Sustainable investment guidelines for

CT (Lux) SDG Engagement Global Equity Fund

Last review: March 2025

COLUMBIA THREADNEEDLE INVESTMENTS®

Contents

Key risks

The value of investments and any income derived from them can go down as well as up as a result of market or currency movements and investors may not get back the original amount invested.

Screening out sectors or companies may result in less diversification and hence more volatility in investment values.

Views and opinions have been arrived at by Columbia Threadneedle Investments and should not be considered to be a recommendation or solicitation to buy or sell any stocks or products that may be mentioned.

1 Philosophy

Our Responsible Investment philosophy is framed by several policy statements, including: our Corporate Governance Guidelines, as well as our **Environmental and Social Practices statement**. These are available on our **website**.

The CT (Lux) SDG Engagement Global Equity Fund aims to provide long-term capital growth and support sustainable development. The Fund invests in a diversified portfolio of equity and equity-related securities of small- and mid-capitalization companies, which may be located anywhere in the word and be in any industry sector. The Fund seeks to achieve positive impact through targeted, impact-focused, active engagement with companies, using the Sustainable Development Goals framework.

The identification of financially material environmental, social and governance (ESG) issues forms part of our routine investment analysis ("ESG integration"), helping us to manage risk and support long-term returns.

The overarching sustainability philosophy of the fund is to "Avoid; Invest; Improve":

Avoid – Using a set of exclusion criteria, we avoid investing in companies with socially or environmentally damaging products or unsustainable business practices.

Invest – We invest in companies that have significant potential to advance the SDGs through their enterprise impact – i.e. through their products/ services and/or through their conduct/footprint.

Improve – As active managers, we engage with our investee companies on business-relevant ESG issues to drive progress towards achieving the SDGs.

'Avoid' (exclusions policy)

Consistent with the goal to invest in companies that make a positive contribution to society and the environment, we have developed an exclusion policy to set threshold standards which applies to the entire Fund. We monitor the universe of holdings on an ongoing basis, and any position held by the fund that no longer qualifies must be sold within 30 calendar days unless there are exceptional circumstances.

Product-based exclusions

- **Weapons**[1]

  Exclude companies that derive:

  - >0% of their revenue from the production or retail of weapons.
  - >0% of their revenue from the production of controversial and/or nuclear weapons components*.
  - >5% of their revenue from the production of other weapons components and/or support systems and services which are customised for strategic military use.

- **Tobacco**

  Exclude companies that derive:

  - >0% of their revenue from the production of tobacco products.
  - >5% of their revenue from the production of Next Generation products (including e-cigarettes) and their components.
  - >5% of their revenue from the distribution of tobacco products.
  - >10% of their revenue from the retail of tobacco products.
  - >10% of their revenue from the supply of products which are essential to the tobacco industry, e.g. machinery and packaging materials.

[1] Conventional, unconventional and civilian weapons are in-scope.
[2] The CT (Lux) SDG Engagement Global Equity Fund is permitted to hold companies that exceed the 5% revenue threshold for the retailing of oil and oil products if they have a Science Based Targets initiative (SBTi) target set at 1.5 degrees Celsius/well-below 2 degrees Celsius and/or robust interim targets as assessed by Columbia Threadneedle Investments' net zero methodology.
[3] The Sustainable Funds are permitted to hold companies that exceed the 5% revenue threshold if they have a Science Based Targets initiative (SBTi) target set at 1.5 degrees Celsius/well-below 2 degrees Celsius and/or robust interim targets as assessed by Columbia Threadneedle Investments' net zero methodology. However, companies are excluded which derive >50% of their revenue from the distribution of gas and related products.
[4] Products/services aimed at mitigating or reducing the negative effects of these activities are not in-scope.
* Our definition of controversial weapons encompasses the following types of weapons: biological; blinding lasers; chemical; cluster munitions; depleted uranium (incl. armour); incendiary; land mines; non-detectable fragments.

- **Fossil fuels**

  Exclude companies with ownership of fossil fuel reserves.

  In addition exclude companies:

  - **Coal**
    - That derive >0% of their revenue from the mining of coal and its sale to external parties.
    - That derive >1% of their revenue from coal distribution.
    - That derive >1% of their revenue from coal refining.
    - That derive >50% of their revenue from equipment and services for coal-related activities.
  - **Oil**
    - That derive >0% of their revenue from the extraction and production of oil and natural gas liquids.
    - That derive >5% of their revenue from the refining of oil fuels.
    - That derive >5% of their revenue from the distribution of oil and related products.
    - That derive >5% of their revenue from pipelines for oil and oil products or natural gas liquids.
    - That derive >5% of their revenue from the transportation of oil and oil products.
    - That derive >5% of their revenue from the retailing of oil and oil products[2].
    - That derive >50% of their revenue from equipment and services for oil-related activities[4].
  - **Gas**
    - That derive >0% of their revenue from the extraction and production of natural gas.
    - That derive >5% of their revenue from the processing of natural gas fuels.
    - That derive >5% of their revenue from the distribution of gas and related products[3].
    - That derive >5% of their revenue from natural gas pipelines[3].
    - That derive >5% of their revenue from the transportation of natural gas[3].
    - That derive >5% of their revenue from gas retail sales and liquefied petroleum gas (bottled gas) dealers[3].
    - That derive >50% of their revenue from equipment and services for gas-related activities[4].

- **Electricity generation**
  - Exclude companies that derive >10% of their revenue from thermal coal-based power generation[5].
  - Companies that derive >10-50% of their revenue from liquid fuel- and/or natural gas-based power generation must have a Science Based Targets initiative (SBTi) target set at 1.5 degrees Celsius/well-below 2 degrees Celsius and/or robust interim targets as assessed by Columbia Threadneedle Investments' net zero methodology.
  - Exclude companies that derive >50% of their revenue from liquid fuel- and/or natural gas-based power generation.

- **Nuclear energy**
  - Exclude electricity utilities that derive >5% of their revenue from power production based on nuclear sources[6].
  - Exclude companies that derive >5% of their revenue from supplying key products or services to the nuclear power industry, except those that provide standard, non-customised or safety-related products/services.
  - Exclude companies that derive >5% of their revenue from uranium mining.

- **Conduct-based exclusions**
  - UNGC breaches – We exclude companies with breaches of the UN Global Compact principles[7] and the Organisation for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises.

Further aspects considered:

- **Biodiversity**: We expect companies to minimise their negative impact on biodiversity.
- **Water Use**: We expect companies to comply with national regulations and international agreements regarding managing water consumption.
- **Taxation**: We expect companies to pay fair and appropriate taxes, and transparently report their taxes.

- **Ongoing monitoring**

To ensure companies held in the Sustainable strategies continue to meet our criteria, we conduct ongoing monitoring of all held companies. Each quarter the Responsible Investment team reviews whether companies continue to meet our criteria, alongside any involvement in recent controversies that might indicate poor ESG practices. All breaches are assessed by the Responsible Investment team. If a breach is assessed as genuine, then the company is divested.

[5] Companies with thermal coal-based power generation must have a Science Based Targets initiative (SBTi) target set at 1.5 degrees Celsius/well-below 2 degrees Celsius and/or robust interim targets as assessed by Columbia Threadneedle Investments' net zero methodology.

[6] Electricity utilities with nuclear-based power generation capacity must have a SBTi target set at 1.5 degrees Celsius/well-below 2 degrees Celsius.

[7] The UN Global Compact are 10 principles businesses should follow and incorporate in order to meet their basic responsibilities to people and planet, which fall under 4 broad headings (Human Rights, Labour, Environment and Anti Corruption). See **here** for full details.

‘Invest’ (targeted investment in sustainable development)

Beyond the exclusions policy, we proactively allocate to investments whose activities are oriented to sustainable development.

The Investment Manager identifies companies through a methodology designed to focus on the seventeen United Nations Sustainable Development Goals (“SDGs”)[8]. The SDGs address a range of global problems, including poverty, inequality, climate, environmental degradation, prosperity, and peace and justice.

Using its SDG methodology, the Investment Manager identifies companies that, in its view, will help to achieve one or more SDGs and that will benefit from active SDG-aligned investor engagement. The Investment Manager looks at several criteria, including whether a company references the SDGs in its own reporting; analysis on whether a company’s business mandate, activities and business unit growth align with the SDGs; commitment to sustainable practices; and the extent to which a company listens to and acts in accordance with investor concerns on SDG matters.

From these companies, the Investment Manager then uses a fundamental approach to select holdings for the Fund. Using criteria such as strong balance sheets, established management and governance procedures, dominant industry position and sound cash flows, the Investment Manager identifies attractively priced, high quality businesses in which to invest.

‘Improve’ (encouraging positive change by SDG target-level active ownership)

For the CT (Lux) SDG Engagement Global Equity Fund we see it as our responsibility to take key financially material ESG issues into account before, during and after investment decisions. Our purpose with engagement is to support long-term investment returns for our clients by increasing the transparency of key risks and opportunities, for certain of our clients who require this and subject to compliance with applicable law and/or regulation and reducing any material negative impact that our investment decisions could have on these factors. We support our engagement approach by the thoughtful use of our voting rights, where relevant. All proxy voting results are made public.

Furthermore, for this Fund we structure our engagement activities around the SDGs and their underlying targets. We have set clear engagement objectives for every company we hold in order to drive improvement towards key SDG targets. We set objectives, record and report on our engagement systematically, and measure progress. Furthermore, we monitor and measure the impact of our dialogue around defined SDG targets.

We also have a well-established firm-wide approach to prioritising and reporting on engagement and voting activity that applies to our portfolio investments.

Our Responsible Investment engagement programme is further structured around six high-level themes:

- Environmental Stewardship
- Climate Change
- Human Rights
- Labour Standards
- Business Ethics
- Corporate Governance

Our preferred approach to conducting engagement is to use constructive, confidential dialogue, typically interacting one-to-one with companies and building a relationship of trust over time as long-term investors. When it is more effective to take a collaborative approach to enhance our understanding of a company, we may participate with other investors, non-governmental organisations (NGOs) or industry groups, where we believe this will be in our clients’ best long-term economic interests.

2 Instruments

All UCITS-eligible securities are allowed, as long as they meet minimum regulatory and ESG standards, as determined above.

[8] https://sustainabledevelopment.un.org/

3 Addendum

Criteria updates since October 2024:

Previous criteria	New criteria
Electricity generation	
Exclude electricity utilities: ■ That derive >5% of their revenue from coal-based power production[9]. ■ That derive >5% of their revenue from oil & gas-based power production[10].	■ Exclude companies that derive >10% of their revenue from thermal coal-based power generation[5]. ■ Companies that derive >10-50% of their revenue from liquid fuel- and/or natural gas-based power generation must have a Science Based Targets initiative (SBTi) target set at 1.5 degrees Celsius/well-below 2 degrees Celsius and/or robust interim targets as assessed by Columbia Threadneedle Investments' net zero methodology. ■ Exclude companies that derive >50% of their revenue from liquid fuel- and/or natural gas-based power generation.
Weapons[11]	
Exclude companies that derive: ■ >0% of their revenue from the manufacture or sale of weapons. ■ >0% of their revenue from the manufacture of controversial weapons components*. ■ >5% of their revenue from the manufacture of other weapons components; or systems designed for strategic military use.	Exclude companies that derive: ■ >0% of their revenue from the production or retail of weapons. ■ >0% of their revenue from the production of controversial and/or nuclear weapons components*. ■ >5% of their revenue from the production of other weapons components and/or support systems and services which are customised for strategic military use.
Tobacco	
Exclude companies that derive: ■ >0% of their revenue from the manufacture of tobacco products. ■ >5% of their revenue from the wholesale trading of tobacco products. ■ >10% of their revenue from the sale of tobacco products. ■ >10% of their revenue from the supply of products which are essential to the tobacco industry, e.g. machinery and packaging materials.	Exclude companies that derive: ■ >0% of their revenue from the production of tobacco products. ■ >5% of their revenue from the production of Next Generation products (including e-cigarettes) and their components. ■ >5% of their revenue from the distribution of tobacco products. ■ >10% of their revenue from the retail of tobacco products. ■ >10% of their revenue from the supply of products which are essential to the tobacco industry, e.g. machinery and packaging materials.

9 Electricity utilities with coal-based power production must have a Science Based Targets initiative (SBTi) target set at 1.5 degrees Celsius/well-below 2 degrees Celsius. NB. This criteria point may include companies in other sectors which have power generation activities. Overall, we expect companies to be structurally decreasing their coal-based power generation.

10 Unless they have a Science Based Targets initiative (SBTi) target set at 1.5 degrees Celsius/well-below 2 degrees Celsius.

11 Conventional, unconventional and civilian weapons are in-scope.

* Our definition of controversial weapons encompasses the following types of weapons: biological; blinding lasers; chemical; cluster munitions; depleted uranium (incl. armour); incendiary; land mines; non-detectable fragments.

Previous criteria	New criteria
Fossil Fuels	
Exclude companies with ownership of geological reserves of coal/oil/gas and exclude companies that derive: - >0% of their revenue from the mining of thermal coal and its sale to external parties. - >0% of their revenue from the extraction and production of oil/gas. - >5% of their revenue from the distribution and retailing of oil/gas and related products[12]. - >5% of their revenue from coal/oil/gas transportation and/ or oil/gas pipelines[13]. - >5% of their revenue from refining coal/oil/gas. - >50% of their revenue from equipment and services for coal-/oil-/gas-related activities[14].	Exclude companies with ownership of fossil fuel reserves. In addition, exclude companies: **Coal** - That derive >0% of their revenue from the mining of coal and its sale to external parties. - That derive >1% of their revenue from coal distribution. - That derive >1% of their revenue from coal refining. - That derive >50% of their revenue from equipment and services for coal-related activities. **Oil** - That derive >0% of their revenue from the extraction and production of oil and natural gas liquids. - That derive >5% of their revenue from the refining of oil fuels. - That derive >5% of their revenue from the distribution of oil and related products. - That derive >5% of their revenue from pipelines for oil and oil products or natural gas liquids. - That derive >5% of their revenue from the transportation of oil and oil products. - That derive >5% of their revenue from the retailing of oil and oil products[2]. - That derive >50% of their revenue from equipment and services for oil-related activities[4]. **Gas** - That derive >0% of their revenue from the extraction and production of natural gas. - That derive >5% of their revenue from the processing of natural gas fuels. - That derive >5% of their revenue from the distribution of gas and related products[3]. - That derive >5% of their revenue from natural gas pipelines[3]. - That derive >5% of their revenue from the transportation of natural gas[3]. - That derive >5% of their revenue from gas retail sales and liquefied petroleum gas (bottled gas) dealers[3]. - That derive >50% of their revenue from equipment and services for gas-related activities[4].

12 The CT (Lux) SDG Engagement Global Equity Fund is permitted to hold companies that exceed the 5% revenue threshold if they have robust net zero transition plans which cover their product emissions, and/or are substantially benefitting customers in remote/rural areas.

13 The CT (Lux) SDG Engagement Global Equity Fund is permitted to hold companies that exceed the 5% revenue threshold for gas transportation/pipelines if they have robust net zero transition plans which cover their product emissions, and/or are substantially benefitting customers in remote/rural areas.

14 Companies deriving >5% of their revenue from the use and/or production of hydraulic fracking technologies are excluded. Products/services aimed at mitigating or reducing the negative effects of these activities are not in-scope.

* Our definition of controversial weapons encompasses the following types of weapons: biological; blinding lasers; chemical; cluster munitions; depleted uranium (incl. armour); land mines; non-detectable fragments.

Contact us

clientsupport@columbiathreadneedle.com

columbiathreadneedle.com

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