

CT (Lux) European High Yield Bond

Pre-contractual disclosure for the financial products referred to in Article 8, paragraphs 1, 2 and 2a, of Regulation (EU) 2019/2088 and Article 6, first paragraph, of Regulation (EU) 2020/852

Sustainable investment means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

The **EU Taxonomy** is a classification system laid down in Regulation (EU) 2020/852, establishing a list of **environmentally sustainable economic activities**. That Regulation does not include a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.

Product name:
CT (Lux) European High Yield Bond (the “Portfolio”)

Legal entity identifier:
54930067E3IWWWEY1X181

Environmental and/or social characteristics

Does this financial product have a sustainable investment objective?

☒ ☒ ☐ Yes

☐ It will make a minimum of **sustainable investments with an environmental objective:** ____ %

☐ in economic activities that qualify as environmentally sustainable under the EU Taxonomy

☐ in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy

☐ It will make a minimum of **sustainable investments with a social objective:** ____ %

☒ ☐ ☒ No

☒ It **promotes Environmental/Social (E/S) characteristics** and while it does not have as its objective a sustainable investment, it will have a minimum proportion of 20% of sustainable investments

☐ with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy

☒ with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy

☒ with a social objective

☐ It promotes E/S characteristics, but **will not make any sustainable investments**



Sustainability indicators measure how the environmental or social characteristics promoted by the financial product are attained.

What environmental and/or social characteristics are promoted by this financial product?

While prioritising the financial outcomes of the Portfolio, the Investment Manager promotes environmental and social characteristics by integrating the following responsible investment measures into the investment decision-making process:

- The Investment Manager uses the Columbia Threadneedle Environmental, Social and Governance (ESG) Materiality Rating Model to create a portfolio that has a more positive ESG Materiality score than its benchmark, the ICE BofA European Currency High Yield Excluding Subordinated Financials Constrained Index, over rolling 12-month periods. To achieve this, the Investment Manager favours companies with strong ratings, as assessed by the ESG Materiality Rating Model. These ratings indicate how much exposure a company has to financially material ESG risks and opportunities, in areas such as energy efficiency and respect of human rights and workers' rights. A strong rating indicates that a company has less exposure to material ESG risks.
- The Investment Manager excludes companies that:
 - derive revenue above a particular threshold from certain industries and activities that do not promote environmental or social characteristics;
 - in its opinion are in breach of accepted international standards and principles of governance such as, but not limited to, the United Nations Global Compact, the International Labour Organization Labour Standards, and the United Nations Guiding Principles on Business and Human Rights.
- In line with its engagement policy, the Investment Manager may engage with companies that have poorer ESG Materiality Ratings to encourage improvement of their ESG practices over time on issues ranging from climate change to board independence and diversity.

The Portfolio also holds a minimum proportion (20%) of sustainable investments in companies that make a positive contribution to society and/or the environment.

It does not use a reference benchmark for the purpose of attaining the environmental and/or social characteristics.

- ***What sustainability indicators are used to measure the attainment of each of the environmental or social characteristics promoted by this financial product?***

The Portfolio has the following sustainability indicators, reflecting the measures explained above:

The Portfolio maintains a positive ESG Materiality rating compared to the ICE BofA European Currency High Yield Excluding Subordinated Financials Constrained Index assessed over rolling 12-month periods, using the ESG Materiality Rating Model. The positive ESG Materiality rating versus the index is monitored on a daily basis by the Investment Manager's compliance systems. The Investment Manager invests at least 50% of the portfolio in companies that have a strong ESG Materiality Rating. Only investments in companies that have strong ESG materiality ratings are considered as aligned with the environmental and/or social characteristics promoted by the Portfolio. In exceptional circumstances, the Investment Manager may (i) assess companies that are not covered by its ESG Materiality Rating Model using its own research, (ii) rely on its own research to depart from a rating produced by its ESG Materiality Rating Model that it considers to be inaccurate, (iii) engage with companies that have either a low ESG Materiality rating, or are not covered by its ESG Materiality Rating Model, for improvement, or (iv) include companies that have either a low ESG Materiality rating, or are not covered by its ESG Materiality Rating Model, that qualify as sustainable investments, to achieve this 50% minimum commitment.

- The Investment Manager invests at least 20% of the Portfolio's assets in sustainable investments.
- The Investment Manager excludes companies:
 - that it determines are in breach of accepted international standards, for example the UN Global Compact Principles; and

- that derive revenue above particular thresholds from certain industries and activities that are harmful to the environment and/or society.

The exclusion policy is adhered to with the application of strict pre-trade restrictions and is monitored on an ongoing basis.

As these indicators form the basis of the environmental and/or social characteristics promoted by the Portfolio, they are also the binding elements of Portfolio's ESG strategy – further information on this is provided below.

- ***What are the objectives of the sustainable investments that the financial product partially intends to make and how does the sustainable investment contribute to such objectives?***

The Investment Manager uses one or more of the criteria below to identify sustainable investments that contribute to an environmental or social objective:

- The contribution of a company to one or more of the 17 Sustainable Development Goals (SDGs) that have a social or environmental objective. This is measured using the proportion of a company's revenue streams that contribute positively to the targets of the SDGs. Where a company's revenues are at least 50% positively aligned, this indicates it generates the majority of its revenue from sustainable solutions.
- A qualitative assessment that a company offers sustainable solutions, where the Investment Manager's due diligence concludes and evidences that the contribution of a company's revenues aligned to the SDGs will increase over the medium term.

A qualitative assessment and documented evidence that sustainability is a material business driver within a company's operations or business approach, which contributes to positive environmental or social outcomes.

- ***How do the sustainable investments that the financial product partially intends to make, not cause significant harm to any environmental or social sustainable investment objective?***

To ensure the sustainable investments do no significant harm (DNSH) to any environmental or social sustainable investment objective, the Investment Manager applies two additional checks:

- The exclusion of companies in the portfolio that (i) breach international standards and principles of governance (such as the UN Global Compact) (ii) are involved in controversial weapons (iii) generate revenues over specified thresholds in potentially harmful activities.
- The consideration of Principal Adverse Impact (PAI) indicators. The Investment Manager considers and monitors all mandatory PAIs and certain voluntary PAIs that are deemed particularly relevant to the Portfolio and where robust data is available. The Investment Manager has developed thresholds for each indicator to determine "significance", capturing how material an indicator is for an industry or sector, and what is considered particularly poor practice relating to that indicator.

How have the indicators for adverse impacts on sustainability factors been taken into account?

Investments which are reported as sustainable investments have been assessed to ensure they do not significantly harm (DNSH) sustainability objectives using an in-house data driven model and investment team due diligence.

This identifies harm by using a quantitative threshold against a selection of PAI indicators. Companies which fall below these thresholds are flagged as potentially harmful. This is then considered taking account of the materiality of the harm, whether harm has or is occurring, and whether mitigating

Principal adverse impacts are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

activities are underway to address harm. Where data is not available investment teams seek to satisfy that no significant harm has taken place through desk-based research or company engagement.

All bonds issued by companies are subject to the exclusion policy. This ensures minimum environmental and social safeguards are in place even for bonds issued by companies that do not have a strong ESG Materiality rating or that are not assessed by the ESG Materiality Rating Model.

How are the sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights? Details:

The sustainable investments are aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights, including the principles and rights set out in the eight fundamental conventions identified in the Declaration of the International Labour Organisation on Fundamental Principles and Rights at Work and the International Bill of Human Rights.

The Portfolio excludes companies which breach UN Global Compact (UNGC) principles and further considers good conduct when making investments. In addition, the DNSH checks also assess companies for explicit harm against the underlying principles of the UNGC and OECD Guidelines.

The EU Taxonomy sets out a “do not significant harm” principle by which Taxonomy-aligned investments should not significantly harm EU Taxonomy objectives and is accompanied by specific EU criteria.

The “do no significant harm” principle applies only to those investments underlying the financial product that take into account the EU criteria for environmentally sustainable economic activities. The investments underlying the remaining portion of this financial product do not take into account the EU criteria for environmentally sustainable economic activities.

Any other sustainable investments must also not significantly harm any environmental or social objectives.



Does this financial product consider principal adverse impacts on sustainability factors?

☒ Yes

Yes. The Investment Manager proactively considers the PAIs of the investment decisions it makes for the fund 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 has in place exclusions that correspond to sustainability indicators and investments that breach these exclusions cannot be held by the Portfolio. The exclusions applied by the fund relate to fossil fuel exposure, global norms, and controversial weapons. In addition, it considers 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.

More information on how the Portfolio considers the PAIs of its investment decisions on sustainability factors will be made available in the Annual Reports. Please see below for the full list of PAI indicators – detail on how these are taken into account can be found above under the section “How have the indicators for adverse impacts on sustainability factors been taken into account?”.

	Exclusions	Stewardship ¹
Indicators Applicable to Investments in Corporate Issuers		
1.1. GHG emissions		✓
1.2. Carbon footprint		✓
1.3. GHG intensity of investee companies		✓
1.4. Exposure to companies active in the fossil fuel sector ²	✓	✓
1.5. Share of non-renewable energy consumption and production ³	✓	✓
1.6. Energy consumption intensity per high impact climate sector		✓
1.7. Activities negatively affecting biodiversity sensitive areas		✓
1.10. Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises	✓	✓
1.14. Exposure to controversial weapons (antipersonnel mines, cluster munitions, chemical weapons and biological weapons)	✓	
3.7. Incidents of discrimination		✓

☐ No

What investment strategy does this financial product follow?

The investment strategy guides investment decisions based on factors such as investment objectives and risk tolerance.

The Portfolio's investment strategy is to seek a total return from income and capital appreciation by investing principally in Euro or Sterling denominated fixed income securities that are rated below investment grade. The Portfolio will principally invest in fixed income securities issued by companies domiciled in Europe, or with significant European operations. The Portfolio is actively managed in reference to the ICE BofA European Currency High Yield Excluding Subordinated Financials Constrained Index. 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. The index is not designed to specifically consider environmental or social characteristics. The Investment Manager 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.

The Portfolio aims to compare favourably with the ICE BofA European Currency High Yield Excluding Subordinated Financials Constrained Index over rolling 12-month periods, using the ESG Materiality Rating Model (the "Model").

The Model, owned and developed by Columbia Threadneedle, builds on the Sustainability Accounting Standards Board (SASB®) materiality framework and identifies the most financially material ESG risk and opportunity factors across a wide range of industries, based on subjective indicators.

Where sufficient data is available, the output of the Model is a rating from 1 to 5. The ratings indicate how much exposure a company has to material ESG risks and opportunities in a particular industry.

¹ PAIs are considered as part of engagement prioritisation.

² Exclusion relates to coal investments only.

³ Exclusion relates to coal investments only.

A rating of 1 indicates that a company has minimal exposure to material ESG risks and a rating of 5 indicates that a company has a higher exposure to such risks. These ESG Materiality ratings are used by the Investment Manager to identify and assess potential material ESG risk and opportunity exposures in the securities held or considered for investment by the Portfolio, as part of its decision-making process.

Whilst the Portfolio may invest in companies with a low rating, the Investment Manager favours companies which score highly (rating of 1-3) on the Model, giving the Portfolio a positive tilt in favour of ESG characteristics when compared with those of the ICE BofA European Currency High Yield Excluding Subordinated Financials Constrained Index, on a rolling 12-month basis.

In addition, companies that (i) breach international standards and principles as determined by the Investment Manager or (ii) derive revenue above particular thresholds from certain industries and activities that are harmful to the environment and/or society, are excluded from the Portfolio.

To support and enhance the promotion of environmental and social characteristics, the Investment Manager may, in line with its engagement policy, seek proactive engagement with companies that have low ESG Materiality Ratings with a view to influencing management teams to improve their ESG practices, for example on issues relating to carbon emissions.

- ***What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?***

The following elements of the ESG investment strategy are binding on the Portfolio:

1. Columbia Threadneedle ESG Materiality Rating

The Portfolio must maintain, overall, a positive weighted average ESG Materiality rating when compared with the ICE BofA European Currency High Yield Excluding Subordinated Financials Constrained Index over rolling 12-month periods.

The Investment Manager must invest at least 50% of the portfolio in companies that have a strong ESG Materiality rating (1 to 3). In exceptional circumstances, the Investment Manager may (i) assess companies that are not covered by its ESG Materiality Rating Model using its own research, (ii) rely on its own research to depart from a rating produced by its ESG Materiality Rating Model that it considers to be inaccurate, (iii) engage with companies that have either a low ESG Materiality rating, or are not covered by its ESG Materiality Rating Model, for improvement, or (iv) include companies that have either a low ESG Materiality rating, or are not covered by its ESG Materiality Rating Model, that qualify as sustainable investments, to achieve this 50% minimum commitment.

2. Exclusions: revenue thresholds

The Portfolio also excludes companies involved in the manufacture of controversial weapons and companies which derive revenue above certain thresholds from industries or activities that do not promote environmental or social characteristics. These exclusion criteria may be updated from time to time.

3. Exclusions: breach of international standards

The Portfolio excludes companies that breach accepted international standards and principles as determined by the Investment Manager, such as the United Nations Global Compact, the International Labour Organization Labour Standards, and the United Nations Guiding Principles on Business and Human Rights.

Additional information on the exclusion criteria is included in the Portfolio's Article 10 SFDR disclosure available at www.columbiathreadneedle.com by selecting the Portfolio and accessing the Literature section.

4. Sustainable Investments

The Portfolio commits to investing at least 20% of its assets in sustainable investments.

5. Engagement

Columbia Threadneedle Investments is a signatory to the Net Zero Asset Managers Initiative (“NZAMI”) and has committed to an ambition to reach net zero emissions by 2050 or sooner for a range of assets, including the Portfolio. Accordingly, the Investment Manager will use proactive engagement with companies to assist with progressing this ambition. If after an appropriate period of engagement, a high emitting company held in the Portfolio does not show progress in meeting minimum standards considered necessary for continued investment, then the Portfolio will disinvest from the company.

The binding elements of the strategy that are used to select investments for the promotion of environmental and social characteristics only apply to bonds issued by companies.

- ***What is the committed minimum rate to reduce the scope of the investments considered prior to the application of that investment strategy?***

There is no commitment to reduce the scope of investments by a minimum rate prior to the application of the investment strategy. However, application of the exclusion criteria will have the effect of reducing the number of securities available for investment by the Portfolio.

- ***What is the policy to assess good governance practices of the investee companies?***

All companies in which investments are made are subject to a pre-investment good governance assessment and ongoing post-investment review of governance practices. The Investment Manager uses third-party data to assess a company’s governance practices and supplements this with its fundamental research.

Pre-investment: The Investment Manager assesses all companies before investment. It may engage with a company to better understand or to encourage improvements relating to any flagged issues. If, however, it is concluded from the assessment that the company demonstrates poor governance practices, the Investment Manager will not invest in its securities.

Post-investment: Investee companies are monitored on an ongoing basis to confirm that there has been no material diminution in governance practices. If any issues are flagged, the Investment Manager may engage with the company to better understand these as part of its review. However, where it is considered that the company no longer demonstrates good governance practices, the securities will be divested from the portfolio as soon as reasonably practicable.

The Investment Manager has developed a data-driven model which flags poor practices and controversies relating to the four pillars of good governance as outlined by SFDR to inform its assessment and monitoring of investee companies. The model covers:

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.

What is the asset allocation planned for this financial product?

Concerning the planned proportion of investments used to meet the environmental and/or social characteristics promoted by the Sub-Fund (#1 Aligned with E/S characteristics):

Good governance practices include sound management structures, employee relations, remuneration of staff and tax compliance.



Asset allocation describes the share of investments in specific assets.

The Investment Manager ensures that at least two-thirds 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, are assessed by the ESG Materiality Rating Model.

The minimum proportion of investments held in the Portfolio used to promote the environmental or social characteristics is 50% of its total net assets.

At least 50% of the investments held in the Portfolio will be in companies that have a strong ESG Materiality rating. Only investments in companies that have strong ESG materiality ratings are considered as aligned with the environmental and/or social characteristics promoted by the Portfolio. In exceptional circumstances, the Investment Manager may (i) assess companies that are not covered by its ESG Materiality Rating Model using its own research, (ii) rely on its own research to depart from a rating produced by its ESG Materiality Rating Model that it considers to be inaccurate, (iii) engage with companies that have either a low ESG Materiality rating, or are not covered by its ESG Materiality Rating Model, for improvement, or (iv) include companies that have either a low ESG Materiality rating, or are not covered by its ESG Materiality Rating Model, that qualify as sustainable investments, to achieve this 50% minimum commitment.

Whilst the Portfolio does not have a sustainable investment objective, it will hold a minimum proportion of 20% of its assets in sustainable investments with an environmental and/or social objective (category #1A sustainable).

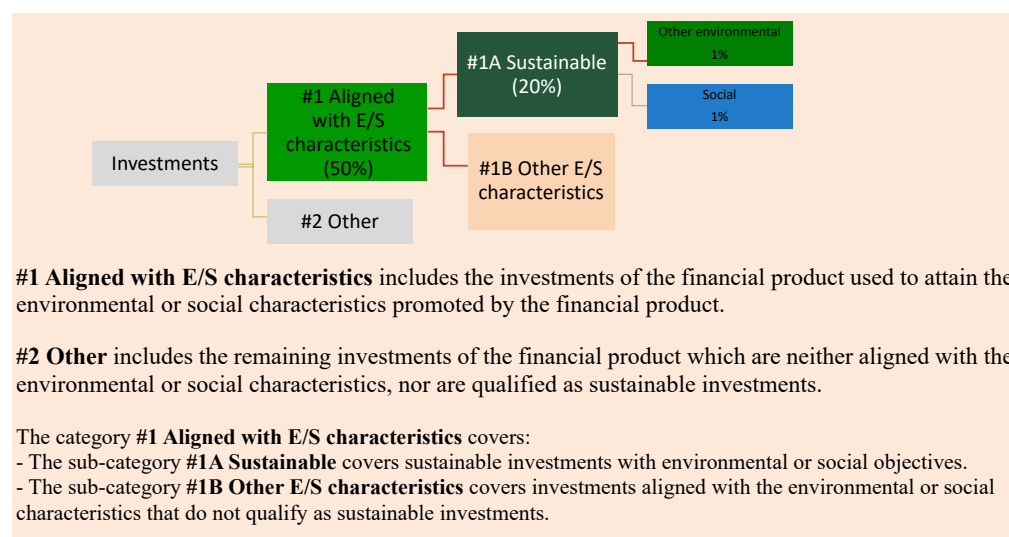
Concerning the other investments (#2 Other):

Other investments may include:

- (i) ancillary liquid assets (i.e. bank deposit at sight) which are held for the purposes of liquidity management;
- (ii) bank deposits, money market instruments or money market funds held for treasury purposes;
- (iii) derivatives for hedging purposes;
- (iv) investments in companies that do not have a strong ESG Materiality Rating (rating 4 or 5), or that are not covered by the ESG Materiality Rating Model, and such companies that do not qualify as sustainable investments. These companies do not meet the criteria for the promotion of environmental or social characteristics; and
- (v) investments in bonds not issued by companies, such as government bonds.

Taxonomy-aligned activities are expressed as a share of:

- **turnover** reflecting the share of revenue from green activities of investee companies
- **capital expenditure** (CapEx) showing the green investments made by investee companies, e.g. for a transition to a green economy.
- **operational expenditure** (OpEx) reflecting green operational activities of investee companies.



In light of the above, the planned maximum proportion of investments which are not used to contribute to the environmental and social characteristics promoted by the Portfolio is 50% of its total net assets.

- **How does the use of derivatives attain the environmental or social characteristics promoted by the financial product?**

Where the Investment Manager takes long exposure to a company through the use of single named security derivatives, these are treated like a direct investment and are subject to the same criteria to promote environmental or social characteristics that is outlined above. Short exposure taken in single named security derivatives will only be used as part of the calculation towards the portfolio comparing favourably with an index on material ESG criteria. These short positions will not however be subject to the exclusion screening.



To what minimum extent are sustainable investments with an environmental objective aligned with the EU Taxonomy?

There is no commitment to EU Taxonomy-aligned investments at the present time.

- **Does the financial product invest in fossil gas and/or nuclear energy related activities that comply with the EU Taxonomy⁴?**

☐ Yes:

☐ In fossil gas

☐ In nuclear energy

☒ No

To comply with the EU Taxonomy, the criteria for **fossil gas** include limitations on emissions and switching to renewable power or low-carbon fuels by the end of 2035. For **nuclear energy**, the criteria include comprehensive safety and waste management rules.

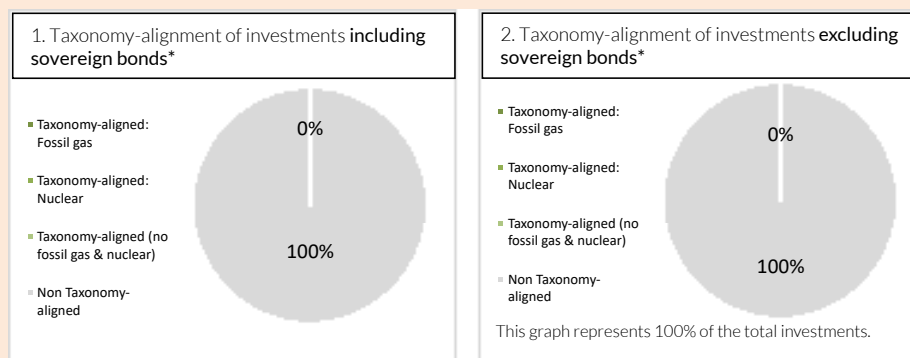
Enabling activities directly enable other activities to make a substantial contribution to an environmental objective.

Transitional activities are activities for which low-carbon alternatives are not yet available and among others have greenhouse gas emission levels corresponding to the best performance.



are sustainable investments with an environmental objective that **do not take into account the criteria** for environmentally sustainable economic activities under the EU Taxonomy.

The two graphs below show in green the minimum percentage of investments that are aligned with the EU Taxonomy. As there is no appropriate methodology to determine the Taxonomy-alignment of sovereign bonds*, the first graph shows the Taxonomy alignment in relation to all the investments of the financial product including sovereign bonds, while the second graph shows the Taxonomy alignment only in relation to the investments of the financial product other than sovereign bonds.



**For the purpose of these graphs, "sovereign bonds" consist of all sovereign exposures.*

⁴Fossil gas and/or nuclear related activities will only comply with the EU Taxonomy where they contribute to limiting climate change ("climate change mitigation") and do not significantly harm any EU Taxonomy objective – see explanatory note in the left hand margin. The full criteria for fossil gas and nuclear energy economic activities that comply with the EU Taxonomy are laid down in Commission Delegated Regulation (EU) 2022/1214.

- ***What is the minimum share of investments in transitional and enabling activities?***

Not applicable.



What is the minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy?

The minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy is 1%. However, the minimum proportion held in the Portfolio may be higher than 1% and may vary depending on the investment opportunities available and the allocation to sustainable investments with a social objective. In any case, the Portfolio will hold a minimum proportion of 20% of sustainable investments overall with either an environmental or social objective.



What is the minimum share of socially sustainable investments?

The minimum share of sustainable investments with a social objective is 1%. However, the minimum proportion held in the Portfolio may be higher than 1% and may vary depending on the investment opportunities available and the allocation to sustainable investments with an environmental objective. In any case, the Portfolio will hold a minimum proportion of 20% of sustainable investments overall with either an environmental or social objective.



What investments are included under “#2 Other”, what is their purpose and are there any minimum environmental or social safeguards?

All fixed income investments, excluding bonds issued by non-corporate issuers such as governments, are subject to the exclusion policy. This ensures minimum environmental and social safeguards are in place even for bonds issued by companies that do not have a strong ESG Materiality rating (4 or 5 rating) or that are not covered by the ESG Materiality Rating Model and therefore do not meet the criteria for the promotion of environmental or social characteristics.

However, when assessing bonds that are not issued by companies (such as government bonds), ESG factors are integrated into investment research, which uses the internal ESG scores of non-corporate issuers.

Other investments include (i) ancillary liquid assets (i.e. bank deposit at sight) which are held for the purposes of liquidity management; (ii) bank deposits, money market instruments or money market funds held for treasury purposes; and (iii) derivatives for hedging purposes.

For ancillary liquid assets, bank deposits and derivatives, ESG considerations are integrated into the counterparty risk assessment.

In addition, as a minimum safeguard if the fund gains exposure to a diversified set of companies through the use of index based derivatives, these exposures will be monitored to ensure that the total long exposure to excluded companies does not make up a significant proportion of the derivative or the fund



Is a specific index designated as a reference benchmark to determine whether this financial product is aligned with the environmental and/or social characteristics that it promotes?

The Portfolio does not use the ICE BofA European Currency High Yield Excluding Subordinated Financials Constrained Index to measure whether it attains the environmental and/or social characteristics that the Portfolio promotes.

- ***How is the reference benchmark continuously aligned with each of the environmental or social characteristics promoted by the financial product?***

Not applicable.

Reference benchmarks are indexes to measure whether the financial product attains the environmental or social characteristics that they promote.

- ***How is the alignment of the investment strategy with the methodology of the index ensured on a continuous basis?***

Not applicable.

- ***How does the designated index differ from a relevant broad market index?***

Not applicable.

- ***Where can the methodology used for the calculation of the designated index be found?***

Not applicable.



Where can I find more product specific information online?

More product-specific information can be found on the website below by searching for your particular Portfolio and accessing the Portfolio's Key Documents by selecting your share class:

<https://www.columbiathreadneedle.lu/en/retl/our-funds/find-your-fund>