

Sustainability Risk Statement

July 2025

Sustainability Risk Statement

1. Purpose

This statement provides information on our approach to integrating sustainability risks into our investment decision-making processes. "Sustainability Risk" is defined in SFDR as an environmental, social or governance ("ESG") event or condition that, if it occurs, could or will have a material negative impact on the value of an investment. Examples of sustainability factors that may lead to sustainability risk include climate change, human rights violations, and lack of diversity at board level.

The assessment and management of sustainability risks therefore forms part of our management of financially material risks that may have a material negative impact on the value of investments, and links to the delivery of financial performance objectives. The consideration of sustainability risk is one component of the various approaches to ESG integration at Columbia Threadneedle Investments.

The following disclosures describe how Columbia Threadneedle's investment processes are applied to identify and mitigate sustainability risk across the various asset classes that we manage on behalf of our clients.

2. Scope

The information outlined in this Statement applies to the portfolios managed and/or manufactured by the subsidiaries of Columbia Threadneedle Investments UK International Limited (save for Pyrford International Limited) and TAM UK International Holdings Limited, **representing the EMEA group of Columbia Threadneedle Investments**¹. It also applies where the portfolio management for a financial product/service distributed/offered in the EU is delegated to an entity within the Columbia Threadneedle group that is located in North America or Asia-Pacific. Such entities are only in scope for the management of EU financial products or services.

The information in this Statement does not apply to third-party entities outside of the Columbia Threadneedle Investments group that undertake portfolio management for an EU financial product or service as a sub-advisor.

3. Identification and assessment of Sustainability Risk

We believe the consideration of financially material ESG factors provides an important perspective to our investment research and for the identification of sustainability risk. These factors could affect an investment's valuation by helping assess future investment risk.

We tailor our approach to sustainability risk identification by investment strategy and asset class, to ensure that our analysis of ESG factors is relevant and meaningful to each team's investment process and clients' guidelines.

Further information on a specific financial product's approach to sustainability risk is available in either the product's offering document or investment management agreement.

3.1. Integration into investment research for core asset classes

To identify material sustainability risks across our clients' portfolios, we consider material ESG factors when assessing investee companies and other securities held in investment portfolios.

To support identification and consideration of financially material ESG factors, we regularly leverage a range of data inputs and tools within our fundamental research team, including responsible investment specialists ("**ESG data and insights**"). These tools and analysts indicate to investment teams where financially material risks may occur or have materialised. Research analysts and portfolio managers have

¹ The financial market participants that are in scope of the EU Regulation on Sustainability-related Disclosures in the Financial Services Sector (SFDR) and required to publish information about their policies on the integration of sustainability risks in their investment decision-making process are Threadneedle Management Luxembourg S.A. and Columbia Threadneedle Netherlands B.V.

access to a range of ESG data and research, including both third-party data and proprietary information, as well as support in analysing this information from our team of in-house responsible investment ("RI") specialists. For companies and other investments not covered by any of our ESG data providers, which might be the case for some high yield corporate debt, small, mid-cap, emerging markets holdings, real estate and private equity, research is primarily led by our investment teams.

Our responsible investment specialists include:

- Sustainability research analysts (including corporate governance analysts and a group of proxy voting analysts) in our Global Research function who cover ESG themes across sectors and issuers. Together with fundamental research analysts they work with portfolio managers to enhance knowledge and highlight ESG risks.
- Central RI team analysts supporting investment frameworks, monitoring controversies, and supporting on ESG tools.
- On desk ESG analysts who are part of the portfolio management team and provide research where this is not provided by the Global Research function.

We believe our research-intensive approach ensures we have a deep understanding of the wide range of financially material risks (and opportunities) across the complex, intertwined global landscape, and drives how we deliver better investment outcomes for our clients.

3.2. Net Zero Approach

Our sustainability risk management process helps support those of our clients who wish to achieve net zero by 2050 for their portfolios.

We have developed our net zero methodology² 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.

4. Integration of Sustainability Risk by asset class

The difference in approach to integrating sustainability risk across the various asset classes that we manage is detailed below. These descriptions relate to the portfolio management services that we offer to our clients. Where relevant, we have set out the approach taken for investment advice when providing model portfolios to clients.

4.1. Listed equity and corporate debt

For direct investment in shares or bonds of companies, we combine fundamental research, ESG data and insights from sustainability research, to help drive our stock selection, portfolio management, issuer engagement and proxy voting. This process is tailored to the investment process of each investment desk and client requirements and is subject to coverage and data gaps.

In general, investment professionals managing listed equity and corporate debt strategies have the following tools, frameworks and processes, available to them for the management of sustainability risk:

- **Research:** Identifying financially material ESG risks in the analysis and valuations of companies;
- **Tools and data:** Incorporating ESG metrics into the investment research process and the portfolio order management system;
- **Stewardship:** A global framework for and execution of issuer engagement and proxy voting;
- **Risk management:** Ongoing reviews by the Investment Risk team of ESG data relating to portfolios.

Our approach begins with our fundamental and sustainability research analysts considering financially material ESG factors as a part of their investment research. For most equity and fixed income strategies it is the Global Research team which incorporates financially material ESG risks into company analysis and valuations. There are however certain strategies (e.g. small cap) where the research is largely performed on desk. Once material sustainability risks are identified, this research is made available to the portfolio managers. Our portfolio order management system (Aladdin) gives our investment professionals access to bespoke ESG Materiality scores, MSCI ESG scores, controversy exposure and carbon analytics, in so far as data is available.

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 certain teams may place more, less, or no emphasis on ESG factors. Not all issuers may be covered by our research.

A global framework on Stewardship applies to our listed equity and, where relevant, corporate debt portfolios. More information on our approach to Stewardship as a method for managing sustainability risk is given below.

The approach outlined above on how research, tools and ESG data, are used to inform portfolio construction as requested by clients and ongoing portfolio monitoring are also used when we provide investment advice to clients on model portfolios.

² [Net Zero Strategy and pathway | Columbia Threadneedle Investments](#)

4.2. Sovereign debt

ESG analysis is reviewed as part of our dynamic government bond investment process, evaluating sustainability risks relative to credit rating and spread levels. Sovereign fixed income analysts seek to identify a country's exposure to and management of material sustainability risks to assess how these issues might impact its ability and/or willingness to repay outstanding debt and, ultimately, the long-term sustainability of its economy.

For both Emerging and developed market debt, portfolio managers and analysts consider the additive insights of ESG factors in the sustainability and long-term value creation of issuers and how that affects investment returns. Fixed income investment teams collaborate with Sustainability Research analysts to monitor portfolios and investments, and to engage with the issuers in which they invest, where suitable.

4.3. Multi-Asset

Within the funds that comprise our multi asset and managed fund ranges, there are several types of underlying investments, including, but not limited to, funds managed by Columbia Threadneedle companies, strategies managed by third parties, and direct holdings. Individual funds invest in a variety of these dependent on what the mandate is designed to achieve. For all such 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 multi asset and managed funds invest in other funds managed by Columbia Threadneedle companies, the process for managing sustainability risk at the fund level is as described elsewhere in this document.

Where multi asset and managed funds gain exposure to securities directly (rather than through other funds) integration of sustainability risk is considered in security selection in the same way as described above for equity and fixed income asset classes. The multi-asset funds do not currently invest directly in commodities or property.

For our managed fund range, the aggregate sustainability risk exposure across the underlying funds is measured and collated at the fund level and then compared against the managed funds' strategic asset allocation benchmark for comparison purposes.

For the multi-asset fund range, the aggregate sustainability risk exposure across the underlying funds is measured and collated at the fund level and then compared against the multi-asset funds' actual asset allocation at the end of the month for comparison purposes. To explain this, if a multi-asset fund at the end of the month has invested in three different funds

(UK equities, US equities and UK corporate bonds) in equal proportions then the comparison will be the collated internal fund sustainability risk vs the underlying funds benchmark (so in this case FTSE All-Share Index, S&P 500 Index and iBoxx Sterling Non-Gilts) for comparison purposes.

4.4. Real estate

We consider sustainability risks when assessing responsible investment performance across our real estate business. A key focus is to understand and mitigate the potential physical and transitional risks associated with climate change and position real assets in the context of a net zero carbon landscape. The integration of sustainability risk practices in the investment management process includes:

- **Property investment** – When assessing any new property investment, our standard due diligence protocol requires all buildings to be comprehensively surveyed from a structural, mechanical and environmental perspective prior to purchase. Consideration is given to a wide range of factors including energy performance (e.g., via energy or sustainability audits), minimum energy standards, environmental risks (including flood risk), climate impact, and areas for potential improvement in terms of sustainability performance.
- **Asset management** – We encourage both occupier engagement and community engagement opportunities where appropriate. Data sharing and co-operation clauses are introduced into leases where possible, to enable the monitoring of operational energy, water and waste consumption. Consideration is given to the cost and timing of undertaking any physical improvements to buildings at lease events.
- **Property management** – We support external managing agents in delivering against annual key performance indicators, e.g. with respect to carbon emissions reductions, energy and water usage improvement, prevention of pollution and minimisation of waste.
- **Health and safety, risk and governance** – We ensure that health and safety risks for all properties are correctly identified and managed. In order to meet the products' responsibilities and protect the wider community, we ensure that necessary inspections are conducted regularly and ensure oversight through monthly reporting, meetings with the agents and independent annual audits. In addition, to identify and monitor climate change risks, we work with insurers to obtain enhanced flood data and obtaining a flood risk rating, which is reviewed on an annual basis.

- **Refurbishment** – A Refurbishment Guide is provided to project managers and will be provided to contractors, as part of a project brief, for use in minimising adverse environmental and social impacts on site and to maximise the creation of economic opportunities in the local community, as applicable.

4.6. Listed real estate equity

Columbia Threadneedle Investments invests in listed real estate equities through Thames River Capital ("TRC"), a specialist investor in real estate securities which has been part of the group since November 2021. Governance and sustainability risk considerations are embedded in TRC's investment process, with ESG risk assessments feeding into investment decision making. This reflects the belief that investee companies that have strong governance combined with a responsible approach to social obligations and the commitment to protect the environment can help manage sustainability risk (and enhance shareholder returns in the long term). This is operationalised across listed equity portfolios, direct property portfolios and supplemented through engagement and proxy voting efforts following the group's global framework. A variety of data sources and tools are also used, such as, Consumption Data Management, Energy Performance Certificate ("EPC") and Minimum Energy Efficient Standards ("MEES"), Renewable Energy Sources, Green Lease Clauses, Community and Social Engagement, and Net Zero Audits/Pathways.

4.7. Private equity

The identification of financially material sustainability risks forms part of our private equity investment process. Assessment of ESG parameters is a compulsory element in the private equity investment process and is explicitly addressed in each investment proposal. In encouraging managers to move towards best practice in managing ESG issues, we refer to international codes and standards where relevant.

The Private equity sustainability risk approach covers:

- **Pre-investment screening** – All prospective investments are screened against a defined exclusion list. ESG analysis is incorporated in investment due diligence, including due diligence and engagement with General Partners ("GPs"), and/or the management team of co-investments. Decisions are made on a case-by-case basis, following the analysis of a GPs ability to manage ESG-related risks and opportunities, taking into account their size, stage, investment strategy, nature of underlying investments and any other relevant factors: and ESG-

related risks and opportunities at portfolio-company level, taking into account their sector, size, location, business model, customers, and other relevant factors.

- **Post-investment monitoring** – The team actively engages with GPs and management teams on an ongoing basis to understand and track the ESG risks across our portfolios.

4.8. Infrastructure

The approach to managing sustainability risks is based on an ESG model developed by FMO, the Dutch Development Bank, which monitors ESG risks. The FMO model itself draws on the developments of the IFC Performance Standards, the Corporate Governance Development Framework, and the UK's Development Finance Institution (CDC). The model is based on a series of indicators selected to collectively capture the capability of an asset's management team to 'plan, implement, check, and act' in respect of ESG issues.

4.9. Commodities

We integrate sustainability risks into the investment decision-making process, seeking to manage or avoid the types of risk that can arise within the asset class. The integrated approach is comprised of the following elements:

- **Type of exposure** – Investments are made in commodity derivatives as this enables us to gain exposure to the asset class while mitigating the sustainability risks associated with direct, physical or real asset exposures.
- **Exclusions** – We recognise that some classes of commodities are more exposed to ESG issues than others and do not invest in those where particularly sensitive issues commonly arise, such as coal, tobacco, palm oil and diamonds.
- **Choice of benchmark** – We use benchmarks which are evenly diversified across sectors and avoid excessive exposure to fossil fuels.
- **Positive inclusion** – Investment in off-benchmark commodities is subject to a positive inclusion review for sustainability risks and must be approved prior to inclusion within the strategy.
- **Thematic research and reviews** – Research capabilities and insights across macro, fundamental, thematic and responsible investment factors are leveraged to inform the strategy and investment process.

4.10. Asset backed securities (ABS)

ESG factors are considered as part of our dynamic ABS investment process, evaluating sustainability risks linked to originators of products we invest in, as well as to the linked assets.

Portfolio managers seek to identify material sustainability risks to assess how these might impact financial returns for our clients.

4.11. Counterparty screening

We screen financial counterparties as part of our approval process for any cash instruments and derivatives held in our investment products. All approved counterparties (predominantly banks) are subject to a sustainability risk review where they are screened against ESG factors including internationally accepted standards such as the UN Global Compact, International Labour Organisation core labour standards and the UN Guiding Principles on Business and Human Rights.

5. Stewardship

5.1 Engagement

We are committed to the responsible stewardship of our clients' investments through our engagement, voting and public policy activities.

We define engagement as having constructive dialogue with issuers we invest in and/or originators of products that we invest in (such as asset backed securities) on environmental, social and governance topics that could have a material impact on financial results. Our purpose with engagement is to support long-term investment returns by identifying key risks and opportunities. Our engagement activities cover listed equities, corporate credit, sovereign, supranational and agency (SSA) issuers, private equity, real estate, infrastructure, collateralized loan obligations, asset backed securities, municipal bonds, and commodities.

Our engagement programme is structured around six high level themes: climate change, environmental stewardship (including biodiversity), labour standards, human rights, business conduct, and corporate governance.

5.2. Proxy voting

Corporate governance is the system by which companies are directed and controlled by their shareholders and held accountable to them and their stakeholders. It is our policy to vote at all shareholder meetings for the discretionary investment portfolios we manage for our clients. We apply a

consistent philosophy and approach to corporate governance and the exercise of voting rights as reflected in our Corporate Governance Guidelines ("Guidelines")³.

We use our vote, combined with engagement, to encourage companies to move towards the established principles and good practice reflected in our Guidelines (which align with management of sustainability risk) as we believe this is in the best interests of our clients who hold investments in those companies. We also recognise that such principles and practices may be expressed differently in different markets. Therefore, we apply our Guidelines when voting in a pragmatic way that reflects an understanding of both local and international good practice. Where companies put forward a strong case for not complying with our Guidelines, we will consider this and, where appropriate, adjust our vote if we believe the company is acting in the best interests of shareholders.

The approach is based on the overarching principles of:

- An empowered and effective board and management team;
- Appropriate checks and balances in company management structures;
- Effective systems of internal control and risk management covering all material risks, including ESG issues;
- A commitment to promoting throughout the company a culture of transparency and accountability that is grounded in sound business ethics;
- Compensation policies that reward the creation of long-term shareholder value through the achievement of corporate objectives; and
- A commitment to protecting the rights and interests of all.

6. Oversight of risk management

The management of sustainability-related risks in products across relevant asset classes is independently overseen by a dedicated risk management team, whose role includes monitoring sustainability risk measures relative to the product's objectives and risk appetites. The sustainability risk measures monitored include many of the factors described above, although estimated and judged independently of the research process. Sustainability risk management can, if needed, include the escalation of concerns through independent channels, providing a strong governance framework around risk taking.

³ <https://www.columbiathreadneedle.com/en/gb/intermediary/about-us/responsible-investment/#Disclosures>

7. Governance of the sustainability risk statement

This Sustainability Risk Statement is reviewed on an ongoing basis by the Responsible Investment team, Investment Risk team, Legal and Compliance and other relevant stakeholders, including Investments. The internal governance committees approve any updates to policy and its underlying principles and processes.

³ <https://www.columbiathreadneedle.com/en/gb/intermediary/about-us/responsible-investment/#Disclosures>

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