

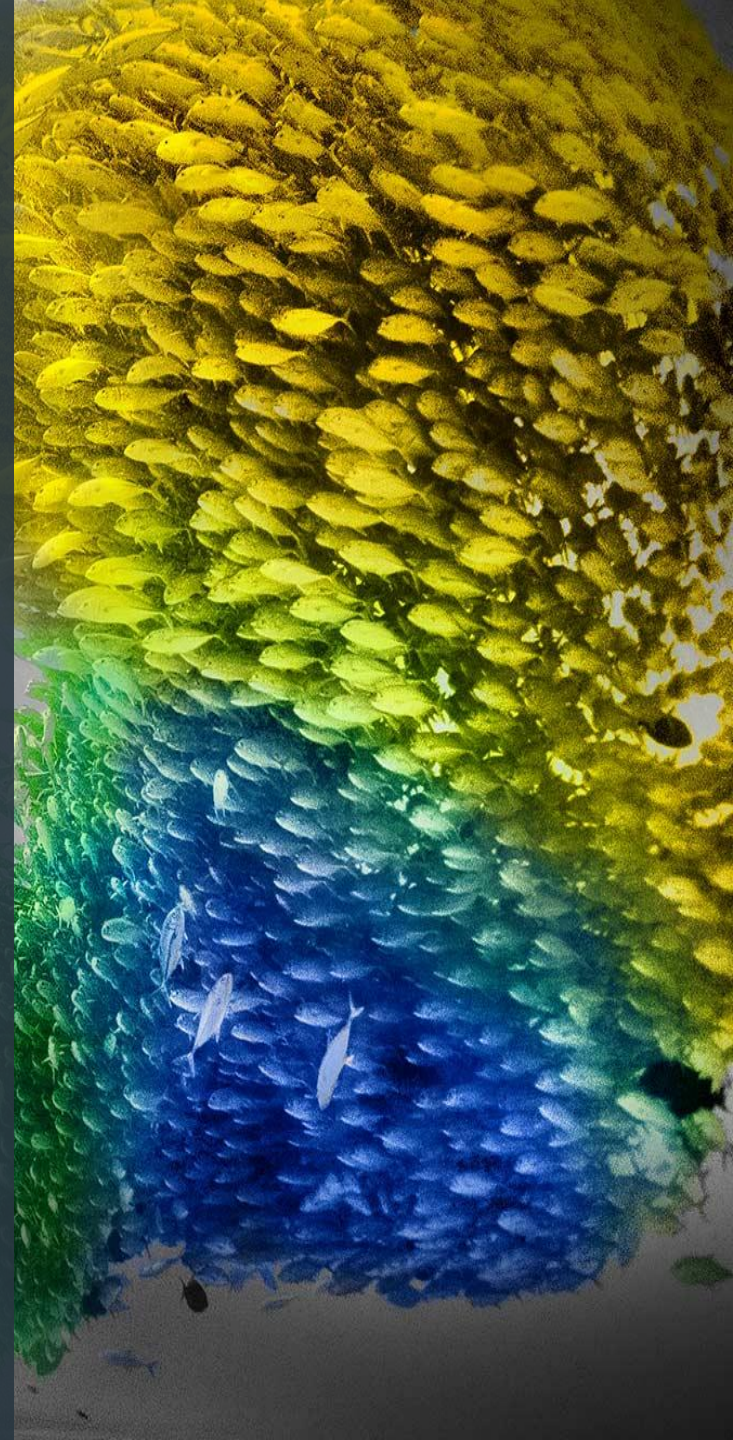
How to embark on an ESG journey

Thomas Tayler

Senior Manager, Sustainable Finance Centre for Excellence

Rachel Harris

Head of Credit, Equity & ESG Investment Specialists



What is ESG?

E Environment – e.g. pollution, water management, greenhouse gas emissions, renewable energy, waste etc.

S Social – e.g. labour standards, workforce productivity, supply chain practices, talent management etc.

G Governance – e.g. board diversity and accountability, bribery, corruption, lobbying activity etc.

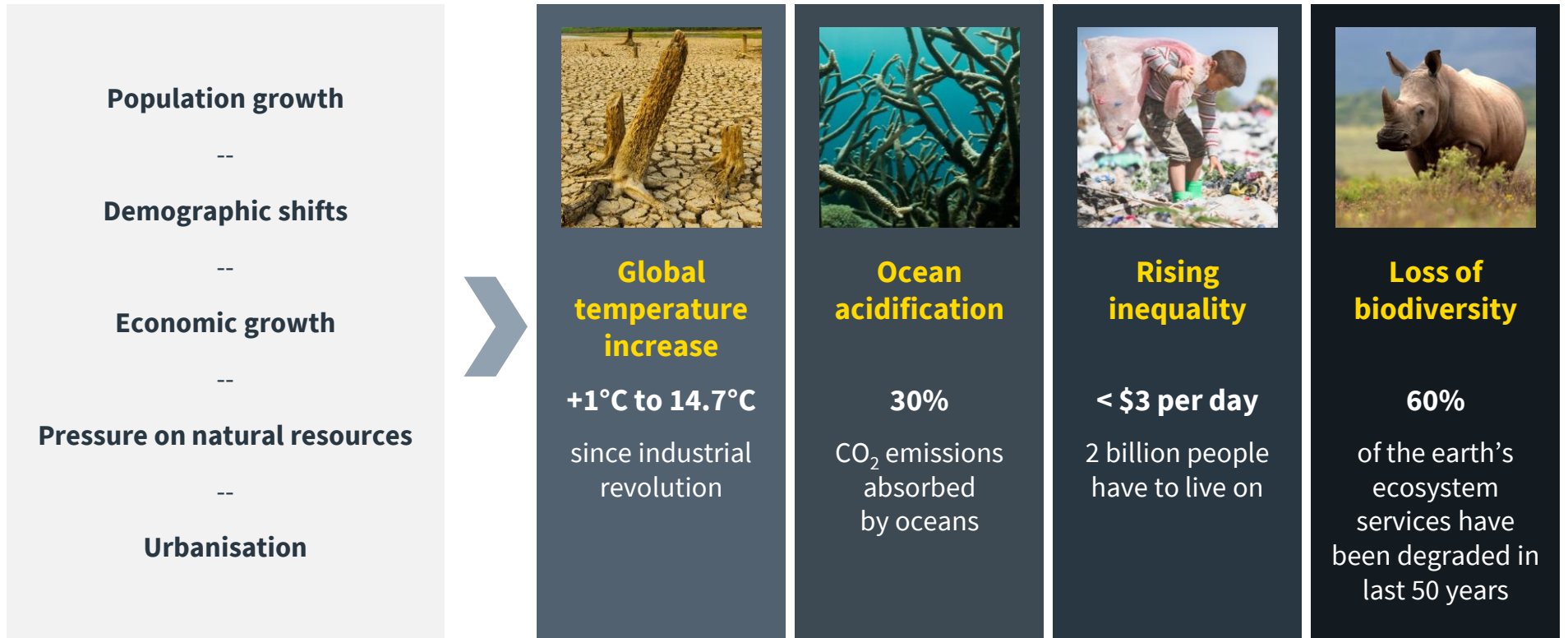


These are the non-financial aspects of a company's performance that we believe are key contributors to its bottom line.



Where we stand today

Making the right choices today is essential to create the future we want and avoid systemic risks



The reality of climate change

Ocean acidification

23% CO₂ emissions absorbed by Oceans



CO₂ concentrations up 410 parts per million in 2019

The highest level since the Pliocene era 3-5 million years ago



Global temperature increase

+1°C to 14.7°C since industrial revolution



Extreme weather

68% of extreme weather made more likely or more severe by human-caused climate change



Ice sheets melt

-413 Gt / year, Satellite data show that Earth's polar ice sheets are losing mass



Sea level rise

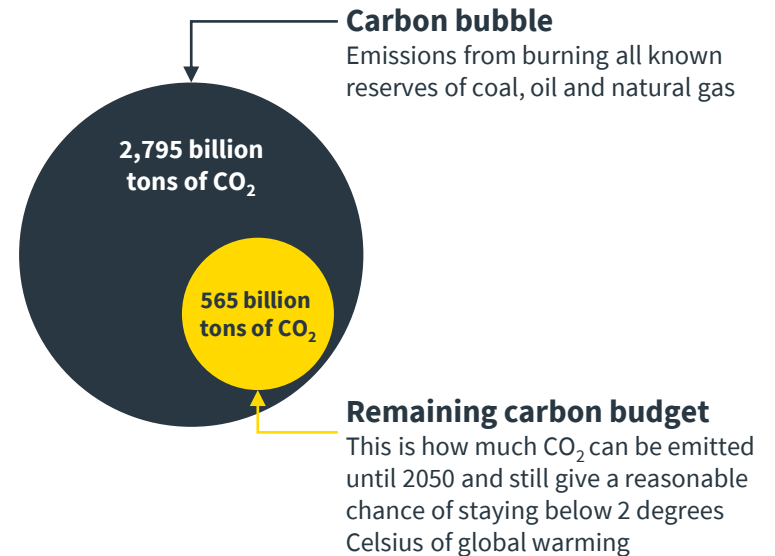
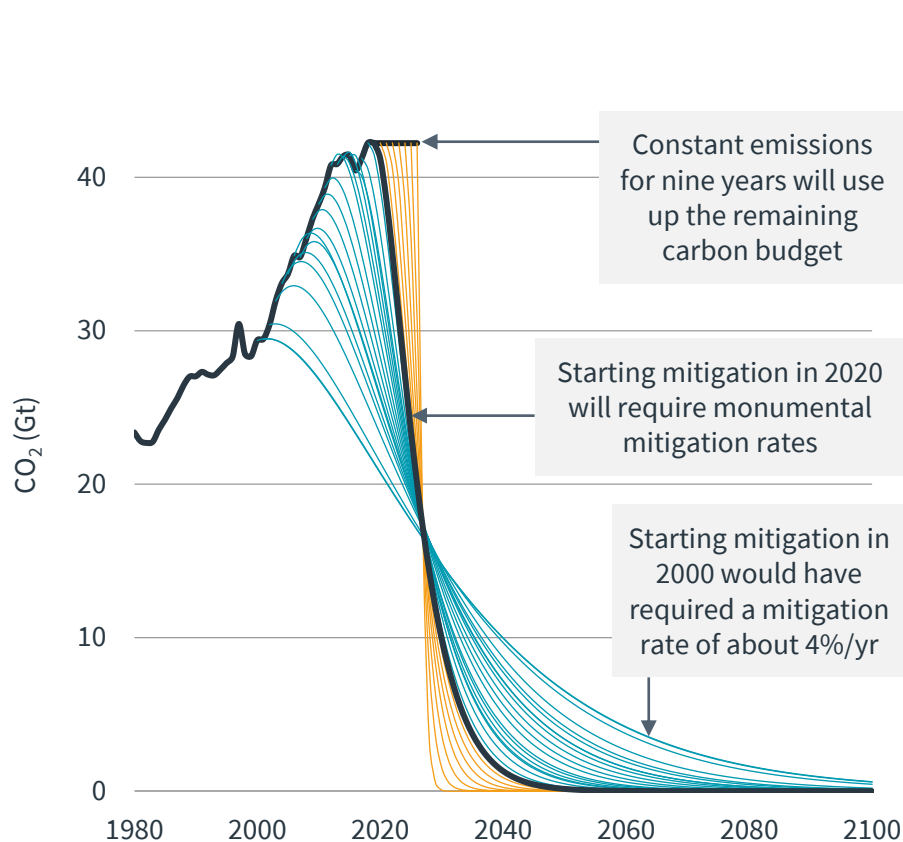
+6.1mm in 2019

Average increase of 3.2mm/year between 1993 and 2019

Source: World meteorological organization; NASA Global Climate-Change; Institute for Public Policy, This is a crisis: Facing up to the age of environmental breakdown, Feb 2019; <https://www.carbonbrief.org/mapped-how-climate-change-affects-extreme-weather-around-the-world>.

What's next? Meeting the 1.5°C carbon budget

CO2 mitigation curves: 1.5°C scenario



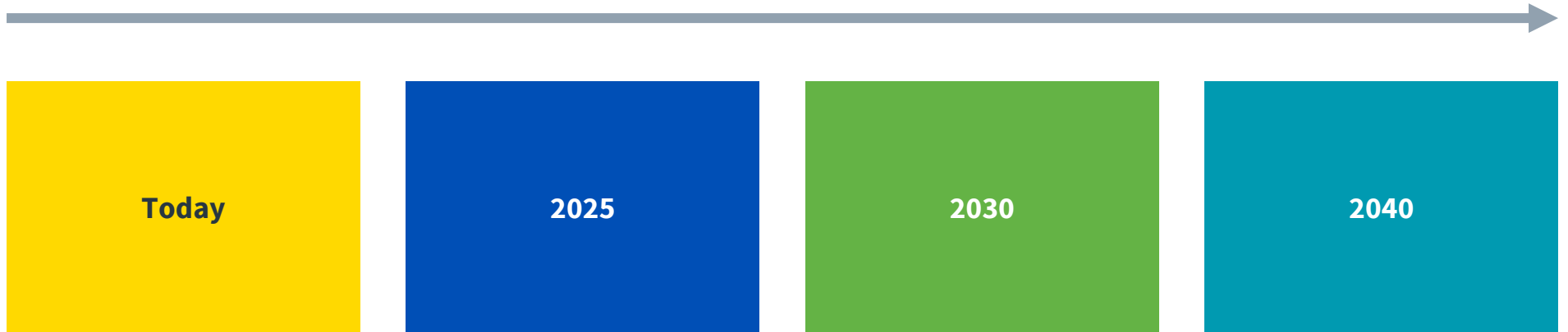
What can be done?

Reallocating capital to **low carbon technologies and solutions**

Source: Cicero, Andrew Robbins. CO₂ mitigation curves to limit global heating to 1.5°C above pre-industrial levels, 2019. (http://folk.uio.no/reoberan/t/global_mitigation_curves.shtml)

Aviva's climate ambition

Targeting Net Zero on carbon emissions we produce ourselves by 2030, from our suppliers by 2030 and from customers' and shareholders' investments by 2040



Source: Aviva Group. This is a synthesized timeline of Aviva's Net Zero pathway.

Aviva's Net Zero & Market Reform

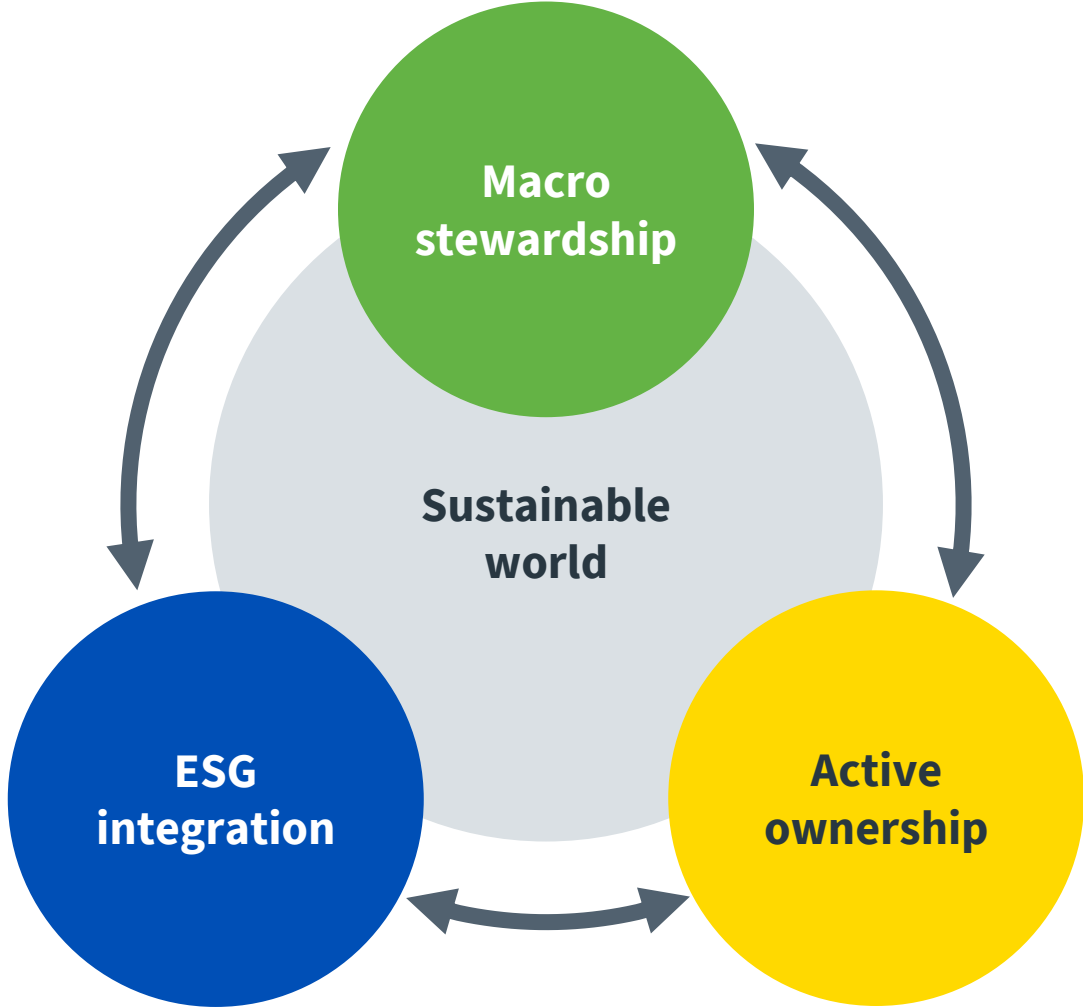
Market reform



Active Ownership



Our model for powering a more sustainable world



Please note: ESG factors are integrated into the investment process but for the majority of our products there are no binding criteria for asset selection. The Investment Manager retains discretion over asset or stock selection subject to the Baseline Exclusions Policy and objectives of the fund or strategy.

Active ownership in action



Barclays
Driving
climate action at
one of the world's
largest banks

The situation

Barclays are one of the largest lenders to fossil fuels globally and had been a laggard in responding to the threat of climate change

What we did

Engaged directly with Barclays, calling for the company to adopt a leading climate strategy. This included developing a house view on Paris alignment and a transition pathway for each sector.

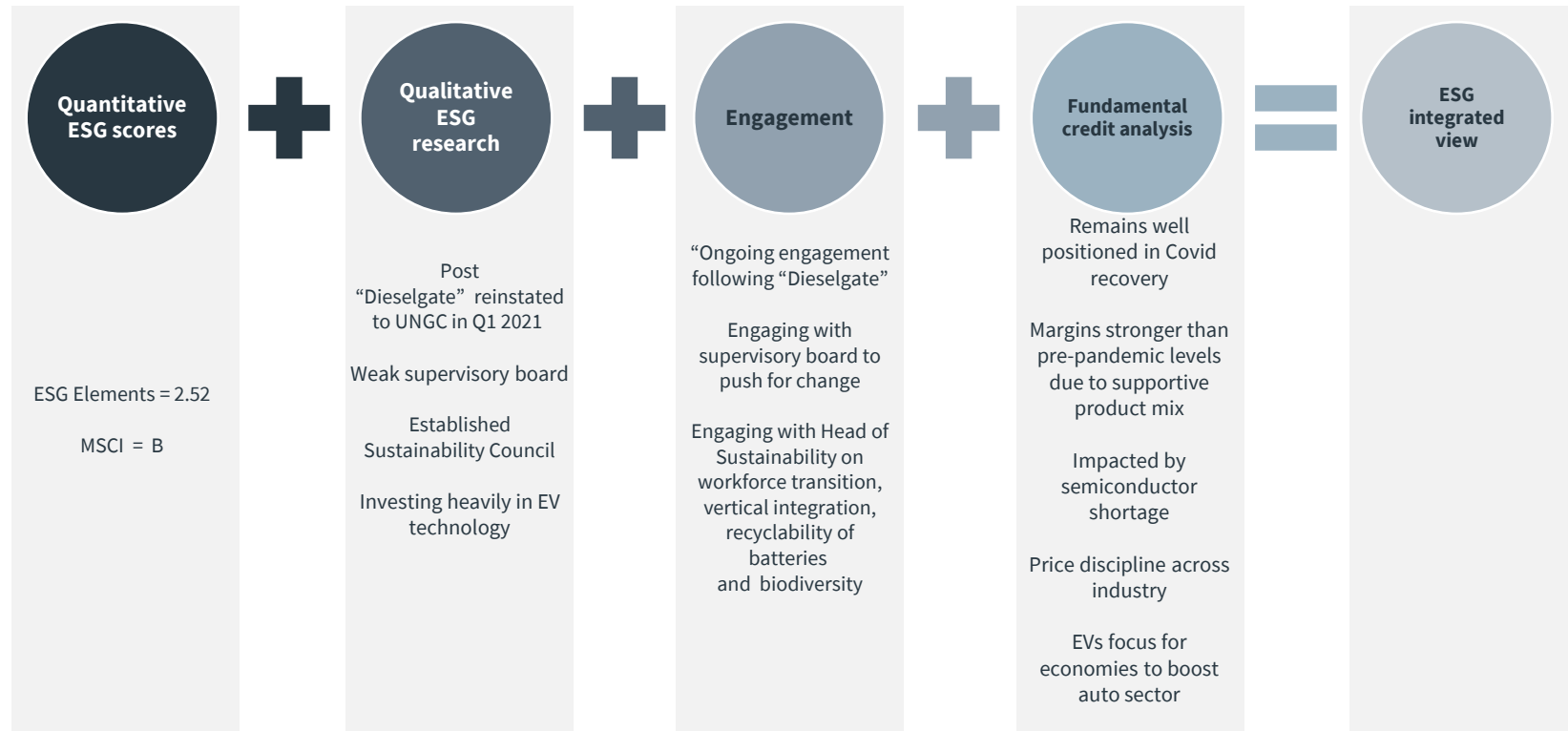
The outcome

Barclays responded with market leading ambition – to be the first bank globally to achieve net zero emissions in all financing activities by 2050.

Source: Aviva Investors as at 31 December 2020. Engagement and voting statistics are for the year 2020. ¹Defined as changes in corporate practices in line with Aviva Investors' recommendations. ²Includes votes against and abstains on management resolutions as well as votes in favour of shareholder resolutions.

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ESG integration in research



Source: Aviva Investors, MSCI, as at 30 September 2021. Securities or company names herein are for informational purposes only, do not constitute investment advice, are not a solicitation to buy or sell, may represent a small portion of holdings, are subject to change and may not be in the portfolio at the time you view this content

Sustainable outcomes approach

Committed to UN SDGs and innovating to develop investable outcomes to achieve them



Source: Aviva Investors. This approach only applies to certain strategies within the Credit, Equity and Real Assets range of products.

Meeting your needs

Mandate to deliver performance by investing into companies responding to climate change effectively

Long-term income and capital growth



Positive impact on climate



Targeting 90% of portfolio with science-based targets by 2030

The strategy does not currently have a sustainable investment objective and these are management targets .

What and why science-based targets (SBTs)

Defined pathway for companies to reduce greenhouse gas (GHG) emissions

Aligned to latest **climate science indications to meet Paris Agreement – i.e. 1.5°C aligned**

Companies, not just governments, commit to reducing GHG emissions

Companies can **positively influence international climate negotiations and domestic climate policy**

Targeting **90%** of portfolio with **science-based targets by 2030**

Key differentiators



Pioneering investment approach

Focus on transition **and** solutions maximises impact and improves diversification



Impact from portfolio and beyond

Changing companies and the rules of the game through active ownership and macro stewardship

The strategy does not currently have a sustainable investment objective

Pioneering investment approach

Avoid harm	Excluding companies focused on fossil fuel revenue generation
Invest in solutions	Meeting either climate adaptation or mitigation needs
Back transition	Using our proprietary Climate T-Risk model to identify firms managing their climate impact and where we can use engagement to drive change



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Impact from portfolio and beyond

Investments

Active ownership

Shaping our future

Environmental, Social and Governance (ESG) (cont.)

Carbon intensity

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Description	Portfolio	Benchmark	Portfolio vs. benchmark
Carbon intensity (t/USD million sales)	119.26	154.36	-35.10
% of coverage	60%	62%	

Source: Aviva Investors, Lipper, a Thomson Reuters company, as at 31 January 2019. Performance is shown mid-to-mid, in GBP. Inception date 1 October 2005.

Carbon intensity sector breakdown

Sector	Relative weighting to benchmark (%)	Portfolio score	Portfolio vs. benchmark
Industrials	1330.60	432.25	-470.03
Utilities	793.33	51.40	-88.20
Materials	459.80	225.37	-263.79
Informational Technology	-10.26	65.47	+49.77
Real estate	-49.71	5120.20	-3264.62
Communication services	-288.71	102.93	+168.20
Consumer Discretionary	-302.65	10.11	-4.57
Energy	-306.13	46.40	-23.00
Consumer Staples	-371.32	432.25	-23.00
Health Care	-458.90	51.40	-23.00
Financials	-943.39	225.37	-23.00
Portfolio Total		119.26	-35.00

Source: Aviva Investors, Lipper, a Thomson Reuters company, as at 31 January 2019. Performance is shown mid-to-mid, in GBP. Inception date 1 October 2005.



BARCLAYS

TESCO



IPCF

Net zero asset owners
and asset managers
alliances

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Climate metrics

	CT Global Credit Strategy	Bloomberg Barclays Global Aggregate Index
% weight of companies in portfolio with fossil fuel reserves	2.1	7.7
Weighted Average Carbon intensity tCO ₂ e / M\$ revenue	99.26	247.59
% weight of solutions providers in portfolio	32.7	19.9
% of companies with an Science based target (Target set/Committed to)	25%/17%	17%/9%

Dynamic active management backing **transition to lower carbon world**

Source: BRS Aladdin, Aviva Investors, as at 30 September 2021

Key risks

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 exchange rates. Investors may not get back the original amount invested.

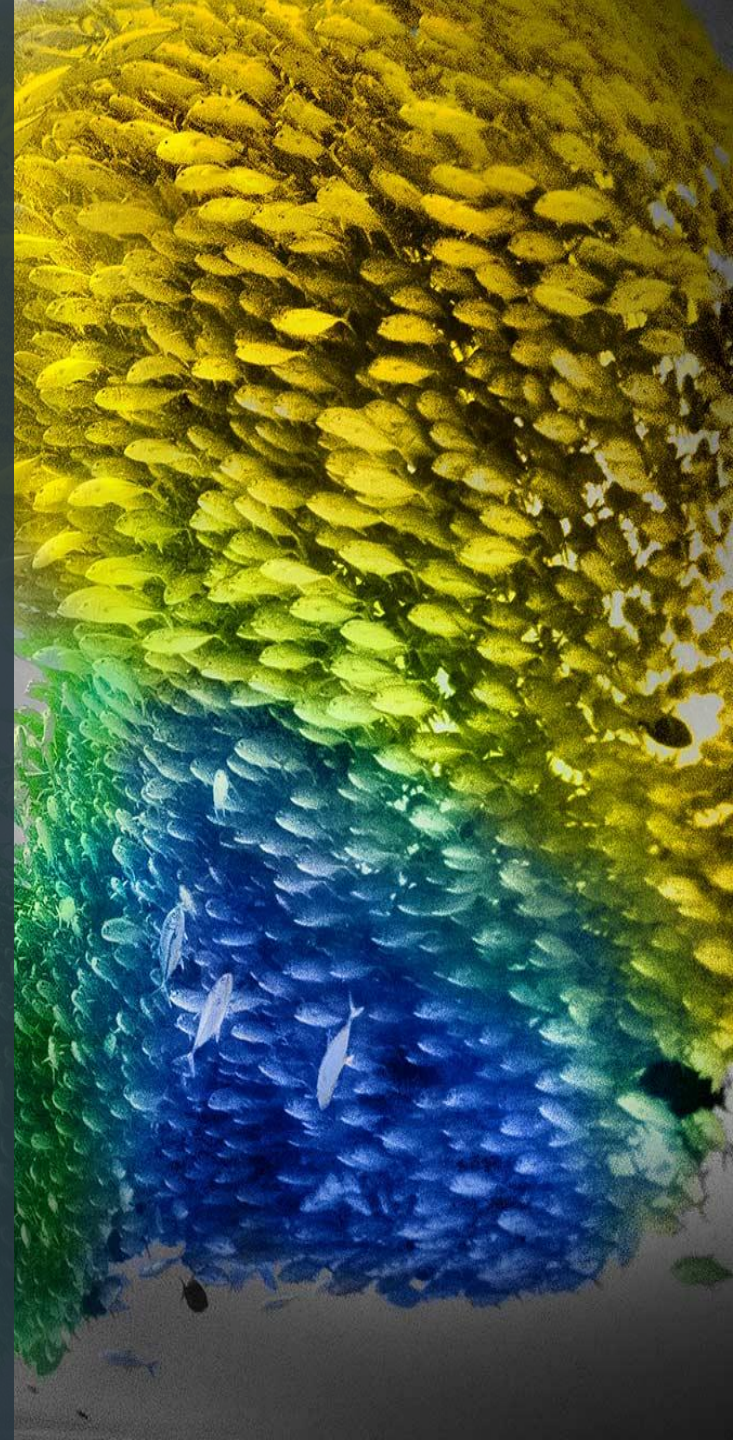
The Strategy uses derivatives, these can be complex and highly volatile. Derivatives may not perform as expected meaning the Strategy may suffer significant losses.

Certain assets held in the Strategy could be hard to value or to sell at a desired time or at a price considered to be fair (especially in large quantities), and as a result their prices could be very volatile.

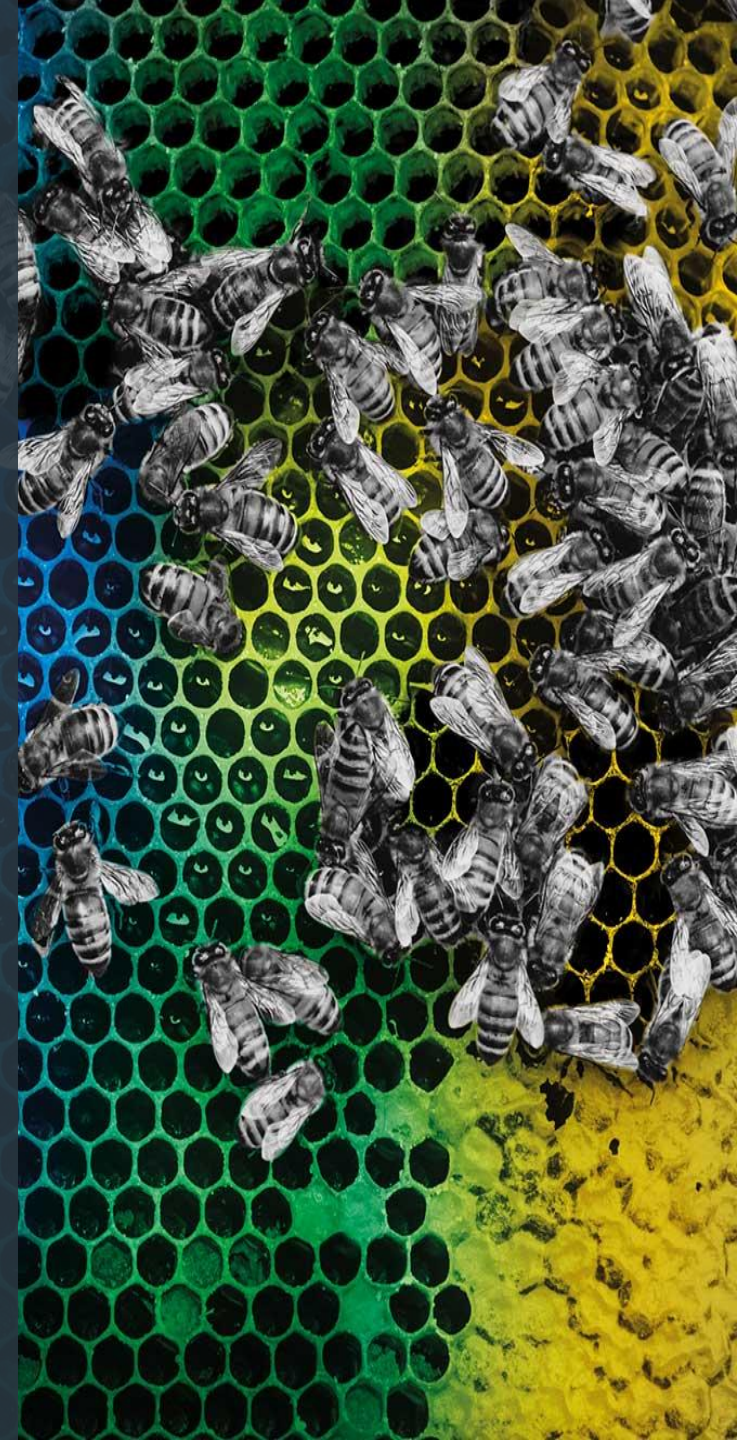
Bond values are affected by changes in interest rates and the bond issuer's creditworthiness. Bonds that offer the potential for a higher income typically have a greater risk of default.

Thank you

[avivainvestors.com](https://www.avivainvestors.com)



Appendix



Key strategy parameters

Portfolio managers	Tom Chinery, Justine Vroman
Benchmark	Bloomberg Barclays Global Aggregate Corporates Index (USD hedged)
Launch date	May 2021
Asset class mix	Global investment grade corporate bonds. Up to 5% in high yield
Performance target	0.75-1.00% p.a. over medium term
Climate target	90% of corporate bond issuers to have Science-based target (SBT) in place by 2030
Currency exposure	All non-USD bonds hedged back to USD
Interest rate duration	Not used for alpha generation purposes. Typically +/- 0.5 vs benchmark

Source: Aviva Investors.

Biography



Thomas Tayler
Senior Manager

Joined Aviva Investors in 2014
Joined the industry in 2014

Main responsibilities

Thomas is a Senior Manager in the Aviva Investors Sustainable Finance Centre for Excellence. His work focusses on market reform and sharing expertise and best practice on sustainable finance through the Aviva Investors ESG Academy. He is currently part-time seconded to the UN High Level Climate Champions Finance Team ahead of COP26.

Thomas supports Aviva Investors work regarding sustainable finance with a particular focus on market and regulatory reform, including contributing to the work of the COP26 High Level Climate Champions, the EU High-Level Expert Group on Sustainable Finance, the UK Green Market Taskforce, the UN-convened Net Zero Asset Owners' Alliance, and the UN Global Investors for Sustainable Development.

Experience and qualifications

Prior to joining Aviva Investors, Thomas previously worked at Allen & Overy LLP, the Department of the Treasury Solicitor, Beachcroft LLP and the University of Law.

Thomas is a member of the reference group for the UN PRI/UNEP Legal Framework for Impact project and is a qualified solicitor, holding an MA (Oxon) in Jurisprudence from Queen's College Oxford.

Biography



Rachel Harris

Head of Credit, Equities and ESG
Investment Specialists

Joined Aviva Investors in 2019
Joined the industry in 1995

Main responsibilities

Rachel is a senior investment director and heads up the Credit, Equities and ESG Investment Specialist team. Her team works closely with the credit and equities portfolio management teams to articulate their investment process, portfolio positioning and investment performance to clients and consultants around the world.

Experience and qualifications

Rachel began her career in Moscow at the Russian investment bank Renaissance Capital before moving back to the UK to focus on selling a variety of fixed income instruments to UK real money managers first at Credit Suisse First Boston and then at the Royal Bank of Scotland. She most recently worked at Janus Henderson Investors as the head of the European Fixed Income Client Portfolio Management team.

Rachel graduated from the University of Cambridge with a degree in Modern and Medieval Languages.

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