CT (Lux) Sustainable Opportunities European Equity Fund

2023

Sustainability Profile

COLUMBIA THREADNEEDLE INVESTMENTS®

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Key risks

- The value of investments and any income from them can go down as well as up 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.

Fund philosophy

The CT (Lux) Sustainable Opportunities European Equity Fund is an actively managed fund that aims to achieve long-term capital growth through sustainable investments, by investing in equities of European companies.

The Fund is underpinned by our Avoid, Invest, Improve philosophy:

Avoid
We have a set of exclusion criteria setting threshold standards to avoid investment in socially or environmentally damaging products or unsustainable business practices.

Invest
We invest in companies providing sustainability solutions and/or companies making a positive contribution to society and/or the environment.

Improve
We engage with companies we invest in on significant ESG issues with most relevance to their business, to reduce risk, improve performance, encourage the adoption of best practices and underpin long-term investor value.

Key Fund Facts

- Classified as an Article 9 Fund under SFDR.
- The benchmark is the MSCI Europe NR Index.

Revenue alignment with the SDGs

The **UN Sustainable Development Goals** (SDGs) are 17 goals and 169 underlying targets that set out a roadmap for a more sustainable world by 2030, covering issues such as poverty, climate change and health and well-being.

We developed our SDG revenue mapping tool in 2016 and have been reviewing and enhancing our methodology and its use cases since. Rather than simply mapping how companies align with the 17 goals, our model considers the underlying targets, giving us a far more granular view of companies' alignment.

Our model uses revenue data from FactSet, and we overlay our methodology on top. We analyse the individual revenue streams of portfolio holdings and identify whether the products and services in those business segments have links to the SDG targets. We map the revenue lines to the targets as positive, neutral, or negative. The results of this analysis are summarised here at the goal level, with the target level alignment available on page 11.

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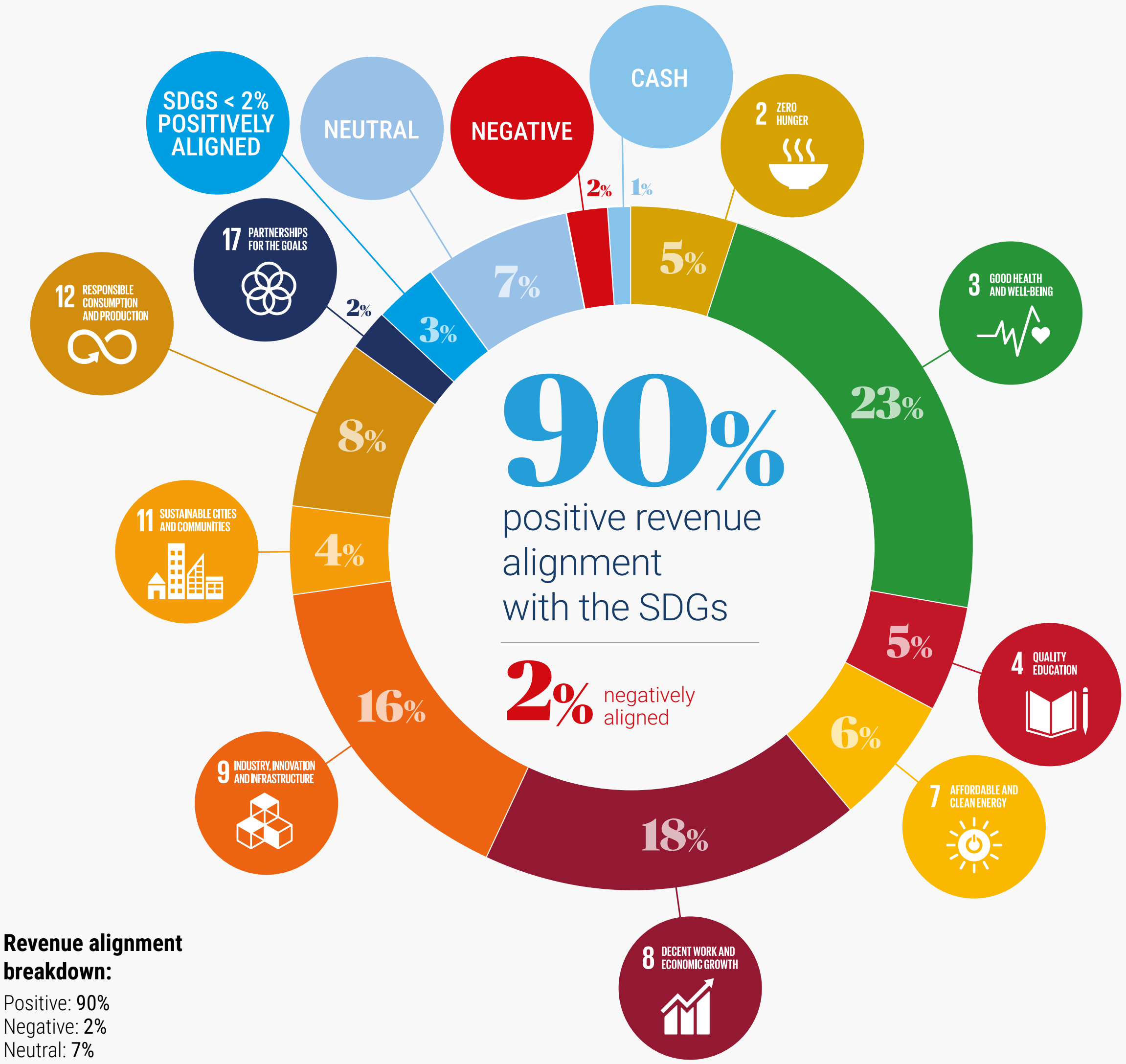


Revenue alignment breakdown:

Positive: 90%
Negative: 2%
Neutral: 7%
Cash: 1%

Source: Columbia Threadneedle Investments, as at 31 December 2023, designed for illustrative purposes, subject to change. Only >0.5% alignment is shown on the chart.

Assessing our alignment in 2023

23%

positive alignment with SDG 3 – Good Health and Well-being.

Examples that align with target 3.8 – access to medicines and healthcare:

Roche is a pharmaceutical company providing a range of diagnostic and treatment solutions in areas such as immunology and oncology.

Novo Nordisk is a pharmaceutical company providing treatment for diseases such as diabetes and obesity.

Prudential provides life and health insurance, with a focus on Asia and Africa.

18%

positive alignment with SDG 8 – Decent Work and Economic Growth.

Examples that align with target 8.2 – achieve greater productivity through innovation:

SAP produces software to manage and maximise the efficiency of business processes.

ASML provides semiconductor manufacturers with the hardware, software and services required to mass produce patterns on silicon through lithography.

Schneider Electric provides industrial automation and software solutions.

7%

neutral alignment with the SDGs.

This includes wealth management divisions in some of our financials holdings.

2%

negative alignment with the SDGs.

Our analysis also identifies companies' negative contributions to the SDGs. That is, those products or services that companies in our Strategy offer which might hinder the achievement of some of the SDGs. Whilst the Strategy screens remove many such companies, we did still identify remaining negative links:

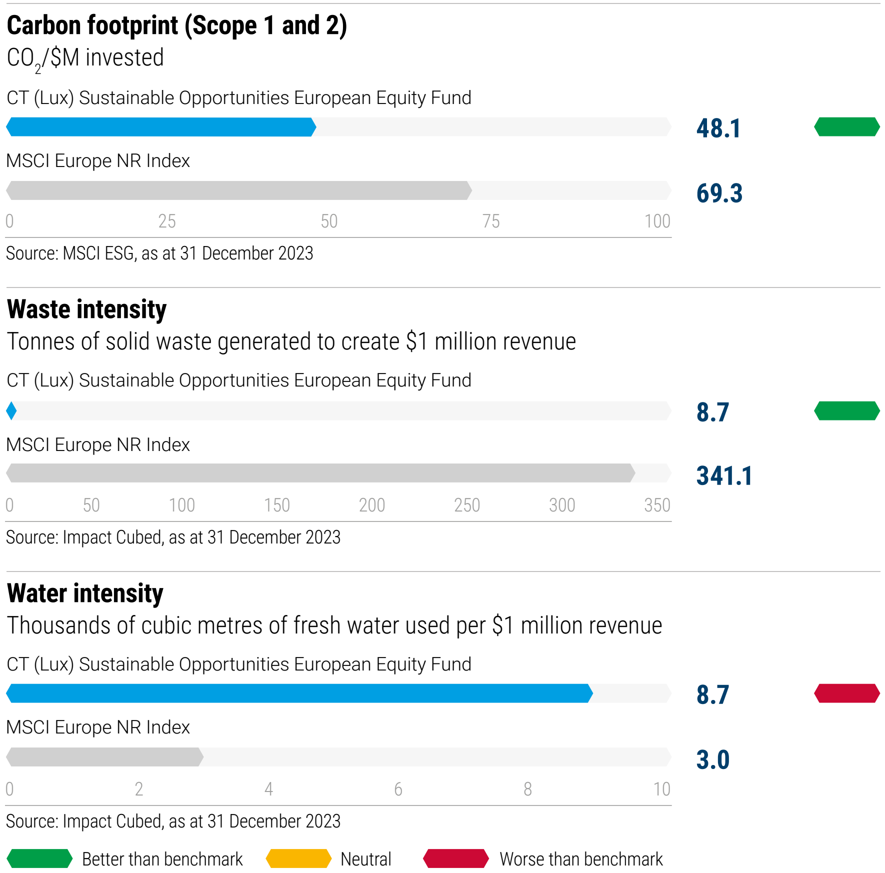
This largely accounts for chemicals company **Lenzing's** negative alignment with target 12.4 – Manage chemical usage and waste throughout their life cycle – owing to fibre production.

Sustainability metrics: environmental stewardship

Discover how the Fund's carbon footprint, as well as waste and water intensity, compare with its benchmark.

The Fund's carbon footprint – financed emissions intensity, expressed as tCO_2e/\$1m revenue – remains below that of the benchmark. Industrial gases company **Air Liquide** is the largest contributor to the Fund's carbon footprint, followed by **Saint-Gobain** – designer, manufacturer and distributer of materials and services for the construction and industrial markets – and packaging producer **Smurfit Kappa**. We engaged Air Liquide on climate change during 2023. The company recently announced the construction of an industrial scale ammonia cracking pilot plant in Belgium. When transformed into ammonia, hydrogen can be easily transported over long distances and this plant will make it possible to convert ammonia into hydrogen with an optimised carbon footprint. With this cracking technology, Air Liquide aims to further contribute to the development of hydrogen as a key enabler of the energy transition. Aside from their work on hydrogen, the company noted that energy sourcing will be another lever they pull to reduce their GHG emissions, with carbon capture as the third lever.

The Fund remains less waste intensive but more water intensive than its benchmark. Energy company **SSE** is the largest contributor to the Strategy's water intensity. SSE operates 91 hydro dams in north Scotland, accounting for the majority of water extracted by the company. Water is taken from rivers and lochs and returned to the water almost immediately after being run through the turbines to generate electricity. **Smurfit Kappa** is now the largest contributor to the Strategy's waste intensity. We highlight again that while the company's packaging solutions help prevent waste generation, its involvement in paper recycling impacts its overall waste metrics. Encouragingly, during 2023 Smurfit Kappa reduced its waste sent to landfill from its mill system by 35.8% from 2013 levels, ahead of its target to decrease this by 30% by 2025.



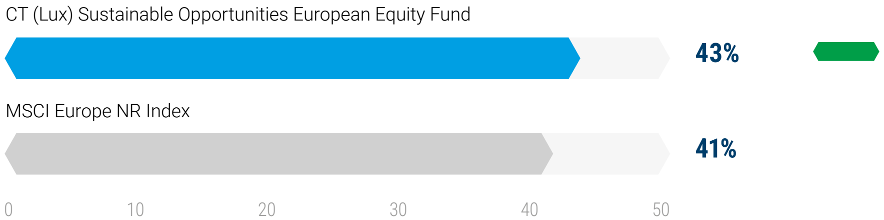
Sustainability metrics: fairness and equality

Here we provide two metrics to give an indication of the Fund's performance versus its benchmark on gender equality at board level, and the ratio of the CEO to the average employee's salary.

The Fund outperforms the benchmark on both gender diversity at the board level and the executive to average employee pay ratio. Similar to our report last year, we are pleased to see that a majority of our investee companies have boards with at least one-third female representation, and several with 50% or more female directors. This includes publishing company **Wolters Kluwer** and Norwegian financial services company **DNB**. In December we emailed German companies **Brenntag, Deutsche Boerse, Infineon Technologies, SAP** and **Symrise** with a letter to the board as part of the 30% Club Germany Investor Group, aiming at engaging with DAX 40 and MDAX companies on the way they promote gender diversity across their organisation, with a specific focus on the management board. The initiative encourages companies to have an action plan in place to ensure their management teams comprise at least 30% women by 2030. We are waiting to hear back to begin dedicated engagement. **Wolters Kluwer** and pharmaceutical company **AstraZeneca** continue to exhibit the highest executive to average employee pay ratios.

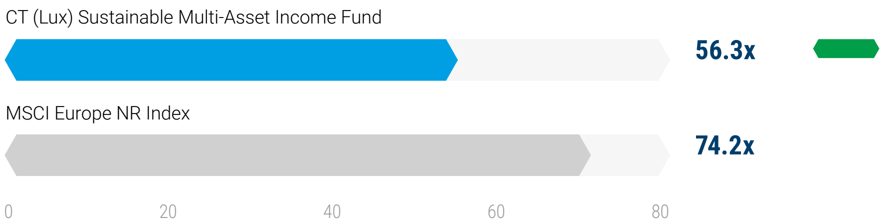
We note that during the year **Prudential** required UK suppliers to pay their employees the London or United Kingdom Living Wage. We engaged Prudential on the topic previously, and the company has since confirmed this requirement, which goes beyond its own operations, in its 2022 annual report requirement. Given the scope, this can be considered a big impact from a fair wage perspective.

Gender
% female directors on company board



Source: MSCI ESG, as at 31 December 2023

Executive pay
CEO pay relative to average employee compensation



Source: Impact Cubed, as at 31 December 2023

Better than benchmark   Neutral   Worse than benchmark

Stewardship in 2023

We undertake active, targeted engagement with companies, using the SDGs as a framework. We also exercise our shareholder right to vote on company management resolutions to encourage further improvement of the management of ESG issues.

We measure and report on the success of our engagement through the assignment of Milestones, which recognise improvements in companies' ESG policy, management systems or practices against the engagement Objectives that we set. We align Milestones to the SDGs to demonstrate how these outcomes can contribute towards a better, more sustainable future.

Milestones are ascribed using a three-star rating system, with three stars indicating the most significant impact of change and one star reflecting smaller, incremental change along a pathway for the issuer, or across a broader context, for the relevant industry as a whole.

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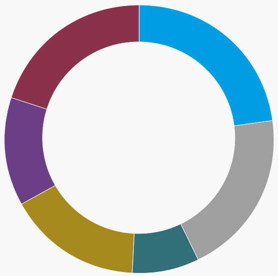
Companies engaged

Engagements by theme



Climate change	23%
Environmental stewardship	20%
Business conduct	0%
Human rights	8%
Labour standards	16%
Public health	13%
Corporate governance	20%

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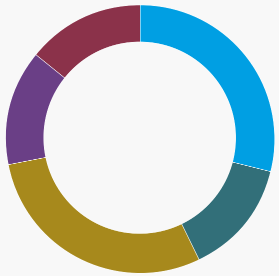
Milestones achieved

Milestones achieved by theme

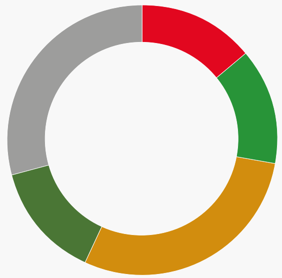


Climate change	29%
Environmental stewardship	0%
Business conduct	0%
Human rights	14%
Labour standards	29%
Public health	14%
Corporate governance	14%

71%

Milestones aligned to SDGs

Milestones by SDG



1	No Poverty	14%
3	Good Health and Well-Being	14%
12	Responsible Consumption and Production	29%
13	Climate Action	14%
	No SDG	29%

33 **Meetings voted**

We voted against management on **7%** of all proposals. These related to to capitalisation, compensation and director elections, among other topics.

Milestones achieved by rating

1 star	43%
2 stars	29%
3 stars	29%

Source for all data: Columbia Threadneedle Investments, as at 31 December 2023. All figures subject to rounding and may result in charts not totaling 100%.

Engagement case study

Discover a 2023 engagement case study, along with its SDG alignment and outcomes achieved.

GSK

3 GOOD HEALTH AND WELL-BEING

GSK

GSK is a global bio-pharmaceutical company which manufactures innovative medicines and vaccines. Upcoming US regulatory requirements due to take effect in 2024 will push the industry to include diversity planning in their trial protocol or justify why this is not necessary. In our view, being under-prepared for this might result in novel drugs and therapies not being approved by the FDA, which poses a very material risk to drug manufacturers and Contract Research Organizations (CROs). As part of our diversity in clinical trials engagement project, we organized a call with GSK's Senior Vice President of Global Clinical Operations to learn more about the company's work on diversity in clinical trials and preparations for stricter regulation.

We discussed the upcoming regulatory requirements on diversity in clinical trials and how GSK prepares for compliance. The company has a dedicated team that works on diversity in clinical trials, which ultimately falls under the Chief Scientific Officer. While work on trial diversity costs time and effort, GSK considers this a continuous learning curve for the company. They stressed that this is the right thing to do for patients and communities and that financially, the cost of getting it wrong will be more substantial. They also consider it a crucial part of their ambition to reach 2.5 billion patients by the end of 2030. The company shared a number of insightful case studies, for instance on how it works together with patient advocacy groups to assess and better understand patient needs as well as increasing the availability of Decentralized Clinical Trials (DCT). Finally, GSK shared more insight into how they collaborate with CROs, that they expect these to adhere to GSK's third-party vendor rules and that GSK is not interested in working with CROs who do not work on improving diversity in clinical trials.

Our view: The key take-away from this conversation was that diversity in clinical trials is increasingly embedded in the company-wide strategy. GSK feels confident about their preparedness for regulatory requirements, having made efforts to increase diversity in clinical trials for over 15 years. This is evidenced by successful progress on their target to have 100% of 2023 phase III trials contain a proactive strategy to enroll appropriately diverse trial participants, consistent with the disease epidemiology. We consider GSK a leader in this space and will monitor further developments.

Milestones

Discover examples of Milestones achieved during 2023 and their alignment to the SDGs.

Wolters Kluwer

Wolters Kluwer

★

No SDG

Published commitment to Responsible AI

Wolters Kluwer published a commitment to responsible artificial intelligence in its latest annual report and disclosed the key principles that it incorporates. Given increased regulatory developments, this step towards more transparency regarding its approach to artificial intelligence is essential. We have been engaging the company to publish a commitment to responsible artificial intelligence and the principles it aims to embed in its solutions.

INTESA SANPAOLO

Intesa Sanpaolo

★★

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

Target 12.6 – Encourage companies to adopt sustainable practices and enhance ESG reporting

Enhanced climate risk management

Intesa Sanpaolo has enhanced its climate risk management processes and disclosed a TCFD and related climate report since the end of 2021 and onwards, which now outlines more clearly its net zero strategy, related governance and risk management processes as well as metrics. The improvement from nothing when we had started this particular engagement in 2021 to 2023 is impressive to see.

Prudential

Prudential

★★★

1 NO POVERTY

Target 1.1 – Eradicate poverty and ensure a living wage for all

Living Wage employer

Prudential now requires UK suppliers to pay their employees the London or United Kingdom Living Wage. We engaged on the topic two and a half years ago, and the company has in its annual report FY2022 confirmed its requirement, which goes beyond its own operations. Given the scope, this can be considered a big impact from a fair wage perspective.

Appendix: SDG revenue alignment breakdown

Positive alignment 90%

SDG 2: Zero Hunger		**5%**
2.1	End hunger and ensure access to safe and nutritious food	4.8%
SDG 3: Good Health and Well-Being		**23%**
3.3	End AIDS, TB, malaria and other water-borne and communicable diseases	1.5%
3.4	Reduce mortality from non-communicable diseases and promote mental health	6.9%
3.8	Access to medicines and health-care	14.3%
SDG 4: Quality Education		**5%**
4.3	Equal access for higher education and vocational training	1.1%
4.4	Increase the number of technically and vocational trained individuals	2.4%
4.6	Increase youth and adult literacy and numeracy rates	1.9%
SDG 7: Affordable and Clean Energy		**6%**
7.2	Substantially increase the global share of renewable energy	6.0%
SDG 8: Decent Work and Economic Growth		**18%**
8.1	Sustain GDP growth in developing countries	1.1%
8.2	Achieve greater productivity through innovation	13.5%
8.10	Increase access to finance	3.2%
SDG 9: Industry, Innovation and Infrastructure		**16%**
9.1	Develop resilient and sustainable infrastructure	4.0%
9.3	Increase access to finance for SME's	4.6%
9.4	Upgrade and retrofit industries to increase sustainability	7.1%
SDG 11: Sustainable Cities and Communities		**4%**
11.1	Ensure universal access to safe and affordable housing	2.7%
11.2	Provide access to safe and affordable transport systems	1.0%
SDG 12: Responsible Consumption and Production		**8%**
12.4	Manage chemical usage and waste throughout their life cycle	2.9%
12.5	Reduce waste through prevention, reduction, recycling and reuse	3.1%
12.6	Encourage companies to adopt sustainable practices and enhance ESG reporting	2.5%
SDG 17: Partnerships for the Goals		**2%**
17.16	Leverage multi-stakeholder partnerships to share resources	1.7%
SDGs less than 2.0% positively aligned		**3%**

Neutral alignment 7%

Negative alignment 2%

Reflects revenue from products or services of investee companies that may hinder the achievement of SDGs.

SDG 12: Responsible Consumption and Production		**1%**
12.4	Manage chemical usage and waste throughout their life cycle	1.0%
SDGs <2% negatively aligned		**1%**

Cash 1%

Source: Columbia Threadneedle Investments, as at 31 December 2023, designed for illustrative purposes, subject to change. Only targets more than 0.5% aligned are shown in the table. All figures subject to rounding.

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The Fund is categorised an Article 9 under the EU Regulation 2019/2088 on sustainability related disclosures in the financial services sector (SFDR) and promote environmental or social characteristics as an objective. The decision to invest in the promoted fund should take into account all the characteristics or objectives of the promoted fund as described in its prospectus. The fund's sustainability related disclosures can be found on our website columbiathreadneedle.com.

English and German language copies of the Fund's Prospectus, summarised investor rights, English, Dutch, Finnish, French, German, Italian, Norwegian, Portuguese, Spanish and Swedish language copies of the key investor information document (KIID)/Key Information Document (KID) can be obtained from Columbia Threadneedle Investments, Exchange House, Primrose Street, London EC2A 2NY, telephone: Client Services on 0044 (0)20 7011 4444, email: sales.support@columbiathreadneedle.com or electronically at www.columbiathreadneedle.com. Please read the Prospectus before taking any investment decision.

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