EUROPEAN
COMMISSION

Brussels, 31.10.2022
C(2022) 7545 final

ANNEXES 1 to 4

ANNEXES

to the

COMMISSION DELEGATED REGULATION (EU) .../...

amending and correcting the regulatory technical standards laid down in Delegated Regulation (EU) 2022/1288 as regards the content and presentation of information in relation to disclosures in precontractual documents and periodic reports for financial products investing in environmentally sustainable economic activities

`ANNEX IV

Periodic disclosure for the financial products referred to in Article 8, paragraphs 1, 2 and 2a, of Regulation (EU) 2019/2088 and Article 6, first paragraph, of Regulation (EU) 2020/852

Product name: CT Net Zero Transition Low Duration Credit (GBP) Fund
Legal entity identifier: 213800T3VRM7LN8MCC33

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.

Environmental and/or social characteristics

Did this financial product have a sustainable investment objective?

☐ Yes	☒ No
☐ It made **sustainable investments with an environmental objective:** ___	☒ It **promoted Environmental/Social (E/S) characteristics** and while it did not have as its objective a sustainable investment, it had a proportion of <u>51.32%</u> of sustainable investments
☐ in economic activities that qualify as environmentally sustainable under the EU Taxonomy	☒ with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy
☐ in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy	☒ with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy
	☒ with a social objective
☐ It made **sustainable investments with a social objective:** ___	☐ It promoted E/S characteristics, but **did not make any sustainable investments**

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 include a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.

To what extent were the environmental and/or social characteristics promoted by this financial product met?

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

The Fund promotes environmental and/or social characteristics by integrating the following 'Avoid, Invest and Improve' measures into its investment decision-making process:

(1) Avoid: the Portfolio Manager seeks to limit investments in issuers that engage in certain activities that harm society or the environment above specific thresholds.

"Avoid":

• The Sub-Fund will not invest in bonds of issuers which are funding new thermal coal mining or power generation facilities.
• The Sub-Fund will not invest in companies with over 30% revenue from thermal coal power generation or extraction.

The Portfolio Manager also seeks to limit, though not fully exclude, investment in issuers with socially or environmentally damaging products or unsustainable business or governance practices. The limitations include – among other issues – tobacco, weapons and United Nations Global Compact (UNGC) breaches.

"Limited investment in":

Weapons
• Limit investment in issuers that derive >0% of their revenue from the manufacture or sale of weapons.
• Limit investment in issuers that derive >5% of their revenue from the manufacture of weapons components or systems designed for strategic military use.

Tobacco
• Limit investment in 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
- >10% of their revenue from the supply of products which are essential to the tobacco industry, e.g. machinery and packaging materials

Fossil fuels
• Limit investment in issuers:
- With ownership of geological reserves of coal/oil/gas
- That derive >0% of their revenue from Arctic oil and/or gas production

Electricity generation
• Limit investment in electricity utilities:
- Where >10% of the power production is based on coal*
- Where >30% of the power production is based on oil*
• Limit investment in issuers operating active uranium mines

*Unless they have a SBTI target set at 1.5C/well below 2C.

"High operational standards":

The Portfolio Manager assesses the operational standards of investee companies and excludes issuers that breach the following criteria, only where the Portfolio Manager believes that issues cannot be addressed through engagement or sufficient progress has not been made at periodic reviews:

• Companies with severe breaches of the UN Global Compact Principles
• Weak ESG performers, represented by bottom quartile total ESG scores or bottom decile E, S or G scores, where scores reflect the Portfolio Manager's proprietary scoring methodology.

(2) Invest: The issuers the Fund invests in are expected to demonstrate good governance, responsible business practices and meet high standards in how they operate and manage ESG risks.

The Portfolio Manager aims for up to 70% of the Fund's portfolio-level carbon emissions to be invested over time in bonds from issuers that are aligned or are under engagement to align with a global net zero pathway, as assessed by the Columbia Threadneedle net zero methodology. The aim is to reduce the carbon emissions of the portfolio over time in line with a global net zero pathway.

The Portfolio Manager also invests in Labelled Bonds, including Sustainability-Linked Bonds and Green Bonds with defined use of proceeds addressing key areas of concern such as climate change, natural resources depletion, loss of biodiversity and/or pollution control.

The Fund will hold a minimum proportion (25%) of sustainable investments in bonds that provide sustainability solutions or that otherwise make a positive contribution to society or the environment.

(3) Improve: the Portfolio Manager engages with investee companies on significant ESG issues with most relevance to their business, to reduce risk, improve performance, encourage best practice, and underpin long-term investor value. The Portfolio Manager believes that this active ownership is part of its duty as an investor acting in the best interests of its clients, and as a participant in the global financial system. Key engagement topics can include climate change, environmental stewardship, business conduct, labour standards, human rights, public health and corporate governance.

How did the sustainability indicators perform?

The Portfolio Manager uses the following indicators to measure the attainment of the environmental and/or social characteristics promoted by the Fund:

• The number of issuers of bonds determined to be in breach of the Fund's exclusion criteria and/or global norms.

There were no breaches of the exclusion criteria and/or global norms during the reporting period.*

* The Portfolio Manager introduced new proprietary ESG scoring methodology during the review period to evaluate weak ESG performers held in the Fund. The revised approach will be reflected in the SFDR pre-contractual disclosure at the next available opportunity. No changes were made to the methodologies in place

for the other exclusion criteria.

• The percentage of the Fund's portfolio-level carbon emissions invested in bonds from issuers that are aligned or under engagement to align with a global net zero pathway, as assessed by the Columbia Threadneedle net zero methodology.

As at 31 December 2024, 69.2% of the Fund’s portfolio-level carbon emissions were invested in bonds from issuers that are aligned or under engagement to align with a global net zero pathway. While the Fund aims for up to 70% of the portfolio-level carbon emissions to be invested over time in bonds from such issuers, this is not a formal target of its investment strategy

• The proportion of the Fund invested in sustainable investments.

As at 31 December 2024, 51.32% of the Fund was invested in sustainable investments.

• The number of environmental and social-linked engagement activities and/or milestones achieved.

79 environmental- and social-linked engagement activities were achieved during the reporting period. 9 milestones were achieved from engagement activities during the reporting period.

…and compared to previous periods?

This is the first year that the Fund is reporting its performance against the sustainability indicators.

What were the objectives of the sustainable investments that the financial product partially made and how did the sustainable investment contribute to such objectives?

The Fund is committed to investing a minimum proportion of 25% in sustainable investments. To demonstrate that a sustainable investments contributes to an environmental and/or social objectives we assess whether the investment satisfies one of the following criteria:

1. The issuer generates greater than 50% of revenue in activities which are net positively aligned with the SDGs.

2. The issuer has demonstrated it contributes to a sustainable outcome through robust Key Performance Indicators such as Opex or Capex spend.

3. Bonds where the use of proceeds contributes to a sustainable outcome e.g. Labelled Bonds.

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 did the sustainable investments that the financial product partially made not cause significant harm to any environmental or social sustainable investment objective?

The Fund's investment approach assesses that sustainable investments do not significantly harm other sustainable investment objectives in several ways:

1. The Fund screens out investments that are contrary to the goals of making positive contributions to the environment and/or society. These criteria are product- and conduct-based, covering topics such as fossil fuels renewable energy and controversial weapons.

2. Through the Portfolio Manager's investment research, ESG factors are considered throughout the investment cycle, which serves to mitigate the risks of significant harm.

3. When assessing a sustainable investment we explicitly check for significant harm using a framework as described below.

How were the indicators for adverse impacts on sustainability factors taken into account?

Investments which are reported as sustainable investments have been assessed to ensure they do not significantly harm (DNSH) sustainability objectives using an in-house data driven model and investment team due diligence.

The Portfolio Manager identifies harm when assessing a sustainable investment by using quantitative thresholds against a selection of principal adverse impact indicators, including mandatory indicators from Table 1 and certain indicators from Tables 2 and 3 of Annex I of the SFDR Regulatory Technical Standards. Issuers which fall below these thresholds are flagged as potentially harmful and a review is then undertaken to determine whether significant harm is being caused by the issuer. Where quantitative data is not available, the investment teams endeavor to satisfy that no significant harm has taken place through desk-based qualitative research in conjunction with the firm’s Responsible Investment team.

Depending on the type and materiality of the principal adverse impact indicator, the Portfolio Manager will either engage with the issuer to address the harmful practices by taking appropriate action, or limit exposure to such issuers in the portfolio.

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

The sustainable investments are aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights, including the principles and rights set out in the eight fundamental conventions identified in the Declaration of the International Labour Organisation on Fundamental Principles and Rights at Work and the International Bill of Human Rights.

The Portfolio Manager flags issuers which breach UN Global Compact (UNGC) principles for added due diligence and mitigating factor checks and further considers good conduct when making investments. In addition, the DNSH checks also assess issuers for explicit harm against the underlying principles of the UNGC and OECD Guidelines.

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 Union 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.

How did this financial product consider principal adverse impacts on sustainability factors?

The Fund proactively considered the principal adverse impacts ("PAIs") of its investment decisions that may negatively harm sustainability factors through a combination of exclusions, engaging with investee companies and investment research.

As part of portfolio construction and stock selection, the Fund has in place exclusions that correspond to sustainability factors. The exclusions applied by the Fund relate to fossil fuels, renewable energy and controversial weapons. The Fund adhered to its exclusion policy during the period under review.

In addition, the Fund considered PAIs as part of its stewardship activities. Details of PAI engagement are outlined later in this report. PAIs were also considered as part of investment research during the period under review.

What were the top investments of this financial product?

The list includes the investments constituting **the greatest proportion of investments** of the financial product during the reference period which is: 08/02/2024 to 31/12/2024

Issuer name	Sector	Average weight	Country
GOVERNMENT OF UNITED KINGDOM	Sovereign	4.62%	United Kingdom
UNITEDHEALTH GROUP INCORPORATED	Health Care	1.06%	United States
BANQUE FEDERATIVE DU CREDIT MUTUEL SOCIETE ANONYME	Financials	1.00%	France
UBS GROUP AG	Financials	0.95%	Switzerland
DAIMLER TRUCK INTERNATIONAL FINANCE BV	Consumer Discretionary	0.92%	Germany
HSBC HOLDINGS PLC	Financials	0.86%	United Kingdom
BNP PARIBAS SA	Financials	0.83%	France
CREDIT AGRICOLE S.A.	Financials	0.82%	France
TELEFONICA EMISIONES SA	Communication Services	0.82%	Spain
PACIFIC LIFE GLOBAL FUNDING II	Financials	0.79%	United States
AT&T INC.	Communication Services	0.79%	United States
BARCLAYS PLC	Financials	0.76%	United Kingdom
TOYOTA MOTOR CREDIT CORPORATION	Consumer Discretionary	0.76%	Japan
MOTABILITY OPERATIONS GROUP PLC	Consumer Discretionary	0.75%	United Kingdom
NEW YORK LIFE GLOBAL FUNDING	Financials	0.74%	United States

What was the proportion of sustainability-related investments?

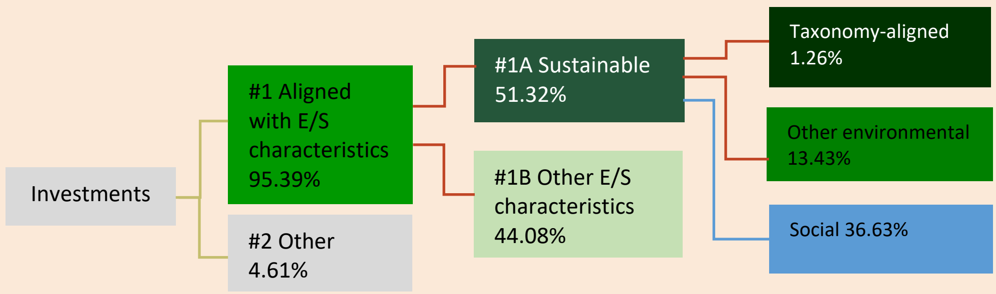
Asset allocation describes the share of investments in

To comply with the EU Taxonomy, the criteria for **fossil gas** include limitations on emissions and switching to fully 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.

What was the asset allocation?



#1 Aligned with E/S characteristics includes the investments of the financial product used to attain the environmental or social characteristics promoted by the financial product.

#2Other includes the remaining investments of the financial product which are neither aligned with the environmental or social characteristics, nor are qualified as sustainable investments.

The category **#1 Aligned with E/S characteristics** covers:
- The sub-category **#1A Sustainable** covers environmentally and socially sustainable investments.
- The sub-category **#1B Other E/S characteristics** covers investments aligned with the environmental or social characteristics that do not qualify as sustainable investments.

Note: Due to rounding, reported figures may not sum to 100%.

In which economic sectors were the investments made?

Sector	% of Net Assets
Communication Services	11.18%
Diversified Telecommunication Services	6.06%
Entertainment	1.14%
Media	2.39%
Wireless Telecommunication Services	1.59%
Consumer Discretionary	10.03%
Automobile Components	0.37%
Automobiles	5.53%
Broadline Retail	0.42%
Diversified Consumer Services	1.03%
Hotels Restaurants & Leisure	2.51%
Household Durables	0.17%

Consumer Staples	7.50%
Beverages	1.32%
Consumer Staples Distribution & Retail	0.57%
Food Products	3.50%
Household Products	1.75%
Personal Care Products	0.36%
Financials	34.62%
Banks	22.10%
Capital Markets	2.13%
Consumer Finance	1.49%
Financial Services	4.83%
Insurance	4.08%
Health Care	6.00%
Biotechnology	1.30%
Health Care Equipment & Supplies	0.50%
Health Care Providers & Services	1.43%
Life Sciences Tools & Services	0.87%
Pharmaceuticals	1.89%
Industrials	5.93%
Air Freight & Logistics	0.24%
Building Products	0.50%
Commercial Services & Supplies	0.66%
Electrical Equipment	0.95%
Ground Transportation	1.12%
Industrial Conglomerates	0.47%
Machinery	0.28%
Professional Services	0.26%
Trading Companies & Distributors	0.38%
Transportation Infrastructure	1.08%
Information Technology	2.68%
Communications Equipment	0.60%
It Services	0.69%
Semiconductors & Semiconductor Equipment	0.64%
Technology Hardware Storage & Peripherals	0.76%
Materials	2.75%
Chemicals	0.24%
Construction Materials	0.46%
Containers & Packaging	2.05%
Real Estate	5.46%
Diversified Reits	1.90%
Real Estate Management & Development	2.20%
Residential Reits	0.07%
Retail Reits	0.67%
Specialized Reits	0.63%

Sovereign	2.61%
Sovereign	2.61%
Utilities	9.20%
Electric Utilities	3.25%
Gas Utilities	1.17%
Independent Power And Renewable Electricity Producers	0.39%
Multi-Utilities	4.02%
Water Utilities	0.37%

* Due to rounding, the percentages for subsectors may not be total to the sector percentage.

To what extent were the sustainable investments with an environmental objective aligned with the EU Taxonomy?

The Fund does not commit to holding a minimum proportion in sustainable investments with an environmental objective aligned with the EU Taxonomy Regulation. It does, however, have a discretion to invest in these types of securities as part of delivering its investment objective.

1.26% of the investments made by the Fund are in economic activities that qualify as environmentally sustainable under the EU Taxonomy Regulation. This taxonomy alignment figure is based on reliable data that has been made available to date and is measured by the proportion of turnover associated with economic activities that qualify as environmentally sustainable. Third-party data providers may use actual data reported by companies on taxonomy alignment or estimated data when calculating taxonomy alignment. The methodology upon which any estimates are based are proprietary to the third-party data provider.

An economic activity qualifies as environmentally sustainable under the EU Taxonomy Regulation where it substantially contributes to one of six environmental objectives. The proportion of the Fund's investments that contributed towards these environmental objectives is broken down as follows:

Climate change mitigation	This figure will be presented when data quality improves
Climate change adaptation	This figure will be presented when data quality improves
Sustainable use and protection of water and marine resources	This figure will be presented when data quality improves
Transition to a circular economy	This figure will be presented when data quality improves
Pollution prevention and control	This figure will be presented when data quality improves

Protection and restoration of biodiversity and ecosystems	This figure will be presented when data quality improves

The mentioned percentage figures have been subject to an assurance review by a third party auditor.

Did the financial product invest in fossil gas and/or nuclear energy related activities complying with the EU Taxonomy[1]?

☒ Yes:

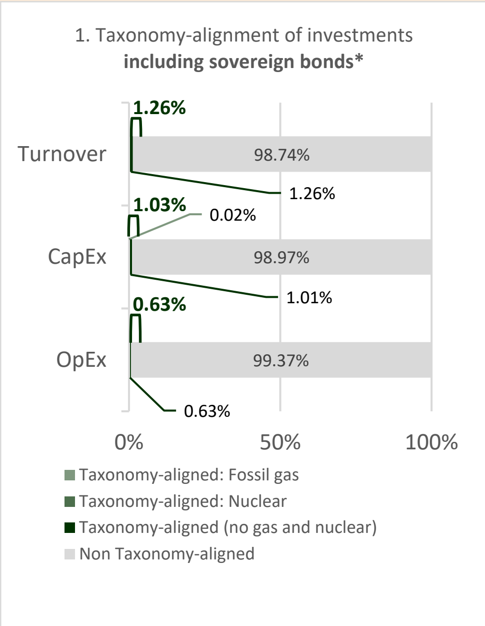
☒ In fossil gas ☐ In nuclear energy

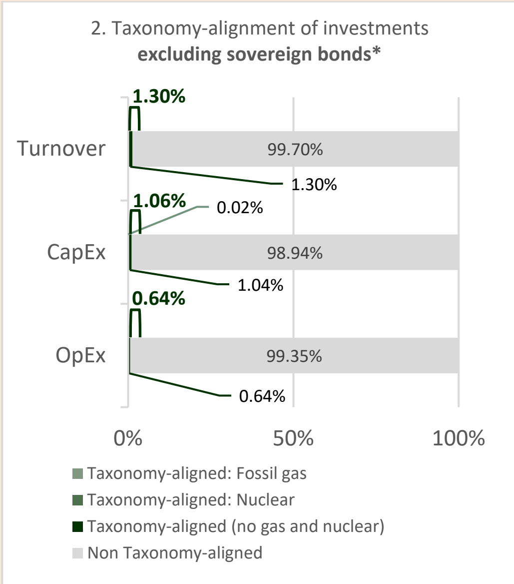
☐ No

[1]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

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.

The graphs below show in green the percentage of investments that were 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.





This graph represents 97.39% of the total investments.

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

What was the share of investments made in transitional and enabling activities?

0.00% of the investments made by the fund are in transitional activities as defined by the EU Taxonomy Regulation.

0.16% of the investments made by the fund are in enabling activities as defined by the EU Taxonomy Regulation.

are sustainable investments with an environmental objective that **do not take into account the criteria** for environmentally sustainable economic activities under Regulation (EU) 2020/852.

How did the percentage of investments that were aligned with the EU Taxonomy compare with previous reference periods?

This is the first year that the Fund is reporting the percentage of investments that are aligned with the EU Taxonomy.

What was the share of sustainable investments with an environmental objective not aligned with the EU Taxonomy?

13.43% of the sustainable investments had an environmental objective not aligned with the EU Taxonomy.

What was the share of socially sustainable investments?

36.63% of the sustainable investments had a social objective.

What investments were included under "other", what was their purpose and were there any minimum environmental or social safeguards.?

Holdings classified as "other" include: (i) ancillary liquid assets, such as money market instruments, money market funds and eligible deposits; (ii) government bonds; (iii) derivatives to assist with efficient management of overall asset class positions such as mitigating interest rate fluctuations or managing currency exposure; and (iv) hedging assets used for treasury management, defensive or hedging purposes.

Minimum environmental or social safeguards for liquidity instruments and derivatives are ensured by integrating ESG considerations into the counterparty risk assessment.

What actions have been taken to meet the environmental and/or social characteristics during the reference period?

During the reporting period there were 79 environmental and/or social specific engagement activities with companies held in the portfolio. These covered 46 companies across 12 countries across a range of themes.

Engagements are structured in line with the firm's engagement themes, which align with the PAIs. Below is provided a breakdown of the engagements undertaken:

Engagements theme	Alignment with PAIs	Proportion of engagements
Climate Change	GHG Emissions and Energy Performance	45.80%
Environmental Stewardship	Biodiversity, Water, Waste	21.37%
Human Rights	Social and Employee Matters	14.50%
Labour Standards		15.27%
Public Health		3.05%

Reference benchmarks are indexes to measure whether the financial product attains the environmental or social characteristics that they promote.

How did this financial product perform compared to the reference benchmark?

Not applicable – the Fund does not have a designated reference benchmark that is used to measure whether it attains the envrionmental and/or social characteristics that it promotes.

- ***How does the reference benchmark differ from a broad market index?***

  Not applicable.

- ***How did this financial product perform with regard to the sustainability indicators to determine the alignment of the reference benchmark with the environmental or social characteristics promoted?***

  Not applicable.

- ***How did this financial product perform compared with the reference benchmark?***

  Not applicable.

- ***How did this financial product perform compared with the broad market index?***

  Not applicable.