Responsible Investment & The Stewardship Funds

What this guide covers

We hope the information in this guide is helpful and that it broadens your knowledge of what it means to invest responsibly, how we do this at Aviva and why we believe it's important to deliver responsible investment solutions for our customers.

Here's what the following pages cover:

The importance of responsible investment

“ Everyone wants to do the right thing for themselves, their families and the world we live in. They need businesses like ours to help them do that. At Aviva, we use our scale, influence and experience to help our customers, our people and the communities we’ve served for over 300 years.

We want to help give our customers the confidence to make informed savings and investment choices. Through the investments we make together, we can create a fairer, greener and better world for everyone.

We’re with you today, for a better tomorrow.”

Amanda Blanc,
Aviva Group CEO

Society’s response to COVID-19 has given us a sense of optimism – from the decisive and coordinated actions of governments to the rapid and unprecedented development of new vaccines. This gives us hope that the public and private sectors can combine again to address the other systemic sustainability challenges that lie ahead. Our annual letter to company chairs sent at the start of the year reiterated our expectations that companies will reflect and grasp the opportunities to reposition their businesses on a more sustainable footing. The Stewardship Funds will continue to invest in those that do and drive change to improve the world around us.

Mirza Baig,
Global Head of ESG Investments
Aviva Investors

Aviva's history as a responsible business

With you today, for a better tomorrow

Responsible investment, and caring for the world around us, is not a fad at Aviva. It's something we've been doing for a long time – whether that be as an insurer, as one of the UK's biggest businesses, as an investor and as an employer. Our achievements in this space, which are shown below, reflect our commitment to investing responsibly. Helping create a better world for our customers, our families and communities in the UK and around the world is part of our lifeblood, part of Aviva's history and something that we believe should be part of our future.

Aviva's responsible investment journey has stepped up a gear since the start of 2021 – in March we unveiled our goal to be a net zero carbon business by 2040. This is a first for a major insurance business, and it coincided with the third-year anniversary of Aviva Investors taking on the management of the Stewardship Funds in April 2018, followed by the creation of the Stewardship lifetyle strategy in July 2019.

Aviva Investors was among the first asset managers to publish a Corporate Governance voting policy in 1994 and the business led the way again in 2010 when it was in the vanguard of the signatories to the UK Stewardship Code. We believe these principles have enhanced the quality of Aviva Investors' engagement with businesses over the past decade, helping to improve long-term returns for shareholders and therefore investors. Encouraging better business practices through shared ownership and engagement, to achieve positive outcomes, is an essential part of the Stewardship philosophy as shown later in this report.

Our achievements

- We've been a leader of responsible investment for nearly 50 years.
- Aviva Investors was among the first asset managers to publish a Corporate Governance voting policy in 1994 and has continued to do so every year since then.
- Aviva was the first carbon-neutral international insurer in 2006.
- We were awarded the UN Momentum for Change Award in 2017 for our commitment to reducing our environmental impact, and for helping to write the world's first Corporate Governance Code and the UN Principles for Responsible Investment.

1970
Voting at company meetings

1994
Among first asset managers to publish Corporate Governance Voting Policy

1995
Pledge at the UN summit to 'balance of economic development, the welfare of people and a sound environment, by incorporating these considerations into business activities

2001
Founding signatory and first asset manager to formally integrate corporate responsibility to voting policy

2006
Founding signatory of Principles for Responsible Investment

2007
Founding signatory of Climate Wise

2010
In vanguard of signing the UK Stewardship Code

2012
Founded Corporate Sustainability Reporting Coalition with call to action at Rio+20 Conference

2014
Launched Roadmap for Sustainable Capital Markets & Sustainable Capital Markets Manifesto

2015
CEO speaks at UN General Assembly on Sustainable Finance

Strategic Response to Climate Change published and actively participated in COP21

2016
Asked to join European Commission's High Level Expert Group on Sustainable Finance

2016
Asked to join Financial Stability Board Taskforce on climate-related financial disclosures

2017
Corporate Human Rights Benchmark launched at Aviva's offices

Responsible Investor Award for Innovation & Industry Leadership

2018
UN award for sustainability work

The World Benchmarking Alliance is launched

2019
ESG Manager of the Year, Global Investor Group Investment Excellence Awards

Stewardship Disclosure (Asset Manager) award category at the ICGN Global Stewardship Awards

What are the Stewardship Funds?

1. Heritage

Launched in 1984, the Stewardship UK Equity Fund was the UK's first social and environmentally screened fund.

2. Screening, company engagement and measuring the Funds' ESG credentials

ESG stands for environmental, social and governance criteria. These are the factors which investment managers use to decide how well a business is performing with regard to its impact on the environment, on society, and therefore its role in the communities in which it operates, and also how a company functions in general, in terms of executive pay, diversity and shareholder rights, for example.

The Stewardship process involves three layers: screening/excluding firms that carry out harmful activities and practices; engagement with companies to foster change; and measuring the Stewardship Funds' ESG or environmental, social and governance performance. Companies must be aligned with the Stewardship values, namely that they do not harm the world in which they operate. Certain sectors - alcohol, gambling, tobacco, coal and oil - will always conflict with the Stewardship values and are therefore excluded.

3. Scale and experience in Stewardship team

Aviva Investors and Stewardship have a long history of engaging with companies to help them become more aware of the risks they face and to encourage positive change. An experienced fund management team sits alongside a well-resourced team of more than 20 experienced responsible investment professionals.

4. The Stewardship Fund range covers the key asset classes

Customers can access UK and international equities, fixed income, or a blend of equities and fixed income via the Stewardship Funds. There are five funds in the Stewardship range - the Stewardship UK Equity, Stewardship UK Equity Income, Stewardship Bond, Stewardship International Equity and Stewardship Managed Funds.

5. Stewardship and Aviva Investors combine their expertise as responsible investors

The Stewardship UK Equity Fund was the first ethical fund of its kind in the UK when it was launched in 1984. The Stewardship Funds, the Stewardship UK Equity Fund, the Stewardship UK Equity Income Fund, the Stewardship International Equity Fund, the Stewardship Bond Fund and the Stewardship Managed Fund have been managed by global fund management group Aviva Investors since April 2018.

Working together to create a better world for you to retire into and for your family to inherit

More and more of us want to know that our pension savings are being invested in businesses that contribute positively to the world around us to help create the type of world we want to retire into, and the world that the generations after us will inherit. At the same time, as a guardian of people's money, we believe we have a duty to use our customers' money in a responsible way, to help foster change across businesses, whether that be for the environment, for society or for people's lives and communities, and the world in general.

Stewardship Lifestyle Strategy

With this in mind, in July 2019, we combined our expertise as a leading pension provider, with the fund management expertise of Aviva Investors and the heritage of the Stewardship Funds to create the Stewardship Lifestyle Strategy.

The Stewardship Lifestyle Strategy, which is described in detail on page 15, incorporates both ethical, environmental, social and governance (ESG) considerations. The strategy gives you the opportunity to invest responsibly throughout your retirement journey, and in this way enables you and your pension to have a positive impact on the earth and its people.

Stewardship philosophy and criteria

Philosophy

Launched in 1984, the Stewardship Funds have a proud heritage as the UK's first ethical fund range, while also incorporating environmental, social and governance (ESG) considerations. The aims of the Stewardship Funds have remained broadly consistent since then:

1. **Exclude** companies that do not meet certain ethical standards or that harm society or the environment
2. **Support** companies that make a positive contribution to society
3. **Encourage** better business practices through shared ownership and dialogue

The Stewardship Funds' philosophy recognises that the contribution companies make to a sustainable society depends both on the products and services they provide and the way they provide them. Shareholders have a responsibility to address these issues actively with the companies they invest in to deliver a positive outcome for their customers, suppliers, employees, local communities and the environment.

Criteria

Companies and their shareholders can and do make a positive contribution to society. However, companies can also cause ethical, social and environmental issues by, for example: making harmful products; acting without regard to customers, employees and the communities in which they operate; polluting the environment; or failing to have acceptable governance practices.

Stewardship aims to determine whether the benefits delivered by a company or a sector outweigh the potential harm they may cause when creating those benefits and if, as shareholders, we believe we can influence them to reduce the harm and increase the benefits.

Companies generally operate in such a way that some aspects of their activities are acceptable to Stewardship while others are not. In some instances, failings may not be significant enough to disqualify a company from inclusion in the portfolio. In such cases, Stewardship takes a balanced view across the company's activities.

Exclusions, engagement and outcomes

The Stewardship Funds investment approach is based on three layers, and we'll cover them in more detail next:

1. Exclusions – what a company does

2. Engagement – how a company goes about its business

3. Outcome – measuring the ESG performance of the companies we invest in at a fund level.

Layer 1: Exclusions

Some industries and the activities of some businesses will always conflict with the values of the Stewardship Funds.

Below we highlight our negative screening criteria and the reasons for excluding companies from the Stewardship Funds:

Ethical & Social Exclusions

Issue	Negative screening criteria
Adult entertainment, pornography and violence	• >10% of turnover from adult entertainment or pornography. • >10% of turnover from violent video games. • Any involvement in the manufacture of guns.
Alcohol	• >10% of turnover from the manufacture of alcoholic products. • >25% of turnover from the distribution or sale of alcohol products (e.g. retail, hotels, restaurants and leisure industries).
Animal welfare – animal testing	• Any involvement in the development and manufacture of non-medical related products (such as cosmetics, personal care, household cleaning products) where this has involved animal testing and where the company does not disclose an animal testing policy or statement. • Any involvement in providing animal testing services and where the company does not disclose an animal testing policy or statement.
Animal welfare – fur	• Any involvement in production or design of fur pelt, raw materials and products containing fur or fur trim. It also includes companies that hunt, raise, trap animals for their fur.
Endangered species	• Involvement in the retail of threatened species, or components thereof, with insufficient action to prevent it.
Gambling	• >10% of turnover from gambling related activities.
Genetic modification	• Companies that genetically modify plants (e.g. seeds, crops) and other organisms intended for agricultural use or human consumption.
Labour standards, human rights and Health & Safety controversies	• Companies that are the subject of severe controversies related to health & safety breaches or systematic failure to protect human rights and labour standards, with no evidence of serious or lasting remedial action.
Military – weapons and weapon systems	• Any involvement in the manufacture of whole weapons systems, components or support systems (including conventional, Biological-Chemical, cluster munitions, depleted uranium and nuclear weapons).
Tobacco	• Any involvement in the manufacture of tobacco related products. • >25% of turnover from distribution or sale of tobacco related products (e.g. retailers).

Environmental Exclusions

Issue	Negative screening criteria
Chemicals	• Any involvement in production of chemicals restricted by the following international agreements: the Stockholm Convention, Montreal Protocol and OSPAR Priority List. This includes persistent organic pollutants, PCBs and CFCs.
Climate change - Aviation	• >10% of turnover from aviation related activities i.e. airlines, airport operators and aircraft manufacturers.
Thermal Coal	• Any revenue from thermal coal mining or thermal coal-fired power generation. • Any thermal coal reserves.
Oil & Gas	• Any revenue from Arctic oil and/or gas production (onshore and offshore). The definition of "Arctic" is geographical and includes production activities north of the 66.5 latitude. • Equal to or more than 10% of revenue from conventional oil and/or gas extraction and production*. • Equal to or more than 15% of revenue from natural gas electricity generation**. • Any revenue from unconventional oil and/or gas production (including oil sands, oil shale, tar sands, shale oil, shale gas, tight gas, coal bed methane, coal seam gas). • equal to or more than 10% of revenue from liquid fuels power generation. • Any unconventional oil and/or gas reserves (including shale gas, shale oil, oil shale, oil sands, tar sands, tight gas, coal bed methane and coal seam gas). • Equal to or more than 1000mmboe of oil and/or gas reserves. • Equal to or more than 75% of revenue from oil and/or gas value chain activities, including distribution and retail, equipment and services, petrochemicals, pipelines and transportation, refining, and trading***. • Equal to or more than 25% of revenue from oil operations, including pipelines.
Nuclear power generation	• >10% of turnover from nuclear power activities. • Any company deriving revenues from the mining of uranium.
Pollution	• Companies that are the subject of severe controversies related to environmental pollution, with no evidence of serious or lasting remedial action.

*From 2025, we intend to reduce the threshold by 1% a year to 0% by 2035.

**From 2025, we intend to reduce the threshold by 1% a year to 0% by 2040.

***From 2025, we intend to reduce the threshold by 5% a year to 0% by 2040.

Layer 2: Engagement

At its simplest, Stewardship means taking responsibility for something entrusted into our care. We monitor, engage and, where appropriate, intervene on matters that may affect the long-term value of the companies we invest in and the capital invested in them.

We adopt a two-tier approach to engagement:

Tier 1

Companies are encouraged to have, as a minimum, strong sustainability policies and systems for the following three areas:

a) Target to reduce greenhouse emissions, disclosure of data on water use and waste

b) Policies to prevent discrimination, child and forced labour, globally applicable human rights policy

c) Commitments to improving gender and ethnic diversity across the business and in particular at a board and senior management level.

Tier 2

The Stewardship Funds also engage on the three issues below in depth:

1. **Climate change:** the team focuses on identifying which companies could have a better approach to climate change.

    a) Adopt Science Based Targets for emissions reduction to prove commitment to Paris Agreement 1.5C goal

    b) Report publicly according to the Taskforce for Climate Related Financial Disclosure recommendations

2. **Board diversity:** identify holdings which have low representation of women on the board and encourage them to meet the 33% target set by the UK Government's Hampton Alexander Review

3. **Plastic pollution:** engaging with consumer goods companies to encourage the development of strategies to reduce, reuse and recycle plastic far more effectively.

Layer 3: Outcome 'non-financial' performance

We believe that improving the 'non-financial' performance of companies is likely to benefit their long-term financial performance. We therefore monitor the performance of the Stewardship Funds against several 'non-financial' targets, including carbon emissions, the percentage of companies in the Funds with a set target to reduce emissions, as well as the percentage of companies in the Funds with a diversity policy and the average % of women on the board. The table below shows the 'non-financial' performance of the Stewardship International Equity Fund, the Stewardship UK Equity Fund and the Stewardship UK Equity Income Fund in the year to March 2021, compared to their respective benchmarks.

12 months to 31 March 2021

ESG Performance - Stewardship Equity Funds vs benchmark 12 months to 31 March 2021	Stewardship UK Equity Fund	Stewardship UK Equity Income Fund	FTSE All Share	Stewardship International Equity Fund	MSCI World	Source
Carbon emissions t Co2e / $ 1M invested*	17	32	124	10	78	MSCI Carbon Footprint Calculator Tool
Carbon Intensity t Co2e / M $ revenue**	24	35	143	26	175	MSCI Carbon Footprint Calculator Tool
Carbon Intensity t Co2e / M $ market cap (ie weighted average)***	29	43	130	44	140	MSCI Carbon Footprint Calculator Tool
% data coverage	93.80	93.70	90.90	95.50	99.00	
% Weight of companies deriving >20% revenues from clean tech solutions	3	6	2	7	9	MSCI Carbon Footprint Calculator Tool
Weight of companies with fossil fuel reserves	0.00	0.00	13	0	6	MSCI Carbon Footprint Calculator Tool
% with a carbon emissions reduction target	81	83	80	78	69	CARBON_ EMISSIONS_ REDUCT_ TARGET
% with a diversity policy	70	71	65	76	57	DIVERSITY_ WORKF_ POLICY_M
% with a detailed formal policy on bribery and anti-corruption	64	59	72	85	69	CORRUPTION_ INST_POL_ BRIB_CORR
% Women on the board	36	35	36	28	43	PCT_WOMEN
% companies with high social or environmental impact with pay linked to sustainability	32	43	52	30	21	PAY_ LINKED_TO_ SUSTAINABILITY
% with a formal anonymous whistleblower system with legal protection	25	24	29	25	18	PROVISION_ WHISTLE_ PROTECT

Source: MSCI Index. Weighted averages are used for the Funds and their respective benchmarks.

Notes:

Weighted averages are used for both the portfolios and the benchmarks

Data only covers the data available on the MSCI system.

Key:

*What is the Fund's carbon footprint per million dollars invested?

**How efficient is the Fund in terms of carbon emissions per unit of output?

***What is the Fund's exposure to carbon intensive industries?

12 months to 31 March 2020

ESG Performance - Stewardship Funds vs their Benchmark 2019-2020	UK Equity	UK Equity Income	FTSE All Share	International Equity	MSCI World	Source
Carbon emissions t Co2e / $ 1M invested*	29	51	180	10	113	MSCI Carbon Footprint Calculator Tool
Carbon Intensity t Co2e / M $ revenue**	31	45	146	22	181	MSCI Carbon Footprint Calculator Tool
Carbon Intensity t Co2e / M $ market cap (ie weighted average)***	28	42	121	34	160	MSCI Carbon Footprint Calculator Tool
% data coverage	99%	95%	95%	98%	100%	
% Weight of companies deriving >20% revenues from clean tech solutions	3.1%	7.4%	2.5%	7%	5%	MSCI Carbon Footprint Calculator Tool
Weight of companies with fossil fuel reserves	0%	0%	15%	0%	6%	MSCI Carbon Footprint Calculator Tool
% with a diversity policy	60	56	54	70	78	CARBON_EMISSIONS_REDUCT_TARGET
% with a detailed formal policy on bribery and anti-corruption	72	63	74	80	73	CORRUPTION_INST_POL_BRIB_CORR
% Women on the board	35	35	35	29	30	PCT_WOMEN
% companies with high social or environmental impact with pay linked to sustainability	26	37	39	24	21	PAY_LINKED_TO_SUSTAINABILITY
% with a formal anonymous whistleblower system with legal protection	27	22	19	17	12	PROVISION_WHISTLE_PROTECT
% with a formal anonymous whistleblower system with legal protection	25	24	29	25	18	PROVISION_WHISTLE_PROTECT

Source: MSCI Index. Weighted averages are used for the Funds and their respective benchmarks. Please note that in 2020 we changed the data source of the Stewardship Funds' ESG performance to harmonise ESG reporting across the Funds. As a result, data for the period to end March 2020 is not comparable to data to end March 2019.

Notes:

Weighted averages are used for both the portfolios and the benchmarks
In 2020, to harmonise ESG reporting across our funds, we changed the data source we used for the Stewardship Funds' ESG performance. Unfortunately this means this data is not comparable to our 2019 data.

Key:

*What is the Fund's carbon footprint per million dollars invested?

**How efficient is the Fund in terms of carbon emissions per unit of output?

***What is the Fund's exposure to carbon intensive industries?

Stewardship engages with businesses to foster positive change

As well as using our voice as a shareholder to vote for change at company meetings, we also engage with businesses themselves, which is the second layer of the Stewardship philosophy. We believe strongly that engagement goes hand in hand with being a 'good' investor, of being an investor with a conscience, and therefore wanting to guide businesses in the right direction, whether that be for their employees, the environment or society as a whole.

Rather than walking away from a business whose activities might conflict with the Stewardship values, we believe it's better to stay invested and to encourage change. We work with businesses to set stronger goals, for example on board diversity or Science Based Targets on greenhouse gas reduction.

Key engagement areas:

There were a total of **409 ESG-focused engagements by the ESG and Stewardship Fund management team** with **more than 100 companies** held in the Stewardship Funds in the 12 months to the end of March 2021.

We engage with companies in all sectors – financials, services, retail, industrials, technology. The experience and intellectual capital of our fund managers and their relationships with businesses facilitates the engagement process.

Subject	Number of engagements in year to end March 2021
Sustainability policies and reporting is a minimum requirement for all companies held in the Stewardship Funds.	
Climate change	**59** including with the banking sector
Plastic pollution	**3** Including with UK soft drinks manufacturer Britvic
Board diversity	**10** Including with South Korean semi-conductor manufacturer SK Hynix

Governance of the Stewardship Funds

Three levels of oversight

1	The Aviva Investors' **Global Sustainable Outcomes team**, headed by Mirza Baig, runs the ESG screening and assessment research for the Stewardship Funds, working closely with the fund managers.
2	The Aviva **Investors' Investment Oversight Committee** conducts a deep dive of environmental, social and governance issues every six months. The Committee also reviews the Stewardship Funds, the investment policies and the holdings to ensure they continue to reflect the Stewardship philosophy and remain suitable for the Stewardship Funds.
3	Aviva Investors employs **a panel of subject-matter experts to act as independent advisers on a wide range of ESG issues** to ensure that we listen to different voices and incorporate experts' views into our thinking. John Elkington of think-tank and advisory firm Volans and Annelisa Grigg, formerly of the UN Environment Programme World Conservation Monitoring Centre are joined by Niall O' Shea, former Head of Responsible Investment at Royal London and the Co-operative Asset Management.

The Stewardship Funds & Lifestyle Strategy

As mentioned on page 7, we launched the Stewardship Lifestyle Strategy in July 2019. We explain how this strategy works on this page.

Lifestyle Strategy

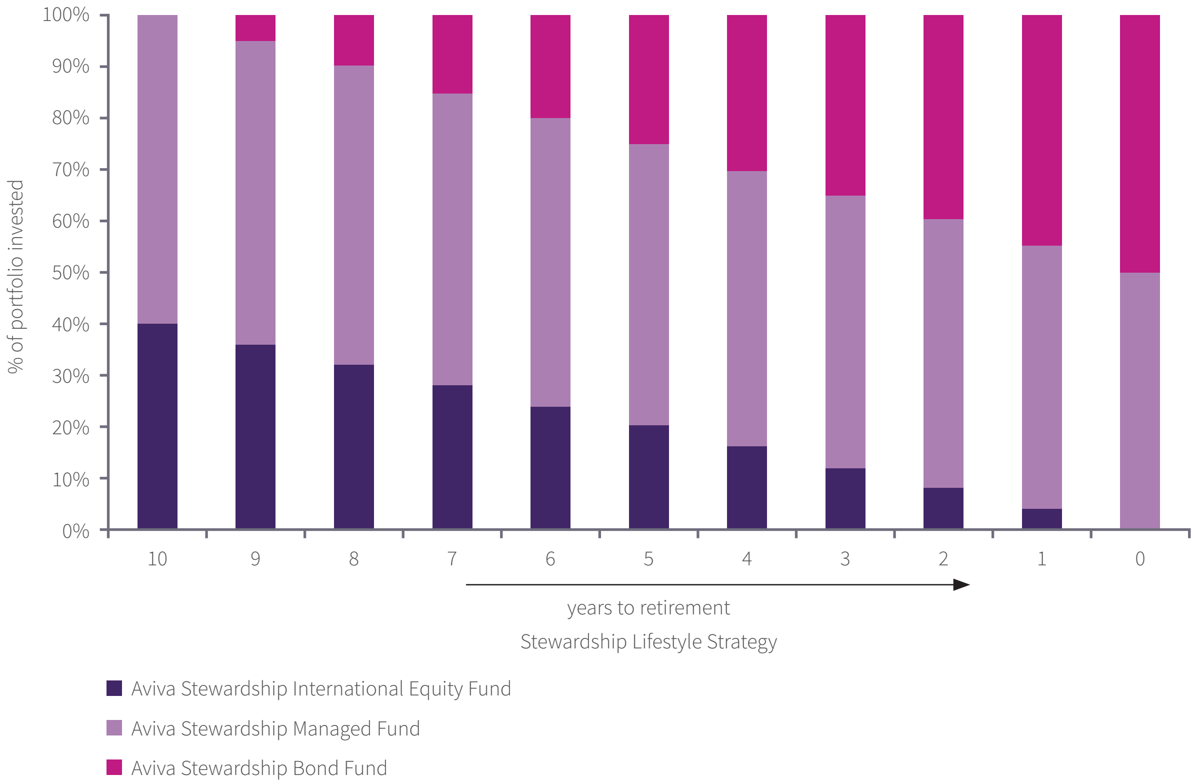
The Stewardship lifestyle strategy gives our customers the opportunity to save for a future for themselves and their families through the Stewardship Funds, while actively contributing to a sustainable long-term future for the world around them.

The Lifestyle Strategy uses the Stewardship International Equity, Stewardship Managed and Stewardship Bond Funds from when investors join the pension scheme to when members reach their selected retirement date.

Please note that the value of investments can fall as well as rise and is not guaranteed. This means that you could get back less than has been paid into your plan.

The chart shows the underlying funds which make up the strategy and how investors' monies are gradually moved from one fund to another during the journey to retirement.

Stewardship Lifestyle Strategy – taking customers through the journey to retirement



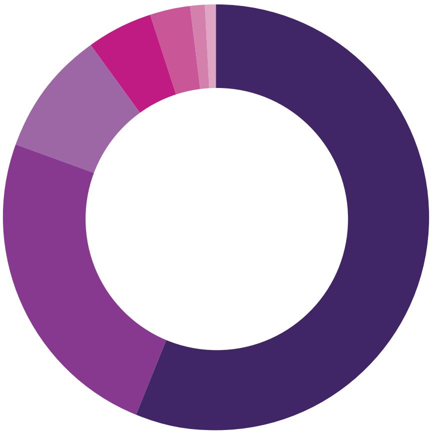
The funds the Stewardship Lifestyle is invested in

The table below shows the funds' risk ratings, risk warnings and objective.

Fund	Objective
Stewardship Managed Fund ***Risk rating:*** *4* ***Risk warnings:*** *A, B, C, D, F*	The fund aims to provide exposure to a diversified portfolio of ethically screened assets in order to generate capital growth and income. The ethical screening criteria of the fund will mean that its investments are more restricted than a non-ethical fund. The fund may invest in UK and international equities, bonds, warrants, money market instruments and short-term bonds. The fund may invest directly or indirectly. For more information about our Stewardship philosophy please visit https://www.aviva.co.uk/retirement/fund-centre/stewardship/
Stewardship Bond Fund ***Risk rating:*** *3* ***Risk warnings:*** *A, E, F*	The objective of the fund is to achieve a reasonable income primarily from sterling denominated or hedged back to sterling broad investment grade securities, using a set of ethical investment criteria. The fund may also invest in derivatives, cash, deposits, units in collective investment schemes and money market instruments. For more information about our Stewardship philosophy, please visit https://www.aviva.co.uk/retirement/fund-centre/stewardship/.
Stewardship International Equity Fund ***Risk rating:*** *5* ***Risk warnings:*** *A, B, D, E, F*	The objective of the fund is to achieve long term capital growth by investing primarily in companies listed in the world stock markets, using a set of ethical investment criteria. The fund may also invest in derivatives, cash, deposits, units in collective investment schemes and money market instruments. For more information about our Stewardship philosophy, please visit https://www.aviva.co.uk/retirement/fund-centre/stewardship/.

Asset allocation

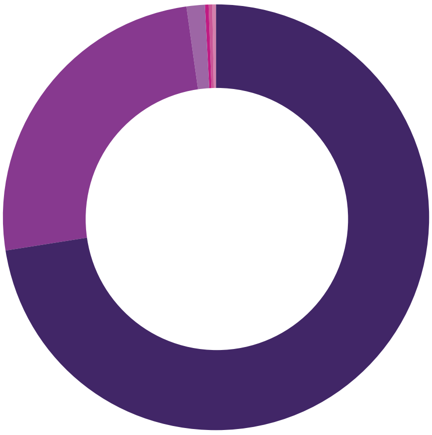
The pie charts below show what the Stewardship International, Stewardship Managed and Stewardship Bond Funds invest in as at the end of December 2021.



International Equity Allocation
% as at end December 2021

US equities	56.6
European equities	24.4
UK equities	9.6
Emerging market equities	4.9
Japanese equities	3.2
Cash	1.1
Managed Funds	0.7

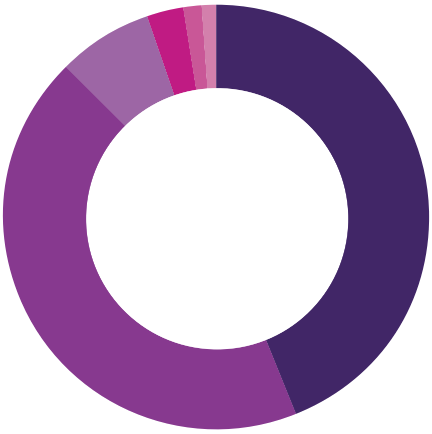
Source: Aviva Investors, 31 December 2021.



Managed Allocation
% as at end December 2021

Equities	72.6
Fixed Income	25.4
Managed Funds	1.3
Alternative trading strategies	0.3
Other	0.3
Cash	0.2

Source: Aviva Investors, 31 December 2021.



Bond Allocation
% as at end December 2021

International bonds	44.8
UK corporate bonds	44.5
UK government bonds	7.4
Managed funds	3.0
Alternative trading strategies	1.3
Other	1.0

Source: Aviva Investors, 31 December 2021.

Helping you to understand risk

The Aviva Investment Governance team allocates risk ratings and warnings for all funds included in the Stewardship fund range available to you. Please note that not all of the risk warnings listed on pages 19 and 20 apply to each fund and there is no direct relationship between the number of risk warnings and the risk ratings shown below.

Risk ratings

Aviva calculates its risk ratings for these funds using historical performance data, based upon the methods set by European Union rules. We also carry out further research using information from the fund's investment manager(s). We review each fund's risk rating annually and these may change over time. The timing of your investment decisions is very important and you should consult a financial adviser. Past performance is not a guarantee of future performance.

Our risk ratings go from 1 to 7, with 1 being the lowest and 7 the highest. As a point of reference, a fund with a risk rating of 4 (medium volatility) would typically experience the volatility you would expect from a fund invested in a range of different investments (for example shares, property and bonds) without any bias to a particular investment type. Remember that all investment funds carry some element of risk but this varies from fund to fund.

RISK RATING	VOLATILITY	DESCRIPTION
7	**HIGHEST**	The historical performance of funds with this risk rating has typically experienced the highest volatility of all the funds Aviva has rated. This means that these funds have the highest potential for substantial changes in value compared with other Aviva insured funds.
6	**HIGH**	The historical performance of funds with this risk rating has typically experienced high volatility compared with other funds Aviva has rated. This means that these funds have a high potential for substantial changes in value compared with other Aviva insured funds.
5	**MEDIUM TO HIGH**	The historical performance of funds with this risk rating has typically experienced medium to high volatility compared with other funds Aviva has rated. This means that these funds have a medium to high potential for substantial changes in value compared with other Aviva insured funds.
4	**MEDIUM**	The historical performance of funds with this risk rating has typically experienced medium volatility compared with other funds Aviva has rated. This means that these funds have a medium potential for substantial changes in value compared with other Aviva insured funds.
3	**LOW TO MEDIUM**	The historical performance of funds with this risk rating has typically experienced low to medium volatility compared with other funds Aviva has rated. This means that these funds have a low to medium potential for substantial changes in value compared with other Aviva insured funds.
2	**LOW**	The historical performance of funds with this risk rating has typically experienced low volatility compared with other funds Aviva has rated. This means that these funds have a low potential for substantial changes in value compared with other Aviva insured funds.
1	**LOWEST**	The historical performance of funds with this risk rating has typically experienced the lowest volatility of all the funds Aviva has rated. This means that these funds have the lowest potential for substantial changes in value compared with other Aviva insured funds.

Please note:

These investment risk ratings are based on our interpretation of investment risk and are only meant as a guide. These levels of investment risk are not guaranteed and may change in the future.

The colours in this table may be different to those used online; however, the ratings and approach to investment risk remain the same.

Risk warning codes

Here's how our risk codes work

There are different risks associated with investing in funds. To help you understand what these are, we assign risk warning codes (letters A to J) to each fund. You'll see these letters at the end of each fund description. Each type of risk is explained clearly below. Please note that there's no direct link between the number of risk codes and the risk ratings.

Risk code	Risk code description
A	**Investment is not guaranteed:** The value of an investment is not guaranteed and can go down as well as up. You could get back less than you have paid in. **Specialist funds:** Some funds invest only in a specific or limited range of sectors and this will be set out in the fund's aim. These funds may carry more risk than funds that can invest across a broader range or a variety of sectors. **Suspend trading:** Fund managers often have the ability, in certain circumstances, to suspend trading in their funds for as long as necessary. When this occurs, we will need to delay the 'cashing in' or switching of units in the relevant fund. You may not be able to access your money during this period **Derivatives:** Derivatives are financial contracts whose value is based on the prices of other assets. Most funds can invest in derivatives for the purpose of managing the fund more efficiently or reducing risk. Some funds also use derivatives to increase potential returns, known as 'speculation'. For those funds we apply an additional risk warning (see Risk F).
B	**Foreign Exchange Risk:** When funds invest in overseas assets the value will go up and down in line with movements in exchange rates as well as the changes in value of the fund's holdings.
C	**Emerging Markets:** Where a fund invests in emerging markets, its value is likely to move up and down by large amounts and more frequently than one that invests in developed markets. These markets may not be as strictly regulated and securities may be harder to buy and sell than those in more developed markets. These markets may also be politically unstable which can result in the fund carrying more risk.
D	**Smaller Companies:** Where a fund invests in the shares of smaller companies, its value is likely to move up and down by large amounts and more frequently than one that invests in larger company shares. The shares can also be more difficult to buy and sell, so smaller companies funds can carry more risk.
E	**Fixed Interest:** Where a fund invests in fixed interest securities, such as company, government, index-linked or convertible bonds, changes in interest rates or inflation can contribute to the value of the investment going up or down. For example, if interest rates rise, the value is likely to fall.
F	**Derivatives:** Derivatives are financial contracts whose value is based on the prices of other assets. The fund invests in derivatives as part of its investment strategy, over and above their use for managing the fund more efficiently. Under certain circumstances, derivatives can result in large movements in the value of the fund and increase the risk profile, compared to a fund that only invests in, for example, equities. The fund may also be exposed to the risk that the company issuing the derivative may not honour their obligations, which could lead to losses.
G	**Cash/Money Market Funds:** These are different to cash deposit accounts and their value can fall. Also, in a low interest rate environment the product or fund charges may be greater than the return, so you could get back less than you have paid in.
H	**Property funds:** The fund invests substantially in property funds, property shares or direct property. You should bear in mind that: • Properties are not always readily saleable and this can lead to times in which clients are unable to 'cash in' or switch part or all of their holding and you may not be able to access your money during this time • Property valuations are made by independent valuers, but are ultimately subjective and a matter of judgement • Property transaction costs are high due to legal costs, valuations and stamp duty, which will affect the fund's returns.

I	**High Yield Bonds:** The fund invests in high yield (non- investment grade) bonds. Noninvestment grade bonds carry a higher risk that the issuer may not be able to pay interest or return capital. In addition, economic conditions and interest rate movements will have a greater effect on their price. There may be times when these bonds are not easy to buy and sell. In exceptional circumstances, we may need to delay the ‘cashing in’ or switching of units in the fund and you may not be able to access your money during this period.
J	**Reinsured Funds:** Where a fund invests in an underlying fund operated by another insurance company through a reinsurance agreement, if the other insurance company were to become insolvent, you could lose some or all of the value of your investment in this fund.

Appendix

A well resourced and integrated ESG team

Equity and Credit	Multi-Asset and Macro	Real Assets	Global Product
Colin Purdie CIO		**Daniel McHugh** CIO	**Steven Blackie** Global Head of Product

Corporate ESG Research and Stewardship	Sustainable Outcomes Research	Sustainable Finance Centre for Excellence	ESG Real Assets	ESG Investment Specialists
Company and sector research, engagement and voting	*Thematic and impact research, sustainable product range, sovereign research and engagement*	*Market reform, strategic partnerships with NGOs, training and coordination across Aviva Investors*	*ESG integration and active ownership for real estate, infrastructure and private debt*	*ESG communication, product strategy and development*
Mirza Baig Global Head of ESG Investments	**Mirza Baig** Global Head of ESG Investments	**Steve Waygood** Chief Responsible Investment Officer	**Ed Dixon** Global Head of ESG Real Assets	**Andy Ford** Head of ESG Investment Specialists
11	**5**	**4**	**4**	**2**

Source: Aviva Investors as at 30 September 2021. Numbers include team head, excluding Sustainable Outcomes Research to avoid double-counting.

Mirza Baig – Global Head of ESG Investments

Mirza leads all aspects of Aviva Investors' ESG activities across liquid markets and is a member of the liquid markets investment management team. His responsibilities includes ESG research, investment integration, active ownership and oversight of the sustainable investment fund franchise, managing a team of 20 ESG specialists.

Mirza serves as the chair of the UK Investment Association's Stewardship Committee.

Experience and qualifications

Mirza joined Aviva Investors in 2016 with over 15 years' experience in responsible investment having previously served as Vice President, Corporate Governance at State Street Global Advisors, and Director of Governance and Sustainable Investment at BMO Asset Management (formerly F&C Asset Management). Mirza also spent a number of years as a responsible investment consultant based in Asia, advising asset managers, private equity funds and rating agencies

As well as benefiting from the support and research produced by the wider ESG team at Aviva Investors, the thematic research and support available to the Stewardship Funds has been strengthened over the past 12 months. The Aviva Investor's Sustainable Outcomes Team has dedicated leads that cover the 3 pillars of the approach; Earth, Climate and People. Please see below

Sustainable outcomes research

Top-down thematic research & impact analysis

The team

Vaidehee Sachdev *People*	**Eugenie Mathieu** *Earth*	**Rick Stathers** *Climate*
Eleanor Austin *Sustainable Outcomes Analyst*		

Research underpinned by 3 sustainable outcomes

People	Earth	Climate
Respect human rights	*Circular economy*	*Achieve 1.5 degrees*
Promote decent working practices	*Sustainable ocean*	*Decarbonise global economy*
Responsible corporate behaviour	*Sustainable land*	*Adapt to consequences of warming*

Main responsibilities

Impact research	Research supports the integration of ESG in the investment process across the firm
Active ownership	Lead engagement campaigns and develop voting policy
Sustainable Transition range	Analysis underpins our Sustainable Transition range of products

Eugenie Mathieu – Senior ESG Analyst on Stewardship, Earth Pillar Lead

Eugenie was part of Greenpeace International's Forests team, where she worked on deforestation driven by palm oil, pulp & paper, cattle and soy. She spent 14 years as a sustainability consultant advising major international companies, including FTSE 100s, on their environmental, social and ethical strategies and performance. Prior to consulting, Eugenie worked with EIRIS on the creation of the FTSE4Good indices in 2001, following an MSc in Business and Environment at Imperial College, London, and two years at Bain & Company.

Rick Stathers – Senior Global Responsible Investment Analyst, Climate Pillar Lead

Rick joined the Aviva Investors Global Responsible Investment team in 2018 with a primary focus on climate change and responsibility for ESG coverage of the industrials sector.

Rick has almost 20 years' experience in responsible investment. He was Head of Responsible Investment at Schroders for 16 years and a Global Director at the CDP (formerly known as the Carbon Disclosure Project) for two years. He has a bachelor's degree in agriculture and Food Science and a Masters in Environmental Technology. Rick has a particular interest in syntropic agriculture and the dual role of forests in building resilience in the food system and combating climate change.

Vaidehee Sachdev – Impact Analyst - Social Pillar Lead

Vaidehee is the Social Pillar Lead in the Sustainable Outcomes Team. She provides thematic expertise for the Social Transition Fund and on Aviva's work on human and labour rights.

Vaidehee worked in the NGO sector prior to joining Aviva Investors. This included developing a corporate reporting framework for workforce and labour practices at ShareAction, and delivering research on human rights abuses, corruption and minority groups for environmental and human rights organisations.

Trevor Green – fund manager of the Stewardship UK Equity Fund

Trevor has managed UK equities at Aviva Investors since 2011. He joined from Henderson Global Investors, where he was co-manager of the Henderson Managed Distribution Fund. Before that Trevor worked at New Star Asset Management.

Tom Grant – co-fund manager of the Stewardship UK Equity Fund – Portfolio manager at Aviva Investors

In January 2020, Tom was appointed as Co-Fund Manager of the Aviva UK Equity Stewardship Fund alongside Trevor Green. In addition, Tom also has lead sector coverage for Diversified Financials and Insurance.

Tom joined Aviva Investors following his graduation from Durham University, where he obtained a BSc (Hons) in Natural Sciences which ranged from Cellular Biology to Glaciology. In his penultimate year Tom carried out a work experience with Towry, now Tilney Group, in their Funds of Funds investment team.

Tom is a CFA® Charterholder and holds the IMC certificate. He has also completed the Business Sustainability Management course ('BSM') run by Cambridge University's Institute for Sustainability Leadership.

James Balfour – fund manager of the Stewardship UK Equity Income Fund

James joined Aviva Investors in 2012 as part of the Aviva Investors Graduate Training scheme, initially as UK Equity Analyst before becoming assistant fund manager. James was appointed co-fund manager of the firm's UK Equity Income Strategy in May 2016.

Francois de Bruin – fund manager of the Stewardship International Equity Fund

Francois is a responsible investment officer. He also manages the Stewardship International Equity Fund.

Francois started his career at Bridge Fund Managers as an analyst covering multi assets and income producing equities including listed real estate and is a member of the Global Properties Research Index Committee.

Francois holds a BCom in Investment Management and a BCom Hons in Financial Analysis from Stellenbosch University. He is a CFA® charterholder and also holds the Chartered Alternative Investment Analyst (CAIA) designation.

Julie Zhuang – co-fund manager of the Stewardship International Equity Fund – Portfolio manager

Julie is a Portfolio Manager in our Global Equity team. She is the deputy Portfolio Manager on the Climate Transition Global Equity fund and contributes investment ideas to the Stewardship International Equity strategy, as well as the broader Global Equities team.

Prior to joining Aviva Investors, Julie was at UBS Investment Bank covering European Luxury Goods & Global Brands sector. Before this she was at Barclays Investment Bank where she covered European Luxury Goods and European Food Retail.

Julie holds a MSc in Management from HEC Paris with a CEMS double degree from the LSE, and a BA in French Language and Literature from Beijing Foreign Studies University. She is also a CFA charterholder.

Thomas Chinery – fund manager of the Stewardship Bond Fund

Tom co-manages sterling investment grade funds, the Pre-Annuity Tax Transparent Fund (TTF) and the Stewardship Bond Fund. Tom is also a Responsible Investment Officer and is leading the efforts to ensure that ESG factors are integrated across the credit process. Before joining Aviva Investors, Tom worked at Mitsubishi Trust Bank managing a credit total-return treasury book

Appendix
The Stewardship Funds

The table below shows the Stewardship Fund details including fund manager, launch date, benchmark and ABI sector.

Stewardship UK Equity Fund	
Fund managers	Trevor Green and Tom Grant
What does the fund invest in?	Shares of UK-listed companies
Asset under management as at 31 03 2021	£1.3 billion
When was the fund launched?	May 1984
Benchmark	FTSE All-Share Index
Sector	ABI UK All Companies

Stewardship UK Equity Income Fund	
Fund managers	James Balfour
What does the fund invest in?	Shares of UK-listed companies with a focus on income-paying companies
Asset under management as at 31 03 2021	£61.9 million
When was the fund launched?	September 1999
Benchmark	FTSE All-Share Index
Sector	ABI UK Equity Income

Stewardship Bond Fund	
Fund managers	Thomas Chinery
What does the fund invest in?	UK government and corporate bonds
Asset under management as at 31 03 2021	£20.2 million
When was the fund launched?	April 2019
Benchmark	iBoxx Sterling Non Gilts Overall
Sector	ABI UK Fixed Interest

Stewardship International Equity Fund	
Fund managers	Francois de Bruin and Julie Zhuang
What does the fund invest in?	Shares of overseas companies
Asset under management as at 31 03 2021	£56.2 million
When was the fund launched?	September 2010
Benchmark	MSCI World Index
Sector	ABI Global Equities

Stewardship Managed Fund	
What does the fund invest in?	The Stewardship Managed Fund is a fund of funds. It is made up of 70% in the Stewardship International Equity Fund and 30% in the Stewardship Bond Fund. This is reflected in the Fund's AUM.
Asset under management as at 31 03 2021	£1.1 billion
When was the fund launched?	September 1999
Composite Benchmark	70% MSCI World Index; 30% iBoxx Sterling Non Gilts Overall
Sector	ABI Mixed Investment 40-85% Shares

The assets under management figures for the Funds in the table above are combined figures for the NGP, My Money and Unisure versions of the Funds.

Fund launch dates are for the NGP version of fund except for Stewardship UK Equity Fund which relates to the life version of the fund. Please see pages 21 to 26 for fund performance to the end of March 2021. Please see the Appendix for fund manager biographies. As above, the Stewardship Managed Fund comprises the Stewardship International Equity Fund (70%) and the Stewardship Bond Fund (30%). This is reflected in the Fund's assets under management.

Glossary

Actively managed funds

The fund manager chooses which investments to buy and sell, with the aim of achieving higher returns than the fund's benchmark.

Asset allocation

This refers to the composition of a fund and its exposure to different asset classes, including company shares, fixed interest and commodities. Investing in different asset classes can help to provide the benefits of diversification and reduce risk.

Asset class

A collective term to describe different types of investment such as fixed interest investments and company shares.

Assets Under Management (AUM)

Assets Under Management is the total amount of money invested into a fund.

Diversification

Diversification refers to investing in more than one type of investment. This approach is taken by investment specialists to prevent investors 'putting all of their eggs in one basket' so to speak and relying solely on the performance of only company shares, property or bonds during their journey to retirement. Investing in both company shares and bonds can help to reduce the risk that investors might be exposed to as the impact of negative performance in one asset type could be reduced by positive performance in the other.

Emerging market

India and Brazil are two good examples of emerging markets. Both countries are experiencing industrialisation and are growing rapidly as a result. Investing in emerging markets can provide higher returns, albeit with a higher level of risk, and therefore greater potential for losses.

ESG

ESG stands for environmental, social and governance criteria. These are the factors which investment managers use to decide how well a business is performing with regard to its impact on the environment, on society, and therefore its role in the communities in which it operates, and also how a company functions in general, in terms of executive pay, diversity and shareholder rights, for example

Equities (or 'shares')

Shares are sold or issued by companies, in exchange for a small % ownership, to raise money to help them grow and develop. Shares are bought and sold on a stock market, such as the London Stock Exchange, and their value can go up and down, sometimes sharply, depending on the fortunes of the company and stock markets in general.

Fixed interest (or 'bonds')

Loans issued by a government (those issued by the UK government are also known as 'gilts') or a company (also known as 'corporate bonds'). The return is usually in the form of regular interest payments for an agreed period of time.

Fund

Is where an investor's assets are pooled with those of other investors and then invested in shares, fixed interest or property on their behalf by a fund manager.

Funds of funds

A fund of funds invests in several different funds, rather than directly in shares, bonds or other investment types. Funds of funds aim to provide investors with greater diversification, enhanced returns, lowered risk or a combination of all three. This type of fund may invest in actively managed funds, index funds or both. Funds of funds may be designed by Aviva for general use, or designed specifically by an adviser for a specific scheme.

Index funds

The aim of an index fund is to track the performance of an index of a specific financial market. A UK equity index fund will track the performance of the UK's FTSE All-Share Index. The fund manager does this by investing in most of the company shares in an index, with the aim of replicating the performance of that index.

Lifestyle strategy

A Lifestyle strategy aims to grow your money when retirement is a long way off, then to get it ready for the different ways that you can take it when you retire. They are designed for people who don't want to make an active fund choice.

Money market instruments

The term 'money market instruments' is a mechanism for short-term borrowing and lending between organisations. Money market investments typically include what are described as 'near-cash instruments', including certificates of deposit, floating rate notes and treasury bills. They are not to be confused with bank or building society deposit accounts.

The returns that money market investments can provide will reflect the rate of interest set by the Bank of England and will typically be lower than returns from fixed interest investments, property and shares. While the value of money market instruments will normally fluctuate less than the value of fixed interest investments, property and shares, there is a risk that they won't keep pace with inflation. Also, if the annual management charge of a money market fund is higher than prevailing interest rates or the returns generated, the value of the fund will go down.

Passively managed funds

The fund manager of a passively managed fund or index fund aims to replicate the performance of an index, such as the FTSE (Financial Times Stock Exchange) All-Share Index, rather than outperform it. The way a passive fund is managed won't change, no matter how it performs.

Risk

Risk is how likely investors are to lose money if they invest in a particular asset. However, by investing in riskier assets, you could potentially earn a better return over the long term.

Underlying funds

This is a collective term used to refer to the funds included in a fund of funds.

Volatility

As far as investing is concerned, risk tends to be associated with potentially higher volatility, meaning the higher the risk level, the more likely the value of a fund is to go up and down from day to day.