Aviva Investors recognises and embraces its duty to act as long-term stewards of clients’ assets, maintaining 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 market participant means that our investment approach must support, and not undermine, the long-term sustainability of capital markets, economies, and society. We believe that integration of ESG considerations throughout the investment process can enhance the returns that we deliver to investors.

Aviva Investors UK Fund Services Limited (“AIUKFSL”) subscribes to the Aviva Investors Responsible Investment Philosophy, details of which are available here:


In summary the key pillars of AIUKFSL’s ESG approach, and how they apply to the funds we operate, are as follows:

1. **ESG integration**

   Investment managers selected by AIUKFSL to manage the funds will each have their own approach to implementing ESG considerations.

   Funds managed by Aviva Investors Global Services Limited (AIGSL) integrate “ESG factors” into the investment approach as set out in each fund’s Investment Objective and Policy and detailed in the relevant prospectus.

   Where a fund managed by AIGSL invests into a fund managed by another investment manager, selection of these 3rd party funds will consider the underlying investment manager’s ability to demonstrate an appropriate ESG framework, and their consideration of ESG factors in the investment process. However, it is important to note that this does not mean that these 3rd party funds are required to have ESG outcomes, the third-party investment manager retains discretion over which investments are selected for the fund.

   Where AIUKFSL appoints an investment manager other than AIGSL, the ESG policies and procedures will be assessed during the due diligence process. However, integration of ESG factors are at the discretion of the investment manager, and if applicable, will be set out in the fund’s Investment Objective and Policy.

2. **Stewardship and Engagement**

   AIUKFSL will ensure that investment managers appointed to manage its funds operate a voting and engagement policy consistent with the approach of engaging with companies and using voting rights to positively influence company behaviour. Whilst, investment managers appointed by AIUKFSL will apply their own stewardship policy, AIUKFSL will consider the respective stewardship policies in the context of the below factors, with regard both prospective and appointed investment managers:

   (1) integrates shareholder engagement into the delivery of the fund’s investment strategy;

   (2) monitors investee companies on relevant matters, including:

      (a) strategy;

      (b) financial and non-financial performance and risk;

      (c) capital structure; and

      (d) social and environmental impact and corporate governance;

   (3) conducts dialogues with investee companies;

   (4) exercises voting rights and other rights attached to shares;

   (5) cooperates with other shareholders;

   (6) communicates with relevant stakeholders of the investee companies; and

   (7) manages actual and potential conflicts of interests in relation to the firm’s engagement.

   AIUKFSL also reports annually on how the investment managers that it appoints have exercised voting rights attaching to investments in the funds, with an explanation of the most significant votes and use of proxy advisers (if any).

   Funds managed by AIGSL, will actively engage with companies and use voting rights with the aim of positively influencing company behaviour and helping to create competitive returns.
Details of the AIGSL stewardship policy applied to the funds for which they are investment manager are available here:  

AIGSL’s voting policy is available here:  
www.avivainvestors.com/en-gb/about/responsible-investment/policies-and-documents

AIGSL also reports annually on how they have exercised voting rights attaching to investments they manage (including those managed for AIUKFSL), with an explanation of the most significant votes and use of proxy advisers (if any). This annual report can be found here:  
www.avivainvestors.com/en-gb/about/responsible-investment/policies-and-documents

3. Exclusions

AIUKFSL applies certain exclusions to some of its funds as indicated within the respective fund’s Investment Objective and Policy, and certain exclusions to all of its funds, as set out below.

3.1. Exclusions applied to all funds:

AIUKFSL has prohibited investment in companies which derive prescribed levels of revenue from Controversial Weapons and Civilian Firearms (“Excluded Companies”). Details of the categories of activity which are excluded and the specific revenue thresholds applicable are set out in Appendix 1.

We have defined Controversial Weapons as weapons that have been subject to widespread ban or restriction by International Treaties and Conventions, on the basis they have one or more of the following characteristics:

• The weapon is indiscriminate, i.e. there is an increased risk of civilian casualties;

• The weapon can be classified as a weapon of mass destruction with a single incident resulting in a large number of deaths;

• The weapon is considered to be excessively injurious, i.e. it causes an inordinate amount of pain and suffering; and/or

• The weapon may have long term health impacts on the populations in areas where they are used.

We have defined Civilian Firearms as firearms and small arms ammunitions designed for civilian use, excluding products exclusively sold for the military, government, and law enforcement markets.

We have prohibited direct investment by the funds into any Excluded Companies. The funds are also prohibited from having indirect exposure to Excluded Companies except where:

• The fund has indirect exposure to a financial index and Excluded Companies are constituents of the financial index.

• The fund invests in other funds managed by third parties as the underlying funds may not operate exclusions equivalent to this Policy.

The application of these exclusions relies on data provided by external parties, which is used to determine whether a company meets the exclusion criteria.

When a company’s activities change this may lead to a reassessment of their eligibility in line with the excluded activities and revenue exclusion thresholds as set out in Appendix 1. If this reassessment concludes the company is now deemed to be an Excluded Company, then divestment from holdings in that company shall be completed within 90 days of that company being added to the list of exclusions.

3.2. Exclusions applied to the Aviva Investors Sustainable Income & Growth Fund

The following exclusions apply to the Aviva Investors Sustainable Income & Growth Fund which are set out below. If there are any differences between the exclusions set out in 3.1 above and the exclusions set out below, the more restrictive exclusion will apply.

a. The constituents of the composite index (60% MSCI® All Country World Index (Net) GPB and 40% Bloomberg Barclays® Global Aggregate Total Return Index Unhedged GPB) will be assessed according to ESG Ratings provided by MSCI, and the 20% with the lowest MSCI ESG Ratings will be excluded from eligibility for investment by the fund, as set out in the Investment Policy. This process will be repeated semi-annually, and any necessary changes to the excluded investments updated accordingly.

b. Certain categories of investment will not be eligible for investment by the fund:

• Companies with any involvement in controversial weapons (which are defined below);

• Companies that derive more than 10% of their revenue from thermal coal mining or coal power generation; and

• Companies with any involvement in the production of tobacco products, or that derive more than 25% of their revenue from the distribution and/or retail of tobacco products.

Controversial weapons –at the date of this Policy the following have been assessed as falling within the definition of
“controversial weapons” for the purposes of the exclusions for this fund. The fund will use Aviva Investors’ proprietary ESG model to assess the sustainability characteristics of investments and potential investments for the fund. The model, known as the “ESG Heatmap” is Aviva Investors’ key company-specific integration tool. It includes a range of material ESG data and analysis, including an internal governance rating, which is based on historic voting records. The ESG Heatmap is available to all of the Aviva Investors investment teams through the Bloomberg platform. The ESG Heatmap is based on a combination of independent ESG data and research with Aviva Investors own assessments of a company’s ESG practices (through monitoring and engagement), which are also recorded in its in-house database. The ESG Heatmap and database are used to help identify ESG-related investment risks and to prioritise areas of greatest ESG concern, having taken into consideration issues such as the size of the relevant holding, thematic priorities such as climate change, AGM-related priorities and the materiality of issues identified. At least 90% of the fund’s investments (other than bonds issued by governments) will be assessed against the ESG Heatmap which will assist Aviva Investors in making investment decisions alongside Aviva Investors assessment of ESG factors. The fund will need to meet an overall ESG Heatmap rating, which will be an average of the ratings of all the investments subject to assessment against the ESG Heatmap, though individual investments do not need to achieve a specific rating once the lowest 20% of the composite index by MSCI ESG Rating have been excluded. The assessment of the average ESG Heatmap rating of the fund will be carried out on a semi-annual basis.

3.3 Exclusions applied in respect of the AI Stewardship UK Equity Fund, AI Stewardship International Equity Fund, AI Stewardship UK Equity Income Fund, and AI Stewardship Fixed Interest Fund (“the Stewardship Funds”)

Some industrial sectors and activities will always conflict with the values of Stewardship. The screens shown below are fundamental to the Stewardship philosophy and a company engaging in them will not normally be considered for investment by the Stewardship Funds. Stewardship aims to adopt a practical and pragmatic approach. On rare occasions, a company may be removed from the exclusion list where its exposure to the negative investment criteria is minor, inconsequential or immaterial and the company makes a strong, positive contribution to society. Any overrides or additions to the exclusions will be at the discretion of AIGSL’s’ ESG team.

We use a range of experienced research providers to constantly monitor our investment universe and supply us with accurate data and insights into each company’s ESG performance. The large data bank we rely upon for screening the >3,000 securities in our investment universe is updated on a quarterly basis. Exclusion screens are reviewed annually for relevance and effectiveness, and we welcome input from our customers and independent advisers into this process.
At the date of this Policy the tables below set out the exclusions applied to the Stewardship Funds:

**Ethical & Social Exclusions**

<table>
<thead>
<tr>
<th>Issue</th>
<th>Negative Screening Criteria</th>
</tr>
</thead>
</table>
| Adult entertainment, pornography and violence-related products | • >10% of turnover from adult entertainment or pornography.  
• >10% of turnover from violent video games.  
• Any involvement in the manufacture of guns. |
| Alcohol | • >10% of turnover from the manufacture of alcoholic products.  
• >25% of turnover from the distribution or sale of alcohol products (e.g. retail, hotels, restaurants and leisure industries). |
| Animal welfare - animal testing | • Any involvement in the development and manufacture of non-medical related products (such as cosmetics, personal care, household cleaning products) where this has involved animal testing and where the company does not disclose an animal testing policy or statement.  
• Any involvement in providing animal testing services and where the company does not disclose an animal testing policy or statement. |
| Animal welfare – fur | • Any involvement in the production or design of fur pelt, raw materials and products containing fur or fur trim. It also includes companies that hunt, raise, trap animals for their fur. |
| Endangered species | • Involvement in the retail of threatened species, or components thereof, with insufficient action to prevent it. |
| Gambling | • >10% of turnover from gambling related activities. |
| Genetic Modification | • Companies that genetically modify plants (e.g. seeds, crops) and other organisms intended for agricultural use or human consumption. |
| Labour standards, human rights and Health & Safety controversies | • Companies that are the subject of severe controversies related to health & safety breaches or systematic failure to protect human rights and labour standards, with no evidence of serious or lasting remedial action. |
| Military - weapons and weapon systems | • Any involvement in the manufacture of whole weapons systems, components or support systems (including conventional, biological-chemical, cluster munitions, depleted uranium and nuclear weapons). |
| Tobacco | • Any involvement in the manufacture of tobacco related products.  
• >25% of turnover from the distribution or sale of tobacco related products (e.g. retailers). |

**Environmental Exclusions**

<table>
<thead>
<tr>
<th>Issue</th>
<th>Negative Screening Criteria</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chemicals</td>
<td>• Any involvement in production of chemicals restricted by the following international agreements: the Stockholm Convention, Montreal Protocol and OSPAR Priority List. (Note manufacturing lead compounds is a Layer 2 engagement issue.) This includes persistent organic pollutants, PCBs and CFCs.</td>
</tr>
<tr>
<td>Climate change - Aviation</td>
<td>• &gt;10% of turnover from aviation related activities i.e. airlines, airport operators and aircraft manufacturers.</td>
</tr>
<tr>
<td>Coal</td>
<td>• &gt;25% turnover from thermal coal mining or coal-fired power generation.</td>
</tr>
</tbody>
</table>
| Oil | • >10% turnover from oil sands extraction.  
• >25% turnover from oil operations, including pipelines.  
• Any involvement in oil operations in the Arctic. |
| Nuclear power generation | • >10% of turnover from nuclear power activities.  
• Any company deriving revenues from the mining of uranium. |
| Pollution | • Companies that are the subject of severe controversies related to environmental pollution, with no evidence of serious or lasting remedial action. |
3.4 Restrictions on investment and holding of Aviva Plc shares and other Aviva securities

AIUKFSL restricts its funds that are actively managed by investment managers within the Aviva group, such as Aviva Investors Global Services Limited, from being permitted to directly or indirectly invest in or hold Aviva Plc shares and other securities issued by Aviva Plc such as bonds, commercial paper and derivatives of these securities (collectively 'Aviva Securities'). The prohibition on indirect exposure to Aviva Securities shall not include:

- indirect exposure to a financial index, for example through an index future, where Aviva is a constituent of the financial index and,

- investment in other funds managed by third parties, where the underlying funds may have exposure to Aviva Securities.

Please note, the Aviva Investors Corporate Bond Fund, the Aviva Investors Distribution Fund, the Aviva Investors Monthly Income Plus Fund, the AI Sterling Corporate Bond Fund and the AI Pre-Annuitization Fixed Interest Fund hold an Aviva bond which is expected to mature in July 2020, and may, as a limited exception continue to hold this bond to maturity. In addition, the AI UK Listed Equity Fund and the AI UK Listed Equity Income Fund both received holdings of Aviva Plc shares on launch of the Sub-Funds, via an in-specie transfer ('Legacy Holdings'). These two Sub-Funds are permitted to continue to hold these Legacy Holdings but are prohibited from making any new direct investment in Aviva Plc shares.

The following funds are out of scope of the policy and may continue to invest in and hold Aviva Securities:

- Aviva Investors International Index Tracking Fund and Aviva Investors UK Index Tracking Fund, which may continue to invest in and hold Aviva Securities as they are both passively managed funds that track the performance of an index.

- Aviva Investors US Equity Income Fund and Aviva Investors US Equity Income Fund II, where the investment manager is River Road Asset Management LLC.

- Aviva Investors UK Listed Equity MoM 1 Fund where investment management is sub-delegated to Lindsell Train Limited and the Aviva Investors Japan Equity MoM 1 Fund where investment management is sub-delegated to Nomura Asset Management Co. Limited.

- Funds of the Aviva Investors Funds ACS which are managed by investment managers outside of the Aviva Group, and all of the funds of the Aviva Investors Passive Funds ACS managed by BlackRock Investment Management (UK) Limited. With the exception of the Legacy Holdings detailed above, all Authorised Contractual Scheme (ACS) funds will continue to be prohibited from directly investing in Aviva Plc shares by virtue of the Companies Act. However, all ACS funds which are not managed by AIUKFSL will continue to be permitted to have indirect exposure to Aviva Plc shares, and direct and indirect exposure to all other Aviva Securities.
### Appendix 1 – Excluded Activities and Revenue Thresholds

<table>
<thead>
<tr>
<th>Activity</th>
<th>Definition</th>
<th>Revenue Threshold</th>
</tr>
</thead>
<tbody>
<tr>
<td>Civilian Firearms</td>
<td>The manufacture of firearms and small arms ammunitions for civilian markets. The research excludes products exclusively sold for the military, government, and law enforcement markets.</td>
<td>≥ 5%</td>
</tr>
<tr>
<td>Cluster Munitions &amp; Landmines</td>
<td>Companies involved in, among others, development, production, use, maintenance, offering for sale, distribution, import or export, storage or transportation of: <strong>1. Cluster munitions.</strong> A conventional munition that is designed to disperse or release explosive submunitions each weighing less than 20 kilograms, and includes those explosive submunitions. It does not mean the following: A munition or submunition designed to dispense flares, smoke, pyrotechnics or chaff or a munition designed exclusively for an air defence role; A munition or submunition designed to produce electrical or electronic effects. <strong>2. Land mines.</strong> Mines designed to be exploded by the presence, proximity or contact of a person and which will incapacitate, injure or kill one or more persons. Mines designed to be detonated by the presence, proximity or contact of a vehicle (…) that are equipped with anti-handling devices, are not considered anti-personnel mines as a result of being so equipped.</td>
<td>0%</td>
</tr>
<tr>
<td>Nuclear Weapons</td>
<td>The manufacture of nuclear weapons and related systems and components.</td>
<td>≥ 5%</td>
</tr>
<tr>
<td>Biological &amp; Chemical Weapons</td>
<td>The manufacture of chemical or biological weapons and related systems and components. These are defined as: biological or chemical weapons that use pathogens such as viruses, bacteria, and disease-causing biological agents, toxins, or chemical substances that have toxic properties that kill, injure, or incapacitate.</td>
<td>0%</td>
</tr>
<tr>
<td>Depleted Uranium</td>
<td>Companies that manufacture depleted uranium weapons, which are controversial due to the long-term toxicity and radiation hazards.</td>
<td>0%</td>
</tr>
<tr>
<td>Incendiary (white phosphorous)</td>
<td>Companies that manufacture weapons that are primarily designed to set fire to objects or to cause burn injury to people</td>
<td>0%</td>
</tr>
<tr>
<td>Laser Blinding weapons</td>
<td>Companies that manufacture weapons utilizing laser technology that causes permanent blindness to the target.</td>
<td>0%</td>
</tr>
<tr>
<td>Non-detectable Fragments</td>
<td>Companies that manufacture weapons that use fragments undetectable by x-ray to inflict injury to targets.</td>
<td>0%</td>
</tr>
</tbody>
</table>