

# Global Credit and Equities Responsible Investment Policy

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6 September 2019

For today's investor



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| <b>Policy Owners</b>  | David Cumming<br>Colin Purdie   | <b>Review Frequency</b> | Annual                                   |
| <b>Effective Date</b> | 6 September 2019  | <b>Review Committee</b> | Aviva Investors ESG Governance Committee |
| <b>Scope</b>          | This Policy applies to the Aviva Investors Global Corporate Credit and Global Equity businesses   |                         |  |
| <b>Purpose</b>        | This Policy describes the application of the Aviva Investors Responsible Investment Philosophy to Global Credit and Global Equities. The Policy is supported by formal written procedures maintained by each business unit which detail application of Policy elements to the individual investment processes (“Approved Procedures”) |                         |  |
| <b>Disclosure</b>     | This Policy (but not the underlying Approved Procedures) may be published on the AI website and disclosed to a third party. Approval from the policy owner must be obtained before disclosing the Approved Procedures to any third party  |                         |  |

## Introduction

**Aviva Investors recognises its duty as trusted agent of its clients’ assets, to protect and maintain the long-term value of their investments. Consistent with those obligations, Aviva Investors maintains a deep conviction that environmental, social and governance (ESG) factors can have a material impact on investment returns and client outcomes.**

In order to deliver on its commitments as a founding signatory to the UN Principles for Responsible Investment and under the AI Responsible Investment Philosophy, Aviva Investors seeks to integrate ESG factors into investment analysis and the investment decision making process. This is achieved in a variety of ways, employing different strategies. In addition to investing in securities with capital use criteria (e.g. ‘green bonds’), AI may also seek to exclude companies and issuers that fail to meet defined ESG criteria from portfolios; engage with company management to influence changes in behaviour (with progress being benchmarked against industry-specific criteria); and, ultimately, divest from companies or sectors that fail to reform.

Responsibility for specification of ESG analysis & investment sits with within the Aviva Investors Global Responsible (“GRI”) team who provide ESG-focussed analysis of corporate sectors, industries, and issuers. This analysis is performed at the corporate level, independent of the capital structure of the issuer applicable to a specific investment strategy. Research content is communicated to both credit and equity portfolio managers and analysts through notes and reports published on the Aviva Investors Internal Research Hub (“IRH”) and participation in various investment forums.

For strategies that don’t incorporate an exclusion approach, ESG factors contribute to a robust risk management framework. Investment opportunities are evaluated on an individual basis, and companies, industries, or sectors with high ESG risk exposures must be reviewed and justified by the portfolio management teams.

## Governance of Responsible Investment within Global Corporate Credit and Equities

The implementation of the AI Responsible Investment Philosophy through this Policy is overseen by the following stakeholders:

1. Aviva Investors Holdings Limited Board (AIHL Board): which sets the overarching ESG philosophy and approach; it approves the key ESG policies applicable across all asset classes, including the AI Stewardship Policy and Corporate Governance and Voting policy.
2. Aviva Investors ESG Governance Committee (ESG GC): responsible for overseeing approval, implementation and monitoring of new ESG policies across all asset classes at Aviva Investors.
3. The CIOs of the Equity and Corporate Credit functions, who are responsible for ensuring that ESG factors identified by the ESG research analysts are integrated into their respective investment decision making processes.
4. Aviva Investors GRI Team: consists of corporate governance and responsible investment professionals which act as a centre of expertise on ESG matters. The GRI Team works with portfolio managers and investment analysts to help integrate ESG factors into the specific investment analysis and decision-making process.

## Role of the ESG Analyst

To support the integration of ESG factors into the decision-making process of the equity and global corporate credit teams, AI will maintain a team of ESG analysts who shall monitor and evaluate sectors, industries, and companies using agreed/proprietary ESG criteria. At a minimum, the team of ESG analysts shall use the following source material: sustainability disclosures, financial report and accounts, relevant company and industry news and dialogue with issuer management teams.

The ESG content produced will be made available to portfolio managers and investment teams through formal reports and will be used by the Corporate Credit and Equity teams to support investment decisions (including analysis for potential investment, holdings tracking, and review for potential divestment). It will also be used for broader education of the investment teams on sector specific ESG themes and engagement with companies and clients.

ESG analysts will also contribute to portfolio reviews lead by portfolio managers and asset class specific investment analysts.

## Scope and Coverage

AI recognises that it is not possible to have every company held in portfolios covered by an ESG analyst. In the case of companies not covered by ESG analysts/research teams, the applicable credit or equity research analyst is responsible for incorporating the appropriate industry specific ESG assessment into their own analysis.

To facilitate this assessment and to support the education of the broader investment team on ESG issues, the ESG analyst team shall produce both “industry reports” and higher level “Primer reports” discussing key themes and trends.

Company-specific reports shall include an ESG rating score quantifying the company’s performance relative to peers on a broad range of ESG issues.

## Communication & Dissemination of Research

All ESG research output must be distributed fairly and simultaneously to all investment professionals within the Corporate Credit and Equity teams so that all investment strategies and clients may benefit. Approved Procedures shall determine the medium and format in which relevant ESG research content is distributed to relevant investment professionals.

## Responsible Stewardship

At its simplest, stewardship means taking responsibility for something entrusted into our care. As a large global asset manager, responsible stewardship means monitoring, engaging, and, where appropriate, intervening, on matters that can have a material impact on the long-term value of our clients’ investments - matters such as corporate and country governance, diversity, climate change, protecting ecosystems and promoting human development.

As investors in equities we utilise our voting rights to hold management and corporate boards to account on the extent to which they are protecting the interest of shareholders and growing the business in a sustainable and responsible manner. We also engage in regular dialogue with companies, on behalf of our equity and credit holdings, to share best practice and encourage more responsible behaviours over time.