Investment policy for

CT (Lux) Sustainable Multi-Asset Income Fund

Last review: October 2024

COLUMBIA THREADNEEDLE INVESTMENTS

Contents

1 Philosophy

Our Responsible Investment philosophy is framed by several policy statements, including: Corporate Governance Guidelines, Engagement Policy, as well as our Social and Environmental Expectations statements. These policy documents are available on our **website**.

The CT (Lux) Sustainable Multi-Asset Income Fund aims to deliver income and capital growth while maintaining long-term value through investment in a portfolio of traditional and alternative assets and strategies, integrating analysis of sustainability-related risks and opportunities into the portfolio construction process.

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

- **Avoid** – We have a set of exclusion criteria setting threshold standards to avoid investment in issuers with socially or environmentally damaging products or unsustainable business practices.
- **Invest** – We invest in issuers that make a positive contribution to society and/or the environment.
- **Improve** – We engage with issuers we invest in on significant ESG issues with most relevance to their business, to reduce risk, improve performance, encourage the adoption of best practices and underpin long-term investor value. We believe that this active ownership is part of our duty as an investor acting in the best interests of our clients, and as a participant in the global financial system.

'Avoid' (exclusions policy)

Consistent with the goal to seek to make a positive impact on society and the environment, we have developed an exclusion policy to set threshold standards, which applies to the entire fund. 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 issuers 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 issuers 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.
- **Fossil fuels**
  Exclude issuers with ownership of geological reserves of coal/oil/gas, and exclude issuers 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.
  - >25% of their revenue from equipment and services for coal-/oil-/gas-related activities[4, 5].

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

2 The Sustainable Funds are permitted to hold issuers 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.

3 The Sustainable Funds are permitted to hold companies that exceed the 5% revenue threshold for gas transportation/pipelines if they have robust net zero transition plans which cover their product emissions.

4 Issuers 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.

NB.We expect issuers to be actively decreasing their involvement in coal-/oil-/gas-related activities.

* 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.

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 issuers 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 issuers that derive >5% of their revenue from uranium mining.

Forward contracts on agricultural commodities

We do not consider these in scope for investment.

Conduct-based exclusions

- **UNGC breaches** – We exclude issuers with breaches of the UN Global Compact principles[9].
- We use qualitative analysis and a variety of ESG data tools to assess and monitor issuers' management of key ESG risks and their approach to addressing sustainability challenges. We seek to exclude issuers with particularly poor ESG risk management and weak strategies to advance sustainable objectives.

Sustainability in sovereign bonds

We will exclude states:

- Which have not ratified or have not implemented in equivalent national legislation:
  - The eight fundamental conventions identified in the International Labour Organisation's declaration on Fundamental Rights and Principles at Work.
  - At least half of the 18 core International Human Rights Treaties.
- Which are not party to:
  - The Paris Agreement.
  - The UN Convention on Biological Diversity.
  - The Nuclear Non-Proliferation Treaty.
- With particularly high military budgets (>4% of GDP).
- Considered "Jurisdictions with strategic AML/CFT deficiencies" by the FATF.
- With <40/100 on the Transparency International Corruption Perceptions Index.
- Qualified as "Not Free" by the Freedom House "Freedom in the World" survey.
- With the death penalty legal and in use.
- With the average[10] of its scores on all 6 Worldwide Governance Indicators (WGI) below -0.59 or scoring less than -1.00 on a single WGI.

Further aspects considered:

- **Biodiversity**: We expect issuers to minimise their negative impact on biodiversity.
- **Water Use**: We expect issuers to comply with national regulations and international agreements regarding managing water consumption.
- **Taxation**: We expect issuers to pay fair and appropriate taxes, and transparently report their taxes.
- **Oppressive regimes (government and issuer level)**: We use our country scoring approach, which incorporates political and civil rights, to assess whether a holding is connected to an oppressive regime. See also "Sustainability in sovereign bonds" above.

Currency exposures

- Currency exposures may arise from securities held within the portfolio if they are not hedged.
- Additional currency exposures can be added but must be consistent with the sovereign bond criteria, with the exception of the reserve currencies (Euro, US Dollar, GB Pound, Japanese Yen). This exception will be capped at 30% of the portfolio under normal market conditions, however, this may be temporarily exceeded under extraordinary market conditions.
- Currency exposures may be taken via currency derivatives (forwards, futures and options) or cash or public debt instruments.

[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] The thresholds are determined by resp. the median of the average WGI-score and the median of the lowest scoring WGI of the category of low- and middle-income economies.

Ongoing monitoring
To ensure issuers held in the Sustainable strategies continue to meet our criteria, we conduct ongoing monitoring of all held companies. Each quarter the RI team review whether issuers continue to meet the criteria, alongside any involvement in recent controversies that might indicate poor ESG practices. All breaches are assessed by the Responsible Investment team. If a breach is assessed as genuine and severe, the issuer is divested. If a breach is not assessed as genuine and severe, the issuer 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 issuer being divested.

'Invest' (targeted investment in sustainability leadership)

Core to all of our sustainable strategies is the proactive allocation to investments whose activities are oriented to providing sustainability solutions, i.e. with some positive impact on societies and the environment.

Holdings will be selected on the basis of having a strong association with addressing sustainability challenges and opportunities such as:

Technological innovation – technological advances create opportunities to accelerate our connectivity, and progress social well-being, supply chain efficiencies and sustainable cities. Data can be harnessed for good, to enable better healthcare or empower smaller businesses, which can lead to broader competition and employment opportunities.

Energy transition – transformation is required across all types of energy use, including power generation and transport.

Health and well-being – with increased globalisation and urbanisation comes rising communicable diseases. With ageing demographics, rising obesity and an increasing prevalence of non-communicable diseases, the demand for healthcare is rising while the supply remains constrained, particularly in emerging markets.

Resource efficiency – we must use our planet's finite resources in a more sustainable way, while minimising the impact we have on the environment.

Sustainable cities – a growing global population puts cities under increasing stress, such as the provision of reliable healthcare and education, and environmental challenges such as global warming.

Sustainable finance – by integrating sustainability into their business strategies and decision-making, financial institutions can play a significant role in adapting and promoting innovation to address global sustainability challenges.

We also make reference to the framework of the Sustainable Development Goals (SDGs) in identifying investments making a positive impact on society and the environment[11].

Our 'Invest' approach applies to both traditional assets (e.g. equity and debt securities) and alternative opportunities, which may include areas such as social housing, renewable energy or microfinance. Sovereign bonds, including green gilts, can be mapped to the SDGs.

'Improve' (encouraging positive change by active ownership)

Issuers within the CT (Lux) Sustainable Multi-Asset Income Fund will be engaged based on a three-stage process established by our Responsible Investment team to improve their environmental, social, and governance performance.

1. **Priority companies**: a set of issuers assessed as being ESG laggards with enhanced need for engagement.

2. **Engagement projects**: thematic projects assessed as most relevant in the responsible investment space, with cross-industry engagement over a longer period (1-3 years).

3. **Event driven engagement**: prior to AGMs or as a reaction to current events (money laundering, environmental pollution etc).

For all issuers set to be engaged, engagement objectives and timelines will be agreed. Escalation strategies, in case objectives are not met in time, will be discussed with fund managers.

Engagement will be executed by our Responsible Investment team, by the fund managers, or jointly. Engagements will be documented in an internal data base, and regular reporting to clients on engagement and impact metrics will be made available.

11 The 17 SDGs were developed in 2015 by the UN and cross-industry stakeholders and endorsed by all 193 member states. The SDGs set out a roadmap towards a more sustainable global economy and society by 2030. See here for full details.

2 Instruments

Securities

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

Sustainable Bonds (Green and Social)

We can invest in ‘Sustainable’ bonds, as long as they have been approved by the Responsible Investment team.

Before we invest, we conduct in-depth due diligence to identify whether the issuer and its green/social bond framework meet our exclusion criteria specifically for the issuers of Sustainable Bonds (please refer to 'Sustainable Bonds exclusion criteria' on p10). These criteria differ from the product-based criteria above because we recognise that Green Bonds facilitate issuers' net zero transition and their proceeds are exclusively allocated to projects which deliver environmental benefits. The proceeds of social bonds are exclusively allocated to projects delivering social benefits.

Derivatives

Derivatives are permitted within the fund in order to assist with efficient management of overall asset class positions, such as mitigating interest rate fluctuations, hedging against price falls in equity markets or managing currency exposure. Derivatives will not be used to take the fund to a net short equity exposure on a delta-adjusted basis.

Positive net exposure to indices is only permitted through ESG-based index derivatives or ETFs that comply with the exclusion criteria described above. Derivatives will not be used to take indirect long positions in excluded securities.

Counterparties

Our counterparty approval process includes input from our credit analysts, who produce ESG scores for all of the entities they research. In addition, our Responsible Investment team additionally engages with our trading counterparties and clearing members on ESG topics to assess their ESG credentials and to encourage improvement where shortcomings have been identified.

Short selling

Use of short positions in broad index derivatives to manage overall exposure may result in a short position in excluded securities. The fund does not take direct short positions in securities. Use of index derivatives to manage overall exposure may result in indirect short exposures in excluded securities.

External funds / alternative strategies

External funds / alternative strategies need to meet the following minimum criteria:

- Exclusion of weapons, tobacco and fossil fuels / power generation as defined above
- Commitment to ESG integration
- Commitment to positive sustainable investment trends

This is assessed via an initial in-depth due diligence process and subsequently on an ongoing basis.

3 Annual policy review

We will review the fund assessment criteria periodically to ensure we keep abreast of evolving best practice. This review will be conducted jointly 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 issuers 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 issuers 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.

5 Sustainable Bonds exclusion criteria

Please note that the criteria below only apply to sustainable bonds approved by the Responsible Investment team for Responsible and Sustainable funds. Please refer to p6 for our process.

Alcohol

- Exclude issuers that derive >0% of their revenue from the production of alcohol.

Electricity generation

- Exclude electricity utilities that derive >10% of their revenue from coal-based power production.[13]

Fossil fuels – Activities related to the exploration/extraction of conventional oil & gas

- Exclude issuers that derive >5% of their revenue from activities related to the exploration/extraction of conventional oil & gas.

Fossil fuels – Activities related to the exploration/extraction of unconventional oil & gas

- Exclude issuers that derive >5% of their revenue from activities related to the exploration/extraction of unconventional oil & gas.

Fossil fuels – Thermal Coal

- Exclude issuers that derive >5% of their revenue from the mining of thermal coal (including lignite, bituminous, anthracite and steam coal) and its sale to external parties.

Gambling

- Exclude issuers whose core business is gambling, e.g. casinos and betting shops.

Norm adherence

- Exclude issuers with severe breaches of the UN Global Compact Principles.

Pornography, harmful and violent materials

- Exclude issuers involved in the production or distribution of pornographic, harmful or violent materials.[14]

Tobacco

- Exclude issuers that derive >0% of their revenue from the manufacture of tobacco products.

Weapons

- Exclude issuers that derive >0% of their revenue from the manufacture or sale of weapons.

13 Electricity utilities with coal-based power production must have a Science Based Targets initiative (SBTi) target set at 1.5°C/well-below 2°C.
14 Retailers and telecom companies may derive up to 5% of revenue from the sale of pornographic or violent material.

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