



Responsible Investing

Columbia Threadneedle (Lux) European Select

At a glance

A best ideas European equity fund that invests in high-quality companies with durable competitive advantages to generate strong and sustainable returns.

Investment objective and approach

To provide long-term capital growth and outperform the FTSE World Europe ex UK Index by investing in a concentrated and actively managed portfolio of European equities.

In line with its active management strategy of holding a small number of investments, portfolio holdings may deviate significantly from those of the index while there is also the flexibility to invest in off-benchmark companies.

The fund promotes environmental and social characteristics by integrating a range of responsible investment measures into the investment decision-making process, as well as ensuring that the companies in which the Portfolio invests follow good governance practices.

Key reasons to invest

1. **Differentiated investment approach:** A clear and consistent quality approach focusing on competitive advantage to deliver strong, sustainable returns
2. **Strength in research:** Focused research capabilities and bottom-up stock picking drive high-conviction holdings.
3. **Long-term investors:** With a 5-10 year time horizon, we can maximise the benefits of long-term compounding.

Key risks

Investment risks: Investment in equities, portfolio concentration and volatility.

ESG risks: The Fund applies a range of measures as part of its consideration of ESG factors, including the exclusion of investments involved in certain industries and/or activities. This reduces the investable universe, and may impact the performance of the Fund positively or negatively relative to a benchmark or other funds without such restrictions.

Investors could lose some or all their capital and should read the Prospectus for a full description of all risks.

Investment approach

The ability of high-quality companies to sustain strong returns on capital and above-average growth is often underestimated, so potential long-term winners are valued at a discount to intrinsic value. We search for high-quality stocks with durable competitive advantages and robust business models, so long-term growth potential. We research the source and durability of companies' competitive advantage, and ESG is central to this.

We work with regional equity, global research and responsible investment teams to build a high-conviction, best ideas portfolio of companies.

We are not simply looking for companies with the highest returns, but also where they are improving. Stock selection drives sector and regional weightings, and our focus on strong businesses drives performance.

The Fund promotes environmental and social characteristics through:



Delivering a positive ESG 'tilt'



Investing in 'sustainable investments'



Applying exclusions



Considering Principle Adverse Impacts



Investing in companies with good governance



Targeting net zero by 2050



Active engagement



A positive Environmental, Social and Governance (ESG) tilt

The fund delivers a positive ESG tilt compared to its FTSE World Europe ex UK Index, measured by our ESG Materiality Rating, on a rolling 12-month basis.

The ESG Materiality Ratings give us an initial view of how a company is managing the ESG risks that are material to its industry.

Delivering a positive tilt enables us to focus the portfolio in companies with strong ESG risk management. We can also invest in companies with scope to improve, and actively engage with them to encourage change.



Sustainable investments

The fund has committed to hold a minimum of **20%** of the portfolio in "sustainable investments".

- > We assess the proportion of each company's revenue that is aligned with the **Sustainable Development Goals** (SDGs), using a tool designed by the Responsible Investment team. The majority of the company's revenues must be positively aligned with one or more of the SDGs to be considered sustainable.
- > We analyse companies to ensure they are not doing "significant harm" to any other sustainable objective.



Exclusions

The fund excludes:

- > Companies we deem are in breach of international standards of practice including:
 - the United Nations Global Compact
 - the International Labour Organisation Labour Standards
 - United Nations Guiding Principles on Business and Human Rights.
- > Companies earning a certain proportion of revenue from these industries or activities:
 - Controversial weapons (complete ban), Nuclear weapons, Conventional weapons, Thermal coal and Tobacco production.

Good governance

We assess companies' governance before investing and review governance continually for all companies held. We use data from MSCI and ISS to complement our own research, covering four areas:

The Fund is categorised an Article 8 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 should also take into account all the characteristics or objectives described in its prospectus. The fund's sustainability related disclosures can be found on our website columbiathreadneedle.com



Principal adverse impacts (PAIs)

All companies have an impact on the environment and/or society, both good and bad. We consider the "principal adverse impacts" of our investments. We do this through exclusions, investment research and engagement with companies.



Environmental indicators

- 1.1 Greenhouse gas emissions
- 1.2 Carbon footprint
- 1.3 Greenhouse gas intensity
- 1.4 Exposure to fossil fuels
- 1.5 Non-renewable energy consumption and production
- 1.6 Energy consumption intensity per high impact climate sector
- 1.7 Activities negatively affecting biodiversity sensitive areas



Social & Governance indicators

- 1.10 Violations of international standards and principles
- 1.14 Exposure to controversial weapons
- 3.7 Incidents of discrimination

Net zero emissions

As a member of the Net Zero Asset Managers Initiative, the Fund has committed to an ambition to reach net zero emissions by 2050 or sooner. Our focus is on real-world change, using stewardship to encourage companies to align to a net zero future.



Company assessment

- > We rate companies on their alignment to a net zero pathway
- > We aim for companies representing >70% of portfolio emissions either aligned to net zero, or under engagement



Net zero stewardship

- > We engage with laggard or high-impact companies on climate objectives
- > We sell when minimum expectations are not met



Portfolio assessment

- > We compare a fund's carbon emissions with net zero-aligned trajectory
- > Use the benchmark's 2019 emissions and apply a 50% reduction by 2030
- > Reference the pathway to track progress, not a binding target



Coal exclusion

- > Companies with >30% revenues from coal or investing in new coal infrastructure

More information on our net zero methodology can be found [here](#).

Engagement

We believe in the power of active ownership. Our aim is to reduce risk, enhance long-term performance and encourage a positive contribution to environmental, social and governance issues



We use constructive, confidential dialogue, typically working one-to-one with companies, but taking a collaborative approach where this has more impact



A deep understanding of how ESG issues impact mainstream business strategy



The building of long-term relationships with companies



Local knowledge and context



Access to senior management and board

To find out more, visit columbiathreadneedle.com



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