

SECOND PARTY OPINION

on Aviva Investors Real Assets (AIRA) Sustainable Transition Loan Framework

V.E is of the opinion that Aviva Investors Real Assets (AIRA) Sustainable Transition Loan Framework is **aligned** with the recommendations of the Sustainability-Linked Loan Principles (SLLP) 2020*



Framework

	Weak	Limited	Robust	Advanced	Characteristics of the Framework	
KPI's Relevance					Number of KPIs	Borrowers can select 1 to 3 KPIs, with the minimum requirement to select 1 KPI from Group A
Target's Ambition**					KPI Methodology & Assumptions	Borrowers will be required to disclose underlying methodologies and assumptions used to calculate the KPI(s)
SDG Mapping					Review/Control of the Data	Borrowers will be required to provide quarterly compliance reports
					Financial Characteristics	If Borrowers meet the minimum target thresholds, financial incentives will be established (e.g. margin ratchets)

*The full alignment with the Sustainability-Linked Loan Principles (SLLP) will be reviewed for each Loan.

**The assessment of the level of ambition conducted in this opinion only covers the minimum target thresholds set by the Lender to which the Borrowers must comply to. Our opinion on the level of ambition will be assessed in detail at Borrowers' level depending on the specificities of the target(s) set for each loan.

Key Performance Indicator (KPI) Themes

For the purpose of this Framework, the lender has identified 6 KPI themes under which eligible loans will be classified. The Borrower is required to selected at least one KPI falling under Group A.

GROUP A	Energy Efficiency	Renewable Energy	Green Buildings
GROUP B	Circular Economy	Clean Transportation	Well Being

Lender

Controversial Activities*

The Lender appears not to be involved in any of the 17 controversial activities screened under our methodology:

- Animal welfare
- Cannabis
- Chemicals of concern
- Civilian firearms
- Alcohol
- Fossil Fuels industry
- Coal
- Gambling
- Genetic engineering
- High interest rate lending
- Human Embryonic Stem Cells
- Military
- Nuclear power
- Pornography
- Reproductive medicine
- Tar sands and oil shale
- Tobacco

Controversies

Number of controversies	None
Frequency	NA
Severity	NA
Responsiveness	NA

*As an asset manager, AIRA applies an ESG Policy which includes the exclusion of certain products and activities such as landmines and cluster munitions. Furthermore, when considering a new investment proposal, AIRA checks whether the subject of the investment belongs to, or generates its primary revenue from sectors deemed to have higher ESG and climate risks. Activities include, but are not limited to, hazardous chemicals, harmful forestry and agro-commodities, coal mining and coal-fired thermal power generation, cruelty in animal husbandry, tobacco and pornography.

Keys findings

Contextualisation

Aviva Investors Real Assets (AIRA) has created a Sustainable Transition Loan Framework with which it seeks to provide loans to property companies with terms linked to improvements in the environmental and social performance of the buildings they lend against. There are three overarching goals that AIRA Real Estate Debt (RED) aims to achieve with this Framework:

- Originate loans in compliance with the Framework to support the climate transition;
- Create loan terms incentives to ensure measurable improvements on buildings;
- Deliver tangible impact for AIRA's clients through their investments with external verification.

Each loan will undergo the following selection process:

- Meet AIRA's ESG origination assessment process;
- Meet the selected KPI themes' minimum target thresholds set in the Framework;
- Receive an independent Second Party Opinion to verify the alignment of each loan with the SLLP, in particular to assess the ambition of the Sustainability Performance Target(s).

Detailed information regarding the selection and evaluation process of the loans is available in the Lender's Framework, which will be publicly available.

V.E is of the opinion that Aviva Investors Real Assets (AIRA) Sustainable Transition Loan Framework is **aligned** with the recommendations of the Sustainability-Linked Loan Principles (SLLP) 2020.

Relation to Lender's Overall Sustainability Strategy - aligned with the recommendations of the SLLP

- The Lender's ESG strategy and objectives are visible and publicly available
- The selected KPI themes and their associated minimum target thresholds are coherent with the Lender's objectives and strategy as well as with the Group's overall CSR strategy

Target Setting - aligned with the recommendations of the SLLP

- The KPI themes selected by the Lender are considered relevant and material from a sustainability standpoint as well as relevant and material for its sector (i.e. real estate).
- The minimum target thresholds of Group A demonstrate an advanced level of ambition, in comparison with existing international standards and market practices. The ambition of Group B minimum target thresholds is considered robust. However, given the lack of international standards or global references that guide the % increase, the ambition level cannot be appropriately assessed

Reporting— aligned with the recommendations of the SLLP

- The definition of the KPIs are clear and most of them are based on relevant external references which are backed up by relevant methodologies
- The Control & Reporting processes are relevant and consistent with the necessity of the Lender and Borrower to report reliable data

Review— aligned with the recommendations of the SLLP

- The KPI data will be appropriately reviewed by the Lender and/or Borrower
- The achievement of the targets will be annually reviewed by the Lender



Scope of External Reviews

<input checked="" type="checkbox"/>	Pre-issuance Second Party Opinion	N/A	Independent verification of KPI(s) reported data
N/A	Independent verification of SPT(s) achievement		

Contact

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SCOPE

V.E was commissioned to provide an independent opinion (thereafter “Second Party Opinion” or “SPO”) on the integration of environmental and social factors in the Sustainability-Linked Loans (the “Loans”) to be granted by Aviva Investors Real Assets (AIRA) (the “Lender” or “AIRA”) to Borrowers, in compliance with the Sustainable Transition Loan Framework (the “Framework”) created to govern the loans originated by AIRA. The Framework defines six Key Performance Indicator (KPI) themes, with their associated minimum target thresholds from which the Borrowers must select from and set specific “Sustainability Performance Target(s)” or “SPT(s)” to achieve.

As opposed to “use of proceeds” models of sustainable financial instruments (green/social loans, green/social bonds etc.), the objective is not to finance sustainable projects or investments. Indeed, such facilities (sustainability-linked financings) are agnostic on how funds are used. As a consequence, our assessment is based on the Sustainability-Linked Loan Principles and does not tackle the environmental and/or social benefits of the financed assets. The main feature of this type of financing is the variation of the loan’s financial and/or structural characteristics, depending on whether the Borrower achieves predefined sustainability performance objectives.

For these so-called Sustainability-Linked Loans, the KPI themes to be linked to the variation of the loan’s financial and/or structural characteristics are the following:

- GROUP A:
 - o Energy Efficiency
 - o Renewable Energy
 - o Green Buildings
- GROUP B:
 - o Circular Economy
 - o Clean Transportation
 - o Well-being

Our opinion is established using V.E’s Environmental, Social and Governance (“ESG”) assessment methodology, and to the Loan Market Association’s Sustainability-Linked Loan Principles (“SLLP”), edited in May 2020. This opinion is strictly limited to the integration of the above-mentioned KPI themes in the Loans. This opinion does not cover the integration of broader sustainability factors (i.e. governance), or the labelling of the Loans where the final decision is left to the Lender and/or Borrower. This opinion does not constitute a verification or certification.

Our opinion is built on the review of the following components:

- 1) **Framework:** we assessed the Framework’s alignment with the recommendations of the SLLP 2020.
- 2) **Lender:** we assessed the Lender’s management of potential stakeholder-related ESG controversies and its involvement in controversial activities.¹

Our sources of information are multichannel, combining data from (i) information gathered from public sources, press content providers and stakeholders, (ii) information from V.E’s exclusive ESG rating database, and (iii) information provided by the Lender

We carried out our due diligence assessment from November 2nd to November 30th 2020, and consider that we were provided with access to all of the documents we requested. We took reasonable efforts to verify the data accuracy.

¹ The 17 controversial activities screened by V.E are: Alcohol, Animal welfare, Cannabis, Chemicals of concern, Civilian firearms, Fossil Fuels industry, Coal, Gambling, Genetic engineering, High interest rate lending, Human Embryonic Stem Cells, Military, Nuclear power, Pornography, Reproductive medicine, Tar sands and oil shale, and Tobacco.

FRAMEWORK

The Lender has described the main characteristics of the Loans within a formalized Framework (the last updated version was provided to V.E on November 20th, 2020) which covers the core components of the SLLP 2020. The Lender has committed to make this document publicly accessible on its website.

Alignment with the recommendations of the Sustainability-Linked Loans Principles

Relationship to the Lender's overall CSR Strategy



**NB: The score of 'Best Practices' is not applicable in the assessment at Lender level given that several criteria required by the SLLP are applicable only at Borrower level. Therefore, due to the specificities of AIRA's Sustainable Transition Loan Framework assessment, V.E considers that the highest score that can be achieved for each pillar is 'Aligned'.*

ACCESSIBILITY

AIRA's ESG strategy and objectives are visible and available to all stakeholders in the company's Responsible Investment Philosophy, Responsible Investment Policies, ESG Asset Class Policy, and in the Group's CSR Strategy², all publicly available on the Lender's website³.

COHERENCE

V.E considers that the selected KPI themes and their associated minimum target thresholds are coherent with AIRA's ESG objectives and strategy as well as with the Group's overall CSR strategy.

At group level, Aviva has formalized a CSR strategy⁴ which includes the following public sustainability objectives and targets to which AIRA's KPI Themes are aligned:

- 70% reduction in CO₂ emissions by 2030 relative to its 2010 baseline⁵
- Championing Renewable Energy⁶
- Lower carbon investment

At AIRA level, the KPI themes which aim to lower carbon emissions across its real estate assets portfolio, are also aligned with one of its overarching ESG goals, which is to transition towards net zero investments through the following objectives:

- Increasing low-carbon and renewable energy generation
- Reducing energy intensity in equity investments
- Reducing carbon emissions from equity investments

² <https://www.aviva.com/content/dam/aviva-corporate/documents/investors/pdfs/reports/2019/environmental-social-and-governance-data-2019-and-assurance-statement.pdf>

³ <https://www.avivainvestors.com/en-gb/about/responsible-investment/policies-and-documents/>

⁴ <https://www.aviva.com/social-purpose/environment/>

⁵ <https://www.aviva.com/content/dam/aviva-corporate/documents/investors/pdfs/reports/2019/environmental-social-and-governance-data-2019-and-assurance-statement.pdf>

⁶ Aviva's objective of championing renewable energy includes to "having moved away from fossil fuel underwritings and having created the "Aviva Renewable Energy" - an integrated package of insurance designed specifically to support large companies in the complex market of renewable energy, including onshore windfarms, solar power and battery storage".

These objectives are reflected in AIRA's membership and support of the 'Better Buildings Partnership'⁷ (BBP), a collaboration of the UK's leading commercial property owners working to improve the sustainability of existing commercial building stock. As a signatory of the BBP, AIRA has committed to publish a pathway to net zero emissions by the end of 2020.

In relation to Real Estate Debt, Aviva Investors will be setting a target greater than £1bn of sustainable transition loans accredited to the Framework by 2025, thereby contributing to the overall achievement of its objectives.

Furthermore, AIRA's ESG strategy is focused on investments which positively contribute to society through a selection process, that according to AIRA, ensures and validates the sustainable value of investments. This investment selection process involves decisions where⁸:

1. The investment is not excluded by the Aviva Investors Responsible Investment Policy
2. The associated Responsible Investment risks fall within tolerance, or
3. The associated Responsible Investment risks can be appropriately mitigated and/or managed, or
4. Aviva Investors Real Assets (AIRA) can make a material positive Responsible Investment contribution, or
5. For projects, where AIRA works with partners which have a proven track record in delivering projects in a sustainable manner.

Step 4 of the investment selection process is particularly relevant to the KPI themes selected by AIRA as the 'material positive Responsible Investment' contribution is based on some of the sustainability and environmental criteria underlying the selection of assets such as:

- Reducing waste production or recycling waste
- Improving air quality
- Generating clean energy
- Improving efficiency in energy consumption and/or CO₂ emissions
- Improving efficiency in water consumption
- Improving sustainable waste management

Additionally, it is important to highlight that Aviva Investors is a founding signatory to the UN Principles for Responsible Investment (PRI) and has maintained a ranking of A+ in its 2019 PRI assessment⁹.

⁷<https://www.betterbuildingspartnership.co.uk/node/877#:~:text=By%20the%20end%20of%202020,performance%20including%20our%20tenant's%20activities>

⁸<https://www.avivainvestors.com/content/dam/aviva-investors/main/assets/about/responsible-investment/downloads/global-esg-asset-class-policy-real-assets-en.pdf>

⁹<https://www.aviva.com/social-purpose/responsible-investment/>

Target Setting



- The Sustainability-Linked Loans issued under this Framework will be used to finance projects in the Real Estate Sector. Six themes reflecting environmental and social performance have been identified as well as 12 key performance indicators with their associated minimum target thresholds. The Borrower will select indicators from the themes proposed by AIRA, with a minimum requirement of 1 KPI selected from 'Group A'.
- The KPI themes selected by the Lender are considered relevant and material from a sustainability standpoint as well as relevant and material for its sector (i.e. real estate).
- The minimum target thresholds of Group A demonstrate an advanced level of ambition, in comparison with existing international standards and market practices. The ambition of Group B minimum target thresholds is considered robust. However, given the lack of international standards or global references that guide the % increase, the ambition level cannot be appropriately assessed.

Table 1. Analysis of the KPI Themes and minimum target thresholds defined by the Lender.

<u>KPI THEMES</u> <u>GROUP A</u>	<u>MINIMUM TARGET</u> <u>THRESHOLDS</u>	<u>V.E ANALYSIS</u>
Energy efficiency of buildings	Annual energy savings (renovation which leads to reduction of Primary Energy Demand (kWh/m ² . year) of at least 30% in comparison to the energy performance of the building before the renovation)	V.E considers that the selected KPI theme reflects material environmental challenges for the sector and that the minimum target thresholds demonstrate an advanced level of ambition. Materiality According to the United Nations, the real estate sector accounts for 40% of global energy consumption and 33% of greenhouse gas emissions. As a result, this sector can play a leading role in how CO ₂ emissions are valued and integrated into the development, design and management of real estate. Real estate players are expected to integrate environmental considerations into their investment and management decisions and should rely on international certifications that frame the environmental performance of buildings (including LEED and BREEAM). As existing buildings will last for decades to come, improving energy efficiency is a priority to fight climate change.
	EPC ratings through transition to B or higher (through renovation works)	Ambition The 'annual energy savings' minimum target threshold is in line with the EU Taxonomy's 'Building renovation' (8.2) for 'Construction and real estate activities' ¹⁰ and is considered amongst best market practices therefore ambitious. The improvement in 'EPC ratings through transition to B or higher' is in line with the UK Government proposals on energy performance regulation ¹¹ and goes beyond Scottish regulation (which requires a minimum of EPC "E" for private rented properties and no minimum standard for non-domestic properties) ¹² . Therefore, it is considered ambitious in terms of energy efficiency of buildings.

¹⁰ https://ec.europa.eu/info/sites/info/files/business_economy_euro/banking_and_finance/documents/200309-sustainable-finance-teg-final-report-taxonomy-annexes_en.pdf

¹¹ https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/839362/future-trajectory-non-dom-prs-regulations-consultation.pdf; https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/932402/prs-consultation-october-2020.pdf

¹² <https://www.gov.scot/publications/energy-efficiency-private-rented-property-scotland-regulations-2019-guidance/>

KPI THEMES GROUP A	MINIMUM TARGET THRESHOLDS	V.E ANALYSIS
	Green Building certification (BREEAM 'Excellent' or 'Outstanding')	The 'Green building certification' relies on a well-recognized international certification (i.e. BREEAM) and the requirement to reach an 'Excellent' or 'Outstanding' performance level (the two highest performances levels of the certification) is considered ambitious.
Renewable Energy	<p>Increase on-site renewable electricity generation proportion by at least 15%, or an equivalent amount per annum, through the lifetime of the loan. (For example, certified by REGO¹³ backed sources (or equivalent))</p> <p>Commitment to procure 100% renewable power by 2050. For example, in line with the RE100's technical criteria (with interim target of 60% by 2030)</p>	<p>V.E considers that the selected KPI theme reflects a material environmental challenge for the sector and that the minimum target thresholds demonstrate an advanced level of ambition.</p> <p>Materiality</p> <p>According to the International Renewable Energy Agency (IRENA)¹⁴, the rapid adoption of renewable energy combined with energy efficiency strategies is a reliable pathway to achieve over 90% of energy-related CO₂ emissions reductions needed to meet National climate pledges. The real estate sector has an important role to play in the adoption of renewable energies notably through its electricity generation and energy supply.</p> <p>In addition, the RE100, a global initiative in partnership with the Carbon Disclosure Project¹⁵ (CDP) aiming to accelerate change towards zero carbon grids at scale especially on renewable electricity, reports that companies in the commercial and industrial sector account for around half of the world's end-of-use of electricity.</p> <p>Ambition</p> <p>An increase of on-site renewable electricity generation proportion by at least 15% per year is considered to significantly contribute to the overall need to switch towards renewable energies, particularly when compared to the RE100 global initiative as it would suggest meeting the intermediary and final target (i.e. 60% in 2030 to reach 100% in 2050) ahead of time, therefore it is considered ambitious.</p> <p>The "commitment to procure of 100% renewable power by 2050" is in line with the RE100's global initiative¹⁶ above-mentioned which is considered amongst best market practices therefore ambitious.</p>
Green Buildings	Setting carbon emissions reductions targets on buildings in line with limiting warming to 1.5°C, in line with Climate Bonds Standard (or equivalent)	<p>V.E considers that the selected KPI theme reflects material environmental challenges for the sector and that the minimum target thresholds demonstrate an advanced level of ambition.</p> <p>Materiality</p> <p><i>Please see the materiality assessment for the Energy Efficiency theme.</i></p>

¹³ The Renewable Energy Guarantees of Origin (REGO) scheme provides transparency to consumers about the proportion of electricity that suppliers source from renewable generation. All EU Member States are required to have such a scheme

¹⁴ https://www.irena.org/-/media/Files/IRENA/Agency/Publication/2018/Apr/IRENA_Report_GET_2018.pdf

¹⁵ <https://www.cdp.net/en>

¹⁶ <https://www.there100.org/re100-members>

KPI THEMES GROUP A	MINIMUM TARGET THRESHOLDS	V.E ANALYSIS
	Commitment to develop a net-zero carbon pathway. For example, in line with the Science Based Targets initiative (SBTi) methodology ¹⁷	<p>Ambition</p> <p>The "carbon emissions reductions targets on buildings in line with limiting warming to 1.5°C" is in line with the Climate Bonds Standard 'Low Carbon Buildings Criteria' and with the requirement to be in line with the Paris Agreement 1.5° scenario which are both considered to be ambitious.</p> <p>The "committing to develop a net-zero carbon pathway in line with the SBTi" relies on a well-recognized initiative, the Science Based Targets initiative, which defines and promotes best practices in science-based target setting and independently assesses companies' targets and is considered to be ambitious.</p>

KPI THEMES GROUP B	MINIMUM TARGET THRESHOLDS	V.E ANALYSIS
Circular Economy	Onsite (or nearby) biodiversity net gain by at least 15% through measured improvements using the Natural England Biodiversity Metric (2019)	<p>V.E considers that the selected KPI theme reflects material environmental challenges for the sector and that the minimum target thresholds demonstrate a robust level of ambition.</p> <p>Materiality</p> <p>The "Global Assessment Report on Biodiversity and Ecosystem Services"¹⁸ by the Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services (IPBES) found that 25% of assessed plant and animal species are threatened by human actions, with a million species facing extinction. In addition, the New Nature Report¹⁹ also highlights that construction is amongst one of the three largest industries that depend most on nature (\$4 trillion). However, as nature loses its capacity to provide different services, industries, including the real estate sector, face disruption related risks to their businesses. Therefore, the real estate sector can contribute to protect and restore nature by investing in different measures such as on-site restoration/rehabilitation while at the same time allowing the sustainable development of economic activity.</p>
	Increase on-site biodiversity projects ²¹ and recycling initiatives contributing to the conservation and recovery of natural habitats by at least 15%	<p>Ambition</p> <p>The "Onsite (or nearby) biodiversity net gain by at least 15% through measured improvements" goes beyond the target proposed by the UK Government²⁰ environmental bill 2019-21 which will make it mandatory to demonstrate a 10% increase in biodiversity on or near development sites, therefore, it is considered ambitious.</p> <p>In addition, V.E considers that an increase of on-site biodiversity projects and recycling initiatives by 15% appears ambitious. However, given the lack of international standards or global references that guide the % increase threshold, the ambition level cannot be appropriately assessed.</p>

¹⁷ <https://sciencebasedtargets.org/>

¹⁸ <https://ipbes.net/global-assessment>

¹⁹ http://www3.weforum.org/docs/WEF_New_Nature_Economy_Report_2020.pdf

²⁰ <https://assets.publishing.service.gov.uk/government/uploads>

²¹ The Lender reports that biodiversity projects could include (but are not limited to), installing beehives and seeding wildflowers, planting native tree species, protecting ecological sites (e.g. ponds) and protecting habits and species

Clean Transportation	Increase on-site low carbon transport infrastructure (e.g. electric vehicle charging, bike parking infrastructure) by at least 15%, or an equivalent amount per annum, through the lifetime of the loan	<p>V.E considers that the selected KPI theme reflects a material environmental challenge for the sector and that the minimum target thresholds demonstrates a robust level of ambition.</p> <p>Materiality</p> <p>According to the World Resource Institute²², transport is the second-largest source of global greenhouse gas (GHG) emissions within the energy sector and accounted for 23% of carbon dioxide (CO₂) emissions in 2016 from burning fossil fuels²³. According to the OECD²⁴ mobilising private investments in more sustainable transport infrastructure is particularly critical in cities as it can deliver benefits beyond GHG emissions including improved local air quality and associated health benefits, and reduced traffic congestion.</p> <p>Ambition</p> <p>The "Increase on-site low carbon transport infrastructure by at least 15%" is in line with the EU's Taxonomy 6.4 on "Infrastructure for low carbon transport (land transport)". However, given the lack of international standards or global references that guide the % increase threshold, the ambition level cannot be appropriately assessed.</p>
Well Being	<p>Increase on-site refurbishment initiatives²⁵ that improve employee/occupier/wellbeing by at least 15%; or</p> <p>Improve occupier and staff wellbeing through certification towards the WELL Building Standard</p>	<p>V.E considers that the selected KPI theme reflects a material social challenge for the sector and that the minimum target thresholds demonstrate a robust level of ambition.</p> <p>Materiality</p> <p>According to the study "The National Human Activity Pattern Survey (NHAPS): "A Resource for Assessing Exposure to Environmental Pollutants", people on average spend over 90% of their lives in and around buildings²⁶, which is why the BREEAM and the International WELL Building Institute recognise the importance of measuring health and wellbeing elements of building design, construction and operation, and thereby taking a holistic approach in the assessment of a building's social, environmental and economic impacts and benefits²⁷.</p> <p>Ambition</p> <p>The "Increase on-site refurbishment initiatives that improve employee/occupier/wellbeing by at least 15%" appears ambitious. However, given the lack of international standards or global references that guide the % increase threshold, the ambition level cannot be appropriately assessed.</p> <p>The WELL Building Standard is a well-recognized international certification (i.e. WELL Building certification), in line with the BREEAM's Health and Wellbeing standards, and is therefore considered to be ambitious.</p>

²² <https://www.wri.org/blog/2020/02/greenhouse-gas-emissions-by-country-sector>

²³ <https://www.wri.org/blog/2019/10/everything-you-need-know-about-fastest-growing-source-global-emissions-transport#:~:text=Transport%2C%20in%20fact%2C%20eats%20up,global%20CO2%20emissions%20in%202016.>

²⁴ <https://www.oecd.org/env/cc/financing-transport-brochure.pdf>

²⁵ The Lender reports that refurbishment initiatives could include (but are not limited to) lighting upgrades, façade replacement and conversion to electric heating systems

²⁶ <https://indoor.lbl.gov/sites/all/files/lbnl-47713.pdf>

²⁷ <https://tools.breeam.com/filelibrary/Briefing%20Papers/BREEAM-Briefing-Assessing-Health-and-Wellbeing-in-Buildings-January-2017-93678-.pdf>

SDG MAPPING

The KPI themes are likely to contribute to 4 United Nations’ Sustainable Development Goals (“SDGs”), namely SDG 7, SDG 9, SDG 11, and SDG 13.

KPI THEME	SDG	SDG TARGETS
Energy efficiency Renewable energy Green buildings		7.2 - By 2030, increase substantially the share of renewable energy in the global energy mix. 7.3 -By 2030, double the global rate of improvement in energy efficiency.
Green buildings Well Being		9.4 - By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities.
Circular economy Clean transportation		11.6 - By 2030, reduce the adverse per capita environmental impact of cities, including by paying special attention to air quality and municipal and other waste management.
Energy efficiency Renewable energy Green buildings		UN SDG 13 consists of taking urgent action to combat climate change and its impacts. By integrating energy efficiency, increased renewable energy and GHG emissions reduction targets into real estate strategy and planning, assets can contribute to tackling climate change.

Reporting



*NB: The score of 'Best Practices' is not applicable in the assessment at Lender level given that several criteria required by the SLLP are applicable only at Borrower level. Therefore, due to the specificities of AIRA's Sustainable Transition-Loan Framework assessment, V.E considers that the highest score that can be achieved for each pillar is 'Aligned'.

CLARITY

The definition of the KPIs are clear and most of them are based on relevant external references which are backed up by relevant methodologies, such as the EU Taxonomy, BREEAM, CBI, and SBTi, which are considered to be leading global standards and provide reliable reporting guidance.

KPI THEME	DEFINITION AND METHODOLOGIES
Energy efficiency	<ul style="list-style-type: none"> - The BREEAM In-Use methodology is defined by the BRE and reflected in the production of a third-party certificate. - The methodologies for EPC are defined by the UK Government approved methodologies²⁸ for expressing the energy performance of buildings²⁹ and reflected in the production of third party assessed certificates. - The metrics and thresholds regarding the reduction of Primary Energy Demand (kWh/m2.yr) of at least 30% in comparison to the energy performance of the building before the renovation are defined within the EU Taxonomy for sustainable activities.
Renewable energy	<ul style="list-style-type: none"> - The increase on site renewable electricity generation by at least 15% should be certified by Renewable Energy Guarantees of Origin (REGO)³⁰ backed sources or equivalent. - The RE100 defines the different requirements, criteria³¹ and materiality thresholds³² that need to be met by members in order to join the commitment to use 100% renewable electricity across their global operations by 2050.
Green buildings	<ul style="list-style-type: none"> - The Climate Bond Initiative standards and methodology for green buildings has been defined on CBI website³³ and is reflected in the production of a third-party certificate. - The Science Based Targets methodology has been defined in a publicly available excel tool available on the SBTi website.
Circular economy	<ul style="list-style-type: none"> - The methodology to assess the onsite (or nearby) biodiversity net gain by at least 15% is available in the UK Government Natural England Biodiversity Metric³⁴.
Well Being	<ul style="list-style-type: none"> - The WELL Building Standard methodology has been defined on the Well Building Standard website³⁵ and is reflected in the production of a third-party certificate.

²⁸ The same UK Government calculation methodologies are used to calculate EPC ratings in Scotland - <https://www.gov.scot/publications/energy-performance-certificates-introduction/>

²⁹ https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/753104/Energy_performance_of_buildings_notice_of_approval.pdf

³⁰ <https://www.ofgem.gov.uk/environmental-programmes/rego/about-rego-scheme>

³¹ <https://www.there100.org/technical-guidance>

³² https://www.there100.org/sites/re100/files/2020-10/Materiality%20Threshold_December%202019.pdf

³³ <https://www.climatebonds.net/standard/buildings>

³⁴ <http://publications.naturalengland.org.uk/publication/5850908674228224>

³⁵ <https://standard.wellcertified.com/scoring>

CONTROL

AIRA's Credit Risk team will verify the data provided by the Borrowers, with the support of the ESG Real Assets team where relevant.

The Borrowers will be responsible for providing external verification and/or audit of the data in cases where the KPIs are not relying on recognised standards / methodologies or certifications.

ACCESSIBILITY OF RESULTS

- From the Borrowers' side, reporting will take place as part of the wider loan quarterly compliance reports provided by the Borrower to the Lender. AIRA will require each Borrower to report in the loan documentation information regarding the KPI(s) in compliance with the Framework, including underlying data and assumptions used to calculate the KPI(s). These reports will be available only to AIRA.

- From Aviva's Investors side, the sustainability-linked loan reporting, will include:
 - o Allocation reporting on a yearly basis, covering information on the proceeds used for eligible loans originated in line with the Framework including the aggregated amount of allocation of the net proceeds to eligible assets aligned to the Framework criteria and the number of sustainability linked loans which have been granted to borrowers. This information will be publicly disclosed in Aviva Investors Annual Responsible Investment Review.
 - o Impact reporting on a yearly basis, subject to borrower confidentiality, on the KPI(s)' impact of eligible loans on an aggregated basis, which will be publicly disclosed in Aviva Investors Annual Responsible Investment Review.



Review



**NB: The score of 'Best Practices' is not applicable in the assessment at Lender level given that several criteria required by the SLLP are applicable only at Borrower level. Therefore, due to the specificities of AIRA's Sustainable Transition-Loan Framework assessment, V.E considers that the highest score that can be achieved for each pillar is 'Aligned'.*

REVIEW OF THE ACHIEVED RESULTS

The Aviva Investor Real Asset Relationship Manager and Credit Surveyors are responsible for the annual review of the Borrowers' reports and for providing specific commentary against KPI progress in the 'Loan Annual Review Paper'.

Additionally, eligible sustainable loans will be reviewed quarterly in the ESG Origination Forum, chaired by the ESG Real Assets specialist.

LENDER

Management of ESG Controversies

As of November 2020, the review conducted by V.E did not reveal any ESG controversy against Aviva Investors over the last four years.

Involvement in Controversial Activities

Aviva Investors appears not to be involved in any of the 17 controversial activities screened under our methodology, namely: Animal welfare, Cannabis, Chemicals of concern, Civilian firearms, Coal, Fossil Fuels industry, Unconventional oil and gas, Gambling, Human embryonic stem cells, High interest rate lending, Genetic Engineering, Military, Nuclear Power, Pornography and Reproductive Medicine.

The controversial activities research provides screening of companies to identify involvement in business activities that are subject to philosophical or moral beliefs. The information does not suggest any approval or disapproval on their content from V.E.

METHODOLOGY

In V.E' view, Environmental, Social and Governance (ESG) factors are intertwined and complementary. As such they cannot be separated in the assessment of ESG management in any organisation, activity or transaction. In this sense, V.E provides an opinion on the Lender's ESG performance as an organisation, and on the processes and commitments applicable to the intended issuance.

Our Second Party Opinions (SPOs) are subject to internal quality control at three levels (Analyst, Project Manager and Quality Reviewer). If necessary, this process is complemented by a final review and validation by the Expertise Committee and Supervisor. A right of complaint and recourse is guaranteed to all companies under our review, following three levels: first, the team in contact with the Lender; then the Executive Director in charge of Methods, Innovation & Quality; and finally, V.E' Scientific Council. All employees are signatories of V.E' Code of Conduct, and all consultants have also signed its add-on covering financial rules of confidentiality.

FRAMEWORK

Alignment with the recommendations of the Sustainability-Linked Loan Principles

Scale of assessment: Not aligned, Partially aligned, Aligned, Best Practices

The Framework has been evaluated by V.E according to the LMA's Sustainability-Linked Loan Principles – May 2020 ("SLLP") and on our methodology based on international standards and sector guidelines applicable in terms of ESG management and assessment.

CSR Strategy

Coherence of the KPI themes selected with the Lender's overall sustainability strategy.

Target Setting

KPI's materiality, ambition of the SPTs (compared to international standards and market practices)

Reporting

KPI's measurability and clarity in terms of definition and methodologies, internal and external control over the KPI's data

Reporting process formalisation and verification, data's accessibility

Verification

Verification of the performance against the SPTs

LENDER

Management of stakeholder-related ESG controversies

A controversy is an information, a flow of information, or a contradictory opinion that is public, documented and traceable, allegation against a Lender on corporate responsibility issues. Such allegations can relate to tangible facts, be an interpretation of these facts, or constitute an allegation based on unproven facts.

V.E reviewed information provided by the Lender, press content providers and stakeholders (partnership with Factiva Dow Jones: access to the content of 28,500 publications worldwide from reference financial newspapers to sector-focused magazines, local publications or Non-Government Organizations). Information gathered from these sources is considered as long as it is public, documented and traceable.

V.E provides an opinion on companies' controversies risks mitigation based on the analysis of 3 factors:

- **Frequency:** reflects for each ESG challenge the number of controversies that the Lender has faced. At corporate level, this factor reflects on the overall number of controversies that the Lender has faced and the scope of ESG issues impacted (scale: Isolated, Occasional, Frequent, Persistent).

- Severity: the more a controversy is related to stakeholders' fundamental interests, proves actual corporate responsibility in its occurrence, and have caused adverse impacts for stakeholders and the Lender, the higher its severity is. Severity assigned at the corporate level will reflect the highest severity of all cases faced by the Lender (scale: Minor, Significant, High, Critical).
- Responsiveness: ability demonstrated by a Lender to dialogue with its stakeholders in a risk management perspective and based on explanatory, preventative, remediating or corrective measures. At corporate level, this factor will reflect the overall responsiveness of the Lender for all cases faced (scale: Proactive, Remediate, Reactive, Non- Communicative).

The impact of a controversy on a Lender reputation reduces with time, depending on the severity of the event and the Lender's responsiveness to this event. Conventionally, V.E' controversy database covers any controversy with Minor or Significant severity during 24 months after the last event registered and during 48 months for High and Critical controversies.

Involvement in controversial activities

17 controversial activities have been analysed following 30 parameters to screen the Lender's involvement in any of them. The Lender's level of involvement (Major, Minor, No) in a controversial activity is based on:

- An estimation of the revenues derived from controversial products or services.

The specific nature of the controversial products or services provided by the Lender.

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This opinion aims at providing an independent opinion on the sustainability credentials and management of the Framework, based on the information which has been made available to V.E. V.E has neither interviewed stakeholders out of the Lender's employees, nor performed an on-site audit nor other test to check the accuracy of the information provided by the Lender. The accuracy, comprehensiveness and trustworthiness of the information collected are a responsibility of the Lender. The Lender is fully responsible for attesting the compliance with its commitments defined in its policies, for their implementation and their monitoring. The opinion delivered by V.E does not focus on the financial performance of the Lender. V.E is not liable for the induced consequences when third parties use this opinion either to make investments decisions or to make any kind of business transaction.

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