

## CT (Lux) Global Social Bond

Pre-contractual disclosure for the financial products referred to in Article 9, paragraphs 1 to 4a, of Regulation (EU) 2019/2088 and Article 5, first paragraph, of Regulation (EU) 2020/852

**Product name:** CT (Lux) Global Social Bond (the “Portfolio”)

**Legal entity identifier:** 5493000LMR3JD1PAQT62

**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.

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.

### Sustainable investment objective

Does this financial product have a sustainable investment objective?

☒ ☐ ☐ ☒ **Yes**

- ☐ It will make a minimum of **sustainable investments 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
- ☒ It will make a minimum of **sustainable investments with a social objective: 80%**

☐ ☒ ☐ ☐ **No**

- ☐ It **promotes Environmental/Social (E/S) characteristics** and while it does not have as its objective a sustainable investment, it will have a minimum proportion of \_\_\_\_ % of sustainable investments
- ☐ with an environmental objective in economic activities that 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 promotes E/S characteristics, but **will not make any sustainable investments**



**Sustainability indicators** measure how the sustainable objectives of this financial product are attained.

## What is the sustainable investment objective of this financial product?

The sustainable investment objective of the Portfolio is to provide positive social outcomes by investing in bonds that support or fund socially beneficial activities and development, as assessed by the Columbia Threadneedle Social Rating Methodology.

To achieve the social objective of the Portfolio, the Investment Manager:

- (i) invests in bonds that positively contribute to one or more of the areas of social outcome below. These are based on the social hierarchy of needs approach, whereby “primary” social needs such as housing are foundational and supersede more general social needs. The social outcomes are also aligned to the UN Sustainable Development Goals (SDGs), as the core global set of priorities for social and sustainable development.

The Investment Manager uses a proprietary categorisation and rating model (the “Social Rating Methodology”) to carry out a detailed assessment of the bond’s contribution to the social objective pursued by the Portfolio. The Investment Manager only selects bonds that are rated as social investments for inclusion in the Portfolio.

<b>Social Outcome Category</b>	<b>Primary SDG</b>	<b>Areas of Social Outcome</b>
Primary Social Needs	Sustainable Cities and Communities	Affordable Housing e.g. Social bonds (housing focus)
Basic Social Needs	Good Health and Well Being	Health and Welfare e.g. Health services
Social Enabling	Quality Education	Education and Training e.g. Printing and publishing
Social Empowerment	Decent Work and Economic Growth	Employment e.g. Retail
Social Enhancement	Sustainable Cities and Communities	Community e.g. Social bonds (community focus)
Social Facilitation	Reduced Inequalities	Access to Services e.g. Financial services (socially focused)
Societal Developments	Industry, Innovation and Infrastructure	Economic Regeneration and Development e.g. Green bonds

- (ii) excludes bonds from issuers that:
  - derive revenue above specific thresholds from industries or activities that it considers offer minimal social benefits or have a high risk of negative outcomes on society and/or the environment;
  - breach accepted international standards and principles of governance as determined by the Investment Manager such as, but not limited to, the United Nations Global Compact, the International Labour Organization Labour Standards, the Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises, and the United Nations Guiding Principles on Business and Human Rights.
- (iii) engages with issuers to enhance the Portfolio’s social focus and standards. As a bondholder, the Investment Manager actively seeks opportunities to engage with issuers to better understand and positively influence their social value.

The Portfolio does not use a reference benchmark to achieve the social objective.

- ***What sustainability indicators are used to measure the attainment of the sustainable investment objective of this financial product?***

The Investment Manager uses the following sustainability indicators to measure the attainment of the social objective of the Portfolio:

- The number of bonds that are categorised and rated as social investments (sustainable investments) under the Social Rating Methodology.
- The number of bonds from issuers determined to be in breach of the Portfolio's exclusion criteria.
- ***How do sustainable investments not cause significant harm to any environmental or social sustainable investment objective?***

**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.

The Portfolio screens out bonds from issuers that derive revenue above specific thresholds from industries or activities that offer minimal social benefits or have a high risk of negative outcomes on society and/or the environment. The Investment Manager assesses bonds against the Portfolio's exclusion criteria to determine whether an issuer is harming environmental and/or social themes such as climate transition, controversial weapons, and breaches of the United Nations Global Compact.

Principal adverse impacts are also considered as part of the do not significant harm test (as described below in the relevant section) and the Investment Manager will further disclose the principal adverse sustainability indicators in Annex I (table 1 and table 3 for the indicators on incidents of discrimination, average freedom of expression score and average corruption score) of the RTS of the SFDR.

*How have the indicators for adverse impacts on sustainability factors been taken into account?*

Investments which are reported as social 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 model identifies harm by using a quantitative threshold against a selection of principal adverse impact indicators. Issuers which fall below these thresholds are flagged as potentially harmful. This is then considered taking account of the materiality of the harm, whether harm has or is occurring, and whether mitigating activities are underway to address harm. Where data is not available, investment teams endeavour to satisfy that no significant harm has taken place by deploying their best efforts to obtain the information by carrying out additional research or making reasonable assumptions through desk-based research or engagement with the management team of the company.

In addition, all holdings must comply with a set of social and environmental exclusions which seek to avoid harming sustainability factors, as detailed below.

*How are the sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights?*

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 excludes bonds from issuers which breach UN Global Compact (UNGC) principles 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.



#### **Does this financial product consider principal adverse impacts on sustainability factors?**

☒ Yes

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

As part of portfolio construction and stock selection, the Portfolio has in place exclusions that correspond to sustainability indicators that cannot be held by the Portfolio. The exclusions applied by the Portfolio relate to fossil fuel exposure, non-renewable energy production, global norms, and controversial weapons. In addition, it considers PAIs as part of research into, and engagement with, investee companies on environmental sustainability indicators relating to decarbonisation and biodiversity, and social factors such as discrimination and board gender diversity.

More information on how the Investment Manager considers the PAIs of its investment decisions on sustainability factors will be made available in the Annual Reports. Please see below for the full list of principal adverse indicators – detail on how these are taken into account can be found above under the section “How have the indicators for adverse impacts on sustainability factors been taken into account?”.

	Exclusions	Stewardship <sup>117</sup>
<b>Indicators Applicable to Investments in Corporate Issuers</b>		
1.1. GHG emissions		✓
1.2. Carbon footprint		✓
1.3. GHG intensity of investee companies		✓
1.4. Exposure to companies active in the fossil fuel sector	✓	✓
1.5. Share of non-renewable energy consumption and production	✓	✓
1.6. Energy consumption intensity per high impact climate sector		✓
1.7. Activities negatively affecting biodiversity sensitive areas		✓
1.8. Emissions to water		✓
1.9. Hazardous waste and radioactive waste ratio		✓
1.10. Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises	✓	✓
1.11. Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises		✓
1.12. Unadjusted gender pay gap		✓
1.13. Board gender diversity		✓
1.14. Exposure to controversial weapons (antipersonnel mines, cluster munitions, chemical weapons and biological weapons)	✓	
3.7. Incidents of discrimination		✓
<b>Indicators Applicable to Investments in Sovereigns and Supranationals</b>		
3.19. Average freedom of expression score	✓	
3.21. Average corruption score	✓	

☐ No

#### What investment strategy does this financial product follow?

The Portfolio is actively managed and seeks to achieve a total return from income and capital appreciation by investing in bonds globally that are considered to provide positive social outcomes by supporting or funding socially beneficial activities and development, as assessed by the Social Rating Methodology.

The **investment strategy** guides investment decisions based on factors such as investment objectives and risk tolerance.

<sup>117</sup> Engagement activity primarily contributes to the Portfolio’s social objective to mobilise capital to support inclusion and address deprivation. While recognising the merits of assessing and monitoring the Portfolio’s position in relation to the Paris Agreement and related trends, such as the energy transition, the Portfolio has a specific social objective that defines the strategy. As a bondholder, the Investment Manager actively seeks opportunities to engage with issuers to better understand and positively influence their social value. As part of this, the sustainability risks associated with the Paris Agreement’s objectives are considered.

Subject to the social investment criteria below, the Investment Manager invests at least 90% of the Portfolio's assets in bonds issued by governments, supranationals, public, private or voluntary and/or charitable sector organisations.

This includes corporate bonds, sovereign bonds, covered bonds, agency bonds, mortgage and asset-backed securities and contingent convertible bonds, whether interest is paid at a fixed, floating, variable or index-linked rate or not payable at all. The Portfolio may invest up to 35% of its net assets in debt securities from issuers in emerging market countries. The Portfolio will not invest more than 10% of its assets in bonds that are rated below investment grade, provided that such securities are not rated below B- or equivalent by any recognised rating agency at the time of purchase.

To achieve the social objective of the Portfolio, the Investment Manager:

- (i) uses the Social Rating Methodology to:
  - identify categories of bonds with higher potential for delivering positive social outcomes in one of the 7 areas of social outcome set out above; and
  - assess each bond to produce a categorisation and social rating following a detailed assessment of the bond's contribution to the social objective of the Portfolio.
- (ii) excludes bonds from issuers that:
  - derive revenue above specific thresholds from industries or activities that it considers offer minimal social benefits or have a high risk of negative outcomes on society and/or the environment;
  - breach accepted international standards and principles of governance as determined by the Investment Manager such as, but not limited to, the United Nations Global Compact, the International Labour Organization Labour Standards, the Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises, and the United Nations Guiding Principles on Business and Human Rights.
- (iii) maintains and enhances the Portfolio's social focus and standards through ongoing governance, monitoring, engagement and reporting.

The Portfolio is not managed in reference to a benchmark.

- ***What are the binding elements of the investment strategy used to select the investments to attain the sustainable investment objective?***

The Investment Manager only selects bonds that meet the Social Investment Criteria below in order to achieve the social objective of the Portfolio.

### **1. Social Rating Methodology**

To be eligible for investment, each bond must positively contribute to one or more of the 7 areas of social outcome (set out above). Under the methodology, the social characteristics of each bond are assessed and each investment is categorised according to its level of impact and given a social rating.

- (i) The Investment Manager identifies the social intentionality and purpose of the use of a bond's proceeds and the bond is categorised according to its level of impact as:
  - an impact investment where a bond's use of proceeds has a clear social objective
  - an investment with impact, where a bond's use of proceeds does not have a clear social objective, but where positive social benefit is nonetheless identifiable
  - development finance where a bond's use of proceeds supports investments in infrastructure and economic development for positive social contribution otherwise the investment is considered general financing and is not eligible for investment by the Portfolio; and
- (ii) the Investment Manager assesses the intensity of a bond's social focus by scoring each bond against 9 indicators (such as the bond's ability to tackle deprivation by assessing the target population and region) to produce an overall rating of minor, moderate, good or strong. Any bond rated, or whose rating falls below, minor is subject to review and may be re-categorised as general financing and therefore no longer eligible to be held by the Portfolio.

The categorisation and ratings are then used by the Investment Manager in constructing the portfolio.

## 2. Exclusions: revenue thresholds

The Portfolio does not invest in issuers which derive revenue from industries or activities above specific thresholds where the Investment Manager considers that those industries or activities offer minimal social benefits or which represent a high risk of negative outcomes on society and/or the environment, such as those set out in the table below. Full details of the current exclusions and revenue thresholds applied by the Portfolio are set out in the Social Investment Guidelines, available at [www.columbiathreadneedle.com](http://www.columbiathreadneedle.com), which may be updated from time to time.

In addition, the Investment Manager will not invest in bonds from issuers which are funding new thermal coal mining or power generation facilities.

However, an investment may be made in bonds that have ring fenced or specific use of proceeds, such as Green, Social or Sustainability bonds, from an issuer that would otherwise be excluded under the revenue threshold exclusions above. Investment in bonds issued by governments is only permitted via Green, Social or Sustainability Bonds.

Activity	Revenue threshold
Fossil fuels	>5% revenue from coal (including sales and transportation), nuclear, oil & gas (conventional and unconventional) and power generation.  >10% CapEx dedicated to excluded activity  >15% dedicated to contributing activities
Adult Entertainment and Gambling	>5% of sales
Alcohol	No producers; >5% of sales
Tobacco	No producers; >1% of sales
Weapons	Zero tolerance for controversial weapons

## 3. Exclusions: breach of international standards

The Portfolio excludes issuers that breach accepted international standards and principles as determined by the Investment Manager, such as, but not limited to, the United Nations Global Compact, the UN International Labour Organization Labour Standards, the Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises, and the UN Guiding Principles on Business and Human Rights.

## 4. Engagement

The Investment Manager is keen to ensure that the negative social impacts of the net zero transition are minimised, and aims to confront these challenges by actively engaging with issuers on this topic to promote inclusive growth. After a period of engagement, the Investment Manager will review the bonds issued by companies with a material climate change impact which have a poor low-carbon transition strategy or which are not sufficiently addressing the social consequences of transition (unless these bonds are specifically funding sustainable or social projects).

Columbia Threadneedle Investments is a signatory to the Net Zero Asset Managers Initiative (NZAMI) and has committed to an ambition to reach net zero emissions by 2050 or sooner for a range of assets, including the Portfolio as part of its social objective.

### • *What is the policy to assess good governance practices of the investee companies?*

All issuers in which investments are made are subject to a pre-investment good governance assessment and ongoing post-investment review of governance practices. The Investment Manager uses third-party data to assess an issuer's governance practices and supplements this with its fundamental research.

**Good governance**  
practices include  
sound management  
structures, employee  
relations,  
remuneration of staff  
and tax compliance.

**Pre-investment:** The Investment Manager assesses all issuers before investment. It may engage with an issuer to better understand or to encourage improvements relating to any flagged issues. If, however, it is concluded from the assessment that the issuer demonstrates poor governance practices, the Investment Manager will not invest in its bonds.

**Post-investment:** Issuers are monitored on an ongoing basis to confirm that there has been no material diminution in governance practices. If any issues are flagged, the Investment Manager may engage with the issuer to better understand these as part of its review. However, where it is considered that the issuer no longer demonstrates good governance practices, the bonds will be divested from the Portfolio, as soon as reasonably practicable.

The Investment Manager has developed a data-driven model which flags poor practices and controversies relating to the four pillars of good governance as outlined by SFDR to inform its assessment and monitoring of issuers. The model covers:

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.



**Asset allocation**  
describes the share  
of investments in  
specific assets.

#### **What is the asset allocation and the minimum share of sustainable investments?**

##### **Concerning the planned proportion of investments used to meet the sustainable investment objective of the the Sub-Fund (#1 Sustainable):**

The Portfolio invests at least 90% of its total net assets in sustainable investments which for the Portfolio are considered to be bonds that provide positive social outcomes by supporting or funding socially beneficial activities and development, as assessed by the Social Rating Methodology.

Even though the Portfolio is expected to invest at least 90% of its assets in sustainable investments, the minimum proportion of sustainable investments held by the Portfolio is 80% to cover the fact that ancillary liquid assets may be held by the Portfolio under unfavourable market conditions, as described below.

The Investment Manager applies the Social Investment Criteria (set out above) to calculate the proportion of sustainable investments in the Portfolio. All bonds rated as social investments by the Social Rating Methodology count fully towards the portfolio alignment with sustainable investments, after the Portfolio's DNSH test is applied.

##### **Concerning the other investments which are not sustainable investments category (#2 Not sustainable):**

Other investments which are not sustainable investments within the meaning of Article 2(17) are: (i) ancillary liquid assets (i.e. bank deposits at sight) which are held for the purposes of liquidity management; (ii) bank deposits, money market instruments or money market funds held for treasury purposes; (iii) derivatives for hedging purposes.

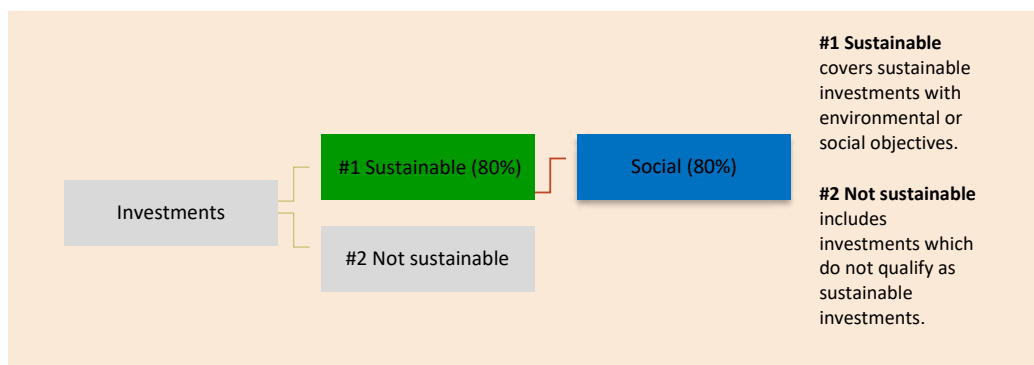
These other investments are not used to meet the sustainable investment objective of the Portfolio. However, the Portfolio will apply minimum environmental or social safeguards to ensure that such investments will not affect the delivery of the Portfolio's overarching sustainable investment objective on a continuous basis (see details below).

The maximum proportion of investments that may be held by the Portfolio in this category is 20% to take into account ancillary liquid assets that may be held under unfavourable market conditions. Nevertheless, the expected proportion is 10% and this limit shall only be temporarily breached for a period of time strictly necessary when, because of exceptionally unfavourable market conditions, circumstances so require and where such breach is justified having regard to the interests of the investors.

**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.



• **How does the use of derivatives attain the sustainable investment objective?**

The Portfolio does not use derivatives for the purposes of attaining the sustainable investment objective.



**To what minimum extent are sustainable investments with an environmental objective aligned with the EU Taxonomy?**

The Portfolio does not commit to holding a minimum proportion in sustainable investments with an environmental objective aligned with the EU Taxonomy.

• **Does the financial product invest in fossil gas and/or nuclear energy related activities that comply with the EU Taxonomy<sup>118</sup>?**

☐ Yes:

• ☐ In fossil gas

• ☐ In nuclear energy

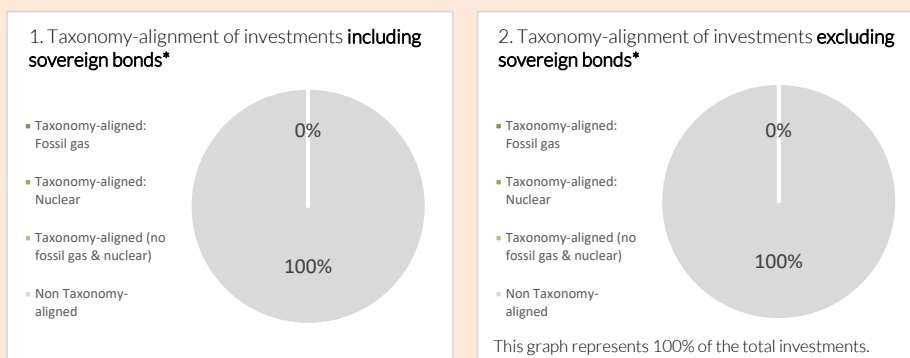
☒ No

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

**The two graphs below show in green the minimum percentage of investments that are 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.**



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

<sup>118</sup> 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 objectives - 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.



- *What is the minimum share of investments in transitional and enabling activities?*

Not Applicable



are sustainable investments with an environmental objective that do not take into account the criteria for environmentally sustainable economic activities under the EU Taxonomy.



**What is the minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy?**

0%. The Portfolio does not have an environmental objective.



**What is the minimum share of sustainable investments with a social objective??**

The minimum share of sustainable investments with a social objective is 80%.



**What investments are included under “#2 Not sustainable”, what is their purpose and are there any minimum environmental or social safeguards?**

For the purposes of managing liquidity, the Portfolio may hold ancillary liquid assets (i.e. bank deposits at sight), and may also hold bank deposits, money market instruments or money market funds for treasury purposes.

Minimum environmental or social safeguards are applied to ancillary liquid assets, bank deposits and derivatives used for hedging purposes, through the integration of ESG considerations into the Investment Manager’s counterparty risk assessment.



Reference benchmarks are indexes to measure whether the financial product attains the sustainable investment objective.

**Is a specific index designated as a reference benchmark to meet the sustainable investment objective?**

Not Applicable

- *How does the reference benchmark take into account sustainability factors in a way that is continuously aligned with the sustainable investment objective?*

Not Applicable

- *How is the alignment of the investment strategy with the methodology of the index ensured on a continuous basis?*

Not Applicable

- *How does the designated index differ from a relevant broad market index?*

Not Applicable

- *Where can the methodology used for the calculation of the designated index be found?*

Not Applicable



**Where can I find more product specific information online?**

**More product-specific information can be found on the website:**

<https://www.columbiathreadneedle.lu/en/retl/our-funds/find-your-fund/>

Further information on the Portfolio’s investment guidelines is included in the Social Investment Guidelines available via the link above.

The Investment Manager publishes a social impact report each year which is also available at:

<https://www.columbiathreadneedle.com>