

Product name: Aviva Investors - Multi-Strategy Target Return Fund

Legal entity identifier:  
549300LVG2Y9VF6GWX06

## Environmental and/or social characteristics

Does this financial product have a sustainable investment objective?

Yes
    No

- |   |   |
|---|---|
| <p><input type="checkbox"/> It will make a minimum of <b>sustainable investments with an environmental objective</b> :___%</p> <ul style="list-style-type: none"> <li><input type="checkbox"/> in economic activities that qualify as environmentally sustainable under the EU Taxonomy</li> <li><input type="checkbox"/> in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy</li> </ul> <p><input type="checkbox"/> It will make a minimum of <b>sustainable investments with a social objective</b>: ___%</p> | <p><input type="checkbox"/> It <b>promotes Environmental/Social (E/S) characteristics</b> and while it does not have as its objective a sustainable investment, it will have a minimum proportion of ___% of sustainable investments</p> <ul style="list-style-type: none"> <li><input type="checkbox"/> with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy</li> <li><input type="checkbox"/> with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy</li> <li><input type="checkbox"/> with a social objective</li> </ul> <p><input checked="" type="checkbox"/> It promotes E/S characteristics, but <b>will not make any sustainable investments</b></p> |
|---|---|

**Sustainable investment** means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

**The EU Taxonomy** is a classification system laid down in Regulation (EU) 2020/852, establishing a list of **environmentally sustainable economic activities**. That Regulation does not lay down a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.



### What environmental and/or social characteristics are promoted by this financial product?

Whilst the Sub-Fund may invest in underlying investments that contribute to climate change mitigation and/or climate change adaptation, the Sub-Fund does not make any minimum commitment to invest in one or more environmentally sustainable investments.

No reference benchmark has been designated for the purpose of attaining the environmental or social characteristics promoted by the Sub-Fund.

The below criteria are binding on the investment process to ensure underlying investments are inclusive of those securities promoting environmental or social characteristics:

The exclusions detailed below will be applied to this universe.

A. The Investment Manager's ESG Baseline Exclusions Policy which includes the following exclusions:

- Controversial weapons including nuclear weapons
- Civilian firearms
- Thermal Coal
- Non-conventional fossil fuels (arctic oil and tar sands)
- Breaches of principles of the UN Global Compact ("UNGC"); and
- Tobacco.

The exclusions are based on:

a) A maximum acceptable percentage of estimated revenue derived from the specific activities; the maximum acceptable percentage of revenue thresholds are:

- Controversial weapons 0%, except for nuclear weapons which are at 5%\*
- Civilian firearms 5%
- Thermal Coal 5%\*\*
- Non-conventional fossil fuels (arctic oil and tar sands) at 10%\*\*
- Tobacco producers at 0% and tobacco distribution or sale at 25%

\* This is applicable until 31 July 2023. As from 1st August 2023, the percentage of revenue threshold for nuclear weapons will be 0% for companies involved in, among others, development, production, use, maintenance, offering for sale, distribution, import or export, storage or transportation of nuclear weapons, where this supplies nuclear states outside of the UN Treaty on Non-Proliferation of Nuclear Weapons (1970).

\*\* Companies that have an approved SBTi (Science Based Target) which has a classification of 1.5°C or Well Below 2°C are an exception to these thresholds.

b) MSCI's controversy screening data to identify recent controversies to the Principles set out under the UN Global Compact. An Aviva Investors ESG Analyst qualitative assessment is additive to this process to confirm if the failings are irredeemable based on company behaviours since the controversy. If failings are considered to be redeemable, the Investment Manager will place the company into a structured and time bound engagement program.

Further details on the Investment Manager's ESG Baseline Exclusions Policy are available at <https://www.avivainvestors.com/en-gb/about/responsible-investment/policies-and-documents/>.

B. ESG Sovereign Assessment on the sustainability characteristics of sovereign issuers and minimum thresholds applied across sovereign issuers based on the Investment Manager's proprietary ESG scores.

A minimum threshold ESG score for sovereigns at 2.5 is applied to the investment universe, with the aim of screening out those with the worst ESG characteristics.

The scores are derived from the Investment Manager's proprietary ESG Sovereign Monitor. For issuers scoring between 2.5 and 4 an enhanced due diligence process will operate whereby such issuers will need to pass a further qualitative assessment to be included in the sub-fund. The considerations for these lower scoring issuers, include but are not limited to, having a positive sustainable GDP gap, or where the ESG analyst considers the data is outdated, inaccurate or incomplete.

The Investment Manager believes providing debt financing to sovereigns supports the pivotal role they play in the transition to a more sustainable future. The Investment Manager also recognises associated sustainability risks. Effective state governance reduces those risks but, where appropriate, sovereigns are excluded from the Sub-Fund's investment universe, subject to exceptions that mitigate unintended consequences and data limitations.

Assessments are made using: the Investment Manager's proprietary sovereign ESG model (which assigns ratings on a scale of 0 to 10 where sufficient information is available) as a starting point, external data, and qualitative judgements from the Investment Manager's inhouse ESG specialists. The ESG Sovereign Monitor's quantitative scoring approach assigns a composite ESG score to over 170 countries. These scores are derived from over 400 individual data points, which form 11 composite indicators.

Following a considered review of these ESG research insights, a decision may be taken to exclude a sovereign issuer from the Sub-Fund's investment universe in order to mitigate the Investment Manager's judgement of sustainability risks and falling below the Investment Manager's minimum standard.

More information on the Investment Manager's proprietary sovereign ESG model and the rating methodology can be found on the website:

<http://www.avivainvestors.com/en-lu/about/responsible-investment/>

C. In February 2021, Aviva Investors announced its Climate Engagement Escalation Programme' which will require 30 companies regarded as 'systemically important carbon emitters' to deliver net zero scope 3 emissions by 2050 and establish robust transition roadmaps to demonstrate their commitment to immediate action on climate change as the world's carbon budget diminishes.

The Programme will run for between one and three years, depending on individual company circumstances, and incorporate clear escalation measures for non-responsive businesses or those that do not act quickly enough. Aviva Investors is committed to full divestment of targeted companies that fail to meet its climate expectations. Divestments will apply across the firm's equity and debt exposures.

D. The Corporate Good Governance Qualitative Assessment criteria as outlined in the SFDR, is considered through the lenses outlined above. For corporates, the good governance principle introduced by SFDR will be met through a combination of the UNGC (as part of the Investment Manager's ESG Baseline Exclusions Policy noted above) and a qualitative assessment as part of the investment analyst research process. For sovereigns, good governance will be covered through the ESG assessment and minimum Sovereign monitor scores. Good governance indicators form a substantial component of the Investment Manager's ESG scoring tools and ESG research.

● ***What sustainability indicators are used to measure the attainment of each of the environmental or social characteristics promoted by this financial product?***

It is anticipated that the sustainability indicators reported on for this Sub-Fund will include, but not be limited to:

1. Portfolio metric of any revenue derived from excluded activity (e.g. thermal coal)
2. UNGC 'severe' and 'very severe' incidents avoided and commentary on any exceptions
3. Tiered breakdown of portfolio by ESG Sovereign Monitor rating and commentary rationale explaining any 'exception' below threshold
4. Additionally, the Sub-Fund will measure exposure to the Principle Adverse Impact indicators that the Investment Manager has committed to prioritizing in its Principle Adverse Impact Statement. For reference these include:

**Sustainability indicators** measure how the environmental or social characteristics promoted by the financial product are attained.

- a. Indicators relating to Greenhouse Gas (GHG) Emissions
  - b. Indicators pertaining to activities negatively affecting biodiversity-sensitive areas
  - c. Indicators relating to Board Gender Diversity
  - d. Indicators relating to Greenhouse Gas (GHG) Intensity of investee countries
- ***What are the objectives of the sustainable investments that the financial product partially intends to make and how does the sustainable investment contribute to such objectives?***

N/A.

**Principal adverse impacts** are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

- ***How do the sustainable investments that the financial product partially intends to make, not cause significant harm to any environmental or social sustainable investment objective?***

N/A.

-How have the indicators for adverse impacts on sustainability factors been taken into account?

N/A

-How are the sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights? Details:

N/A

The EU Taxonomy sets out a “do not significant harm” principle by which Taxonomy-aligned investments should not significantly harm EU Taxonomy objectives and is accompanied by specific EU criteria.

The “do no significant harm” principle applies only to those investments underlying the financial product that take into account the EU criteria for environmentally sustainable economic activities. The investments underlying the remaining portion of this financial product do not take into account the EU criteria for environmentally sustainable economic activities.

Any other sustainable investments must also not significantly harm any environmental or social objectives.

### **Does this financial product consider principal adverse impacts on sustainability factors?**

Yes

No

The Sub-Fund does consider the following three principle adverse impacts indicators which are



excluded in accordance with certain revenue thresholds (maximum estimated percentage of revenue), as detailed in the Investment Manager's ESG Baseline Exclusions Policy and as captured below:

1. Controversial Weapons: revenue threshold 0%, except for nuclear weapons which are at 5%\*
2. Violations of UN Global Compact Principles and OECD Guidelines: revenue threshold n/a
3. Companies active in the Fossil Fuel sector: revenue threshold 5% for Thermal Coal and 10% for Non-conventional fossil fuels (arctic oil and tar sands)\*\*

More broadly, PAIs are available in portfolio management systems, and the Investment Manager considers these indicators alongside all other relevant ESG and financial metrics that inform investment decision making. For more information on how Aviva Investors integrates PAIs, please consult Aviva Investors Liquid Markets – Principle Adverse Impact Statement which is available at - [EU Sustainable Finance Disclosure Regulation \(SFDR\) - AvivaInvestors](#)

Information on how the Investment Manager considers PAIs will be available in the Fund's annual report in a dedicated section.

\*This is applicable until 31 July 2023. As from 1st August 2023, the percentage of revenue threshold for nuclear weapons will be 0% for companies involved in, among others, development, production, use, maintenance, offering for sale, distribution, import or export, storage or transportation of nuclear weapons, where this supplies nuclear states outside of the UN Treaty on Non-Proliferation of Nuclear Weapons (1970).

\*\*Companies that have an approved SBTi (Science Based Target) which has a classification of 1.5°C or Well Below 2°C are an exception to these thresholds.



### What investment Strategy does this financial product follow?

**Objective:** To target a 5% per annum gross return above the European Central Bank base rate (or equivalent) over a 3-year rolling period, regardless of market conditions (absolute return). In seeking to target this level of return the Sub-Fund also aims to manage volatility to a target of less than half the volatility of global equities measured over the same 3-year rolling period.

**Investments:** The Sub-Fund invests in equities, bonds (including mortgage and asset backed securities, and contingent convertible bonds), money market instruments and bank deposits from anywhere in the world. The Sub-Fund may also invest in UCITS, other UCIs and closed end funds, including real estate investment trusts (REITs).

The Sub-Fund may also take exposure to commodities (including but not limited to Gold) and/or carbon credit through transferable securities (such as ETC), ETFs or derivatives on eligible financial indices.

The Investment Manager actively engages with issuers with the aim of positively influencing climate-related behavior and helping to create competitive returns.

In addition, sovereign issuers must meet the minimum standard of the Investment Manager's ESG Sovereign Assessment to be eligible for investment and all investments that are selected as part of the Investment Manager's ESG analysis must follow good governance practices and not be excluded by the Investment Manager's ESG Baseline Exclusion Policy. The Sub-Fund does not have a sustainable investment objective and the Investment Manager will consider the adverse impacts of an investment to the extent they are financially material.

For further information please refer to the sustainability disclosures section of the prospectus and the website [www.avivainvestors.com](http://www.avivainvestors.com).

**The investment strategy**

guides investment decisions based on factors such as investments objectives and risk tolerance.

- ***What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?***

As noted previously, the criteria described in section “What environmental and/or social characteristics are promoted by this financial product” above are binding on the investment process to ensure underlying investments are inclusive of those securities promoting environmental or social characteristics.

Aviva Investors considers climate change to be the greatest systemic challenge facing society, global economies, and companies. Failure to act will have catastrophic and pervasive consequences, including for capital markets and asset valuations.

- ***What is the committed minimum rate to reduce the scope of the investments considered prior to the application of that investment strategy?***

There is no commitment to a minimum rate target to reduce the scope of the investments considered prior to the application of the Investment Manager’s investment strategy. Issuers that meet the criteria of the Investment Manager’s ESG exclusion policy described above are excluded. There is no material impact on the investment universe for this Sub-Fund as it has a very broad and dynamic scope of asset class to invest in, can leverage exposure and the products can still be managed to the existing VAR limits.

**Good governance**

practices include sound management structures, employee relations, remuneration of staff and tax compliance.

- ***What is the policy to assess good governance practices of the investee companies?***

The good governance criteria as outlined in the SFDR will be met through the ESG assessment and minimum Sovereign monitor scores. Good governance indicators form a substantial component of the Investment Manager’s ESG scoring tools and ESG research.

For corporates, the Investment Manager’s policy considers global best practice guidelines such as the ICGN Global Corporate Governance Principles and the G20 / OECD Principles of Corporate Governance but are also informed by the Investment Manager’s investment philosophy and numerous years of stewardship and voting experience.

The Sub-Fund will only invest in securities from issuers that maintain governance practices in-line with national governance standards. The Sub-Fund will not invest in securities from issuers that are in violation of the international norms and conventions set out by the United Nations Global Compact Principles. Investment in securities from issuers that fail to protect the basic rights of investors and employees through sound management practices or that are involved in tax evasion, corruption, or other governance scandals, will be avoided, unless they have taken adequate remedial action.

The good governance criteria as outlined in the SFDR will also be met through a combination of the UNGC (as part of the Investment Manager’s ESG Baseline Exclusions Policy noted above) and a qualitative assessment as part of the investment analyst research process. Good governance indicators form a substantial component of the Investment Manager’s ESG scoring tools and ESG research.

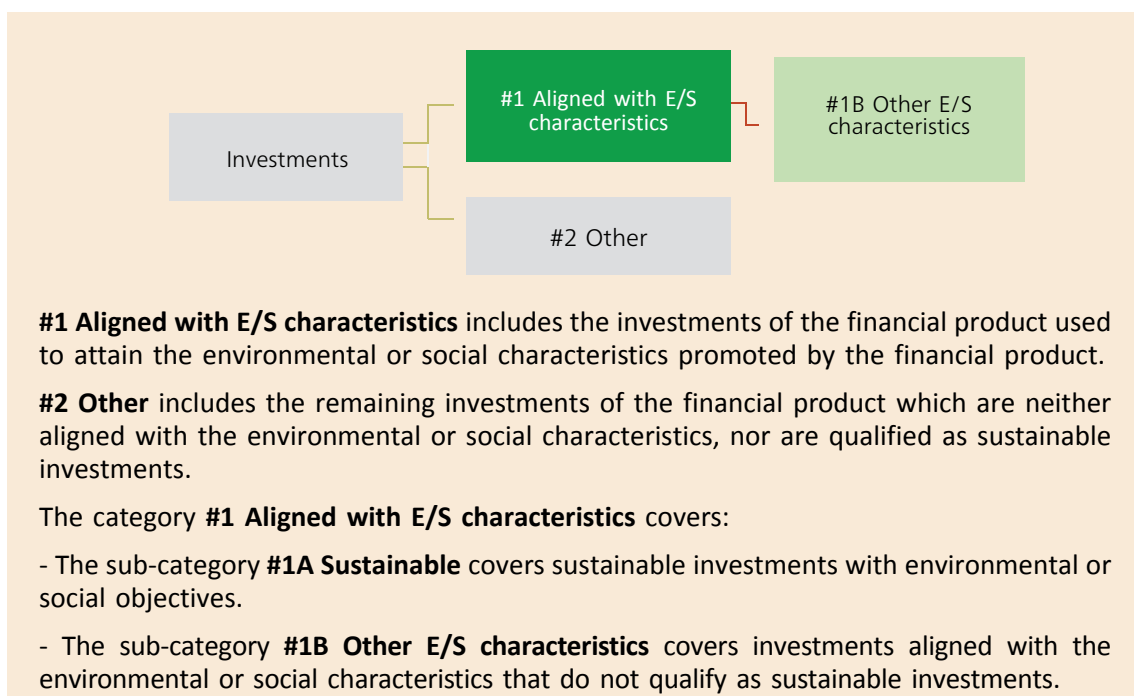
Aviva Investors’ ESG function, comprising governance and responsible investment specialists, provide analysis to support the Investment Manager’s investment teams and help them in building a robust assessment of good governance practices.



● **What is the asset allocation planned for this financial product?**

**Asset allocation**

describes the share of investments in specific assets. Taxonomy-aligned activities are expressed as a share of: - turnover reflecting the share of revenue from green activities of investee companies - capital expenditure (CapEx) showing the green investments made by investee companies, e.g. for a transition to a green economy. – operational expenditure (OpEx) reflecting green operational activities of investee companies.



It is expected that at least 80% of the investments will be aligned with the environmental/social characteristics of the Sub-Fund in #1. The Sub-Fund will not have any allocation to Sustainable Investments in category #1A.

The Sub-Fund may also hold investments for liquidity holding purposes, such as ancillary liquid assets, eligible deposits, money market instruments, money market funds) which would fall within “#2 Other”.

The Sub-Fund may also hold investments in financial techniques and instruments and derivatives used for hedging and efficient portfolio management purposes, which would fall within “#2 Other”.

There will also be certain derivatives used for investment purposes, for which look through is not possible to confirm alignment with the ESG characteristics and therefore these will fall within the “#2 Other” bucket.

Amongst the investments aligned with the environmental/social characteristics of the Sub-Fund, there will be no sustainable investments, therefore all such investments will fall within the category #1B Other E/S characteristics.

- **How does the use of derivatives attain the environmental or social characteristics promoted by the financial product?**

Derivatives used for investment purposes are assessed on a “look through” basis where possible. Exposure to single name derivatives are excluded as per the binding criteria used to ensure underlying investments are inclusive of those securities promoting environmental or social characteristics as detailed under “What environmental and/or social characteristics are promoted by this financial product?” Where the above assessment is not possible for derivatives used for investment purposes, or where derivatives are used for hedging or for efficient portfolio management, they are not deemed to attain any environmental or social characteristics promoted by the Sub-Fund.



**To what minimum extent are sustainable investments with an environmental objective aligned with the EU Taxonomy?**

The Sub-Fund does not make sustainable investments and the percentage of Taxonomy alignment of the Sub-Fund’s portfolio is currently 0%.

- **Does the financial product invest in fossil gas and/or nuclear energy related activities that comply with the EU Taxonomy<sup>1</sup> ?**

- Yes
- In fossil gas     In nuclear energy
- No

<sup>1</sup> Fossil gas and/or nuclear related activities will only comply with the EU Taxonomy where they contribute to limiting climate change (“climate change mitigation”) and do not significantly harm any EU Taxonomy objective – see explanatory note in the left hand margin. The full criteria for fossil gas and nuclear energy economic activities that comply with the EU Taxonomy are laid down in Commission Delegated Regulation (EU) 2022/1214.

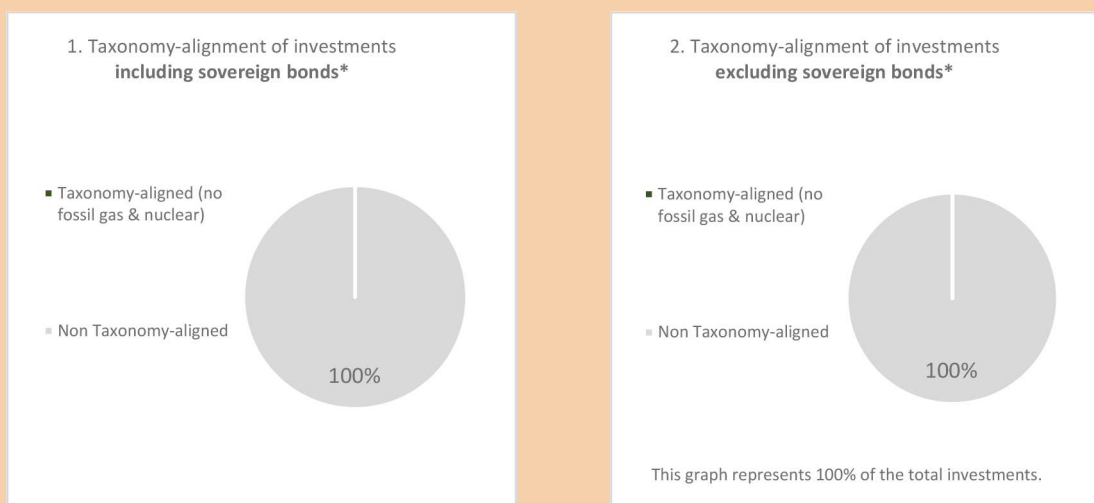


To comply with the EU Taxonomy, the criteria for fossil gas include limitations on emissions and switching to renewable power or low carbon fuels by the end of 2035. For nuclear energy, the criteria include comprehensive safety and waste management rules.

**Enabling activities** directly enable other activities to make a substantial contribution to an environmental objective.


**Transitional activities** are activities for which low-carbon alternatives are not yet available and among others have greenhouse gas emission levels corresponding to the best performance.

The two graphs below show in green the minimum percentage of investments that are aligned with the EU Taxonomy. As there is no appropriate methodology to determine the Taxonomy-alignment of sovereign bonds\*, the first graph shows the Taxonomy alignment in relation to all the investments of the financial product including sovereign bonds, while the second graph shows the Taxonomy alignment only in relation to the investments of the financial product other than sovereign bonds.




\* For the purpose of these graphs, 'sovereign bonds' consist of all sovereign exposures

- **What is the minimum share of investments in transitional and enabling activities?**  
The percentage of investments in transitional and enabling activities is currently 0%.

 **What is the minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy?**

N/A as the Sub-Fund does not make sustainable investments.

 **What is the minimum share of socially sustainable investments?**

N/A as the Sub-Fund does not make sustainable investments.



are sustainable investments with an environmental objective that do not take into account the criteria for environmentally sustainable economic activities under the EU Taxonomy



**What investments are included under “#2 Other”, what is their purpose and are there any minimum environmental or social safeguards?**

There will be investments in financial techniques and instruments and derivatives used for hedging or efficient portfolio management purposes or liquidity holding purposes (such as ancillary liquid assets, eligible deposits, money market instruments, money market funds) which would fall within “#2 Other” There will also be certain derivatives used for investment purposes, for which look through is not possible to confirm alignment with the ESG characteristics and therefore these will fall within the “#2 Other” bucket. Minimum safeguard tests will be applied to investments falling within the “#2 Other” category where appropriate. However, given the nature of the Sub-Fund “#2 Other” investments, it is not possible to apply environmental and/or social safeguards tests to such investments.



**Is a specific index designated as a reference benchmark to determine whether this financial product is aligned with the environmental and/or social characteristics that it promotes?**

No reference benchmark has been designated for the purpose of attaining the environmental or social characteristics promoted by the Sub-Fund.

- ***How is the reference benchmark continuously aligned with each of the environmental or social characteristics promoted by the financial product?***

N/A.

- ***How is the alignment of the investment strategy with the methodology of the index ensured on a continuous basis?***

N/A.

- ***How does the designated index differ from a relevant broad market index?***

N/A.

- ***Where can the methodology used for the calculation of the designated index be found?***

N/A.

**Where can I find more product specific information online?**

More product-specific information can be found on the website:

<https://www.avivainvestors.com/en-lu/capabilities/sustainable-finance-disclosure-regulation/article-8/>

