Responsible Investment Strategies

Summary Criteria

Responsible investment strategies

Philosophy

Our Responsible product range offers customers a way to invest in shares and bonds of companies that adhere to certain values and standards, and are managed to provide capital growth and income. We do this by applying ethical and environmental, social and governance (ESG) principles to the selection of investments, having a robust approach to portfolio construction and management, and using our influence as an investor to encourage more ethically, socially responsible and environmentally sustainable behaviour by companies.

The philosophy for these products is based on three pillars:

Avoid investments in companies with activities that harm society or the environment;

Invest in companies that demonstrate responsible business practices, and support those whose activities make a positive contribution to society and the environment; and

Improve: dynamically interact with companies with a view to helping them to enhance their performance, viability, and sustainability to create long-term economic value for our clients.

To help our investors better understand the positive outcomes the strategies are supporting, we publish annual Responsible Profile reports with more information on the ESG performance of the underlying holdings.

Overview

We provide a range of responsible products for the diverse demands of investors, which has evolved over time to include a mix of asset classes and geographic coverage. Our dedicated Responsible Investment (RI) team is involved in analysing each company proposed for this product range. In addition, we have an independent Responsible Investment Advisory Council (RIAC) that works with the RI team to provide advice on our RI approach.

We have two sets of criteria, one that applies to our Global, European and UK strategies, and another set for our Emerging Markets strategies. Our range of Responsible strategies includes:

Global strategies	CT Responsible Global Equity
European Strategies	CT (Lux) Responsible Euro Corporate Bond
UK strategies	CT Responsible UK Equity
	CT Responsible UK Income
	CT Responsible Sterling Corporate Bond
Emerging Market strategies	CT Responsible Global Emerging Markets Equity

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.

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.

Investing in emerging markets is generally considered to involve more risk than developed markets.

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.

I. Global, European and UK strategies

- **CT (Lux) Responsible Global Equity**
- **CT (Lux) Responsible Euro Corporate Bond**
- **CT Responsible UK Equity**
- **CT Responsible UK Income**
- **CT Responsible Sterling Corporate Bond**

Avoid

We have developed stringent ethical and ESG criteria to determine the eligibility of companies for investment in the strategies. We review the criteria and indicators on a regular basis to ensure they reflect evolving responses to critical issues, emerging issues and changes in regulation, among other considerations. A summary of our screening criteria is below – they are grouped into product-based and conduct-based criteria. Our internal Responsible Investment (RI) team conducts an in-depth review of every company considered for inclusion in the product range. We exclude companies which do not meet sufficiently high standards in how they operate.

Invest

The Responsible strategies seek to invest in companies that meet high standards in how they operate, based on a detailed assessment of their policies and performance with respect to overall sustainability management. In addition, we have established positions on a range of relevant issues, such as climate change, and what we consider to be progressive approaches to these issues by companies. These positions are based on a range of inputs that include evolving international norms and agreements, extensive primary research, and the input of our Responsible Investment Advisory Council.

Improve

As part of our fiduciary duty, we as investors have the responsibility to take key ESG issues into account before, during and after investment decisions.

We engage with issuers with a view to helping them to enhance their performance, viability, and sustainability to create long-term economic value for our clients. We believe that engagement on ESG issues in certain cases can have a positive impact on corporate performance and investment returns.

Our key expectations on good practice are outlined in our corporate governance guidelines, and environmental and social practices statement[1].

We support our engagement approach by the thoughtful use of our voting rights, where relevant. All proxy voting results are made public.

Further details can be found in our RI Engagement Policy[2], which defines our group-wide engagement activities.

Positive themes of the Responsible Global Equity strategy

Our Responsible Global Equity strategy is a bottom-up stock picking strategy with exposure to sustainability themes, seeking to support companies which:

- **Energy transition** – provide affordable and clean energy or improve energy efficiency.
- **Resource efficiency** – promote more sustainable resource use, consumption, and production.
- **Sustainable infrastructure** – enable less damaging construction processes to maintain sustainable networks.
- **Health and wellbeing** – advance global health, wellbeing, nutrition and food security.
- **Sustainable finance** – support both financial inclusion for underserved communities and businesses addressing sustainability challenges.
- **Societal development** – support education and training and improve social mobility for underrepresented groups.
- **Technological innovation & inclusion** – provide innovative hardware or software solutions to a range of global sustainability challenges.

Our themes are well aligned with the UN Sustainable Development Goals (SDGs).

N.B. The Responsible Funds do not invest in derivatives of any kind other than the occasional use of interest rate futures for risk management purposes.

[1] Our Corporate Governance Guidelines and our Environmental and social practices statement

[2] Our Engagement Policy

Screening criteria

Our in-house Responsible Investment team conducts in-depth research into every company considered for the Responsible strategies. The RI team also draws on our independent Responsible Investment Advisory Council, an external group of responsible investment experts who provide advice on our responsible investment approach, including on material ESG themes, stewardship activity, ESG-related fund design and market positioning, and with oversight of the Responsible range of funds. Screening out sectors or companies may result in less diversification and hence more volatility in investment values.

a) Product-based exclusions

We review whether companies are involved in providing activities and services that are deemed to be negative from an ethical or sustainability perspective.

Screening criteria

Issue	Criteria
Alcohol	Exclude companies that derive: • >0% of their revenue from the production of alcohol. • >33% of their revenue from selling alcohol (companies in the hotel, restaurant or leisure industries). • >10% of their revenue from bottling, wholesale or sale (other industries).
Deforestation	Exclude companies that derive: • >10% of their revenue from the production of palm oil – or sales/product ranges reliant on palm oil – and are not members of the Roundtable on Sustainable Palm Oil (RSPO)[3]. • >10% of their revenue from the production of soy and are not members of the Roundtable on Responsible Soy (RTRS)[4]. • >10% of their revenue from the production of sugar and are not members of Bonsucro[5]. • >10% of their revenue from timber-related activities and do not use FSC-/PEFC-certified timber[6,7].

3 As members, if companies become involved in any significant environmental and/or social controversies then they need to take adequate corrective action.

4 Same as above.

5 Same as above.

6 Same as above.

7 Timber companies, homebuilding companies, and paper products companies are in-scope.

NB. The CT (Lux) Responsible Euro Corporate Bond Fund and the CT Responsible Sterling Corporate Bond Fund may invest in Green Bonds issued by companies which do not meet the fossil fuels criteria. Labeled bonds are screened by the Responsible Investment team in a separate process, which includes an assessment of the use of proceeds.

Screening criteria

Issue	Criteria
Fossil fuels	Exclude companies with ownership of fossil fuel reserves. 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 (heading)** • 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[8]. • That derive >50% of their revenue from equipment and services for oil-related activities. **Gas (heading)** • 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[9]. • That derive >5% of their revenue from natural gas pipelines[9]. • That derive >5% of their revenue from the transportation of natural gas[9]. • That derive >5% of their revenue from gas retail sales and liquefied petroleum gas (bottled gas) dealers[9]. • That derive >50% of their revenue from equipment and services for gas-related activities.
Electricity generation	• Exclude companies that derive >10% of their revenue from thermal coal-based power generation[10]. • Exclude 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[11]. • Exclude companies that derive >50% of their revenue from liquid fuel- and/or natural gas-based power generation.
Fur	Exclude companies that: • Produce fur. • Derive >1% of their revenue from the sale of fur products.
Gambling	Exclude companies: • Whose core business is gambling, such as casinos and betting shops. • That derive >10% of their revenue from gambling, such as hotels.
Genetic Modification (GM)	Exclude companies involved in the manufacture of genetically modified seeds or crops.

8 The Responsible Funds are permitted to hold companies that exceed the 5% revenue threshold for the retailing of oil and oil products if they have robust net zero transition plans which cover their product emissions, and/or are substantially benefitting customers in remote/rural areas.

9 The Responsible Funds are 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; however, companies are excluded which derive >50% of their revenue from the distribution of gas and related products.

10 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. For the Responsible Global Equity Fund: exclude electricity utilities that derive >5% of their revenue from coal-based power production. The same aforementioned conditions apply.

11 For the Responsible Global Equity Fund, exclude electricity utilities that derive >5%-50% of their revenue from liquid fuel- and/or natural gas-based power generation unless they have a Science Based Targets initiative (SBTi) target set at 1.5 degrees Celsius/well-below 2 degrees Celsius.

NB. The CT (Lux) Responsible Euro Corporate Bond Fund and the CT Responsible Sterling Corporate Bond Fund may invest in Green Bonds issued by companies which do not meet the fossil fuels-based electricity generation and/or nuclear energy criteria. Labelled bonds are screened by the Responsible Investment team in a separate process, which includes an assessment of the use of proceeds.

Screening criteria

Issue	Criteria
High interest rate lending	Exclude companies that derive >10% of their revenue from the provision of home-collected credit ('doorstep lending') or unsecured short-term loans ('payday loans') with triple-digit or close to triple-digit Annual Percentage Rates (APR).
Nuclear energy	Exclude companies that: • Derive >0% of their revenue from power production based on nuclear sources. • Derive >3% of their revenue from selling products or services to the nuclear power industry, except those that provide standard, non-customised or safety-related products/services. • Own or operate active uranium mines.
Pornography, harmful and violent materials	Exclude: • Companies involved in the production or distribution of pornographic, harmful or violent materials. • Retailers and telecom companies that derive >3% of their revenue from the sale of pornographic or violent material.
Transport	Transport is responsible for a substantial portion of global carbon dioxide emissions [12]. Exclude: • Companies whose core business is the operation of commercial airlines or airports [13]. • Companies that operate railways deriving >33% of their revenue from the transportation of coal and/or oil [14]. • Shipping companies that derive >10% of their revenue from the transportation of coal and/or oil. • Companies running cruise lines. • Companies that derive >33% of their revenue from building roads in developed markets.
Tobacco	Exclude companies that derive: • >0% of their revenue from the production of tobacco products. • >5% of their revenue from the manufacture 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.
Toxic chemicals	A wide range of synthetic chemicals are used to manufacture everyday products that can cause environmental or public health damage. Of particular concern are persistent organic compounds (POPs), which include endocrine disrupting chemicals (EDCs). Exclude companies: • Involved in Polyvinyl Chloride (PVC) manufacturing if they derive >10% of their revenue from PVC. • Involved in the manufacturing or trading of POPs and other substances banned or restricted under international conventions.

12 Source: International Energy Agency
13 We do not exclude companies that only own the infrastructure.
14 Same as above.

Screening criteria

Issue	Criteria
Weapons[15]	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 manufacture of other weapons components and/or goods and services which are customised for strategic military use.

15 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

b) Conduct-based exclusions

In addition to the above criteria, the strategies will exclude companies that fail to address the key ethical, environmental and social impacts of their operations.

Screening criteria

Issue	Criteria
Human rights	• Exclude companies whose activities clearly infringe international agreements (such as the International Bill of Human Rights) and which are complicit in human rights abuses, either deliberately or through neglect. • Exclude companies whose operations directly and significantly contribute to the persistence of an oppressive regime, e.g. by generating a meaningful part of government income or being complicit in human rights violations. Reference may also be made to a regime's use of the death penalty. • Exclude companies that fail to cooperate in legitimate remediation. • Exclude companies that fail to respond to significant concerns of local communities, including indigenous communities, or that have very poor relations with them.
Labour standards	Companies are responsible for providing fair and safe working conditions for employees. The International Labour Organization's (ILO) Declaration on Fundamental Principles and Rights at Work sets out basic principles and rights at work. Exclude companies with repeated and significant violations or fines related to the below where there has been inadequate remedial action: • Equal opportunities • Diversity • Health and safety Exclude companies with no evidence of response to repeated allegations of breaches of core ILO conventions on: child labour in their own operations; child labour in their supply chain; forced labour in their own operations; forced labour in their supply chain; and international labour standards.
Product safety	To ensure product safety, some companies are required to conduct tests and research as part of product development. They should ensure these processes are conducted safely and in an ethical manner. Exclude companies with: • Repeated and significant violations related to product safety and failure to take adequate corrective action. • Significant and repeated controversies related to the management of clinical trials and failure to take adequate corrective action.
Animal testing and welfare	Animal testing is still needed to meet regulatory requirements, especially in the approval of new drugs and medicines. It is important, however, that such use of animals, even where required by law, be subject to careful scrutiny, and carried out with in accordance with appropriate standards of animal housing and care. Exclude companies that: • Do not adopt and apply the three Rs – that is, they should replace, reduce and refine animal testing, where possible, to minimise harm and enhance welfare • Test on great apes, due to their closeness to humans in social and cognitive capacities. Exclude cosmetics manufacturers that are currently conducting animal testing. Exclude companies involved in significant or repeated controversies related to animal welfare. Animal welfare: Companies involved in producing animals for food should have robust systems to uphold good standards for breeding, rearing, transport, housing and slaughter.
Responsible sales and marketing	Exclude companies with repeated or significant prosecutions related to mis-selling and/or mis-advertising products.

Screening criteria

Issue	Criteria
Governance	
Bribery and corruption	Exclude companies with repeated and significant violations related to bribery and corruption.
Compliance and ethics	Internal controls and a company's culture are key to managing conflicts of interest, preventing violations and managing business ethics. • Exclude companies with a fundamental regulatory breach or a pattern of significant/persistent breaches. • Exclude companies with a track record of unfair or inappropriate practices towards customers. • Exclude financial institutions where management has failed to take effective measures to respond to incidents of misconduct and/or unethical behaviour, or those where these are persistent. • We expect companies to pay fair and appropriate taxes.
Environment	
Climate change	Exclude companies in high impact sectors that do not have comprehensive climate change strategies that seek to measure and control their greenhouse gas emissions, as well as those in their supply chains, and demonstrate an understanding of the impact of climate change on their business strategy.
Biodiversity loss	Exclude companies if they are high impact and are not able to demonstrate an understanding of their negative impacts on biodiversity and an intention, such as an appropriate management system, to reduce this impact to acceptable levels.
Waste management	• Exclude companies with a poor track record in complying with national regulations and international agreements regarding managing waste in the countries where they operate. • Exclude companies that generate waste deemed high-risk or hazardous unless the company has evidence of strong policies and an effective record of implementation. • Exclude companies that dispose of tailings into rivers or seas. • Exclude companies involved in leaching methods that are particularly damaging to the environment, e.g. in-situ, heap or tank leaching.
Water consumption	Exclude companies with a poor track record in complying with national regulations and international agreements regarding managing water consumption in the countries where they operate.

International codes and standards

We exclude companies with breaches of the UN Global Compact's (UNGC) Principles and/or the Organisation for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises. In assessing business conduct, we also refer to the International Labour Organization (ILO) Core Conventions, the UN Guiding Principles on Business and Human Rights and the Norges Bank excluded companies list.

Ongoing monitoring

To ensure companies held in the Responsible strategies continue to meet our criteria, we conduct ongoing monitoring of all held companies. Furthermore, each quarter we review whether companies continue to meet the criteria; any involvement in recent controversies that might indicate poor ESG practices; and any merger and acquisition activity that might change our ratings.

II. Emerging Markets strategies

CT Responsible Global Emerging Markets Equity

The CT (Lux) Responsible Global Emerging Market Equity strategy has different criteria to the Global, European and UK strategies, reflecting the earlier stage of development of ESG policies for many emerging market companies.

Avoid

a) Product-based exclusions

Screening criteria

Issue	Criteria
Alcohol	Exclude companies that derive: • >0% of their revenue from the production of alcoholic beverages. • >33% of their revenue from selling alcohol (companies in the hotel, restaurant or leisure industries). • >10% of their revenue from bottling, wholesale or sale (other industries).
Deforestation	Exclude companies that derive: • >10% of their revenue from the production of palm oil – or >30% of their revenue from sales/product ranges reliant on palm oil – and are not members of the Roundtable on Sustainable Palm Oil (RSPO)[16]. • >10% of their revenue from the production of soy and are not members of the Roundtable on Responsible Soy (RTRS)[17]. • >10% of their revenue from the production of sugar and are not members of Bonsucro[18]. • >10% of their revenue from timber-related activities and do not use FSC-/PEFC-certified timber[19, 20].

16 As members, if companies become involved in any significant environmental and/or social controversies then they need to take adequate corrective action.
17 As above.
18 As above.
19 As above.
20 Timber companies, homebuilding companies, and paper products companies are in-scope.

Screening criteria

Issue	Criteria
Fossil fuels	Exclude companies with ownership of fossil fuel reserves: **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 >25% 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[21]. • That derive >25% of their revenue from equipment and services for oil-related activities. **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[22]. • That derive >5% of their revenue from natural gas pipelines[22]. • That derive >5% of their revenue from the transportation of natural gas[22]. • That derive >5% of their revenue from gas retail sales and liquefied petroleum gas (bottled gas) dealers[22]. - That derive >25% of their revenue from equipment and services for gas-related activities.
Electricity generation	• Exclude electricity utilities that derive >5% of their revenue from thermal coal-based power generation[23]. • Exclude companies (not classified as electricity utilities) that derive >10% of their revenue from thermal coal-based power generation[23]. • Electricity utilities that derive >5-50% 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. • Companies (not classified as electricity utilities) 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. • Exclude all companies that derive >50% of their revenue from liquid fuel- and/or natural gas-based power generation.
Gambling	Exclude companies that derive >10% of their revenue from gambling.
Nuclear energy	Exclude companies that: • Derive >0% of their revenue from power production based on nuclear sources. • Derive >3% of their revenue from selling products or services to the nuclear power industry, except those that provide standard, non-customised or safety-related products/services. • Own or operate active uranium mines.

21 The Responsible Global Emerging Markets Equity Fund is permitted to hold companies that exceed the 5% revenue threshold for the retailing of oil and oil products if they have robust net zero transition plans which cover their product emissions, and/or are substantially benefitting customers in remote/rural areas.

22 The Responsible Global Emerging Markets 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; however, companies are excluded which derive >50% of their revenue from the distribution of gas and related products.

23 Electricities and 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.

Screening criteria

Issue	Criteria
Pornography, harmful and violent materials	Exclude: • Companies involved in the production or distribution of pornographic, harmful or violent materials. • Retailers and telecom companies that derive >3% of their revenue from the sale of pornographic or violent material.
Tobacco	Exclude companies that derive: • >0% of their revenue from the production of tobacco products. • >5% of their revenue from the manufacture 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.
Weapons[24]	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 manufacture of other weapons components and/or goods and services which are customised for strategic military use.

24 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

b) Conduct-based exclusions

In addition to the above criteria, the strategies will exclude companies that fail to address the key ethical, environmental and social impacts of their operations.

Screening criteria

Issue	Criteria
Social	
Human rights	• Exclude companies whose activities clearly infringe international agreements (such as the International Bill of Human Rights) and which are complicit in human rights abuses, either deliberately or through neglect. • Exclude companies that fail to cooperate in legitimate remediation. • Exclude companies that fail to respond to significant concerns of local communities, including indigenous communities, or that have very poor relations with them.
Labour standards	Exclude companies with repeated and significant violations or fines related to labour standards where there has been inadequate remedial action: • Equal opportunities • Diversity • Health and safety Exclude companies with no evidence of response to repeated allegations of breaches of core ILO conventions on: child labour in their own operations; child labour in their supply chain; forced labour in their own operations; forced labour in their supply chain; and international labour standards.
Product safety	Exclude companies with: • Repeated and significant violations related to product safety and failure to take adequate corrective action.
Responsible sales and marketing	• Exclude companies with repeated or significant prosecutions related to mis-selling and/or mis-advertising products.
Governance	
Governance standards	• Exclude companies that fail to meet standards of good governance in their countries of domicile covering issues such as board independence, shareholder rights, transparency and disclosure.
Bribery and corruption	• Exclude companies with repeated and significant violations related to bribery and corruption.
Compliance and ethics	Internal controls and a company's culture are key to managing conflicts of interest, preventing violations and managing business ethics. • Exclude companies with a fundamental regulatory breach or a pattern of significant/persistent breaches. • Exclude companies with a track record of unfair or inappropriate practices towards customers. • Exclude financial institutions where management has failed to take effective measures to respond to incidents of misconduct and/or unethical behaviour, or those where these are persistent. • We expect companies to pay fair and appropriate taxes.
Environment	
Climate change	• Exclude companies in high impact sectors that do not have adequate climate change strategies that seek to measure and control their greenhouse gas emissions, as well as those in their supply chains, and fail to demonstrate an understanding of the impact of climate change on their business strategy.
Biodiversity loss	• Exclude companies if they are high impact and are not able to demonstrate an understanding of their negative impacts on biodiversity and an intention, such as an appropriate management system, to reduce this impact to acceptable levels.

Screening criteria

Issue	Criteria
Waste management	• Exclude companies with a poor track record in complying with national regulations and international agreements regarding managing waste in the countries where they operate.
Water consumption	• Exclude companies with a poor track record in complying with national regulations and international agreements regarding managing water consumption in the countries where they operate.

International codes and standards

We exclude companies with breaches of the UN Global Compact's (UNGC) Principles and/or the Organisation for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises. In assessing business conduct, we also refer to the International Labour Organization (ILO) Core Conventions, the UN Guiding Principles on Business and Human Rights and the Norges Bank excluded companies list.

Ongoing monitoring

To ensure companies held in the Responsible strategies continue to meet our criteria, we conduct ongoing monitoring of all held companies. Furthermore, each quarter we review whether companies continue to meet the criteria; any involvement in recent controversies that might indicate poor ESG practices; and any merger and acquisition activity that might change our ratings.

Invest

These strategies seek to invest in companies that meet high standards in how they operate, based on a detailed assessment of their policies and performance with respect to overall sustainability management.

Improve

As part of our fiduciary duty, we as investors have the responsibility to take key ESG issues into account before, during and after investment decisions.

We engage with issuers with a view to helping them to enhance their performance, viability, and sustainability to create long-term economic value for our clients.

In addition, we believe that engagement on ESG issues in certain cases can have a positive impact on corporate performance and investment returns. Our key expectations on good practice are outlined in our corporate governance guidelines, and environmental and social practices statement.

We support our engagement approach by the thoughtful use of our voting rights, where relevant. All proxy voting results are made public.

Further details can be found in our RI Engagement Policy, which defines our group-wide engagement activities.

III. Addendum

- **Criteria updates since August 2024:**

Previous criteria	New criteria
Weapons[25]	
Exclude issuers that derive: - >0% of their revenue from the manufacturing or sale of weapons, weapons systems or platforms, including products or services specific to such systems. - >0% of their revenue from supplying goods and services designed for strategic military use.	Exclude issuers that derive: - >0% of their revenue from the manufacture or sale of weapons. - >0% of their revenue from the manufacture of controversial and/or nuclear weapons components*. - >5% of their revenue from the manufacture of other weapons components and/or goods and services which are customised for strategic military use.
Tobacco	
Exclude issuers 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. - >1 ng materials.	Exclude issuers that derive: - >0% of their revenue from the manufacture of tobacco products. - >5% of their revenue from the manufacture of Next Generation products (including e-cigarettes) and their components. - >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.

25 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); land mines; non-detectable fragments.

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