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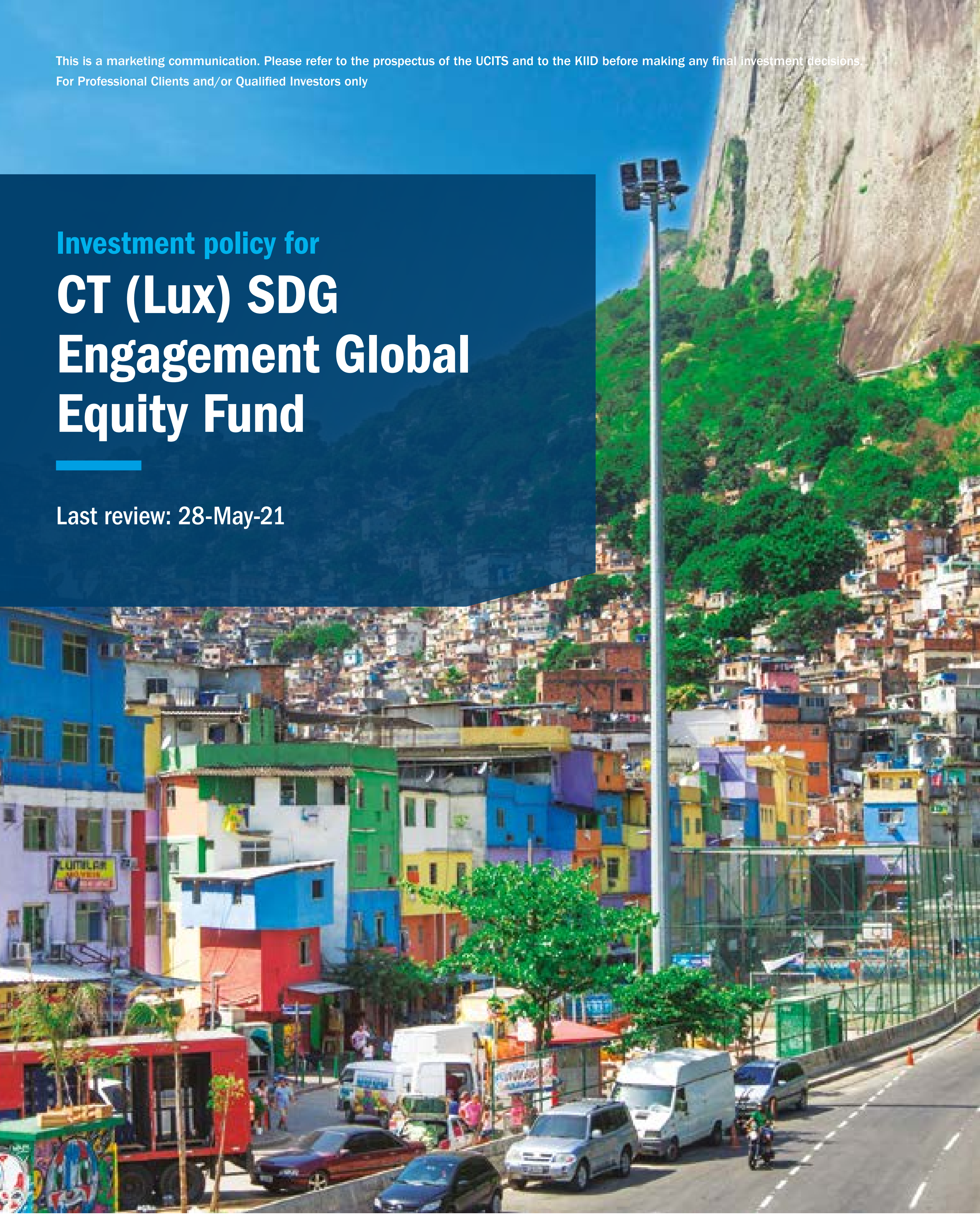
Investment policy for

CT (Lux) SDG Engagement Global Equity Fund

Last review: 28-May-21



COLUMBIA THREADNEEDLE INVESTMENTS

Contents

Philosophy

Our Responsible Investment philosophy is framed by several group-wide policy statements, including: Responsible Investment Approach, Corporate Governance Guidelines, as well as our Social Expectations Statement.

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. In addition to this, we will also seek to make a positive impact on society and the environment while at least meeting the criteria specified below.

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 socially or environmentally damaging products or unsustainable business practices.

Invest – we invest in companies providing sustainability solutions and/or companies making a positive contribution to society and/or the environment.

Improve – we engage with companies we invest in on significant ESG issues with most relevance to their business, to reduce risk, improve performance, encourage best practice 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 invest in companies that have a positive impact on society and the environment, we have developed an exclusion policy to set threshold standards. We will monitor the universe of holdings every quarter, and any position held by a fund that no longer qualifies must be sold within the following six months.

Product-based exclusions[1]

- **Weapons**[2] – We do not invest in companies that manufacture weapons or weapons system3.
- **Tobacco**[4] – We do not invest in companies producing tobacco or companies that derive more than 5% revenues from products that contain tobacco or from the wholesale trading of tobacco products.
- **Fossil fuels**
  - We do not invest in companies with fossil fuel reserves, covering metallurgical coal, thermal coal, conventional oil, shale oil, oil sands, natural gas and shale gas. We exclude electricity utilities with a carbon intensity of >393 gCO2/kWH5, independent of its fuel source. Where carbon intensity data is not available, we will exclude electric utilities where:

    1. >10% of the power production is based on coal.

    2. >30% of the power production is based on oil & gas.

    3. >5% of the power production is based on nuclear sources.
  - We will exclude electricity utilities with expansion plans that would increase their negative environmental impact or that are contrary to a below 2 degrees scenario and electricity utilities constructing new coal-fired power stations and/or nuclear power stations
  - We exclude operators of nuclear power plants.
  - We exclude companies with revenues above 5% generated from the production of essential parts for nuclear power plants.
- **Uranium mining:** We exclude all companies operating active uranium mines.

[1] Product-based exclusions are hard exclusions

[2] Revenue threshold for controversial weapons is set at 0%, threshold for conventional weapons is 1%, threshold for components is 5%.

[3] Companies that manufacture weapons, components of weapons, or weapons system, i.e. conventional weapons, biological/chemical weapons systems, blinding laser weapons, depleted uranium weapons, incendiary weapons, non-detectable fragments and nuclear weapons.

[4] Revenue threshold set at 1%

[5] This is consistent with a 'below 2 degrees scenario'. Max. gCO2/kWh will decrease each year. For 2022 it will be 374 gCO2/kWh

Conduct-based exclusions

- **UNGC breaches** – We exclude companies with breaches of the UN Global Compact principles[6].

Further aspects considered:

- **Biodiversity**: we expect companies to minimise 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.

'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. A plethora of global companies are 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")7. 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 investor engagement in pursuing SDGs. 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 mandates, 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 the 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 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 thoughtful use of our voting rights, where relevant. All proxy voting results are made public8.

We also have a well-established firm-wide approach to prioritising, planning and reporting on engagement and voting activity that will apply 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 interacting 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.

We do monitor our carbon footprint at the portfolio level on an ongoing basis as part of our ESG integration approach.

[6] 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
[7] https://sustainabledevelopment.un.org/
[8] See details here

Instruments

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

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.

To find out more visit **columbiathreadneedle.com**

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The Fund is a sub fund of Columbia Threadneedle (Lux) III, a société d'investissement à capital variable (SICAV), registered in Luxembourg and authorised by the Commission de Surveillance du Secteur Financier (CSSF).

English and German language copies of the Fund's Prospectus, summarised investor rights, English, Dutch, Finnish, French, German, Italian, Norwegian, Spanish and Swedish language copies of the key investor information document (KIID) can be obtained from Columbia Threadneedle Investments, Exchange House, Primrose Street, London EC2A 2NY, telephone: Client Services on 0044 (0)20 7011 4444, email: sales.support@columbiathreadneedle.com or electronically at www.columbiathreadneedle.com. Please read the Prospectus before taking any investment decision.

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