

# Confidence in a changing climate

A practical guide for  
investors with long-term  
climate ambitions

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## Beyond Paris: Paving the foundations for investors' climate journey

by Mirza Baig

Over a decade on from the Paris Agreement, the globally coordinated climate action needed to place us on a credible pathway to net zero has not materialised. The climate agenda has become increasingly politicised and polarised, even as the physical realities of climate change have intensified.



Operating a spectrum of climate investing approaches throughout this period has given us years of experience in understanding their climate impact and investment implications across market cycles.

The past ten years have been the hottest decade on record, culminating in 2024 becoming the first calendar year in which global average temperatures exceeded 1.5°C above pre-industrial levels.<sup>1</sup> At the same time, the frequency and severity of extreme weather events have accelerated, driving human, economic and financial losses across regions and asset classes.<sup>2</sup>

1. "WMO confirms 2024 as warmest year on record at about 1.55°C above pre-industrial level", World Meteorological Organisation, January 10, 2025.
2. "WMO report documents spiralling weather and climate impacts", World Meteorological Organisation, March 19, 2025.

*continued;*

Yet this has not been a wasted decade. Important foundations of the transition have been laid. Carbon markets have matured and expanded, with more than 25 per cent of emissions now captured by a pricing scheme.<sup>3</sup> Global renewable-energy capacity is growing at a record-breaking pace, now approaching 4.5 terawatts (TW).<sup>4</sup> Electric vehicles have moved firmly into the mainstream, accounting for around one quarter of global new car sales in 2025.<sup>5</sup>

Meanwhile, the economics of transition technologies have continued to improve: the cost of critical climate technology has steadily fallen, with battery-storage costs declining by around 90 per cent over the past decade,<sup>6</sup> materially enhancing the investability of both electric mobility and grid scale storage.

Operating a spectrum of climate investing approaches throughout this period has given us years of experience in understanding their climate impact and investment implications across market cycles. These approaches span sector-based exclusions, proactive allocations to climate technology and nature-based solutions, helping to fund transition plans, contributing to decarbonising portfolios, and stewardship mechanisms to leverage our influence in encouraging system-wide change.

This experience has taught us that no single climate approach is appropriate for all types of investors and investment strategies. Investors will need to blend different approaches to best match climate, risk and return outcomes to their unique needs and preferences.

This guide showcases some of the climate solutions, tools and frameworks we have developed to help clients forge an impactful climate strategy that is right for them and their end beneficiaries.



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Aviva Investors

3. Vladimír Berbatović, "World Bank: Carbon pricing schemes cover 28% of global emissions", Balkan Green Energy News, June 16, 2025.
4. Charlotte Edmond, "Renewables surged globally in 2024", World Economic Forum, April 14, 2025.

5. Tom Crowfoot, "EVs to reach 25% of global car sales this year and other climate news", World Economic Forum, updated January 5, 2026.
6. Andy Colthorpe, "Li-ion battery pack prices fell 8% since last year despite metals prices rising, BloombergNEF says", Energy-Storage.News, December 10, 2025.

# From ambition to execution



## Building portfolio pathways together

Having typically committed to climate goals and adopted interim targets, many of the investors we partner with are seeking to strike a balance between their risk, return and climate goals. They have a duty to deliver for their end beneficiaries and they know their capital has the power to shape long-term societal outcomes, but they are also facing short-term headwinds. That's a lot to consider when it comes to practical implementation.

Working with each investor, we use our experience and expertise to build a detailed assessment of their current portfolio and design a clear path forward together. Our investment approach helps our clients understand where they stand today and identify the levers that can drive decarbonisation in line with their ambitions.



## A range of solutions to help investors stay ahead of developments

In a constantly evolving regulatory landscape with multiple geographical specificities, we use our global insight into sustainability regulation to help clients stay confident that they can meet their climate ambitions.

Our suite of sustainable strategies, systemic risk management and holistic stewardship practices combined help us anticipate and respond to regulatory and policy shifts.<sup>7</sup> This enables us to allocate capital to deliver long-term value and climate resilience, as well as navigating shifting regulatory expectations. We can keep portfolios positioned for evolving global standards and market dynamics alike.

7. Louise Piffaut et al., "Only Connect: How a holistic approach to investment stewardship can enhance client outcomes", Aviva Investors, September 27, 2024.



## Leveraging the interconnectedness of nature and climate

Climate and nature are intimately connected, so integrating an approach to nature in climate strategies can unlock measurable impact, diversify returns, and reduce exposure to environmental risks.

This interconnectedness is complex, but we can help investors navigate it to meet their climate ambitions. Our technical expertise clarifies how nature-based solutions (like regenerative agriculture or wetland restoration) can reduce emissions, or even sequester carbon from the atmosphere, while strengthening biodiversity and resilience.

Read more about our approach to nature & climate in the reports: [Navigating Nature](#) and [Aviva 'Investing in Nature'](#)

# Solutions that start with you

## Identifying the right approach to support investors' climate journey



Each investor will need a tailored approach to meet their financial and climate goals. Here, we lay out an array of options, each with a different objective and outcome:

In this section, we explore different climate pathways, our existing climate-related strategies, and potential investment frameworks to support the creation of bespoke climate solutions.

	Low-carbon approaches	Climate approaches	Paris-aligned approaches	Net-zero-aligned approaches	Net zero/Climate finance approaches
<b>Why might an investor choose this type of approach?</b>	To reduce a portfolio's carbon intensity compared to benchmark	To invest in transition solutions and enabling decarbonisation in the real economy rather than optimising portfolio metrics	To meet climate commitments in line with Paris-aligned targets	To actively drive decarbonisation within portfolios (for example, to support a 2050 net-zero ambition and wider markets)	To shape the net-zero economy and fund real-world impact
<b>What does this type of approach seek to do?</b>	To keep the portfolio carbon intensity lower than the benchmark	To support the transition to a low-carbon economy	To align with Paris-aligned goals	To remain aligned to a net-zero pathway	To finance net-zero solutions and transition projects
<b>How does this type of approach do this?</b>	Reduce carbon intensity by selecting lower-emission companies or applying exclusion screens to high-carbon sectors	Invest in companies providing climate solutions or transitioning their business models and operations to a low-carbon economy	Apply Paris-aligned benchmarks and strict emissions reduction targets, focusing on companies on a 1.5–2°C pathway	Set portfolio-level decarbonisation targets, increase allocation to companies aligned with net zero, and monitor progress against science-based pathways	Direct capital to renewable energy, transition technologies and climate adaptation projects, with clear impact metrics such as emissions avoided, renewable capacity added

Understanding the variety of potential climate pathways available to investors has shaped our purpose-built suite of strategies to meet investors' unique climate needs.

#### Infrastructure

### 1 Accelerating the low-carbon transition through resilient infrastructure

Climate infrastructure strategies provide investors with a powerful lever for both financial returns and real-world climate outcomes. Infrastructure is a resilient asset class that generally offers stable, long-term returns. It can also play a critical role in achieving climate goals by enabling the transition to low-carbon energy, sustainable transport, and resilient communities.

Using our in-house origination and research expertise, we seek investments that directly support the energy transition, improvements to the power grid, and the decarbonisation of a variety of businesses and sectors.

#### Fixed income

### 2 Climate-aligned fixed-income strategies for resilient income

Investing across global and regional bond markets can deliver resilient income and risk-adjusted returns while supporting companies that are contributing to, or progressing through, the transition to a lower-carbon economy. This includes exposure to issuers delivering climate solutions, as well as those transitioning their business models and operations to reduce their emissions over time.

We integrate climate analysis alongside fundamental credit research to identify issuers that are well positioned for the transition. We invest across conventional bonds as well as Green, Social and Sustainability (GSS) bonds and Sustainability-Linked Bonds (SLBs). We build portfolios with a focus on income and capital preservation, alongside a strict selection of names that present opportunities for capital appreciation.

#### Private markets multi-asset

### 3 Private markets multi-asset capabilities to capitalise on the climate transition

Multi-asset strategies in private markets can give investors access to a diversified portfolio that aims to accelerate the transition to a low-carbon economy.

We seek to use our “avoid, reduce, remove, align” framework, providing investors with exposure to infrastructure, real estate, nature-based and climate solutions that contribute to the climate transition.

**We have helped a large financial services provider in the UK invest in carbon removal solutions and access impactful carbon removal credits.**

#### Carbon Removal

### 4 High-integrity carbon removal capabilities

Carbon removal strategies can align environmental impact with long-term value creation. We invest patient capital directly in assets that generate high-integrity carbon removal credits. Our diversified portfolio of nature-based and engineered carbon removal solutions seeks to balance solution, technology and geographical risks.

We target an attractive financial return, alongside measurable co-benefits such as biodiversity enhancement, species protection and reintroduction, improved waterway quality, employment opportunities and public access.

**We manage an enhanced equity strategy that aims to achieve a low tracking error combined with higher ESG scores and lower carbon-intensity scores than the underlying index.**

#### Equities

### 5 Harnessing climate opportunities in global equities

Our climate equity strategies are high-conviction, actively managed strategies that aim to deliver long-term capital growth as well as seeking to support the transition towards a lower-carbon economy. The strategies do this by investing in companies that are either providing solutions that help tackle the impacts of climate change or are leading in aligning their business models and operations towards a lower-carbon economy.

Beyond our dedicated climate strategies, we offer a broad range of investment solutions across asset classes, where sustainability and climate considerations may form part of the overall investment approach.

We seek to avoid investing in specific sectors and economic activities that fundamentally misalign with Aviva's purpose, values, and our ambition to be a sustainable business. Relevant fund documentation will set out the extent of the application of this policy, including whether it only applies to certain parts of an investment strategy. For the avoidance of doubt, where there is any potential misalignment between the policy and how it is applied to a specific fund, the fund documentation will take precedent. See more [here](#).

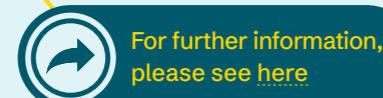
#### Multi-asset solutions

### Building bespoke climate investment solutions together

Often, investors require the flexibility and specificity of custom solutions, designed to meet targeted climate and financial goals.

Larger institutional investors might want to build a multi-asset investment strategy that balances strong investment performance with credible action towards climate ambitions.

This kind of solution aims to achieve financial performance objectives while supporting reductions in portfolio carbon intensity. As a multi-asset house, we have experience in designing and executing sophisticated multi-asset portfolios for investors with portfolio-level climate goals.



For further information, please see [here](#)

# Net Zero Investment Framework portfolio solutions

Some investors are looking to design a mandate with their asset manager, and to define thresholds that prioritise allocating to investments aligned with their climate goals.

Agreeing these parameters then forms the basis of the portfolio's construction and allows us to identify where to prioritise our stewardship efforts. This ensures we focus on the companies and sectors that face the greatest decarbonisation challenges. It also helps us focus our stewardship efforts where the influence of our clients' capital can be most effective.

By combining a data-driven categorisation approach with stewardship activities, we can construct a portfolio that:

- 1 Aims to meet investors' sustainability objectives;
- 2 Effectively manages climate-related risks;
- 3 Captures long-term opportunities in the transition to a net-zero economy.

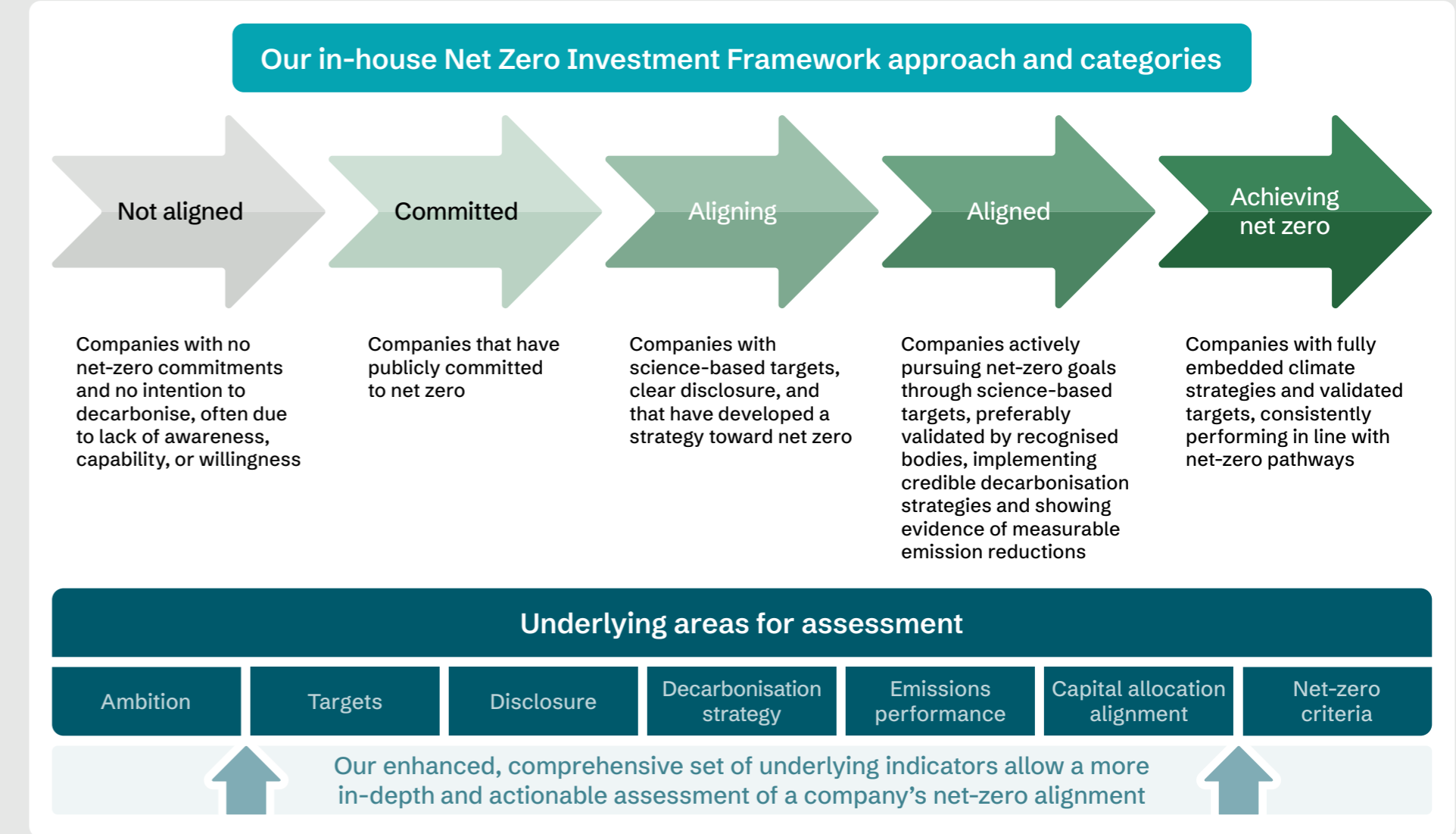
This can be delivered through our in-house Net Zero Investment Framework (NZIF) which provides a practical approach for investors looking to design and implement net-zero mandates for their assets. The NZIF enables us to set portfolio-level targets for emission reductions and climate solution allocations, tailored to our clients' climate goals.

By categorising the underlying investments across the NZIF, we can evaluate whether portfolio holdings are aligned with, or transitioning toward, the portfolio's net-zero objectives.

8. Our enhanced Net Zero Investment Framework (NZIF) builds on the framework of the IIGCC. For more information: [www.iigcc.org/net-zero-investment-framework](http://www.iigcc.org/net-zero-investment-framework)



Many investors want to understand where they are on their own net-zero journey. We have worked with a central bank to assess their portfolio and explore next steps towards their net-zero ambitions.



## Carbon budgeting framework

We are developing a complementary approach to portfolio decarbonisation that can sit alongside the Net Zero Investment Framework.

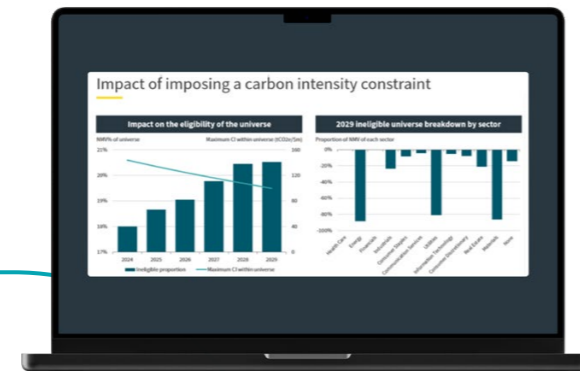
Our carbon budgeting framework anchors portfolios to a forward-looking, benchmark-aligned decarbonisation pathway, helping investors track and manage progress over time.

By taking a longer-term, measured view, the framework is designed to support orderly decarbonisation without driving short-term or procyclical investment decisions – providing a more resilient route through market volatility and periods of uncertainty.

## Our climate data and analytics capabilities

We are increasingly using data, models and quantitative frameworks and analytics to deliver on clients' climate objectives, comply with regulatory obligations, and deliver decision-ready data-driven insights.

Our capabilities can support multiple aspects of sustainable investing, enabling investment teams and clients to understand risks, opportunities, and performance. It can also be used to help design sustainability-aligned solutions, including our Net Zero Investment Framework (NZIF).



Real examples of where we have explored a variety of options to meet a client's climate objectives



### Climate analytics in public markets

Data, platforms, and models can help identify and assess climate-related risks and opportunities. We have enhanced our public-market capabilities with analytical platforms that combine forward-looking climate metrics and financial fundamentals for issuer- and portfolio-level analysis. This enables deeper assessment of how physical and transition risks impact revenues, costs and valuations across different scenarios, while also providing visibility on indicators such as green revenues and credible transition plans.



### Climate data and analytics in private markets

In private markets, ESG and physical climate risk assessments are embedded into the investment process, supported by proprietary tools and specialist third-party data. This includes early identification of material physical and transition risks using quantitative and qualitative analysis tailored by asset class. Consistent ESG due diligence helps inform engagement, structuring and investment decisions across assets such as real estate and private debt.



### Emissions capabilities

We can support emissions analysis across public and private markets, using recognised climate pathways and frameworks to assess alignment with key climate objectives. In public markets, this enables scenario analysis, alignment assessments, and evidence-based target setting. In private markets, specialist platforms and the Partnership for Carbon Accounting Financials (PCAF) hierarchy support consistent, reliable emissions data and performance monitoring across assets.

## Connected through clarity



### Communicating with clients

We recognise the critical role communication plays in helping investors understand their portfolio's climate performance – across both financial and climate goals. We also understand the need for investors to communicate in turn with their own end-beneficiaries and the role that clear, concise, meaningful reporting can play in delivering this.

# A holistic approach to climate stewardship

## To support real-world decarbonisation



The Asset Owner Climate Stewardship Statement is backed by **\$2 trillion** in AUM<sup>9</sup>

We work closely with asset owners seeking to shape and further their own climate stewardship priorities. In particular, we note the central role stewardship plays in meeting the expectations of the Asset Owner Climate Stewardship Statement.

We take a pragmatic and multi-faceted approach to climate stewardship, designed to unlock value over the long term. 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.<sup>10</sup>

Our value-chain roundtables are a key example of our approach—bringing together participants across hard-to-abate sectors to surface transition barriers and co-develop practical solutions that strengthen our corporate engagement asks and inform actionable recommendations for policymakers and regulators.

9. "Huge increase in support for the Asset Owner Statement on Climate Stewardship", People's Partnership, 2026.

10. Louise Piffaut et al., "Only Connect: How a holistic approach to investment stewardship can enhance client outcomes", Aviva Investors, September 27, 2024.



### In-house stewardship tools

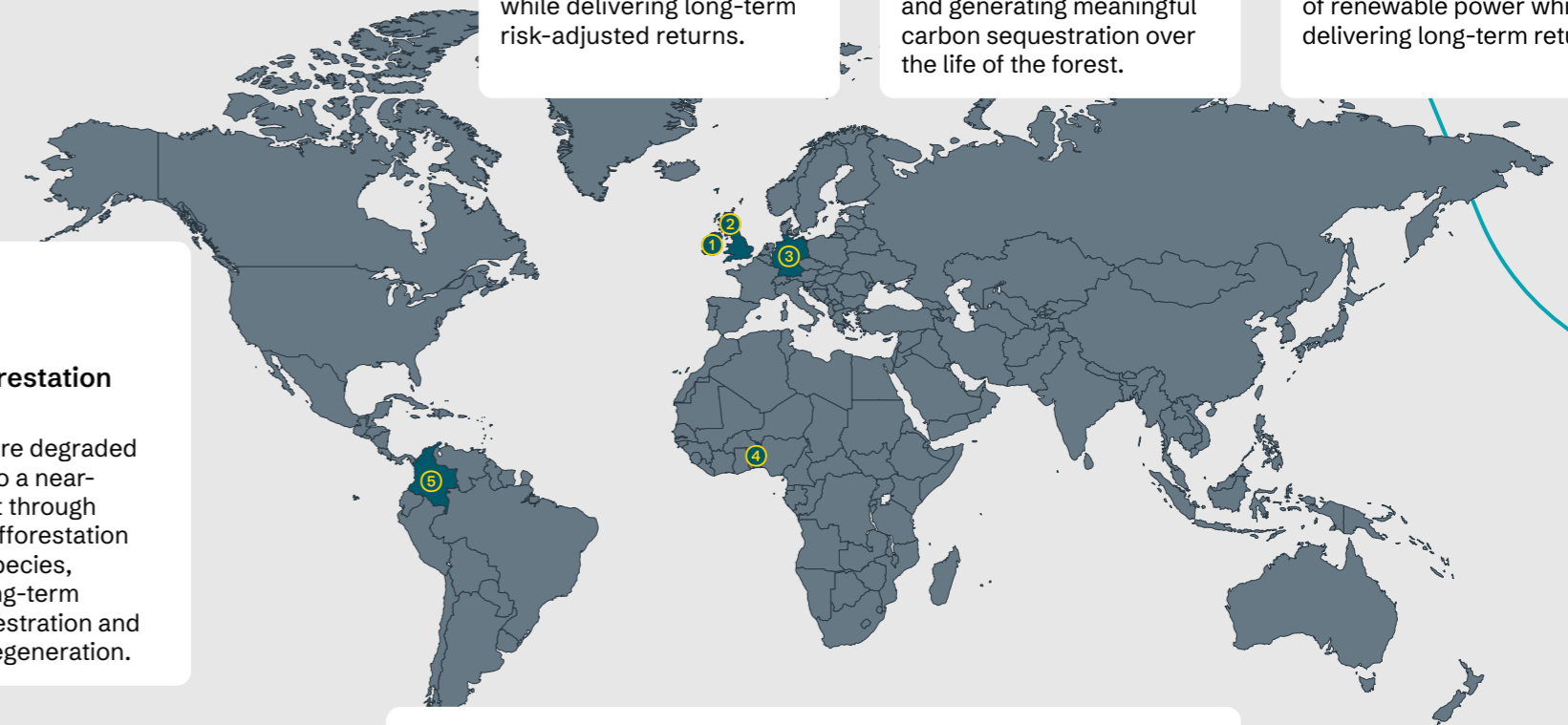
We leverage the in-house enhanced frameworks within our stewardship programmes to identify material gaps in the companies' transition journeys.

For example, we actively apply our proprietary Net Zero Investment Framework (NZIF) to our Climate Stewardship 2030 (CS30) programme, designed to support our holistic stewardship approach.<sup>11</sup> This helps us better manage climate-related risks within our investment portfolios, as we seek to protect investments from the financial risks associated with climate change.

We also use our proprietary "momentum score" – ranging from negative to neutral to positive – which reflects our expectations for the pace of the transition. Insights from our NZIF assessment and momentum score are instrumental in guiding our engagement priorities. We use these metrics to focus our efforts on companies that demonstrate slower progress towards net zero, identifying and pursuing targeted engagement opportunities, such as bilateral meetings, with those least aligned to a credible transition.

11. Louise Wihlborn et al., "Climate Stewardship 2030 programme", Aviva Investors, April 29, 2025.

# Climate investing capabilities with global reach



#### Asatine Ireland/Europe

Aims to deploy capital into European energy transition infrastructure to accelerate decarbonisation in Europe's hardest-to-abate sectors while delivering long-term risk-adjusted returns.



#### Glen Forsa Scotland, UK

Seeks to deliver stable long-term returns from commercial timber production in Scotland while enhancing biodiversity and generating meaningful carbon sequestration over the life of the forest.



#### Terra One Germany/Europe

Aims to support the build-out of European battery energy storage infrastructure, improving grid resilience and enabling greater integration of renewable power while delivering long-term returns.



#### Hybrid afforestation Colombia

Aims to restore degraded grassland into a near-natural forest through large-scale afforestation with native species, delivering long-term carbon sequestration and ecosystem regeneration.



#### Emerging market sovereign debt investment Benin, West Africa

Supports climate-related infrastructure and energy investment through a guaranteed sovereign financing structure, with proceeds funding road and power-generation assets, including solar installations, to improve energy access and reduce emissions intensity over time.

## Key risks



### Investment/objective risk

The value of an investment and any income from it can go down as well as up. Investors may not get back the original amount invested.

### Real estate/Infrastructure risk

Investments can be made in real estate, infrastructure and illiquid assets. Investors may not be able to switch or cash in an investment when they want because real estate may not always be readily saleable. If this is the case we may defer a request to switch or cash in shares or units.

### Fixed income risk

Investments in fixed interest securities are impacted by market and credit risk and are sensitive to changes in interest rates and market expectations of future inflation. Bonds that produce a higher level of income usually have a greater risk of default.

### Equities risk

Equities can lose value rapidly, can remain at low prices indefinitely, and generally involve higher risks — especially market risk — than bonds or money market instruments. Bankruptcy or other financial restructuring can cause the issuer's equities to lose most or all of their value.

For further information on the full risks and risk profiles of a fund, please refer to the relevant KIID and Prospectus.

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