Columbia Threadneedle Investments

# Climate Report

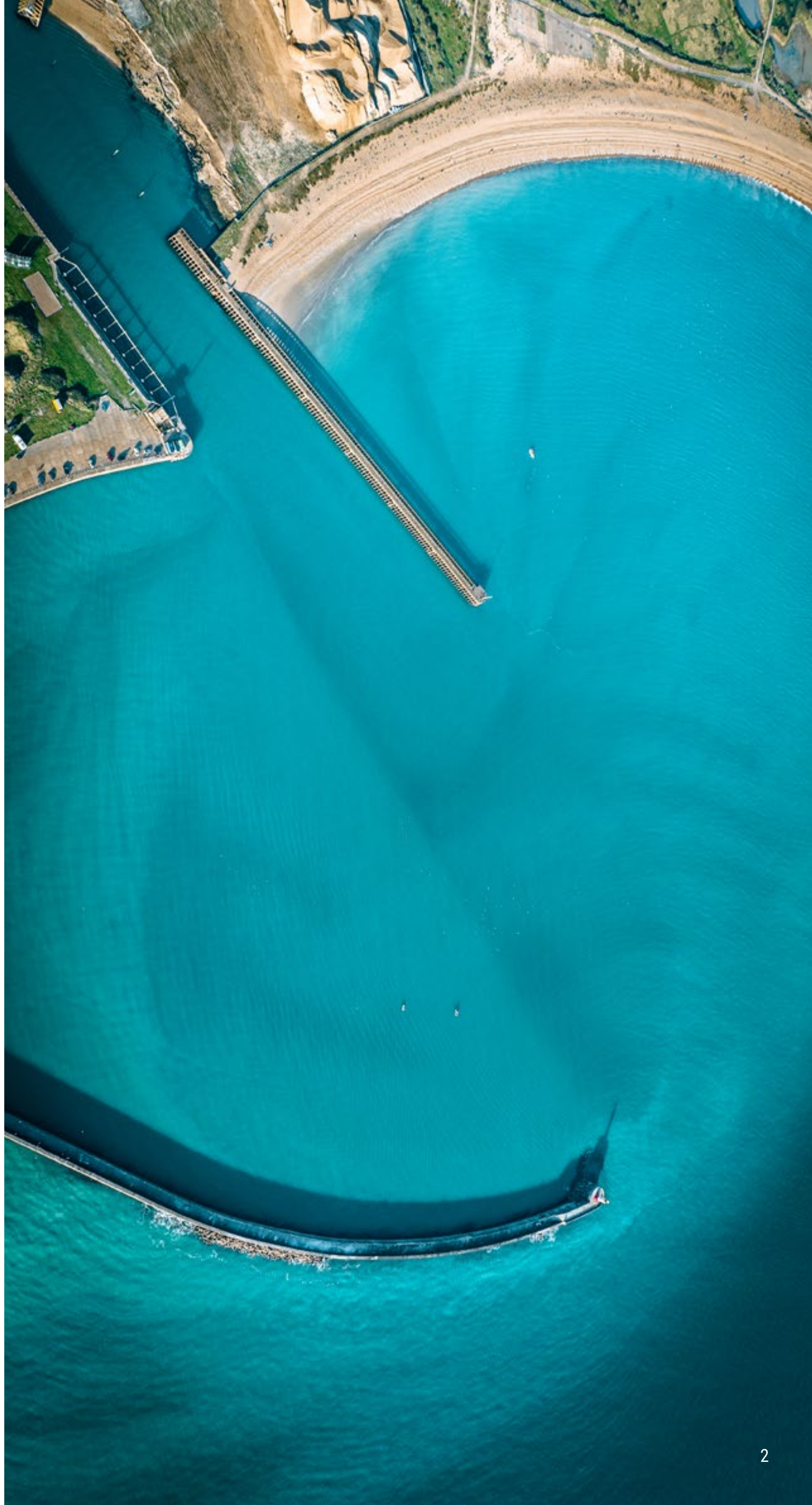
**JUNE 2024**

Our report in line with the recommendations of the
Task Force on Climate-related Financial Disclosures (TFCD)

COLUMBIA THREADNEEDLE INVESTMENTS®

A report on how Columbia Threadneedle Investments manages climate-related risks and opportunities in investment portfolios and across business operations under the framework established by the Task Force on Climate-related Financial Disclosures (TCFD)

This report broadly covers the various legal entities within Columbia Threadneedle Investments (Columbia Threadneedle), except for Pyrford International Limited, a wholly owned subsidiary of Columbia Threadneedle, which reports separately on climate-related risks and opportunities. The reported AUM figure for Columbia Threadneedle does however include Pyrford International Limited.



# Contents



## About this report

This report is designed to summarise our approach to managing climate-related risks and opportunities. Metrics included are subject to measurement uncertainties given the evolving nature of climate reporting, and unless noted, all data is as of 31 Dec 2023. We reserve the right to update measurement techniques and methodologies in the future.
The case studies and examples are provided for illustrative purposes only and may not be updated in future publications. While we believe engagement is an important part of understanding the risks and opportunities facing companies held in our portfolios, such engagement may not be effective in identifying risks and opportunities and we do not guarantee any specific outcomes or company performance as a result of such engagement.

Our public disclosures, including our climate-related disclosures, encompass a range of topics that we believe are relevant to Columbia Threadneedle's business and that may be of interest to clients and other stakeholders. This report describes Columbia Threadneedle's approach, which may differ from the approach of its parent company, Ameriprise Financial, Inc. References to "we" and "our" in this report refer only to Columbia Threadneedle. Information contained in this report should not be construed as a characterisation regarding the materiality or financial impact of that information to Columbia Threadneedle, or any of its affiliates, or Ameriprise Financial, Inc., as individual entities or collectively as a whole.

# Foreword

At Columbia Threadneedle we strive to be a trusted partner to our clients and responsible stewards of their assets, allocating capital within a framework of robust research and good governance in accordance with their investment objectives.

Our core business is the active management of clients' investments through the well-researched allocation of capital to issuers and other assets in a manner designed to create long-term value, support economic growth, and serve broader prosperity. In keeping with this aim, we manage our business responsibly, including understanding and thoughtfully responding to climate change, which presents both risks and opportunities for issuers, clients, and our business. We are committed to delivering long-term financial returns for clients, which includes understanding and managing climate-related risk, while supporting a constructive transition to a low-carbon economy.

We also recognize that this transition is complex and requires consideration of different regulatory approaches and unique market characteristics of the issuers and assets in which we invest for our clients. Not only do we diligently integrate climate assessments into our investment research process, but increasingly we also assess the transition pathways of the different sectors and geographies in which we invest. This means engaging with issuers to understand and manage risk, and where appropriate, encouraging actions that we believe could help drive shareholder value and contribute to a more resilient and sustainable global economy.

We illustrate this work as a signatory to the UK, Taiwan, Japan, and Korea Stewardship Codes. As described in our Stewardship Report for 2023, we published our harmonized, global Responsible Investment engagement and proxy voting policy and approach in 2023 and focused on implementing our proxy voting policy and approach throughout the year, the outcomes of which are evidenced throughout the Stewardship Report.

Relatedly, we work in partnership with our clients to offer a broad choice in investment strategies for individual and institutional clients with differing priorities, including solutions that meet client demand for climate-aware investment opportunities.

In summary, this report provides updated information on how we manage climate-related risks and opportunities both for the investments we manage for our clients and our own business operations. I hope you find it informative.

Ted Truscott
**CHIEF EXECUTIVE OFFICER**

# UK attestation

Columbia Threadneedle is an active, long-term investor, a major shareholder and bondholder of UK-listed companies and manager of a large UK commercial real estate portfolio, on behalf of our clients. With a global reach, we have our regional headquarters in London, with a considerable presence in Swindon and Edinburgh, and we employ more than 1,200 people in the UK[1].

We know that our stakeholders, including our clients, broader industry and the UK Government recognise the risks and opportunities posed by climate change and the importance of transparency in our investment process, performance, and operations.

We trust that the information in this report outlining how Columbia Threadneedle manages climate-related financial risks and opportunities meets the requirements introduced by our regulator, the Financial Conduct Authority, in Policy Statement 21/24, which are applicable to our legal entities based in the UK.

## David Logan

**HEAD OF EMEA AND GLOBAL BUSINESS OPERATIONS**

# Governance

## At Columbia Threadneedle, we provide a broad array of investment strategies for individual and institutional investors.

Our clients rely on us as a leading global asset manager to help pursue positive outcomes for the individuals they serve; together they entrust us with $637 billion[2].

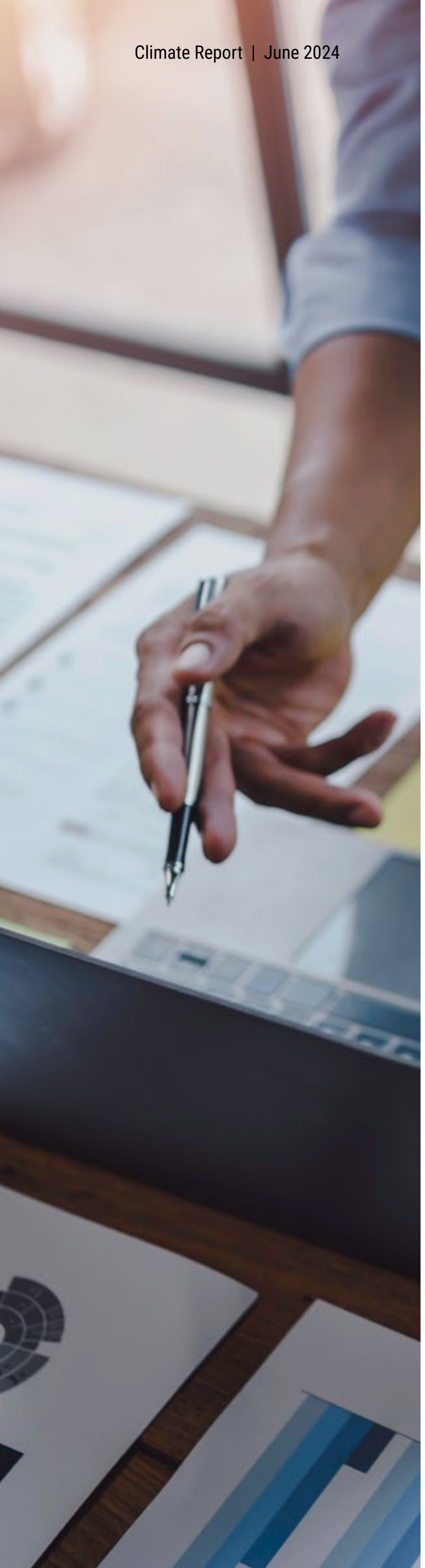
We're investing smarter for the world our clients want.

## Management

Columbia Threadneedle has a comprehensive governance framework designed to ensure that our business operates effectively. This framework provides a mechanism for escalation and resolution of business matters, including those related to climate-related risks and opportunities.

Our decisions related to global strategy are managed by our operating forums, the Global Executive Group (GEG) and the Global Business Group (GBG). The GEG, in consultation with the GBG, exercises, as part of its responsibilities, strategic oversight of our business, including climate-related risks and opportunities and management of our business-related carbon emissions. The two forums are chaired by our Chief Executive Officer Ted Truscott. This strategic oversight is in addition to the governance arrangements that we have in place across the three regions in which we operate our business: North America; Europe, Middle East, and Africa (EMEA); and Asia Pacific (APAC) from the board of directors for each legal entity to the regional committees and working groups that operate below, or alongside, these boards.

> This governance structure also supports our objectives to advance a culture of compliance, and to understand and manage both existing and emerging risks.



Senior executives located in each region provide oversight through the Investment Oversight Committee (IOC) in North America, the Investment Management Committee (IMC) in EMEA and APAC, and for alternative asset classes globally through the Alternative Investment Management Committee (Alts IMC). These committees meet monthly and have responsibilities for Columbia Threadneedle's overarching investment framework, including our engagement and proxy voting activities.

Our Global Chief Investment Officer (CIO) is responsible for ensuring that information related to environmental, social and governance (ESG) factors is included where suitable in our investment research for equities and corporate debt, helping to build a holistic view of the climate-related risks and opportunities around such investments.

Our Responsible Investment (RI) Council meets monthly to align on RI implementation, define firm-wide priorities to achieve our RI vision and mitigate RI risks including those related to climate change, and act as an escalation route to resolve cross-functional dependencies, risks, and issues, among other things. Sample agenda items include our firm-wide climate change approach and net zero targets, and greenwashing risk. Voting members include representatives from the Executive Group; Investment leadership across equities, fixed income, multi-asset, and alternatives; RI; Distribution; Product; and Legal and Compliance. The Council is chaired by the Global Head of RI. Non-voting members include representatives from a diverse range of business functions within the firm.

Our Responsible Investment Advisory Council meets quarterly to provide advice on our approach to responsible investment, including on material ESG themes, stewardship activity, ESG-related fund design and marketing positioning, with a particular focus on the criteria by which our Responsible and Sustainable fund ranges are run. The Council consists of five external members, including one who retired from Columbia Threadneedle in March 2023. They are leaders in their field and bring international experience across RI, impact investing, environmental, social, and ethical issues.

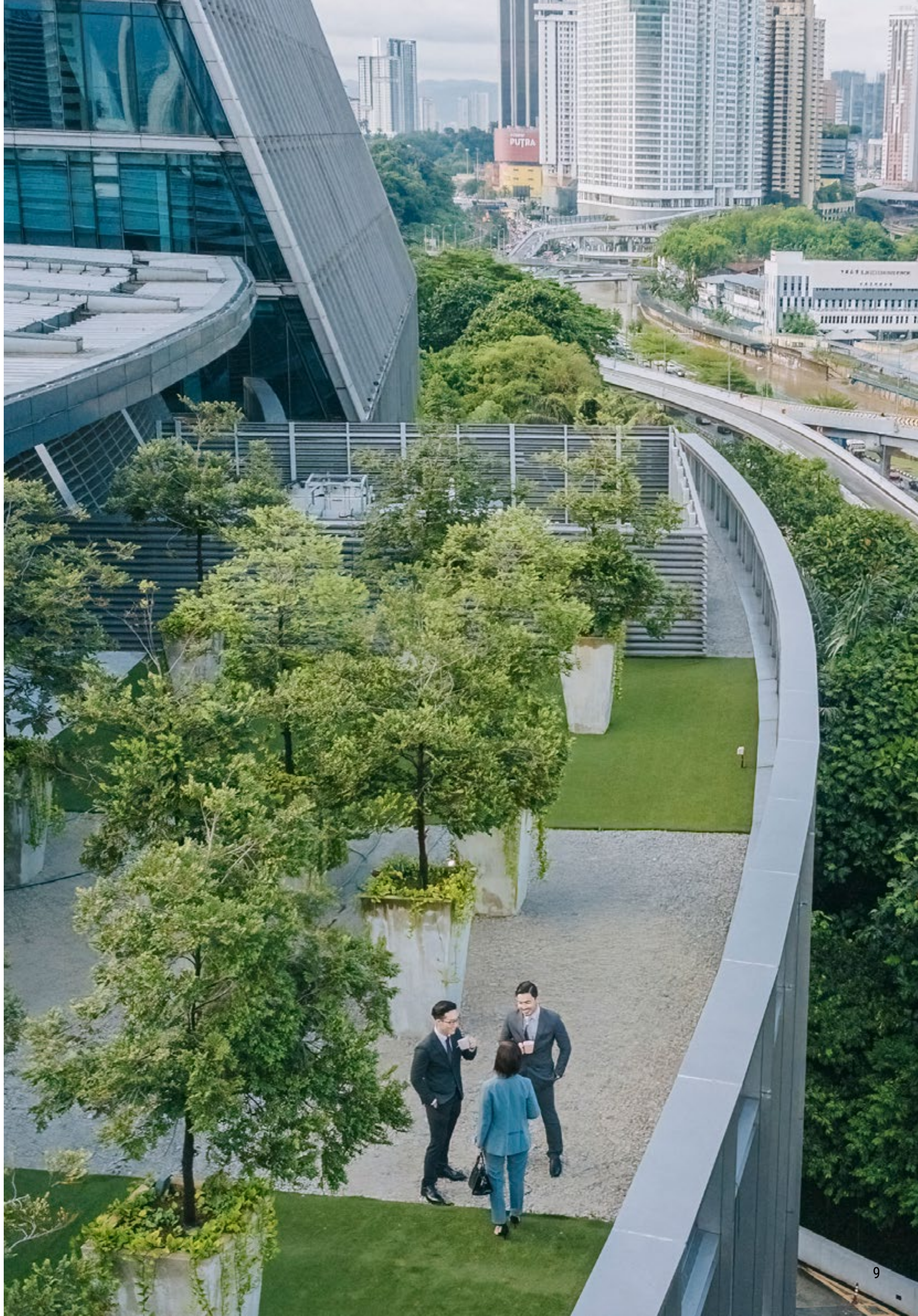
This governance structure also supports our objectives to advance a culture of compliance and to understand and manage both existing and emerging risks including those relating to climate change. The Risk Management section further details the oversight undertaken by our Investment Risk teams in EMEA and North America when monitoring climate risks within the portfolios that we manage on behalf of our clients. The Investment Risk team in EMEA may report any specific issue to the IMC or the Alts IMC; the Investment Risk team in North America may report any specific issue to the IOC or Alts IMC. The Risk and Controls Committees in North America and the Financial and Operational Risk Committees in EMEA and APAC among other things (i) provide oversight of the operational risk management strategies, policies and practices that identify, assess, monitor, and manage risk for Columbia Threadneedle, and (ii) act as points of regional escalation for emerging and long-term risk issues, including related to climate change.

As part of this work, we conducted an exercise to identify and better understand the climate-related risks and opportunities that exist within the asset classes that we manage and within our own business operations. The findings from this exercise were presented to decision-making and oversight groups globally, including GEG, IMC, and IOC and helped to inform our views on risks and opportunities, as set out in the Strategy section of this report.

## Board oversight

Certain boards within the Columbia Threadneedle group are responsible for overseeing our obligation that client assets are managed in accordance with agreed upon investment guidelines. In connection with this oversight, these boards are provided with information related to climate-related risks and opportunities, our RI framework, and whether and the degree to which consideration of climate-related targets and risks forms part of the portfolio construction process.

For an investment product that has a specific climate-related target as directed by our clients, the relevant board would be provided with information on any related material risk issues to enable them to monitor the progress that is being made against the target. Certain boards in EMEA have also been updated on the climate-related risks and opportunities that were identified within the asset classes that we manage and our business operations to support their responsibilities in this area. Investment strategies with climate-related targets are available to institutional investors globally and can be tailored to specific goals. Within the retail market our current focus is on offering ESG and climate-related funds primarily to retail investors in the UK and European markets to meet client demand in those regions.



# Strategy

## We recognise the importance of managing climate-related risks and opportunities effectively to protect long-term investment returns.

Our aim is to be consistent and proactive in recognising these risks and opportunities, and to use our expertise and our role as a global investor to mitigate risks and take advantage of opportunities, acting in the long-term economic interests of our clients.

In this part of the report, we explain how we have assessed climate risk and opportunities and describe the four elements of our climate strategy.

## Identification of climate risks and opportunities

We see three primary transmission mechanisms through which climate-related risks and opportunities can potentially affect our firm and our clients:

- **Investment performance:** the financial value of assets we invest in for our clients could be susceptible to fluctuations due to how effectively the portfolio issuers in which we invest have managed such climate-related risks and opportunities
- **Suitability of products:** our ability to mitigate climate-related risks and maximise climate-related opportunities could influence whether a client chooses to (continues to) invest with us
- **Costs:** meeting regulatory requirements and client expectations on climate-related risks and opportunities may lead to additional costs being incurred

## Analysis of risks and opportunities

The following table sets out a description of the potential climate-related risks and opportunities to Columbia Threadneedle; the timeframe over which we believe these risks and opportunities could materialise; and the mitigation actions in place to address these potential risks[3]. This draws on an exercise conducted in 2022 with a cross-section of our investment professionals to rate our exposure to different climate-related risks and opportunities.

For timeframe, we define short term as less than 1 year; medium term as 1-5 years; and long term as 5-10 years.

| RISK | DESCRIPTION OF IMPACT | TIMEFRAME | MITIGATION ACTIONS/ACTIONS TO MAXIMISE OPPORTUNITIES |
|---|---|---|---|
| **Transition: Policy & regulation (Investment risks and opportunities)** | The performance of the investment portfolios we manage may be impacted by climate-related regulation or policy – resulting in both risks and opportunities. | Short term | Our investment teams in relevant asset classes have processes in place to identify potential investment-related risks and opportunities arising from climate change, described in the Strategy section of this report. Dedicated environmental experts in our fundamental research and RI teams support this work. Our research on transition topics and technologies, and engagement with companies in sectors with material climate impacts, support the integration of consideration of climate change as part of developing our investment theses. |
| **Transition: Policy & regulation (Operational risks)** | Laws, regulations, or guidance linked to climate change or sustainability could result in additional compliance costs. There has been a recent increase in ESG-related regulation, such as product labelling or disclosure rules, and the anti-greenwashing measures being taken by regulators across the globe. | Short term | We have research personnel who track the implications of forthcoming regulation. Our Legal and Compliance teams review the implications of upcoming regulatory developments. We may proactively contribute feedback to regulatory consultations where appropriate, for the benefit of our clients. We also have a business change team to implement and comply with the necessary changes introduced by new regulatory developments. |
| **Transition: Technology** | The requirement to keep pace with technological advancements to adequately identify, assess and manage climate risks and opportunities could result in additional personnel and/or data costs. | Short term | We work closely with clients to identify their expectations on technology and data. We have a dedicated and large internal technology team, which enables us to efficiently integrate third party data and build proprietary analysis systems, such as our net zero model outlined below, to inform our investment processes. |
| **Transition: Market** | The expectations of some clients for the management of climate risk are evolving in different ways, and managers who do not keep pace with such individualised client expectations may put assets at risk. | Short term | We have developed data, risk management and reporting processes for relevant Investment teams to ensure that climate-related risks are considered and can be reported to clients as appropriate and in line with their differing requirements. We have a broad product offering to suit and adapt to differing client needs and preferences. |
| **Transition: Reputation** | Managers are subject to heightened regulatory, media and client scrutiny around ESG and climate change. Negative perceptions of actions or inactions could create reputational risk and impact client relationships. | Short term | We continue to use our in-house expertise and industry networks to monitor climate developments, and we have robust processes to ensure that our reporting is accurate. |
| **Physical: Acute & chronic (Investment risks)** | A range of physical climate events could impact underlying asset performance. This could be particularly marked in certain regions (those subject to the greatest climate stress), and certain industries (such as agriculture and electric utilities). | Medium term | Our risk analysis in relevant asset classes and sectors incorporates physical climate risk data, where available. Mindful of the limitations of current data, we have written a research note on the challenges in the data currently available to the industry to support the assessment of physical risk, and follow industry initiatives such as the work of the UK Centre for Greening Finance and Investment.<br><br>We engaged with companies in exposed sectors including real estate and insurance in 2023 to build our knowledge base and encourage appropriate risk management within those sectors. |
| **Physical: Acute & chronic (Operational risks)** | Office facilities, infrastructure (e.g. transport) or staff could be impacted by adverse climate events. | Medium term | In relation to operational risk, Columbia Threadneedle leases the vast majority of its facilities and holds insurance which helps to mitigate the potential financial impact of physical climate risks. Disaster recovery plans are also in place. |

| OPPORTUNITY | DESCRIPTION OF IMPACT | TIMEFRAME | MITIGATION ACTIONS/ACTIONS TO MAXIMISE OPPORTUNITIES |
|---|---|---|---|
| **Resource efficiency, Energy source** | Investing in assets that support resource efficiency and/or low-carbon energy sources could result in improved investment performance. | Short term | Value creation opportunities through improved resource efficiency and low-carbon energy sources are identified as part of our fundamental research processes, and we run specific products that target this as an investment theme in line with the demands of certain clients. We have conducted deep thematic research on key areas such as electric vehicles and sustainable aviation, and held internal seminars to discuss the investment opportunities arising. |
| **Products & Services, Market, Resilience** | Increasing client demand for products or services that meet their expectations around managing climate risk and opportunities could result in inflows into Columbia Threadneedle products. | Short term | We have a long track record in developing RI products, including many with a specific climate-related focus particularly in the EMEA and APAC regions, reflecting client demand. These are set out in further detail below. For specific clients, our evolving data tools, such as our net zero tool, support the analysis and reporting of climate transition readiness of investee companies in listed asset classes. |

The landscape of climate-related risks and opportunities is rapidly changing, as climate policies, science and technologies evolve. Our mitigating actions and management of risks and opportunities are regularly reviewed, with oversight from senior management as set out in the Governance section above, and we expect these to evolve over time.

## Columbia Threadneedle's strategic approach to climate-related risks and opportunities

This section sets out in greater detail our strategic response to the climate-related risks and opportunities presented to our business, and to the asset management industry holistically. The main impact is through our managed assets, which is the focus of this section given that climate-related risks and opportunities are a significant macro investment theme that we, like other asset managers, are actively considering as we seek to deliver both near- and long-term returns for clients. Our approach in relation to our operational emissions is set out in more detail in the later sections of this report.

Our strategy applies across our global business subject to variations that depend on the category of asset class, differing client demands, and different investment decision-making approaches pursued by portfolio managers. We also consider, where relevant, ESG factors and, specifically, climate-related factors in our decision-making related to delegated functions, such as the criteria for the selection of external third-party asset managers where this forms a part of our clients' requirements.

### Implementing our net zero commitment

A key pillar of our climate change strategy is our net zero commitment. As a signatory to the Net Zero Asset Managers Initiative (NZAMI)[4], we aspire to reach net zero emissions by 2050 or sooner across all assets under management subject to our clients' preferences. Consistent with Columbia Threadneedle's client-centric model, reaching this aspiration depends on the mandates agreed with clients and the regulatory environments within which we all operate. With certain governments focused on slowing the acceleration of climate change and decarbonisation technologies evolving, we see having robust data and methodologies to assess net zero as an essential part of the overall risk management within our investment processes.

We operate in several jurisdictions where governments have made net zero commitments, such as the UK's Climate Change Act 2008 (2050 Target Amendment) Order 2019. We believe that our ambition is consistent with these commitments, and we track key pieces of implementing legislation, such as the European Union's New Green Proposals.

We have thus far developed our net zero methodology in two key asset classes: listed companies (equities and corporate bonds), and direct real estate investments in the UK and continental Europe. We are working on methodologies for other asset classes and are actively contributing to the development of industry methodologies, for instance through participating in the consultation process for the Assessing Sovereign Climate-Related Opportunities and Risks (ASCOR) project, and chairing discussions on sovereign bonds for working groups at the Institutional Investors Group on Climate Change (IIGCC).

| | June 2022 | December 2023 [5] |
|---|---|---|
| **Total Net Zero aligned strategies as % total Columbia Threadneedle AUM and $bn** | 7.36% ($43.5 bn) | 7.10% ($44.9 bn) |
| **Total Net Zero SICAV funds AUM as % total SICAV AUM** | 65% | 66% |
| **Total Net Zero OEIC funds AUM as % total OEIC AUM** | 31% | 33% |

The coverage of our Net Zero alignment methodology remains similar to our previously published figures. Our focus during 2023 was on implementation of our existing commitments rather than on extending these further. As described above, we achieved the integration of our Net Zero tool into our portfolio management system; integrated Net Zero alignment data into our TCFD product-level reports for our Net Zero aligned funds; converted one of our fixed income funds to the Net Zero Transition Low Duration Credit strategy; and put in place monitoring systems to track how the funds and mandates covered by our methodology are meeting their targets.

In 2024 we will seek to further our implementation of our ambition to reach net zero by 2050 or sooner across all assets under management (AUM), working in partnership with our clients. One key area is developing approaches across all relevant asset classes. As at the end of 2023, our formal Net Zero approaches covered equities, corporate bonds, and direct real estate. We are in the process of developing a methodology and data model for sovereign bonds, which we intend to roll out during 2024.

The key dependency for the future evolution of our AUM coverage remains our clients' demand for Net Zero aligned strategies. We continue to be proactive in communicating our Net Zero approach and methodology through our publications as well as one-on-one with clients, and in the EMEA region we have a wide range of pooled funds with a Net Zero commitment applied. Uptake in the North American market remains slower due to more limited client demand, and at this time, there are no Columbia Threadneedle strategies offered in the U.S. that align to our Net Zero methodology.

# 1

## Integrating climate-related risks and opportunities into our investment process

As a research-driven active manager, we believe that the integration of ESG considerations[6] into our investment research builds a fuller picture of the risks and opportunities and future return prospects of the companies, debt issuers and assets we invest, or look to invest, in. While our investment approaches and styles vary depending on the product and strategy, our investment professionals share a common belief that companies that demonstrate a sustainable business model, organisational stability, and the ability to evolve where necessary are better placed to deliver long-term value for our clients, support economic growth, and serve broader prosperity.

ESG factors are therefore integrated into our fundamental research process for all relevant asset classes, led by our dedicated fundamental research analyst team. The team works to turn information and data into forward-looking insights that can add real value to our investment decisions, enhancing our ability to deliver on our clients' desired financial and, where also targeted, non-financial outcomes. Our team of RI specialists act as a hub of expertise, supporting this analysis.

Our investment teams work closely together to highlight risks and opportunities within industries and sectors, informing investment decisions across asset classes. We have several climate specialists who produce research, conduct training, and develop data tools and methodologies.

The analysis of ESG factors, including climate-related risks and opportunities, is important information available to our investment teams as part of their decision making, as appropriate. Information is tailored by asset class and product type, as set out below for key asset classes[7].

### Equities and corporate bonds

Climate change can impact the economic value of companies over time, both positively and negatively. Transition risks to our investee companies include policy risk, technology risk and changing consumer preferences, which can affect operating costs and shift demand patterns. Physical risks can result from acute climate events (e.g. storms, floods, or hurricanes) or long-term changing weather patterns (e.g. implications from rising temperatures). If not effectively managed by the companies in which we invest, these events can have severe consequences, including such things as asset damage, supply chain disruption, reduced water availability and quality, food security, employee health & safety, changing consumption patterns, rising costs (energy, raw materials, insurance) or capital expenditure (for climate resilience/mitigation/adaptation). All of these risks could have a material impact on the financial returns we are responsible for generating for our clients, which is why factoring them into our independent research into issuers is critical.

To support the analysis of these impacts, our research and portfolio management teams have access to a wide range of climate-related metrics and data. These cover water use, land use, energy, waste, and physical climate risks, amongst others. We use the Sustainable Accounting Standards Board (SASB) standards as a guide to which metrics are most financially material to each sector. We also make use of climate change disclosure and analysis from Climate Action 100+, Transition Pathway Initiative, CDP[8], and others.

2023 saw a step change in the way we disseminate climate-related data for these asset classes. We have integrated our proprietary Net Zero tool into our portfolio management system, where it is available to our portfolio managers. The model is based on the Net Zero Investment Framework, developed by the Paris Aligned Investment Institute.

We also rolled out TCFD product-level reporting for clients of our UK and European domiciled funds. These reports contain data and information required under the FCA's mandatory TCFD reporting regime, as well as additional contextual information to support our clients' understanding of climate-related risks. TCFD carbon metrics are also available to our portfolio managers through our central portfolio management system.

Specific areas of focus in our 2023 sectoral and thematic research work, that we believe can help inform generation of financial value for our clients, included hydrogen; carbon capture and storage; decarbonisation in hard-to-abate sectors (including cement, aviation, and shipping); and deforestation.

We have built, and have made available, TCFD carbon metrics into a dashboard so that our research and investment professionals can analyse the carbon risk and performance of a large universe of companies, where data is available. These metrics include weighted average carbon intensity, total carbon emissions, carbon footprint, carbon intensity, and exposure to carbon-related assets.

We have developed an Energy Transition framework, that analysts can use to rate companies on their strategy around climate risks and opportunities. Analysts rate companies on a group of six metrics; the resulting score is fed into our equities research process. We also have access to MSCI ESG Research's Climate Value at Risk data, which we use in scenario analysis, as described more fully in the Risk Management section below. Ultimately, how these tools and ratings are used by portfolio managers is a function of the design of the products and the specific mandates agreed with clients.

We use a selection of data sources to rate companies on their alignment to a net zero pathway, from Fully Aligned; to those making progress, which are rated as Aligning or Committed; to those that are Not Aligned. This enables us to analyse portfolios and identify which companies to engage on behalf of our clients.

> We have developed an Energy Transition framework, that analysts can use to rate companies on their strategy around climate risks and opportunities.

Data from our Net Zero tool is available to our investment professionals to support portfolio analysis. The model is also used to track progress for those portfolios committed as directed by clients to apply a net zero approach. For this group of portfolios, we aim to have portfolio companies representing at least 70% of portfolio emissions rated either as aligned or under engagement, as recommended by the Net Zero Investment Framework.

For this group of funds, we also compare a portfolio's overall carbon intensity with a net zero aligned trajectory, based on financed emissions intensity for the portfolio's benchmark in 2019, and applying a 50% reduction by 2030. We use this as a reference pathway to track and monitor progress, rather than as a binding target[9].

## Sovereign bonds

Climate change presents risks to sovereign bond investments to the extent that there are impacts of an order of magnitude which affect government creditworthiness. Examples include:

- Catastrophic weather events such as storms, which could cut economic growth and push up government spending on rebuilding.
- Extreme weather conditions such as prolonged drought or heatwaves, which could impact agricultural production and other weather-dependent activities, and impact governments where these form a major part of the tax base.

Our investment analysis of sovereign debt includes ESG factors, where these may be material to the investment case.

We also run specialist mandates at the request of clients that explicitly tilt portfolios based on ESG factors, such as climate change.

Many governments also have a green bond issuance programme, allowing investors to allocate capital towards issues focused on climate solutions. We run a number of green bond client mandates in line with demand from certain clients, which include both government and sovereign bonds and have processes in place to monitor the green bond quality.

We continue to monitor net zero alignment methodologies for sovereign bonds, which are still under development in the industry. For example, the Assessing Sovereign Climate-related Opportunities and Risks (ASCOR) project, which is intended to provide an open-access data source, to support both the integration of climate risks and opportunities into investment processes, and the assessment of government net zero alignment. We are developing our own sovereign bond net zero methodology which we hope to roll out during 2024.

## Real estate

Real estate presents a unique dynamic given its fundamental contribution to basic human needs. The intrinsic nature of property in our daily lives emphasises the scale of potential impact that climate risks and opportunities may have. The ability of buildings to withstand increasingly volatile weather patterns, to protect and harness the world's natural resources, and to support business continuity through the shift to a green economy cannot be understated.

In our European direct real estate businesses, our standard due diligence protocol when considering investments involves the detailed consideration of a wide range of ESG factors. We specifically focus on investment-critical aspects such as energy efficiency characteristics, flood risk, longer-term resilience to climate change and impact on net zero carbon ambitions, as appropriate to each individual property.

We perform regular structured reviews of ESG credentials at individual property level, blending relevant and specific characteristics into both fund and asset level business planning and operational activity, so that we can determine appropriate mitigation or adaptation plans.

Such assessments may include the evaluation of exposure to physical climate risks or the extent to which the distribution of existing energy performance ratings across funds create transition risk. We maintain a watchful eye on the ever-changing nature of the sustainability landscape and involve all property-related disciplines in the development of appropriate strategies, approaches, and tools to best manage real estate assets.

In North America, our real estate investment subsidiary, Lionstone Investments, applies a methodology driven by data, utilising underlying risk indicators that emerge from changes in the physical environment. The risks are categorised and captured for each asset and included in a proprietary research database, which is used to make strategic decisions throughout the asset lifecycle.

## Private equity

Private equity is uniquely positioned to drive and scale environmental best practices given we typically hold material stakes in companies, have a close relationship to management – many of which have been hand selected – and are fuelling the businesses of tomorrow. We seek private equity funds and co-investments that take positive steps to future proof businesses by investing in transition or adaptation, reducing environmental risks and better positioning themselves to benefit from sustainable opportunities.

Climate change risks can have a material impact on the economic value of our portfolio companies such as asset damage, supply chain disruption, health & safety and rising input costs. Equally, the net zero transition and technology disruption are expected to be among the biggest investment trends of the next decade, which private equity is well positioned to execute on. The exposure to climate-related risks and opportunities is assessed as part of our ESG due diligence. We utilise a number of best-practice frameworks such as the UN Sustainable Development Goals (UN SDGs) to help guide and structure our investment process. In 2023, 83% of our private equity holdings implemented environmentally friendly initiatives, 58% tracked GHG-emissions and 17% had a net zero target in place.

## Fiduciary management

Our global fiduciary management capability serves clients in the UK, Netherlands, and US, providing tailored investment advisory and portfolio management capabilities, including full ESG integration, where this forms part of clients' requirements.

**Dutch Fiduciary Management**
Our Dutch fiduciary team uses our in-house Net Zero tool. The tool pulls data from our active ownership efforts and from specialised external sources. We use this tool, combined with the climate and sector expertise of the RI team, to map the climate-related investment performance of our clients' portfolio holdings, where applicable. For our fiduciary clients in the Netherlands, net zero commitments have become established market practice.

We can use net zero analysis for complete portfolios or for select sets of asset classes or mandates, depending on client preferences. We then translate the findings into strategic investment, portfolio construction and policy advice. In doing so, we not only look at climate-related risks, but also at investment opportunities like green bonds or climate (mitigation and/or adaptation) solutions providers. Following our advice, clients have mandated us to implement net zero strategies across some €10bn of their assets.

For Asset Liability Management (ALM) studies, and when advising about the strategic asset allocation (SAA) of the investment portfolio of a pension fund, we will liaise with a client or with their consultant to ensure climate-related risks have been taken into account consistent with client expectations.

We can calculate climate-related risks for 22 asset classes in our CMA (Capital Market Assumptions) model and can compare these top-down outcomes with bottom-up VaR (Value at Risk) and factor analyses per mandate/asset class.

For most of our fiduciary clients, we have partnered with them to implement their net zero commitments by implementing guidelines across significant parts of their allocations. This started with feasibility studies against various net zero frameworks, commitments, and guidance documents, both national and international. It was followed up by implementation plans spanning several years and covering as many asset classes as possible. For those clients, we are now looking for opportunities to further optimise portfolios from a climate risk point of view.

Our delegated investment officers, fiduciary RI strategists, investment strategists and multi-management teams work closely together to implement net zero with each client's appointed external managers.

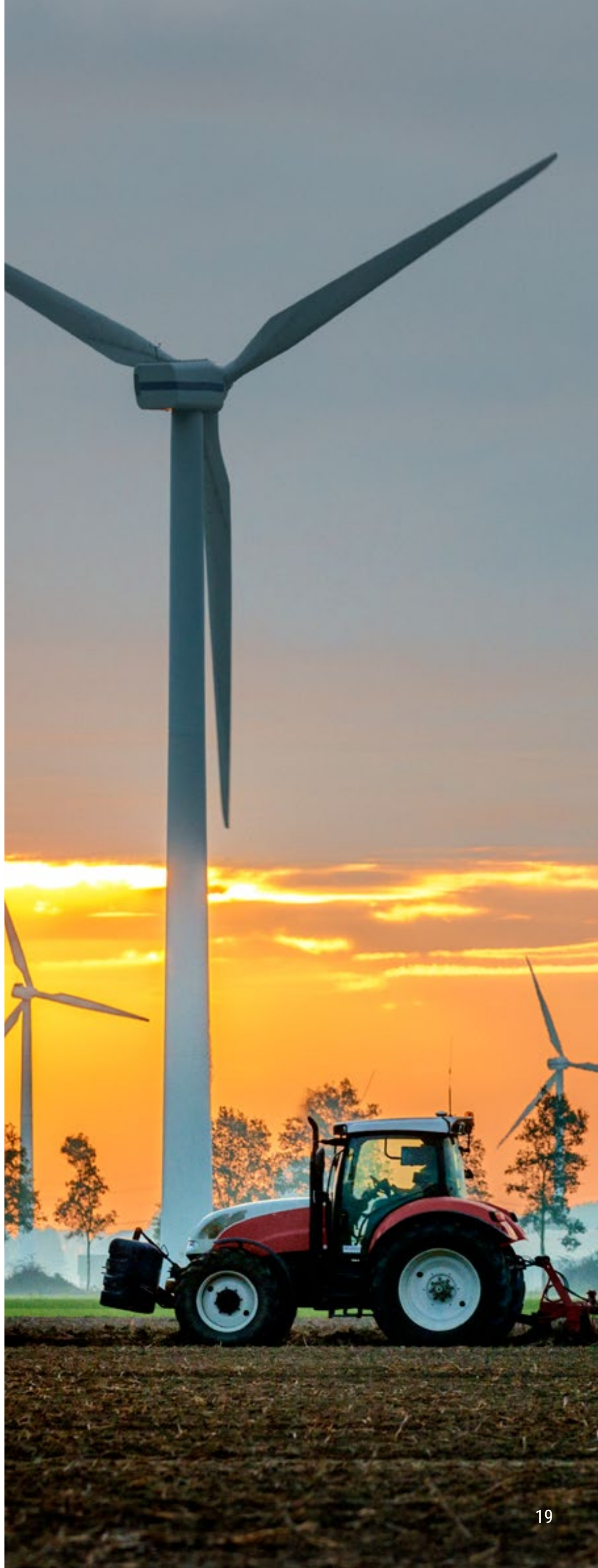
More specifically, we have drafted one client's action plan to be submitted under the Financial Sector's Commitment under the Dutch Climate Accord. We have also incorporated net zero key performance indicators in the ESG progress reporting we regularly present to our clients' board of trustees. This allows trustees to monitor net zero implementation progress and climate-related risks and impacts relating to the portfolios and mandates they oversee.

## Managed and multi-asset funds

Within our managed and multi-asset fund ranges, there are a number of underlying investments including, but not limited to, funds managed by Columbia Threadneedle EMEA and our affiliates, as well as passive strategies and direct holdings. Individual funds invest in a variety of these investments dependent on what the mandate is designed to achieve. For all such EMEA funds, consideration of sustainability risk is integrated into the selection of the underlying investments, be they direct or through other funds, and at the overall fund level.

Where the managed and multi-asset funds gain exposure to securities directly, rather than through other funds, the integration of sustainability risk is considered as part of the security selection process that is described for the relevant asset class above.

Aggregate sustainability risk exposure across the underlying funds is measured and collated at the fund level and then compared against an appropriate benchmark, or composite. Specific processes and procedures apply in relation to dedicated sustainable multi-asset strategies such as our Responsible, Sustainable and SDG fund ranges.



# 2

## Undertaking stewardship with investee companies

As active owners, proactive engagement with the issuers we invest in on behalf of our clients is an integral part of our approach to research and investment, and as stewards of client capital. Through understanding investee companies and constructively encouraging them to evolve, active ownership can enhance our research insights and be a powerful driver of positive real-world change, underpinning our commitment to deliver long-term returns for our clients. Engagement takes place collaboratively, with RI specialists, fundamental research analysts and portfolio managers working together consistent with client mandates.

We ensure an informed approach to our engagement, underpinned by collaboration across asset classes and thematic and sectoral disciplines. We engage to enhance our research insights, to deepen relationships with the companies we invest in, to understand how they are positioned for transition, and to encourage change over time. We engage both directly one-on-one, and through selected engagement collaborations where these align with our goals of serving our clients, including the Climate Action 100+ initiative.

Consistent with client expectations, we engage with issuers in companies and sectors where we believe climate risk may be financially material, with a focus on heavy greenhouse gas emitters and those with high exposure through their value chain and product mix. We see the following elements as the core aspects of good practice in the management of climate change and energy transition risk:

- An overall net zero ambition for 2050 or earlier
- Short- and medium-term emissions targets
- Disclosure of emissions, including Scope 1 and 2 and material Scope 3
- A credible transition strategy, including identification and quantification of levers to achieve targets, and quantification of how opex / capex is allocated
- Good governance of climate risks and opportunities, including board-level oversight and a link of material climate factors to remuneration

Whilst consideration of these factors applies across different sectors, we also have identified specific focus areas for key industries, recognising that there are unique circumstances that must be understood for individual companies in their transition pathway. We track and monitor engagement and use milestones to measure our progress against those objectives. Our best practice expectations on net zero are set out in detail in our paper 'Net Zero: Best Practice and Engagement Approach'[10].

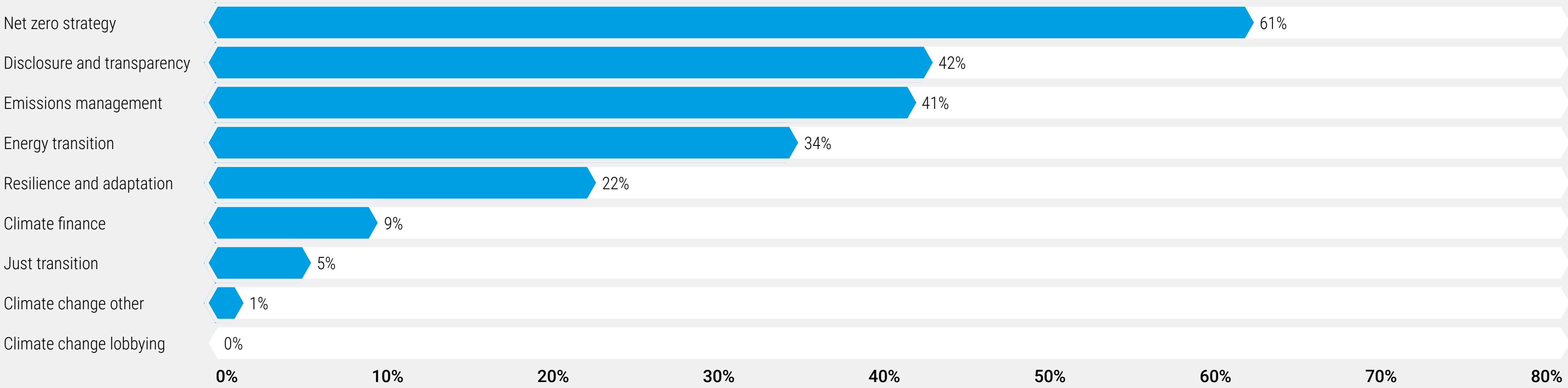
In 2023, on behalf of our clients, we conducted 650 engagements covering climate change with 416 different companies. As our understanding of climate-related risks and opportunities has progressed, the content of these engagements has evolved. Many engagements have moved on from encouraging companies to acknowledge climate change as a potential risk and the setting of preliminary targets into the technicalities and challenges of taking the steps necessary to achieve such targets, in line with the emerging best practice on transition plans.

We recognise that industries are different, and we remain in dialogue with companies in sectors where carbon emissions are hard to abate, seeking to understand how such companies are working to overcome the challenges they face.

The topics of our 2023 engagements are set out in the chart below. Note that engagements typically address multiple interdependent issues in each interaction, explaining why the percentages below add up to more than 100%.

Alongside engagement, proxy voting is a tool available to us as stewards for our clients' capital. Where companies in high-impact sectors fail to provide investment-relevant climate disclosure or do not have a robust climate change risk management strategy, we may oppose certain management resolutions if we think that this is in the best long-term economic interests of our clients. In certain instances, we may support shareholder resolutions calling on companies to improve their business planning and public disclosure in relation to climate change risks and opportunities. Note that we apply our voting guidelines to client portfolios in a manner that considers our clients' respective investment objectives and best long-term economic interests. This could result in our voting on a matter the same way (or differently) for different clients.

## Climate change topics covered in engagements in 2023




Each engagement may cover multiple climate topics, meaning that data will sum to more than 100%. Source: Columbia Threadneedle Investments.

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# 3

## Delivering innovative investment strategies and solutions

We offer investment solutions that allow investors, if they wish, to place extra emphasis on managing climate risks and opportunities in their portfolios. These strategies are available to institutional investors globally and can be tailored to specific goals that align with clients' investment preferences.

Our current focus is on offering ESG and climate-related funds primarily to investors in the EMEA and APAC regions to meet client demand.

Examples of strategies include[11]:

- **Responsible and sustainable equity:** Most broadly these funds have exclusions related to companies' fossil fuel exposure. Other exclusions for certain funds include deforestation and certain transport exposure, as well as companies in high impact sectors that do not have comprehensive strategies in relation to climate change, or other material sustainability issues including biodiversity. Some funds additionally have a thematic focus, targeting investments in areas including energy transition and sustainable cities.
- **Social and green bonds:** Our social bond strategies are designed to unlock the full potential of bonds to deliver both a financial return and positive social outcomes. As the pursuit of a net zero world implicates issues beyond purely the environmental, the strategy focuses on issuers who factor in social considerations in their transition to a lower carbon world in order to minimise potentially negative societal impacts. We also provide green bond mandates for segregated clients.
- **Private equity:** Our Climate Opportunity Partners private equity fund[12] provides its investors access to investment opportunities arising from global efforts to tackle the causes and impacts of climate change, and our new Castle Mount Impact Partners LP strategy targets Environmental Sustainability as an investment theme.
- **Responsible Engagement Overlay (*reo*®) service:** Clients of our stand-alone engagement and voting service benefit from a comprehensive approach to active ownership across their assets, wherever they may be managed. Climate change is one of the seven key themes covered by this service.

# 4

## Taking part in advocacy and producing thought leadership

As part of our approach, we contribute thoughtfully and proactively to government and regulatory consultations where appropriate, helping to inform and shape policies to create lasting progress for the benefit of our clients.

To stimulate innovation and improve industry standards, we participate in a number of bodies to discuss and develop investor approaches to climate change, such as net zero methodologies, barriers to decarbonisation in certain sectors, and the analysis of physical climate risk. We are a member of the Institutional Investors Group on Climate Change, which is the European membership body for investor collaboration on climate change, where we play an active role in several working groups. We also contribute to climate change work by wider industry groups such as the UK's Investment Association.

Examples of advocacy relating to climate change in 2023 included input into the UK Sustainable Investment and Finance association (UKSIF) work on a hydrogen policy in the UK, by providing our view on the barriers to hydrogen development and feeding into a survey by the China Institute of Finance and Capital Markets (CIFCM) on climate disclosure. Key collaborations included Climate Action 100+, the Net Zero Engagement Initiative and Nature Action 100 (see right).

We have also published various papers on climate change and related environmental topics which we reference in webinars and meetings with clients.

### Biodiversity and nature risk exposure

We are aware that there are strong links between risks driven by events related to climate change, and risks driven by the depletion and degradation of nature[13]. Due to this fundamental interdependence, we believe that investment risks related to climate change and nature loss must start to be considered in a more systemic and connected way. We are closely monitoring evolving regulatory and stakeholder expectations on the disclosure of financial institution exposure to nature-related risks and are members of the Taskforce on Nature-related Financial Disclosures Forum. We have conducted quantitative data analysis to understand the exposure of our equity and corporate fixed income investments to nature-related impacts and dependencies[14]. In 2023 we conducted 363 engagements with 260 issuers on nature, and were one of the launching investors of Nature Action 100, where we were one of the ten founding investors that have been developing this initiative over the past two years and continue to sit on the Steering Group and Technical Advisory Group. We have developed a proprietary deforestation tool that identifies companies that are potentially exposed to high deforestation risks and to rate their management quality and are also in the process of building an in-house tool to appraise the quality of corporate nature management in high-impact sectors. We believe that the potential financial risks from nature and biodiversity-related risks are significant in exposed sectors, and that taking a proactive approach will help us manage and monitor these risks, to the benefit of our clients.

# Recent publications on climate change

Investment conclusions from 2023's clean energy sell-off

ESG Viewpoint: Investing in a Just Transition

Carbon capture and storage: opportunities in a burgeoning market

ESG Viewpoint: Interpreting climate data for investment portfolios

What we expect from COP28 in Dubai

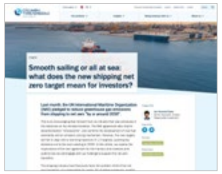
COP28 – main takeaways and key outcomes

Plugging the metals gap – seeking sustainable leaders for the energy transition

Chopping and changes: what are the implications of the EU's Deforestation Regulation?

ESG Viewpoint: A deep dive on Japan's low carbon transition

Thematic Insight: The energy transition – transformative on a global scale



Smooth sailing or all at sea: what does the new shipping net zero target mean for investors?

ESG Quick View: El Niño: a taste of climate risks to come?

ESG Viewpoint: Deforestation in Brazil

A unique lens on banks and net zero

Investment implications: the US Inflation Reduction Act is a wake-up call for the EU

IPCC 6th assessment cycle - key takeaways for asset management

ESG Viewpoint: The challenges of realising zero-carbon cement

Green hydrogen: the investment perspective

COP 27: outcomes, opportunities and emerging markets

COP 15: Global Biodiversity Framework elevates nature-related risks and opportunities

ESG Viewpoint: Banking on biodiversity

ESG Viewpoint: Net Zero: Best Practice and Engagement Approach

# Risk management

Climate change risk is unusual in that the risk takes two interlinked forms: the financial risks of climate change to the companies in which we invest and the risks to the climate from the actions of the companies themselves.

To tackle the first risk, we use scenario analysis and the other risk tools we describe in this section. We aim to ameliorate the second risk via our active ownership and Net Zero commitment as described above.

Financial risks from climate change primarily arise from:

- Physical risks relating to specific weather events (such as heatwaves, floods, wildfires, and storms), and longer-term shifts in the climate (such as changes in precipitation, extreme weather variability, sea level rise, and rising mean temperatures); and
- Transition risks arising from the process of adjustment towards a low-carbon economy. This includes climate-related developments in policy and regulation, the emergence of disruptive technology or business models, shifting sentiment and societal preferences, or evolving evidence, frameworks, and legal interpretations.


## Climate change risks for Columbia Threadneedle

Climate change risk can affect Columbia Threadneedle both directly (e.g. catastrophic weather events affecting our buildings) and indirectly, via changing client preferences for investment products and evolving regulatory regimes. We also have to be aware of the risks that our operations could have on the climate.

Our enterprise risk management process includes assessing, protecting against and mitigating the physical risks of catastrophic weather events affecting our company. In particular our business continuity planning considers climate risk. In the "Analysis of risks and opportunities" table presented above in the Strategy section of this report we discuss some of the potential climate-related risks to, and opportunities for our business and the mitigation actions in place to address these potential risks.

As a financial services firm, Columbia Threadneedle generates low levels of direct greenhouse gas emissions relative to other industries[15]. The main contributor to those emissions is our corporate real estate, and we have set both a net zero target for our operations and an interim reduction target for 2030 as described in the Metrics and Targets section of this report.

With regard to our corporate real estate, we have long focused on operating our buildings efficiently. For example, our Boston headquarters is at Atlantic Wharf, a LEED Platinum building, and in London our main office is at the award-winning Cannon Place, a BREEAM recognised building[16]. We would also note that in 2023, as part of our integration of the BMO GAM EMEA business, we brought our teams together at our Cannon Place location, and Ameriprise announced a thoughtful transition to a new headquarters location in Minneapolis that includes Columbia Threadneedle employees.

In the EMEA region, our internal Environmental Advisory Group (EAG) focuses on identifying, measuring, and reducing the environmental impacts that inevitably arise from our own day-to-day business activities. These impacts come from travel, waste and usage of energy, water, and raw materials. The EAG works with senior management to set and monitor environmental targets each year. In early 2023, we launched an EAG with a similar mandate for our North America business.

## The use of scenario analysis

The future path of global temperature is uncertain. Transition risk and physical risks can be seen as potentially offsetting each other – earlier and more vigorous government action could increase transition risk but decrease physical risk. This uncertainty leads us to the use of climate scenario analysis to understand the different sensitivities of our investment holdings and portfolios[17] to these various options as we remain focused on delivering long-term economic value for our clients.

**One of the scenario analysis tools we use is Climate Value at Risk.** Our Investment Risk team analyses climate value at risk data for client portfolios and benchmarks where the data is available. The data provides a relative guide on the potential upside or downside impact to a portfolio from climate risks, under a variety of climate scenarios.

The scenarios are based on the Network for Greening the Financial System (NGFS) public scenarios and are modelled using the REMIND model[18]. In EMEA, our investment risk teams compare a portfolio's value at risk against its benchmark under three different scenarios: orderly transition, disorderly transition, and hothouse world. Our example to the right gives the definitions of these three scenarios. This exercise enables portfolio managers to assess the range of outcomes for each portfolio under the different scenarios compared to its benchmark, which indicates the level of sensitivity of the portfolio compared to its benchmark to different climate outcomes.

Our investment risk team compares these results across the portfolios we run to identify portfolios with potentially higher negative exposure.

### Climate scenario analysis

Information provided on a climate value at risk is intended to provide an indication of the potential impact to a portfolio from climate risks, under a variety of climate scenarios. These include acute and chronic changes to the climate ("physical risk"), as well as "transition risks", which can include policy changes, or changes in markets, technology, demand, etc. The scenarios are based on the Network For Greening the Financial System (NGFS) public scenarios and are modelled by MSCI ESG using the REMIND model.

Scenario-analysis should always be thought of as an exercise in 'stress testing' rather than looking for absolute outcomes and should be considered as part of overall portfolio risk management and not in isolation. Columbia Threadneedle seeks to identify and manage climate risks and opportunities as part of our integration of consideration of ESG factors, as set out in this report.

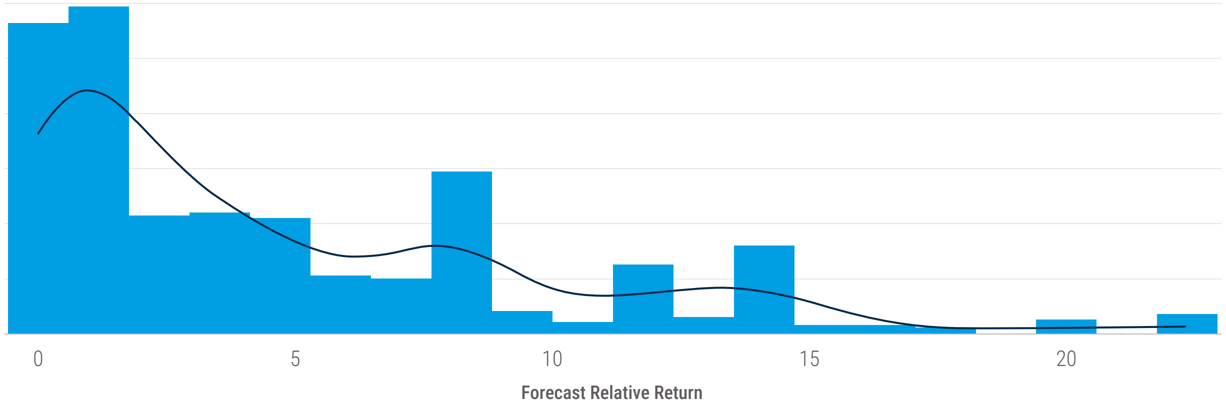
### Resilience

The range of outcomes for this portfolio between the different climate scenarios is lower to that of the benchmark, suggesting a similar level of sensitivity to different future climate outcomes.

| | |
|---|---|
| **ORDERLY TRANSITION** | |
| Orderly transition scenarios assume climate policies are introduced early and become gradually more stringent, reaching global net zero emissions around 2050. We assume a 1.5°C temperature rise in this scenario. | **Estimated value at risk:** 7.4% lower than the benchmark<br>In the orderly transition scenario, transition risks are lower for this portfolio than the benchmark, and physical risks are also lower.<br>There are regulatory and transition risks for those companies in carbon-intensive sectors. Risks manifest where companies fail to transition, and opportunities arise where companies can provide the solutions and services required in a low carbon economy. Physical risks are relatively low in this orderly transition scenario, as global temperatures are limited to 1.5°C. |
| **DISORDERLY TRANSITION** | |
| Disorderly transition scenarios assume climate policies are delayed or divergent, requiring sharper emissions reductions achieved at a higher cost and with increased physical risks in order to limit the global temperature rise. We assume a 2°C temperature rise in this scenario. | **Estimated value at risk:** 15.9% higher than the benchmark<br>In the disorderly transition scenario, transition risks are lower for this portfolio than the benchmark, and physical risks are also lower.<br>In this scenario physical risks become more pronounced. Transition risks present particular challenges due to regional divergence. The companies within the portfolio with high carbon intensity may feel these more acutely. |
| **HOTHOUSE WORLD** | |
| Hothouse world scenarios assume that some climate policies are implemented in some jurisdictions, but global efforts are insufficient to halt significant global warming. Critical temperature thresholds are exceeded, leading to severe physical risks and irreversible impacts. We assume a 3°C temperature rise in this scenario. | **Estimated value at risk:** 7.0% lower than the benchmark<br>In the hothouse world scenario, transition risks are similar for this portfolio than the benchmark, whilst physical risks are lower.<br>This scenario has high physical risk exposure, and more limited regulatory and carbon risks. Risk is therefore less correlated to exposure to carbon-intensive assets than in other scenarios but is more strongly related to the exposure to climate impacts. Key factors determining the overall risk will include the geographical location of companies' assets. |

The chart below shows the distribution of the relative performance estimates across our portfolios managed in EMEA for the disorderly transition scenario, which we use as an illustration of our approach. We note that the median absolute return of our portfolios in this scenario is around -17% and no portfolio has a positive absolute return.

### Distribution of outperformance estimations for the 2°C "disorderly transition" scenario




Source: Portfolio level data calculated by Columbia Threadneedle Investments from MSCI's Climate VaR data. The chart includes portfolios managed in EMEA where the data coverage is over 40%. It excludes portfolios where the benchmark is cash or where we do not have detailed benchmark constituents. Data as at 31st December 2023.

The first thing we notice is that the majority of the portfolios are forecast to have a positive relative return in this scenario. Hence at the time of running this analysis we would have been comfortable with the overall positioning across most of our portfolios for this scenario (again noting this is relative, not absolute return).

This is not the full story as comparing relative return forecasts misses the differences in risk between any two portfolios. For example, we would expect the relative return and risk of a government bond fund to be much smaller than, say, an emerging market equity fund. As such, we need to adjust these return forecasts for the level of risk, generally measured by tracking error, in order to be able to highlight on which portfolios we should focus for the purpose of managing investment risk.

Our Investment Risk team reviewing these results would firstly view the portfolios where the risk adjusted figures were significantly negative, and then calculate which individual underlying names in a particular portfolio were large drivers of the negative relative performance. The team would discuss these names with both the portfolio managers and the RI team to see if any action is required. A potential outcome of this could be to engage with these companies to encourage them to reduce their carbon emissions.

### Physical Risk

As potential real-world impacts of climate change become more apparent, attention is being directed to the physical risks and the need to appraise the resilience of issuers to these risks. The data available to investors is, however, often opaque, and uncertain, putting the onus on users to understand the limitations of applying this type of data to managing issuer-level risks.

In our publication "The challenges of assessing physical climate risk" we discussed four limitations of physical risk data and suggested ways in which qualitative and quantitative analysis could be combined to develop a deeper understanding of this issue.

We are also developing our own physical risk scenarios, considering topics such as heat waves, coastal flooding, or wildfires, and how these affect companies and economies.

## Monitoring climate-related risks

Columbia Threadneedle has a three lines of defence model for its overall risk management framework. Climate-related risks and opportunities are initially identified as part of our investment management and research process. This is discussed in the Strategy section above.

## Investment risk

Our independent Investment Risk team, part of the second line of defence, monitors portfolios daily against a number of risk-based guidelines. We do not prioritise between climate-related risks and the other types of risks we consider (e.g. market, liquidity, credit).

In our view risk should be monitored holistically. The levels of our risk guidelines are informed by the differing risk and return preferences and targets of our clients and their portfolios, as well as each portfolio's level of ESG integration (funds will have different levels of ESG integration within their investment portfolio depending on how they are categorised internally, how portfolio managers have determined to evaluate such risks consistent with client mandates, and any applicable regulatory labelling or disclosure regime that they must comply with). This helps to consider how to prioritise climate-related risks overall. The compliance team also monitors portfolios for compliance with client directed investment limits.

If a portfolio breaches a guideline or a limit, this will cause an investment risk analyst to look at the cause of the breach and, if needed, discuss it with the portfolio manager. If the Investment Risk team is not satisfied with the outcome of the discussion and any actions taken by the portfolio manager there is a well-defined escalation route – to the desk head, the asset class head and then the CIO (or Head of Alternatives). In an extreme case any escalation could be taken to the relevant fund board.

As discussed above the primary tool for assessing the magnitude of climate-related risk is scenario analysis. We will look to evolve the use of scenarios over the coming years. Many scenarios today are relatively long term and so we hope to develop both shorter-term scenarios and sensitivity analysis around the longer-term scenarios.

The Investment Risk team also provide an independent oversight of the progress of relevant funds towards the Net Zero commitment.

## Internal audit

The independent internal audit function, the third line of defence, for Columbia Threadneedle is Risk & Control Services (RCS). RCS is responsible for developing a comprehensive risk assessment covering all businesses and functions within Columbia Threadneedle, including assessing any specific regional regulatory requirements; regularly updating the risk assessment based on relevant changes (e.g. business strategy, products, organisational structure, legal/regulatory environment, acquisitions/divestitures, operations, technologies, control processes, identification of thematic issues); and reviewing the risk assessment with the appropriate board committees and management annually.

## Regulatory developments

The Legal and Compliance team actively scans the regulatory developments horizon across regions to identify changes that may impact Columbia Threadneedle's business and/or its clients' portfolios, including those relating to climate-related risk and opportunities. Regulatory changes are implemented by relevant business stakeholders with advisory and technical support being given by the Legal and Compliance team.

# Metrics and targets

## Using metrics and targets to assess and manage climate-related risks and opportunities within Columbia Threadneedle.

We use a variety of metrics and targets to appraise and track our management of climate-related risks and opportunities and to ensure that our management is effectively readying the business, and our clients' portfolios, as appropriate, for the challenges that climate change may present.

We use four primary categories of climate-related metrics and targets split across two broad areas: exposure indicators and management indicators. Exposure indicators assess the level of climate-related risk and opportunities to which our business and the investment products that we manage on behalf of clients are exposed to. Management indicators enable us to track how effectively we are establishing approaches to mitigating these risks and capitalising on opportunities.

## Exposure indicators

- **Corporate Greenhouse Gas Emissions.** Columbia Threadneedle reports Scope 1, Scope 2 and certain Scope 3 emissions categories.
- **Product-level exposure metrics.** Climate-related risk and opportunity data is made publicly available for certain investment products. These metrics include corporate and sovereign carbon data, top contributors to portfolio carbon footprint, and portfolio carbon footprint by sector.

## Management indicators

- **Net zero.** As a signatory to the NZAMI, we aspire to reach net zero emissions by 2050 or sooner across all assets under management subject to our clients' preferences. Consistent with Columbia Threadneedle's client-centric model, reaching this aspiration depends on the mandates agreed with clients and the regulatory environments within which we all operate. We track metrics related to our net zero commitment at the product and firm level, including the alignment status of investee companies and portfolio emissions intensity relative to a benchmark target for those funds committed to net zero.
- **Enterprise indicators.** We track metrics related to our sustainable investing and investment stewardship functions to assess our ability to effectively manage climate-related risks and opportunities. These include datapoints on the quantity and success of our climate-related engagement, the number of formal investment team training sessions on sustainability topics conducted, and assets managed in funds and segregated client accounts with RI objectives or constraints and net zero objectives.

# Corporate greenhouse gas emissions

## Operational emissions

### Our carbon footprint

The table to the right shows our greenhouse gas (GHG) emissions across the regions in which we operate. Emissions are reported as tonnes of carbon dioxide equivalent ($tCO_2e$), which include the three main GHGs – carbon dioxide ($CO_2$), nitrous oxide ($N_2O$) and methane (CH) – expressed as carbon dioxide equivalents using the standard long-term global warming potentials (GWP-100).

We have been reporting our global operational emissions footprint since 2019. With increased data availability, enhanced methodologies, and improved data controls, we have consistently strengthened the quality of our reporting. That work is ongoing as some data remains unavailable and is therefore excluded or estimated via modeling. As shown in Table 1, for 2023 we are reporting a year-over-year decline in our operational emissions driven primarily by reductions in emissions reported for business travel and employee commuting. As data availability and collection methodologies continue to improve, we will continue to refine our operational data reporting in the future.

### Operational emissions interim target

For our operational emissions we have set an interim target of a 50% reduction by 2030, using 2019 baseline data. This target applies to the aggregate emissions disclosed in Table 2. To accurately track progress over the long term, this is an intensity target based on emissions per full-time employee and is subject to change. It will require us to reduce emissions per full-time employee from 7.98 $tCO_2e$ to 4.00 $tCO_2e$ by 2030. We aim to achieve this through reduction of business flight emissions, office electricity consumption, and employee commuting emissions. In 2023 we reported a reduction in our operational emissions by 41% against the 2019 baseline.

### Table 1: Columbia Threadneedle carbon footprint base year 2019 and 2021 – 2023 ($tCO_2e$)†

| Scope | Category | 2019 | 2021 | 2022 | 2023 |
|---|---|---|---|---|---|
| **Scope 1** | Natural gas & other fuel | 892 | 758 | 848 | 1,147 |
| | Refrigerants | 269 | 428 | 137 | 189 |
| | Corporate vehicles | 6 | 6 | 23 | 43 |
| **Scope 2** | Energy (location-based) | 7,020 | 6,407 | 2,252 | 2,118 |
| **Scope 3** | Business travel: flights | 7,699 | 1,571 | 7,116 | 5,211 |
| | Business travel: land | 423 | 146 | 220 | 1,488 |
| | Employee commute | 3,150 | 1,101 | 2,489 | 2,042 |
| | Employee WFH | 393 | 1,421 | 761 | 979 |
| | FERA | 1,819 | 2,265 | 1,139 | 725 |
| **Total** | | **21,670** | **14,102** | **14,987** | **13,944** |

Source: Anthesis and Columbia Threadneedle Investments, 2023. WFH = Work from home; FERA = Fuel and Energy Related Activities not included in Scopes 1 or 2. Scope 1 Corporate vehicles data includes automotives and aircraft. Reporting on environmental data, including the quantifications, continues to evolve as data quantity and quality, estimation methodologies, assurance processes, and measurement tools improve. As a result, we have updated certain previously disclosed metrics in the table and may make updates in the future, as we continue to refine our methodologies to collect and report this data[19]. Due to rounding, numbers presented throughout this table may not add up precisely to the totals provided.

### Table 2: Columbia Threadneedle carbon footprint per full-time employee†

| Tonnes $CO_2e$ | 2019 | 2021 | 2022 | 2023 |
|---|---|---|---|---|
| **Total gross emissions (Scope 1, 2 & 3) ($tCO_2e$)** | 21,670 | 14,102 | 14,987 | 13,944 |
| **Total number of full-time employees*** | 2,717 | 2,787 | 2,991 | 2,982 |
| **Intensity ratio ($tCO_2e$ per FTE)** | 7.98 | 5.06 | 5.01 | 4.68 |

Source: Anthesis and Columbia Threadneedle Investments, 2023

† Measurement uncertainties – The amounts reported in tables 1-5 are subject to measurement uncertainties resulting from limitations inherent in the nature and the methods, assumptions, and estimates used for determining such data. The selection of different but acceptable measurement techniques can result in materially different measurements. The precision of different measurement techniques may also vary.

* In 2023, we restated our 2019 baseline year total number of full-time employees to account for the integration of the former BMO GAM (EMEA) business, in line with our restatement procedure and the Greenhouse Gas Protocol. As we do not have the precise number of 2019 full-time employees in the business units of the former BMO GAM (EMEA) business that were acquired, we have added 2022 full-time employees for this business to the recorded Columbia Threadneedle Investments 2019 and 2021 full-time employee data.

## Columbia Threadneedle financed emissions

In current carbon accounting models, greenhouse gas emissions associated with investments are considered part of a financial institution's overall carbon footprint. These are called financed emissions and are by far the most significant portion of Columbia Threadneedle's carbon footprint.

We gather financed emissions data at the product, entity and enterprise levels of Columbia Threadneedle. We are aware that there are data gaps and methodological challenges regarding these metrics, and we are taking steps as a firm to address these gaps and methodological challenges. We review these in more detail in the product-level exposure metrics section on page 36, as these gaps and challenges at the product level are also relevant when we roll-up data to the entity- and enterprise-levels of the organisation.

A working estimate of our enterprise-wide total financed emissions from our listed equity and corporate debt investments as of 31 December 2023 is approximately 18 million $tCO_2e$. This is calculated using the equation shown below, which is aligned with that recommended by the TCFD and the Partnership for Carbon Accounting Financials (PCAF):

$$tCO_2e = \sum_{i=1}^{n} \left( \frac{\text{Total value of our EQ+FI holdings in \$}}{\text{Enterprise Value including Cash (EVIC)}} \right) \text{X (Scope 1 + Scope 2 emissions)}$$

Limitations of this metric are that EVIC data is sometimes missing for non-listed equity and bonds.

## Entity-level financed emissions

Within the Columbia Threadneedle group there are several legal entities that are regulated by the FCA and required to make TCFD disclosures[20]. These entities are further outlined in Tables 3, 4 and 5 below.

For the entities regulated by the FCA we have calculated two additional carbon metrics for our listed equity and corporate debt investments. Carbon footprint measures a portfolio's greenhouse gas emissions normalised by its value. This enables comparison of different portfolios' emissions, irrespective of AUM. Limitations of this metric are that EVIC data is occasionally missing for non-listed equity and bonds, and this figure is impacted by market movements and inflation which can mask carbon emission trends. Carbon footprint is calculated using the equation below:

$$tCO_2e/\$m \text{ invested} = \frac{\sum_{i=1}^{n} \left( \frac{\text{Current value of investment (USD)}_i}{\text{Issuer's EVIC}} \text{ X Issuer's GHG emissions} \right)}{\text{Current portfolio value}}$$

**Weighted Average Carbon Intensity (WACI)** measures a portfolio's exposure to carbon intensive companies weighted by revenue. This metric enables an assessment to be made on how efficiently the issuers in a portfolio can generate revenue while minimising carbon emissions. This metric enables a comparison between portfolios, but revenue data can mask the emissions profile of corporates operating across multiple business segments.

$$tCO_2e/\$m \text{ revenue} = \sum_{i=1}^{n} \left( \frac{\text{Current value of investment (USD)}_i}{\text{Current portfolio value}} \text{ X } \frac{\text{Issuer's GHG emissions}}{\text{Issuer's revenue}} \right)$$

We also calculate the emissions from our sovereign debt investments using three carbon metrics.

**Total carbon emissions** are the total GHG emissions of a portfolio's investments. This metric is useful for identifying the portfolios we manage that have higher emission profiles and therefore may be exposed to greater climate-related risks, but results are largely driven by the overall amount invested in a portfolio.

$$tCO_2e = \sum_{i=1}^{n} \frac{\text{Sovereign Bond Investment (USD)}_i}{\text{Gross Government Debt (USD)}_i} \text{ X } \text{Sovereign Emissions } (tCO_2e)_i$$

**Carbon footprint** measures a portfolio's greenhouse gas emissions normalised by its value. This enables comparison of different portfolios' emissions, irrespective of AUM. The Carbon Footprint for sovereign bonds is calculated as Total Portfolio holdings multiplied by government GHG emissions over total government debt.

$$tCO_2e/\ \$m \text{ invested} = \sum_{i=1}^{n} \left( \frac{\text{Sovereign Bond Investment (USD)}_i}{\text{Gross Government Debt (USD)}_i} \text{ X } \text{Sovereign Emissions } (tCO_2e)_i \right)$$

This is a useful metric as it enables comparison of different portfolios' emissions, irrespective of AUM, but debt can be an inaccurate denominator as sovereigns rarely finance themselves primarily with debt as they prefer to use tax revenue.

**Greenhouse gas intensity** measures a portfolio's exposure to carbon intensive sovereigns weighted by PPP-adjusted GDP.

$$tCO_2e/\$m \text{ invested} = \sum_{i=1}^{n} \left( \frac{\text{Sovereign Bond Investment (USD)}_i}{\text{PPP–adjusted GDP (international USD)}_i} \text{ X } \text{Sovereign Emissions } (tCO_2e)_i \right)$$

We calculate total carbon emissions for our real assets sectors, using different approaches for real estate and infrastructure. We are not currently able to report total carbon emissions data for our private equity investments[21].

We use the following equation to calculate **total carbon emissions from real estate assets**, and we adjust each asset's Gross Asset Value ($M) by ownership share where applicable.

$$tCO_2e = \sum_{i=1}^{n} \left( \frac{\text{Gross Asset Value (USD)}_i}{\text{Gross Asset Value adjusted by ownership (USD)}_i} \text{ X } \text{Asset's GHG emissions } (tCO_2e)_i \right)$$

We calculate the **total greenhouse gas emissions associated with our infrastructure assets** using the equation below:

$$tCO_2e = \sum_{i=1}^{n} \left( \frac{\text{Current Value of Investment (USD)}_i}{\text{Investee Company's Enterprise Value (USD)}_i} \text{ X } \text{Asset's GHG emissions } (tCO_2e)_i \right)$$

### Table 3: Investment emissions for corporate equity and debt in 2023†

| Metric | Scope | TAML | TINTL | CTML | CTMM LLP | Units |
|---|---|---|---|---|---|---|
| **Total Carbon Emissions** | Scope 1 & 2 | 3,347,251 | 21,318 | 1,327,936 | 103 | $tCO_2e$ |
| **Total Carbon Emissions** | Scope 3 | 32,135,461 | 32,698 | 11,263,270 | 445 | $tCO_2e$ |
| **Carbon footprint** | Scope 1 & 2 | 44.66 | 233.06 | 53.59 | 2.25 | $tCO_2e$/ $m invested |
| **Carbon footprint** | Scope 3 | 429.24 | 357.47 | 455.20 | 9.76 | $tCO_2e$/ $m invested |
| **Weighted Average Carbon Intensity (WACI)** | Scope 1 & 2 | 99.12 | 546.67 | 101.37 | 63.61 | $tCO_2e$/ $m revenue |
| **Weighted Average Carbon Intensity (WACI)** | Scope 3 | 634.85 | 948.46 | 612.66 | 270.88 | $tCO_2e$/ $m revenue |
| **Data Coverage** | Scope 1 & 2 | 85% | 95% | 90% | 3% | % |
| **Data Coverage** | Scope 3 | 86% | 95% | 90% | 3% | % |

### Table 4: Investment emissions for sovereign debt in 2023†

| Metric | Scope | TAML | TINTL | CTML | CTMM LLP | Units |
|---|---|---|---|---|---|---|
| **Total Carbon Emissions** | N/A | 4,635,279 | 29,319 | 4,849,536 | 0 | $tCO_2e$ |
| **Carbon footprint** | N/A | 369.47 | 214.97 | 216.56 | 0 | $tCO_2e$/ $m invested |
| **GHG Intensity** | N/A | 257.17 | 255.84 | 159.14 | 0 | $tCO_2e$/ $m invested |
| **Data Coverage** | N/A | 100% | 100% | 100% | N/A | % |

### Table 5: Investment emissions for real assets in 2023†

| Metric | Scope | TAML | CT REP | Units |
|---|---|---|---|---|
| **Total Carbon Emissions** | Scope 1 & 2 | 116,175 | 34 | $tCO_2e$ |
| | Scope 3 | 42,035 | 5,197 | $tCO_2e$ |
| **Data Coverage** | Scope 1 & 2 | 53% | 100% | % |
| | Scope 3 | 48% | 69% | % |

† Measurement uncertainties – The amounts reported in tables 1-5 are subject to measurement uncertainties resulting from limitations inherent in the nature and the methods used for determining such data. The selection of different but acceptable measurement techniques can result in materially different measurements. The precision of different measurement techniques may also vary.

For 2023, we enhanced our data collection process and methodologies for calculating emissions data for fund of funds arrangements. Comparisons to data in our previous reports would therefore be under different methodologies and processes. All data in Tables 3, 4 and 5 is based on product-level calculations that are rolled up to the entity level.

In **Table 3** total carbon emissions are calculated at the entity-level by summing the total carbon emissions of all products under each entity.

Carbon footprint, WACI and data coverage are calculated by conducting a weighted average by product assets under management across all products under each entity.

The data coverage metric in **Table 3** appraises for all funds the proportion of all assets under management that have reported or estimated corporate carbon footprint data. Data coverage is low for the CTMM LLP entity as a significant proportion of assets that were managed by this entity in 2023 were invested in third party managed funds that do not provide data on underlying holdings.

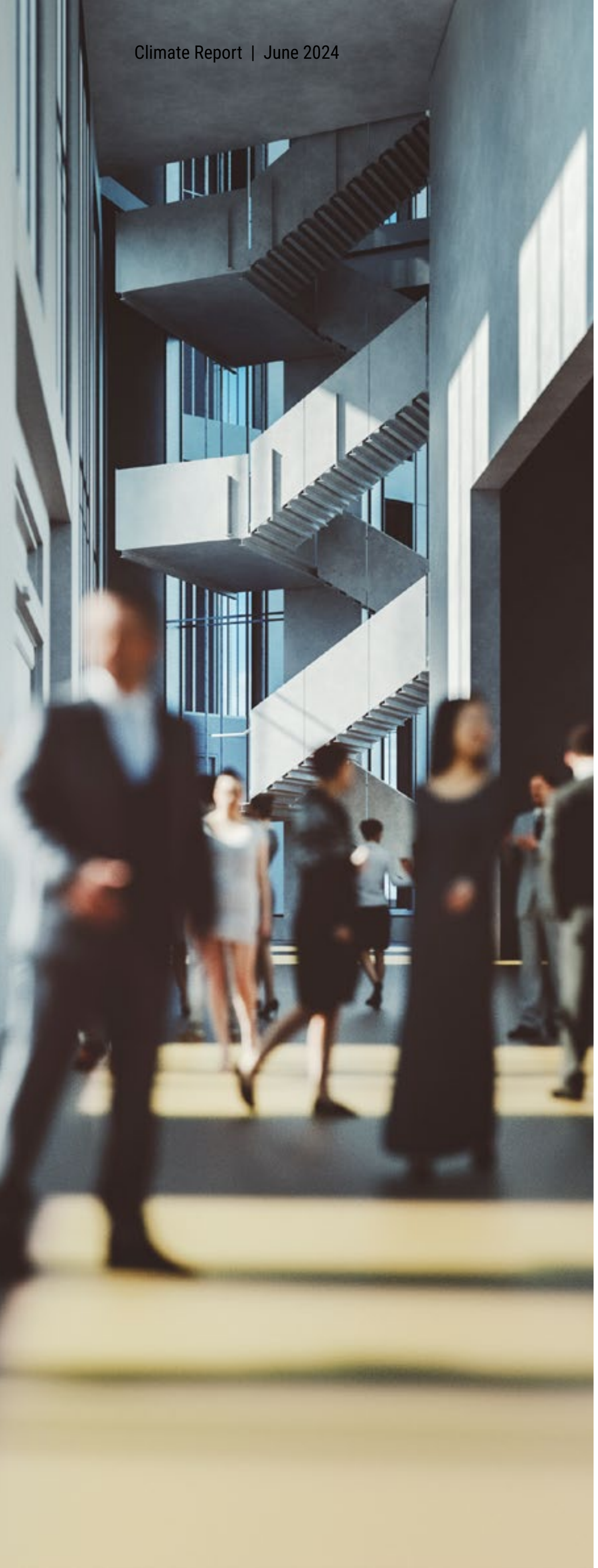
In **Table 4** total carbon emissions are calculated at the entity-level by summing the total carbon emissions of all products under each entity. Carbon footprint, GHG intensity and data coverage are calculated by conducting a weighted average by product assets under management across all products under each entity.

The data coverage metric in **Table 4** appraises for all funds the proportion of all assets under management that have reported or estimated sovereign carbon footprint data. Data coverage for sovereigns is 100% as all data is sourced from Emissions Database for Global Atmospheric Research (EDGAR) via MSCI. See page 36 for more details.

The data in **Table 5** aggregates carbon emissions data from our real estate and infrastructure funds. We are not currently able to report total carbon emissions data for our private equity investments[21]. The data coverage metric in **Table 5** appraises for all funds the proportion of all assets under management that have reported or proxy carbon data. Scope 1 and 2 emissions data for CT REP has evolved this year due to an updated calculation methodology for emissions at the assets' meter level.

We will continue to update the calculation methodologies and scope of asset classes included as industry practice evolves.

| | |
|---|---|
| **TAML** | Threadneedle Asset Management Limited |
| **TINTL** | Threadneedle International Limited |
| **CTML** | Columbia Threadneedle Management Limited |
| **CTMM LLP** | Columbia Threadneedle Multi-Manager LLP |
| **CT REP** | Columbia Threadneedle REP AM plc (Real Estate) |



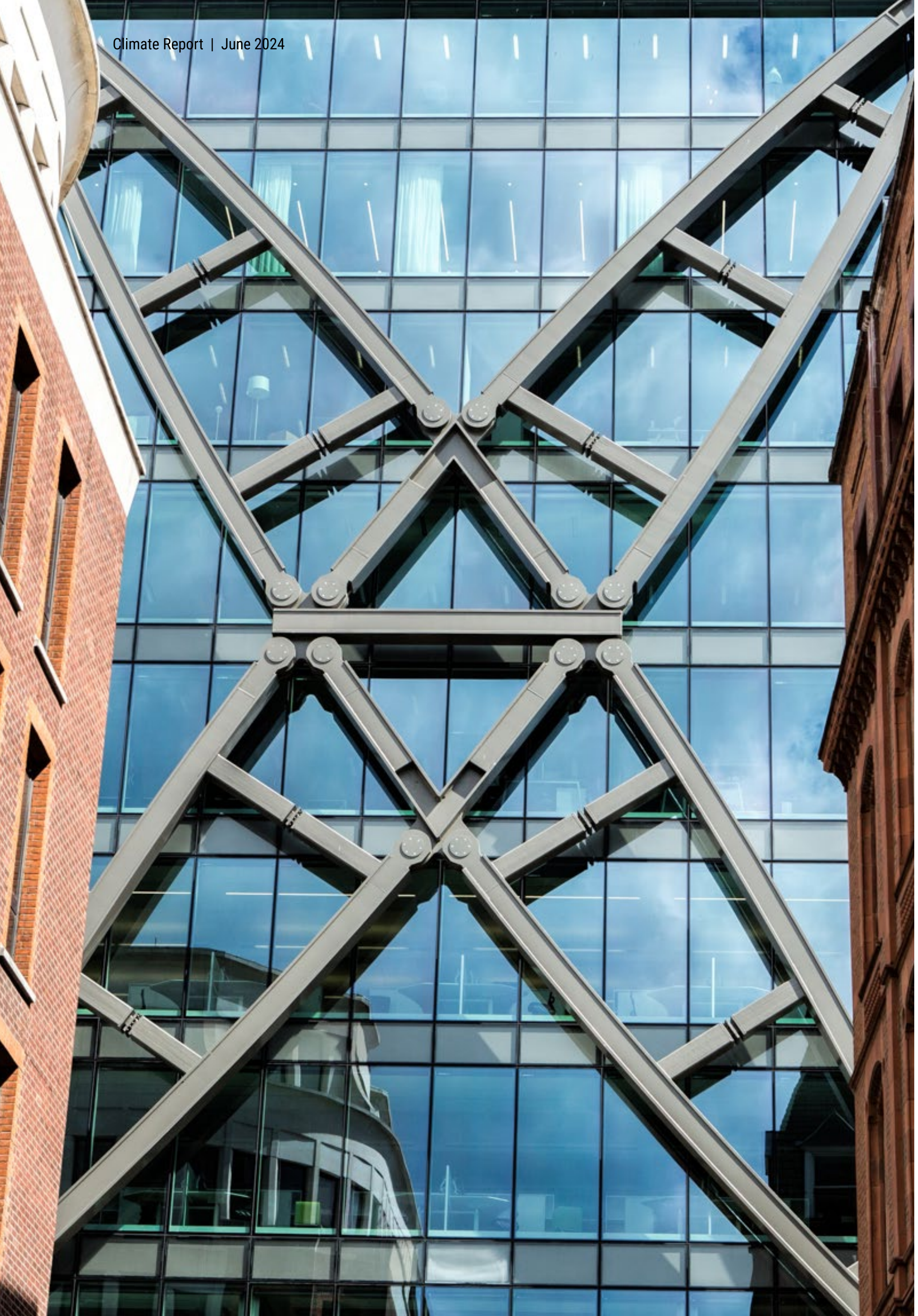
## Product-level exposure metrics

Columbia Threadneedle uses a number of metrics to inform the consideration of climate-related risks and opportunities in its management of investment products[22]. At present, these metrics are limited to products that we manage in EMEA. All data gaps and methodological challenges which are disclosed regarding these metrics apply when these datapoints are aggregated from the product-level to the entity- or enterprise- level, as do the steps that we are taking as a firm to address these gaps and methodological challenges. The core metrics that we monitor and disclose include:

- **Corporate carbon metrics.** We report total carbon emissions, carbon footprint, and Weighted Average Carbon Intensity (WACI), and the percentage of data that is reported or estimated[23]. These metrics help us compare the emissions profile of a fund to its benchmark and market peers, enabling us to identify funds with higher emissions profiles and greater exposure to climate-related risks. All data is provided by third party provider MSCI ESG Research. Derivatives and cash are excluded from product-level calculations, as well as companies or investment types with no data availability. Any green bonds are allocated emissions in line with the parent issuer, as project-level data may not be available on a consistent basis.
- **Sovereign carbon metrics.** We state total carbon emissions, carbon footprint, and greenhouse gas intensity. These metrics help us compare the emissions profile of a fund to its benchmark and market peers, enabling us to identify funds with higher emissions profiles and stronger exposure to climate-related risks. All data is provided by third party provider MSCI ESG Research. MSCI draws its sovereign emission data from EDGAR rather than national inventories. EDGAR effectively relies on a bottom-up estimation approach that is consistent with UNFCC methodologies. National inventories are not always directly comparable as they can have varying approaches to accounting. However, this does mean that sovereign emissions data is estimated rather than reported, which could reduce accuracy for sovereigns with evolved climate accounting practices. In addition, there is poorer carbon data coverage for municipal bonds and quasi-sovereigns. We believe these are market-wide issues, and we are working with our data providers on approaches to improve coverage.
- **Real asset carbon metrics.** For real estate funds we disclose total carbon emissions, carbon footprint, and greenhouse gas intensity. We disclose these metrics for Scope 1 & 2, and Scope 3 emissions. Scope 1 and 2 relate to landlord-procured energy supplies, including electricity, natural gas, district-heating, and district-cooling, and any fugitive emissions from HVAC systems where available.

Scope 3 emissions included in the disclosure relate to Category 13 only (downstream leased assets), i.e., all energy purchased and consumed directly by the tenant(s), and any fugitive emissions from HVAC systems where available. All data is provided by our third-party provider, EVORA Global. Data coverage represents the split between actual reported emissions and estimates used, when calculating emissions data. For our infrastructure fund we report total carbon emissions, carbon footprint, and Weighted Average Carbon Intensity (WACI).

- **Top ten contributors to portfolio carbon footprint.** We assess the top ten issuers by Scope 1 and 2 emissions which are held in our listed equity and corporate debt investments. These are the largest contributors to the portfolio's carbon footprint and are the holdings which are likely to be most exposed to transition risks. We also disclose the rating of these holdings on our net zero alignment tool for listed equity and corporate debt funds that have committed to net zero (discussed in more detail on page 16). This helps our clients to identify issuers which are exposed to climate risks and how those issuers are mitigating these risks. Our portfolio managers have access to a more detailed breakdown of net zero analysis through our net zero tool.
- **Portfolio carbon footprint by sector.** For our listed equity and corporate debt portfolios we analyse the percentage of the carbon footprint of the portfolio by sector. This provides our portfolio managers and clients with a clear view on the sectors which have an outsized impact on the portfolio's carbon footprint and may be exposed to greater transition risks.
- **Climate Value at Risk.** We monitor data on the relative Climate Value at Risk of portfolios investing in listed equity and corporate debt relative to their benchmarks. Further details on how we conduct scenario analysis at the portfolio level is discussed in the Risk Management section. For our real estate portfolios, we disclose a qualitative climate scenario analysis assessment in product-level TCFD reports.



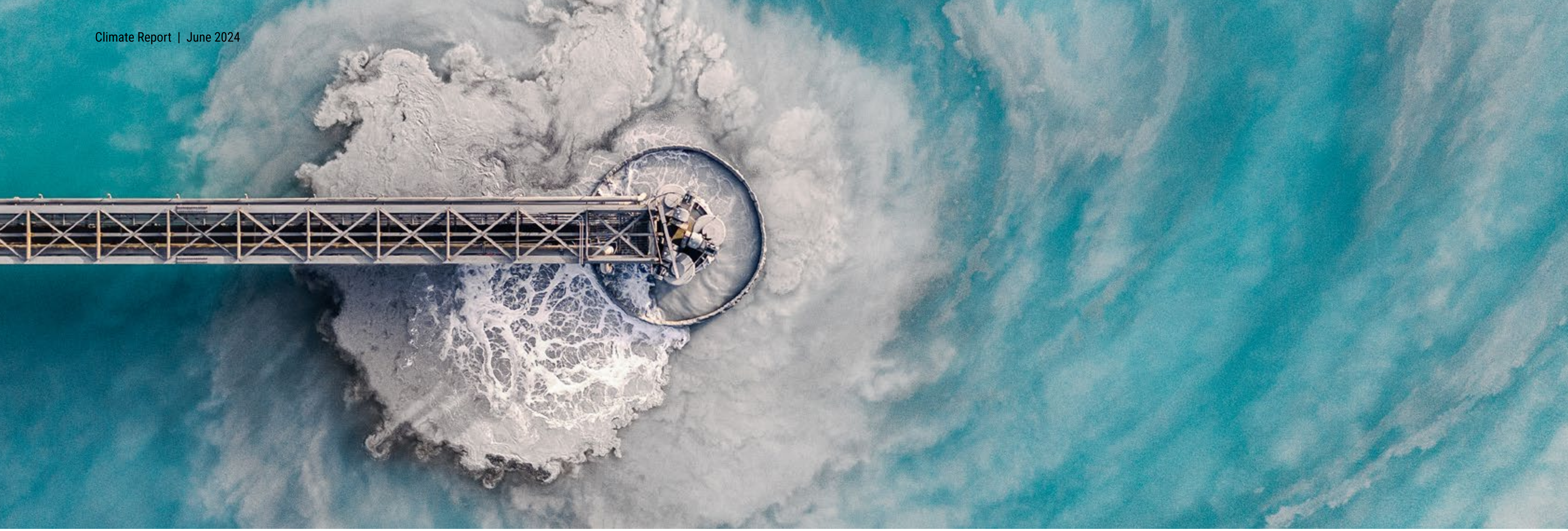
## Columbia Threadneedle climate Key Performance Indicators (KPIs) and targets

As a signatory to the NZAMI, we aspire to reach net zero emissions by 2050 or sooner across all assets under management, subject to our clients' preferences. Consistent with Columbia Threadneedle's client-centric model, reaching this aspiration depends on the mandates agreed with clients and the regulatory environments within which we all operate. We are using the Net Zero Investment Framework (NZIF) as a basis for our methodology for corporate equities and debt, as outlined on page 16 in the Strategy section. Under the NZIF we track two core key performance indicators:

1. We have a proprietary approach which rates corporate alignment with net zero – classing corporates as aligned, aligning, committed, not aligned, or not assessed. For each portfolio that has already adopted our net zero commitment, we have set the target for 70% of financed emissions intensity at portfolio level to be either aligned or under engagement each year, as recommended by the Net Zero Investment Framework.

2. We are using a trajectory to 2030 for the portfolios already aligning with our net zero commitment, based on a 50% reduction in emissions intensity for each portfolio's benchmark, from a 2019 base year. We use this as a reference pathway to monitor and track progress relative to a 1.5°C-aligned trajectory. We have not made this a binding target, as we want to avoid unintended consequences such as forcing overallocation to naturally low-emissions sectors.

As of December 2023, these KPIs and targets currently cover 77 of our pooled funds and segregated mandates in EMEA invested in the equity, corporate debt, and real estate asset classes which are applying net zero methodologies. For more details on our net zero approach see our detailed net zero methodology paper which outlines our approach in more detail. We have also published a paper[24] which outlines in more detail the rationale behind some of the decisions that we have made with our net zero approach[25].



## Columbia Threadneedle enterprise indicators

In January 2023 we launched a single, global active ownership approach for Columbia Threadneedle clients, including an integrated proxy voting policy. In 2023 Columbia Threadneedle conducted 1,424 stewardship engagements with 867 companies. Our teams conducted 650 climate-specific engagements with 416 different issuers, and logged 71 climate-related milestones in 2023, where issuers recorded significant climate progress related to the priorities raised during engagements.

Active engagement on how the issuers we invest in are managing climate-related risks is a key component of our approach to identifying, assessing and managing climate-related risks and opportunities that are financially material to our clients' investments. Active ownership can help issuers to mitigate their exposure to climate-related risks by recommending improvements to climate risk management practices or improved disclosures.

### Climate management metrics

As of 31 December 2023, we managed $45.36 billion in assets in funds and segregated client accounts that have specific and binding RI objectives or constraints within their investment policy or guidelines. We managed $44.9 billion in assets that have a net zero objective (as at 31 December 2023, subject to regulatory approval), as referenced in the Strategy section (note that these funds do not necessarily have additional RI objectives or constraints that cover social or governance topics). Certain of these funds explicitly target climate-related opportunities, such as the Future Environment Fund.

Within our investment and research teams we have several environmental specialists that act as a hub of climate expertise for the firm, and work to disseminate their knowledge. In 2023 we conducted six formal investment team roundtables on sustainability topics, including an investment team specific training on our net zero approach and implications for portfolio managers. We supplemented these formal training sessions with over 25 internal investment desk presentations in 2023 on topics including energy transition, deforestation, net zero cement, and regulatory updates on climate policy.

## ENDNOTES

[1] Source: Columbia Threadneedle as at 31 December 2023.

[2] As at 31 December 2023. AUM figure includes assets managed by Pyrford International Limited, a wholly owned subsidiary of Columbia Threadneedle Investments.

[3] The risks and opportunities identified in the table may be different to those included in other public disclosures and/or internal documents prepared in accordance with Columbia Threadneedle's enterprise risk management framework.

[4] Columbia Threadneedle Investments – The Net Zero Asset Managers initiative

[5] Net zero aligned AUM figures represent Columbia Threadneedle Investments asset under management exclusive of Pyrford International Limited, which reports separately on climate-related risks and opportunities.

[6] While ESG research is made available for use in the investment process, portfolio managers make their own investment decisions, consistent with portfolio and client mandates, and accordingly certain teams may place more, less, or no emphasis on ESG factors.

[7] From a counterparty screening perspective all approved counterparties are subject to an ESG risk review where they are screened against ESG factors, including climate-related issues.

[8] Formerly known as the Carbon Disclosure Project.

[9] Further detail on this methodology can be found at Net Zero Investing: Columbia Threadneedle Investments Approach.

[10] ESG VIEWPOINT Net Zero: Best Practice and Engagement Approach Our net zero commitment pdf

[11] Please note that not all products or services utilising these strategies may be available in all jurisdictions.

[12] Please note that our Climate Opportunity Partners private equity fund is closed for new investment.

[13] Nature as an ally: tackling the climate-nature nexus

[14] ESG VIEWPOINT Biodiversity Best Practice pdf

[15] The median Scope 1 & 2 carbon intensity for Financial Services within MSCI All Country World is 3.1 (tons of CO2e/$m sales) compared to an overall median of 27.8 for all the companies in the index. Data as of end May 2024. Source: MSCI and Columbia Threadneedle Investments.

[16] LEED (Leadership in Energy and Environmental Design) is a global green building benchmarking standard administered in the US by the US Green Building Council (USGBC). BREEAM (Building Research Establishment Environmental Assessment Method) was founded in the UK in 1990 and is the leading and most widely used environmental assessment method for buildings and communities.

[17] This scenario analysis is currently available for Equities and Fixed Income.

[18] REMIND (Regional Model of Investment and Development) is a numerical model that represents the future evolution of the world economies. It was developed by the Potsdam Institute for Climate Impact Research (PIK) to analyse the interactions between land-use, economy, energy, and climate systems.

[19] 2019-2022 emissions data have been adjusted to account for data accuracy improvements and a change in methodology used in calculating the emissions associated with employees working from home. 2021-2022 emissions data have been adjusted to incorporate an update to the methodology used to calculate Fuel and Energy Related Activities (FERA). 2022 emissions data has been adjusted to account for improved accuracy of emissions factors used in calculating a portion of the Scope 2 energy consumption. We reserve the right to update measurement techniques and methodologies in the future.

[20] Disclosures are made by the legal entities regulated by the FCA that undertake portfolio management, in so far as data is available. The portfolio management undertaken by such entities covers assets that they manage directly on behalf of clients, as well as assets where they have been appointed as the portfolio manager by another legal entity in the Columbia Threadneedle group to provide this service. This approach avoids double counting and ensures that overseas assets managed by an FCA regulated firm are captured.

[21] For our private equity funds, we have been actively working to navigate industry-wide challenges regarding carbon data quality and coverage for this asset class. We have been working with a new data provider, but at the time of the publication of this report we were unable to overcome underlying data gaps using reliable proxy data or assumptions. We plan to publish this data in forthcoming reports once we are comfortable that the quality is of a sufficient standard.

[22] While these metrics are used to inform the consideration of climate-related risks and opportunities, portfolio managers make their own investment decisions, consistent with the portfolio guidelines and mandates that have been agreed with clients.

[23] $CO_2e$ data coverage depends on several factors. Scope 1 or 2 emissions data is widely available for developed market large-cap companies, but more gaps exist in small cap, emerging markets, and private companies. Many companies do not yet report Scope 3 information. In the absence of self-reported data, Scope 1, 2 and 3 emissions can be estimated (which is done by our data provider MSCI ESG). To generate an imputed value MSCI relies on assumptions regarding the company's specific geography and sector. To show this nuance, we distinguish data that is reported/estimated within the total data coverage. Gaps still remain where we lack both reported and estimated data, we are working with our data providers to explore options to improve coverage. In future years we will also work to calculate the percentage of data reported by corporates that has been externally verified. To ensure appropriate representation of climate metrics, TCFD product level reports are only issued for Investment Portfolios which demonstrate data coverage (estimated and reported) greater than or equal to 40% of NAV.

[24] Net Zero Investing: Columbia Threadneedle Investments Approach pdf

[25] Net Zero: From commitment to implementation

The inclusion of information contained in this Report should not be construed as a characterisation regarding the materiality or financial impact of that information. Please also see Ameriprise Financial's Annual Report on Form 10-K filed on February 22, 2024 ("2023 Annual Report") and other publicly filed documents for additional information at: https://ir.ameriprise.com/

## Forward Looking Statements

This report contains forward-looking statements that are subject to the safe harbors created under the Securities Act of 1933, as amended, and the Securities Exchange Act of 1934, as amended. All statements other than statements of historical facts are statements that could be deemed forward-looking statements. These statements are based on current expectations, estimates, forecasts, and projections and the beliefs and assumptions of our management. Words such as "expects," "anticipates," "targets," "goals," "projects," "intends," "plans," "believes," "momentum," "seeks," "estimates," "continues," endeavors," "strives," "may," variations of such words, and similar expressions are intended to identify such forward-looking statement as well as statements that refer to (1) our goals, commitments and programs; (2) our business plans, initiatives and objectives; (3) our assumptions and expectations; (4) the scope and impact of our corporate responsibility risks and opportunities; and (5) standards and expectations of third parties. Readers are cautioned that actual results could differ materially due to a variety of factors, including assumptions not being realized, scientific or technological developments, evolving sustainability strategies, changes in markets, evolving government regulations, changes in our business, or other changes in circumstances, as well as the factors set forth in the "Risk Factors" section of Ameriprise Financial, Inc.'s 2023 Annual Report on Form 10-K and subsequent filings. Forward-looking statements speak only as of the date they are made, and we do not undertake any obligation to update any forward-looking statement.

The information provided herein is based in part on information from third-party sources that Columbia Threadneedle believes to be reliable, but which has not been independently verified by Columbia Threadneedle, and Columbia Threadneedle does not represent that the information is accurate or complete. The inclusion of information contained in this Report should not be construed as a characterization regarding the materiality or financial impact of that information.

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