

Aviva Investors ESG Baseline Exclusions Policy

April 2020

This policy sets out how Aviva Investors applies environmental, social and governance (“ESG”) exclusions to investment decisions.

We believe that ESG issues can have a material impact on investment returns and client outcomes. As such, we believe in using our influence as a large asset manager to engage with the companies we invest in to drive positive change. Generally, in most situations, we believe it is more effective to use our influence to attempt to drive change, rather than divest and walk away. Once investors sell, they are no longer able to apply pressure to company boards and are likely to be replaced by shareholders with fewer ESG concerns.

We will, however, exclude certain investments in the following circumstances:

Our baseline exclusions

We exclude investment in companies which derive prescribed levels of revenue from the manufacture of controversial weapons (see Appendix 1). This is because there is a wide, international consensus on the inappropriateness of these types of weapons, as set out within key conventions and treaties including the Non-Proliferation of Nuclear Weapons Treaty, the Convention on Cluster Munitions (the Oslo Convention), and the Ottawa Treaty, which prohibits the use, stockpiling, production and transfer of anti-personnel mines.

What controversial weapons are excluded?

The following weapons are included in our definition of controversial weapons (see Appendix 1 for further detail):

- Cluster munitions and landmines
- Nuclear
- Biological and chemical
- Depleted uranium
- Incendiary (white phosphorous)
- Laser-blinding
- Non-detectable fragments

We also exclude investment in companies which derive prescribed levels of revenue from the manufacture of civilian firearms (see Appendix 1). Although these are not subject to international treaties, we have excluded manufacturers of these weapons due to the large number of civilian deaths resulting from their use.

Scope of exclusions

We apply these baseline exclusions to all active and passive mandates and funds managed or operated by Aviva Investors (including those where portfolio management is outsourced to a third party). We do not apply the baseline exclusions to separately managed accounts where the client has expressly requested to opt out.

Baseline exclusions are generally applied by prohibiting investment in any financial instrument issued by a company that derives a certain level of income (detailed in Appendix 1) from the manufacture of controversial weapons or civilian firearms. This includes a parent company of a manufacturer involved in these activities. We also prohibit indirect exposure to these companies, subject to certain exceptions;¹ and the receipt of securities issued by these manufacturers as collateral.

Furthermore, Aviva Investors Real Assets is prohibited from arranging the provision of any new finance to a borrower, project or asset that derives the specified level of income from the manufacture of controversial weapons or civilian firearms. It is also prohibited from making new investments in real estate where more than 10 per cent of contractual rent is derived from tenants who manufacture controversial weapons or civilian firearms, and the granting of new leases (including lease extensions and renewals) to such tenants.

Where new excluded companies are identified, we will seek to divest any holdings within 90 business days.

*Aviva Investors maintains a more detailed policy setting out how the baseline exclusions are applied.
Please email GRI@avivainvestors.com for more information.*

1. For example, exposure to a broad-based financial index in which the company is a constituent, or where a fund invests in other underlying funds, managed by third parties, which may not operate equivalent baseline exclusions.

Fund-specific exclusions

We recognise that institutions and individuals may wish to avoid other activities, perhaps due to environmental, religious or ethical concerns. For those clients, we can offer solutions that exclude other investments from the portfolio (such as tobacco, alcohol, oil, coal, nuclear power and pornography).

AI also offers a range of 'sustainable' funds that operate specific exclusions in order to target climate or sustainability objectives.

Further information on our fund ranges by jurisdiction can be found on the Aviva Investors website: www.avivainvestors.com

If any interested parties have feedback or questions in relation to this policy, please email GRI@avivainvestors.com

Activity	Definition	Revenue Threshold (maximum estimated percentage of revenue)
Civilian Firearms	The manufacture of firearms and small arms ammunitions for civilian markets. The research excludes products exclusively sold for the military, government, and law enforcement markets.	≥ 5%
Cluster Munitions & Landmines	Companies involved in, among others, development, production, use, maintenance, offering for sale, distribution, import or export, storage or transportation of: 1. Cluster munitions. A conventional munition that is designed to disperse or release explosive submunitions each weighing less than 20 kilograms, and includes those explosive submunitions. It does not mean the following: A munition or submunition designed to dispense flares, smoke, pyrotechnics or chaff or a munition designed exclusively for an air defence role; A munition or submunition designed to produce electrical or electronic effects. 2. Land mines. Mines designed to be exploded by the presence, proximity or contact of a person and which will incapacitate, injure or kill one or more persons. Mines designed to be detonated by the presence, proximity or contact of a vehicle (...) that are equipped with anti-handling devices, are not considered anti-personnel mines as a result of being so equipped.	0%
Nuclear Weapons	The manufacture of nuclear weapons and related systems and components.	≥ 5%
Biological & Chemical Weapons	The manufacture of chemical or biological weapons and related systems and components. These are defined as: biological or chemical weapons that use pathogens such as viruses, bacteria, and disease-causing biological agents, toxins, or chemical substances that have toxic properties that kill, injure, or incapacitate.	0%
Depleted Uranium	Companies that manufacture depleted uranium weapons, which are controversial due to the long-term toxicity and radiation hazards.	0%
Incendiary (white phosphorous)	Companies that manufacture weapons that are primarily designed to set fire to objects or to cause burn injury to people	0%
Laser Blinding weapons	Companies that manufacture weapons utilizing laser technology that causes permanent blindness to the target.	0%
Non- detectable Fragments	Companies that manufacture weapons that use fragments undetectable by x-ray to inflict injury to targets.	0%