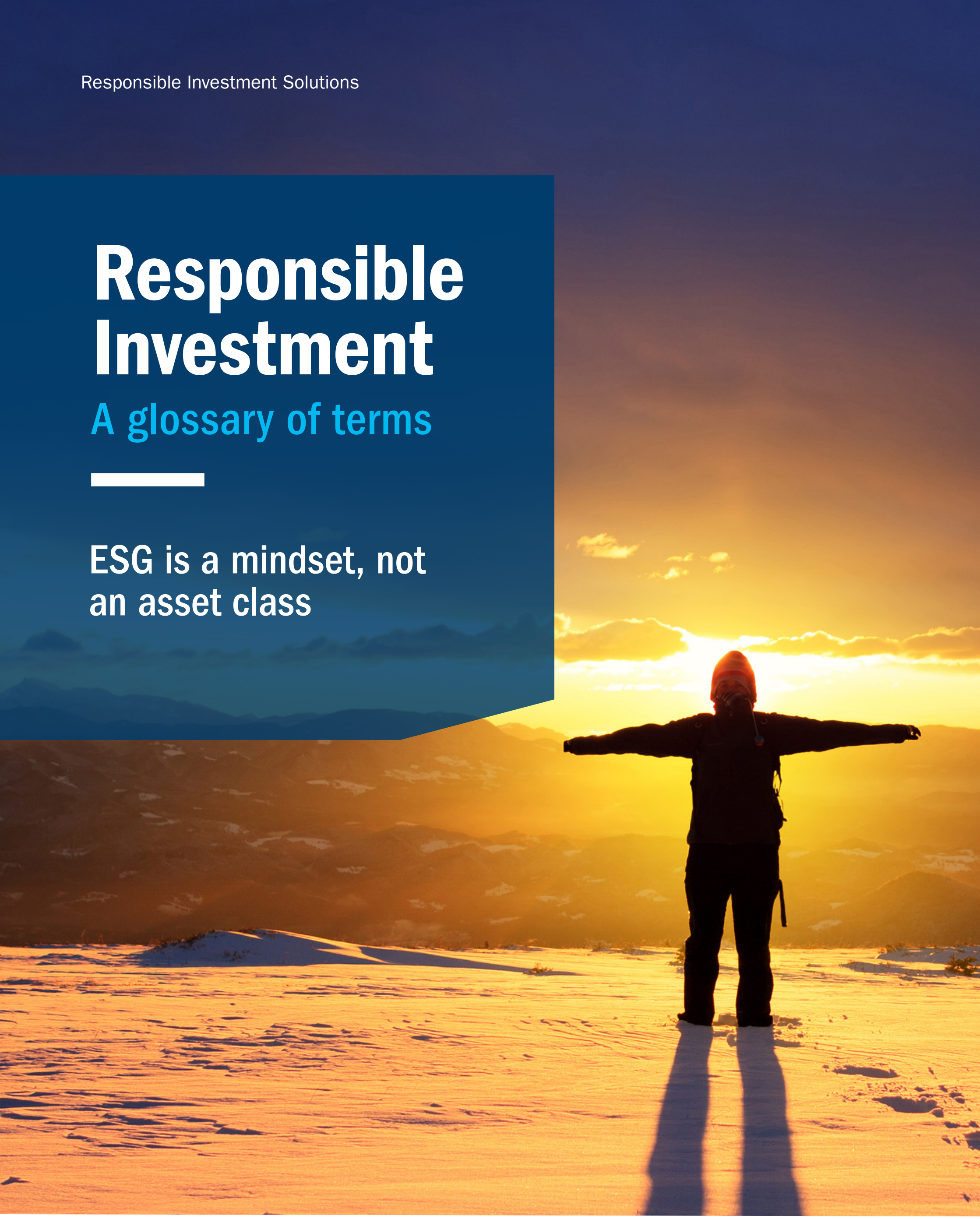
Responsible Investment Solutions

Responsible Investment

A glossary of terms

ESG is a mindset, not an asset class



COLUMBIA THREADNEEDLE INVESTMENTS

Responsible investment is an increasing focus for many investors who want to align their financial decisions with their commitment to sustainability and or values.

We have a large specialist Responsible Investment team who actively support all of our investment strategies. We are incredibly proud of our heritage in responsible investment and the pioneering role we have played.

We are aware that many terms are being used interchangeably in this field, which can make it confusing for our clients and investors. We have therefore created this short guide to help you understand the meaning of some of the more commonly used terms and expressions. We hope you find it useful.

Glossary

Active ownership – discharging responsibilities as investors and owners in a company through engagement and voting to influence the management of environmental, social and governance issues.

Best-in-class – an approach in which a company's ESG performance is compared with that of its peers based on a sustainability rating. All companies with a rating above a defined threshold are considered as investable. They don't exclude whole industries, but concentrate on the highest ESG scoring companies in a particular sector.

Corporate governance – the processes according to which a company is directed and controlled. The corporate governance structure specifies the rights and responsibilities of the board, managers, shareholders and other stakeholders and lays down rules and procedures for decision-making.

Corporate Social Responsibility (CSR) – this is the approach businesses take to describe the activities and commitments they are making to managing their ESG impacts.

Divestment – selling shares or debt in full or in part based on a company's behaviour. Investors who practice active ownership/engagement often view divestment as a last resort if they feel their engagement has been ineffective.

Engagement – encouraging companies to address ESG (Environmental, Social and Governance) issues, to reduce risk and support long-term performance.

ESG – Environmental, Social and Governance – a framework that breaks the broad concept of sustainability down into these 3 key issues.

ESG integration – the consideration of financially material ESG issues in the course of investment analysis and decision-making, with a view of gaining a more comprehensive understanding of risk and long-term opportunity.

Ethical investing – refers to screened funds with the strictest investment criteria that avoid investing in any company that may have a poor record on environmental, human rights or other ethical grounds. An investment philosophy that tends to be guided by moral values, ethical codes or religious beliefs.

Glossary

Exclusions – where companies, sectors or countries are excluded based on a defined set of criteria. Exclusion criteria can be related to the products and services a company provides (e.g. tobacco or weapons) or to their business practices (e.g. violation of human rights or corruption). Exclusions often requires "screening" see next column.

Impact investing – funds that invest with a clearly expressed intention to generate positive, measurable, social or environmental impact, alongside a financial return.

Norms based screening – screening of investment against minimum standard of business practice based on national or international standards and norms.

Proxy voting – exercising the right to vote on resolutions at company shareholder meetings. It compliments engagement as a key tool for influencing change.

Responsible investment – an umbrella term that incorporates a range of practices and approaches in the consideration of key environmental, social and governance (ESG) risks, opportunities and impacts of the investments we make.

Screened funds – where companies or countries are screened to determine whether they should be included or excluded within a fund. These funds are also known as exclusion based or negatively screened funds. Positive screening refers to the inclusion of companies that make a positive contribution to addressing social and environmental challenges.

SRI – Socially Responsible investment Socially responsible investing is the practice of investing money in companies and funds that have positive social impacts.

Stewardship – exercising a privileged position as stewards of capital through a responsible approach to investment. This may include ESG integration and active ownership.

“Investment without engagement is irresponsible investment.”

The Most Reverend Justin Welby, Archbishop of Canterbury, President of the Responsible Investment Advisory Council

Sustainable Development Goals (SDGs) – the 17 goals set by the United Nations in 2015 are a global framework for achieving a better and more sustainable future. They address the global challenges we face, including those related topoverty, inequality, climate, environmental degradation, prosperity and peace and justice. The UN is targeting completion of all 17 interconnecting goals by 2030.

Sustainable investing – this is a method of investing which proactively seeks companies to invest in that makes positive contributions in addressing social and environmental challenges.

Thematic investing – investments made in businesses contributing positively to sustainable solutions either in a single theme e.g. water or in numerous themes.

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