

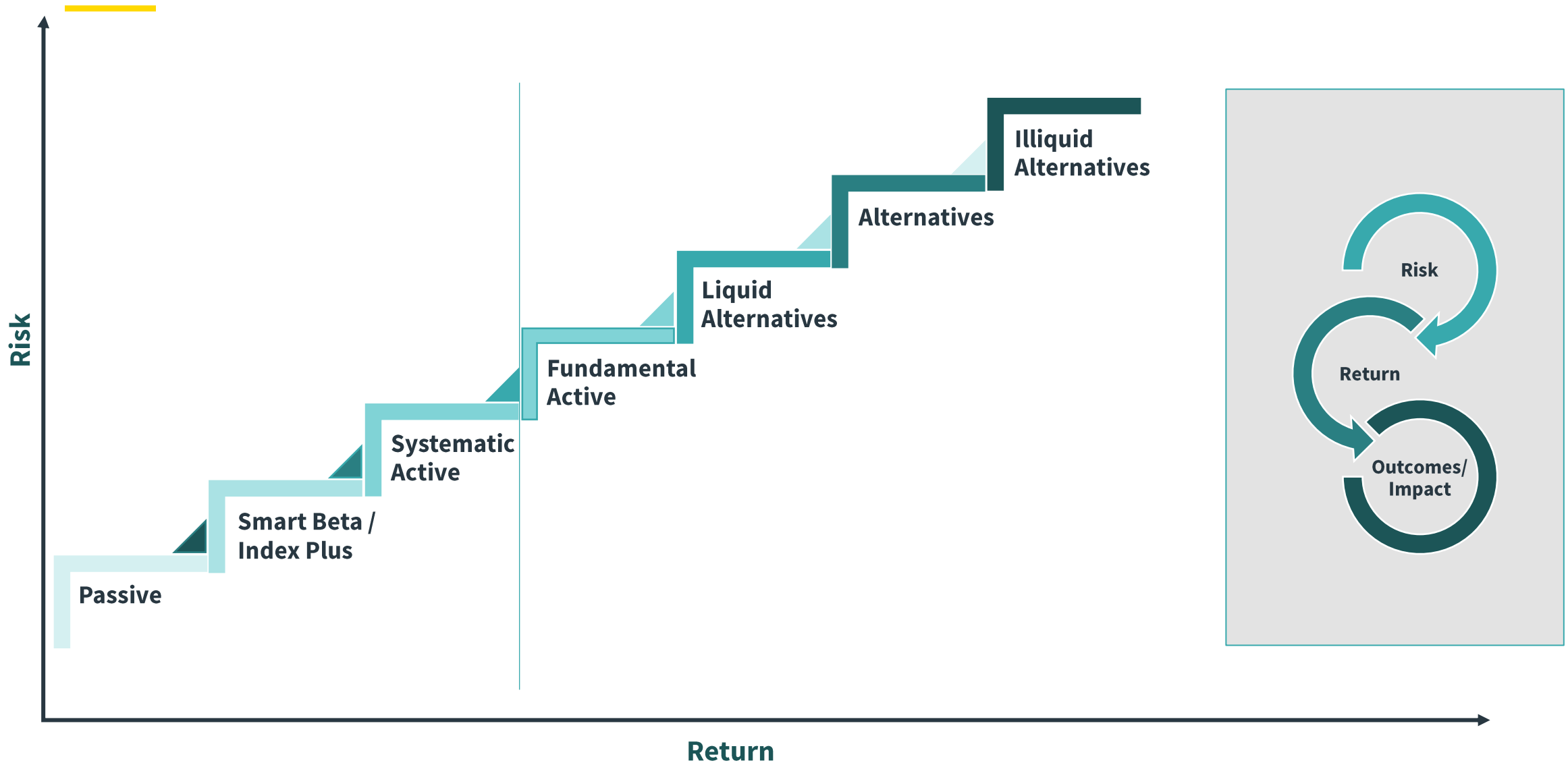
# ESG v Sustainable: What can you target?

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# ESG: What has really changed?

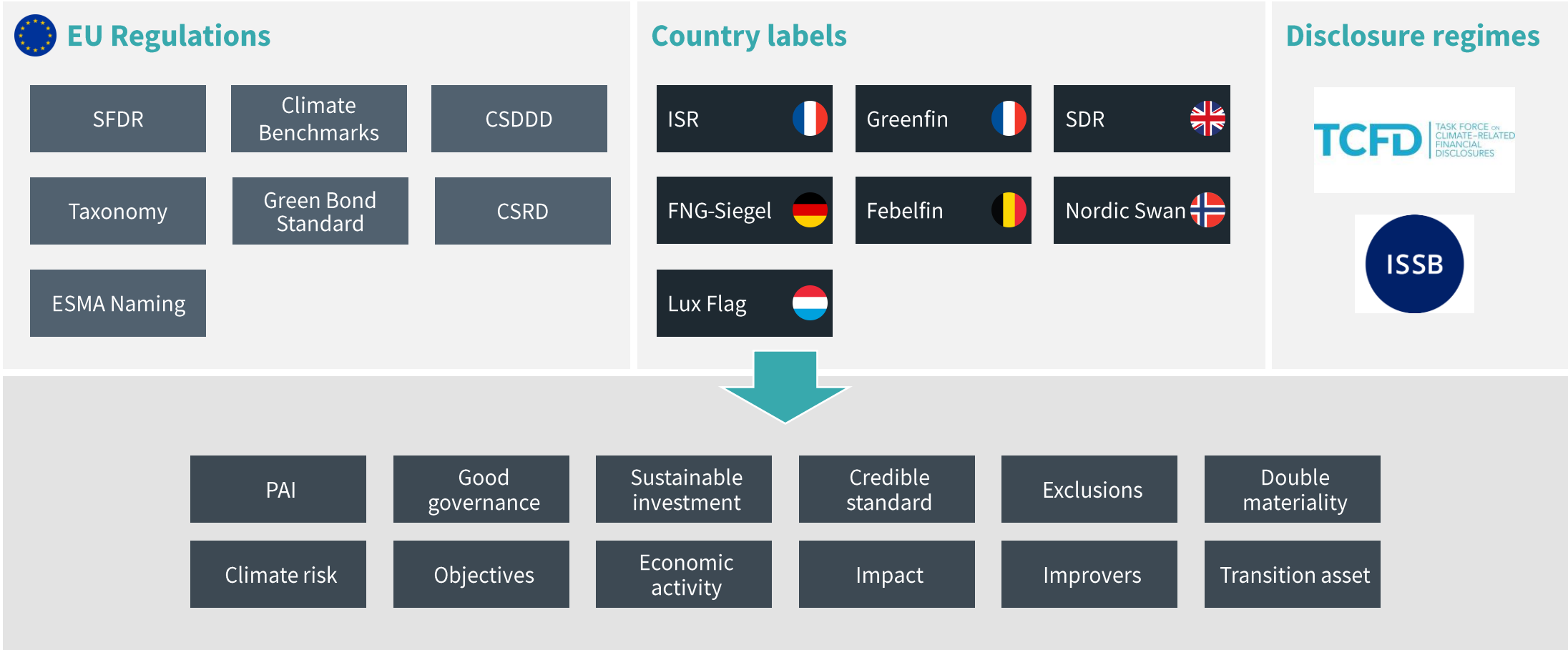


# ESG Products: The “Old” World

Process	Product			
ESG Integration	Screened	ESG Broad	ESG Thematics	Impact
Funds that consider E/S&G factors in investment decision making process	Use negative exclusions to define investment universe. Described as “ESG Screens” or “Ethical Screens”	Use E/S/G metrics to target a portfolio outcome – e.g. Improved ESG Score / Portfolio CO2 reduction	Identify E/S/G trends and investments to deliver positive returns	Target investments that aim to deliver real world “Impact” alongside financial objectives
Improve Risk-adjusted Performance	Performance Neutral	Return Focussed		Dual Objective



# A tidal wave of regulation and standards



# The “New” World?

	ESG “Article 8”			SUSTAINABLE “Article 9”	
	Screened	ESG Broad	ESG Thematics	Sustainable Thematics	Impact
	Use negative exclusions to define investment universe. Can be used to meet E/S objectives	Use E/S/G metrics to target a portfolio outcome – e.g. Improved ESG Score / Portfolio CO2 reduction	Identify E/S/G trends and investments to deliver positive returns	Identify sustainable trends where investments can deliver returns and sustainable outcomes	Targeting investments that will deliver real world “Impact” alongside financial objectives
Climate funds	Fossil Fuel Free	Climate aware /aligned	Climate Opportunities	Climate/Transition Finance	Climate Impact
Investor objective	Reputational	Decarbonisation targets (Support)	“Alpha”	Intention	



# Targeting Sustainable Outcomes



	Climate	People	Earth
3 sustainable outcomes	<ul style="list-style-type: none"> <li>Decarbonise global economy</li> <li>Mitigate carbon intensive operations</li> <li>Adapt to consequences of warming</li> </ul>	<ul style="list-style-type: none"> <li>Respect human rights</li> <li>Promote decent work</li> <li>Responsible corporate behaviour</li> </ul>	<ul style="list-style-type: none"> <li>Reduce deforestation</li> <li>Value our finite natural resources</li> <li>Protect biodiversity</li> </ul>
Product considerations	Allocation: Solutions and operational excellence		
	Avoid: Activities that do significant harm		
	Advance: Best practice through engagement		

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

# Sustainable Fixed Income – Product Framework

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**Aim: Develop a framework from which to build a cohesive, consistent and researched Sustainable Fixed Income product suite**

**3 key layers:**

**1. How do you treat instruments/exposures across different sub asset classes in a consistent manner?**

- Leverage frameworks, models, data that already exist
- Continue to build and evolve as more research is completed

**2. What relevant frameworks/labels exist to guide product development for a specific use case?**

- SFDR/SDR/Labels
- IIGCC Net Zero Framework
- Competitors

**3. What are the specific outcomes needed to align with the target client segment?**

- Decarbonisation targets, benchmarks, screens
- Client specific

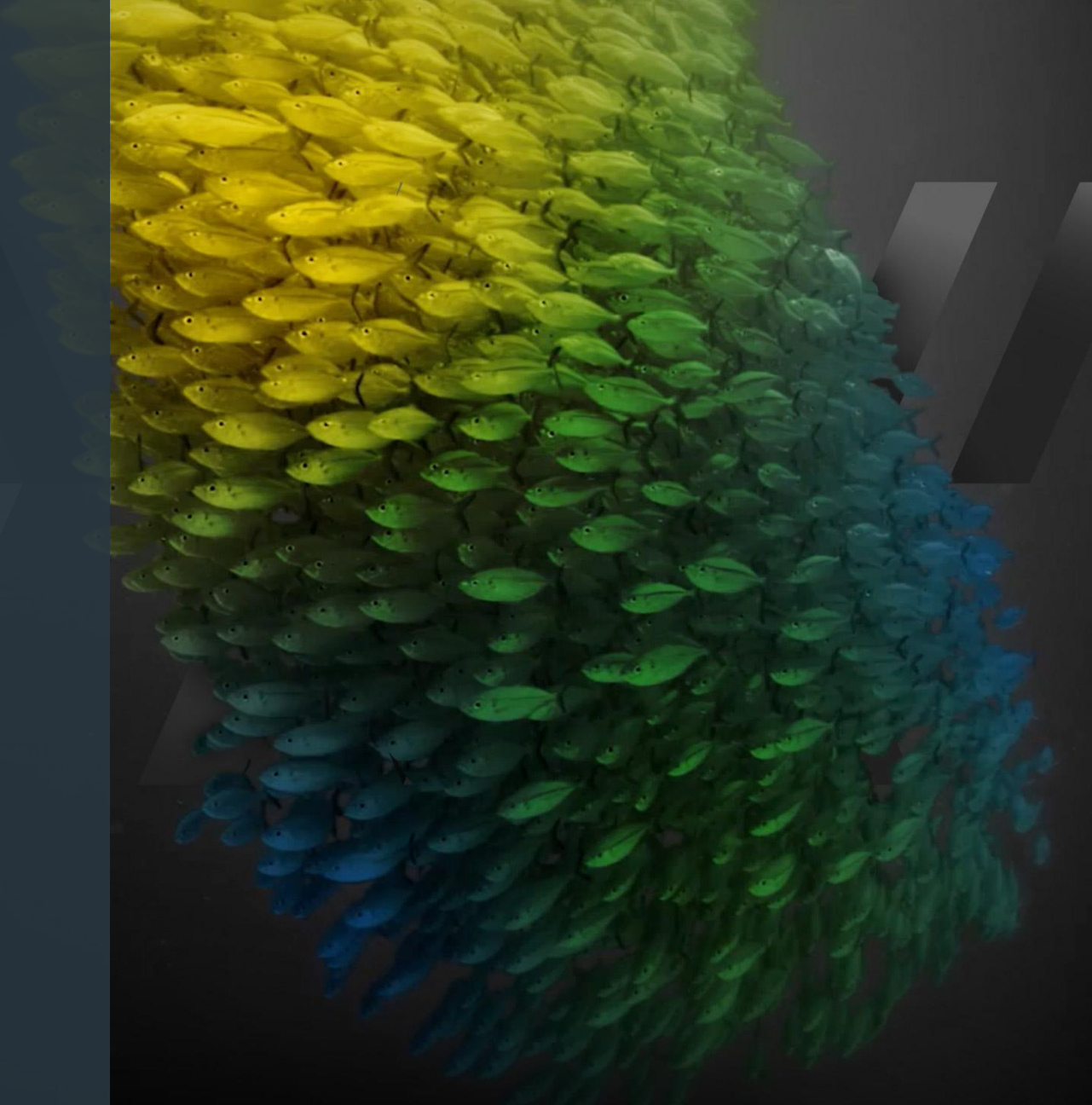
# Sustainable Fixed income

Sub asset class	SFDR (Art9)	Sustainable		ESG / Exposure			
	SDR (Label)	Impact	Sustainable Investment	Leader/Improver	Neutral	Laggard	No go
Cash / Short dated	Cash				Liquidity Funds (art 8)		
Govt Bonds	Govt DM	GSS Bonds (incl SLB)	On track SDGs Climate Sov T risk top quartile	AI Sov Data: SDG index; Ascior; CCPI/ BR Sustainable GDP GAP%	DM Sovs	Bottom quartile Climate Sov Score; not on track to meet SDGs?	EU Sanctions; No NDC/NZ target
	Govt EM	GSS Bonds (incl SLB)			Should EM countries be neutral IF we need to move finance that way?	Bottom quartile Climate Sov Score; not on track to meet SDGs?	EU Sanctions; No NDC/NZ target
	Sub Sovereign	GSS Bonds (incl SLB)	Qual Assessment?	Qual Assessment?	Qual Assessment?	Qual Assessment?	TBC
	Supra/MDB	YES	YES				
	Agency	GSE TBC	GSE TBC				
Credit	Credit DM	GSS Bonds (incl SLB)	AI SI Test Transition Companies held in SO Funds; Solutions companies; Strongly Aligned SDG (MSCI)	T-Risk output (not assessed for funds); SBTI approved	Neutral SDG	Misaligned SDG	BEP + Sustainable Outcomes Screens (+Strongly Misaligned SDG)
	Credit EM	GSS Bonds (incl SLB)	Transition Companies held in SO Funds; Solutions companies; Strongly Aligned SDG (MSCI)	T-Risk output (not assessed for funds); SBTI approved	Neutral SDG	Misaligned SDG	BEP + Sustainable Outcome Screens (+Strongly Misaligned SDG)
Securitised	Securitised	GSS Bonds / impact mortgage	Bespoke framework required	Bespoke framework required	Neutral SDG	Misaligned SDG	BEP + Sustainable Outcome Screens (+Strongly Misaligned SDG)



# Thank you

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# Important Information

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