STRATEGY IN BRIEF

Aviva Investors Canadian Core Plus Climate Transition

This strategy invests in debt securities of companies in Canada and globally either providing solutions to climate change or orientating their business models to a low-carbon economy, while avoiding the most carbon intense fossil fuel-based companies.

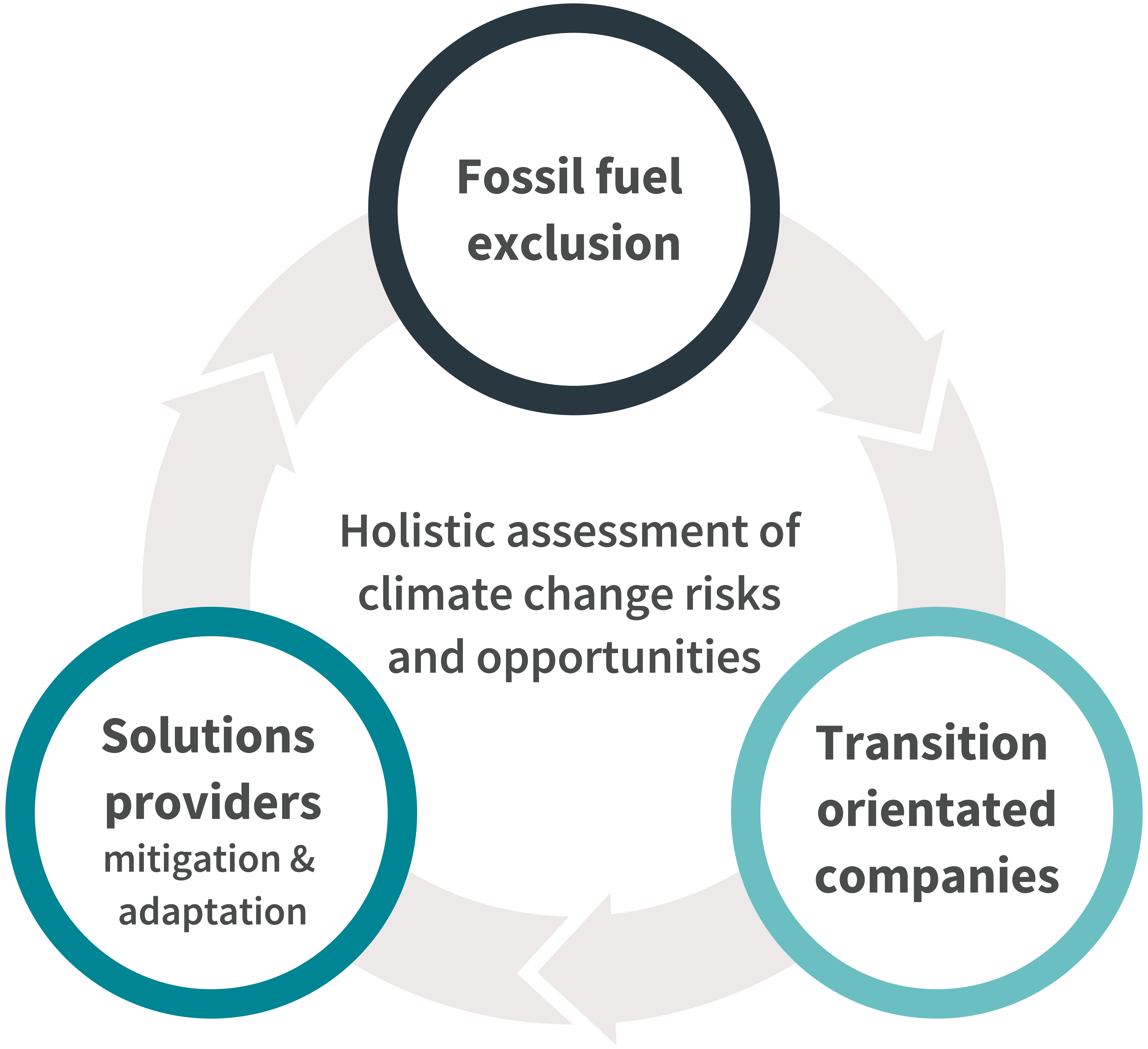
It takes Aviva Investors

“Investing responsibly is not a fad; it is an investment belief. Companies and governments that conduct their business in a sustainable way are more likely to succeed in the long term.”

Mark Versey CEO,
Aviva Investors

Aviva Investors is the name under which a number of globally integrated asset management businesses operate. Aviva Investors Global Services Limited is our main investment arm ultimately 100% owned by Aviva plc (a multinational financial services company).

Our approach to climate credit investing



Aligned with the United Nations Sustainable Development Goals

SUSTAINABLE DEVELOPMENT GOALS

7 AFFORDABLE AND CLEAN ENERGY

13 CLIMATE ACTION

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

Portfolio construction

In addition to the more traditional forms of **alpha, in fixed income, we harness portfolio construction** as a separate and **unique alpha source**. The benefit of this is an ability to accept and work with meaningful investment constraints while broadly preserving the risk/reward relative to unconstrained strategies. This alpha source also allows us to **create a portfolio that better balances returns across various market outcomes** in a manner that does not involve substantial tradeoffs. The leveraging of this alpha source is especially useful alongside our proprietary climate model that covers a broad range of industries and seeks to **reduce decarbonization and physical climate risks** embedded in value chains. This approach provides us with greater certainty with concurrently **delivering on both investment and climate** objectives.

Back transition

Our **distinct solutions and transition categories** allow us to **identify companies** whose services and products **deliver tangible climate outcomes**. It also **helps maximise the strategy's opportunity set** and the potential to deliver consistent, long-term outperformance.

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

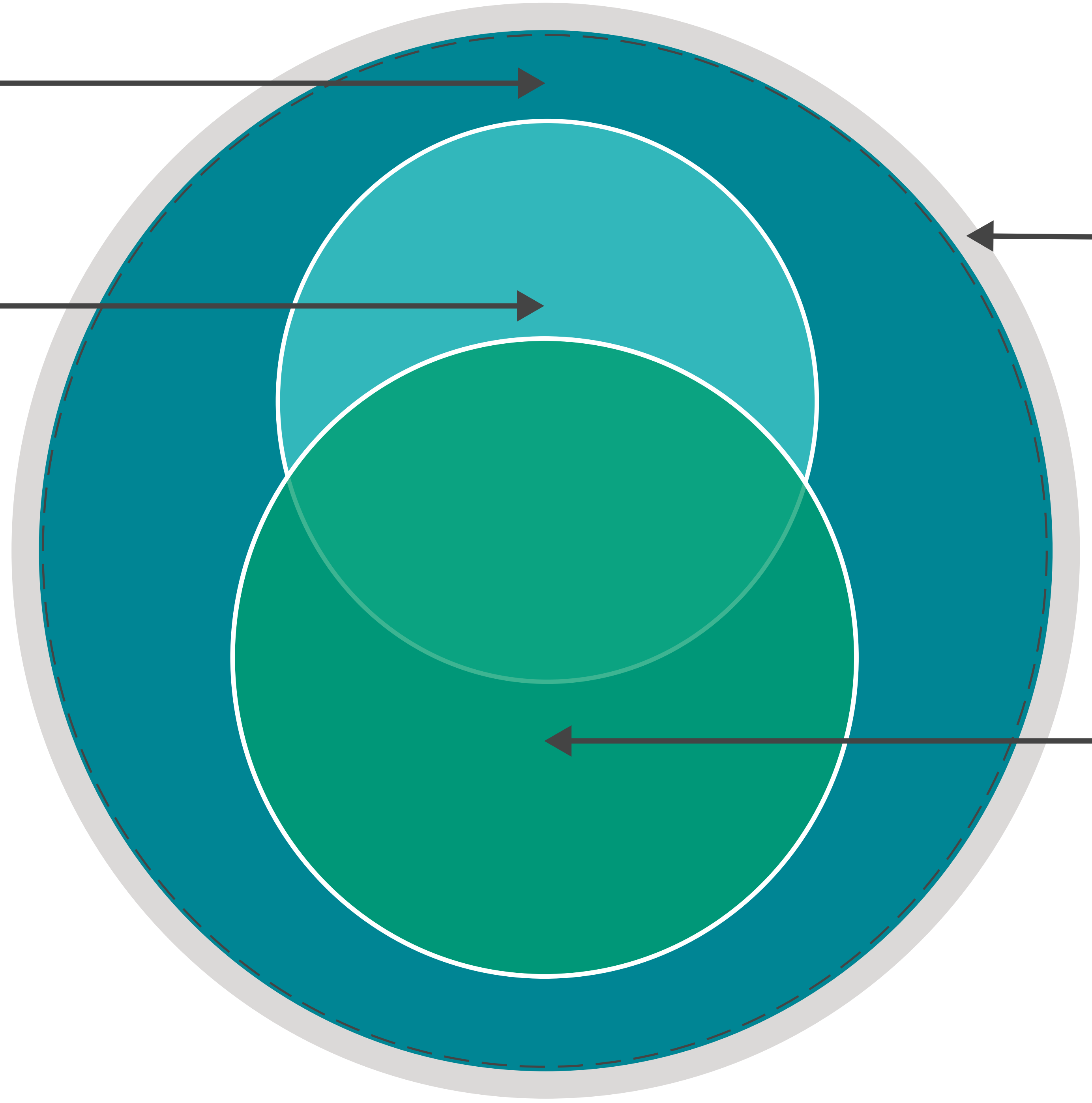
The strategy has limited exposure to carbon-intense fossil fuels and invests in debt securities of a broad range of companies across sectors that are best positioned to benefit from the transition to a low-carbon world.

Canadian/Global Fixed Income
We start by looking at issuers in the Canadian and Global markets

Solution providers
Companies offering goods and services providing solutions for climate change mitigation and adaptation

Mitigation
Examples:
- Sustainable transport
- Energy efficiency
- Renewable energy
- Low carbon energy
- Electricity infrastructure

Adaptation
Examples:
- Water
- Health
- Oceans
- Urban areas
- Weather



Fossil fuel exclusion
We avoid most carbon intense fossil fuel first

Transition orientated
Companies aligning business models for a warmer, low-carbon world, typically found across sectors based on our transition risk model
Example:
- Automotive company transitioning to EV technology

Harnessing the full power of bondholder engagement

Bondholder leverage

- **Bond issuance** four times higher than equity in 2021
- **Higher frequency of issuance** versus equity
- **Sole source of finance** for private companies
- **Bond issuance high** in carbon intensive sectors

Bondholder engagement is considerable

Estimates of the capital required to drive the climate transition vary from $3.5 trillion to $9.2 trillion a year[1], much of which is in the form of debt.

Given companies will often issue bonds many times a year, credit investors can frequently apply influence through their capital-allocation decisions and dialogue with issuers. Additionally, many issuers are owned privately, thus there is no pressure from public equity holders to improve governance.

This gives bondholders a real opportunity to drive meaningful change in an important part of the capital markets beyond the reach of equity investors.

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^{0}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 March 2023.

1. Douglas Broom, "What's the price of a green economy? An extra $3.5 trillion a year," World Economic Forum, January 28, 2022, www.weforum.org/agenda/2022/01/net-zero-cost-3-5-trillion-a-year/; "The net-zero transition: What it would cost, what it could bring," McKinsey Global Institute, 2022.

Canadian-based team with access to a global research platform

Delivering both performance and climate outcomes

Core Plus Climate Transition

Sunil Shah, CFA
Head of Canadian Fixed Income

Trevor Li, CFA
Portfolio Manager

Jane Xie, CFA
Portfolio Manager

Nayeem Islam, CFA
Portfolio Manager

Manpreet Sandhu
Canadian ESG Analyst

Specialist teams working alongside portfolio managers

- **Sustainable Transition Research**
- **ESG Corporate Analysts**
- **Engagement**
- **Sustainable Finance**

3
Portfolio Managers

21
Global Credit Research Analysts

6
Corporate ESG Research Analysts

100+
Multi-Asset Fixed Income Professionals

Source: Aviva Investors as at 31st March 2023

Acting for climate transition

Aviva Investors aims to become a Net Zero carbon emissions company by 2040

March 2021
Net Zero Carbon emissions from our investments by 2040

By 2025
Cut of 25% in the carbon intensity of our investments

By 2030
Cut of 60% in the carbon intensity of our investments

By 2040
Ambition to become a Net Zero company with Net Zero carbon investments

The most demanding target 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

The value of an investment and any income from it can go down as well as up and can fluctuate in response to market moves. 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 for hedging purposes only, 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.

AVIVA INVESTORS

Contact us

Andrew Marshall

Head of Canadian Sales

(416) 360 2770

andrew.marshall@avivainvestors.com

www.avivainvestors.com

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