Threadneedle (Lux)
Société d'Investissement à Capital Variable
Registered Office: 31, Z.A. Bourmicht, L-8070 Bertrange
Grand Duchy of Luxembourg
R.C.S. Luxembourg B 50 216
(the "**SICAV**")

NOTICE TO THE SHAREHOLDERS OF

THREADNEEDLE (LUX) – EUROPEAN SOCIAL BOND

(THE "PORTFOLIO")

IMPORTANT

14 September 2023

Dear Shareholder,

Important information: Changes to the investment policy and SFDR RTS Annex of the Portfolio.

As you are an investor in the Portfolio, we are writing to inform you that the Board of Directors of the SICAV (the "**Board**") are changing the investment policy of the Portfolio and its corresponding SFDR RTS Annex: the Portfolio will be re-categorised from its current categorisation as an Article 8 fund to Article 9 under SFDR, from the Effective Date. As a result, the prospectus will be amended to comply with the Article 9 requirements of EU Regulation 2019/2088 on sustainability-related disclosures in the financial services sector ("**SFDR**").

The investment policy and SFDR RTS Annex will be further amended to disclose that Columbia Threadneedle Investments has become a signatory to the Net Zero Asset Managers Initiative ("**NZAMI**") and has committed to an ambition, working in partnership with its clients, to reach net zero emissions by 2050 or sooner for a range of assets, including the Portfolio.

The amended investment policy and SFDR RTS Annex will be adopted from 20 November 2023 (the "**Effective Date**").

For any capitalised terms that are not specifically defined within this letter, please refer to the definition in the "Glossary" section of the Prospectus which is available on our website **www.columbiathreadneedle.com**.

1. Changes to the investment policy and SFDR RTS Annex

The Portfolio will continue to invest in sustainable investments, which for the Portfolio are considered to be bonds that are rated as social investments under the Sub-Advisor's Social Rating Methodology. However, the investment policy and SFDR RTS Annex will be amended to commit the Portfolio to invest at least 80% of its total assets in sustainable investments within the meaning of Article 2(17) of SFDR and will be classified under Article 9 of SFDR. As a result, the change in the Portfolio's SFDR categorisation from Article 8 to Article 9 is not expected to result in a material change to the way in which the Portfolio is currently managed or its risk profile.

The benchmark disclosure will also be amended to reflect that the Portfolio will not be managed in reference to an index. The index will continue to be used as a point of reference against which financial performance may be compared. However, the Portfolio is otherwise not subject to any constraints in relation to the index, and as a result of the application of the Social Rating Methodology is expected to exhibit significant deviation from the index.

The investment policy amendments have been summarised in Appendix A attached and will be reflected in the "Investment Objectives and Policies" section of the Prospectus and the corresponding SFDR RTS Annex from the Effective Date. Details regarding the sustainable investments and consideration of principle adverse impacts ("**PAIs**") will also be detailed in the SFDR RTS Annex of the Prospectus from the Effective Date and are summarised in Appendix B attached.

2. **Commitment to NZAMI**

Columbia Threadneedle Investments is a signatory to NZAMI and has committed to an ambition to reach net zero emissions by 2050 or sooner for a range of assets, working in partnership with its clients. The Portfolio will be managed in line with Columbia Threadneedle's Net Zero methodology and the Sub-Advisor will use its proactive engagement with companies held in the Portfolio to assist with progressing this ambition.

Why has Columbia Threadneedle Investments signed up to NZAMI?

As a large global asset manager, we are committed to both delivering long-term financial returns for our clients, which includes managing the risks presented by climate change, and supporting the transition to a low-carbon economy. As such, we are a signatory to NZAMI, which is an international group of asset managers committed to supporting the goal of net zero greenhouse gas emissions ("net zero"), and working in partnership with our clients, we aspire to reach net zero by 2050 or sooner across all our assets under management, including the Portfolio.

Full details of the commitment made by NZAMI signatories can be found at the following website address: www.netzeroassetmanagers.org/commitment/

What does the NZAMI commitment mean for my investment?

Primarily, we use active ownership to engage with companies within our portfolios to influence them to lower their carbon emissions. Our current aim is for each Portfolio to hold at least 70% of its portfolio emissions in net zero aligned or engaged companies, however this is not a binding target.

This approach is complemented by Columbia Threadneedle's engagement focus list, where the goal is to work constructively with globally significant high-emitting companies to encourage them to align with a net zero trajectory. However, this could result in the divestment from the Portfolio of a small number of these companies if they are held in the Portfolio, if after a period of engagement, they fail to meet minimum expectations in relation to their climate policies.

Further details on the methodology we use can be found on our website **www.columbiathreadneedle.com**.

More immediately, and in addition to the existing revenue-based coal exclusions, the Portfolio will no longer be able to invest in companies that make new investments in coal mining or power generation projects. These exclusions are included in the SFDR RTS Annex of the Portfolio.

Whilst net zero will become a continuing ambition of the Portfolio, it is not an outcome which is guaranteed, nor is any guarantee given that progress towards this ambition for the Portfolio will necessarily result in better returns for investors. A Portfolio's progress towards this ambition may impact the performance of the Portfolio positively or negatively.

What do I need to do?

You do not need to do anything as a result of these changes, which will take effect automatically on the Effective Date.

Shareholders should note that, once the above changes enter into effect, the new prospectus may be obtained at the registered office of the SICAV and will also be available on www.columbiathreadneedle.com, in accordance with the provisions of the Prospectus.

What can I do if I disagree with the changes?

Shareholders may redeem their shares in the Portfolio, or exchange their shares into shares of an alternative Portfolio of the Threadneedle (Lux) SICAV, free of any charges, by submitting a written request to the Registrar and Transfer Agent: International Financial Data Services (Luxembourg) S.A. until 15.00 Luxembourg time on 19 November 2023. Such redemption or exchange requests will be processed in the normal manner in accordance with the "Redemption of Shares" section of the Prospectus. Contact details for International Financial Data Services are available on the "Contact" section of our website **www.columbiathreadneedle.com**.

We are unable to provide financial or tax advice and we therefore suggest that you seek professional advice about potential tax implications.

Additional information

If you have any other questions regarding this notice, please speak to your financial adviser.

Yours faithfully,

The Board

Appendix A - Changes regarding the social objective of the Portfolio

Current Investment Objective and Policy	Investment Objective and Policy as from the Effective Date
The European Social Bond Portfolio seeks to achieve a total return from income and capital appreciation by investing in debt securities that are considered to support or fund socially beneficial activities and development principally in Europe. To meet its objective, the Portfolio invests principally in all forms of debt securities that are rated Investment Grade and issued by a government or a supranational, public, private or voluntary and/or charitable sector organisation, whether they have a fixed, floating, variable or index-linked rate or have a zero coupon. These securities may include covered bonds, agency bonds, mortgage and asset-backed securities (the mortgage and asset-backed securities not exceeding 10% of the Portfolio's Net Asset Value) and Contingent Convertible Bonds (not exceeding 10% of the Portfolio's Net Asset Value). The Sub-Advisor will select debt securities that are rated as social investments under the Social Rating Methodology, as described below. Secondarily, the Portfolio may hold cash, near cash, Money Market Instruments and other debt securities. Notwithstanding the above, in exceptional circumstances, from time to time, a maximum of 10% of the Portfolio's net assets can be held in debt securities that do not, or are no longer deemed to qualify, as social investments under the Social Rating Methodology. However, such debt securities must at least meet acceptable environmental, social and governance (ESG) standards as assessed by the Sub-Advisor. These encompass any wider, material business involvement exposures the issuers may have, such as to the production of alcohol, tobacco, gambling, adult entertainment or controversial weapons, or to activities deemed to breach the UN Global Compact. The Portfolio will not invest or have more than 10% of its net assets in debt securities that are rated below Investment Grade, provided that such securities are not rated below B- or equivalent by any NRSRO at the time of purchase. For the purposes of managing liquidity, the Portfolio may hold cash deposits, Money Market Instruments and other cash-equivalent assets, including through UCIs. The Portfolio is actively managed in reference to the ICE BofA Euro Non-Sovereign Index (50%) and ICE BofA Euro Corporate Euroland Issuers Index (50%). The index is broadly representative of the securities in which the Portfolio invests, and provides a suitable target benchmark against which Portfolio performance will be measured and evaluated over time. Accordingly, the index is not designed to specifically	The European Social Bond Portfolio is actively managed and seeks to achieve a total return from income and capital appreciation by investing in debt securities that are considered to provide positive social outcomes by supporting or funding socially beneficial activities and development principally in Europe. To meet its objective, the Portfolio invests at least 90% of its net assets in all forms of debt securities issued by a government or a supranational, public, private or voluntary and/or charitable sector organisation, whether they have a fixed, floating, variable or index-linked rate or have a zero coupon. These securities may include covered bonds, agency bonds, mortgage and asset-backed securities (the mortgage and asset-backed securities not exceeding 10% of the Portfolio's Net Asset Value) and Contingent Convertible Bonds (not exceeding 10% of the Portfolio's Net Asset Value). The Portfolio will not invest or have more than 10% of its net assets in debt securities that are rated below Investment Grade, provided that such securities are not rated below B- or equivalent by any NRSRO at the time of purchase. For the purposes of managing liquidity, the Portfolio may hold ancillary liquid assets (i.e. bank deposits at sight) and may also hold bank deposits, Money Market Instruments or money market funds, for treasury purposes. In normal market conditions, investment in these assets or instruments will not exceed 10% of the Portfolio's Net Asset Value. The Sub-Advisor will only select debt securities that are rated as social investments under the Social Rating Methodology, as described below, as well as ensuring that the issuers of these securities follow good governance practices. This means that the Sub-Advisor will apply these non-financial selection criteria to at least 90% of the total net assets of the Portfolio, excluding investments in ancillary liquid assets, bank deposits, money market instruments or money market funds for liquidity or treasury purposes. The Portfolio is not managed in reference to a benchmark. The ICE BofA Euro Non-Sovereign Index (50%) and ICE BofA Euro Corporate Euroland Issuers Index (50%) is currently used as a point of comparison against which the Portfolio's financial performance may be compared. Through the application of the investment and assessment process set out below, the Sub-Advisor expects to exclude at least 20% of the constituents of the index. The Portfolio is otherwise not subject to any constraints in relation to the comparator index, and as a result of the application of the Social Rating Methodology is expected to exhibit significant deviation from the index.

consider social characteristics. The Sub-Advisor has discretion to select investments with weightings different to the index, and that are not in the index, and the Portfolio may display significant divergence from the index. Deviations from the index, including guidance on the level of risk relative to the index, will be considered as part of the Sub-Advisor's risk monitoring process, to ensure the overall level of risk is broadly consistent with the index. In line with its active management strategy, there may be significant deviation from the index. **Overview of the investment and assessment processes** **Investment process** The Sub-Advisor will select the debt securities based on credit analysis and the social rating and categorisation produced under the Social Rating Methodology. The Social Rating Methodology is a proprietary categorisation and rating model developed by the Sub-Advisor, which analyses the social characteristics of each potential investment. Under the methodology, each investment will be analyzed under a two-stream process that: (i) assesses the broad social intensity and intentionality associated with the use of a bond's proceeds, to categorize it as either an impact investment, an investment with impact, as development finance or as being general financing; (ii) applies a three stage assessment model that examines and scores nine aspects of the focus and social outcomes attributable to a bond, across fields of social development such as affordable housing, health and welfare, education, employment, access to services and economic regeneration and development, to derive a numerical score that, subject to a de-minimis threshold, produces a social rating of minor, moderate, good or strong. A bond rated as, or whose rating falls, below the de-minimis threshold is subject to review and re-categorization as general financing. The categorization and ratings are then used by the Sub-Advisor in constructing the Portfolio. The Sub-Advisor will apply these non-financial selection criteria to at least 90% of the total net assets of the Portfolio excluding ancillary liquid assets, and will use measurement methods such as responsible investment rating and social outcome-	**Overview of the investment and assessment processes** **Investment process** The Sub-Advisor's investment process to achieve the social objective is summarised as follows: 1. Creating the social universe of investments by identifying categories of bonds with higher potential for delivering one of 7 areas of social outcome (such as affordable housing, health and welfare, economic regeneration and development) while excluding those with negative social characteristics. 2. Adhering to particular social norms to ensure that no bond held by the Portfolio violates set standards. 3. A focus on positive inclusion by carrying out a detailed assessment of the bond's contribution to positive social outcomes. 4. Ongoing governance, monitoring, engagement and reporting to maintain and enhance the Portfolio's social focus and standards. In applying the investment process, the Sub-Advisor will select the debt securities based on credit analysis and the social rating and categorisation produced under the Social Rating Methodology. The Social Rating Methodology is a proprietary categorisation and rating model developed by the Sub-Advisor, which analyses the social characteristics of each potential investment. Under the methodology, each investment will be analysed under a process that: (i) assesses the broad social intentionality associated with the use of a bond's proceeds, to categorise it as either an impact investment, an investment with impact or as development finance, otherwise the investment is assessed as general financing and lies outside the social universe eligible for investment. (ii) assesses the broad social intensity by applying a three-stage assessment model that examines nine characteristics of the social outcomes attributable to a bond to derive a numerical score that, subject to a de-minimis threshold, produces a social rating of minor, moderate, good or strong. The categorisation and ratings are then used by the Sub-Advisor in constructing the Portfolio. A bond rated as, or whose rating falls, below the de-minimis threshold is subject to review and re-categorisation as general financing. As part of its investment process, the Sub-Advisor assesses the Portfolio's investments to ensure that, while positively contributing to social outcomes, the bonds do not significantly harm other social (including environmental) sustainability objectives.

based exclusion screening to ensure that the Portfolio's ESG profile and exposure to social outcome themes exceeds that of the index. The Portfolio is categorised as one that promotes environmental or social characteristics under Article 8 of the EU Regulation 2019/2088 on sustainability-related disclosures in the financial services sector (SFDR). **Assessment and research process** The Sub-Advisor has partnered with INCO (http://inco.co.com/), an organisation specialising in impact investment, to provide assistance in assessing and reporting on the social outcomes of the Portfolio and providing research on trends and practices relevant to impact investment. To that end, a Social Advisory Panel (or "SAP"), composed of 3 members nominated by the Sub-Advisor and 3 members nominated by INCO, has been established to review, advise on and monitor the application and development of the Social Rating Methodology as well as to review the actual social outcomes of investments that have been made by the Sub-Advisor. The SAP will be chaired by one of the members nominated by INCO. An annual social performance report, prepared by INCO and approved by the SAP, will be made available to investors	The Sub-Advisor considers the principal adverse impacts ("PAIs") of its investment decisions that may negatively harm sustainability factors through ensuring minimum standards, investment research and monitoring and engaging with issuers in respect of the PAI indicators detailed in the SFDR RTS Annex of this Prospectus. **Assessment and research process** The Sub-Advisor has partnered with INCO (http://inco.co.com/), an organisation specialising in impact investment, to provide assistance in assessing and reporting on the social outcomes of the Portfolio and providing research on trends and practices relevant to impact investment. To that end, a Social Advisory Panel (or "SAP"), composed of 2 members nominated by the Sub-Advisor, 3 members nominated by INCO and 2 independent appointees, has been established to review, advise on and monitor the application and development of the Social Rating Methodology as well as to review the actual social outcomes of investments that have been made by the Sub-Advisor. An annual social impact report, prepared by INCO and approved by the SAP, will be made available to investors. **Promotion of Social Objective** The Portfolio is considered to be within the scope of Article 9 of SFDR as it has a social (and hence sustainable) investment objective. Further information on the Portfolio's investment guidelines is included in the Social Investment Guidelines available at columbiathreadneedle.com. Please also refer to the General Sustainability Disclosures Appendix in this Prospectus for further information. Information about the sustainable investment objective of the Portfolio is available in the SFDR RTS Annex of this Prospectus.

Appendix B – Sustainable Investments and consideration of principle adverse impacts (PAIs)

1. **Sustainable Investments**

As from the Effective Date, the Portfolio will invest at least 90% of its total net assets in sustainable investments which for the Portfolio are considered to be bonds that provide positive social outcomes by supporting or funding socially beneficial activities and development, as assessed by the Sub-Advisor's Social Rating Methodology. The Sub-Advisor will also (a) use a set of exclusions to exclude bonds from issuers that derive revenue above specific thresholds from industries or activities that it considers offer minimal social benefits or have a high risk of negative outcomes on society and/or the environment and (b) engage with issuers to enhance the Portfolio's social focus and standards.

Even though the Portfolio is expected to invest at least 90% of its assets in sustainable investments, the minimum proportion of sustainable investments held by the Portfolio will be 80% to cover the fact that ancillary liquid assets may be held by the Portfolio under unfavourable market conditions.

The Sub-Advisor will apply the Social Investment Criteria[1] to calculate the proportion of sustainable investments in the Portfolio. All bonds rated as social investments by the Social Rating Methodology will count fully towards the portfolio alignment with sustainable investments, after the Portfolio's DNSH (do not significantly harm) test is applied.

2. **Consideration of PAIs**

The Sub-Advisor of the Portfolio will proactively consider the PAIs of its investment decisions that may negatively harm sustainability factors through a combination of exclusions, investment research and monitoring and engaging with investee companies.

As part of portfolio construction and stock selection, the Portfolio will put in place exclusions that correspond to sustainability indicators that cannot be held by the Portfolio. The exclusions applied by the Portfolio will relate to fossil fuel exposure, non-renewable energy production, global norms, and controversial weapons. In addition, it will consider PAIs as part of research into, and engagement with, investee companies on environmental sustainability indicators relating to decarbonisation and biodiversity, and social factors such as discrimination and board gender diversity.

Principal adverse indicators will include indicators applicable to investments in corporate issuers, as well as indicators applicable to investments in sovereigns and supranationals.

Investments will be assessed to ensure they do not significantly harm sustainability objectives using an in-house data driven model and investment team due diligence and will be hence reported as social investments.

The model will identify harm by using a quantitative threshold against a selection of principal adverse impact indicators. Issuers which fall below these thresholds will be flagged as potentially harmful. This will then be considered taking account of the materiality of the harm, whether harm has or is occurring, and whether

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[1] i.e. Social Rating Methodology, exclusion of issuers which derive revenue from industries or activities above specific thresholds, exclusion of issuers that breach accepted international standards and principles and engagement with issuers.

mitigating activities are underway to address harm. Where data is not available, investment teams will endeavour to satisfy that no significant harm has taken place by deploying their best efforts to obtain the information by carrying out additional research or making reasonable assumptions through desk-based research or engagement with the management team of the company.

In addition, all holdings must comply with a set of social and environmental exclusions which seek to avoid harming sustainability factors.