Investment policy for

CT (Lux) SDG Engagement Global Equity Fund

Last review: October 2024

COLUMBIA THREADNEEDLE INVESTMENTS®

Contents

Key risks

The value of investments and any income derived from them can go down as well as up as a result of market or currency movements and investors may not get back the original amount invested.

Screening out sectors or companies may result in less diversification and hence more volatility in investment values.

Views and opinions have been arrived at by Columbia Threadneedle Investments and should not be considered to be a recommendation or solicitation to buy or sell any stocks or products that may be mentioned.

1 Philosophy

Our Responsible Investment philosophy is framed by several policy statements, including our Corporate Governance Guidelines, as well as our Social Expectations Statement. These are available on our **website**.

The CT (Lux) SDG Engagement Global Equity Fund aims to provide long-term capital growth and support sustainable development. The Fund invests in a diversified portfolio of equity and equity-related securities of small- and mid-capitalization companies, which may be located anywhere in the word and be in any industry sector. The Fund seeks to achieve positive impact through targeted, impact-focused, active engagement with companies, using the Sustainable Development Goals framework.

The identification of financially material environmental, social and governance (ESG) issues forms part of our routine investment analysis ("ESG integration"), helping us to manage risk and support long-term returns.

The overarching sustainability philosophy of the fund is to "Avoid; Invest; Improve":

Avoid – Using a set of exclusion criteria, we avoid investing in companies with socially or environmentally damaging products or unsustainable business practices.

Invest – We invest in companies that have significant potential to advance the SDGs through their enterprise impact – i.e. through their products/ services and/or through their conduct/footprint.

Improve – As active owners, we engage with our investee companies on business-relevant ESG issues to drive progress towards achieving the SDGs.

'Avoid' (exclusions policy)

Consistent with the goal to invest in companies that have a positive impact on society and the environment, we have developed an exclusion policy to set threshold standards. We monitor the universe of holdings on an ongoing basis, and any position held by the fund that no longer qualifies must be sold as soon as reasonably possible within the next six months.

Product-based exclusions

- **Weapons**[1]

  Exclude companies that derive:

  – >0% of their revenue from the manufacture or sale of weapons.

  – >0% of their revenue from the manufacture of controversial and/or nuclear weapons components*.

  – >5% of their revenue from the manufacture of other weapons components and/or support systems and services which are customised for strategic military use.

- **Tobacco**

  Exclude companies that derive:

  – >0% of their revenue from the manufacture of tobacco products.

  – >5% of their revenue from the manufacture of Next Generation products (including e-cigarettes) and their components.

  – >5% of their revenue from the wholesale trading of tobacco products.

  – >10% of their revenue from the sale of tobacco products.

  – >10% of their revenue from the supply of products which are essential to the tobacco industry, e.g. machinery and packaging materials.

[1] Conventional, unconventional and civilian weapons are in-scope.
[2] The CT (Lux) SDG Engagement Global Equity Fund is permitted to hold companies that exceed the 5% revenue threshold if they have robust net zero transition plans which cover their product emissions, and/or are substantially benefitting customers in remote/rural areas.
NB. We expect companies to be actively decreasing their involvement in coal-/oil-/gas-related activities.
[3] Issuers deriving >5% of their revenue from the use and/or production of hydraulic fracking technologies are excluded.
[4] Companies deriving >5% of their revenue from the use and/or production of hydraulic fracking technologies are excluded.
[5] Unless they have a Science Based Targets initiative (SBTi) target set at 1.5 degrees Celsius/well-below 2 degrees Celsius. Products/services aimed at mitigating or reducing negative effects of these activities are not in scope.
* Our definition of controversial weapons encompasses the following types of weapons: biological; blinding lasers; chemical; cluster munitions; depleted uranium (incl. armour); land mines; non-detectable fragments.

- **Fossil fuels**

  Exclude companies with ownership of geological reserves of coal/oil/gas.

  Exclude companies that derive:

  – >0% of their revenue from the mining of thermal coal and its sale to external parties.

  – >0% of their revenue from the extraction and production of oil/gas.

  – >5% of their revenue from the distribution and retailing of oil/gas and related products[2].

  – >5% of their revenue from coal/oil/gas transportation and/or oil/gas pipelines[3].

  – >5% of their revenue from refining coal/oil/gas.

  – >50% of their revenue from equipment and services for coal-/oil-/gas-related activities[4,5].

- **Electricity generation**

  Exclude electricity utilities:

  – That derive >5% of their revenue from coal-based power production[6].

  – That derive >5% of their revenue from oil & gas-based power production[7].

- **Nuclear energy**

  – Exclude electricity utilities that derive >5% of their revenue from power production based on nuclear sources.[8]

  – Exclude companies that derive >5% of their revenue from supplying key products or services to the nuclear power industry, except those that provide standard, non-customised or safety-related products/services.

  – Exclude companies that derive >5% of their revenue from uranium mining.

- **Conduct-based exclusions**

  – UNGC breaches – We exclude companies with breaches of the UN Global Compact principles[9].

Further aspects considered:

– **Biodiversity**: We expect companies to minimise their negative impact on biodiversity.

– **Water Use**: We expect companies to comply with national regulations and international agreements regarding managing water consumption.

– **Taxation**: We expect companies to pay fair and appropriate taxes, and transparently report their taxes.

- **Ongoing monitoring**

To ensure companies held in the Sustainable strategies continue to meet our criteria, we conduct ongoing monitoring of all held companies. Furthermore, each quarter we review whether companies continue to meet the criteria and any involvement in recent controversies that might indicate poor ESG practices. Furthermore, held companies are monitored quarterly for new or ongoing UN Global Compact breaches. All breaches are assessed by the Responsible Investment team. If a breach is assessed as genuine and severe, the company is divested. If a breach is not assessed as genuine and severe, the company is engaged by the Responsible Investment team in order to further evaluate and improve the management of the underlying issue(s). Failure to respond to engagement would result in an company being divested.

[6] Electricity utilities with coal-based power production must have a Science Based Targets initiative (SBTi) target set at 1.5 degrees Celsius/well-below 2 degrees Celsius. NB. This criteria point may include companies in other sectors which have power generation activities. Overall, we expect companies to be structurally decreasing their coal-based power generation.
[7] Unless they have a Science Based Targets initiative (SBTi) target set at 1.5 degrees Celsius/well-below 2 degrees Celsius.
[8] Electricity utilities with nuclear-based power generation capacity must have a SBTi target set at 1.5 degrees Celsius/well-below 2 degrees Celsius.
[9] The UN Global Compact are 10 principles businesses should follow and incorporate in order to meet their basic responsibilities to people and planet, which fall under 4 broad headings (Human Rights, Labour, Environment and Anti Corruption). See here for full details.
[10] https://sustainabledevelopment.un.org/

'Invest' (targeted investment in sustainable development)

Beyond the exclusions policy, we proactively allocate to investments whose activities are oriented to sustainable development.

The world faces material and ever-growing challenges stemming from living on a planet with limited natural resources and growing populations. This gives rise to a number of challenges including poverty, inequality and climate change, which threaten to disrupt the status quo. With these challenges, however, come solutions and opportunities, and there is a plethora of companies spearheading the response to these challenges, thereby establishing themselves as market leaders in growing markets.

The Investment Manager identifies companies through a methodology designed to focus on the seventeen United Nations Sustainable Development Goals ("SDGs")[10]. The SDGs address a range of global problems, including poverty, inequality, climate, environmental degradation, prosperity, and peace and justice.

Using its SDG methodology, the Investment Manager identifies companies that, in its view, will help to achieve one or more SDGs and that will benefit from active SDG-aligned investor engagement. The Investment Manager looks at several criteria, including whether a company references the SDGs in its own reporting; analysis on whether a company's business mandate, activities and business unit growth align with the SDGs; commitment to sustainable practices; and the extent a company listens to and acts in accordance with investor concerns on SDG matters.

From these companies, the Investment Manager then uses a fundamental approach to select holdings for the Fund. Using criteria such as strong balance sheets, established management and governance procedures, dominant industry position and sound cash flows, the Investment Manager identifies attractively priced, high quality businesses in which to invest.

'Improve' (encouraging positive change by SDG target-level active ownership)

For the CT (Lux) SDG Engagement Global Equity Fund we structure our engagement activities around the SDGs and their underlying targets. We have set clear engagement objectives for every company we hold in order to drive improvement towards key SDG targets. We set objectives, record and report on our engagement systematically, and measure success through the achievement of "milestones" when an engagement objective is satisfied. Furthermore, we monitor and measure the impact of our dialogue around defined SDG targets.

As part of active ownership, we as investors have the responsibility to take key environmental, social and governance (ESG) issues into account before, during and after investment decisions. We use our position as owners to engage in dialogue with investee companies around those issues that present a potential threat to as well as opportunity for long-term value. Our purpose in engagement is to mitigate risk, to underpin long-term returns, and to contribute to a more sustainable world by encouraging better management of sustainability issues by our investee companies. We support our engagement approach by the thoughtful use of our voting rights, where relevant. All proxy voting results are made public[11].

We also have a well-established firm-wide approach to prioritising, planning and reporting on engagement and voting activity that applies to our portfolio investments. We prioritise our engagement activity based on 3 pillars: top down (thematic topics that span a range of companies and industries); bottom up (single security engagement following portfolio ESG risk analysis); and reactive (in response to emerging issues or serious breaches of accepted practice).

Our global engagement programme is further structured around the following core themes:

- Environmental Stewardship
- Climate Change
- Human Rights
- Labour Standards
- Public Health
- Business Ethics
- Corporate Governance

We conduct our engagement using constructive dialogue. This is often one-to-one with companies and we interact with individuals at several levels from the Board to senior executive management to investor relations and operational management. We also take a collaborative approach with other investors where we believe this will be more effective.

[11] See details here

2 Instruments

All UCITS-eligible securities are allowed, as long as they meet minimum regulatory and ESG standards, as determined above.

3 Annual policy review

We will review the fund assessment criteria on an annual basis to ensure we keep abreast of evolving best practice. This review will be jointly conducted by the fund's investment team and the Responsible Investment team, having considered the views of our investment teams and our external Responsible Investment Advisory Council.

4 Addendum

Criteria updates since August 2024:

Previous criteria	New criteria
Weapons[12]	
Exclude companies that derive: ■ >0% of their revenue from the manufacture or sale of weapons. ■ >0% of their revenue from the manufacture of controversial weapons components. ■ >5% of their revenue from the manufacture of other weapons components or systems designed for strategic military use.	Exclude companies that derive: ■ >0% of their revenue from the manufacture or sale of weapons. ■ >0% of their revenue from the manufacture of controversial and/or nuclear weapons components*. ■ >5% of their revenue from the manufacture of other weapons components and/or goods and services which are customised for strategic military use.
Tobacco	
Exclude companies 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.	Exclude companies that derive: ■ >0% of their revenue from the manufacture of tobacco products. ■ >5% of their revenue from the manufacture of Next Generation products (including e-cigarettes) and their components. ■ >5% of their revenue from the wholesale trading of tobacco products. ■ >10% of their revenue from the sale of tobacco products. ■ >10% of their revenue from the supply of products which are essential to the tobacco industry, e.g. machinery and packaging materials.

12 Conventional, unconventional and civilian weapons are in-scope.

* Our definition of controversial weapons encompasses the following types of weapons: biological; blinding lasers; chemical; cluster munitions; depleted uranium (incl. armour); land mines; non-detectable fragments.

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