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Summary of the Aviva Investors ESG Baseline Exclusions Policy

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AVIVA INVESTORS

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This document summarises how we apply environmental, social and governance (ESG) exclusions to investment decisions and, in particular, explains the application of our Enhanced Baseline Exclusion Policy.

We believe 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 companies we invest in to drive positive change. Generally, in most situations, we believe it is more effective to use our influence to drive change rather than divest and walk away. Once investors sell, they are no longer able to apply pressure to company boards and may be replaced by shareholders with fewer ESG concerns.

However, there are specific sectors and economic activities where we consider the sustainability risks to the climate, planet and people are so severe, that providing equity and debt funding is fundamentally misaligned with our Responsible Investment Philosophy[1] and corporate values. In these cases we actively exclude companies and industries from our investment universe.

We have outlined the Excluded Activities under the policy below (further details and the applicable revenue thresholds are set out in the **Appendix**). Issuers deriving revenue which exceeds the thresholds are then excluded from these activities (Excluded Issuers).

1. Aviva Investors Responsible Investment Philosophy: https://www.avivainvestors.com/en-gb/about/responsible-investment/policies-and-documents/

Our baseline exclusions

(i) **Weapons/arms,** including cluster munitions and land mines, civilian firearms, nuclear weapons, biological and chemical weapons, laser-blinding weapons and the manufacture of phosphorus weapons and weapons which use non-detectable fragments;

(ii) **Thermal coal, arctic oil and oil sands,** with exceptions for companies that have an approved Science-Based Target for climate change, which has a classification of warming well below 2°C;

(iii) **Tobacco,** including manufacturing, distribution and sale of tobacco products (as well as those companies that offer certain distribution services to tobacco companies).

(iv) The investment manager will also divest from companies which have not met the principles set out in the UN Global Compact (UNGC) and have not implemented an appropriate remediation plan within an acceptable timeframe.

Please note: the enhanced policy will be implemented in a succession of stages throughout the year. Divestments are expected to be concluded by the end of 2022. Investors will be notified of the specific dates of when the policy applies to individual funds and the relevant scheme documentation will be updated accordingly.

Scope of exclusions

We aim to apply these baseline exclusions to all active funds and mandates managed or operated by us. Our segregated mandate clients will be consulted on whether they would like to opt into the policy. The policy also intends to apply to funds where active portfolio management is outsourced to a third party.

Baseline exclusions are generally applied by prohibiting investment in any financial instrument where the issuer derives income from Excluded Activities above the relevant revenue thresholds (detailed in the **Appendix**). This may include subsidiaries of the Excluded Issuers. We also prohibit indirect exposure via the use of derivatives to these Excluded Issuers, subject to certain exceptions[2]. As noted above, we will also look to divest from issuers which do not meet the principles of the UNGC.

Furthermore, our real assets business is prohibited from providing any new finance to a borrower, project[3] or asset that that is excluded under this policy. New investments in real estate where more than ten per cent of contractual rent comes from tenants who are Excluded Issuers, and the granting of new leases (including lease extensions and renewals) to such tenants are also not permitted.

Monitoring and divestment

The list of issuers excluded by these screens is refreshed every 6 months. Following this refresh, any divestment from newly identified Excluded Issuers shall normally be completed within 90 days.

On the introduction of any new or amended screens (e.g. changes to the revenue thresholds), any divestment from newly identified Excluded Issuers shall be completed as soon as reasonably practicable.

We maintain a more detailed policy setting out how the baseline exclusions are applied. Please email GRI@avivainvestors.com for more information.

2. 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.
3. A project is defined as a construction, infrastructure or other real asset investment at any stage of the asset lifecycle including acquisition, development and refurbishments of any kind.

Fund-specific exclusions

We recognise 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 (e.g. alcohol, pornography).

We also offer a range of funds that operate specific exclusions in order to target certain ESG criteria.

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

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

Please note: The application of Baseline Exclusions is reliant on: (i) data provided by third party data providers; and (ii) AI and third-party proprietary models. Data from third party data providers may be incomplete, inaccurate or unavailable. Where we seek to rely on proprietary models these may similarly rely on information which is incomplete, inaccurate or unavailable. As a result, there is a risk that AI may, from time to time, incorrectly assess a security, issuer or index. There is also a risk that AI, or the third-party data providers on which we may depend, may not interpret or apply the relevant ESG characteristics correctly. AI does not warrant the fairness, accuracy or completeness of any data used, or assessment made, in connection with this policy.

Appendix 1

Activity	Description	Revenue Threshold*
Arctic oil	Companies that derive revenue from the production of Arctic Oil.	**≥ 10%**
Civilian firearms	Companies that manufacture firearms and small arms ammunitions for civilian markets. 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 Cluster Munitions and Landmines.	**0%**
Nuclear weapons	Companies that manufacture of nuclear weapons and related systems and components.	**≥ 5%**
Biological & chemical weapons	Companies that manufacture of chemical or biological weapons and related systems and components.	**0%**
Depleted uranium	Companies involved in the production of depleted uranium (DU) weapons, ammunition, and armour, including companies that manufacture armour piercing, fin stabilized, discarding sabot tracing rounds (APFSDS-T); Kinetic Energy Missiles made with DU penetrators; and DU-enhanced armour, including composite tank armour.	**0%**
Incendiary (white phosphorous)	Companies that manufacture incendiary weapons using white phosphorus.	**0%**

*maximum estimated percentage of revenue

Appendix 1 continued

Activity	Description	Revenue Threshold*
Laser blinding weapons	Companies that manufacture weapons utilising laser technology that causes permanent blindness to the target.	**0%**
Non-detectable fragments	Companies that manufacture weapons which that use non-detectable fragments to inflict injury to targets.	**0%**
Oil sands	Company that derives revenue from oil sands extraction for a set of companies that own oil sands reserves and disclose evidence of deriving revenue from oil sands extraction. This factor does not include; revenue from non-extraction activities (e.g. exploration, surveying, processing, refining), ownership of oil sands reserves with no associated extraction revenues, or revenue from intra-company sales.	**≥ 10%**
Thermal coal	Companies that derive revenue from mining or extraction of Thermal Coal and/or its sale to external parties or Thermal Coal-based power generation.	**≥ 5%**
Tobacco producer	Companies that manufacture Tobacco Products.	**0%**
Tobacco retailer or distributor	Companies that distribute and retail Tobacco Products. This exclusion does not include a manufacturer that distributes its own Tobacco Products unless it also provides logistics or distribution services to other tobacco companies.	**≥25%**
UN Global Compact	Companies that are not considered by AI to meet the standards of the UN Global Compact based on MSCI data.	

*maximum estimated percentage of revenue

Important information

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