What are sustainable investments for Columbia Threadneedle Investments?

January 2026

At Columbia Threadneedle Investments, we have invested close to a decade in developing a robust definition of sustainable investments. Today, this work enables us to confidently offer strategies to those clients that have sustainability preferences, as well as financial objectives, that not only meet the requirements of the different sustainability disclosure regulations in the UK and Europe, but are also transparent in their alignment to sustainability objectives.

Our journey began with enhancements to our fund-specific ESG reports. We recognised that investors would value understanding how a fund's holdings are aligned with the United Nations (UN) Sustainable Development Goals (SDGs). Since the SDGs officially came into force in 2016, they have increasingly been adopted as a common framework for companies and investors to contextualise and measure sustainable concepts and impacts:

The SDGs were developed by the UN as a roadmap towards a more sustainable economy and society by 2030. There are 17 high-level goals, including No Poverty, Gender Equality and Climate Action. Each goal has a set of targets setting out specific objectives to achieve the goal, with 169 targets in total.

In 2016, we developed our proprietary SDG revenue mapping model. This model identifies whether the product(s) and/or service(s) in-scope of a company's individual revenue segments can be mapped to specific SDG targets. By adopting a revenue segment- rather than a company-level lens, we are able to quantify the percentage of a company's total revenue which is aligned positively, neutrally or negatively to one or more SDG targets and analyse how a company's SDG revenue alignment changes over time.

Two examples of this SDG revenue mapping are shown below, showing companies we have invested in that have positive, negative and neutral alignments within their businesses:

SSE is a UK energy business generating, transmitting and distributing electricity, and a key player in UK net-zero plans, with a target of increasing its renewables output fivefold by 2030.

Revenue percentage	Alignment to SDG	SDG target	Description of product/ service
79%	Positive	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE — **9.1** – Develop resilient and sustainable infrastructure	Provides electricity utility networks in Europe, as well as power generation infrastructure.
21%	Positive	7 AFFORDABLE AND CLEAN ENERGY — **7.2** – Substantially increase the global share of renewable energy	Contributing to substantially increase the share of renewable energy in the global energy mix through their onshore and offshore wind capabilities.
1%	Neutral	–	Gas storage and other corporate revenues.
5%	Negative	7 AFFORDABLE AND CLEAN ENERGY — **7.2** – Substantially increase the global share of renewable energy	Supply of electricity generated from natural gas and associated services. These activities have higher carbon intensity.

Source: Columbia Threadneedle as at 31 December 2024. For illustrative purposes only. All figures are subject to rounding.

ComfortDelGro provides land transportation across Singapore, the UK, Australia and China, with the potential for long-term structural growth in passenger numbers as people move towards mass transportation. The company has a target for 90% of its car fleet and 50% of its bus fleet to be cleaner energy vehicles by 2030.

Revenue percentage	Alignment to SDG	SDG target		Description of product/ service
76%	Positive	11 SUSTAINABLE CITIES AND COMMUNITIES	**11.2 –** Provide access to safe and affordable transport systems	Offers a comprehensive range of vehicle inspection services such as car evaluations and accident vehicle assessments.
3%	Positive	12 RESPONSIBLE CONSUMPTION AND PRODUCTION	**12.6 –** Encourage companies to adopt sustainable practices and enhance ESG reporting	Provides public transport through its bus fleet and rail networks.
2%	Positive	3 GOOD HEALTH AND WELL-BEING	**3.6 –** Halve deaths and injuries from road traffic accidents	Inspection and testing services encourage the adoption of sustainable practices.
15%	Neutral	–		Rideshare and taxi services
4%	Negative	13 CLIMATE ACTION	**13.2 –** Integrate climate change plans into policies and strategies	Provides private bus charters and car rental services that are less emissions-efficient compared with public transport

Source: Columbia Threadneedle as at 31 December 2024. For illustrative purposes only. All figures are subject to rounding.

Our SDG revenue mapping model now covers approximately 60,000 issuers. As the model coverage has increased, we have continued to expand its use cases and evolve its underlying methodology to cover a wide variety of products and services. By keeping this methodology in-house, we can use our fundamental research team insights and data inputs in the many borderline cases which arise at the company- or even sector-level, factoring in feedback from the relevant Portfolio Managers, Sustainable Research Analysts and Responsible Investment team.

Expanding the use cases of the SDG revenue mapping model

We use the SDG revenue mapping model as a key metric in our sustainability reporting that we publish annually for our Responsible and Sustainable range of funds, in which we show fund-level alignment with the SDGs and their underlying targets. We also use this model within our definition of sustainable investments to help us assess and measure our funds' commitments to sustainable investments under Article 8 and 9 of the EU's Sustainable Finance Disclosure Regulation (SFDR), and more recently within our Sustainability Focus labelled funds under the Financial Conduct Authority's (FCA) Sustainability Disclosure Requirements and investment labels regime (SDR)[1].

We also use this model within our definition of sustainable investments to help us assess and measure our funds' commitments

[1] For more information on the SDR regime, please see https://www.fca.org.uk/firms/climate-change-and-sustainable-finance/sustainability-disclosure-and-labelling-regime

SFDR definition of sustainable investments

Article 2.17: Investments in an economic activity that contribute to an environmental or social objective, provided that such investments do not significantly harm any other environmental or social objectives and that the investee companies follow good governance practices.

Sustainable investments within the SDR labelling regime

Sustainability Focus label: At least 70% of the product must be invested in assets that are environmentally and/or socially sustainable. This must be determined by reference to a robust, evidence-based standard that is an absolute measure of sustainability.

Sustainable investments within the SDR labelling regime

As at December 2025, Columbia Threadneedle Investments has **9 funds** with a **Sustainability Focus** label:

- CT Sustainable Global Equity Income Fund
- CT Sustainable Opportunities Global Equity Fund
- CT Responsible Global Equity Fund
- CT Sustainable Universal MAP Defensive Fund
- CT Sustainable Universal MAP Cautious Fund
- CT Sustainable Universal MAP Balanced Fund
- CT Sustainable Universal MAP Growth Fund
- CT Sustainable Universal MAP Adventurous Fund
- CT UK Sustainable Equity Fund

These funds invest mainly in assets that focus on sustainability for people or the planet. Examples may include activities to support the production of energy, for example, from solar or wind. They all have a minimum commitment to sustainable investments, ranging from 70%-90%.

To assess whether an issuer should be classified as a sustainable investment, we evaluate whether it demonstrates material alignment – via its products and services or business activities – with the following sustainable themes:

- Energy transition
- Health and wellbeing
- Resource efficiency
- Societal development
- Sustainable finance
- Sustainable infrastructure
- Technological innovation and inclusion

We measure alignment with these themes using either revenue or – in the case of labelled bonds (e.g. green bonds) – the use of proceeds.

SDG revenue mapping

Issuers are considered sustainable if they derive 50% or more of their net revenue from products or services that positively align with one or more of these sustainable themes, which we have linked to specific SDG goals and targets. In practice, this means that an issuer's positively aligned revenue segments must be more than 50% of total revenue after any negatively aligned revenue segments have been deducted.

Example of revenue mapping: European health and nutrition company

Sustainable thesis and materiality:

- Almost all (c. 99.5%) of the company's revenue is derived from its nutrition business unit
- This revenue is mapped positively to **SDG 2 – Zero Hunger** and the **health and wellbeing** sustainable theme
- 0.5% of the company's revenue is mapped neutrally to "corporate activities"
- 0% of the company' revenue is mapped negatively

Because c. 99.5% of the company's revenue is mapped positively to SDG 2, it is potentially eligible to be classified as a sustainable investment under our SDR and SFDR definitions, provided that it meets the other sustainable investment criteria, as outlined below.

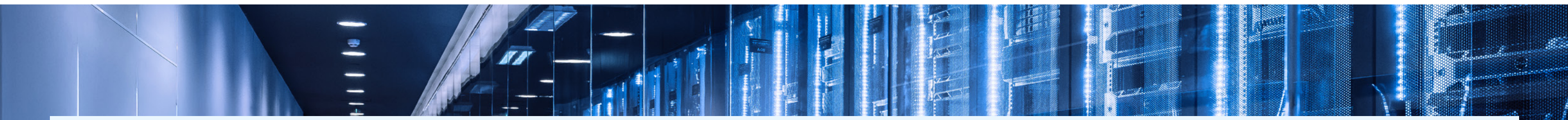
Use of proceeds evaluation and mapping

For use of proceeds bonds[1], the proceeds must be used exclusively to finance or re-finance eligible environmental and/or social projects, which are aligned with our sustainable themes. We assess each use of proceeds bond against four core components specified by the International Capital Market Association (ICMA):

1. **Use of Proceeds** – We require an issuer to clearly state the eligible environmental and/or social projects which the proceeds will be used to finance or re-finance.
2. **Process for Project Evaluation and Selection** – We require an issuer to disclose the process for selecting individual projects.
3. **Management of Proceeds** – We require an issuer to establish and disclose a process for managing and tracking the allocation of the proceeds.
4. **Reporting** – We require an issuer to report on how the proceeds have been allocated, ideally providing project-level details.

An issuance will only be approved as a sustainable investment if our Responsible Investment team concludes that these requirements are satisfied.

[1] **Use of proceeds bonds:** A type of bond instrument that funds new and existing projects addressing or mitigating a specific environmental/social issue and/or seeks to achieve positive environmental/social outcomes.



CASE STUDY

Assessment process for a use of proceeds bond

Verizon, one of the largest telecommunications companies in the world, is largely dependent on electrical grids, with much of the power currently produced from conventional fossil fuels. To achieve its goal of net zero operational emissions by 2035, the company is striving to bring additional renewable energy to the electrical grids by entering into long-term power purchase agreements for solar and wind power.

Use of Proceeds: The company's Green Bond Framework defines five eligible project categories which are aligned with the ICMA's Green Bond Principles.

- Renewable Energy (solar and wind energy investments)
- Energy Efficiency (smart city systems, network technology upgrades)
- Green Buildings (LEED Gold or ENERGY STAR 85+ certified buildings)
- Sustainable Water Management (water efficiency and conservation equipment)
- Biodiversity and Conservation (reforestation and ecological restoration)

Process for Project Evaluation and Selection: The company has established a robust project evaluation and selection process.

- The Sustainability and Treasury teams are jointly responsible for determining if investments meet the eligibility criteria
- Environmental and social risks are managed through existing due diligence processes and company-wide policies
- The evaluation process is clearly documented and transparent

Management of Proceeds: The company has appropriate tracking and allocation mechanisms.

- The Treasury team will track allocations using the company's internal recording system
- Pending full allocation, proceeds will be managed in line with Verizon's liquidity policy
- The company intends to allocate the majority of its proceeds within three years of issuance

Reporting: The company commits to comprehensive and transparent reporting.

- An annual Green Financing Report will be published until full allocation
- Allocation reporting will detail the amounts directed to each eligible project category
- Impact reporting will include quantitative metrics where feasible, such as renewable energy capacity (MW), GHG emissions avoided (MTCO2e) and square footage of green certified buildings

We have mapped each project category to one of our sustainable themes:

ICMA eligible Green Project category	Sustainable theme
Renewable Energy	Energy Transition
Energy Efficiency	Energy Transition
Green Buildings	Sustainable Infrastructure
Sustainable Water Management	Resource Efficiency
Biodiversity and Conservation	Resource Efficiency

Avoiding conflict with a fund's Sustainability Objective

In addition to the requirement for at least 70% of a fund's assets to be held in line with its Sustainability Objective, all other assets held in a Fund with a Sustainability Focus label must not conflict with the fund's Sustainability Objective. We employ a range of measures to ensure that there is no conflict, including:

- The application of **product-based exclusions** with specified revenue thresholds covering business activities, including tobacco, weapons and fossil fuels, which may conflict with a fund's Sustainability Objective
- The exclusion of companies whose revenues are **net negatively aligned** to our sustainable themes (generally measured using our SDG alignment methodology).

The result is an overall portfolio that supports each labelled fund's Sustainability Objective and our sustainable themes.

Our definition of sustainable investments for SFDR Article 8 and 9 Funds

As at 18 December 2025, Columbia Threadneedle Investments has 33 Funds classified as Article 8 and 6 Funds classified as Article 9. Columbia Threadneedle Investments' **Article 8 Funds** commit to investing at least 5%-20% in sustainable investments, and 50%-90% for funds within our Responsible and Sustainable Fund ranges.

Key SFDR definitions

- **Article 8 Fund:** A Fund which promotes, among other characteristics, environmental or social characteristics, or a combination of those characteristics, provided that the companies in which the investments are made follow good governance practices. An Article 8 Fund may, but does not have to, set a minimum commitment to sustainable investments.
- **Article 9 Fund:** A Fund which has sustainable investment as its objective. An Article 9 Fund is required to invest 100% of its holdings in sustainable investments (excluding cash, cash equivalent assets and assets used for hedging).
- **Principal Adverse Impact (PAI) indicators, linked to Do No Significant Harm (DNSH):** The PAI indicators apply to investee companies, sovereigns and supranationals, as well as real estate investments. These indicators cover both environmental and social objectives, including greenhouse gas emissions, biodiversity, water, waste, and social and employee matters.
- **Good governance:** All companies held in Article 8 and 9 Funds must follow good governance practices. The SFDR does not provide a general definition of "good governance" but refers to the following four pillars: sound management structures, employee relations, remuneration practices, and tax compliance.

Evidencing contribution to an environmental or social objective

In order to evidence an issuer's contribution to an environmental or social objective, we use the same elements which underpin our definition of sustainable investments for funds with the SDR Sustainability Focus label, namely "revenue mapping" and "use of proceeds mapping" (please refer to pg. 4). However, there is an additional element in our definition of sustainable investments for SFDR Article 8 and 9 Funds, namely **Expenditure**.

In order to justify a company's classification as a sustainable investment under "Expenditure", the portfolio manager must evidence that a material amount of capital expenditure or operational expenditure is being directed towards significantly increasing the number of products or services which are aligned to one or more of our sustainable themes, or improved production of these products or services from an ESG perspective.

For example, an electric utility company may – provided that it meets the other requirements of a sustainable investment – qualify under "Expenditure" because, although it may have a mix of fossil fuel and renewable energy sources, and consequently maps <50% positively on a net basis to one or more SDGs, it may have adopted a 1.5 degrees Science-Based Target and be allocating the majority of its capital expenditure to renewable energy projects.

Do no significant harm (DNSH)

For sustainable investments, SFDR requires **Principle Adverse Impact (PAI)** indicators to be taken into account, to ensure that an investment does not significantly harm (DNSH) any environmental or social objective. The regulation also requires disclosure on alignment with the **OECD Guidelines for Multinational Enterprises** and the **UN Guiding Principles on Business and Human Rights**.

For the PAIs included in the table below, Columbia Threadneedle Investments has developed an in-house, data driven model, which incorporates thresholds for each PAI indicator to determine "significance", capturing how material an indicator is for an industry or sector. This model's key purpose is to identify significant harm. A company which breaches its thresholds is flagged as potentially harmful and does not qualify as a sustainable investment, unless our research concludes that the model should be overridden. In addition, all sustainable investments are monitored to ensure that they do not breach: 1) the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights; and 2) the exclusion criteria applicable to each fund – these exclusions cover business activities such as tobacco, thermal coal, and controversial and nuclear weapons.

Where relevant data points are not available, the Responsible Investment team conducts a PAI qualitative assessment, and investment teams may additionally seek to confirm that no significant harm has taken place through further research or company engagement.

Below is a table of 14 mandatory PAIs applicable to corporate issuers (and 2 optional indicators) that we are required to take into account and report on for funds that hold sustainable investments.

PAIs	Sub-theme	PAI indicator
Climate and other environment-related indicators	Greenhouse gas emissions	▪ Greenhouse gas (GHG) emissions ▪ Carbon footprint ▪ GHG intensity of investee companies ▪ Exposure to companies active in the fossil fuel sector ▪ Share of non-renewable energy consumption and production ▪ Energy consumption intensity per high impact climate sector
	Biodiversity	▪ Activities negatively affecting biodiversity-sensitive areas
	Deforestation	▪ Deforestation (optional)
	Waste	▪ Hazardous Waste and Radioactive Waste ratio
	Water	▪ Emissions to Water
Social and Employee, Respect for Human Rights, Anti-corruption and Anti-bribery matters	Global norms and standards	▪ Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises ▪ Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises
	Controversial weapons	▪ Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons)
	Diversity	▪ Unadjusted gender pay gap ▪ Board gender diversity ▪ Incidents of discrimination (optional)

Good governance

Because all investee companies held in an Article 8 or 9 fund, including those classified as sustainable investments, must follow good governance practices, Columbia Threadneedle Investments has developed a data-driven model to assess companies' adherence to good governance practices. This model flags poor practices and controversies relating to the four pillars of good governance set out by the SFDR:

1. **Board structure** – including board and key committee composition, diversity and inclusion, and commitments and policies.
2. **Compensation** – including pay-for-performance, use of equity, non-executive pay, and termination practices.
3. **Employee relations** – including compliance with labour standards, such as child labour, discrimination, and health and safety.
4. **Tax quality** – including tax reporting and corporate tax gap.

All companies are assessed against the good governance model **pre-investment**. We may engage with a company to better understand or to encourage improvements relating to any flagged issues. A company which does not practice good governance – according to the model – is reviewed by the relevant Fundamental Analyst who must complete a good governance qualitative assessment. If this assessment concludes that a company does not follow good governance practices, then it cannot be held in our Article 8 or 9 Funds.

Post-investment, companies held in Article 8 and 9 Funds are monitored by our Mandate Compliance team to confirm that their governance practices have not materially deteriorated. If any issues are flagged by the good governance model, then we may engage with the company to better understand the root cause of these issues. However, if it is concluded that a company no longer follows good governance practices, then its securities will be divested from Article 8 and 9 Funds as soon as reasonably practicable.

Monitoring and Governance

Monitoring is a crucial part of our investment activities to ensure that funds, including all Article 8 and 9 Funds, are managed according to their stated investment objectives and adhere to any exclusions. Monitoring is performed at several stages during the investment process, by the investment teams and by independent oversight groups. The Mandate Compliance team, for example, plays a crucial role in coding and monitoring the rules underpinning our SDR and SFDR definitions of sustainable investments and investment teams' adherence to them.

Monitoring is performed at several stages during the investment process, by the investment teams and by independent oversight groups

All of the **data models** which feed into our SDR and SFDR definitions of sustainable investments have detailed Business Requirement Documents, which are reviewed and approved by both the Front Office Technology team and the Responsible Investment team. We acknowledge that there are certain limitations to the data models: for example, if and where there are data gaps we use our fundamental research capabilities to make a qualitative assessment.

Finally, in order to ensure that quality control checks take place, a **Quarterly Review Group (QRG)** has been established. The QRG, involving the Global Heads of Equities, Fixed Income and Research, and the Head of RI Policy, conducts a quarterly review of the qualitative assessments completed for good governance and Principle Adverse Impacts (PAIs), as well as justifications, including revised SDG revenue mapping, for a company classified as a sustainable investment according to our definitions for both SDR and SFDR. The QRG also serves as an escalation body if there is disagreement on the SDG revenue mapping of a company.

Ultimately, the aim of the QRG is to ensure that we adhere to our established policies, processes and procedures, and that we take the necessary steps to ensure that the companies classified as sustainable investments meet all the elements of our internal definitions.

Strength in sustainable investing

We are proud of our heritage in Responsible Investment, and the range of products we offer, including Funds classified as Article 8 and 9 under SFDR, as well as our funds with SDR labels. Our robust frameworks to ensure compliance with both the SDR and SFDR are supported by our proprietary Responsible Investment capabilities and tools, and their outputs are regularly reviewed, with robust governance and oversight.

We recognise that the requirements of our regulators and our clients will continue to develop, including significant revisions to the SFDR (SFDR 2.0). We are closely monitoring developments and our frameworks will continue to evolve, enabling Columbia Threadneedle to continue to offer market-leading strategies in Responsible Investment.

Contact us

columbiathreadneedle.com

Follow us on LinkedIn

Views and opinions have been arrived at by Columbia Threadneedle Investments and should not be considered to be a recommendation or solicitation to buy or sell any companies that may be mentioned.

The information, opinions, estimates or forecasts contained in this document were obtained from sources reasonably believed to be reliable and are subject to change at any time.

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

CTEA8723704.1- | WF3056699 (01/26)