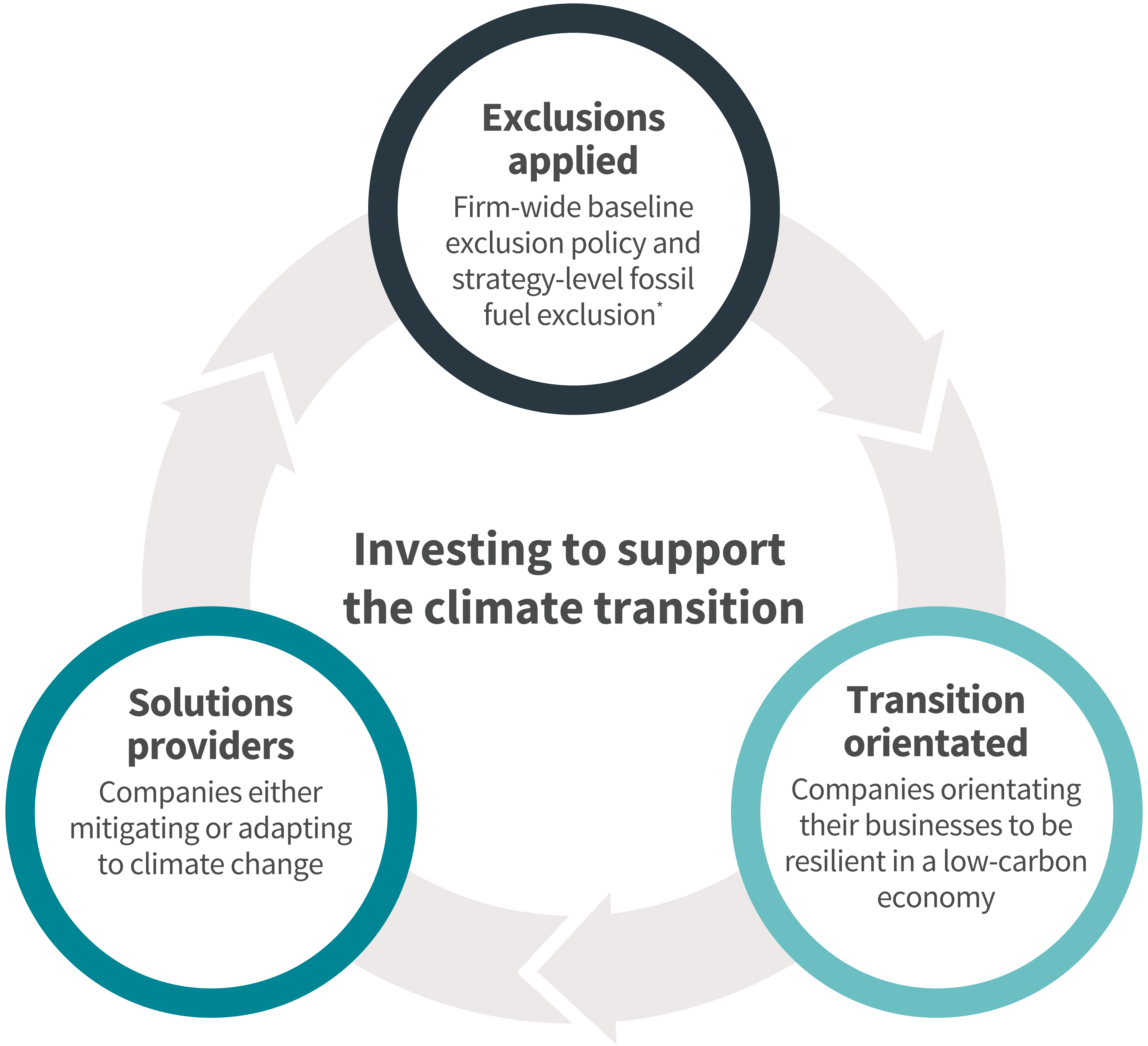
STRATEGY IN BRIEF

Aviva Investors Climate Transition Global Credit Strategy

It takes Aviva Investors

Our approach to climate credit investing



Climate change arguably represents the largest long-term systemic risk in credit portfolios. The Aviva Investors Climate Transition Global Credit strategy invests in bonds of companies which are deemed to be responding to climate change effectively in the transition to a low-carbon economy.

The strategy may be suitable for investors seeking similar levels of capital growth to a typical investment-grade bond portfolio. It may also appeal to those interested in supporting companies that are deemed to play a key role in tackling climate change by providing solutions or by orientating their business models to be resilient in a warmer climate.

*10% of portfolio not covered by fossil fuel screen to allow investment in select energy and utility companies who lead the way in fossil fuel transition.

Investing with purpose

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

Long-term capital growth

Investing in bonds of companies responding to climate change effectively

Key Strengths

Back transition

We seek to identify solutions and transition-orientated companies whose services and products are supporting or resilient in the climate transition. This can help maximise the strategy's potential to deliver consistent, long-term outperformance as part of a core investment grade allocation.

Optimised portfolio construction

Simply allocating risk based on traditional industry sectors is not efficient. We instead use custom sectors to compare bonds based on volatility and correlation to help incorporate our best bottom-up idiosyncratic ideas.

Active engagement

We actively engage across all sectors with the aim of positively influencing climate-related behaviour and helping to create competitive returns. For instance, we advocate for companies to commit to science-based targets to incentivise emissions reduction through their value chains.

*The climate risk management score seeks to measure the quality of climate governance in place at individual companies. The score is provided by external industry recognised bodies and is currently provided by CDP (previously known as the Carbon Disclosure Project).

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.

Global IG credit universe
We start by looking at about 2000 issuers

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

Mitigation

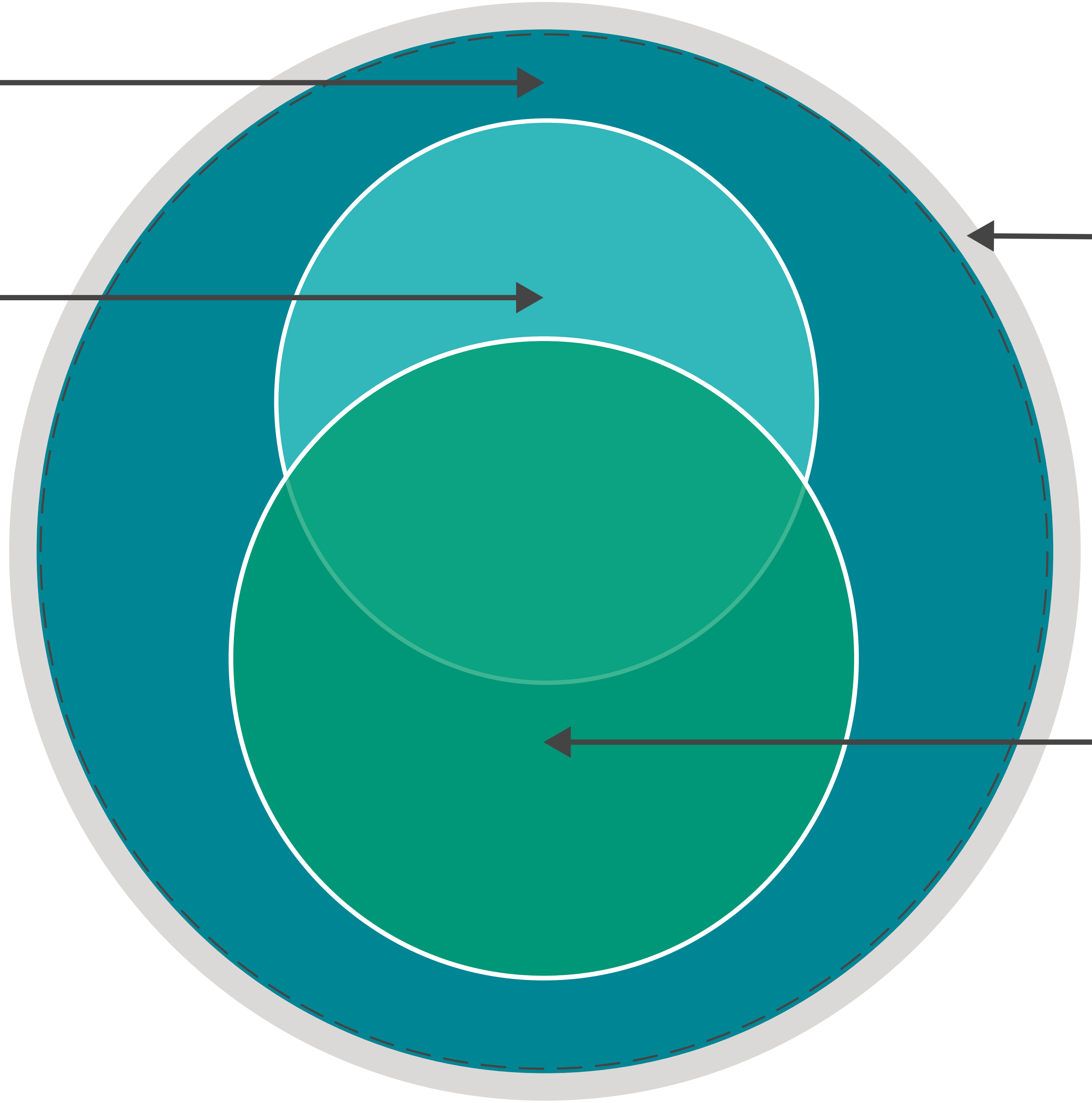
Examples:

- Sustainable transport
- Energy efficiency
- Renewable energy
- Low carbon energy
- Electricity infrastructure

Adaptation

Examples:

- Water
- Health
- Oceans
- Urban areas
- Weather



Exclusions applied*:
Firm-wide baseline exclusion policy and strategy-level fossil fuel exclusion

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

*10% of portfolio not covered by fossil fuel screen to allow investment in select energy and utility companies who lead the way in fossil fuel transition.

Identifying climate resilient companies in the climate transition

Assessing climate transition risk

- **Proprietary risk framework** to assess climate risk in transition companies across 159 sub industries[1]
- **Top-down sector risk** (High, Medium, Low)
- **Bottom-up company assessment** leading to a Climate risk management score

Climate assessment in transition companies

We assess the proportion of transition companies in the strategy displaying strong climate governance. This may include but not limited to, the percentage of companies attaining a certain Climate Risk Management Score, and the percentage of companies setting or committing to emission reduction goals which align to science-based targets.

Why SBTs trump net zero at changing behaviour

We think that science-based targets can be effective in determining the best way to align to 1.5^{0}C global warming goal established by the 2015 Paris agreement vs net zero or carbon emission reduction targets.

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 2024.

1. Proprietary top-down sub-industry Transition risk model uses a variety of data sources including, but not limited to, Cambridge Institute for sustainable leadership, Carbon Delta, CDP, Four Twenty Seven, Kepler Chervreux, Mercer and Moody's. 2. https://sciencebasedtargets.org/

AVIVA INVESTORS

Longstanding team with access to a global credit research platform

To deliver returns alongside clear and measurable climate goals

Climate Transition Global Credit

Justine Vroman, CIIA
Senior Portfolio Manager

Thomas Chinery, CFA
Senior Portfolio Manager

Luisa Jobson
Sustainable Investing Analyst*

Specialist teams working alongside portfolio managers

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

6
Investment Grade Portfolio Managers

24+
Global Credit Research

30+
ESG Specialists

9
Traders

Source: Aviva Investors as at 24 June 2024.
* Luisa works in an advisory capacity to the Portfolio Managers and does not make investment decisions.

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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Important information

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