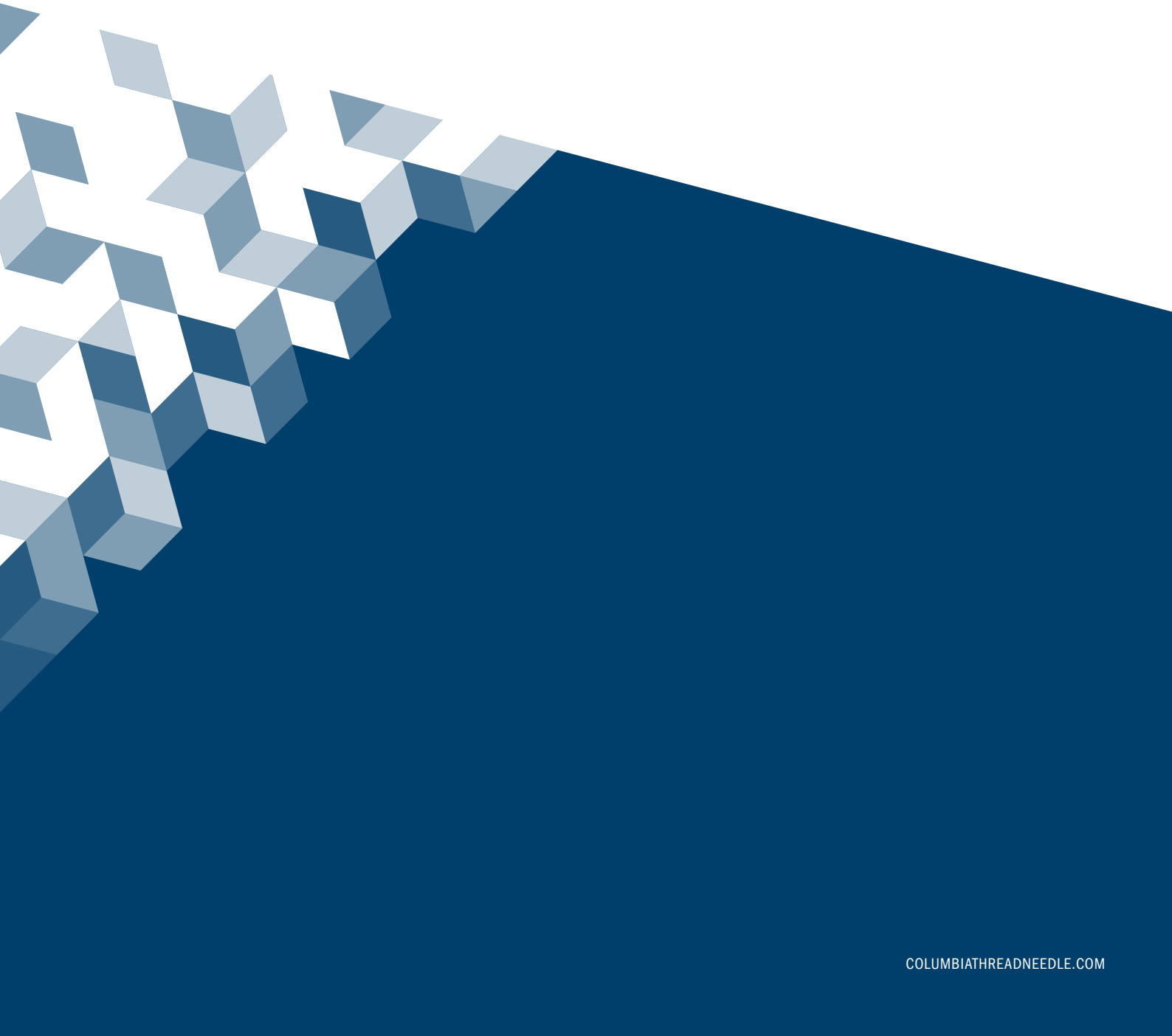


# RESPONSIBLE INVESTMENT PRINCIPLES AND PROCEDURES

Threadneedle Asset Management Ltd



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# 01 RATIONALE

## 1.1. BACKGROUND

Columbia Threadneedle Investments is a leading global asset management group that provides a broad range of actively managed investments strategies and solutions for individual, institutional and corporate clients around the world. We strive to be responsible stewards of our clients' assets within a framework of good governance and transparency.

Core to our investment philosophy is the belief that well governed companies are better positioned to manage the risks and challenges inherent in business and to capture opportunities that help deliver sustainable growth and returns for our clients. Effective stewardship will therefore benefit companies, our clients and the economy as a whole.

## 1.2. PURPOSE

This document sets out our policy on and approach to integrating Environmental, Social and Governance issues responsible investment and our stewardship responsibilities on behalf of our clients and, in particular, how we integrate our ESG strategy within the investment process.

## 1.3. OBJECTIVE

The document's objective is to communicate our policy and approach for both internal and external audiences.

## 1.4. SCOPE

This policy and the approach it sets out applies primarily to our equity investments, but is also used appropriately in relation to fixed income, as well as being drawn on where applicable in respect of commodities and property.

## 1.5. KEY POINTS

The key points of this policy are included as follows:

■ **General approach to Stewardship and Governance and Responsible Investment:**

Columbia Threadneedle Investments has a focus on added value to the investment process through the ESG integration and engagement and manages significant specialist ESG products for clients.

■ **Framework:** Detailing voluntary baseline principles, industry bodies and memberships against which our policy is based and through which we execute aspects of stewardship such as collaboration and engagement.

■ **Conflicts of interest:** The approach we take to stewardship and situations in which conflict of interests arise.

■ **Controversial Weapons Policy:** Guidelines aligning our investment policy with legal legislation on investment in companies producing such weapons.

■ **ESG integration:** Columbia Threadneedle Investments' approach to integration of ESG research and engagement including a description of the process for equities, fixed income and commodities as well as ESG ratings, screens and other research tools.

■ **ESG Ratings:** The application of externally sourced ESG ratings is an important foundation for monitoring, screening and establishing the RI team's focus universe.

■ **ESG proprietary research:** Columbia Threadneedle Investments' approach to ESG research and analysis including a description of the approach, stock reviews and thematic research approach.

■ **ESG engagement:** Our approach to ESG escalation towards engagement, proxy voting and collaborative engagement.

■ **ESG product capabilities:** Our capability to provide dedicated responsible investment products.

■ **ESG and property:** Aspects of ESG that are included in the property investment department.

■ **Reporting and Disclosure:** Outline of Columbia Threadneedle Investments' commitment to continue and increase transparency of reporting to clients in terms of ESG and proxy voting.

## 1.6. FRAMEWORK

In applying this policy we draw on and work with various industry standards, organisations and initiatives and actively participate in current debates within the industry, promoting the principles of active ownership and responsible investment.

Codes & Principles (signatories)	Guidelines	Memberships	Key Initiatives
Carbon Reduction Commitment (Property only)		GRESB (Property only)	
United Nations sponsored Principles for Responsible Investment (UNPRI), 2006 <sup>1</sup>	ICGN Global Corporate Governance Principles <sup>2</sup>	European Social Investment Forum (EUROSIF) <sup>3</sup>	
UK Stewardship Code signatories, 2010	UN Global Compact	UK Sustainable Investment & Finance Association (UKSIF)	Carbon Disclosure Project Including: <ul style="list-style-type: none"> <li>■ Water Disclosure Initiative</li> <li>■ Forest Footprint Disclosure Initiative</li> </ul>
	OECD Guidelines for Multinational Enterprises	Asian Corporate Governance Association (ACGA)	ICMA Social Bond Working Groups
	UK Corporate Governance Code	The Investment Association (UK)	Pre-Emption Group
			Investor Forum

## 1.7. CONFLICTS OF INTEREST

Asset management is our only business. Even so, it is possible that situations may arise which would lead to concerns over possible conflicts of interest. Such considerations are included in and covered by our firm-wide conflict-of-interest policy.

Conflicts of interest may arise among our different clients and among us, our affiliates and our clients. Columbia Threadneedle Investments must act solely in the best interest of its clients and to make full and fair disclosure of all material facts, including those where the adviser's interests may conflict with the client's. Clients' portfolios are managed in accordance with established investment objectives, client guidelines and regulatory requirements. As conflicts of interest affecting clients could undermine the integrity and professionalism of our business, we seek to identify any conflict situations as early as possible. Such conflicts might arise:

- between companies within the Group;
- between the Group and suppliers;
- between the Group and client(s);
- between employees/agents/directors of, or within, the Group and client(s);
- between client(s) and client(s); and
- between an employee and his or her employing Company and the Group.

In a stewardship, engagement and proxy voting context, where potential conflicts of interest may arise, for instance where we are investors in a company that is associated with a client (e.g. the company's pension scheme trustees), we adhere to the following procedure:

- In line with our normal practice, engagement and proxy voting decisions are agreed between the Governance & Responsible Investment team and relevant fund managers, in line with our policies and procedures.
- Where decisions involve a pragmatic application of or deviation from our headline policy and guidelines that is documented and the explanation and rationale recorded.
- In the event of a controversial issue, that is escalated, initially to the relevant desk heads. The final arbiter in such cases would be Columbia Threadneedle Investments' EMEA Chief Investment Officer or Investment COO.
- Where issues require escalation, our legal and compliance teams are consulted as appropriate.
- Arrangements and procedures are maintained to monitor potential conflicts of interest and regular reports are submitted to senior management and the compliance team on the operation of these arrangements.
- The overriding test at each stage of this process is that the approach and actions taken must be in the interests of those clients on whose behalf they are being taken and consistent with our TCF ('treating customers fairly') obligations.

## 1.8. CONTROVERSIAL WEAPONS POLICY

Columbia Threadneedle Investments implemented a Controversial Weapons policy in November 2011. This policy was introduced both as a matter of principle and to comply with legal restrictions in certain jurisdictions regarding direct investment in companies producing such weapons. We consider this to be an appropriate and prudent measure to protect our clients and ourselves in this area.

Our approach reflects our recognition and support for the importance of international Conventions and Treaties<sup>1</sup> dealing with the production, stockpiling, transfer and use of controversial weapons.

It is therefore our policy to actively screen companies for evidence of their corporate involvement in the production of not only cluster munitions but also controversial weapons more generally, defined as anti-personnel mines, cluster munitions, biochemical weapons and depleted uranium ammunition and armour.

Where a company is verified to undertake such activities, it is our policy not to invest in the securities issued by that company, although we reserve the right to take short positions in such securities.

1. Including The Convention on Cluster Munitions, The Ottawa Treaty, The Chemical Weapons Convention and The Biological Weapons Convention.

# 02 POLICY STATEMENT

## 2.1. GENERAL

Columbia Threadneedle Investments' approach to Stewardship and Responsible Investment focuses on integrating environmental, social and governance (ESG) responsibilities into our investment process and builds on our culture of teamwork, debate and collaboration.

Core to our investment philosophy is the belief that well-governed companies are better positioned to manage the risks and challenges inherent in business and to capture opportunities that help deliver sustainable growth and returns for our clients overtime. Effective stewardship will therefore benefit companies, our clients and the economy as a whole.

As a result of this core belief, our dedicated Responsible Investment (RI) team has worked alongside our investment professionals since 1998, facilitating integration of material ESG analysis into the investment process. In addition to exercising our stewardship and monitoring responsibilities, this approach enables us to consider risks and opportunities of existing and prospective investments, which may not be captured by conventional analysis. ESG issues are therefore one aspect of how we look to build a 'perspective advantage' and ensure client portfolios benefit from our best ideas.

Our fund managers, analysts and RI team work collaboratively to monitor and engage with the companies we invest in, with a view to understanding the dynamics, opportunities and risks inherent in the businesses and to protect the interests of our clients and the capital they have invested. We also have regard to market practice and policy developments that effect the quality of the investment environment we operate in. Within our collaborative approach, fund managers take lead responsibility for the assessment and monitoring of companies strategies,

management, performance and M&A activity. Risk and capital management issues are assessed by both fund managers and the RI team. The RI team takes lead responsibility for the assessment and monitoring of companies' environmental, social and governance practices. This research and analysis is disseminated as part of our culture of idea sharing. Through collaborative research and meetings, ESG factors are fed in to the investment process to form part of the holistic company, sector or thematic reviews.

Consistent with this and our commitment and duty to act in the best long-term interests of our clients, we are a signatory of the UK Stewardship Code and of the UN-sponsored Principles for Responsible Investment, which provide a clear underpinning for our ESG strategy. As part of our commitment to these voluntary principles we collaborate with industry bodies and other stakeholder groups such as policy makers and Non-governmental Organisations (NGOs) to debate key ESG issues and drive change. We are also focused on transparency of our activities and regularly disclose our view on ESG issues and voting to both our clients and the public.

Our ESG strategies are applied as appropriate across asset classes, regions and markets. While there is a strong focus on equities in this work, we also draw on it in our fixed income and commodity strategies. Our property division also shares the Threadneedle responsible investment philosophy but has a different team and approach given the specifics of the asset class.

Given the nature of our ESG approach, third parties should not assume any assurance as to the ESG risks inherent in any investment made by us. Rather, the approach is a contributing factor to better informed investment decisions.

## 2.2. ROLES AND RESPONSIBILITIES

The responsibility for our governance and responsible investment activities lies with the Head of Responsible Investment. The heads of regional equity departments, as well as the heads of our fixed income teams are also actively involved in supporting these activities and their appropriate integration into the investment process.

The RI team is embedded within the investment department and the head of the RI team reports to the Global Head of Research. The Chief Investment Officer (CIO) has executive responsibility for RI policies and their implementation, as appropriate, across asset classes.

Role (Position Title)	Responsibility
Chief Investment Officer	William Davies
Global Head of Research	Kirk Moore
Head of Responsible Investment	Iain Richards

Proxy voting administration and vote execution are undertaken by Columbia Threadneedle Investments' back office, under the instructions of the RI team.

The RI team also has regular interaction with the Head of Property Risk who is responsible for environmental and health and safety due diligence in property, reporting into the Managing Director of Property.

Role (Position Title)	Responsibility
Managing Director of Property	John Willcock

## 2.3. ESG INTEGRATION APPROACH

Columbia Threadneedle Investments' culture of teamwork encourages the sharing of ideas and generation of strategies across asset classes. The analysis of ESG factors is incorporated into our investment process to identify material risks and opportunities. Different asset classes have different levels of ESG integration. The RI team's research has a strong focus on equities with substantial involvement in fixed income and to some extent in commodities.

The investment process follows a model of idea generation, research and debate towards implementation. ESG research is integrated into key stages of the investment process, as part of the analysis of long-term, quality investments and is a key element of research and debate. The monitoring of regional focus lists and regular involvement in team discussions helps to identify the most appropriate areas of focus and research.

We believe that incorporating ESG criteria will enable fund managers to make better informed

investment decisions. Individuals and teams make their own investment decisions but ESG forms part of the assessment. The strategy however, ensures substantial dialogue between the RI team and our fund managers and analysts and contributes to understanding of risk and opportunities on a stock, sector and theme. Furthermore this process of dialogue furthers the wider understanding of ESG issues. Main areas of input include:

- Morning meetings
- Stock reviews
- Themes and sector reviews
- Company meetings
- Weekly and ad-hoc updates
- Where appropriate, relevant fund managers participate in ESG related meetings, enhancing their understanding and appreciation of risks and opportunities, and the RI team participates in mainstream meetings.

## EQUITIES

Across equities in all geographic regions, ESG analysis is included as a core part of the stock review template, the thematic and sector research as well as frequent interaction with between the RI team and regional equity teams through combined research and engagement meetings. The following sections on ESG research and engagement apply to our equity investments.

## FIXED INCOME

Our expertise and related research capabilities provide us with the platform and resource to enable ESG factors and risks to be examined within the fixed income asset class, with particular emphasis on corporate debt. The relationship between creditors and issuers is notably different from that between shareholders and issuers. The ability to engage with companies is limited with no voting rights and less frequent access to management. However ESG issues and analysis are relevant in the context of considering the creditworthiness of an issuer. Furthermore there is scope, where appropriate, for dialogue and questions to management in analyst meetings. To the extent that it is available ESG research is included in credit notes in a similar way to equities through MSCI ESG sourced ratings, issuer reviews and sector research.

## COMMODITIES

In terms of commodities, relevant ESG analysis and research is available to the team. Detailed analysis of, for example, the oil, gas and mining sectors forms an integral part of the Responsible Investment work, which feeds into our understanding of the risks and trends affecting companies, as well as their management of those risks. We undertake collaborative meetings and engage with those companies. In addition issues such as food prices and related trends and concerns such as genetically modified grains are addressed collaboratively between the RI team and the commodities team. From the effects of rising demand and increased difficulty in sourcing commodities, as well the impact of climate change and water constraints, through operating practices including health & safety to regulation, tax and regional risks, we look to make a holistic assessment of the exposures we take.

## PROPERTY

As mentioned earlier ESG in Property is managed separately from the central RI efforts. For more information please see section 2.8 of this document. The following sections 2.3.1 to 2.7 do not apply to our Property portfolios.

### 2.3.1 ESG RATINGS

The potential investment universe of our funds can be large and varied, so we underpin our approach with externally sourced company ratings from MSCI ESG research and accounting research provides. These provide initial, overview assessments of how effective companies' ESG practices and approaches are. This enables us to take a proactive approach to identifying and prioritising those companies that appear to be managing ESG well and those where the issues and practices suggest potential risks to our clients' interests.

These ratings are reviewed with investment teams on a quarterly basis for our core holdings, used as part of the on-going monitoring of those companies and to set priorities for research and engagement. In addition, they form a part of the input to portfolio and stock reviews, as well as sector research.

ESG Ratings	Explanation
ESG Rating	Assessing key ESG risks and opportunities that companies and their sector are exposed to and how effectively they appear to be approached.
Impact Rating	A risk rating based on ESG controversies and legal or regulatory violations.
Accounting Rating	An assessment of accounting indicators associated with aggressive accounting and risk.

In addition to the above ratings we use business activities screening to assess business involvement in activities such as weapons, tobacco, gambling, and countries with controversial regimes. In addition to research and engagement, these tools provide us with the ability and are used to develop and customise products for clients in accordance with their responsible investment policies.



## 2.4. PROPRIETARY RESEARCH

Our Environmental, Social and Governance (ESG) research aims to assess how companies' approach and manage ESG issues both as part of forming a holistic view on the quality of a company's leadership, the potential risks and opportunities of an investment, as well as to inform company dialogue and engagement. This approach combines both best-in-class considerations and company specific analysis, taking account of the context, industry and overall performance of the business. Furthermore the ESG research involves themes of interest. The research primarily takes the form of company specific stock reviews or thematic longer research notes.

ESG research is initiated and prioritised based on a number of potentially cumulative factors.

### ■ Internally initiated

- Core holdings with low quality, high risk ratings or controversies
- Investment team priorities and focus
- Themes of interest both in terms of opportunities and risk

### ■ Externally initiated

- Company or industry developments
- Investor or other stakeholder initiatives.

The three key areas of focus of the research include corporate governance, environmental and social performance as well as transparency and disclosure.

## CORPORATE GOVERNANCE

Our corporate governance principles are addressed in more detail in our corporate governance and proxy voting policy. These draw on the ICGN Global Corporate Governance Principles and UK Corporate Governance Code, focussing on arrangements for the effective and responsible stewardship of companies, the protection of minority shareholder interests, the promotion of good practice and ensuring an appropriate alignment of interest. We also focus on indications of aggressive practice (e.g. in accounting, marketing and other business or operational practices).

## ENVIRONMENTAL AND SOCIAL

Our core environmental and social principles are founded on the UN Global Compact, which encompass human rights, labour relations, sound environmental management and anti-bribery and corruption. These are underpinned by the OECD Guidelines for Multinational Enterprises. We consider these principles in the context of the individual company context and the details of the environmental and social factors we consider can be found in our ESG Indicator and Key Issues Reference Documents.

## TRANSPARENCY AND DISCLOSURE

We attach particular importance to companies having appropriate, key performance indicators that are meaningful and support the strategy. As part of this, we expect material ESG indicators to be disclosed and discussed in company reporting. Relevance to the quality of operations and performance as well as the sustainability of the business model are key for disclosures to be meaningful to shareholders. Please see our ESG Indicators and Key Issues Reference Document for elaboration of this point.

## 2.4.1 RESEARCH TOOLS

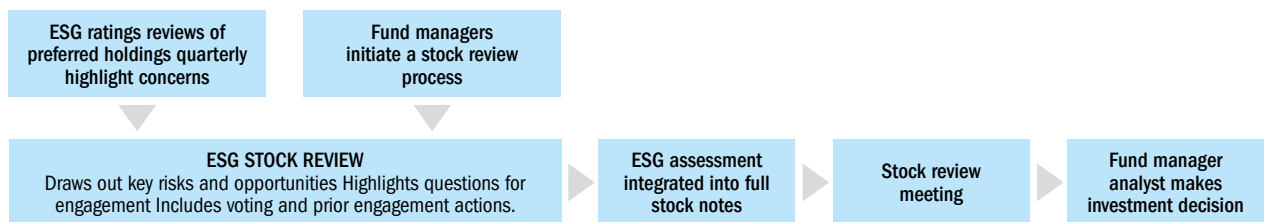
In addition to internal research and analysis, the RI team sources information and research from a variety of external sources including Corporate disclosures & reporting, The Investment Association, Boardex, Bloomberg, national and supra-national bodies, academia, ESG broker research teams, MSCI services, as well as the organisations, networks and initiatives we participate in.

Source of ESG information	Explanation
Corporations	Company data and dialogue including traditional and sustainability reporting
MSCI ESG research	External ESG rating provider
BoardEx	Corporate governance database
Brokers focused on ESG research	ESG company, thematic and trend insights
Institutional Shareholder Services	Proxy voting related governance research
Bloomberg	Up to date financial and ESG and litigation information
NGOs	Thematic trends and issues in regards to all major ESG issues
GMI AGR screen	External accounting rating provider
Trade associations	Thematic trends and issues relevant to the GRI industry
Academia	Systemic issues and independent evidence
News	Events, public opinion
National and International government bodies	Consultations and regulations

## 2.4.2 ESG STOCK REVIEWS

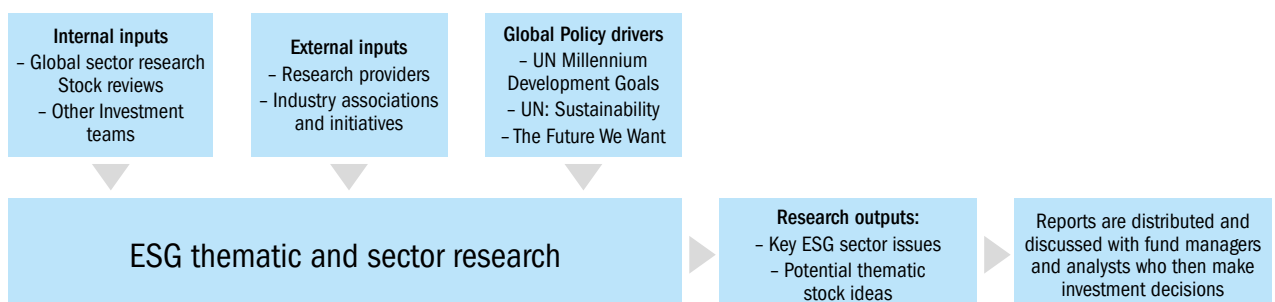
Company level ESG risks and opportunities provide an input to the holistic assessment of the conviction in an investment idea. An ESG review forms part of stock notes when equity fund managers conduct detailed analysis of companies or when they specifically ask for the team’s input. In addition, a stock note will be produced for controversial or higher risk companies that are identified as part of our quarterly monitoring of our investments.

Corporate fixed income have an ESG element to stock reviews but the analysts primarily carry out their own assessments. While ratings are provided quarterly for listed entities, the lack of available data for private companies is a key constraint to full monitoring in this asset class. Commodity teams are involved as part of the capital goods stock reviews. This collaborative process ensures continuous debate and understanding of the importance of ESG risks and opportunities.



## 2.4.3 THEMATIC AND SECTOR REVIEWS

We recognise that sustainable growth themes can present investment opportunities in a world that is increasingly resource constrained and emerging economies are searching for economic development. Likewise, global trends can represent investment risks. For fixed income, ESG sector reviews and trends are incorporated specifically into sector research. The main areas of input to the thematic and sector reviews are global sector review meetings, external broker and research provider research as well as global standards. For more in depth discussion on the key themes, please see our ESG Indicators and Key Issues Reference Document.



## 2.6. ESG ENGAGEMENT

We believe in the importance of being active and responsible owners. The moral hazard of boards and managements without effective shareholder oversight has resulted in various examples of destruction of shareholder value. As a result, targeted engagement on ESG issues forms part of our stewardship activities, both as part of and extending our on-going dialogue with companies. We believe that actively making voting decisions in general meetings is an important right which we exercise actively, and in collaboration with fund managers. Our engagement is thus an extension of our investment process and service to clients.

Building on our ESG integration and the collaboration between investment teams, the engagement framework covers a broad range of environmental, social and governance (ESG) issues. Prioritisation, planning and the scope for collaboration are important factors in shaping our engagement objectives and activities. The decision to intervene is prioritised based on our assessment of the significance of issues to the company, the risks to our clients, relative holdings, scope to effect change, opportunities to collaborate. Given the fragmented nature of shareholder ownership we seek to work with our colleagues through industry networks and

associations such as the UN sponsored PRI and the Association of British Insurers. We prefer to engage in private but may use the public voice. We prefer to carry out our engagement activities in confidence, to enable honest, open and frank discussions to take place with the companies we invest in. Nevertheless, where appropriate, we will discuss stewardship issues with other shareholders of a company. There are also occasions, on matters that are public, where we will make our views and concerns known publicly. This may be through attendance at a company's general meeting, or in the context of a requisitioned resolution or general meeting. In exceptional circumstances, where we decide that it is necessary and appropriate, we may comment publicly about a controversial situation at a company. This will generally be in a situation where engagement has proven ineffective in addressing concerns or high profile, event driven controversies.

The table below illustrates the range of engagement activities we may adopt, in carrying out our stewardship role in clients' interests. These are driven from our investment process, rating of companies we invest in, on-going company dialogue and consultations, events and developments, and contacts with other shareholders.

Focus areas for engagement	Levels of engagement	Types of approach	Types of issue
<ul style="list-style-type: none"> <li>■ Preferred holdings</li> <li>■ Contentious issues</li> <li>■ Company initiated dialogue</li> <li>■ Collaborative initiatives</li> <li>■ Proxy voting</li> </ul>	<ul style="list-style-type: none"> <li>■ Monitoring</li> <li>■ Provision of feedback</li> <li>■ Investigation</li> <li>■ Challenging practice</li> <li>■ Engaging for change</li> <li>■ Intervention</li> </ul>	<ul style="list-style-type: none"> <li>■ Electronic or other correspondence</li> <li>■ Meeting with executives (e.g. CEO, FD, Company Secretary, IR, Sustainability team, or others)</li> <li>■ Discussions with company advisers, stakeholders and analysts</li> <li>■ Meetings with the Chairman, and/or non-executive directors</li> <li>■ Dialogue and collaboration with other shareholders</li> <li>■ Proxy voting</li> <li>■ Requisitioning resolutions or general meetings</li> </ul>	<ul style="list-style-type: none"> <li>■ Leadership and succession planning</li> <li>■ Board balance and diversity</li> <li>■ Performance</li> <li>■ Remuneration and incentives</li> <li>■ Related party transactions</li> <li>■ Disclosure and transparency</li> <li>■ Accounting</li> <li>■ Audit and internal control</li> <li>■ Risk management and other operational issues</li> <li>■ Significant controversies</li> <li>■ Climate change, pollution and other environmental management issues</li> <li>■ Health and safety, labour relations and other social issues</li> <li>■ Human rights, respect for the community and other stakeholder expectations</li> <li>■ Capital management and dilution</li> <li>■ Strategy and M&amp;A</li> <li>■ Minority shareholder protection</li> </ul>

## 2.6.1 PROXY VOTING PROCESS

Company General Meetings provide an important opportunity for review of and engagement with companies. The flow chart below outlines the broad steps followed in our proxy voting process. Ahead of shareholder meetings and voting action, where practical we engage with companies through consultations and directly with our core holdings. Where engagement is not possible ahead of a shareholder general meeting we look to follow up with companies where possible afterwards. For more information please see our proxy voting policy.



## 2.6.2 COLLABORATIVE ENGAGEMENT

We engage with other shareholders on serious issues and thematic concerns which we believe have significant implications for our investments and our clients. We engage through collaborative bodies such as the Investment Association (IA), UN sponsored PRI, investor networks, Sustainable Investment Forums (SIFs) as well as bilaterally with other shareholders. Where we do not have major holdings, but share concerns raised by larger shareholders, we will look to lend them our support and endorsement.

In addition to individual company engagements, we look to engage collaboratively with other investors and asset owners across a range of areas:

- Public Policy
- Regulatory issues
- Best Practice Frameworks
- Sector & Market issues
- Thematic & Company specific issues

## 2.6.3 MONITORING

As part of our commitment to the UK Stewardship Code statement we place strong emphasis on monitoring holdings. From an ESG perspective we monitor our holdings and follow the outcomes of our engagement through several avenues including:

- The proxy voting process instigates an annual review of governance, as well as any environmental or social controversies for stocks that have been coded in our system for continual monitoring.
- Quarterly screening of preferred holdings, research and engagement as appropriate.
- Screening of core funds as appropriate.
- News flow monitoring.
- Fund manager and analyst company dialogue.
- Company specific monitoring.

## 2.6.4 BECOMING INSIDERS

As a long-term shareholder, we recognise that there will be circumstances where it may be appropriate to become an ‘insider’ (i.e. receive non-public, price sensitive information) for short periods of time, as part of our stewardship responsibilities and engagement with the companies we invest in.

However, given the risks, regulatory and portfolio management issues that this entails, Threadneedle’s default position is that we do not wish to be made party to inside information unless permission is sought from us first. Such requests, bearing in mind the likely timeframes involved, will be considered quickly and carefully by Threadneedle’s Head of Equities, and the relevant desk heads.

## 2.7. ESG PRODUCT CAPABILITIES

Our in-house approach to and integration of ESG provides us with the ability to offer clients with segregated mandates and specialist product offerings that meet their specific requirements.

We recognise that certain investors may have particular ethical requirements on controversial issues. While we believe that certain investment areas have complex characteristics, we do not exclude them from our investment universe. When clients have particular criteria we regularly work together to fully understand their requirements and meet their needs.

Threadneedle has the capability and expertise to manage segregated specialist Responsible Investment mandates for a range of strategies. Please see the table below. While the majority of these mandates are equity, they also include fixed income strategies.

### Threadneedle Responsible Investment capabilities

Responsible investment strategy	Where is it applied	What does it involve	Threadneedle
Sustainability themed	Specialist segregated mandates	Investment in themes or assets linked to the development of sustainability	✓
Best-in-Class		Selecting leading or best-performing investments according to selected criteria relating to ESG	✓
Norms based screening		Screening of investments for compliance with international standards and norms (e.g. OECD or UN related)	✓
Exclusion screening		Systematic exclusion of investment according to selected criteria (e.g. ESG or Ethical criteria or by sector or country)	✓
Impact investment		Investments targeted at generating a desired form of social or environmental impact	✓
ESG Integration	Mainstream mandates	Inclusion of selected ESG analysis (re: opportunities and risks) into financial analysis and investment decision-making	✓
Engagement		Engagement activities and active ownership (including the voting of shares)	✓

## 2.8. ESG AND PROPERTY

In our property investment portfolios ESG principles are reflected in the way in which we carefully consider environmental risks before proceeding with a property purchase and our collaboration with managing agents to encourage positive cooperation with tenants to reduce energy usage.

Our asset managers follow guidelines which ensure that refurbishment and redevelopment of properties is done in an environmentally friendly manner, using sustainable products whenever practicable.

We are fully committed to ensuring compliance with the Carbon Reduction Commitment and to working with managing agents and tenants to minimise the impact of this legislation whilst maximising control over energy consumption. This involves the identification of the highest energy consuming properties in each fund followed by more in depth analysis of the consumption to reveal areas in which improvements could be made, either by the fund as landlord or the tenant as occupier.

Within the Property Investment Portfolio we require our managing agents to follow closely the Health and Safety Executive HS(G) 65 process of organising, implementing, monitoring, reviewing and auditing of health and safety matters. We achieve this through close monitoring and oversight of our managing agents to ensure that they are carrying out the appropriate risk assessments and inspections within the properties as well as implementing actions arising out of those inspections.

In addition, we manage a Low-Carbon workplace fund, launched in March 2010, which is an innovative collaboration between the Carbon Trust, Stanhope and Threadneedle. The fund buys properties for refurbishment by Stanhope and the Carbon Trust identifies tenants which actively seek energy efficient buildings.

## 2.9. REPORTING AND DISCLOSURE

Threadneedle regularly reports on our governance and responsible investment activity and have transparent policies. Our Governance and Responsible Investment Policy, Proxy Voting Policy, UK Stewardship Code statement and quarterly reports are available on our website. Furthermore, our voting decisions are disclosed publicly

through our website. As part of our UN backed PRI commitment we respond to the annual survey. For our property portfolios, a social responsibility statement is included in the annual reporting to suitable clients. In respect of some property funds we also fill in the GRESB survey.

# 03

## RELATED DOCUMENTS/REFERENCES

- 3.6. CORPORATE GOVERNANCE PROXY VOTING POLICY
- 3.7. CONFLICTS OF INTEREST POLICY
- 3.8. ESG INDICATORS AND KEY ISSUES REFERENCE DOCUMENT

To find out more visit  
**COLUMBIATHREADNEEDLE.COM**

or call 0800 953 0134\*

\*Please note. We record calls for your protection and to improve our standards



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