

# SUMMARY

## Supplementary Responsible Investment Information

Article 10 – SFDR Website Disclosure

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### CT (Lux) Pan European Equities

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August 2025<sup>1</sup>

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<sup>1</sup> First published January 2023

## Summary

The fund promotes environmental and social characteristics in accordance with Article 8 of SFDR but does not have a sustainable investment objective. To achieve this, it has certain specific ESG requirements:

**A Positive ESG tilt:** We give companies a rating using our ESG Materiality Rating model. These ratings indicate how much exposure a company has to financially material ESG risks and opportunities. Our approach favours companies with strong ratings so the fund shows a more positive ESG materiality score than the index, over rolling 12-month periods.

**Investing in companies with strong ESG ratings:** At least 50% of the portfolio is invested in companies that have a strong rating using our ESG Materiality Rating model.

**Exclusion of companies that do not promote environmental or social characteristics.** We exclude controversial weapons firmwide and companies that derive revenue above set thresholds from industries such as tobacco and thermal coal and companies that we determine to be in breach of accepted international standards and principles.

**Sustainable investment:** we commit to investing a minimum of 20% of the portfolio in sustainable investments, in companies that make a positive contribution to society and/or the environment.

**Principal Adverse Impacts:** we proactively consider the principal adverse impacts of investment decisions we make for the fund. We demonstrate this through our research on and engagement with companies on environmental sustainability indicators relating to decarbonisation and biodiversity, and social factors such as board gender diversity and discrimination. The fund also applies exclusions that correspond to sustainability indicators relating to fossil fuel exposure, global norms and controversial weapons.

**Net Zero alignment:** we are signatories to the Net Zero Asset Managers Initiative (NZAMI) and have committed to an ambition, in partnership with our clients, to reach net zero emissions by 2050 or sooner for a range of assets, including this fund. To progress this, we prioritise certain companies held in the fund for active engagement to improve their net zero alignment status as well as applying a coal exclusion policy.

**Engagement:** we engage with management, aiming to influence companies' approach to ESG risks and practices, in areas such as carbon emissions, board independence and diversity in line with our Responsible Investment Engagement Policy.

**Good governance:** all companies in an Article 8 fund must follow good governance practices. We have developed a model which flags poor practices and potential controversies. We also conduct our own assessment before investing and review governance practices continually on all stocks held.

Other investments may include cash and cash equivalent assets, and derivatives for hedging purposes, and these investments are not counted when calculating the environmental and social profile of the fund.

**For further information on these requirements please refer to the SFDR RTS Annex of the fund's prospectus.**

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**Monitoring of environmental and social characteristics; Methodologies; Data Sources and processing; Limitations to methodologies and data; Due Diligence**

Monitoring is a crucial part of our investment activities, to ensure that the fund is managed within its stated investment objectives and adheres to any restrictions. It is performed at several stages during the investment process, by the investment teams and by independent oversight groups.

We have developed a number of proprietary methodologies to identify and assess whether investments promote environmental and/or social characteristics or meet the criteria to qualify as a sustainable investment. These methodologies do not apply to all asset classes and the limitations to these methodologies are described in more detail below.

We use a variety of data providers and incorporate this data in our proprietary methodologies. At times we may supplement gaps in external data with our own fundamental research. We perform due diligence on these third-party providers.



## No sustainable investment objective

While the fund does not have a sustainable investment objective, it does commit to investing at least 20% of its assets in sustainable investments. These investments do not qualify as environmentally sustainable under the EU Taxonomy.

We use one or more of the criteria below to identify sustainable investments that contribute to an environmental or social objective:

- The contribution of a company to one or more of the 17 Sustainable Development Goals (SDGs) that have a social or environmental objective. This is measured using the proportion of a company's revenue streams that contribute positively to the targets of the SDGs. Where a company's revenues are at least 50% positively aligned, this indicates it generates the majority of its revenue from sustainable solutions.
- A qualitative assessment that a company offers sustainable solutions, where our due diligence concludes and evidences that the contribution of a company's revenues aligned to the SDGs will increase over the medium term.
- A qualitative assessment and documented evidence that sustainability is a material business driver within a company's operations or business approach, which contributes to positive environmental or social outcomes.

To ensure the sustainable investments do no significant harm (DNSH) to any environmental or social sustainable investment objective, we apply two additional checks:

- **Exclusions:** The exclusion of companies in the portfolio that (i) breach international standards and principles of governance (such as the UN Global Compact) (ii) are involved in controversial weapons (iii) generate revenues over specified thresholds in potentially harmful activities.
- **The consideration of Principal Adverse Impact (PAI) indicators.** Investments which are reported as sustainable investments are assessed using an in-house data driven model and investment team due diligence. To identify harm, we have developed quantitative thresholds that take into account the materiality of an indicator for a given industry or sector and what may constitute poor practices in relation to the indicator. Where data is not available, the Investment Team or Responsible Investments Team evaluate whether significant harm has been caused using fundamental research.



## Environmental or social characteristics of the financial product

The fund promotes environmental and social characteristics by integrating the following responsible investment measures into the investment decision-making process:

**A Positive ESG tilt:** We give companies an ESG materiality score using our ESG Materiality Rating model. This model, owned and developed by Columbia Threadneedle, identifies the most financially material ESG risk and opportunity factors across a wide range of industries, based on subjective indicators.

Where sufficient data is available, the output of the model is a rating from 1 to 5. The ratings indicate how much exposure a company has to material ESG risks and opportunities in a particular industry. A rating of 1 indicates that a company has minimal exposure to material ESG risks and a rating of 5 indicates that a company has a higher exposure to such risks. Where our investment professionals identify a data gap, they may conduct their own assessment utilising their research thesis, and in these cases, they will produce a rating that will be used to calculate the positive tilt in place of the

model generated rating. This rating scale is also 1 to 5. These ratings help us gain deeper insights into ESG issues and prioritise our engagement activity.

Our approach favours companies with a strong rating (a rating of 1 to 3), so the fund shows a more positive ESG materiality score than the index, over rolling 12-month periods.

**Investing in companies with strong ESG ratings:** At least 50% of the portfolio is invested in companies that have a strong rating of 1 to 3 using our ESG Materiality Rating model. In exceptional circumstances, the fund manager may (i) assess companies that are not covered by its ESG Materiality Rating model using its own research, (ii) rely on its own research to depart from a rating produced by its ESG Materiality Rating model that it considers to be inaccurate, (iii) engage with companies that have either a low ESG Materiality rating, or are not covered by its ESG Materiality Rating model, for improvement, or (iv) include companies that have either a low ESG Materiality rating, or are not covered by its ESG Materiality Rating model, that qualify as sustainable investments, to achieve this 50% commitment.

**Excluding companies which do not promote environmental or social characteristics:** We exclude controversial weapons and companies directly involved in nuclear weapons firmwide.

The fund also excludes companies that derive revenue above set thresholds from certain industries and activities, as set out in the table below. These exclusion criteria may be updated from time to time.

| Revenue Threshold Exclusions |                                                                       |                   |
|------------------------------|-----------------------------------------------------------------------|-------------------|
| Exclusion                    | Factor                                                                | Revenue Threshold |
| Tobacco                      | Production                                                            | 5%                |
| Thermal Coal                 | Power Generation                                                      | 30%               |
|                              | Extraction                                                            | 30%               |
|                              | Development of new thermal coal mining or power generation facilities | 0%                |
| Nuclear Weapons              | Indirect involvement                                                  | 5%                |

**Exclusions: breach of international standards:** This fund also avoids companies that we determine to be in breach of international standards and principles such as the United Nations Global Compact and the United Nations Guiding Principles on Business and Human Rights.

**Sustainable investment:** we commit to investing a minimum of 20% of the portfolio in sustainable investments, in companies that make a positive contribution to society and/or the environment.

**Net Zero alignment:** we are signatories to the Net Zero Asset Managers Initiative (NZAMI) and, in partnership with our clients, have committed to an ambition to reach net zero emissions by 2050 or sooner for a range of assets, including this fund. Accordingly, we prioritise certain companies held in the fund for active engagement to improve their net zero alignment status as well as applying a coal exclusion policy (detailed in the exclusions table above).

**Engagement with companies:** To support and enhance the promotion of environmental and social characteristics, we may, in line with our Responsible Investment Engagement Policy, seek proactive engagement with companies that have lower ESG Materiality Ratings with a view to influencing management teams to improve their ESG practices, for example on issues relating to carbon emissions.



## Investment strategy

The fund's investment strategy is to seek capital appreciation through investment principally in the equity securities of large companies domiciled in continental Europe or which have significant continental European operations.

The fund is actively managed in reference to the MSCI Europe Index (the "Index"). The index is broadly representative of the securities in which the fund invests and provides a suitable target benchmark against which fund performance will be measured and evaluated over time. The index is not designed to specifically consider environmental or social characteristics. The portfolio manager has discretion to select investments with weightings different to the index, and that are not in the index, and the fund may display significant divergence from the index.

The fund also integrates the following responsible investment measures into its investment decision-making process. These are the binding elements of the strategy that are used to select investments for the promotion of the environmental and social characteristics:

1. **Positive tilt:** The fund must maintain, overall, a positive weighted average ESG Materiality rating when compared with the Index over rolling 12-month periods. Whilst the fund may invest in companies with a low rating (rating of 4 or 5) the portfolio manager favours companies which score highly (rating of 1-3) on the Model, giving the fund a positive tilt in favour of ESG characteristics when compared with those of the Index, on a rolling 12-month basis.

We invest at least 50% of the portfolio in companies that have a strong ESG Materiality rating (1 to 3). In exceptional circumstances, the fund manager may (i) assess companies that are not covered by its ESG Materiality Rating model using its own research, (ii) rely on its own research to depart from a rating produced by its ESG Materiality Rating model that it considers to be inaccurate, (iii) engage with companies that have either a low ESG Materiality rating, or are not covered by its ESG Materiality Rating model, for improvement, or (iv) include companies that have either a low ESG Materiality rating, or are not covered by its ESG Materiality Rating model, that qualify as sustainable investments, to achieve this 50% commitment.

2. **Exclusions:** we exclude companies from the fund that (i) we determine are in breach of international standards and principles or (ii) derive revenue above set thresholds from certain industries and activities that are considered harmful to the environment and/or society. The application of the exclusion criteria has the effect of reducing the number of securities available for investment by the fund.
3. **Sustainable Investments:** the fund commits to investing at least 20% of its assets in sustainable investments.
4. **Net Zero alignment:** this fund is managed in line with our net zero methodology. Accordingly, we prioritise certain companies held in the fund for active engagement to improve their net zero alignment status as well as applying a coal exclusion policy.



## Good governance

We conduct a pre-investment good governance assessment and ongoing post-investment review of governance practices on all investee companies. We use third-party data to assess a company's governance practices and supplement this with our fundamental research.

**Pre-investment:** We assess all companies before investment. We may engage with a company to better understand or to encourage improvements relating to any flagged issues. If, however, we conclude that the company demonstrates poor governance practices, we will not invest in its securities.

**Post-investment:** Companies are monitored on an ongoing basis to confirm that there has been no worsening of their governance practices. If any issues are flagged, we may engage with the company to better understand the issue as part of our good governance assessment. However, where it is considered that the company no longer demonstrates good governance practices, the securities will be sold as soon as practicable.

We have developed a data-driven model which flags poor practices and controversies relating to the four pillars of good governance outlined by SFDR to inform our assessment and monitoring of investee companies. The quantitative models to measure governance characteristics cover:

1. **Board structure:** including board and key committee composition, diversity and inclusion, and commitments and policies.
2. **Compensation:** including pay-for-performance, use of equity, non-executive pay, and termination practices.
3. **Employee relations:** including compliance with labour standards, such as child labour, discrimination, and health and safety.
4. **Tax quality:** including tax reporting and corporate tax gap.

Qualitative reviews assessing the practices of a company will take place when a governance issue is flagged by the data-driven model. These reviews will also take place when data is limited.



## Proportion of investments

At least 50% of the portfolio is invested in companies that have a strong rating using our ESG Materiality Rating model. Therefore, the minimum proportion of investments in the fund that promote the environmental or social characteristics is 50% of its assets.

Only investments in companies that have a strong ESG Materiality rating are considered as aligned with the environmental or social characteristics promoted by the fund. ESG Materiality Rating model using its own research, (ii) rely on its own research to depart from a rating produced by its ESG Materiality Rating model that it considers to be inaccurate, (iii) engage with companies that have either a low ESG Materiality rating, or are not covered by its ESG Materiality Rating model, for improvement, or (iv) include companies that have either a low ESG Materiality rating, or are not covered by its ESG Materiality Rating model, that qualify as sustainable investments, to achieve this 50% commitment.

The fund's exclusion criteria covers all equity securities issued by companies held by the fund so we maintain minimum environmental and social safeguards even for companies with a lower ESG materiality rating (rating of 4 or 5).

The fund commits to investing at least 20% of its assets in sustainable investments.

Other investments may include cash and cash equivalent assets, derivatives for hedging purposes (complex instruments for reducing risk), investments in companies that do not have strong ESG Materiality ratings (rating of 4 or 5) or that are not covered by the ESG Materiality Rating model and such companies that do not qualify as sustainable investments. These investments do not meet the criteria for the promotion of environmental or social characteristics.



## Monitoring of environmental or social characteristics

Monitoring of our funds is a crucial part of our investment activities. It is performed at several stages during the investment process, by the investment teams and by independent oversight groups:

- Where we deviate from the outcome of our data-driven models, the fundamental research analysis that is used in such cases will be independently reviewed and overseen by senior members of our Investments, Research and Active Ownership Teams to ensure that any deviation is well documented and explained. These sample reviews focus on the completeness of the research undertaken and only apply to certain of our proprietary models such as our ESG Materiality Rating model, good governance and sustainable investments.
- The Investment Consultancy & Oversight Group periodically reviews the fund's strategy to identify areas of improvement, with the aim of improving outcomes for clients and one aspect of their analysis is to ensure that the portfolio managers adhere to the fund's stated philosophy and process, including ESG measures.
- The Mandate Compliance Team are responsible for independently monitoring whether a fund adheres to certain sustainability indicators. Blackrock Solutions Aladdin order management system is the dedicated application for all monitoring requirements, providing both a pre- and post-trade compliance functionality throughout the lifecycle of the fund.
- **Net Zero alignment.** The fund-level engagement target and non-binding 2030 carbon footprint objective is monitored by the Responsible Investment team on a quarterly basis. A separate monitoring process is conducted by the Investment Risk team on a quarterly basis, and funds which are designated as off track are flagged to the portfolio manager and the Responsible Investment team.



## Methodologies

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| <b>ESG Materiality Rating Model</b> | <p><b>Positive tilt.</b> The Columbia Threadneedle ESG Materiality Rating model builds on the SASB (Sustainability Accounting Standards Board) materiality framework to identify the most financially material ESG risks and opportunities. It assesses daily how much exposure a company has to materially financial ESG risks and opportunities. Where sufficient data is available, the output of the model is a rating from 1 to 5.</p> <p>Where our investment professionals identify a data gap, they may conduct a qualitative assessment utilising their research thesis, and in these cases, the analyst's fundamental rating will be used to calculate the positive tilt in place of the model generated rating. This rating scale is also 1 to 5.</p> <p>The ESG Materiality rating versus the index is monitored on a daily basis by our portfolio order management systems to ensure that the fund maintains a positive rating over rolling 12-month periods.</p>                                               |
|                                     | <p><b>Investing in companies with strong ESG ratings.</b> We rate companies using the Model with a view to the fund holding at least 50% of portfolio companies that are considered to be strong under this Model. In exceptional circumstances, the fund manager may (i) assess companies that are not covered by its ESG Materiality Rating model using its own research, (ii) rely on its own research to depart from a rating produced by its ESG Materiality Rating model that it considers to be inaccurate, (iii) engage with companies that have either a low ESG Materiality rating, or are not covered by its ESG Materiality Rating model, for improvement, or (iv) include companies that have either a low ESG Materiality rating, or are not covered by its ESG Materiality Rating model, that qualify as sustainable investments, to achieve this 50% commitment. The requirement to invest in companies with strong ESG ratings is monitored on a daily basis by our portfolio order management systems.</p> |
| <b>Sustainable Investments</b>      | <p>To assess whether a company qualifies as an investment in an economic activity that contributes to an environmental or social objective and can be considered a sustainable investment, we either evaluate or undertake:</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |

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|                                      | <ul style="list-style-type: none"> <li>• The contribution of a company to one or more of the 17 Sustainable Development Goals (SDGs) that have a social or environmental objective. This is measured using the proportion of a company's revenue streams that contribute positively to the targets of the SDGs. Where a company's revenues are at least 50% positively aligned, this indicates it generates the majority of its revenue from sustainable solutions.</li> <li>• A qualitative assessment that a company offers sustainable solutions, where our due diligence concludes and evidences that the contribution of a company's revenues aligned to the SDGs will increase over the medium term.</li> <li>• A qualitative assessment and documented evidence that sustainability is a material business driver within a company's operations or business approach, which contributes to positive environmental or social outcomes.</li> </ul> <p>The percentage of revenue that is not linked to a contribution to SDGs will also need to meet the "do no significant harm test" in order to for the entire investment to be considered a sustainable investment.</p>                          |
| <b>Do no significant harm (DNSH)</b> | <p>To ensure that a company does not significantly harm (DNSH) an environmental or social objective, we assess and monitor investee companies against all the mandatory Principal Adverse Impact (PAI) indicators and certain voluntary PAIs. Using an in-house data driven model we have set quantitative thresholds against a selection of PAI indicators to flag certain harms caused by a company. These thresholds take into account the materiality of an indicator for a given industry or sector and what may constitute poor practices in relation to the indicator. Companies falling below the set thresholds are then subject to a qualitative assessment to determine whether they have caused "significant harm". This review is undertaken by the Investment Team or Responsible Investments Team and considers the materiality of the harm and whether mitigating activities are underway to address the issues. Companies that are not covered by the in-house model owing to data gaps are also subject to a qualitative assessment where either the Investment Team or Responsible Investments Team evaluate whether significant harm has been caused using fundamental research.</p> |
| <b>Net Zero alignment</b>            | <p>Our NZAMI commitment and the implementation of our net zero methodology may have the following impacts on the fund:</p> <p>(i) An immediate coal divestment and exclusion policy, covering companies that derive over 30% of their revenue from coal or that develop new coal mines/power;</p> <p>(ii) Divestment of the highest-emitting companies that may be held in the fund, if these have been subject to a prolonged period of engagement and still fail to meet our minimum standards and expectations.</p> <p>We aim for at least 70% of the carbon footprint of the fund in any given year to be either classed as "aligned" in our proprietary net zero tool, or be engaged on climate change. We count companies as engaged if they have been engaged on climate change in the last two years by our internal teams, or if they are engaged by the Climate Action 100+ collaborative engagement initiative that we are members of (even if we do not engage them directly ourselves).</p>                                                                                                                                                                                                 |

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|                   | Our <a href="#">detailed methodology</a> for this tool is available on our website, and the tool follows the Net Zero Investment Framework.                                                                                                                                                                                              |
| <b>Exclusions</b> | The fund excludes companies that breach certain international standards or derive revenue above set thresholds from industries that are not considered to promote environmental or social characteristics. These exclusions are coded into our portfolio order management systems and are monitored on a pre-trade and post-trade basis. |



## Data sources and processing

|                                      |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
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| <b>ESG Materiality Rating model</b>  | <p>The Columbia Threadneedle ESG Materiality Rating Model uses proprietary data such as MSCI risk scores and publicly available data. The Model builds on the Sustainability Accounting Standards Board (SASB®) materiality framework to identify the most financially material ESG risks and opportunities. We undertake due diligence on the third-party data as well as publicly available data to ensure data quality. In addition, where our investment professionals identify a data gap, they may conduct a qualitative assessment utilising their research thesis, and in these cases, the analyst's rating will be used to calculate the positive tilt in place of the model generated rating. This rating scale is also 1 to 5.</p> <p>The third-party data provider uses estimated company data when producing the MSCI risk scores at levels that are not disclosed to data users.</p>                                                                                        |
| <b>Sustainable investments</b>       | <p>We use a range of data sources to assess whether a company makes a positive contribution to an environmental or social objective and can therefore be considered a sustainable investment.</p> <p>These include, but are not limited to, CDP, Climate Bonds Initiative, Factset Revere, ISS, and MSCI. We undertake due diligence on the proprietary models used by our third-party data providers for producing data and periodically perform data checks to ensure data quality. We may also supplement external data with our own research where we disagree with external data or there are data gaps. These qualitative assessments are incorporated into our internal models and refreshed annually.</p> <p>The data we receive is processed internally where it is transformed and curated in accordance with the specification of our proprietary methodologies. The third-party data providers use estimated company data at levels that are not disclosed to data users.</p> |
| <b>Do no significant harm (DNSH)</b> | <p>We use a range of data sources to ensure that a company does not significantly harm an environmental or social objective. These include, but are not limited to CDP, Climate Bonds Initiative and MSCI. We undertake due diligence on the proprietary models used by our third-party data providers for producing data and periodically perform data checks to ensure data quality. We may also supplement external data with our own research where we disagree with external data or there are data gaps. These qualitative assessments are incorporated into our internal models and refreshed annually.</p> <p>The data we receive is processed internally where it is transformed and curated in accordance with the specification of our proprietary</p>                                                                                                                                                                                                                         |

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|                           | methodologies. The third-party data providers use estimated company data at levels that are not disclosed to data users.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| <b>Net Zero alignment</b> | <p>The primary data sources that we use to determine the net zero alignment status of a company include: CDP, Science-based Targets Initiative (SBTi), Climate Action 100 (CA100+), Transition Pathway Initiative (TPI), MSCI, Climate Bonds Initiative (CBI) Green Bonds Database. We also use Urgewald GCEL and MSCI data for the minimum coal exclusion threshold that applies to net zero aligned funds.</p> <p>We use the following approaches to ensure data quality:</p> <ul style="list-style-type: none"> <li>• We use a data hierarchy, whereby we preferentially use data from sources that are externally verified (e.g. SBTi, CA100+, TPI) over data that is self-reported by a company (e.g. CDP).</li> <li>• We run regular checks on our internally developed net zero tools to verify that data is kept up-to-date.</li> <li>• We undertake due diligence on the framework methodologies and coverage levels of our third-party data providers.</li> </ul> <p>The data is processed using a Python script that follows our internally developed proprietary net zero alignment methodology.</p> <p>The data that we take into account when assessing an investee company's alignment to net zero is not estimated; however, approximately 20% of the Scope 1, 2 and 3 carbon data that we use as part of our methodologies is estimated by our third-party data providers.</p> |
| <b>Exclusions</b>         | <p>We use MSCI data to monitor whether an investee company breaches certain international standards or derives revenue above set thresholds from industries that are considered contrary to the promotion of environmental or social characteristics.</p> <p>Due diligence is performed on MSCI and we may depart from its data when we disagree with it or consider it to not be up to date. The external data that we receive is configured in our portfolio order management systems. MSCI uses estimated company data at levels that are not disclosed to data users.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |



## Limitations to methodologies and data

|                                     |                                                                                                                                                                                                                                                                                                                                                               |
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| <b>ESG Materiality Rating model</b> | Where our third-party data vendor does not provide us with data for an investee company, we may produce our own rating for that company using fundamental research. Moreover, we have set minimum data coverage levels for the fund to ensure that this limitation does not affect the overall environmental or social characteristics that it promotes.      |
| <b>Sustainable investments</b>      | Where there are gaps in the external data we receive from third-party data providers or where we disagree with such data, we will use our own research to make a qualitative assessment and ensure that there are sufficient holdings in the portfolio contributing towards the minimum proportion of sustainable investments that the fund has committed to. |

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| <b>Do no significant harm (DNSH)</b> | While there may be gaps in the external data we receive from third-party data providers, we will use our own research to make a qualitative assessment and ensure that there are sufficient holdings in the portfolio meeting the DNSH principle and contributing towards the minimum proportion of sustainable investments that the fund has committed to. Certain PAIs that are considered as part of the DNSH test currently have very limited data coverage levels. We will not rely on third-party data that we disagree with and use our own research instead.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| <b>Net Zero alignment</b>            | <p>There are two data limitations. External data sources are not updated in real time, which can result in the reported progress of an investee company towards net zero alignment being delayed when used as part of our methodologies. There is also limited data for smaller companies, especially those that are not required to disclose under self-reporting standards.</p> <p>Our net zero alignment methodology does not currently assess non-corporate fixed income issuers, such as sovereign debt and municipal bonds. Moreover, it does not apply to financial institutions. We plan to develop new methodologies to cover these asset classes and sectors in due course.</p> <p>Notwithstanding the above-mentioned limitations to methodologies and data, we have set minimum coverage data thresholds that our funds need to meet if they are to align to net zero using our internally developed frameworks. More specifically, we may override certain data points given by our third-party provider where we believe them to be outdated or inaccurate.</p> |
| <b>Exclusions</b>                    | We apply our exclusion policy to all investee companies, including those that are not covered by the external data we receive from third-party data providers. In instances where we disagree with third-party data or consider it to not be up to date, we may depart from it and make a qualitative assessment on whether the company may be held in the fund.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |



## Due diligence

As a research-focused active asset management company, we have a very large team of investment analysts and research associates dedicated to independent research that is used in the due diligence carried out on potential investments. In addition, we have developed our own ESG models and frameworks that form part of the portfolio construction process.

The internal controls that we have in place for investment due diligence are outlined in the section above on “Monitoring of Environmental or Social Characteristics”.



## Engagement policies

Our Responsible Investment Engagement Policy outlines our approach to engagement, themes covered, and how we prioritise and escalate. Our engagement programme is executed through close collaboration by our active ownership analysts with fundamental research analysts and portfolio managers. Among other factors, we identify and prioritise companies for engagement based on factors such as: the significance, probability of occurrence, and severity of adverse sustainability impacts; the assessment of impact of ESG risk and opportunity factors now and in the future; investment teams’ and fundamental analysts’ judgement and expertise; and the assessment of likelihood of engagement success. The engagement prioritisation process incorporates companies

flagging against Principal Adverse Impact indicators, and companies with a low score under our ESG Materiality Rating model. We may not necessarily engage with all companies that have been flagged across the various factors.

We aim for constructive dialogue to support long-term returns by mitigating risk, capitalising on opportunities linked to ESG factors, and reducing material negative impacts of our investment decisions. We aim to play a part in a more sustainable and resilient global economy, by encouraging improved ESG practices. This can drive positive impacts for the environment and society, in line with the United Nations Sustainable Development Goals (SDGs).

When we engage, we focus on financial performance, sustainability risks and opportunities, operational excellence, capital allocation policies and managerial incentives. Collaboration across asset classes, and thematic and sectoral disciplines ensures an informed approach.

We will agree and set engagement objectives and timelines and use escalation strategies where appropriate, if companies do not demonstrate progress on matters that we believe are in our clients' best long-term economic interests. In considering engagement escalation strategies, we will make a case-by-case assessment of progress against our objectives and how companies respond to our engagement. We have at our disposal several different options for escalation, which include collaborative engagement, public statements and partial or complete divestment.

Engagement activity may also occur in response to unscheduled and controversial events, such as scandals or major environmental disasters linked to corporate operations. Our event-driven engagement also occurs in reaction to potential breaches of global standards, such as the OECD guidelines for multinational enterprises or the UN Global Compact.

Stewardship lies at the heart of our approach to net zero and we actively engage with certain companies within the fund to influence change and help to achieve improved net zero alignment status. We also conduct both company and portfolio level alignment analysis to assist with our investment decision-making process. Our aim is for the fund to hold at least 70% of its portfolio emissions in net zero aligned or engaged companies.



## Designated reference benchmark

The fund does not have a designated reference benchmark that is used to measure whether it attains the environmental and/or social characteristics that it promotes.



**Important Information.** Information is provided in reference to Sustainable Finance Disclosure Regulation (Regulation (EU) 2019/2088) and may be subject to change, following new or updated Regulatory guidance or other changes. Please refer to the current fund prospectus or Investment management agreement for further details and all risks applicable to investing. The information provided in this document may not be reproduced in any form or passed on to any third party without the express written permission of Columbia Threadneedle Investments. This material should not be considered as an offer, solicitation, advice or an investment recommendation. This communication is valid at the date of publication and may be subject to change without notice.

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