Aviva Investors – Article 8 “House View” approach

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Additional information on the promotion of environmental or social characteristics in the Article 8 SICAV fund range to supplement the Prospectus disclosures of these product features.

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Commitment to Responsible Investing

Aviva Investors (AI) recognises and embraces our duty to act as responsible long-term stewards of our clients' assets. We maintain a deep conviction that environmental, social and governance (ESG) factors can have a material impact on investment returns and client outcomes. We believe that being a responsible financial actor means our investment approach must support, and not undermine, the long-term sustainability of capital markets, economies and society.

Investing to drive the transition ("Transition Philosophy")

Our responsible investment philosophy is to invest in the transition to a more sustainable future and, importantly, promotes the relative merits of engagement over divestment. As such, we aim to identify corporate and sovereign entities that have the potential and commitment to improve. It is our ambition to help catalyse and drive the required transition by using a variety of levers, including voting, engagement and "macro stewardship," which is engaging with regulators, governments and other entities to "change the rules of the game" in favour of those businesses that are providing solutions to sustainability problems or supporting the transition to a sustainable future. We believe this element of our approach sets us apart from many of our peers.

We believe that adopting a purely exclusions-based approach or simply investing in today's sustainability leaders would limit our ability to shape a sustainable future and not help to facilitate the transition to a low carbon economy. Real change requires a radical overhaul of the world's economy and industries. Investors must be willing to support and be fully engaged in the transition from "brown" to "green." Creating a better tomorrow means we must play our part as investors in helping today's world become better.

Our approach to the EU's Sustainable Finance Disclosures Regulation ("SFDR"): Article 8 classification

We have taken a considered and thorough approach in our interpretation of what Article 8 means and believe the changes that we are introducing to our investment processes encapsulated in our "Aviva Investors Article 8 House View", are an evolution of our commitment to responsible investing. We believe they will strengthen our performance of our fiduciary duties for our clients.

Aviva Investors Article 8 House View

Our approach to meeting the Article 8 classification comprises the introduction of binding ESG characteristics at fund level, strengthening the integration of ESG considerations in our investment process and embedding our transition philosophy into investment decisions. The graphic below illustrates the different ESG characteristics that will form part of our funds – please note applicability will vary by investment fund.

Sector exclusions

Controversial weapons, civilian firearms, thermal coal, unconventional fossil fuels and tobacco

ESG quality screening

UNGC* screening process

Corporate good governance qualitative assessment

Sovereign ESG assessment

Climate Engagement Escalation Programme divestments

Investment integration

Transition philosophy integrated in investment decisions

Turning "brown to green" through stewardship

* Please see section 2, below

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1. Sector Exclusions

We currently apply a firmwide baseline exclusions policy to investments in controversial weapons and civilian firearms. Our baseline exclusions will be enhanced to supplement our existing controversial weapons exclusions policy from 1st July 2022 to include revenue thresholds for sector-based activities as shown below.

Please note: exclusions for thermal coal, unconventional fossil fuels, tobacco and UNGC will be implemented throughout 2022. 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.

Full details of our exclusions and thresholds can be found here: https://www.avivainvestors.com/en-gb/about/responsible-investment/policies-and-documents/

Exclusion	Threshold	Exception
Controversial weapons and civilian firearms	As per current AI Baseline	–
Thermal Coal	≥ 5%	SBTi or non-fossil fuel project finance bonds**
Arctic oil, Oil sands [unconventional fossil fuels]	≥ 10%	SBTi or non-fossil fuel project finance bonds**
Tobacco	> 0% producers ≥ 25% distribution or sale	–
UN Global Compact*	Please see section 2, below	–

* As determined by Aviva Investors, informed by MSCI data. See further details below under UNGC

** Exceptions for Thermal Coal, Arctic Oil and Oil Sands – where Companies have an approved SBTi (Science Based Target) which has a classification of 1.5°C or Well Below 2°C this exclusion will not apply.

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2. ESG Quality Screening

The processes below are designed to ensure that investments either meet our standard of ESG quality today or where we believe through targeted and time-bound activity we can improve the ESG footprint and quality of where we invest.

UNGC Screening Process

The UN Global Compact (UNGC) is a corporate sustainability initiative that calls on businesses to align with universal principles on corruption, human rights, labour and environmental issues and to take strategic action to advance broader societal aims, such as the UN Sustainable Development Goals. It is a collaboration between a growing number (currently c.13,000) of companies. AI typically excludes companies where, after conducting our research and/or engagement, our analysis suggests that the company has not committed to and/or taken appropriate remedial action to resolve the issue. Our consideration will be partly informed by MSCI controversy data, the data used to analyse this is restricted to recent events & controversies and will not automatically result in exclusions from the investment universe. Rather, MSCI red flags will result in a qualitative assessment being made by our ESG team and may lead to exclusion unless we place them into a time bound engagement program such as our Climate Engagement Escalation Programme.

Activity	Description	Revenue Threshold (maximum estimated percentage of revenue)
UN Global Compact	Companies we consider do not meet the UNGC principles unless we place them into a structured & time bound engagement program like the Climate Engagement Escalation Programme (CEEP), based on internal research informed by MSCI data.	n/a

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2. ESG Quality Screening continued

Corporate Good Governance Qualitative Assessment

SFDR requires that all corporate investments meet the principle of good governance, which all companies held within an Article 8 product should satisfy. In addition to the UNGC criteria described above, corporates will also be subject to a qualitative assessment of their governance practices. The figure below outlines the process we follow:

All investment research reports for issuers within core coverage (our most actively followed companies) need to include a governance section. Credit and Equity analysts will allocate a "Governance Rating" on all companies they produce research on. The aim of this rating is to show an understanding of the company's governance practices, and ensure we avoid the worst players, while taking market context into account.

	Corporate Securities (equity, credit, convertibles)
Approach	We will only invest in companies that: • Maintain governance practices in-line with national governance standards We will avoid investments in companies that: • Fail to protect the basic rights of investors and employees • Are involved in tax evasion, corruption or other governance scandals (and fail to take adequate remedial action)
How	Assessed qualitatively as part of Investment analyst research note using a combination of MSCI governance + controversies data points and knowledge of the company

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2. ESG Quality Screening continued

Corporate Good Governance Qualitative Assessment continued

There are three options to choose from:

1. Green	Governance is in line/ better than peers
2. Amber	Weaker governance than peers with minor concerns and area for improvements
3. Red	Significantly weaker governance versus peers and/or poor controversies which present major investment or sustainability risks

Amber companies will be on watchlist with quarterly reviews to monitor potential worsening in practices. There will also be an alert system set up so that analysts review any events that could lead to a re-rating. Any companies identified as Red will be excluded from Article 8 funds, as these present immediate investment / sustainability risks.

This relative assessment against local peers will be primarily guided by MSCI's "Home Market Governance Percentile" – or local governance score. It is a percentile rank, comparing to Home Market companies, from 1-100 (100 is best). It is likely that a company with a Local governance score above 80 would be allocated a Green Governance rating.

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2. ESG Quality Screening continued

Sovereign ESG Assessment

This encompasses a holistic ESG assessment of Sovereigns, provided by our in-house ratings methodology (on a scale of 0 -10). We may exclude sovereigns scoring below 4 from our investment universe. We make this assessment using the firm's proprietary sovereign ESG model, external data, and qualitative judgements.

However, rather than issuers below four resulting in automatic exclusion, issuers will be subject to a qualitative review by the investment team to determine the quality of underlying sustainability policies and practices. This will include positive policy action such as efforts to improve democratic institutions and anti-corruption drives which have yet to be fully reflected in quantitative based indicators.

Sovereign issuers scoring below four that fail to demonstrate commitment and action to deliver 'on balance', positive sustainability outcomes for its economy and society will be excluded from Article 8 funds.

The initial assessments will be undertaken by an ESG analyst and will be subject to review by the central ESG team in weekly and quarterly portfolio review forums. Where the portfolio management team and ESG team have materially divergent judgements which cannot be resolved, the matter will be escalated to the Chief Investment Officer of Liquid Markets for final judgement.

Climate Engagement Escalation programme

Launched in January 2021, this three-year engagement Programme targets 30 systemically important carbon emitters, accounting for approximately a third of all global emissions. The companies are assessed against our six-pronged evaluation framework and assigned a rating (laggard, limited, progressive, leader) reflecting the extent to which they are considered aligned to a "net-zero" pathway.

A bespoke engagement programme is then designed, including specific time-bound change requests. Progress is monitored continuously, and a formal written assessment undertaken on a bi-annual basis. This will determine the need for further escalation through engagement, voting and – where necessary – divestment across all our credit and equity portfolios.

1

Target

30 companies

↓

30% emissions

2

Set long term goal

Net Zero

by

2050

3

Turn talk into action

Short term goals

Remuneration aligned

TFCD reporting

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3. Investment integration

We employ systematic and robust consideration of material ESG factors in investment decisions. Beyond any applicable binding criteria, our portfolio managers are empowered to make the right decision for the best client outcome, supported by our ESG capability that is integrated into our investment franchises via specialist teams.

Our Transition philosophy is integral to how we synthetise ESG factors and integrate them into our investment decisions. We believe our ability to identify and contribute through stewardship to support the journey from “brown to green” for some of our investments can give us valuable insight others might miss.

Terms of reference

Article 8

Under the European Union’s Sustainable Finance Disclosure Regulation (SFDR), the Article 8 classification refers to “a Fund which promotes, among other characteristics, environmental or social characteristics, or a combination of those characteristics, provided that the companies in which the investments are made follow good governance practices.”

Good governance principle

The investee company follows good governance practices, including sound management structures, employee relations, remuneration of staff and tax compliance.

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4. Sustainable Transition range

We have a range of Sustainable Outcome funds in addition to those which follow the standard Article 8 House View. For this transition range specifically, we seek to identify and invest in companies that are either focused on delivering sustainability solutions, exhibit the highest standards of corporate behaviour, or are transitioning to increasingly sustainable business practices. This range has specific thematic characteristics as described below and follow a bespoke set of Article 8 characteristics in addition to the ones described above.

Climate Transition

Global warming is one of the greatest challenges of the modern world. The scale and urgency of change needed to ensure global greenhouse gas emissions are aligned with a 1.5 degrees Celsius pathway will impact every part of the global economy. As a committed investor, acting and supporting the transition to a low-carbon and climate-resilient world is fully consistent with our values.

Through our Climate Transition strategies (Global and European Equities, Global Credit and Real Assets) we invest in companies and assets driving fundamental changes toward a sustainable future. This is done by targeting opportunities that help accelerate, and benefit from, the transition to a low-carbon economy.

Social Transition

Social inequality – such as through income, race and gender – poses a systemic risk to society and the wider economy. COVID-19 has put a spotlight on social inequality, which will lead to an acceleration of regulatory action and increased awareness from consumers. However, we believe companies that are changing their business models and practices to deal with social and regulatory change should see beneficial performance.

Through the Social Transition Global Equity Fund, we invest in and engage with companies that are driving fundamental changes toward a more socially just and equitable society and economy. We take a unique and innovative approach to address the needs of investors seeking long term capital growth and positive social impact.

Key risks to these strategies

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.

Investments can be made in emerging markets. These markets may be volatile and carry higher risk than developed markets

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.

Natural Capital Transition

Biodiversity loss is one of the greatest sustainability issues of our time. The natural world – defined as all living things, air, water, geology, and soil – underpins our whole existence.

The risks associated with the erosion of nature are frequently overlooked by investors, often resulting in the mispricing of companies that have significant impact or dependencies on nature. In theory, we believe companies that establish good practices in addressing their impact on the planet should achieve stronger earnings growth and superior shareholder returns over the long term.

Through the Natural Capital Transition Global Equity Fund, we invest in and engage with companies that are driving fundamental changes to support the transition to a nature positive economy. We take a unique and innovative approach to address the needs of investors seeking long-term capital growth and a positive impact on nature.

Full details of our specific ESG integration and stewardship policies and processes can be found here:

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

Important information

THIS IS A MARKETING COMMUNICATION

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Where relevant, information on our approach to the sustainability aspects of our strategies and the Sustainable Finance disclosure regulation (SFDR) including policies and procedures can be found on the following link: https://www.avivainvestors.com/en-gb/capabilities/sustainable-finance-disclosure-regulation/

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