

Past performance is no guarantee of future results. The value of an investment and any income from it can go down as well as up. Investors may not get back the original amount invested.

STRATEGY IN BRIEF

Aviva Investors Climate Transition Global Credit Strategy

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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.

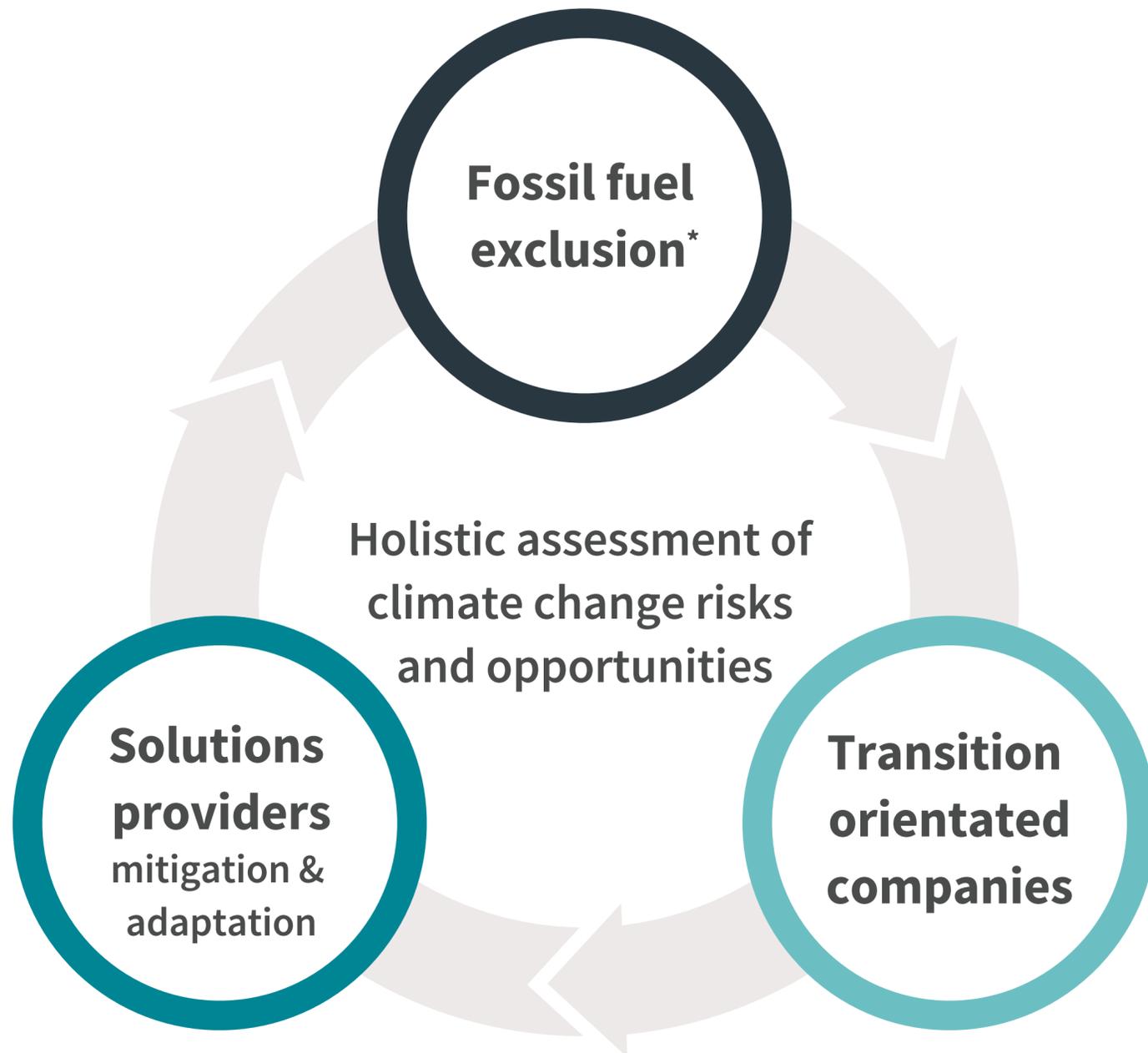
If society starts breaking down, markets will too. After all, unwavering faith in the idea the market is always right got us into this mess in the first place.”

Steve Waygood

Aviva Investors, Chief Responsible Investment Officer



Our approach to climate credit investing



*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.

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



Portfolio construction

Our **proprietary model** covers a broad range of industries and **seeks to reduce decarbonisation and physical climate risks** embedded in **corporate value chains**. This results in a **high conviction**, but **diversified portfolio**.



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.



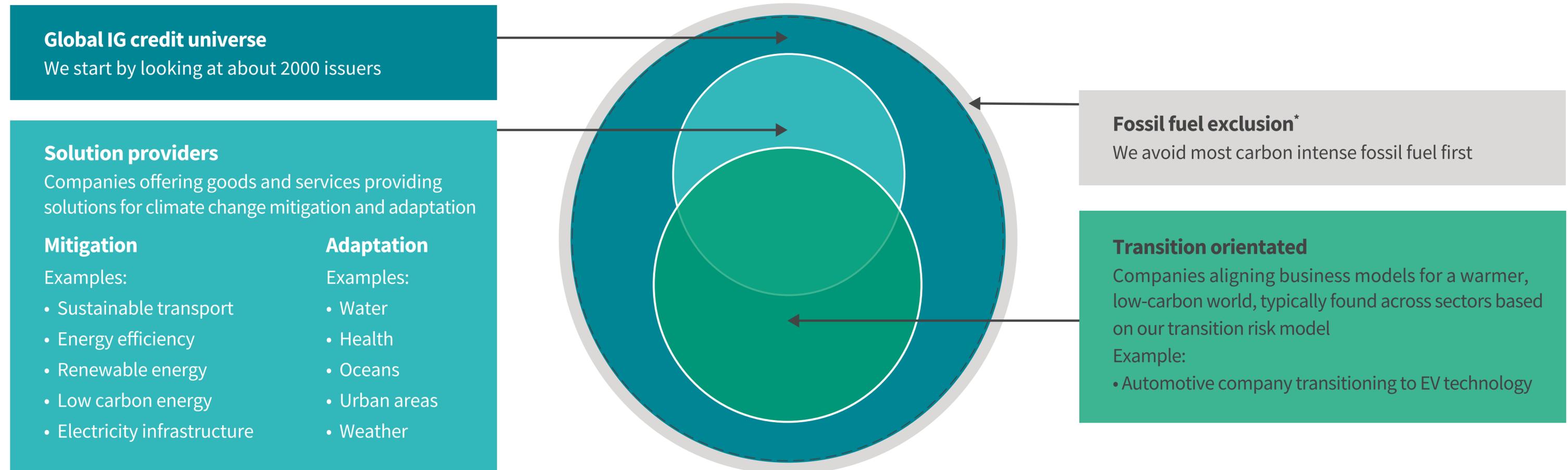
Leaders in stewardship and engagement

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-intensive 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.



*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.

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 year¹, 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°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.

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



Rick Stathers
ESG Climate Specialist

Specialist teams working alongside portfolio managers

Sustainable
Transition
Research

ESG
Corporate
Analysts

Engagement

Sustainable
Finance



6
Investment Grade
Portfolio Managers

23
Global Credit
Research

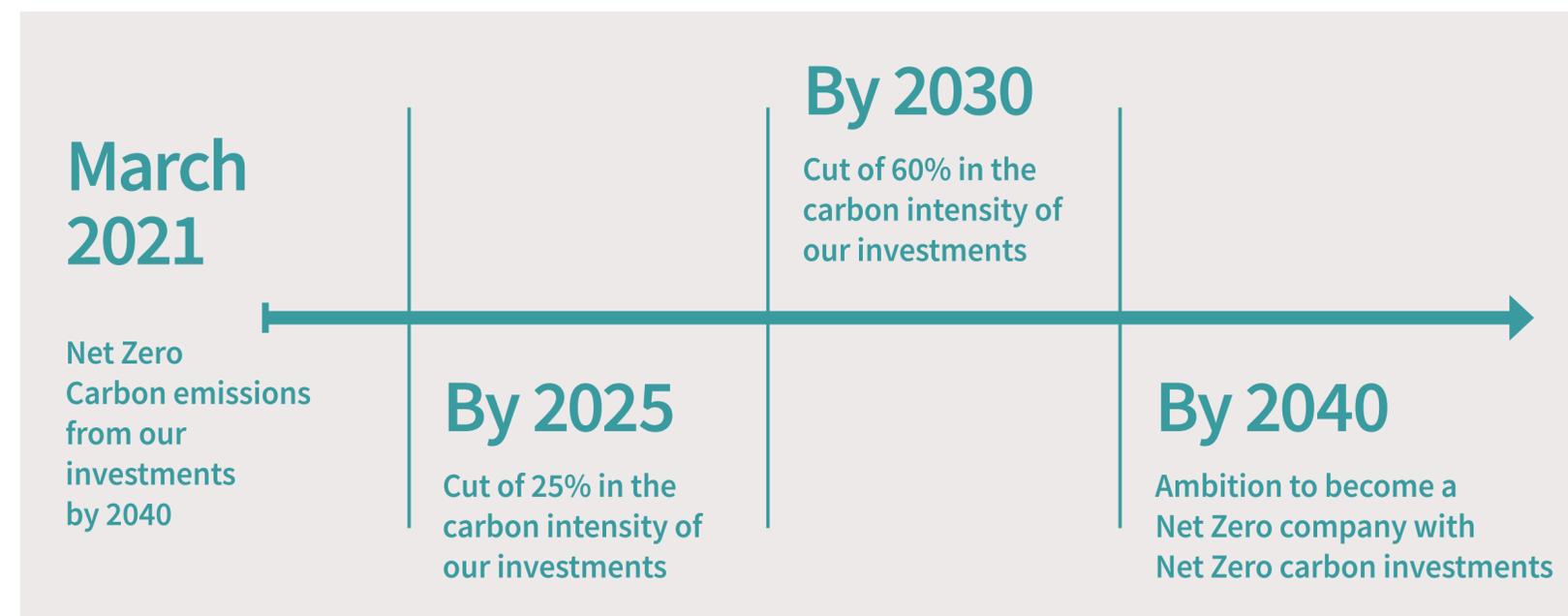
26
Corporate
ESG Team

10
Traders

Source: Aviva Investors as at 31st March 2023

Acting for climate transition

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



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 & 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



Contact us

Australia

+61 3 9653 6473

brett.jackson@avivainvestors.com

Benelux

+31 20 799 7707

crmeurope@avivainvestors.com

Germany, Austria and Nordics

+49 69 25 78 26 109

crmeurope@avivainvestors.com

Latam/US Offshore

+44 7786 513676

james.houston@avivainvestors.com

Singapore

+65 9168 0287

richard.surrency@avivainvestors.com

Southern Europe

+39 334 6645 229

crmeurope@avivainvestors.com

Switzerland

+41 44 215 90 14

crmeurope@avivainvestors.com

United Kingdom

+44 207 809 6000

uk.clientservices@avivainvestors.com

www.avivainvestors.com

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426457 – 31/05/2024

