries for an effective transition, respecting that the Paris Agreement sets climate action in the context of sustainable development and alleviation of poverty.

Action

In collaboration with UK institutional investors and service providers we were part of a series of workshops and conversations throughout the second half of 2024 to assess barriers and challenges to increasing allocation of capital to support investment in emerging markets and developing economies linked to development, climate adaptation and mitigation. As part of this work, we also engaged with UK government stakeholders 38 times throughout 2024, including the UK Foreign, Commonwealth, and Development Office, and the British Embassy in Brazil.

Outcome

The findings were presented to the Minister for Development towards the end of 2024 on behalf of all stakeholders involved and as the next steps of this work progress we hope to continue this engagement in 2025.

Governance: Good governance for long-term value creation

Governance engagement and voting-related activities are essential to deliver our stewardship responsibilities. Companies that undertake good governance practices are more likely to enable long-term value creation, providing benefits for investors and supporting the delivery of climate and nature objectives too.

When we assess governance at companies, we consider many different factors, including but not limited to, the board, delivery and oversight of strategy, remuneration, capital allocation, and culture. This year we have continued to place focus on executive remuneration practices given the important role they play in incentivising management to deliver corporate objectives. We also continued our engagement on board composition, including board independence and diversity, given the important role boards have in providing oversight of strategy and its delivery.

We believe in the important role of investor collaboration to promote robust governance frameworks and standards to guide corporate best practice. We are active members of the Investment Association and have participated in the Remuneration and Share Schemes Committee which provided guidance on executive pay in the UK. We are also part of the Global Institutional Governance Network and the Corporate Governance Forum, both of which promote sharing insights of governance best practice across global and UK markets. Outside of investor initiatives, we also conduct regular dialogue with remuneration consultants to better understand and influence emerging executive remuneration trends.

CASE STUDY

Aligning remuneration with corporate performance

Context: Promoting sustainable UK capital markets

There has been increased focus on how to develop the UK's capital markets to support the UK's economic growth and maintain its status as a leading financial centre. Many companies have delisted from UK stock markets in recent years, including 88 in 2024, either by re-listing abroad or being acquired by international listed companies or private owners. Others have chosen not to list in the UK when they launch their Initial Public Offering (IPO). Reasons cited include low valuations and poor liquidity.

Efforts are underway to improve the attractiveness of the UK and to build a business culture that is more supportive of growth. Measures being explored concern reform to direct investment capital towards UK-listed and early-stage companies and infrastructure, supported by a reduction in regulation that inhibits investment or risk taking.

Stewardship-related items have also come under review and we have been actively involved in these. In July, the FCA's Listing Rules were amended to better accommodate companies with unequal voting rights and simplified to encourage more effective merger and acquisition activity. We provided feedback into these consultations.

Other actions have looked to improve the quality of investor and corporate dialogue to promote improved information exchange that supports improved investment and business decision making. To this end, in September our CEO joined the Steering Committee for the newly created Investor & Issuer Forum.

Finally, the frameworks that underpin effective governance and stewardship by UK companies are changing. In January, the Financial Reporting Council (FRC) updated the UK Corporate Governance Code. In October, the FRC launched a consultation to review the Stewardship Code, which provides the basis for this Annual Sustainability Review. We have also been involved in this consultation, participating in industry forums to provide feedback.

Many actions are underway to promote UK capital markets, and we are committed to support where we can.

CASE STUDY

Aligning remuneration with corporate performance

Issue

In addition to items already mentioned, remuneration practices of UK-listed companies is one area being explored as part of efforts to promote UK capital markets. These practices came to life over the 2024 AGM season, with greater focus on aligning pay levels and structure for UK-listed companies with a global presence, to policies and practice adopted by global (predominantly US-listed) peers. It has been felt that the previous UK industry guidance and approaches to pay was restrictive and did not consider nuance of individual business models. This could disincentivise risk taking and inhibits firms in attracting and retaining talent – affecting company performance.

Examples of concerned companies included AstraZeneca, a pharmaceutical group, London Stock Exchange Group (LSEG), a financial services provider, and Smith & Nephew, a medical equipment provider. All have significant business exposure to the US.

Action

As in previous years, we considered remuneration policies and awards, according to the context of the relevant company and their strategy and performance. We undertook consultations with the relevant board directors and teams responsible for executive remuneration at investee companies. Our equity investment team were also consulted to assess how proposed pay awards and pay structures were aligned to performance.

We also participated in broader industry engagement on the theme, and as members of the Investment Association's Remuneration and Share Scheme's Committee, we contributed to the update of the association's Principles of Remuneration, which sets guidance for companies on investor views of remuneration best practice.

Outcome

In our examples, we supported remuneration policy proposals at LSEG and Smith & Nephew. LSEG received 89 per cent support and Smith & Nephew was more contentious - receiving 57 per cent support. We acknowledged that under the new policies, long-term outperformance will continue to be the main driver of additional pay and they reflect both companies' competitive positioning, including recruitment and retention challenges. Smith & Nephew had also adopted recommendations we had made on bonus deferrals. We abstained at AstraZeneca, whose policy received 36 per cent votes against. Whilst we recognised a similar context to our aforementioned cases, we held concerns that the LTIP (long-term incentive plan) vesting at threshold performance was too high. We outlined our rationale that higher payouts should be contingent upon exceptional performance, so that they consider this ahead of the 2025 AGM. We will monitor pay outcomes for alignment to performance for relevant companies at their 2025 AGMs.

At a market level, the updated Investment Association's Principles of Remuneration was updated to become less prescriptive, and re-emphasised the importance that they were principles, not rules, and that companies should be encouraged to develop structures that aligned with their strategy and business model, and performance objectives.

Overall, we will continue to track progress on remuneration practices as a lever to support UK growth ambitions by rewarding companies and their talent for exceptional performance and taking appropriate risk.

CASE STUDY

Assessing corporate transactions through a long-term lens

Issue

Mergers and acquisitions can create long-term value for investors but also present significant risks if structured or priced suboptimally. In 2024 we reviewed 37 UK transactions applying a robust framework including an assessment of alignment with strategy, governance, execution risk, balance sheet capacity and price. The latter is the primary consideration for us as long-term investors, to see if the offer price exceeds the future prospects of the stand alone business.

Action

Where transactions are contentious or complex, we initiate an enhanced due diligence process and may escalate concerns as appropriate. Two such cases involved Virgin Money and Hipgnosis.

At Virgin Money, we voted against the £2.8bn takeover approach from Nationwide Building Society, as we considered the offer materially undervalued Virgin Money's long-term value proposition.

Hipgnosis, a company dedicated to acquiring and managing a portfolio of music rights has struggled in a high interest rate environment culminating in several assets being written down. In response the company made various proposals to shareholders including the disposal of music catalogues at a significant discount. We considered the proposals to be value destructive and also held serious concerns about the governance of the business. Ultimately, we opposed the management proposals, which were voted down by the majority of shareholders.

Outcome

With regard to Virgin Money, we were disappointed that our concerns were not shared more broadly by the market and the transaction was approved. We appreciate the appeal of cash offers that bring near-term certainty of value, but as demonstrated by the significant premium over the acquisition price that Nationwide booked shortly after completion, shareholders in Virgin Money could have secured more value by taking a longer-term view.

By contrast, shareholder action in blocking Hipgnosis' initial proposals paved the way for a strategic review on the future direction of the business, followed by a bidding war and ultimately a buyout from Blackstone at a significant premium.

These examples emphasise the critical role that strategy focused company engagement and informed proxy voting can have in driving investment returns.

CASE STUDY

Strengthening board oversight

Issue

We believe that strong board composition is essential in driving effective governance at investee companies. There are many factors that can indicate strong composition. Two of these factors include board independence and board diversity. We believe these can support improved outcomes for a variety of stakeholders, including; investors, employees, customers and communities. The AGM, and director re-elections can provide opportunity to influence the composition.

Two companies where we saw opportunity for improvement included the US-based payment service providers, Visa, and Jack Henry & Associates (Jack Henry). These were both held in our active equity portfolios. Our concerns with Visa related to a dual CEO/Chair and low female diversity on the board. Our concerns with Jack Henry related to a dual CEO/Chair, and low board independence.

Action

We have conducted multi-year engagement with both companies. In 2023, at Visa we voted against the re-election of the Nomination Committee Chair due to poor board diversity. We also supported a shareholder resolution that requested splitting the combined CEO/Chair role, which received 24 per cent support from investors. In 2023, at Jack Henry, we voted against the re-election of the dual CEO/Chair due to both our concerns regarding one person fulfilling both roles and further concerns about low overall board independence. We communicated both voting actions and rationales with the companies.

Outcome

We were pleased to see that at the 2024 AGMs, both companies proposed splitting the dual CEO/Chair roles, which we voted for. These proposals were both approved. Visa also appeared to address issues of board gender diversity, which was reflected in our voting action. Despite the improvements, we have continued to engage with Visa and Jack Henry, as we feel overall board independence at both companies can be improved. This was reflected in our voting action for the year, and we have notified the companies on our rationale.

5

Monitoring managers and service providers

Proxy advisers

Aviva Investors subscribes to research from a number of third-party providers, but our main provider of proxy voting and governance research is Glass Lewis. Please see the section on our approach to voting for more details on how their service meets our needs. Glass Lewis implements our voting policy.

We changed research and voting provider from Institutional Shareholder Services (ISS) to Glass Lewis in October 2023. Further commentary on our rationale is provided in the 2023 Annual Sustainability Review, page 70.

We spent much time during 2024 monitoring the quality of service received given the onboarding risks and changes in service and process. We held regular service meetings with Glass Lewis where we were able to review and challenge the quality of their outputs. This included a regular review of governance research, with any concerns or errors being directly raised with Glass Lewis. We keep a record of these instances, which enables us to (1) review whether and the extent to which the issues have been addressed and (2) reflect on this log when conducting more formal reviews.

Finally, we receive regular updates and keep under review any material changes in people, services or operations which occasionally will lead us to seek assurances there will be no impact on the level of service we receive.

Overall, we are satisfied with the service provided by Glass Lewis to date, including how it responds to the issues we raise. All of the aforementioned is taken into account when reviewing our existing contracts and considering alternative providers.

Sustainability data providers

We source sustainability data from a variety of data providers, which we review regularly. We hold regular reviews with our third-party data providers to discuss how continuous improvements could be made to data or research outputs.

Additionally, we hold ad-hoc meetings to discuss broader trends in sustainability.

In all cases, our providers use sources they consider reliable and we can review the data we receive from them on a reasonable endeavours basis but there remains a risk that some data is inaccurate, incomplete or unavailable and we may at times incorrectly assess a security, issuer or index. There is also a risk that we or our providers may misinterpret an ESG characteristic. Processes are in place to agree and manage overrides where we believe there are discrepancies or gaps in the data provided, or because there is additional information available to us. The insights provided by data and our data tools are not binding on investment managers, except where this is explicitly agreed in fund or mandate documentation; they are one consideration among the multiple inputs to the investment decision-making process.

Our market data team is an independent function that manages commercial relationships and renewals with our market data service providers. This function sits between the business and our data suppliers, providing a streamlined point of contact between the two. There are regular reviews in place to check that contracts are still meeting business needs, including service quality, availability and accuracy of data.

Figure 22: Aviva Investors data providers (non-exhaustive list)

Data vendors

Large-scale data providers with multiple datasets and deep coverage

MSCI
LSEG
Trucost ESG Analysis S&P Global

Data specialists

Innovative and niche providers with specific scope and high quality

BoardEx An Altrata company
IBAT
Iceberg Data Lab

NGOs

Specialist analysis, often not for profit; detailed datasets with issuer scope aligned to purpose

Capital Market Signatory CDP 2025
Climate Bonds Initiative

Source: All logos sourced from the relevant companies, as at December 31, 2024

Our investment engineering team is responsible for several models and analytical dashboards, using data science techniques to derive greater value from vendors, NGOs and proprietary sourced datasets. Dashboards provide transparency into the construction of models. Integration of model outcomes into our portfolio management tool allows analysts and fund managers to take these insights in consideration.

Within our public markets investments our primary ESG tool for corporates, Elements 2.0, is a proprietary score which uses externally-derived metrics with enhancement and overlay from internal data sources. This is a framework that brings together knowledge and expertise within public markets to provide a transparent score to inform investment decisions. Scores provide a high-level indicator of how a company performs across ESG issues.

This is complemented by our PAINT (Principal Adverse Impact Indicators Notation Tool) solution which derives insights from the SFDR Principal Adverse Impact Indicator data sets to help identify portfolio risks. Issuers are grouped into sector groupings where they typically share similar ESG and sustainability risks. The example at Figure 23 shows an example of how PAINT can be used to identify indicators in a given portfolio (please note the list of indicators shown here is not exhaustive).

Figure 23: Illustrative example of how the PAINT tool identifies and flags PAI indicators in a portfolio

Security description	Sector Group	DATA: 3. GHG Intensity Total	RAG Rating: 3. GHG Intensity Total	DATA: 12. Unadjusted gender pay gap	RAG Rating: 12. Unadjusted gender pay gap	DATA: 13. Board Gender Diversity	RAG Rating: 13. Board Gender Diversity
Issuer name	Banking	523.12	Neutral	20.18	Estimated	0.00	Red
Issuer name	Banking	508.93	Neutral	3.00	Green	16.67	Amber
Issuer name	Electricals equipment	13963.91	Red	0.00	Green	0.00	Red
Issuer name	Electricals equipment	162.41	Green		No data	10.53	Amber
Issuer name	Diversified consumer services	513.97	Amber	20.82	Estimated	16.67	Amber
Issuer name	Diversified consumer services	467.28	Amber	-4.41	Green	50.00	Green
Issuer name	Pharmaceutical	355.51	Neutral	4.10	Low population	50.00	Green
Issuer name	Pharmaceutical	644.80	Amber		No data	9.09	Amber

Source: Aviva Investors, as at December 31, 2024

Our private markets team uses Deepki to monitor energy performance for metered assets and to estimate energy usage data for non-metered assets. Where data gaps exist the platform allows us to apply up-to-date benchmarks to support accuracy and reliability. For cashflow matching assets, we use a proprietary framework to ensure data quality and performance metrics are provided and maintained to a high standard.

These tools are complemented by PCAF's (Partnership for Carbon Accounting Financials) data quality hierarchy, used to ensure a robust approach to data integrity in private market processes.

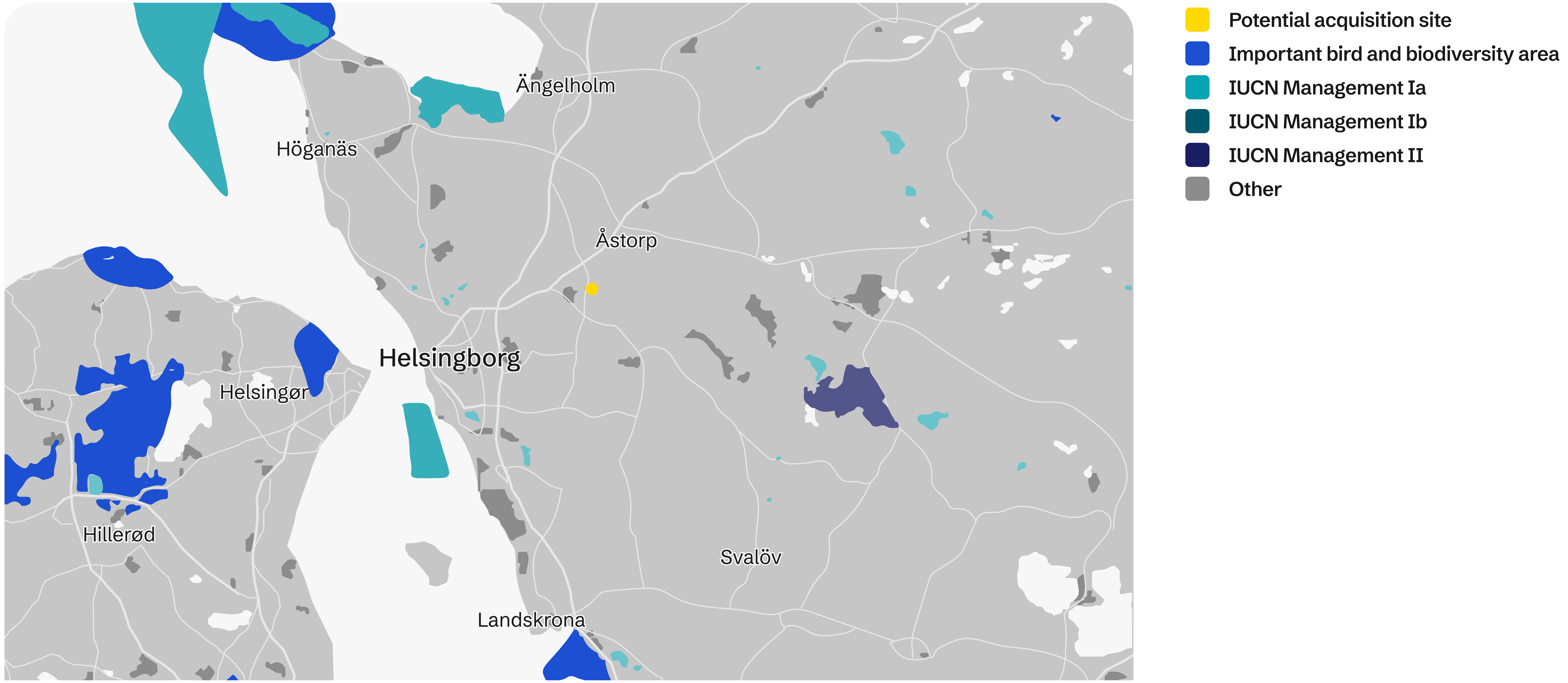
During 2024, we have focused on using quantitative techniques to ascertain and query data quality, including modelled data from service providers. New tooling has been developed to ingest and prepare diverse NGO data sets for use within specific models and to support data quality insights. Our public markets team onboarded a tool with enhanced data and functionalities that enables better consideration of climate risks within our investment process.

We are enhancing management of climate-related risks and opportunities for our investment portfolio and are embedding forward-looking transition risk and physical risk analysis as appropriate in our processes. We continued to develop our capabilities in both public and private markets to provide initial indications of potential nature-related risks, impacts and dependencies.

We continue to invest into new data sources and will continue to seek to integrate more systematically our data insights into our investment decision-making processes in 2025.

See Figures 24-26 for examples of how our data tools can be used in practice.

Figure 24: Map from IBAT (Integrated Biodiversity Assessment Tool) showing the proximity of a potential acquisition to protected areas and key biodiversity areas



Source: Aviva Investors, based on IBAT data, as at December 31, 2024

Please see our Navigating Nature report for more information on how we use our biodiversity data tools.

Figure 25: Illustrative examples of energy consumption metrics provided on real estate assets

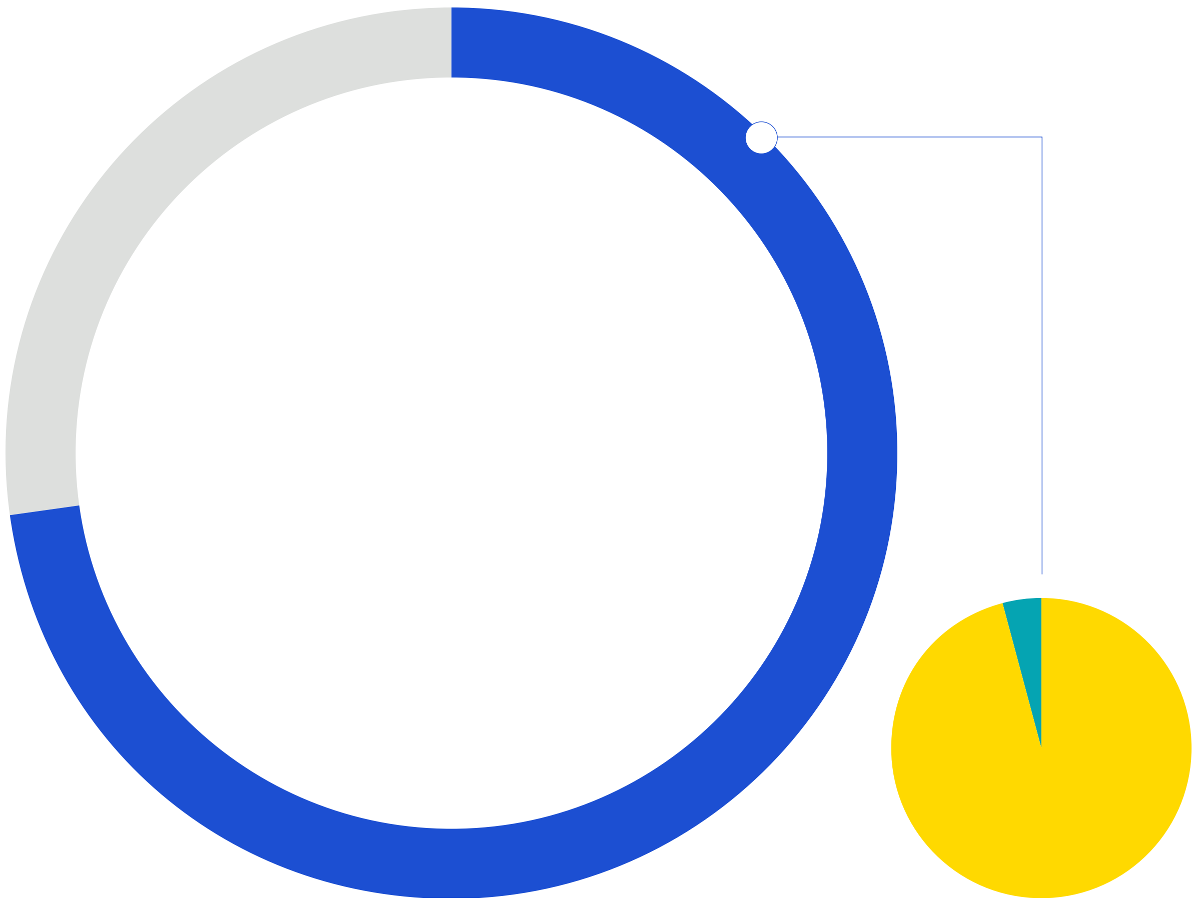
Landlord-controlled areas

Warnings (Mapping and consumption)

62 Assets with missing meters
65 Meters without any consumption in the last 6 months

Consumption collection

(Meters with recent consumption data among existing landlord meters.)



Meters showing consumption in last 6 months	73%
Automated and semi-automated collect	96%
Manual collect	4%

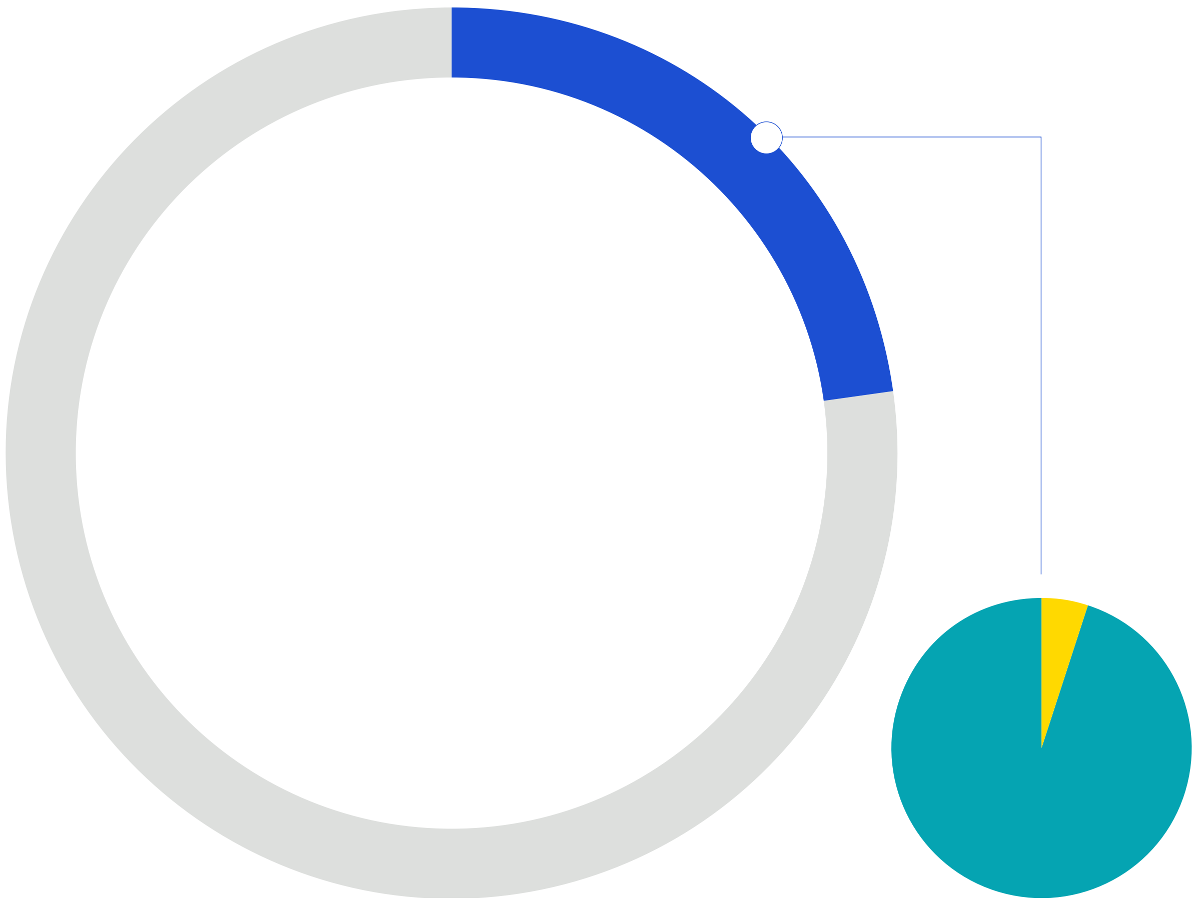
Tenant-controlled areas

Warnings (Mapping and consumption)

0 Tenants with complete information that require meter association
171 Meters without a valid tenant
327 Meters without any consumption in the last 6 months

Consumption collection

(Meters with recent consumption data among existing tenant meters.)

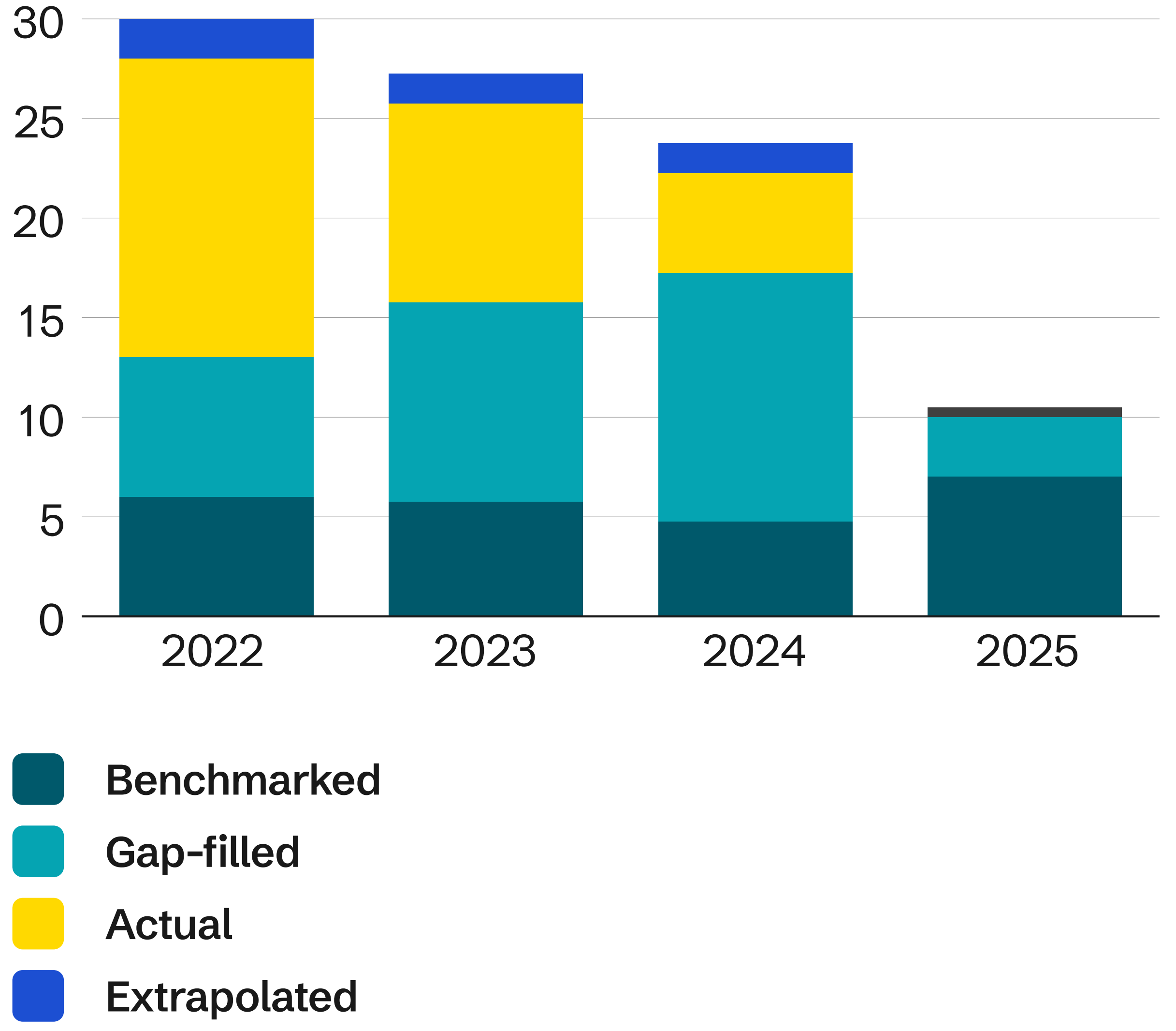


Meters showing consumption in last 6 months	23%
Automated and semi-automated collect	5%
Manual collect	95%

Source: Adapted from Deepki, as at December 31, 2024

Figure 26: Illustrative example of energy consumption metrics provided on real estate assets

Apportioned Total Fund Real and Estimated Whole Building Consumption (1,000,000 MWH)



Source: Adapted from Deepki, as at December 31, 2024.

Manager research

Our manager research team considers ESG factors across its due diligence, investment analysis and decision-making. While ESG analysis at the fund selection stage is key, ongoing in-depth monitoring of sustainability practices is essential to judge adherence.

Our established '7P' research framework (Figure 27) looks at the following areas: parent, product, people, philosophy, process, positioning, and performance. We examine ESG integration through the lens of each, as demonstrated in the table below. In judging ESG integration, we seek qualitative and quantitative evidence of the application of ESG insights and consider the manager's approach to ESG integration relative to their promised approach, sector and peer best practice and industry trends.

Figure 27: Our '7P' research framework for external managers

Parent	We review and assess the firm-wide commitment to sustainability, including ESG integration, and relevant cross-organisation policies and procedures.
Product	We identify and interpret specific ESG- and/or sustainability-related product objectives and/or constraints.
People	We assess the quality and structure of human capital devoted to ESG integration.
Philosophy	We gauge the manager's view as to the impact of ESG integration (e.g. to alpha generation and/or risk management).
Process	We seek to understand how ESG insights are integrated into investment decisions. This may include research, model development, portfolio construction and risk management.
Positioning	By analysing the portfolio composition, we seek to ensure alignment with the expectations around ESG integration and stewardship. If applicable, we may examine engagement activity and voting history.
Performance	We assess how ESG integration has contributed to fund performance.

Source: Aviva Investors, as at 31 December, 2024.

One of the key developments over the past year has been to refine and strengthen our research framework. This includes building consistency through new quantitative '7P' pillar scores and the explicit incorporation of standardised ESG sections within the research notes.

We continue to build on our baseline ESG integration framework, designed to hold external managers accountable to an increasingly high standard of ESG integration. This still allows for flexibility while ensuring materiality of ESG factors is well incorporated throughout the manager's processes.

In 2024, we unveiled the findings of our biennial sustainability survey, which gathered insights from 60 asset management firms managing approximately £31.9 trillion in assets. This research highlighted the demand trends for products with sustainability-related characteristics across various regions, the rise of products aligned to climate goals, how firms are adjusting their strategies amid political uncertainty and regulatory changes, and the potential for artificial intelligence to enhance ESG research.

We use active and regular dialogue with managers to provide robust challenge to approaches and assumptions and encourage enhancements and increased disclosure.

Should an external strategy fall short of our expectations around ESG integration, we would first look to engage. Should that fail, we would look to exit that position and replace it with a manager with an ESG integration approach that meets or exceeds our baseline requirements.

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Afterword: Looking ahead to 2025

Afterword: Looking Ahead to 2025

Being part of a parent company that has existed for over 300 years, we recognise the importance of continuous learning and adapting to change. In 2025, we plan to keep on this path as we continue to develop the tools and mechanisms to allow us to further understand our clients' varied unique sustainability preferences.
In parallel, we will continue to refine our strategy offering to provide our clients with solutions to help meet their sustainability goals.

We recognise that real-world outcomes are often the result of multiple years of stewardship efforts and, therefore, our priorities for 2025 remain consistent with those of our 2024 focuses: People, Climate, Earth and Governance.
We recognise the importance of evidencing our engagement and voting efforts and will continue to develop our processes to further improve our transparency to our clients in 2025. Our holistic approach to stewardship means we are committed to continuing to work collaboratively with a wide range of stakeholders to tackle interconnected sustainability issues.

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Climate

We will be scaling up our stewardship efforts across more sectors and companies as we encourage the setting and implementation of robust and transparent climate transition plans. We will continue to engage with individual companies, across supply chains and with policymakers and regulators to support decarbonisation efforts, accelerate progress towards net zero targets and support our People stewardship priorities in helping ensure the transition is economically and socially just. We will be enhancing our value chain engagements as we endeavour to close the gap between policy and corporate actions as part of our holistic stewardship approach. We will continue to integrate investment insights into our policy recommendations while also providing insights on policy to our investment desks to inform their decisions and improve client outcomes.

Earth

The theme of nature and biodiversity remains a key priority going into 2025 as we continue to engage with companies on their biodiversity and nature risk and impact assessments, using the TNFD as guidance. We will continue to engage on water quality, but also increase our efforts on water scarcity. We recognise the inflationary environments we operate in and the increased attention on resource scarcity, so will persist in our engagement efforts on enabling a circular economy.

We will continue our nature-specific three-year Nature Engagement Programme which we launched in 2024. This programme solely focuses on addressing biodiversity loss linked to ecosystem conversion and deforestation within Aviva Investors' portfolios across three key sectors – mining and oil and gas, consumer goods, and banking – which are fundamental to address forest loss and the nature crisis.

People

We will continue to hold human rights due diligence as a baseline requirement for companies. We will further focus on the just transition to ensure we are encouraging sustainable and inclusive change. For example, our direct corporate engagement incorporates just transition considerations into the assessment framework we use to baseline participants in the programmes and will be a basis for conversations with companies throughout 2025. We aim to hold a greater focus on human capital generally, building upon our work on the living wage, to encourage companies to create the right culture to promote improved productivity and corporate value.

Governance

2025 will be a critical year for stewardship. Efforts are underway across the UK to improve the attractiveness of the UK as a leading destination for capital and its management. We intend to support initiatives which seek to explore how stewardship and corporate governance practices can help facilitate this. This will include being active participants in the Investor & Issuer Forum. We will also continually review our corporate governance and voting activities to promote value creation.

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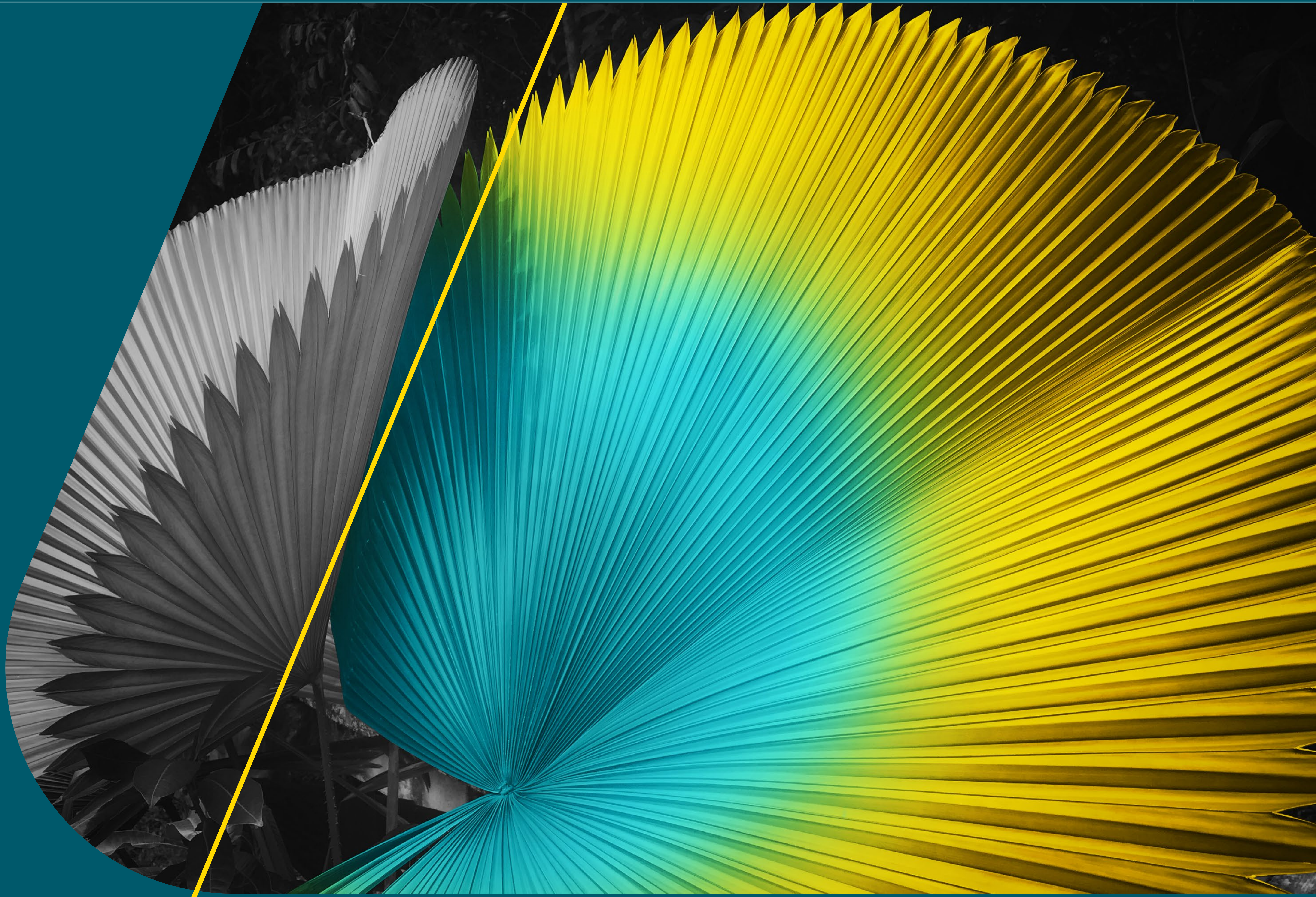
Governance



Governance, resource and incentives

Our governance structures help ensure our approach to sustainability is appropriately coordinated and monitored across the business. These structures also help us meet the requirements of the Shareholder Rights Directive II (SRD II) in how we monitor and engage with companies on strategy, financial and non-financial performance, risk, capital structure, social and environmental impact and corporate governance. This includes how we work with other shareholders. There are examples of this in action throughout this document.

Governance of our investment processes

The Aviva Investors boards, including Aviva Investors Holdings Limited, Aviva Investors UK Fund Services Limited, Aviva Investors Luxembourg (Lux.) Supervisory, Aviva Investors Lux. Management Company and Aviva Investors Lux. SICAV, receive regular reporting on key sustainability risk management metrics throughout the year. These include the results of sustainability risk assessments, do no significant harm indicators[40], climate value at risk[41] and carbon intensity figures. These give the boards oversight of our approach to sustainability risk management and of how we are delivering on our clients' sustainability preferences. In 2024, the Boards also received deep dives into climate metrics and the commercialisation of sustainability capabilities. We continue to develop and refine our approach to Board reporting to support effective oversight of our stewardship activities, including reviewing metrics to ensure they remain current and providing narrative and rationale to contextualise the sustainability information our boards receive.

The Aviva Investors Holdings Limited Board sets our overarching approach for sustainability. Responsibility for executive management of this approach is delegated to the CEO. The CEO is provided with advice and support from the executive team, which includes our chief sustainable investing officer.

The chief sustainable investing officer is responsible for proposing and implementing our sustainability strategy, oversight and execution policies and commitments at a firm and product level, and oversight of compliance with the relevant internal controls environment. Our sustainability strategy director chairs, on behalf of the chief sustainable investing officer, the sustainable investing business oversight committee, which includes representation from across the business. This committee ensures sustainable investing policies and procedures are aligned with firm-wide policies and procedures, and that the business is embedding client preferences in its approach to sustainability.

Working collaboratively with investment desks, the chief sustainable investing officer's team is responsible for ESG integration and stewardship in public markets, ESG integration and stewardship in private markets, development of sustainable funds, development of sustainability analytics and tools, and sustainability strategy and governance.

Our analysts, regulatory development and client-facing teams monitor ongoing sustainability developments, with any revisions to policies subject to final approval by our policy approval group.

[40] 'Do no significant harm' is a principle in the EU Sustainable Finance Disclosure Regulation which states that qualifying investments may not significantly harm environmental and/or social objectives.

[41] Climate value at risk scores reflect the expected negative impact on an asset's value if a climate physical or transition risk event (e.g. flood, wildfire, impact of legislation) were to occur.

ESG integration controls are embedded in investment processes to ensure ongoing oversight and compliance, which supports the delivery of a strong first-line risk and controls governance framework.

These controls ensure that:

- We manage strategies in accordance with our baseline exclusions policy.
- Investment processes comply with SFDR rules and guidelines, where applicable.
- We manage processes in accordance with our responsible investment and sustainability risk policies.
- Suitable protocols are in place, ensuring each fund applies the relevant screens in accordance with IMA guidelines.
- On the investment platform, portfolio managers have access to ESG scores and analytical tools and refer to and consider them as part of the investment process.
- Investment ideas and asset allocation assessments consider relevant material ESG factors (these are not binding on the investment manager's decision beyond any specific criteria in the relevant mandate or fund prospectus).
- Investment analysts complete an ESG-specific section on research documentation.
- We regularly review and update key ESG documents and policies.
- Enhanced sustainability engagement programmes are in place for certain issuers and strategies, where relevant.

Resource

We seek to provide our sustainable investing function with the support and materials it needs to carry out its range of activities effectively. This includes providing support for the team to remain current on sustainability developments and trends, including relevant training, and initiatives to encourage the development of diverse teams that work closely with colleagues across the business. This blend of expertise and connectivity helps us deliver on our stewardship priorities.

Training, development and qualifications

We support our colleagues with both external qualifications and internal professional development. In 2024, colleagues completed courses including the Chartered Financial Analyst (CFA) UK Certificate in Climate and Investing, and the CFA Certificate in Impact Investing. Colleagues from the sustainable investing team attend relevant industry events and conferences, ensuring we are discussing ideas with our peers and keeping up to date with market developments.

Colleagues can also access the Sustainability Academy on the Aviva internal learning platform, Aviva University. This provides an array of courses for all knowledge levels. The sustainable investing team also deliver sessions throughout the year to investment colleagues, including on the impacts of our investments and ESG integration.

We provide ongoing and targeted training to our Board members to help keep them informed on sustainability regulation and reporting, and on how Aviva Investors' activities are related to our emissions outputs.

Diversity, Equity and Inclusion

2024 highlights

Aviva Investors is for everyone, and we want our colleagues to feel they belong and to reflect our clients and communities. Our commitment to diversity and inclusion is embedded within that of our parent company, Aviva, and we are pleased that this approach is externally acknowledged.

This year we, either as Aviva Investors or as part of Aviva, won or were commended for the following industry awards:

- Best Workplace for Women UK, Ireland and Canada 2024 (Great Place To Work)
- Top 30 for Working Families 2024 (Working Families Index)
- Top 50 Employers For Gender Equality (The Times)
- 8th on Workplace Equality Index (Stonewall)
- Ambassador Status (Carers UK)
- 15th on Social Mobility Index 2024 (Social Mobility Foundation)
- Top Quartile Diversity Project DEI Index (Diversity Project)

Building an inclusive workplace and work-life balance

To be good stewards of our clients' assets we need a diverse team that reflects those clients. We believe an inclusive and productive working environment is created when each individual feels supported in the workplace, free from impediments to their ability to contribute, collaborate and thrive.

We support our people to pool their expertise through smarter ways of working and the technology and physical environments that enable teamwork. Our hybrid working model supports employees to work from home and in the office for better collaboration. Flexible working can be discussed for any role, during the hiring process or throughout a colleague's career with us, regardless of level of responsibility or seniority.

This environment also supports our commitment to building a high-performance culture, driven by our belief in shared accountability and by colleagues adopting a solutions-based mindset.

Targets, governance and statistics

Our executive committee has set diversity, equity and inclusion (DEI) objectives which are tracked by our internal governance processes. Our executive long-term incentive plans are linked to performance against our DEI targets, reinforcing our commitment to action and driving sustainable change. Gender and ethnicity are areas where we are working towards better senior leader representation.

Our DEI steering committee was established in 2021 and has business sponsors from the across the Aviva Investors organisation. Our DEI strategy covers all aspects of diversity, equity and inclusion. Aviva has six broad and thriving colleague-led inclusion communities that work together across the organisation including Aviva Investors. These communities are sponsored by senior leaders.

Early careers

Our Early Careers programmes help create a diverse, engaged, and future-ready population. Aviva Investors offers three programmes: a trainee programme for non-university applicants, internships for penultimate year university students, and a graduate programme. These initiatives build a junior pipeline for our investment and client teams. As at end 2024, 48 per cent of the cohort and alumni are female, and 88 per cent of the cohort and alumni attended state schools.

We work with Investment 20/20 and UpReach to attract a diverse pool of candidates, focusing on improving socio-economic diversity. Our 12-month trainee programme, in collaboration with Investment 20/20, promotes hiring based on potential rather than academic background.

Additionally, we are partnering with two London-based schools to provide students with insights into asset management, encouraging them to apply for our trainee and graduate programmes. In 2025 we will run internships in partnership with UpReach for the first time, supporting undergraduates from lower socio-economic backgrounds.

We continue to use strengths-based assessments, training assessors, and to involve multiple assessors in our Early Careers process to mitigate bias and ensure diverse hiring.

Development and mentorship

In 2024, we completed our first emerging leaders programme for mid- to senior-level colleagues and started the second. This 18-month programme develops high-potential future leaders through masterclasses, networking and mentoring. Since the programme's inception, 95 per cent of participants from both cohorts have remained with us and 15 per cent of all participants have been promoted.

Reverse mentoring allows senior colleagues to gain insights from junior team members or those with different backgrounds. This practice fosters the exchange of knowledge and experiences across all levels of seniority. Launched in October 2024, our programme pairs 14 senior leaders with colleagues from various backgrounds, including different ethnicities, genders, industry entry levels, LGBTQ+ individuals, and those with caring responsibilities.

We participate in the Mission Gender Equity and Mission Include cross-industry mentoring programmes, which provide development for mentees and mentors. These programmes also aim to improve inclusivity and diversity in senior leadership teams globally. In 2024, we had five participants.

Incentives

Goal setting

As part of the annual goal-setting process, all members of the executive committee, including the chief investment officer, have a sustainability goal that contributes to their annual appraisal process and remuneration plans. The Aviva Investors CEO is also eligible for Aviva Group LTIP (Long-Term Incentive Plan) awards. These have performance conditions tested before vesting, including sustainability measures such as carbon intensity reduction as well as women and ethnically diverse employees in senior leadership roles.

Sustainability goal requirements are also cascaded and embedded across the rest of the business, relevant to role and area of the business. This includes the investment teams, and these goals contribute to the annual appraisal process and variable remuneration outcomes.

Review of sustainability policies

We have developed a suite of sustainable investing policies to clearly articulate our approach at a company, asset class and product level. Our overall approach to sustainability is articulated through this Annual Review report (see Tier 1 in Figure 28). At a more granular level, we have policies setting out specific aspects of our approach at firm, asset class or fund level. Finally, there is documentation to capture client-specific details, such as exclusion requirements.

The sustainability policies sit within a tiered framework ensuring that policies maintain consistent principles and that agreed positions cascade through the business in an efficient manner. These policies refer to the UK and may differ across geographical jurisdictions for other Aviva entities.

All new regulatory policies, risk policies, policy templates and policy frameworks, or changes to any of these documents, are regularly reviewed and approved by the policy approvals group (PAG)[42]. The PAG is chaired by the chief compliance officer, and is attended by senior colleagues from areas including risk, audit, finance, legal, controls and strategy. Regular reviews of our policies help us scrutinise the effectiveness of our governance frameworks and facilitate continuous improvement of the articulation and monitoring of our processes. For example, this might include improving clarity around how we communicate our baseline exclusions process or the role of sustainability risk in investment decision making.

[42] The authority of the PAG does not include policies applicable only to non-UK entities.

Figure 28: Our sustainability policies and key reports framework.

Corporate backdrop	Aviva plc group-wide sustainability policies and key reports: Corporate employee policies (e.g. diversity, parental leave); Modern slavery and human trafficking statement; Human rights policy; Business ethics code; Sustainability business standard; Biodiversity policy
Tier 1 **Overall approach**	Aviva Investors Annual Sustainability Review; Aviva Investors Sustainability Approach
Tier 2 **Firmwide policies**	Aviva Investors Global Voting Policy; Aviva Investors Baseline Exclusion Policy
Tier 3 **Asset class policies**	Private Markets Responsible Investment and Sustainability Risk Policy; Public Markets Responsible Investment and Sustainability Risk Policy
Tier 4 **Fund and mandate documentation**	Specific funds have additional individual specifications such as exclusions, inclusions, targets and impact measures
Client-led policies / segregated mandate documentation	Client-specific; Client-specific exclusionary policies

Note: for illustrative purposes only.
Source: Aviva Investors, as at December 31, 2024.

Policies and key reports framework

- **Tier 1 – Overall approach**
  Overarching approach to sustainability, including our beliefs, governance and approach: Our Annual Sustainability Review and our Sustainability Approach (for professional clients only).
- **Tier 2 – Firmwide policies**
  Key sustainability firm-wide policies applied across relevant sustainability and related activities: Our Voting Policy and Baseline Exclusion Policy.
- **Tier 3 – Asset class policies**
  Asset-class investment policies that govern our investment processes. Dedicated sustainability risk policies cover Private Markets and Public Markets.
- **Tier 4 – Fund and mandate documentation**
  Building on these policies is investment strategy-specific documentation. This documentation refers to and evidences the implementation and application of our sustainable investing policy principles to specific strategies. For example, fund prospectuses and investment management agreements (IMAs) detail where we are managing client assets in line with a sustainability objective or target.

Review and assurance

Aviva Investors and the Aviva Group have a risk and controls framework that encompasses first, second and third-line functions as well as external assurance. We rely upon this framework to provide assurance and oversight of the robustness of our stewardship activities. We explain our risk and controls framework in more detail here and highlight some key points relevant to our stewardship activities.

This year we were satisfied with the validation of the supporting controls provided by our internal audit team and did not seek external assurance. The business continues to work with first and second-line risk colleagues to improve our controls framework.

The Aviva Investors operational risk and controls management framework

The operational risk and controls management (ORCM) framework encompasses a combination of strategies, policies, culture, governance arrangements, tools and reporting procedures. All employees are responsible for identifying, measuring, managing, monitoring and reporting on the risks we are, or could be, exposed to while achieving our strategic objectives.

First-line controls are developed and embedded to meet strategic business goals and minimise current and future risk exposure to an acceptable level.

Governance and control (G&C) representatives help support the first line in their risk and control responsibilities by providing ongoing oversight.

The G&C representatives:

- Are independent from the risk-taking activities in the first line that could compromise their ability to challenge.
- Help the first line identify and deploy control requirements, primarily driven by policies, standards, regulation, procedures and market best practice.
- Ensure that all first line-specific controls are complete, accurate and centrally maintained. ESG-specific controls are driven by and aligned to the pillars of ESG integration, namely, research, connectivity, portfolio construction, and evaluation and monitoring. Changes in asset-class policies, regulations, or investment processes are assessed for ESG themes, and additional controls are added as needed to keep the ESG controls inventory accurate and complete, supporting the sustainable investing process and the mitigation of greenwashing risks.
- Test the first-line controls frequently to ensure they are operating effectively and as designed.

There is an active two-way engagement between G&C representatives and the first line, providing critical appraisal of the current and future environment.

Working alongside the G&C representatives, the direct reports of the chief sustainable investing officer and the chief investment officer (both of whom report to the CEO) are responsible for ensuring that sustainable investing policies and procedures are embedded within their teams and that ESG factors are integrated into the respective investment decision-making processes. Direct reports of the chief investment officer are the global heads of equities, fixed income, and multi-asset from public markets; the head of infrastructure, head of multi-assets and head of asset management from private markets; and the head of investment specialists covering both public and private markets. The head of ESG public markets and head of ESG private markets report into the chief sustainable investing officer.

The second line consists of risk and compliance functions (directly reporting to the chief risk officer), which partner with the business to independently challenge, advise and guide the business in the delivery of its strategy and plans, while safeguarding customers and shareholders.

The risk function promotes and monitors the embedding of a strong risk and control culture, supported by robust frameworks and policies.

A key part of our risk and control framework is independent second-line reviews. These assess the design and completeness of key controls and cover thematic areas informed by the risk-based compliance monitoring programme.

Model risk management framework

The Prudential Regulation Authority (PRA) and Financial Conduct Authority (FCA) continue to focus on model risk management within financial services firms, especially with artificial intelligence and machine learning. We therefore maintain a firm-wide model risk management framework for managing model risks. This framework defines what a model is and is supported by documented evidence outlining where model risk exists across the business. There is an inventory of models, each supported by documentation outlining principles like purpose, scope, calculations, methodologies, responsibilities, and outputs. The first line owns the model inventory, which is reviewed and challenged annually by the second line as part of their annual due diligence process.

Aviva Investors uses models to price assets without readily available market prices, calculate capital required for ICARA (Internal Capital Adequacy and Risk Assessment), assess the investment risk inherent in assets, and assist in processes such as asset allocation, portfolio construction and performance attribution.

Within Aviva Investors there are specific ESG models which are integral to the investment process.

The concept of sustainability in financial services is rapidly evolving, and so is the data available to investment managers. Our ESG models are dynamic and continually evolving as the supporting data, skills and technical capabilities develop. The models aim to provide ESG insights from a top-down market perspective, and ultimately to support portfolio managers in investment performance.

The investment team uses model outputs for ESG security analysis, ESG risk indicators, ESG benchmark optimisation (for specific fund ranges) and client reporting.

Voting and engagement activities

A dedicated team is responsible for conducting stewardship activities for our clients' investments; exercising proxy voting rights and engaging with investee assets, borrowers, and companies to protect long-term shareholder value; and excluding investments depending on clients' ethical and ESG preferences.

The Aviva Investors Global Voting Policy is reviewed annually to ensure the policy and supporting statements are complete and accurate and have been formally reviewed and approved. Any changes are assessed to ensure the supporting set of controls remain complete and accurate.

The following controls support our ongoing adherence to the stewardship principles, and ensure that prior to AGMs/EGMs, proxy voting instructions are generated, recorded, and carried out accurately and in a timely manner:

- Maintaining a record of all resolutions from company meetings and a record of how Aviva Investors voted at each meeting.
- Identifying and logging any potential and upcoming contentious company meetings. These are scrutinised to ensure, where deemed applicable, that Aviva Investors' views are expressed by exercising our full voting rights. This may mean shares that have been out on loan are recalled.

Our overall approach to voting is covered in more detail in the Holistic Stewardship section.

Conflicts of interests

We take our fiduciary duties to clients and beneficiaries very seriously. We apply a consistent and transparent approach to the management of conflicts of interest in accordance with our regulatory obligations. The Aviva Investors Global Conflicts of Interest Policy sets out the principles and standards to identify, manage and record conflicts of interest across all our offices.

In addressing any circumstances in which an actual or potential conflict of interest may arise, we ensure that in providing services or managing products for clients we:

- always act in the best interest of our clients and put clients' interests ahead of our own or those of employees.
- treat all our clients fairly.

We recognise that, in carrying out our day-to-day activities, Aviva Investors and its employees may encounter conflicts (perceived or actual) between the interests of our clients and ours, or between those of one client (or group of clients) and another.

All employees are required to identify and report any personal or corporate conflicts of interest to management and compliance in accordance with our conflicts of interest procedures and to attest periodically that they have disclosed all applicable conflicts of interest. These conflicts are recorded in the global conflicts of interest register, alongside any mitigants designed to manage the conflict. Each conflict is categorised according to the potential risk of client detriment so we have a view of the types of conflicts most prevalent in our business.

The executive responsible for each business area ensures the conflict of interests policy is embedded and compliance measures are maintained. At least annually, they review conflicts and attest to their accuracy and completeness. Our compliance team monitors conflicts of interest according to an annual plan and advises the relevant executive as needed. Policy violations are escalated to compliance and reported to senior management. The Aviva Investors executive risk committee oversees the policy's operation.

Our principal objectives when considering matters such as engagement and voting are always to act in the interests of our clients and underlying beneficiaries, and to treat all clients and beneficiaries fairly.

Conflicts of interest can arise when we engage with companies and exercise our right to vote in relation to interests held, as these activities can sometimes be inconsistent with the interests of a particular client or company.

To identify actual or potential conflicts of interest, appropriate consideration must be given to all relevant circumstances, including the following (non-exhaustive) matters:

- whether the circumstances may result in an unfair advantage, a financial gain, or avoid a financial loss, at the expense of a client
- whether there is a financial or other interest in the outcome of a service provided or offered to the client or of a transaction carried out on behalf of the client, which is distinct from the client's interest in that outcome
- whether there is an incentive to favour the interest of a client or group of clients over the interests of another client or group of clients
- whether a person connected with the circumstances carries on, or is connected with, the same business as the client
- whether an Aviva Investors entity acting as a management company of a collective investment scheme carries out the same activities for another client or group of clients
- whether any person will receive from a person other than the client an inducement in relation to a service provided to the client, in the form of monies, goods or services, other than the standard commission or fee for that service.

We manage conflicts of interest when voting through the following processes:

- Making companies aware of our areas of focus on governance matters by publishing our Global Voting Policy and any updates to the policy on our website. This enables boards to take our expectations into account without a conflict coming into play, and demonstrates our commitment to a transparent process on behalf of all client funds.
- Being transparent with companies and clients on our voting decisions and the rationale for such decisions.
- Making our voting decisions public on a company-by-company basis so our voting record is transparent and available for external scrutiny.
- When agreed with clients, we will act on their specific voting direction (for their holdings), including the use of independent third-party instructions.
- Voting process and decisions, including incidents of potential conflicts, are subject to review by our internal audit function, and our operational risk framework facilitates ongoing compliance, incorporating documented processes and controls.

Voting shares at Aviva plc meetings

We fully recognise conflicts of interest may arise from the exercise of voting rights over holdings of shares in our parent company Aviva plc.

Our policy in regard to these is as follows:

- Where Aviva Investors is responsible for voting rights over Aviva plc shares within funds managed for Aviva Group clients (for example, Aviva life funds), both as a matter of policy and, as appropriate, pursuant to the provisions of the Companies Act 1985, those voting rights must not be exercised.
- Subject to the point below, where Aviva Investors is responsible for voting rights over Aviva plc shares held or managed on behalf of external clients, given the potential for a conflict of interest, Aviva Investors will exercise no discretion over those voting rights and its default position will, therefore, be to refrain from exercising those voting rights.
- Where external clients choose to, they may instruct Aviva Investors in writing to arrange for the voting rights over their holdings of Aviva plc shares to be exercised in accordance with independent recommendations by external proxy advisers, in line with applicable corporate governance and proxy voting guidelines; where a client wishes to put in place these or any other alternative arrangements, Aviva Investors will seek to accommodate those arrangements.

Voting shares that are also segregated clients

We recognise that a conflict of interest may arise when we are voting at shareholder meetings of issuers which are also segregated clients. In such scenarios, we will exercise no discretion. Instead, voting will be in line with our Global Voting Policy and provided through custom policy research generated by our external proxy advisory provider. If there are any resolutions on which our voting provider has "referred" to us to make a vote decision (note that this will only occur if no specific criteria have been agreed/ particular circumstances relating to the relevant resolution warrant review), then the default position will be to vote in line with our proxy adviser's benchmark recommendations (for the referred items only).

If a segregated client holds shares in its parent company, for which there is a shareholder meeting, we will endeavour to ask the client to provide us with voting instructions. Our default position if no instructions have been requested or provided is to take no voting action (for that segregated client only).

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Our team and supporting information

Sustainable investing leadership team

Mirza Baig
Chief Sustainable Investing Officer

Candice Thorpe
Director, Sustainability Solutions

Edward Dixon
Private Markets Head of Sustainability

Jess Foulds
Director, Sustainability Strategy

Louise Piffaut
Public Markets Head of ESG

Sam Tripuraneni
Head of Sustainable Investments

Steve Waygood
Chief Sustainable Finance Adviser

Sustainable investing team

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Jayraj Rathod
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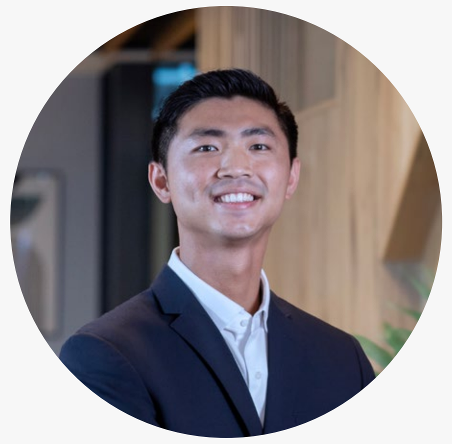

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Sustainable investing team

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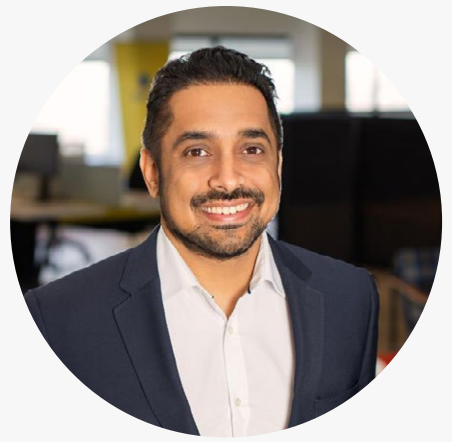

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Credit ESG Analyst

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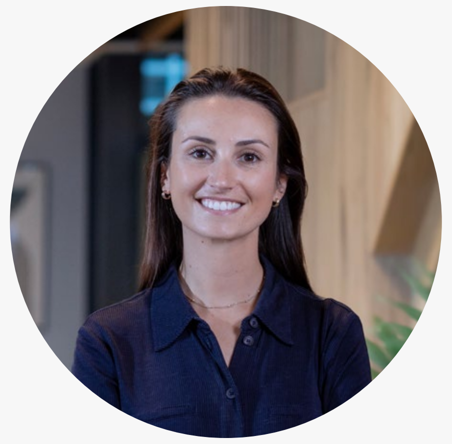
Public Markets Head of Corporate Governance Engagement

Oliver Morriss
Senior Strategist



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Sustainable Investments Director, Private Markets

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Sustainable Investment Analyst

Ria Exworthy
Governance Manager

Richard Butters
Public Markets Head of Stewardship

Riona Bowhay
Senior Macro Stewardship Analyst

Sonia Hierzig
Sustainable Investment Analyst

Sylvie Sasaki
Private Markets Sustainability Director

Thomas Dillon
Public Markets Head of ESG - Sovereign

Collaborative initiatives

The list below (pages 134 - 135) shows collaborative initiatives in which Aviva Investors participates as an active member, where we have participated in events or where we have indicated support for a statement as a signatory. More information regarding any of the initiatives or statements can be provided on request.

Founding member

Collaborative Sovereign Engagement on Climate Change

Investor Action on Anti-Microbial Resistance

Investor Initiative on Hazardous Chemicals (IIHC)

Investor Initiative on Human Rights Data (II-HRD)

Sustainable Stock Exchange Initiative

UN Principles for Responsible Investment (UN PRI)

World Benchmarking Alliance (WBA)

Memberships and working groups

30% Club UK Investor Group

Advance

Aldersgate Group

Asian Corporate Governance Association (ACGA)

Benchmarking Human Rights Performance

Bondholder Stewardship Working Group

Chatham House

Climate Engagement Canada (CEC)

FAIRR – Biodiversity, Waste and Pollution Programme

FAIRR – Protein Diversification

FRC UK Stewardship Code 2020

GC100 and Investor Group – Remuneration Reporting Guidance

GFANZ Policy Workstream

Global Impact Investing Network (GIIN)

Global Institutional Governance Network (GIGN)

Good Work Coalition

Global Real Estate Sustainability Benchmark (GRESB)

Institutional Investors Group on Climate Change (IIGCC)

Investor Policy Dialogue on Deforestation (IPDD) Initiative

Labour Rights Investor Network (LRIN)

Nature Action 100

Net Zero Asset Managers Initiative (NZAM)

ShareAction – Chemical Working Group

Sovereign Debt Advisory Committee

The Investment Association

The Investment Association – Climate Change Working Group

The Investment Association – Remuneration and Share Schemes Committee

The Investment Association – Sustainability and Responsible Investment Committee

The Investor Forum

TheCityUK Sustainable Finance Forum

Transition Finance Market Review Expert Advisory Panel

UN Principles for Responsible Investment Sustainable Systems Investment Managers Reference Group

VBDO (Vereniging van Beleggers voor Duurzame Ontwikkeling) Investor Statement on Plastics

Awards

Signatories and collaborative events

Access to Medicine Foundation

Carbon Disclosure Project (CDP)

Climate Action 100+ (CA100)

Global Investor Statement to Governments on the Climate Crisis

Partnership for Carbon Accounting Financials (PCAF)

Planet Tracker Plastic Pollution Investor Statement

Rathbones Statement on Reporting Requirements re: Section 54 of UK Modern Slavery Act

2024

Insurance Asset Risk Awards
'Social Investing Initiative of the Year'
For the Social Transition Engagement Programme (STEP), joint engagement between ESG and Buy and Maintain analysts, and human rights advocacy.

Real Estate Capital Awards
'Sustainable Financing Deal of the Year - Europe'
For a £57 million sustainable transition loan provided to Urban Logistics REIT plc

Corporate Advisers Awards
'Best Default ESG Strategy'
For one of our pension strategies.

2023

European Markets Choice Awards
'Positive Change Award for Sustainability'

International Investment Awards
'International DFM Fund/Product of the Year'
For Aviva Investors Emerging Markets Bond Fund

Diversity in Finance Award

Professional Pensions Awards
'DC Innovation of the Year'
For Climate Transition Real Assets Fund.

Insurance Asset Risk's UK & Europe Awards
'Stewardship Initiative of the Year'

Insurance Asset Risk's UK & Europe Awards
'Climate Mitigation Investment Initiative of the Year'

Share Action
Ranked #3/77 and received an **A rating**

UK Stewardship Code Index

Stewardship Code Principles	Section and title	Page numbers
Principle 1: Signatories' purpose, investment beliefs, strategy, and culture enable stewardship that creates long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society.	0: Foreword and approach in summary 2.1: Our sustainability beliefs and approach 2.3: Assessing our effectiveness 6: Afterword 8.2: Collaborative initiatives and awards	04 19 32 113 133
Principle 2: Signatories' governance, resources and incentives support stewardship.	5.2: Sustainability data providers 7: Governance 7.1: Governance, resource and incentives 8.1: Sustainable Investing team	107 116 117 131
Principle 3: Signatories manage conflicts of interest to put the best interests of clients and beneficiaries first.	7.3: Conflicts of interest	127
Principle 4: Signatories identify and respond to market-wide and systemic risks to promote a well-functioning financial system.	4.1: Our approach to holistic stewardship 4.2: Promoting well-functioning markets	61 73
Principle 5: Signatories review their policies, assure their processes and assess the effectiveness of their activities.	7.1: Governance: 'Review of sustainability policies' section 7.2: Review and assurance	121 123
Principle 6: Signatories take account of client and beneficiary needs and communicate the activities and outcomes of their stewardship and investment to them.	2: Strategic approach 2.2: Client and beneficiary needs	18 23
Principle 7: Signatories systematically integrate stewardship and investment, including material environmental, social and governance issues, and climate change, to fulfil their responsibilities.	3: Integration approach	33

UK Stewardship Code Index

Stewardship Code Principles	Section and title	Page numbers
Principle 8: Signatories monitor and hold to account managers and/or service providers.	5: Monitoring managers and service providers	105
Principle 9: Signatories engage with issuers to maintain or enhance the value of assets.	4.1: Our approach to holistic stewardship 4.1: Holistic stewardship: 'Approach to engagement' section 4.2: Holistic stewardship: 'Overview of thematic priorities' section 4.3: Climate 4.4: Earth 4.5: People 4.6: Governance	61 62 74 75 88 94 100
Principle 10: Signatories, where necessary, participate in collaborative engagement to influence issuers.	4.1: Holistic stewardship: 'Approach to engagement' section 8.2: Collaborative initiatives and awards	62
Principle 11: Signatories, where necessary, escalate stewardship activities to influence issuers.	4.1: Holistic stewardship: 'Approach to escalation' section	67
Principle 12: Signatories actively exercise their rights and responsibilities.	4.1: Holistic stewardship 4.1: Holistic stewardship: 'Approach to voting' section 4.1: Holistic stewardship: 'Voting outcomes' section 7.2: Governance: 'Voting and engagement activities' section	60 69 71 126

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