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STRATEGY IN BRIEF

# Aviva Investors Climate Transition Global Equity Strategy

June 2023

It takes Aviva Investors





**“**Alpha means nothing if beta implodes. Over the long term, chasing alpha is pointless if you completely ignore systematic risks. Existential threats like climate change jeopardise the very foundations of society.

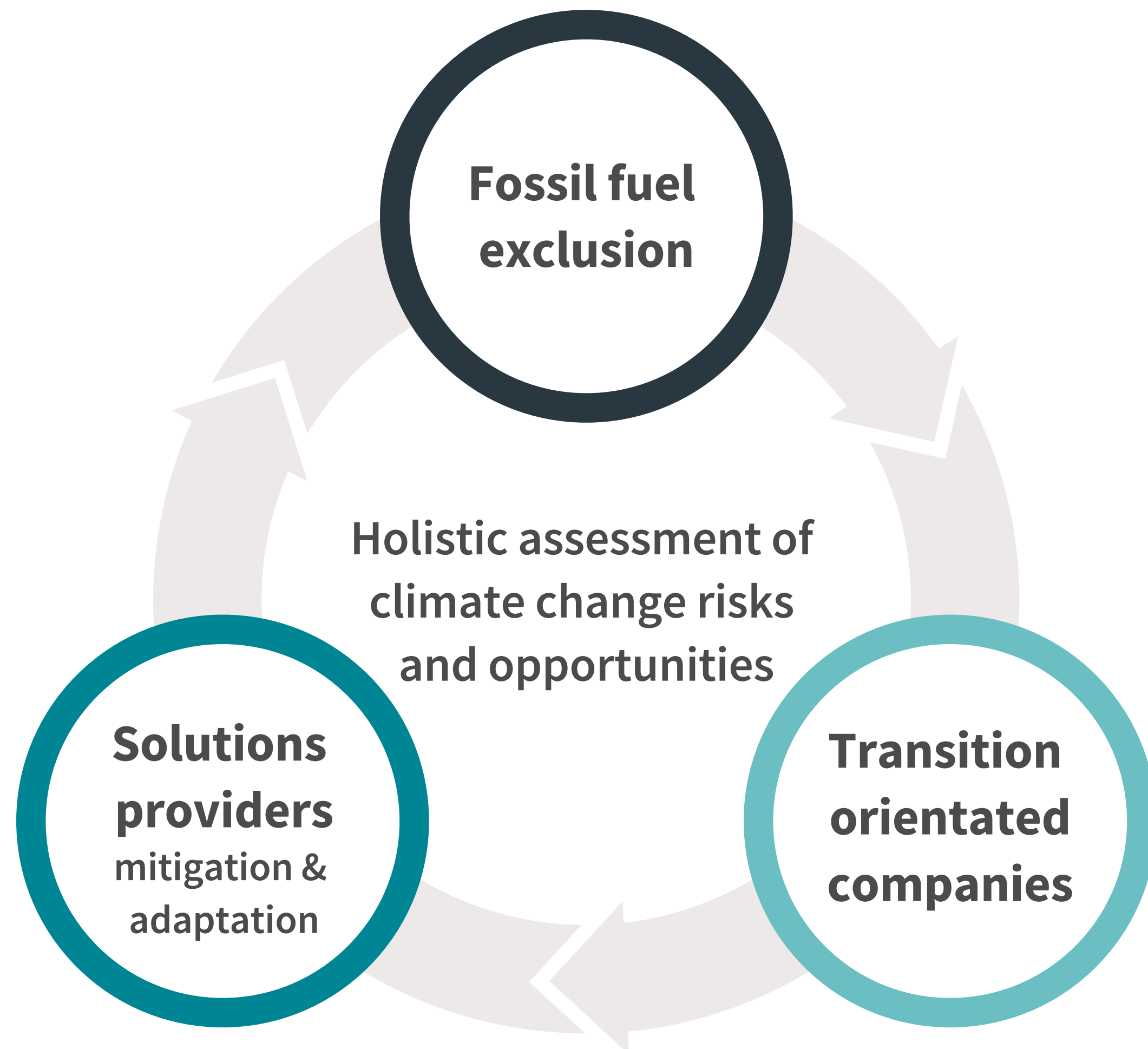
*If society starts breaking down, markets will too. After all, unwavering faith in the idea the market is always right got us into this mess in the first place.”*

**Steve Waygood**  
Aviva Investors, Chief Responsible  
Investment Officer



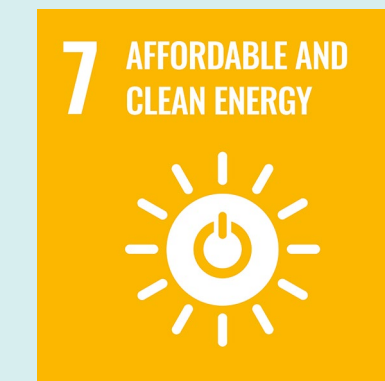


# Our approach to climate equity investing



Aligned with the United Nations Sustainable Development Goals

**SUSTAINABLE DEVELOPMENT GOALS**



Investment opportunities in the strategy are aligned with the United Nations Sustainable Development Goals 7 and 13 and with the following climate themes:

**“Achieve 1.5 degrees Celsius”**

**“Decarbonise the global economy”**

**“Adapt to the consequences of global warming”**

# Investing with purpose

We invest with an active, high-conviction approach to address the needs of investors seeking two objectives:

Long-term capital growth



To support the transition to a lower carbon world



## Key Strengths



**Three-dimensional view**

We look for companies with a **competitive advantage** that can **turn sustainable focus** into **profitable growth**, whilst **achieving positive climate outcomes**.



**Back transition**

The journey to **net zero** presents **risks and opportunities** across all sectors. Most **climate strategies** are structurally biased towards **growth stocks** but our **focus on transition** as well as **climate solutions** allows for a more balanced exposure.



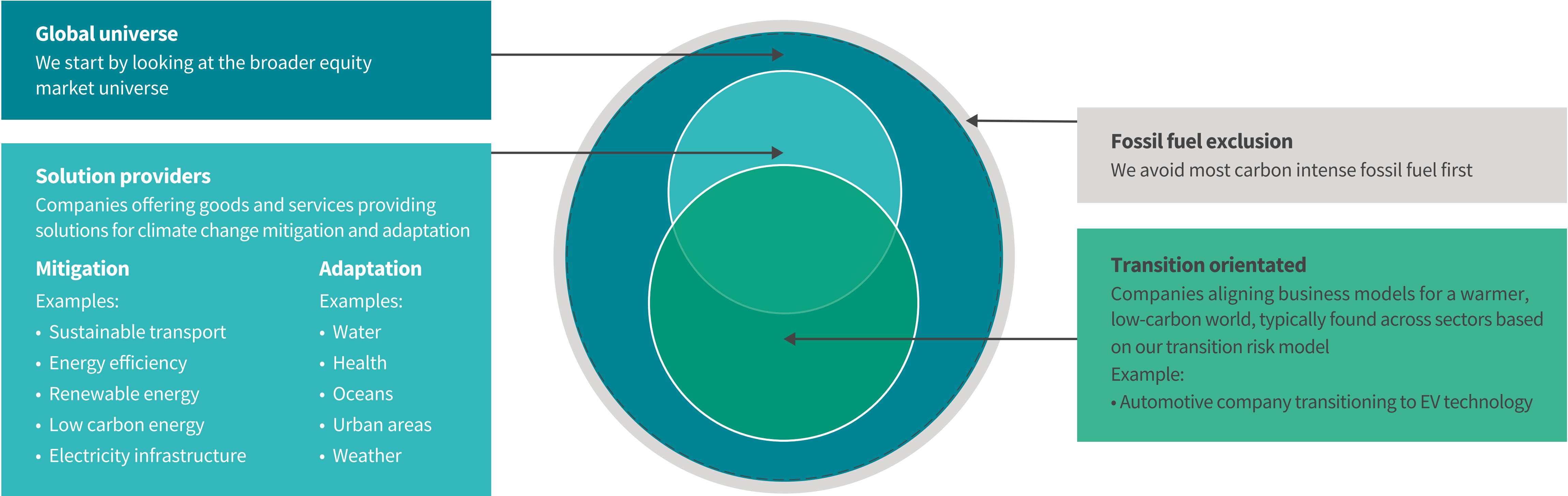
**Leaders in stewardship and engagement**

Engagement asks: **science-based targets** and **CDP disclosures**. We **actively engage** with governments, policymakers, NGOs, academics and other key influencers to correct material market failures.

# A wider opportunity set

## Backing solutions providers and promoting the transition

The strategy has limited exposure to carbon-intensive fossil fuels and invests in a broad range of companies across sectors that are best positioned to benefit from the transition to a low-carbon world.



# Target climate company engagement

## No sector left behind

Climate leaders and laggards exist across all sectors. Investment approaches that focus solely on low-intensity companies fail to fully appreciate the scale and breadth of the challenge.

Companies within high-emission sectors will have to transition and require capital to do so.

Through active ownership, investors can use their influence on company management to accelerate the transition via engagement and benefit from exposure to companies able to turn their focus on sustainability into profitable growth.

## Our bespoke engagement approach:

- **Each holding** is targeted with timebound engagement asks on CDP disclosures and Science Based Targets (SBTs)
- **Engagement asks** support the investment case
- **Escalation pathway** leading to divestment

## Active engagement: Why SBTs trump net zero at changing behaviour

**We believe having a climate strategy objective focused on science-based targets (SBTs) (rather than net-zero or carbon emission reduction objectives) is currently the best way to align to the 1.5°C global warming goal established by the 2015 Paris Agreement.**

**SBTs put pressure on emissions reduction throughout a company's value chain, influencing a reduction on carbon emissions beyond our investee companies.**

Source: Aviva Investors as at 31 May 2023



# Leveraging strong in-house expertise

## Climate Transition Global Equity Strategy Team



**Andrea Carzana**  
Senior Portfolio Manager  
13+ years' experience

Andrea is co-manager of the Global Climate Transition Equity strategy. He is also a member of our global Industrial research hub responsible for generating ideas for our global portfolios. Prior to joining Aviva Investors, Andrea spent seven years at Columbia Threadneedle, where he was a portfolio manager for ESG and sustainable outcome strategies. Before this, he was an insurance equity research analyst at Mediobanca and started his career at Bain & Company as an associate consultant.



**Max Burns**  
Portfolio Manager, Global Equities  
30+ years' experience

Max is co-manager of the Climate Transition Global Equity strategy. He is also head of equity research and sector lead responsible for the global Industrials. Prior to joining Aviva Investors, Max worked at Sarasin & Partners in London. He has also held positions at Alliance Bernstein and INVESCO. Max holds a BA from Vanderbilt University and an MBA from Georgia State University.



**Rick Stathers**  
Climate Lead  
23+ years' experience

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 particular interest in syntropic agriculture and the dual role of forests in building resilience in the food system and combating climate change.

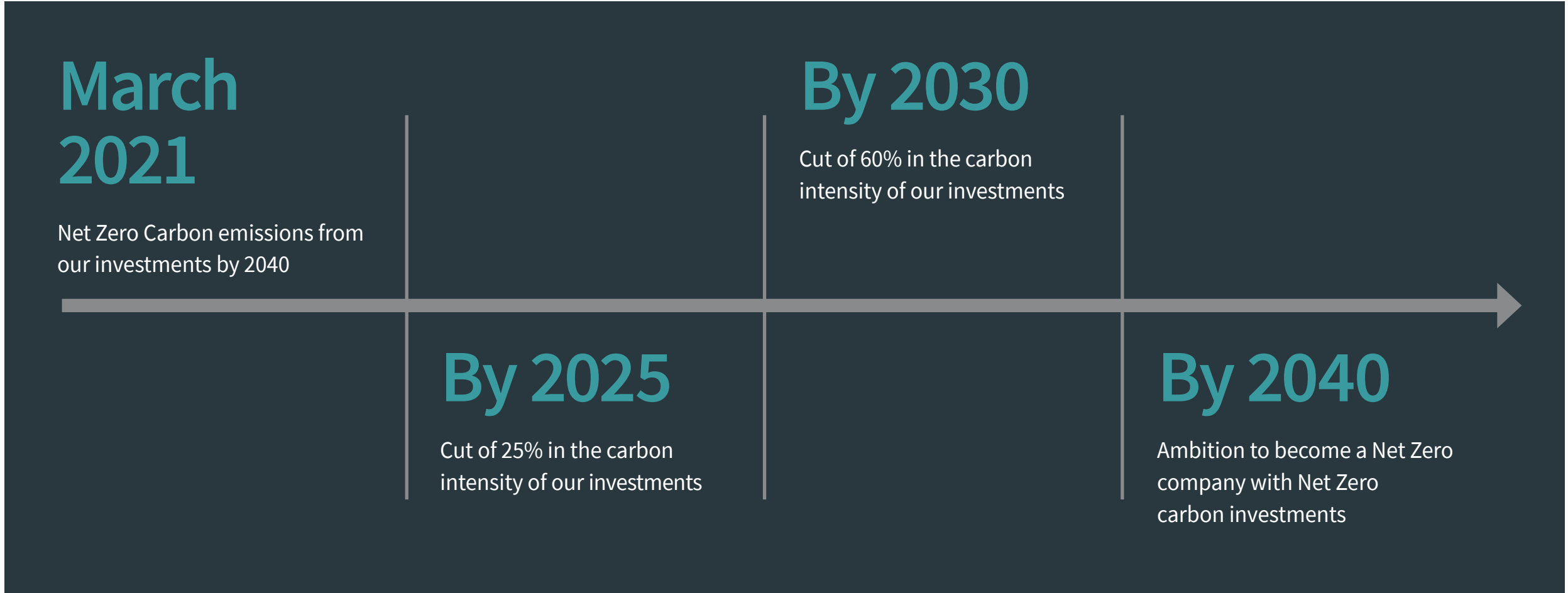
**40** ESG specialists

**25** Equities team

Source: Aviva Investors as at 31 May 2023

# Acting for climate transition

Our aim is to become a Net Zero carbon emissions company by 2040



**The most demanding ambition of any major insurance company in the world today Powered by Aviva Investors.**

## Translating climate ambition into action

**Championing climate since early 2000s**

Aviva Investors was a founding signatory to the UN PRI, CDP and the IIGCC. Aviva Investors included climate change in its voting policy in 2001 and began calling for mandatory corporate climate change disclosure in 2007.

**Climate Engagement Escalation Programme (CEEP)**

Launched in 2021, the CEEP targets the world’s 30 most systemically important carbon emitters across our credit and equity portfolios. This is ‘engagement with teeth’: we will divest unless these companies do more to tackle climate change.

**Partnering to drive change**

We lead a multi-stakeholder coalition of organisations to call for reform of the international financial architecture that supervises and regulates finance, including the creation of an International Platform for Climate Finance. This new platform will aim to harness the financial system to support the wider economic transition needed for net zero.



# Key risks



## Investment risk & currency risk

The value of an investment and any income from it can go down as well as up and can fluctuate in response to changes in currency and exchange rates. Investors may not get back the original amount invested.



## Credit and interest rate risk

Bond values are affected by changes in interest rates and the bond issuer's creditworthiness. Bonds that offer the potential for a higher income typically have a greater risk of default.



## Derivatives risk

Investments can be made in derivatives, which can be complex and highly volatile. Derivatives may not perform as expected, meaning significant losses may be incurred.



## Liquid securities risk

Some investments could be hard to value or to sell at a desired time, or at a price considered to be fair (especially in large quantities). As a result their prices can be volatile.



## Sustainability risk

The level of sustainability risk may fluctuate depending on which investment opportunities the Investment Manager identifies. This means that the fund is exposed to Sustainability Risk which may impact the value of investments over the long term





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