For professional investors/qualified investors only

CT Responsible Sterling Corporate Bond Fund

2023

Responsible Profile

COLUMBIA THREADNEEDLE INVESTMENTS®

Contents

Key risks

- The value of investments and any income from them can go down as well as up and investors may not get back the original amount invested.
- Screening out sectors or issuers may result in less diversification and hence more volatility in investment values.
- Changes in interest rates can reduce the value of your investment.

Fund philosophy

The CT Responsible Sterling Corporate Bond Fund invests in at least 70% in investment grade corporate bonds with some exposure to high yield corporate bonds, all of which meet our predefined responsible investment screening criteria.

The Fund is underpinned by our Avoid, Invest, Improve philosophy:

Avoid
We avoid investments in issuers with activities that harm society or the environment.

Invest
We invest in issuers that demonstrate responsible business practices, and support those whose activities make a positive contribution to society and the environment.

Improve
We use our influence as an investor to encourage issuers in their efforts to improve their management of ethical and ESG issues through engagement.

Key Fund Facts

- Committed to achieve net zero emissions by 2050 or sooner.
- As at 31-12-23 the Fund held 28% of the portfolio in green or labelled bonds.
- Uses the Markit iBoxx Sterling Non Gilts Total Return Index as a benchmark.

Revenue alignment with the SDGs

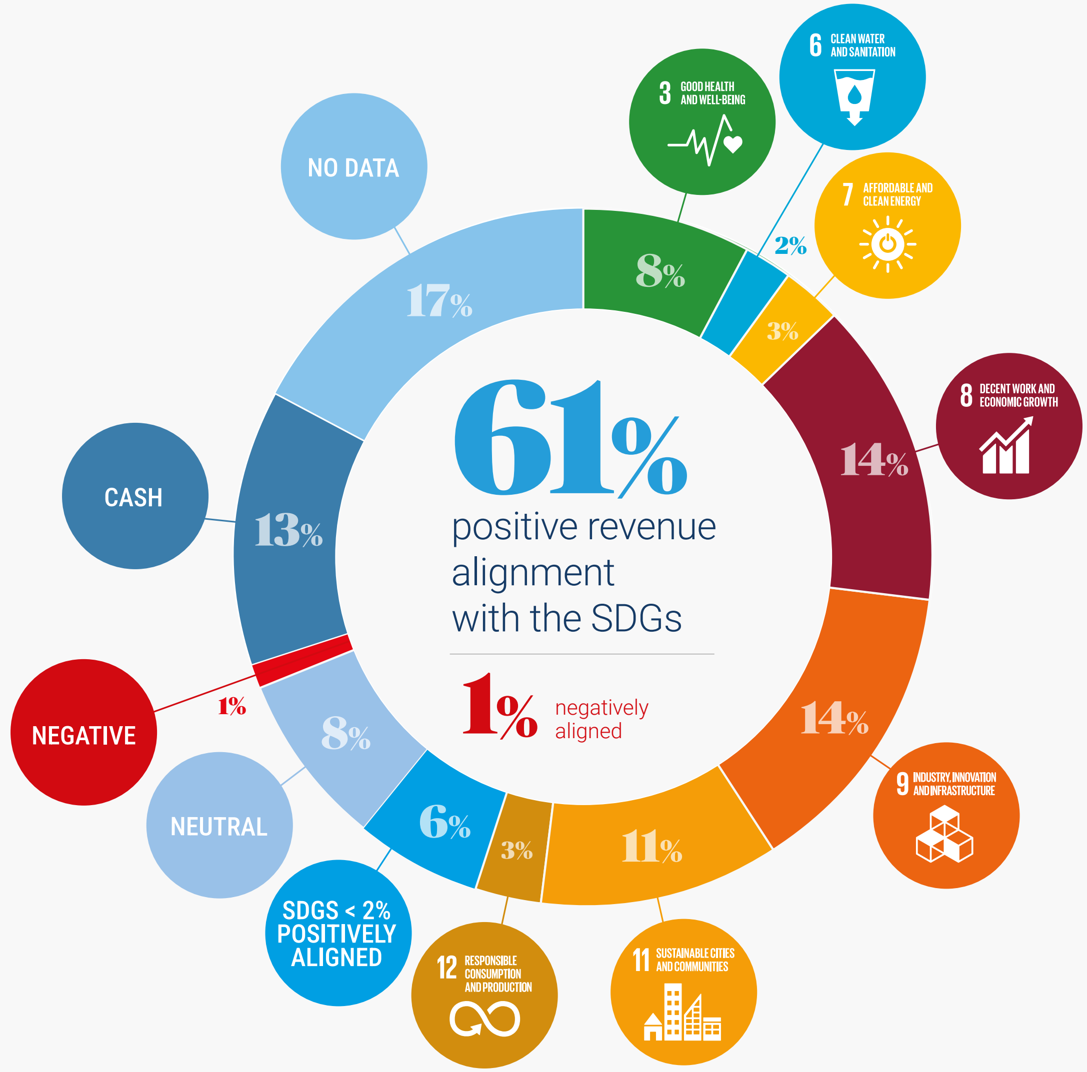
The **UN Sustainable Development Goals** (SDGs) are 17 goals and 169 underlying targets that set out a roadmap for a more sustainable world by 2030, covering issues such as poverty, climate change and health and well-being.

We developed our SDG revenue mapping tool in 2016 and have been reviewing and enhancing our methodology and its use cases since. Rather than simply mapping how companies align with the 17 goals, our model considers the underlying targets, giving us a far more granular view of companies' alignment.

Our model uses revenue data from FactSet, and we overlay our methodology on top. We analyse the individual revenue streams of portfolio holdings and identify whether the products and services in those business segments have links to the SDG targets. We map the revenue lines to the targets as positive, neutral, or negative.

The results of this analysis are summarised here at the goal level, with the target level alignment available on page 13.

CT Responsible Sterling Corporate Bond Fund



Source: Columbia Threadneedle Investments, as at 31 December 2023, designed for illustrative purposes, subject to change. Only >0.5% alignment is shown on the chart.

Assessing our alignment in 2023

14%

positive alignment with SDG 8 – Decent Work and Economic Growth.

Examples that align with target 8.10 – increase access to finance:

Nationwide provides retail banking services.

Allianz provides property and casualty insurance.

Building societies such as **Coventry Building Society** and **Leeds Building Society** provide a range of financial services such as savings, mortgages and insurance.

14%

positive alignment with SDG 9 – Infrastructure and Industrialisation.

Examples that align with target 9.1 – develop resilient and sustainable infrastructure:

National Grid's electricity transmission business owns and maintains the high-voltage electricity transmission network in England and Wales.

Vodafone is a major mobile and fixed network operator in Europe.

Travis Perkins is a builders merchant supplying building materials and hire service to trade customers.

We also align all our green bond holdings to the SDGs. For example, the proceeds from our green bond holding in **Iberdrola International** are used to support offshore wind projects in the UK and Germany, and we align this holding with variety of related SDG targets such as 7.2 – substantially increase the global share of renewable energy – and 7.a – facilitate global access to clean energy research.

8%

neutral alignment with the SDGs.

This includes asset management and investment banking divisions of some of our financial services holdings such as **Bank of America** and **Close Brothers**, as well as **Apple's** game, music and video streaming services.

1%

negative alignment with the SDGs.

Our analysis also identifies companies' negative contributions to the SDGs. That is, those products or services that companies in our Fund offer which might hinder the achievement of some of the SDGs. Whilst the Fund screens remove many such companies, we did still identify a small negative alignment to the SDGs at 1%.

This Includes **Toyota's** manufacture of petrol/diesel engine cars, as well as **Nestle's** confectionary and snacking products.

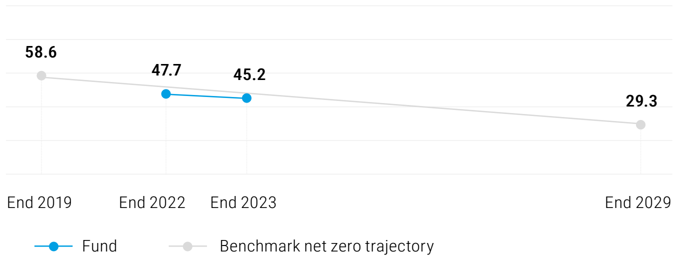
Our climate commitment

We have committed the Fund to achieving net zero emissions by 2050 or sooner.

The **methodology** we use to implement our net zero commitment is based on the Net Zero Investment Framework, developed by the Paris Aligned Investment Initiative. The focus of our approach is on real-world change, using stewardship to encourage issuers to improve their own alignment to a net zero emissions future.

The Fund's net zero trajectory

CO_2e/$ million invested



Source: Columbia Threadneedle Investments and MSCI ESG, as at 31 December 2023. The Fund's financed emissions intensity, expressed as tonnes of CO_2 emitted per $mn invested) figure reflected here for end-2022 and end-2023 uses our company-wide Task Force on Climate-related Financial Disclosures (TCFD) system data. .

[1] Total carbon emissions for a portfolio normalised by the market value of the portfolio, expressed in tonnes CO_2/$M invested.

We compare the Fund's overall carbon footprint[1] (Scope 1 & 2 emissions) with a net zero aligned trajectory, based on taking the benchmark's end-2019 carbon footprint, and applying a 50% reduction by end-2029. Due to the limitations of looking at Scope 1 & 2 emissions in isolation, we view this data as a way to track progress rather than as a target, and hope to see these measures reflect real-economy emissions cuts as our issuers take action.

As the chart demonstrates, the Fund's carbon footprint is within the trajectory currently, and must continue to fall to stay in line with this. The materials sector is the largest contributor to the Fund's carbon intensity, with cement producer **CRH** the largest contributor at the issuer level, followed by utility company **Engie**. Both have SBTi-approved near-term emissions reduction targets in place.

Green bonds have been allocated emissions in line with the parent issuer, as product level data may not be available on a consistent basis. Where there are green bonds in the portfolio this may therefore overstate the portfolio's overall carbon intensity. Please see p2 for the Fund's overall allocation to green, social and sustainability-linked bonds.

Issuers' net zero alignment in 2023

We use a selection of data sources to rate issuers on their alignment to a net zero pathway including their targets, strategy, governance, and disclosure around net zero. This enables us to analyse portfolios and identify issuers in need of engagement.

Alignment status of portfolio companies by percentage weight of portfolio

12%

Aligned

The issuer has specific commitments, targets, and a clear strategy in place to meet its net zero objectives by 2050 or sooner.

Examples: Experian, GSK and **KPN**

15%

Aligning

The issuer is progressing towards implementing sufficient commitments and targets to progress toward a net zero future.

Examples: Engie, First Group and **Imerys**

2%

Committed

The issuer has committed to net zero by 2050 or sooner but has not yet set a pathway or strategy to achieve its goals.

Examples: CRH, Marks and Spencer, and **Booking Holdings**

2%

Not aligned

The issuer does not meet minimum expectations on climate strategy.

Examples: AkzoNobel, Rabobank and **Discovery**

68%

Not assessed

The company is not rated in the model. This includes financials and companies that are small and/or in sectors where climate change is less material.

Examples: Commonwealth Bank of Australia, DNB and **ING Groep**

Source: Columbia Threadneedle Investments, as at 31 December 2023, using our TCFD system data.

Engaging on net zero

During 2023 we engaged 26 issuers on climate change, with specific dialogue on net zero strategies a common feature. For example, we engaged **CRH**, the largest contributor to the Fund's carbon footprint. Transitioning to net zero is a key focus for the company; its long-term net zero target depends on Carbon Capture and Storage (CSS), and the team reported that IRA tailwinds, as well as UK government announcements, have caused a noticeable shift in the CCS market. In particular, external processes such as the storage and transport of CO_2 are being captured by companies who are beginning to bring offerings to CRH – this is a marked change from recent years. We will continue to engage with CRH on CCS, as it is material to its long-term net zero strategy. We praised **Smurfit Kappa** – which is also among the top contributors to the Fund's carbon footprint – for enhancing its net zero transition disclosures, and highlighted a couple of areas for improvement, particularly around the process to identify strategic decarbonisation projects and the evaluation of the impact of physical risks on its suppliers.

We also recorded eight Milestones – improvements in companies' ESG policy, management systems or practices against the engagement Objectives that we set – related to climate change.. This includes **Intesa Sanpaolo** enhancing its climate risk management practices; **Mizuho Financial Grou**p publishing interim financed emission targets and a transition finance framework; and **Smurfit Kappa** improving its decarbonisation strategy disclosures.

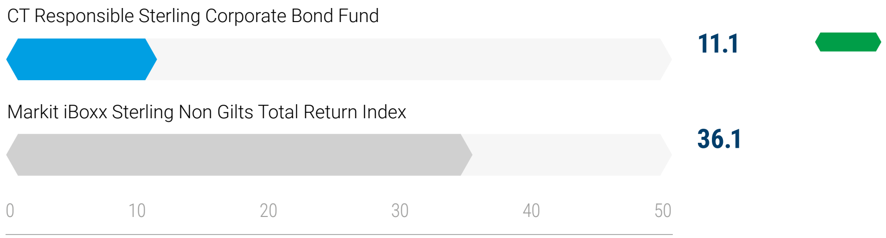
Sustainability metrics: environmental stewardship

Discover how the Fund's waste and water intensity compares with its benchmark.

The Fund remains less waste and water-intensive than the benchmark. While the water intensity figure has decreased versus end-2022, the waste intensity figure remains in line with end-2023. Water and wastewater company **United Utilities** and packaging company **DS Smith** are the largest contributors to the Fund's waste intensity. United Utilities has a target to divert 98% of total waste to beneficial use by 2025. For 2022/2023 the company reported that it diverted 98.3% of waste from landfill. DS Smith has a target to send zero waste to landfill by 2023, and in 2022/2023 there was a 20% reduction compared with 2021/2022 levels, driven by reduced volumes as well as the implementation of several landfill diversion projects. The largest contributor to the Fund's water intensity is **Veolia Environment**, designer and provider of water, waste and energy management solutions. For 2023, the company committed to improving the efficiency rate of drinking water systems to 75% and outperformed this, at 76.4%.

Waste intensity

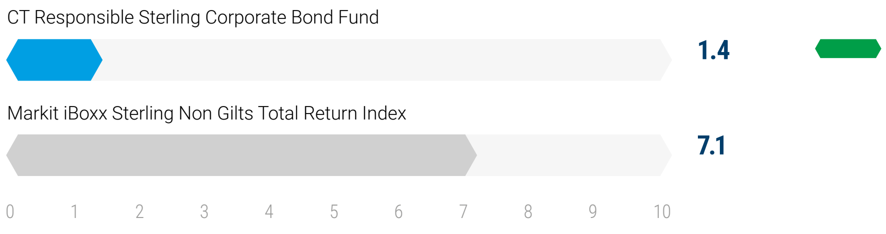
Tonnes of solid waste generated to create $1 million revenue



Source: Impact Cubed, as at 31 December 2023

Water intensity

Thousands of cubic metres of fresh water used per $1 million revenue



Source: Impact Cubed, as at 31 December 2023

Better than benchmark Neutral Worse than benchmark

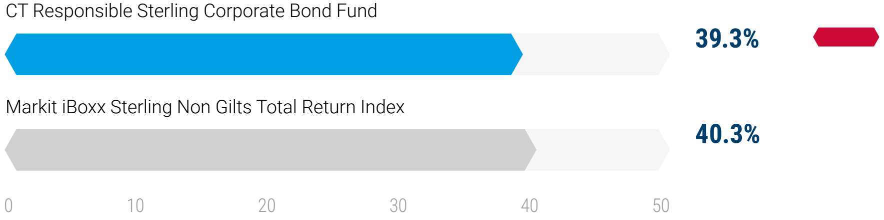
Sustainability metrics: fairness and equality

Here we provide two metrics to give an indication of the Fund's performance versus its benchmark on gender equality at board level, and the ratio of the CEO to the average employee's salary.

The Fund very slightly underperforms the benchmark on gender diversity at the board level, and outperforms in terms of executive pay ratios. Examples of issuers with at least 50% female board representation include a number of financials holdings such as **DNB** in Norway, **Handelsbanken** in Sweden, and UK-based **Nationwide Building Society**. Commercial property business **CPI** continues to have an all-male board, while Japanese holdings **Mizuho Financial Group** and **Toyota Motor** also continue to have very low female representation on their boards. As noted in the 'Milestones' section of this report, during the year Dutch telecommunications company **KPN** set new gender diversity targets with a specific focus on different job levels. **Apple**, **NatWest** and **AstraZeneca** are among the issuers with the highest difference between the CEO and average employee's pay. **Tesco** announced an increase of the hourly pay rate for employees outside of annual negotiations. This follows our engagement with the company on committing to a voluntary living wage. The uplift helps in addressing the cost of living crisis and had the support of the sector trade union. **Orsted** also strengthened its transparency on how ESG performance is linked to executive remuneration by creating shared ESG KPIs amongst the executive team, and increasing the weight of remuneration dependent on shared rather than individual KPIs. The company then was able to provide more detail on the explicit metrics it will use to track performance and the thresholds it uses. We raised this issue in direct engagement with the company and voted against remuneration partially due to our concerns on this topic in 2022.

Gender

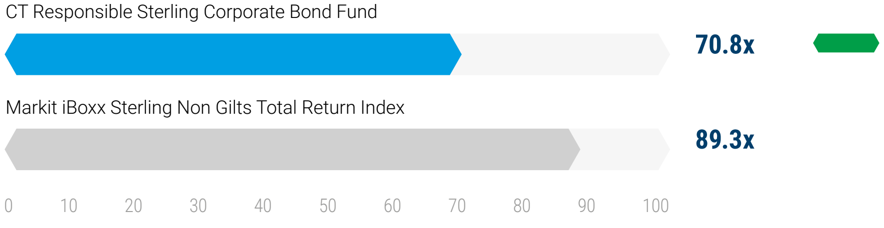
% female directors on company board



Source: MSCI ESG, as at 31 December 2023

Executive pay

CEO pay relative to average employee compensation



Source: Impact Cubed, as at 31 December 2023

Better than benchmark　Neutral　Worse than benchmark

Engagement in 2023

We undertake active, targeted engagement with issuers, using the SDGs as a framework.

We measure and report on the success of our engagement through the assignment of Milestones, which recognise improvements in companies' ESG policy, management systems or practices against the engagement Objectives that we set. We align Milestones to the SDGs to demonstrate how these outcomes can contribute towards a better, more sustainable future.

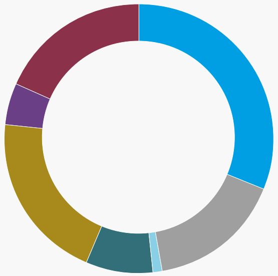
Milestones are ascribed using a three-star rating system, with three stars indicating the most significant impact of change and one star reflecting smaller, incremental change along a pathway for the issuer, or across a broader context, for the relevant industry as a whole.

38
Issuers engaged

21
Milestones achieved

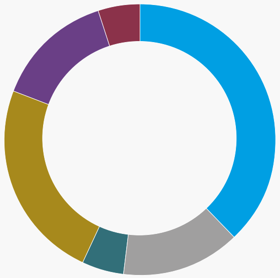
90%
Milestones achieved by SDG

Engagements by theme



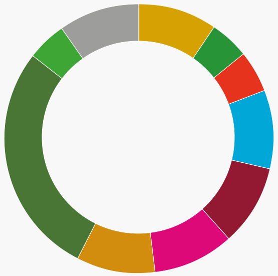
Climate change	31%
Environmental stewardship	16%
Business conduct	1%
Human rights	8%
Labour standards	20%
Public health	5%
Corporate governance	18%

Milestones achieved by theme



Climate change	38%
Environmental stewardship	14%
Business conduct	0%
Human rights	5%
Labour standards	24%
Public health	14%
Corporate governance	5%

Milestones by SDG



2	Zero Hunger	10%
3	Good Health and Well-Being	5%
5	Gender Equality	5%
6	Clean Water and Sanitation	10%
8	Decent Work and Economic Growth	10%
10	Reduced Inequalities	10%
12	Responsible Consumption and Production	10%
13	Climate Action	29%
15	Life on Land	5%
	No SDG	10%

Milestones achieved by rating

1 star	43%
2 stars	52%
3 stars	5%

Source for all data: Columbia Threadneedle Investments, as at 31 December 2023. Rounding may result in chart figures not totalling 100%.

Engagement case studies

Discover 2023 engagement case studies, along with their SDG alignment and outcomes achieved.

This does not constitute a recommendation to buy or sell any particular security.

GSK

3 GOOD HEALTH AND WELL-BEING

GSK

We engaged GSK to understand the company's work on diversity in clinical trials and preparations for upcoming US regulatory requirements, under which pharmaceutical companies will need to include diversity planning in their trial protocol or justify why this is not necessary. GSK has a dedicated team focused on diversity in clinical trials. The company stressed that the cost of getting this wrong outweighs the time and effort required to develop trial diversity. They also consider it a crucial part of their ambition to reach 2.5 billion patients by the end of 2030. They shared insights on how they collaborate with patient advocacy groups as well as CROs, the latter of which they expect to adhere to GSK's third-party vendor rules – and they are only interested in working with Contract Research Organizations (CROs) who do not work on improving diversity in clinical trials.

Our view: We consider GSK a leader in this space and will monitor further developments. The company feels prepared for regulatory requirements, having made efforts to increase diversity in clinical trials for over 15 years. This is evidenced by progress on their target to have 100% of 2023 phase III trials contain a proactive strategy to enrol appropriately diverse trial participants, consistent with the disease epidemiology.

13 CLIMATE ACTION

Volkswagen

Volkswagen (VW) is the largest automotive company globally, with significant influence on automotive climate policy, especially in Europe. However, VW has been reluctant to provide transparency on its positioning on public policies, and its lobbying on climate-related policies directly and through industry associations compared with peers. This lack of transparency is concerning given the role that the Porsche CEO and Volkswagen Chairman played in successfully advocating for an e-fuel exemption in the EU's 2035 combustion engine ban. We have engaged VW bilaterally and collaboratively through CA100+ on this topic since 2019. We recently reviewed early drafts of VW's lobbying disclosures and engaged to articulate our expectations and encourage them to publish the report well ahead of the AGM. VW could not commit to publishing the report before the AGM and have over-promised in the past. We therefore escalated our engagement by voting against several items on the company's ballot.

Our view: VW did publish its Association Climate Review 2023 immediately prior to the AGM, but it was past the deadline set and we did not alter our voting decision. The report is the joint highest rated automotive company lobbying report assessed by InfluenceMap. We welcomed this report and believe that our engagement delivered a marked improvement in its quality. Although VW has an advanced method to assess industry association alignment vs its peers, we have still identified several areas for improvement, and appraising more industry associations and rating associations on their activities (rather than stated positions). We will continue engaging with VW to secure these improvements.

Milestones

Discover examples of Milestones achieved during 2023 across a range of ESG issues.

KPN

★

Target 5.5 – Ensure full equality of opportunity for women, including at leadership levels

Set gender diversity targets across workforce levels

KPN has set new targets with a specific focus on different job levels. This includes the Supervisory Board, Management, Scale 2, Personal Labour Agreement and across the workforce. We had previously encouraged the company to set more ambitious gender diversity targets. These detailed targets are helpful to understand the company's workforce dynamics, and to track and monitor the progress of the company's diversity, equity and inclusion initiatives.

Mizuho Financial Group

★★

Target 13.2 – Integrate climate change plans into policies and strategies

Published interim financed emission targets and transition finance framework

Mizuho published interim financed emissions targets for upstream oil and gas, and thermal coal mining and a transition finance framework to verify the credibility of client transition plans. Although the setting of interim targets has been slower compared to Japanese peer banks, this is nonetheless a positive step. We have engaged with the company 3 times in the past two years, most recently having a meeting with them in January 2022 which was focused on their climate risk management, in particular the setting of financed emission targets and how they assess and support their clients' low carbon transition. We also supported a shareholder resolution requesting enhanced climate disclosure at their June 2020 AGM.

Apple

★★★

Target 10.2 – Empower and promote inclusivity for all

Conducted civil rights audit

Apple conducted its first civil rights audit assessing its initiatives to address not only racial equity and opportunity, but also civil rights more broadly, with respect to gender, age, ethnicity, sexual orientation, disability, and other dimensions of identity. This covered all aspects of Apple's business from products and services, workforce, customer experience and efforts to promote its values. The conclusion was that Apple had taken significant steps to respect civil rights internally and externally but there are nonetheless opportunities for the company to do more, which they acknowledged. We had previously supported a shareholder resolution in 2022 requesting the company to conduct a civil rights audit to help shareholders better assess the effectiveness of Apple's efforts to address the issue of any inequality in its workforce and its management of related risks.

Appendix: SDG revenue alignment breakdown

Positive alignment **61%**

SDG 3: Good Health and Well-Being		**8%**
3.3	End AIDS, TB, malaria and other water-borne and communicable diseases	0.8%
3.4	Reduce mortality from non-communicable diseases and promote mental health	0.9%
3.8	Access to medicines and health-care	4.2%
3.9	Reduce deaths and illnesses from pollution and contamination	1.2%
SDG 6: Clean Water & Sanitation		**2%**
6.3	Improve water quality by reducing pollution	1.0%
SDG 7: Affordable and Clean Energy		**3%**
7.2	Substantially increase the global share of renewable energy	1.6%
7.a	Facilitate global access to clean energy research	1.1%
SDG 8: Decent Work and Economic Growth		**14%**
8.2	Achieve greater productivity through innovation	1.1%
8.4	Improve resource efficiency and prevent environmental degradation	1.2%
8.10	Increase access to finance	11.2%
SDG 9: Industry, Innovation and Infrastructure		**14%**
9.1	Develop resilient and sustainable infrastructure	4.7%
9.3	Increase access to finance for SME's	9.2%
SDG 11: Sustainable Cities and Communities		**11%**
11.2	Provide access to safe and affordable transport systems	4.7%
11.c	Support constructing resilient buildings with local materials	6.1%
SDG 12: Responsible Consumption and Production		**3%**
12.4	Manage chemical usage and waste throughout their life cycle	1.2%
12.5	Reduce waste through prevention, reduction, recycling and reuse	0.9%
SDGs <2% positively aligned		**6%**

Neutral alignment	**8%**
Negative alignment	**1%**
No goals or targets >0.5% aligned.	
Cash	**13%**
No data	**17%**

Source: Columbia Threadneedle Investments, as at 31 December 2023, designed for illustrative purposes, subject to change. Only targets more than 0.5% aligned are shown in the table. All figures subject to rounding.

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