

Threadneedle Asset Management Ltd

About this report

The PRI Reporting Framework is a key step in the journey towards building a common language and industry standard for reporting responsible investment (RI) activities. This RI Transparency Report is one of the key outputs of this Framework. Its primary objective is to enable signatory transparency on RI activities and facilitate dialogue between investors and their clients, beneficiaries and other stakeholders. A copy of this report will be publicly disclosed for all reporting signatories on the [PRI website](#), ensuring accountability of the PRI Initiative and its signatories.

This report is an export of the individual Signatory organisation's response to the PRI during the 2014-15 reporting cycle. It includes their responses to mandatory indicators, as well as responses to voluntary indicators the signatory has agreed to make public. The information is presented exactly as it was reported. Where an indicator offers a response option that is multiple-choice, all options that were available to the signatory to select are presented in this report. Presenting the information exactly as reported is a result of signatory feedback which suggested the PRI not summarise the information. As a result, the reports can be extensive. However, to help easily locate information, there is a **Principles index** which highlights where the information can be found and summarises the indicators that signatories complete and disclose.

Understanding the Principles Index

The Principles Index summarises the response status for the individual indicators and modules and shows how these relate to the six [Principles for Responsible Investment](#). It can be used by stakeholders as an 'at-a-glance' summary of reported information and to identify particular themes or areas of interest.

Indicators can refer to one or more Principles. Some indicators are not specific to any Principle. These are highlighted in the 'General' column. When multiple Principles are covered across numerous indicators, in order to avoid repetition, only the main Principle covered is highlighted.

All indicators within a module are presented below. The status of indicators is shown with the following symbols:

Symbol	Status
✓	The signatory has completed all mandatory parts of this indicator
☑	The signatory has completed some parts of this indicator
🔒	This indicator was not relevant for this signatory
-	The signatory did not complete any part of this indicator
🔍	The signatory has flagged this indicator for internal review

Within the table, indicators marked in blue are mandatory to complete. Indicators marked in grey are voluntary to complete.

Principles Index

Organisational Overview				Principle						General
Indicator	Short description	Status	Disclosure	1	2	3	4	5	6	
OO 01	Signatory category and services	✓	Public							✓
OO 02	Headquarters and operational countries	✓	Public							✓
OO 03	Subsidiaries that are separate PRI signatories	✓	Public							✓
OO 04	Reporting year and AUM	✓	Public							✓
OO 05	Breakdown of AUM by asset class	✓	Asset mix disclosed in OO 06							✓
OO 06	How would you like to disclose your asset class mix	✓	Public							✓
OO 07	Segregated mandates or pooled funds	🔒	n/a							✓
OO 08	Breakdown of AUM by market	✓	Public							✓
OO 09	Additional information about organisation	✓	Public							✓
OO 10	RI activities for listed equities	✓	Public							✓
OO 11	RI activities in other asset classes	✓	Public							✓
OO 12	Modules and sections required to complete	✓	Public							✓

Overarching Approach				Principle						General
Indicator	Short description	Status	Disclosure	1	2	3	4	5	6	
OA 01	RI policy and other guidance documents	✓	Public							✓
OA 02	Publicly available policies / documents	✓	Public						✓	
OA 03	Policy components and coverage	✓	Public	✓	✓					
OA 04	Conflicts of interest	✓	Public							✓
OA 05	RI goals and objectives	✓	Public							✓
OA 06	Main goals/objectives this year	✓	Public							✓
OA 07	Governance, management structures and RI processes	✓	Public							✓
OA 08	RI roles and responsibilities	✓	Public							✓
OA 09	RI in performance management, reward and/or personal development	✓	Public							✓
OA 10	Collaborative organisations / initiatives	✓	Public				✓	✓		
OA 11	Promoting RI independently	✓	Public				✓			
OA 12	Dialogue with public policy makers or standard setters	✓	Public				✓	✓	✓	
OA 13	ESG issues in strategic asset allocation	✓	Public	✓						
OA 14	Allocation of assets to environmental and social themed areas	-	n/a	✓						
OA 15	ESG issues for internally managed assets not reported in framework	🔒	n/a							✓
OA 16	ESG issues for externally managed assets not reported in framework	🔒	n/a							✓
OA 17	RI/ESG in execution and/or advisory services	🔒	n/a	✓	✓					
OA 18	Innovative features of approach to RI	✓	Public							✓
OA 19	Internal and external review and assurance of responses	✓	Public							✓

Direct - Listed Equity Incorporation				Principle						General
Indicator	Short description	Status	Disclosure	1	2	3	4	5	6	
LEI 01	Breakdown by passive, quantitative, fundamental and other active strategies	✓	Public	✓						
LEI 02	Description of ESG incorporation	✓	Public	✓						
LEI 03	Percentage of each incorporation strategy	✓	Public	✓						
LEI 04	Type of ESG information used in investment decision	✓	Public	✓						
LEI 05	Information from engagement and/or voting used in investment decision-making	✓	Public	✓						
LEI 06	Types of screening applied	✓	Public	✓						
LEI 07	Processes to ensure screening is based on robust analysis	✓	Public	✓						
LEI 08	Processes to ensure fund criteria are not breached	✓	Public	✓						
LEI 09	Types of sustainability thematic funds/mandates	⚡	n/a	✓						
LEI 10	Description of ESG integration	✓	Public	✓						
LEI 11	Review ESG issues while researching companies/sectors	✓	Public	✓						
LEI 12	Processes to ensure integration is based on robust analysis	✓	Public	✓						
LEI 13	Aspects of analysis ESG information is integrated into	✓	Public	✓						
LEI 14	ESG issues in index construction	⚡	n/a	✓						
LEI 15	How ESG incorporation has influenced portfolio composition	✓	Public	✓						
LEI 16	Incorporation of ESG issues has improved financial/ESG performance and reduced risk	✓	Public	✓						
LEI 17	Examples of ESG issues that affected your investment view / performance	✓	Public	✓						
LEI 18	Disclosure of approach to ESG incorporation	✓	Public		✓				✓	

Direct - Listed Equity Active Ownership				Principle						General
Indicator	Short description	Status	Disclosure	1	2	3	4	5	6	
LEA 01	Description of approach to engagement	✓	Public		✓					
LEA 02	Reasoning for interaction on ESG issues	✓	Public	✓	✓	✓				
LEA 03	Process for identifying and prioritising engagement activities	✓	Public		✓					
LEA 04	Objectives for engagement activities	✓	Public		✓					
LEA 05	Process for identifying and prioritising engagement activities	✓	Public		✓					
LEA 06	Objectives for engagement activities	✓	Public		✓					
LEA 07	Role in engagement process	⚡	n/a		✓		✓			
LEA 08	Monitor / discuss service provider information	⚡	n/a		✓				✓	
LEA 09	Share insights from engagements with internal/external managers	✓	Public	✓	✓					
LEA 10	Tracking number of engagements	✓	Public		✓					
LEA 11	Number of companies engaged with, intensity of engagement and effort	✓	Public		✓					
LEA 12	Engagements on E, S and/or G issues	✓	Public		✓					
LEA 13	Companies changing practices / behaviour following engagement	✓	Public		✓					
LEA 14	Examples of ESG engagements	✓	Public		✓					
LEA 15	Disclosure of approach to ESG engagements	✓	Public		✓				✓	
LEA 16	Description of approach to (proxy) voting	✓	Public		✓					
LEA 17	Typical approach to (proxy) voting decisions	✓	Public		✓					
LEA 18	Percentage of voting recommendations reviewed	⚡	n/a		✓					
LEA 19	Confirmation of votes	✓	Public		✓					
LEA 20	Securities lending programme	✓	Public		✓					
LEA 21	Informing companies of the rationale of abstaining/voting against management	✓	Public		✓					
LEA 22	Percentage of (proxy) votes cast	✓	Public		✓					
LEA 23	Proportion of ballot items that were for/against/abstentions	✓	Public		✓					
LEA 24	Shareholder resolutions	✓	Public		✓					
LEA 25	Examples of (proxy) voting activities	✓	Public		✓					
LEA 26	Disclosing voting activities	✓	Public		✓				✓	

Direct - Fixed Income				Principle						General
Indicator	Short description	Status	Disclosure	1	2	3	4	5	6	
FI 01	Breakdown by passive, quantitative, fundamental and other active strategies	✓	Public	✓						
FI 02	Breakdown of investments by credit quality	✓	Public							✓
FI 03	Description of ESG incorporation	✓	Public	✓						
FI 04	Percentage of each incorporation strategy	✓	Public	✓						
FI 05	Type of ESG information used in investment decision	✓	Public	✓						
FI 06	Types of screening applied	🔒	n/a	✓						
FI 07	Processes to ensure screening is based on robust analysis	🔒	n/a	✓						
FI 08	Processes to ensure fund criteria are not breached	🔒	n/a	✓						
FI 09	Types of sustainability thematic funds/mandates	✓	Public	✓						
FI 10	Description of ESG integration	✓	Public	✓						
FI 11	Review of ESG issues while researching companies/sectors	✓	Public	✓						
FI 12	Processes to ensure integration is based on robust analysis	✓	Public	✓						
FI 13	Incorporation of ESG issues into analysis and decision making	✓	Public	✓						
FI 14	ESG issues in index construction	🔒	n/a	✓						
FI 15	How ESG incorporation has influenced portfolio composition	✓	Public	✓						
FI 16	Incorporation of ESG issues has improved financial/ESG performance and reduced risk	✓	Public	✓						
FI 17	Examples of ESG issues that affected your investment view / performance	✓	Public	✓						
FI 18	Disclosure of approach to ESG incorporation	✓	Public		✓				✓	
FI 19	Engagement with corporate issuers	✓	Public		✓					
FI 20	Engagement with government issuers	✓	Public		✓					

Direct - Property				Principle						General
Indicator	Short description	Status	Disclosure	1	2	3	4	5	6	
PR 01	Breakdown of investments by equity and debt	✓	Public							✓
PR 02	Breakdown of assets by management	✓	Public							✓
PR 03	Largest property types	✓	Public							✓
PR 04	Description of approach to RI	✓	Public	✓					✓	
PR 05	Responsible Property Investment (RPI) policy	✓	Public	✓					✓	
PR 06	Fund placement documents and RI	✓	Public	✓			✓		✓	
PR 07	Formal commitments to RI	✓	Public				✓			
PR 08	Incorporating ESG issues when selecting investments	✓	Public	✓						
PR 09	ESG advice and research when selecting investments	✓	Public	✓			✓			
PR 10	Examples of ESG issues in investment selection process	✓	Public	✓		✓				
PR 11	Types of ESG information considered in investment selection	✓	Public	✓		✓				
PR 12	ESG issues impact in selection process	✓	Public	✓						
PR 13	ESG issues in selection, appointment and monitoring of third-party property managers	✓	Public				✓			
PR 14	ESG issues in post-investment activities	✓	Public		✓					
PR 15	Proportion of assets with ESG targets that were set and monitored	✓	Public		✓	✓				
PR 16	Certification schemes, ratings and benchmarks	✓	Public		✓					
PR 17	Proportion of developments and refurbishments where ESG issues were considered	✓	Public		✓					
PR 18	Proportion of property occupiers that were engaged with	✓	Public		✓					
PR 19	Proportion of green leases or MOUs referencing ESG issues	✓	Public		✓					
PR 20	Proportion of assets engaged with on community issues	✓	Public		✓					
PR 21	ESG issues affected financial/ESG performance	✓	Public	✓	✓					
PR 22	Examples of ESG issues that affected your property investments	✓	Public	✓		✓				
PR 23	Disclosure of ESG information to public and clients/beneficiaries	✓	Public						✓	

Threadneedle Asset Management Ltd

Reported Information

Public version

Organisational Overview

PRI disclaimer

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Basic Information

OO 01	Mandatory	Gateway/Peering	General
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OO 01.1 Select the services you offer.

☒ Fund management

% of assets under management (AUM) in ranges

☐ <10%

☐ 10-50%

☒ >50%

☐ Fund of funds, manager of managers, sub-advised products

☐ Other, specify

☐ Execution and advisory services

OO 02	Mandatory	Peering	General
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OO 02.1 Select the location of your organisation's headquarters.

United Kingdom

OO 02.2 Indicate the number of countries in which you have offices (including your headquarters).

☐ 1

☐ 2-5

☐ 6-10

☒ >10

OO 02.3 Indicate the approximate number of staff in your organisation in full-time equivalents (FTE).

FTE

719

OO 02.4 Additional information. [Optional]

As of 31 December 2014 there are 719 full-time equivalent members of staff employed by Threadneedle worldwide.

OO 03	Mandatory	Descriptive	General
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OO 03.1

Indicate whether you have subsidiaries within your organisation that are also PRI signatories in their own right.

- ☐ Yes
☒ No

OO 03.3

Additional information. [Optional]

Our sister company Columbia Management Investment Advisors is now a PRI signatory and will report in its own right.

OO 04

Mandatory

Gateway/Peering

General

OO 04.1

Indicate the year end date for your reporting year.

31/12/2014

OO 04.2

Indicate your total AUM at the end of your reporting year, excluding subsidiaries you have chosen not to report on, and advisory/execution only assets.

	trillions	billions	millions	thousands	hundreds
Total AUM		95	055	000	000
Currency	GBP				
Assets in USD		157	181	704	428

OO 04.5

Indicate the level of detail you would like to provide about your asset class mix.

- ☒ Approximate percentage breakdown to the nearest 5% (e.g. 45%)
☐ Broad ranges breakdown (i.e. <10%; 10-50%; >50%)

OO 06

Mandatory

Descriptive

General

OO 06.1

To contextualise your responses to the public, indicate how you would like to disclose your asset class mix.

- ☐ Publish our asset class mix as percentage breakdown
☒ Publish our asset class mix as broad ranges

	Internally managed (%)	Externally managed (%)
Listed equity	>50%	0
Fixed income – corporate	10-50%	0
Fixed income – government	10-50%	0

Fixed income – other	<10%	0
Private debt	0	0
Private equity	0	0
Property	<10%	0
Infrastructure	0	0
Commodities	<10%	0
Hedge funds	0	0
Forestry	0	0
Farmland	0	0
Inclusive finance	0	0
Cash	0	0
Other (1), specify	<10%	0
Other (2), specify	<10%	0

'Other (1)' specified

Asset Allocation Funds and Multi-Manager Funds

'Other (2)' specified

Multi-Manager and Sub-advised funds

○ Publish our asset class mix as per attached file (the following image formats can be uploaded: .jpg, .jpeg, .png, .bmp and .gif)

OO 08

Mandatory to Report Voluntary to Disclose

Peering

General

OO 08.1

Indicate the breakdown of your organisation's AUM by market.

Market breakdown	% of AUM
Developed Markets	<input type="radio"/> 0% <input type="radio"/> <10% <input type="radio"/> 10-50% <input checked="" type="radio"/> >50 %
Emerging, Frontier and Other Markets	<input type="radio"/> 0% <input checked="" type="radio"/> <10% <input type="radio"/> 10-50% <input type="radio"/> >50 %

OO 09	Voluntary	Descriptive	General
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OO 09.1	Provide any additional information about your organisation, its mission, strategies, activities or investments which are important to contextualise your responsible investment activities.
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Threadneedle Investments is a leading active investment manager with a strong track record of outperformance across asset classes. Our investment approach is active, client-focused and performance driven.

We are a pure investment management business, which means managing clients' investments is our only business. We believe we are chosen by our clients because of our proven approach to investment, our long-term performance record and our dedication to delivering high quality client service.

Threadneedle became a founding signatory to the PRI in 2006 and to the UK Stewardship Code in 2010.

Threadneedle is the international investment management arm of Ameriprise Financial (NYSE: AMP), a leading US diversified financial services company and one of the 40 largest asset management firms globally. Ameriprise has US\$771 billion in total assets under management and administration and is the US leader in financial planning. As its international investment platform, Threadneedle provides Ameriprise and its clients with world class investment solutions.

Our Values

Threadneedle's Values are the characteristics that define us. They represent the unique combination of skills, attributes and abilities around which we strive to build a successful business and culture.

- Client Focus
- Excellence
- Integrity
- Respect

Gateway asset class implementation indicators

OO 10	Mandatory	Gateway	General
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OO 10.1

Select the responsible investment activities your organisation implemented, directly and/or indirectly, for listed equities in the reporting year.

- ☒ We incorporate ESG issues into investment decisions on our internally managed assets
- ☒ We engage with companies on ESG issues via our staff, collaborations or service providers
- ☒ We cast our (proxy) votes directly or via service providers
- ☐ None of the above

OO 11**Mandatory****Gateway****General****OO 11.1**

Indicate if in the reporting year you incorporated ESG issues into your investment decisions and/or your active ownership practices in the following internally managed asset classes.

- ☒ Fixed income – corporate
- ☒ Fixed income – government
- ☐ Fixed Income – other
- ☒ Property
- ☐ Commodities
- ☐ Other (1)
- ☐ Other (2)
- ☐ None of the above

'Other (1)' [as defined in OO 05]

Asset Allocation Funds and Multi-Manager Funds

'Other (2)' [as defined in OO 05]

Multi-Manager and Sub-advised funds

OO 12**Mandatory****Gateway****General****OO 12.1**

The modules and sections that you will be required to complete are listed below.

This list is based on the percentages provided in your AUM breakdown and your responses to the gateway indicators. You are only required to report on asset classes that represent 10% or more of your AUM. You may report voluntarily on any applicable modules or sections by selecting them from the list. Fixed Income and Infrastructure are voluntary.

Core modules

- ☒ Organisational Overview
- ☒ Overarching Approach (including assets which do not have a separate module)

RI implementation directly or via service providers

Direct - Listed Equity incorporation

- ☒ Listed Equity incorporation

Direct - Listed Equity active ownership

- ☒ Engagements
- ☒ (Proxy) voting

Direct - Fixed Income

- ☒ Fixed Income - Corporate
- ☒ Fixed Income - Government

Direct - Other asset classes with dedicated modules

- ☒ Property

Closing module

- ☒ Closing module

Threadneedle Asset Management Ltd

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Overarching Approach

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Responsible investment policy

OA 01	Mandatory	Gateway/Core Assessed	General
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OA 01.1	Indicate if you have a responsible investment policy.
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- ☒ Yes
☐ No

OA 01.2	Indicate if you have other guidance documents or more specific policies related to responsible investment.
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- ☒ Yes
☐ No

OA 01.3	Provide a brief description of the key elements of your responsible investment policy or, if you do not have a policy, of your overall approach to responsible investment. [Optional]
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Our policies set out Threadneedle's responsible investment approach and detail how we integrate environmental, social and corporate governance issues in our investment process and wider policy engagement to uphold our stewardship responsibilities on behalf of our clients.

Threadneedle's approach to Stewardship and Responsible Investment focuses on integrating environmental, social and governance (ESG) responsibilities into our investment process and builds on our culture of teamwork, debate and collaboration.

Core to our investment philosophy is the belief that well governed companies are better positioned to manage the risks and challenges inherent in business and to capture opportunities that help deliver sustainable growth and returns for our clients overtime. Effective stewardship will therefore benefit companies, our clients and the economy as a whole.

As a result of this core belief, our dedicated Governance and Responsible Investment (GRI) team has worked alongside our investment professionals since 1998, facilitating integration of material ESG analysis into the investment process. In addition to exercising our stewardship and monitoring responsibilities, this approach enables us to consider risks and opportunities of existing and prospective investments, which may not be captured by conventional analysis. ESG issues are therefore one aspect of how we look to build a 'perspective advantage' and ensure client portfolios benefit from our best ideas.

Our fund managers, analysts and GRI team work collaboratively to monitor and engage with the companies we invest in, with a view to understanding the dynamics, opportunities and risks inherent in the businesses and to protect the interests of our clients and the capital they have invested. We also have regard to market practice and policy developments that affect the quality of the investment environment we operate in. Within our collaborative approach, fund managers take lead responsibility for the assessment and monitoring of companies strategies, management, performance and M&A activity. Risk and capital management issues are assessed by both fund managers and the GRI team. The GRI team takes lead responsibility for the assessment and monitoring of companies' environmental, social and governance (ESG) practices. This research and analysis is disseminated as part of Threadneedle's culture of idea sharing. Through collaborative research and meetings, ESG factors are fed in to the investment process to form part of the holistic company, sector or thematic reviews.

Consistent with this and our commitment and duty to act in the best long-term interests of our clients, we are a signatory of the UK Stewardship Code and of the UN sponsored Principles of Responsible Investment, which provide a clear underpinning for our ESG strategy. As part of our commitment to these voluntary principles we collaborate with industry bodies and other stakeholder groups such as policy makers and NGOs to debate key ESG issues and drive change. We are also focused on transparency of our activities and regularly disclose our view on ESG issues and voting to both our clients and the public.

Our ESG strategies are applied as appropriate across asset classes, regions and markets. While there is a strong focus on equities in this work, we also draw on it in our fixed income and commodity strategies. Our property division also shares the Threadneedle responsible investment philosophy but has a different team and approach given the specifics of the asset class.

OA 02	Mandatory	Core Assessed	PRI 6
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OA 02.1	Indicate if your responsible investment policy is publicly available.
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☒ Yes

OA 02.2	Provide a URL to your responsible investment policy.
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	URL
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<http://www.threadneedle.com/en/Investment-Capabilities/Governance-and-Responsible-Investment/>

☐ No

OA 02.3	Indicate if your other policies or guidance documents related to responsible investment are publicly available.
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☒ Yes

☒ Yes, all

☐ Yes, some

OA 02.4	List these other policies or guidance documents related to responsible investment that are publicly available and their URLs.
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Policy or document name	URL
ESG Indicators and Key Issues	http://www.threadneedle.com/en/Investment-Capabilities/Governance-and-Responsible-Investment/
UK Stewardship Code Statement	http://www.threadneedle.com/en/Investment-Capabilities/Governance-and-Responsible-Investment/
Governance and Proxy Voting Principles	http://www.threadneedle.com/en/Investment-Capabilities/Governance-and-Responsible-Investment/
Quarterly Reports	http://www.threadneedle.com/en/Investment-Capabilities/Governance-and-Responsible-Investment/
Proxy Voting Disclosure	http://www.threadneedle.com/en/Investment-Capabilities/Governance-and-Responsible-Investment/

☐ No

OA 03	Mandatory	Core Assessed	PRI 1,2
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OA 03.1

Indicate the components/types and coverage of your responsible investment policy and guidance documents.

Select all that apply

Policy components/types	Coverage by AUM
<input checked="" type="checkbox"/> Policy setting out your overall approach <input checked="" type="checkbox"/> (Proxy) voting policy <input checked="" type="checkbox"/> Engagement/active ownership policy <input checked="" type="checkbox"/> Specific guidelines on corporate governance <input checked="" type="checkbox"/> Specific guidelines on environmental issues <input checked="" type="checkbox"/> Specific guidelines on social issues <input checked="" type="checkbox"/> Asset class-specific guidelines <input checked="" type="checkbox"/> Screening/exclusion policy <input type="checkbox"/> Other, specify <input type="checkbox"/> Other, specify	<input checked="" type="radio"/> Applicable policies cover all AUM <input type="radio"/> Applicable policies cover a majority of AUM <input type="radio"/> Applicable policies cover a minority of AUM

OA 03.2

Comment on any variations or exceptions in the coverage of your responsible investment policy. [Optional]

Threadneedle's culture of teamwork encourages the sharing of ideas and generation of strategies across asset classes. The analysis of environmental, social and governance (ESG) factors is incorporated into Threadneedle's investment process to identify material associated risks and opportunities. Different asset classes have different levels of ESG integration. The Governance and Responsible Investment research has a strong focus on equities with substantial involvement in fixed income and to some extent in commodities.

Equities

Across equities in all geographic regions, ESG analysis is included as a core part of the stock review template, the thematic and sector research as well as frequent interaction with between the GRI team and regional equity teams through combined research and engagement meetings. The following sections on ESG research and engagement apply to our equity investments.

Fixed income

Our expertise and related research capabilities provide us with the platform and resource to enable ESG factors and risks to be examined within the fixed income asset class, with particular emphasis on corporate debt. The relationship between creditors and issuers is notably different from that between shareholders and issuers, and the use of ESG criteria in the fixed income market is a newer, developing area. The ability to engage with companies is limited with no voting rights and less frequent access to management. However ESG issues and analysis are relevant in the context of considering the creditworthiness of an issuer. Furthermore there is scope, where appropriate, for dialogue and questions to management in analyst meetings. To the extent that it is available ESG research is included in credit notes in a similar way to equities through MSCI ESG sourced ratings, issuer reviews and sector research.

Commodities

In terms of commodities, relevant ESG analysis and research is available to the team. Detailed analysis of, for example, the oil, gas and mining sectors forms an integral part of the Governance and Responsible Investment work, which feeds into our understanding of the risks and trends affecting companies, as well as their management of those risks. We undertake collaborative meetings and engage with those companies. In addition issues such as food prices and related trends and concerns such as genetically modified grains are addressed collaboratively between the GRI team and the commodities team. From the effects of rising demand and increased difficulty in sourcing commodities, as well the impact of climate change and water constraints, through operating practices including health & safety to regulation, tax and regional risks, we look to make a holistic assessment of the exposures we take.

Property

In our property investment portfolios ESG principles are reflected in the way in which we carefully consider

environmental risks before proceeding with a property purchase and our collaboration with managing agents to encourage positive cooperation with tenants to reduce energy usage.

Our asset managers follow guidelines which ensure that refurbishment and redevelopment of properties is done in an environmentally friendly manner, using sustainable products whenever practicable.

We are fully committed to ensuring compliance with the Carbon Reduction Commitment and to working with managing agents and tenants to minimise the impact of this legislation whilst maximising control over energy consumption. This involves the identification of the highest energy consuming properties in each fund followed by more in depth analysis of the consumption to reveal areas in which improvements could be made, either by the fund as landlord or the tenant as occupier.

OA 04	Mandatory	Core Assessed	General
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OA 04.1	Indicate if your organisation has a policy on managing potential conflicts of interest in the investment process.
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☒ Yes

OA 04.2	Describe your policy on managing potential conflicts of interest in the investment process. [Optional]
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In a stewardship, engagement and proxy voting context, where potential conflicts of interest may arise, for instance where we are investors in a company that is associated with a client (e.g. the company's pension scheme trustees), we adhere to the following procedure:

- Engagement and proxy voting decisions are agreed between the Governance & Responsible Investment team and relevant fund managers, in line with our policies and procedures.
- Where decisions involve a pragmatic application of or deviation from our headline policy and guidelines that is documented and the explanation and rationale recorded.
- In the event of a controversial issue, that is escalated, initially to the relevant desk heads. The final arbiter in such cases would be Threadneedle's Head of Equities, Chief Investment Officer or Investment COO.
- Where issues require escalation, our legal and compliance teams are consulted as appropriate.
- Arrangements and procedures are maintained to monitor potential conflicts of interest and regular reports are submitted to senior management and the compliance team on the operation of these arrangements.
- The overriding test at each stage of this process is that the approach and actions taken must be in the interests of those clients on whose behalf they are being taken and consistent with our TCF ('treating customers fairly') obligations.

Conflicts of interest arising in proxy voting and stewardship activities are reported on a monthly basis to an executive committee.

☐ No

Objectives and strategies			
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OA 05	Mandatory	Gateway/Core Assessed	General
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OA 05.1

Indicate if your organisation sets objectives for its responsible investment activities.

☒ Yes**OA 05.2**

Indicate how frequently your organisation sets or revises objectives for responsible investment.

- ☒ At least once per year
- ☐ Less than once per year

OA 05.3

Indicate how frequently your organisation formally reviews performance against its objectives for responsible investment.

- ☐ Quarterly
- ☐ Biannually
- ☒ Annually
- ☐ Every two years or less
- ☐ It is not reviewed
- ☐ No

OA 05.4

Additional information. [Optional]

Objectives are set in line to support the overall investment department and sales teams' strategies with a focus on delivery for clients. Objectives and progress are reviewed annually in line with annual appraisals.

OA 06**Voluntary****Descriptive****General****OA 06.1**

List your three main responsible investment objectives you had set for the reporting year. For each, indicate any key performance indicators you set to measure your progress and also indicate your progress towards achieving your objectives.

☒ Add responsible investment objective 1

Objective 1	Develop Threadneedle's ESG offering and services
Key performance indicators	Monitoring of RFPs and responsible investment product's AUM
Describe the progress achieved	We continue to develop Threadneedle's ESG offering and respond to growing client interest in this area.

☒ Add responsible investment objective 2

Objective 2	Develop and deliver investment relevant ESG Research
Key performance indicators	Number of stock reviews and thematic reports produced
Describe the progress achieved	During the year the GRI team produced more than 150 ESG stock reviews and research notes. In addition they produced thematic reports and think pieces.

☒ Add responsible investment objective 3

Objective 3	Prioritise and deliver effective ESG engagement
Key performance indicators	Number of companies engaged with and resultant outcomes
Describe the progress achieved	During the period we engaged with approximately 150 companies on ESG issues.

OA 06.2	List your three main objectives for responsible investment implementation for the next reporting year and indicate any key performance indicators you intend to use to measure your progress.
----------------	---

☒ Add responsible investment objective 1 for the next reporting year

Objective 1 for the next reporting year	Develop Threadneedle's ESG offering and services
Key performance indicators	Monitoring of RFPs and responsible investment product's AUM

☒ Add responsible investment objective 2 for the next reporting year

Objective 2 for the next reporting year	Develop and deliver investment relevant ESG Research
Key performance indicators	Number of stock reviews and thematic reports

☒ Add responsible investment objective 3 for the next reporting year

Objective 3 for the next reporting year	Prioritise and deliver effective ESG engagement
Key performance indicators	Number of companies engaged with and resultant outcomes

Governance and human resources

OA 07	Voluntary	Descriptive	General
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OA 07.1

Provide a brief description of your organisation's governance, management structures and processes related to responsible investment.

The responsibility for our governance and responsible investment activities lies with the Head of Governance and Responsible Investment (GRI). The GRI team is embedded within the investment department and the head of the GRI team reports to the Head of Equities. The Chief Investment Officer (CIO) has executive responsibility for GRI policies and their implementation, as appropriate, across asset classes. The heads of regional equity departments, as well as the heads of our fixed income teams are also actively involved in supporting these activities and their appropriate integration into the investment process

The GRI team is composed of three full time analysts with responsibility for ESG research, integration, proxy voting and ESG reporting. The dedicated staff include the Head of Governance and Responsible Investments, Sustainable and Responsible Investment Officer and a Governance and Responsible Investment Analyst.

Proxy voting administration and vote execution are undertaken by Threadneedle's back office, under the instructions of the GRI team.

The GRI team also has regular interaction with the Head of Property Risk who is responsible for environmental and health and safety due diligence in property, reporting into the Managing Director of Property.

☐ I would like to attach an organisation chart (the following image formats can be uploaded: .jpg, .jpeg, .png, .bmp and .gif)

OA 08
Mandatory
Gateway/Core Assessed
General
OA 08.1

Indicate the roles present in your organisation and for each, indicate whether they have oversight and/or implementation responsibilities for responsible investment.

Roles present in your organisation

- ☒ Board members or trustees
 - ☐ Oversight/accountability for responsible investment
 - ☐ Implementation of responsible investment
 - ☒ No oversight/accountability or implementation responsibility for responsible investment
- ☒ Chief Executive Officer (CEO), Chief Investment Officer (CIO), Investment Committee
 - ☒ Oversight/accountability for responsible investment
 - ☐ Implementation of responsible investment
 - ☐ No oversight/accountability or implementation responsibility for responsible investment
- ☒ Other Chief-level staff or head of department, specify
Head of equities, desk heads

- ☒ Oversight/accountability for responsible investment
- ☒ Implementation of responsible investment
- ☐ No oversight/accountability or implementation responsibility for responsible investment
- ☒ Portfolio managers
 - ☐ Oversight/accountability for responsible investment
 - ☒ Implementation of responsible investment
 - ☐ No oversight/accountability or implementation responsibility for responsible investment
- ☒ Investment analysts
 - ☐ Oversight/accountability for responsible investment
 - ☒ Implementation of responsible investment
 - ☐ No oversight/accountability or implementation responsibility for responsible investment
- ☒ Dedicated responsible investment staff
 - ☒ Oversight/accountability for responsible investment
 - ☒ Implementation of responsible investment
 - ☐ No oversight/accountability or implementation responsibility for responsible investment
- ☐ External managers or service providers
- ☒ Other role, specify
 - RFP Writer**
 - ☐ Oversight/accountability for responsible investment
 - ☒ Implementation of responsible investment
 - ☐ No oversight/accountability or implementation responsibility for responsible investment
 - ☐ Other role, specify

OA 08.2	Indicate the number of dedicated responsible investment staff your organisation has. [Optional]
----------------	---

	Number
--	--------

3

OA 09	Voluntary	Additional Assessed	General
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OA 09.1	Indicate if your organisation's performance management, reward and/or personal development processes have a responsible investment element.
----------------	---

Chief Executive Officer (CEO), Chief Investment Officer (CIO), Investment Committee

- ☐ Responsible investment KPIs and/or goals included in objectives
- ☐ Responsible investment included in appraisal process
- ☐ Variable pay linked to responsible investment performance
- ☐ Responsible investment included in personal development and/or training plan
- ☒ None of the above

Other C-level staff or head of department

Head of equities, desk heads

- ☐ Responsible investment KPIs and/or goals included in objectives
- ☒ Responsible investment included in appraisal process
- ☐ Variable pay linked to responsible investment performance
- ☐ Responsible investment included in personal development and/or training plan
- ☐ None of the above

Portfolio managers

- ☐ Responsible investment KPIs and/or goals included in objectives
- ☒ Responsible investment included in appraisal process
- ☐ Variable pay linked to responsible investment performance
- ☐ Responsible investment included in personal development and/or training plan
- ☐ None of the above

Investment analysts

- ☐ Responsible investment KPIs and/or goals included in objectives
- ☒ Responsible investment included in appraisal process
- ☐ Variable pay linked to responsible investment performance
- ☐ Responsible investment included in personal development and/or training plan
- ☐ None of the above

Dedicated responsible investment staff

- ☒ Responsible investment KPIs and/or goals included in objectives
- ☒ Responsible investment included in appraisal process
- ☒ Variable pay linked to responsible investment performance
- ☒ Responsible investment included in personal development and/or training plan
- ☐ None of the above

Other role

RFP Writer

- ☐ Responsible investment KPIs and/or goals included in objectives
- ☒ Responsible investment included in appraisal process
- ☐ Variable pay linked to responsible investment performance
- ☒ Responsible investment included in personal development and/or training plan
- ☐ None of the above

OA 09.3

Provide any additional information on your organisation's performance management, reward and/or personal development processes in relation to responsible investment.

Variable pay linked to performance in the case of fund managers managing ESG mandates

Promoting responsible investment

OA 10	Mandatory	Core Assessed	PRI 4,5
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OA 10.1	Select the collaborative organisation and/or initiatives of which your organisation is a member or in which it participated during the reporting year, and the role you played.
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Select all that apply

- ☒ Principles for Responsible Investment

	Your organisation's role in the initiative during the reporting period (see definitions)
--	--

- ☐ Basic
- ☐ Moderate
- ☒ Advanced

	Provide a brief commentary on the level of your organisation's involvement in the initiative. [Optional]
--	--

Steering group member and lead investor on two collaborative engagements - hydraulic fracturing and employee relations. We have also joined the PRI water risks collaborative engagement. An analyst presented on a panel at PRI's annual PRI in Person conference.

- ☒ Asian Corporate Governance Association

	Your organisation's role in the initiative during the reporting period (see definitions)
--	--

- ☐ Basic
- ☒ Moderate
- ☐ Advanced
- ☐ Association for Sustainable & Responsible Investment in Asia
- ☐ Australian Council of Superannuation Investors
- ☒ CDP Climate Change

	Your organisation's role in the initiative during the reporting period (see definitions)
--	--

- ☒ Basic
- ☐ Moderate
- ☐ Advanced
- ☒ CDP Forests

	Your organisation's role in the initiative during the reporting period (see definitions)
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- ☒ Basic
- ☐ Moderate
- ☐ Advanced
- ☒ CDP Water

Your organisation's role in the initiative during the reporting period (see definitions)

- ☒ Basic
- ☐ Moderate
- ☐ Advanced
- ☐ CFA Institute Centre for Financial Market Integrity
- ☐ Council of Institutional Investors (CII)
- ☐ Eumedion
- ☒ Extractive Industries Transparency Initiative (EITI)

Your organisation's role in the initiative during the reporting period (see definitions)

- ☒ Basic
- ☐ Moderate
- ☐ Advanced
- ☒ Global Investors Governance Network (GIGN)

Your organisation's role in the initiative during the reporting period (see definitions)

- ☐ Basic
- ☐ Moderate
- ☒ Advanced

Provide a brief commentary on the level of your organisation's involvement in the initiative.
[Optional]

Active participant in GIGN contributing to investor calls and presenting on specific topics.

- ☒ Global Real Estate Sustainability Benchmark (GRESB)

Your organisation's role in the initiative during the reporting period (see definitions)

- ☒ Basic
- ☐ Moderate
- ☐ Advanced
- ☐ Institutional Investors Group on Climate Change (IIGCC)
- ☐ Interfaith Center on Corporate Responsibility (ICCR)
- ☒ International Corporate Governance Network (ICGN)

Your organisation's role in the initiative during the reporting period (see definitions)

- ☒ Basic
☐ Moderate
☐ Advanced
- ☐ Investor Group on Climate Change, Australia/New Zealand (IGCC)
☐ Investor Network on Climate Risk (INCR)/CERES
☐ Local Authority Pension Fund Forum
☒ Regional or National Social Investment Forums (e.g. UKSIF, Eurosif, ASRIA, RIAA), specify

UKSIF and Eurosif

Your organisation's role in the initiative during the reporting period (see definitions)

- ☐ Basic
☐ Moderate
☒ Advanced

Provide a brief commentary on the level of your organisation's involvement in the initiative.
[Optional]

Hosted UKSIF panel on Fracking.

- ☐ Shareholder Association for Research and Education (Share)
☐ United Nations Environmental Program Finance Initiative (UNEP FI)
☐ United Nations Global Compact
☒ Other collaborative organisation/initiative, specify

Corporate Governance Forum

Your organisation's role in the initiative during the reporting year (see definitions)

- ☐ Basic
☐ Moderate
☒ Advanced

Provide a brief commentary on the level of your organisation's involvement in the initiative.
[Optional]

Active member and regular contributor to calls, meetings and debate

- ☒ Other collaborative organisation/initiative, specify

Japan Focus Group

	Your organisation's role in the initiative during the reporting year (see definitions)
--	--

- ☐ Basic
☒ Moderate
☐ Advanced

	Provide a brief commentary on the level of your organisation's involvement in the initiative. [Optional]
--	--

Active member and regular contributor to calls, meetings and debate. Signatory to investor letters.

- ☒ Other collaborative organisation/initiative, specify

Sustainable Stock Exchanges Initiative

	Your organisation's role in the initiative during the reporting year (see definitions)
--	--

- ☐ Basic
☐ Moderate
☒ Advanced

- ☒ Other collaborative organisation/initiative, specify

Part of a UK Investors Group on Accounting Standards

	Your organisation's role in the initiative during the reporting year (see definitions)
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- ☐ Basic
☐ Moderate
☒ Advanced

OA 11	Mandatory	Core Assessed	PRI 4
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OA 11.1	Indicate if your organisation promotes responsible investment, independently of collaborative initiatives.
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- ☒ Yes

OA 11.2	Indicate which of the following actions your organisation has taken to promote responsible investment, independently of collaborative initiatives.
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- ☒ Provided or supported education or training programmes for clients, investment managers, broker/dealers, investment consultants, legal advisers or other investment organisations
☒ Provided financial support for academic or industry research on responsible investment
☒ Encouraged better transparency and disclosure of responsible investment practices across the investment industry
☒ Spoke publicly at events and conferences to promote responsible investment
☒ Wrote and published in-house research papers on responsible investment
☒ Encouraged the adoption of the PRI
☐ Other, specify

- ☐ No

OA 11.3	Additional information. [Optional]
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We partnered with Responsible Investor as a sponsor of its annual RI Europe conference in June. This saw more than 500 practitioners in the responsible investment field come together to discuss best practice. Ian Richards, our head of governance and responsible investment, participated in a panel of experts at this conference to give Threadneedle's views and experience on "Measuring the Impact of Social Investment".

Threadneedle has also taken part in other industry events to drive thinking in the responsible-investment space: presenting at the Charity Trustee Conference on bringing social investment into the mainstream, as well as presenting at the London Stock Exchange to investor-relations practitioners about ESG in investments and effective communication.

At the QCA's June conference, Threadneedle addressed corporate disclosures and the effective use of annual reports. We have also been participating in industry dialogue on green bonds and, more broadly, addressing responsible investment in corporate debt.

At the PRI in Person event in Montreal Threadneedle presented as part of a panel on the topic of sustainability in the fracking industry. We also hosted an UKSIF panel the same month on the topic "Fracking - are we prepared?". Towards the latter end of the year our SRI Officer published thought pieces on energy transition and the stranded asset debate.

We also continue to publish in house research pieces on ESG topics and promote ESG integration. We are increasingly working with and supporting our sister company Columbia who became PRI signatories in 2014,

OA 12	Voluntary	Additional Assessed	PRI 4,5,6
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OA 12.1	Indicate if your organisation - individually or in collaboration with others - conducted dialogue with public policy makers or standard-setters in support of responsible investment in the reporting year.
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☒ Yes

☒ Yes, individually

☒ Yes, in collaboration with others

OA 12.2	Select the methods you have used.
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☒ Endorsed written submissions to governments, regulators or standard-setters developed by others

☒ Drafted your own written submissions to governments, regulators or standard-setters

☒ Participated in face-to-face meetings with government members or officials to discuss policy

☐ Other, specify

OA 12.3	Where you have made written submissions (individually or collaboratively) to governments and regulatory authorities, indicate if these are publicly available.
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☐ Yes, publicly available

☒ No

☐ No

OA 12.4	Additional information.
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Where appropriate we will make our engagements public.

ESG issues in asset allocation

OA 13	Voluntary	Descriptive	PRI 1
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OA 13.1	Indicate if your organisation considers ESG issues in strategic asset allocation and/or allocation of assets between geographic markets.
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☐ Yes

☒ No

Innovation

OA 18	Voluntary	Descriptive	General
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OA 18.1	Indicate whether any specific features of your approach to responsible investment are particularly innovative.
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☒ Yes

OA 18.2	Describe any specific features of your approach to responsible investment that you believe are particularly innovative.
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Threadneedle manages the Threadneedle UK Social Bond Fund which was created in partnership with Big Issue Invest, the social investment arm of The Big Issue. Work on this innovative new strategy was conducted over the previous six months, with formal approval from the Financial Conduct Authority received in September 2013.

The UK Social Bond Fund aims to bring social investment to the mainstream and to achieve both a financial return and a positive social outcome by investing in fixed income securities of organisations that support socially beneficial activities and economic development.

As an established asset manager with a strong reputation across both bonds and social investment, Threadneedle is well-placed to manage the UK Social Bond Fund. This has been launched in partnership with Big Issue Invest, a leader and innovator in backing social businesses in the UK, who brings a unique understanding and experience in terms of social investing.

Big Issue Invest, working with Threadneedle's GRI team, has developed a unique Social Assessment Methodology that positively screens all investable bonds with a focus on the degree to which they deliver positive social outcomes across eight fields of investment. This provides the framework under which the social attributes and intensity of an investment is assessed for consideration alongside its yield and liquidity characteristics, in building a balanced, diversified portfolio. This is a key differentiator from other products in the market that focus on one specific sector (e.g. social housing) or a set of beliefs and values upon which certain bonds are excluded (e.g. ethical bond funds).

The social outcome generated by the resulting portfolio will be monitored and verified by a Social Advisory Committee, made up of senior representatives from Threadneedle and Big Issue as well as an independent committee member John Hale, former Manager of Investment Affairs at the Association of British Insurers.

This builds on Threadneedle's track record of successful partnerships in delivering funds with a strong ESG philosophy. For example we also manage the Threadneedle Low-Carbon Workplace Trust which is a partnership between Threadneedle, The Carbon Trust and developer Stanhope plc.

The Fund provides investors with the potential to achieve attractive returns from the refurbishment and ownership of low carbon compliant buildings benefiting from the Low Carbon Charter, which is exclusive to the Fund and supported by the Carbon Trust. nn Launched in 2010, LCW was formed to provide an investment vehicle offering exposure to a low carbon workplace UK commercial real estate portfolio, to satisfy the growing demand for low carbon workplaces.

☐ No

Assurance of responses

OA 19	Voluntary	Additional Assessed	General
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OA 19.1

Indicate whether your reported information has been reviewed, validated and/or assured by internal and/or external parties.

☒ Yes

OA 19.2

Indicate who has reviewed, validated and/or assured your reported information.

- ☐ Reviewed by Board, CEO, CIO or Investment Committee
- ☒ Validated by internal audit or compliance function
- ☒ Assured by an external independent provider, specify name

PWC

OA 19.3

Describe the steps you have taken to review, validate and/or assure the content of your reported information.

The contents of this specific report have not been assured however our Governance and Responsible Investment team, activities and controls are subject to regular review by our external auditors. Threadneedle has obtained an independent assurance Opinion on our stewardship and voting process. The scope of this Opinion includes assurance on our application of Principles 1, 2, 4, 6 and 7 of the UK Stewardship Code, in line with the AAF 01/06 framework. Our Stewardship policies and practices will be subject to a regular, independent (AAF 01/06 equivalent) audit at least every three years as part of our ISAE 3402 arrangements. ISAE 3402 is referenced, reflecting the fact that our parent company, Ameriprise Financial Inc., is regulated under US law.

☐ No

Threadneedle Asset Management Ltd

Reported Information

Public version

Direct - Listed Equity Incorporation

PRI disclaimer

This document presents information reported directly by signatories. This information has not been audited by the PRI Secretariat or any other party acting on their behalf. While this information is believed to be reliable, no representations or warranties are made as to the accuracy of the information presented, and no responsibility or liability can be accepted for any error or omission.

Overview

LEI 01	Mandatory to Report Voluntary to Disclose	Gateway/Peering	PRI 1
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LEI 01.1

Provide a breakdown of your internally managed listed equities by passive, quantitative, fundamental and other active strategies. For strategies that account for less than 10% of your internally managed listed equities, indicate if you would still like to report your activities.

Strategies

- ☐ Passive
- ☐ Active – quantitative (quant)
- ☒ Active – fundamental and other active strategies

% of internally managed listed equities

- ☐ <10%
- ☐ 10-50%
- ☒ >50%

LEI 02	Voluntary	Descriptive	PRI 1
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LEI 02.1

Provide a brief overview of how you incorporate ESG issues into listed equity investments.

Threadneedle incorporates ESG into equity investments through ESG integration and engagement. Our equity teams aim to invest in well run companies with sustainable business models. Integral to this approach is the belief that well managed and governed companies are better positioned to handle the risks and challenges inherent in business and to capture opportunities that help deliver sustainable value and returns for our clients. We take the time to understand businesses and their business' plans as we assess a business. In developing that understanding we therefore take into account its approach to managing environmental, social and governance (ESG) issues, as well as any controversies that have arisen.

We believe that effective stewardship benefits companies, our clients and the economy as a whole. Seeking to improve corporate practice, mitigate risks and understand related opportunities is central to our stewardship and responsible investment approach. Our fund managers, analysts and GRI team work collaboratively to monitor and engage with the companies we invest in. We also believe that active voting is an important aspect of this and in influencing corporate behaviour.

Our Governance and Responsible Investment team is an integral part of our investment capability and works with the fund managers and analysts to help integrate material ESG analysis into our investment approach. Our assessment of companies includes their approach to and management of ESG issues. As part of this, we reference and draw on the guidelines of both the UN Global Compact and the OECD guidelines for multinational enterprises in our research. This approach combines best-in-class considerations, reviews of controversies and company specific and our assessment of the strengths, weaknesses, opportunities and threats of companies ESG practices, taking account of the context, industry and overall performance of the business.

ESG incorporation in actively managed listed equities

Implementation processes

LEI 03	Mandatory	Gateway/Core Assessed	PRI 1
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LEI 03.1	Indicate (1) which ESG incorporation strategy and/or combination of strategies you apply to your actively managed listed equities and (2) the breakdown of your actively managed listed equities by strategy or combination of strategies.
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ESG incorporation strategy (select all that apply)

- ☐ Screening alone (i.e. not combined with any other strategies)
- ☐ Thematic alone (i.e. not combined with any other strategies)
- ☒ Integration alone (i.e. not combined with any other strategies)

Percentage of active listed equity to which the strategy is applied - you may (estimate +/- 10%)	<div> <div></div> <div>%</div> </div> 92
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- ☒ Screening + Integration strategies

Percentage of active listed equity to which the strategy is applied - you may (estimate +/- 10%)	<div> <div></div> <div>%</div> </div> 8
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- ☐ Thematic + integration strategies
- ☐ Screening + thematic strategies
- ☐ All three strategies combined
- ☐ No incorporation strategies applied

Total actively managed listed equities
--

100%

LEI 03.2	Describe your primary reasons for choosing a particular ESG incorporation strategy.
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Threadneedle's focus is ESG integration as we believe that incorporating ESG criteria will enable fund managers to make better informed investment decisions. Individuals and teams make their own investment decision but ESG forms part of the the assessment. The strategy, however, ensures substantial dialogue between the GRI team, fund managers and analysts and contributes to understanding of risks and opportunities on a stock, sector or theme.

We manage about 8% of AUM on segregated mandates which in addition to our ESG integration have specific screens to exclude investment on the basis of the client's needs.

The only non-investment policy that we apply across all AUM is our non-investment in Controversial Weapons policy

LEI 03.3

Where assets are managed using a combination of ESG incorporation strategies, briefly describe how these combinations are used. [Optional]

We manage approximately 8% of our AUM in segregated mandates with defined ESG screening or enhanced integration and engagement strategies. The rest of our assets (92%) benefit from our ESG integration approach with the only negative screen applied relating to our controversial weapons policy.

LEI 04**Voluntary****Additional Assessed****PRI 1****LEI 04.1**

Indicate what ESG information you use in your ESG incorporation strategies and who provides this information.

Type of ESG information

- ☒ Raw ESG company data

Indicate who provides this information

- ☐ ESG research provider
- ☐ Sell-side
- ☒ In-house – specialised ESG analyst or team
- ☐ In-house – analyst or portfolio manager
- ☒ Company-related analysis or ratings

Indicate who provides this information

- ☒ ESG research provider
- ☒ Sell-side
- ☒ In-house – specialised ESG analyst or team
- ☒ In-house – analyst or portfolio manager
- ☒ Sector-related analysis or ratings

Indicate who provides this information

- ☒ ESG research provider
- ☒ Sell-side
- ☒ In-house – specialised ESG analyst or team
- ☒ In-house – analyst or portfolio manager
- ☒ Country-related analysis or ratings

Indicate who provides this information

- ☒ ESG research provider
- ☒ Sell-side
- ☒ In-house – specialised ESG analyst or team
- ☒ In-house – analyst or portfolio manager
- ☐ Screened stock list
- ☒ ESG issue-specific analysis or ratings

Indicate who provides this information

- ☒ ESG research provider
- ☒ Sell-side
- ☒ In-house – specialised ESG analyst or team
- ☒ In-house – analyst or portfolio manager
- ☐ Other, specify

LEI 04.2

Provide a brief description of the ESG information used, highlighting any differences of sources of information across your ESG incorporation strategies.

Sources of Information to the Governance and Responsible Investment team:

- Company data and dialogue including traditional and sustainability reporting
- Brokers focused on ESG research
- External ESG rating provider: MSCI ESG research
- Corporate governance database: BoardEx
- Accountancy research: GMI
- Proxy voting related governance research: MSCI ISS
- CDP Data
- Investor Forums
- Bloomberg
- NGOs
- Academia
- News
- National and International government bodies

LEI 04.3

Indicate if you incentivise brokers to provide ESG research.

☒ Yes

LEI 04.4

Describe how you incentivise brokers.

Threadneedle provides commission to brokers that provide critical research for us. We have an externally verified allocation system which is based on the best research. In addition we have follow up conversations with the brokers and other research providers regularly.

☐ No

LEI 05

Voluntary

Additional Assessed

PRI 1

LEI 05.1	Indicate if your organisation has a process through which information derived from ESG engagement and/or (proxy) voting activities is made available for use in investment decision-making.
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☒ Engagement

- ☒ We have a systematic process to ensure the information is made available.
- ☐ We occasionally make this information available.
- ☐ We do not make this information available.

☒ (Proxy) voting

- ☒ We have a systematic process to ensure the information is made available.
- ☐ We occasionally make this information available.
- ☐ We do not make this information available.

LEI 05.2	Additional information. [Optional]
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Threadneedle's investment philosophy and process is built upon research sharing and engagement across the investment department. Company meeting notes, research and analysis are shared with relevant analysts and maintained in a central database as well as an internal Bloomberg research portal that all analysts can access. Joined meetings are held regularly and the GRI team present at investment desk's meetings where there are issues of note to highlight.

ESG information is built into long term stock reviews and this will include relevant engagements and proxy voting activity for consideration.

Proxy voting decisions are made in line with our policy but with input from analysts. This is a valuable way to share experiences and analysis to make the most informed voting decision.

In addition the GRI team produces a weekly internal newsletter that highlights engagement activities and gives details and a discussion of proxy voting for that week. This is shared with the investment department as well as sales teams.

The GRI team also produce a quarterly report on ESG that includes a discussion around proxy voting and engagement examples - this is distributed both internally and externally. The team also screen equity desks conviction lists on a quarterly basis to highlight low ESG ratings, controversies and accounting practices that may be of concern.

(A) Implementation: Screening

LEI 06	Mandatory	Descriptive	PRI 1
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LEI 06.1	Indicate and describe the type of screening you apply to your internally managed active listed equities.
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Type of screening

- ☒ Negative/exclusionary screening

Screened by

- ☒ Product
- ☒ Activity
- ☒ Sector
- ☒ Country/geographic region
- ☒ Environmental and social practices and performance
- ☒ Corporate governance

	Description
	<p>Threadneedle has operated a firm wide non-investment policy in controversial weapons since 2011. This is applied across all equities and fixed income portfolios.</p> <p>In addition we manage segregated mandates that have restrictions based on products, sector, country and ESG issues. However we do not apply these restrictions to non-segregated mandates</p>
	<p><input type="checkbox"/> Positive/best-in-class screening</p> <p><input type="checkbox"/> Norms-based screening</p>

LEI 06.2

Describe how the screening criteria are established, how often the criteria are reviewed and how you notify clients and/or beneficiaries when changes are made.

Controversial Weapons

The list of companies which are excluded from investment is maintained by the GRI team and is reviewed on a semi-annual basis. The review includes the following steps:

- Reviewing the list from MSCI ESG screener on the basis of the involvement as a cluster munitions manufacture, a landmine manufacturer, or if there is any revenue at all from biochemical and nuclear weapons.
- Reviewing the companies online documentation
- Reviewing other public benchmarks such as the Pax Kristi worldwide investment in cluster munitions update

The list of companies are hard coded in our internal risk system sentinel to prevent investment

Segregated Mandates

For segregated mandates the client may provide a list of restricted issuers or alternatively the criteria to be excluded. The compliance department will restrict investments on the basis of this, the GRI team also create exclusion lists in line with an agreed process and criteria for certain clients. Restrictions are coded in sentinel our risk system to prevent investment.

LEI 07	Mandatory	Core Assessed	PRI 1
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LEI 07.1

Indicate which processes your organisation uses to ensure that screening is based on robust analysis.

- ☒ Comprehensive ESG research is undertaken or sourced to determine companies' activities and products.
- ☐ Companies are given the opportunity by you or your research provider to review ESG research on them and correct inaccuracies
- ☐ External research and data used to identify companies to be excluded/included is subject to internal audit by ESG/RI staff, the internal audit function or similar
- ☐ Company ESG information/ratings are updated regularly to ensure that portfolio holdings comply with fund policies
- ☐ A committee or body with representatives independent of the individuals who conduct company research reviews some or all screening decisions
- ☐ A periodic review of the quality of the research undertaken or provided is carried out
- ☐ Other, specify
- ☐ None of the above

LEI 08**Voluntary****Additional Assessed****PRI 1****LEI 08.1**

Indicate which processes your organisation uses to ensure that fund criteria are not breached

- ☒ Checks are performed to ensure that stocks meet the funds' screening criteria. These checks are:
 - ☒ Systematic
 - ☐ Occasional
- ☒ Automated IT systems prevent investment managers from investing in excluded stocks or those that do not meet positive screening criteria.
- ☐ Audits of fund holdings are undertaken regularly by internal audit function
- ☐ Other, specify
- ☐ None of the above

LEI 08.2

If breaches of fund screening criteria are identified - describe the process followed to correct those breaches.

The mandate monitoring department monitor portfolios for breaches. Where a breach has occurred the fund manager and client relationship team will liaise with the client to explain the circumstances of the breach. Follow up action is client specific and will be in line with the client's requirement e.g. divesting as soon as is practically possible, or divestment within a specific timeframe.

(C) Implementation: Integration of ESG issues

LEI 10**Voluntary****Descriptive****PRI 1****LEI 10.1**

Describe how you integrate ESG factors into investment decision making processes.

Threadneedle has had dedicated Governance and Responsible Investment resource since 1998 and currently there are 3 full time analysts focused on ESG research, integration and engagement. The GRI team are part of the investment department and cover both equities and fixed income.

The Threadneedle investment process follows a model of idea generation, research and debate towards implementation. ESG research is integrated into key stages of the investment process, as part of the analysis of long-term, quality investments and is generally a key element of research and debate. The monitoring of

regional focus lists and regular involvement in team discussions helps to identify the most appropriate areas of focus and research.

We believe that incorporating ESG criteria will enable fund managers to make better informed investment decisions. Individuals and teams make their own investment decisions but ESG forms part of the assessment. The strategy however, ensures substantial dialogue between the GRI team and our fund managers and analysts and contributes to understanding of risk and opportunities on a stock, sector and theme. Furthermore this process of dialogue furthers the wider understanding of ESG issues. Main areas of input include:

- Morning meetings
- Stock reviews
- Themes and sector reviews
- Company meetings
- Weekly and ad-hoc updates
- Where appropriate, relevant fund managers participate in ESG related meetings, enhancing their understanding and appreciation of risks and opportunities, and the GRI team participates in mainstream meetings.

LEI 11	Mandatory	Core Assessed	PRI 1
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LEI 11.1	Indicate if E, S and G issues are reviewed while researching companies and/or sectors in active strategies.
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ESG issues	Coverage/extent of review on these issues
Environmental	<input checked="" type="radio"/> We systematically review the potential significance of environmental issues and investigate them accordingly <input type="radio"/> We occasionally review the potential significance of environmental issues and investigate them accordingly <input type="radio"/> We do not review environmental issues
Social	<input checked="" type="radio"/> We systematically review the potential significance of social issues and investigate them accordingly <input type="radio"/> We occasionally review the potential significance of social issues and investigate them accordingly <input type="radio"/> We do not review social issues
Corporate Governance	<input checked="" type="radio"/> We systematically review the potential significance of corporate governance issues and investigate them accordingly <input type="radio"/> We occasionally review the potential significance of corporate governance issues and investigate them accordingly <input type="radio"/> We do not review corporate governance issues

LEI 11.2	Additional information. [Optional]
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Our ESG research aims to assess how companies manage ESG issues both as part of forming a holistic view on the quality of a company's leadership, the potential risks and opportunities of an investment, as well as to inform company dialogue and engagement. This approach combines both best-in-class considerations and company specific analysis, taking account of the context, industry and overall performance of the business. Furthermore the ESG research involves themes of interest. The research primarily takes the form of company specific stock reviews or thematic longer research notes.

LEI 12	Voluntary	Additional Assessed	PRI 1
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LEI 12.1	Indicate which processes your organisation uses to ensure that ESG integration is based on a robust analysis.
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- ☒ Comprehensive ESG research is undertaken or sourced to determine companies' activities and products
- ☐ Companies are given the opportunity by you or your research provider to review ESG research on them and correct inaccuracies
- ☒ Company information and/or ratings on ESG are updated regularly
- ☒ A periodic review of the quality of the research undertaken or provided is carried out
- ☐ Other, specify
- ☐ None of the above

LEI 12.2	Describe how ESG information is held and used by your portfolio managers.
----------	---

- ☒ ESG information is held within centralised databases or tools and it is accessible by all relevant staff
- ☒ ESG information or analysis is a standard section or aspect of all company research notes or industry/sector analysis generated by investment staff
- ☒ Systematic records are kept that capture how ESG information and research was incorporated into investment decisions
- ☐ Other, specify
- ☐ None of the above

LEI 13	Mandatory to Report Voluntary to Disclose	Core Assessed	PRI 1
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LEI 13.1	Indicate into which aspects of investment analysis you integrate ESG information.
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- ☐ (Macro) economic analysis
- ☒ Industry analysis
 - ☐ Systematically
 - ☒ Occasionally
- ☒ Analysis of company strategy and quality of management
 - ☒ Systematically
 - ☐ Occasionally
- ☒ Idea generation
 - ☒ Systematically
 - ☐ Occasionally
- ☐ Portfolio construction
- ☒ Fair value/fundamental analysis
 - ☐ Systematically
 - ☒ Occasionally

LEI 13.2

Indicate which methods are part of your process to integrate ESG information into fair value/fundamental analysis.

- ☐ Adjustments to income forecasts (sales, earnings, cash flows)
- ☐ Adjustments to valuation tools (discount rates, return forecasts, growth rates)
- ☒ Other adjustments to fair value projections, specify

ESG is taken into account as a quality of management factor and can be used to adjust valuations. Fund managers may also make divestment decisions.

- ☐ Other, specify

Outputs and outcomes

LEI 15**Voluntary****Descriptive****PRI 1****LEI 15.1**

Indicate how your ESG incorporation strategies have influenced the composition of your portfolio(s) or investment universe.

- ☐ Screening
- ☒ Integration of ESG issues

Select which of these effects followed your ESG integration:

- ☒ Reduce or prioritise the investment universe
- ☐ Overweight/underweight at sector level
- ☒ Overweight/underweight at stock level
- ☒ Buy/sell decisions
- ☐ Other, specify
- ☐ None of the above

LEI 15.2

Additional information.

ESG considerations can have an impact on the conviction with which we will invest in a stock. This may be reflected in the over-weighting or under-weighting of a position.

In addition we may choose to exit a position on the basis of ESG research, for example based on our quarterly accounting screen analysts reviewed the accounts of one stock and made a decision to exit the position. The company subsequently profit warned the following quarter with a sharp decline in share price.

For segregated mandates the consideration of ESG may also result in the narrowing of a universe as we will deem certain stocks out of scope for that product.

LEI 16**Voluntary****Additional Assessed****PRI 1**

LEI 16.1	Indicate whether your organisation measures how your approach to ESG issues in Listed Equity investments has affected financial and/or ESG performance.
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- ☐ We measure whether our approach to ESG issues impacts funds' financial performance
☐ We measure whether our approach to ESG issues impacts funds' risk or volatility
☐ We measure whether our approach to ESG issues impacts funds' ESG performance
☒ None of the above

LEI 16.2	Describe how you are able to determine these outcomes.
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We attempt to monitor fund manager decisions to invest/divest, and over or underweight stocks on the basis of ESG issues.

LEI 17	Voluntary	Descriptive	PRI 1
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LEI 17.1	Provide examples of ESG issues that affected your investment view and/or performance during the reporting year.
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- ☒ ESG issue 1

ESG issue and explanation
Proxy voting research on one Indian stock highlighted concerns around capital authorities and leveraging risk.
ESG incorporation strategy applied
<input type="checkbox"/> Screening <input checked="" type="checkbox"/> Integration <input type="checkbox"/> Combination of ESG incorporation strategies
Impact on investment decision or performance
Fund manager increased underweight position

- ☒ ESG issue 2

	ESG issue and explanation
Threadneedle has been engaging with a European chemicals company, where we are a significant shareholder, for a number of years on their ESG strategy, performance and disclosure.	
	ESG incorporation strategy applied
<input type="checkbox"/> Screening <input checked="" type="checkbox"/> Integration <input type="checkbox"/> Combination of ESG incorporation strategies	
	Impact on investment decision or performance
In 2014 the company joined the UN Global Compact. We view this favourably and consider it to be a response to shareholder concern. We remain one of the top shareholders in the company.	

- ☐ ESG issue 3
☐ ESG issue 4
☐ ESG issue 5

Communication

LEI 18	Mandatory	Core Assessed	PRI 2,6
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LEI 18.1	Indicate if your organisation proactively discloses information on your approach to ESG incorporation in listed equity.
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- ☒ We disclose it publicly

	Provide URL
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<http://www.threadneedle.co.uk/en/Intermediary/Funds/Investment-Capabilities/Governance-and-Responsible-Investment/>

LEI 18.2	Indicate if the information disclosed to the public is the same as that disclosed to clients/beneficiaries.
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- ☒ Yes

LEI 18.3	Indicate the information your organisation proactively discloses to clients/ beneficiaries and the public regarding your approach to ESG incorporation.
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- ☐ Broad approach to ESG incorporation
☒ Detailed explanation of ESG incorporation strategy used

LEI 18.4

Indicate how frequently you typically report this information.

- ☒ Quarterly or more frequently
- ☐ Between quarterly and annually
- ☐ Less frequently than annually
- ☐ Other, specify
- ☐ No
- ☐ We disclose it to clients and/or beneficiaries only
- ☐ We do not proactively disclose it to the public and/or clients/beneficiaries

LEI 18.7

Additional information. [Optional]

Certain clients will receive additional reporting as per their requirements.

Threadneedle Asset Management Ltd

Reported Information

Public version

Direct - Listed Equity Active Ownership

PRI disclaimer

This document presents information reported directly by signatories. This information has not been audited by the PRI Secretariat or any other party acting on their behalf. While this information is believed to be reliable, no representations or warranties are made as to the accuracy of the information presented, and no responsibility or liability can be accepted for any error or omission.

Engagement

Overview

LEA 01	Voluntary	Descriptive	PRI 2
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LEA 01.1	Provide a brief overview of your organisation's approach to engagement.
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We believe in the importance of being active and responsible owners. The moral hazard of boards and managements without effective shareholder oversight has resulted in various examples of destruction of shareholder value. As a result, targeted engagement on ESG issues forms part of our stewardship activities, both as part of and extending our on-going dialogue with companies. We believe that actively making voting decisions in general meetings is an important right which we exercise actively, and in collaboration with fund managers. Our engagement is thus an extension of our investment process and service to clients.

Building on our ESG integration and the collaboration between investment teams, the engagement framework covers a broad range of environmental, social and governance (ESG) issues. Prioritisation, planning and the scope for collaboration are important factors in shaping our engagement objectives and activities. The decision to intervene is prioritised based on our assessment of the significance of issues to the company, the risks to our clients, relative holdings, scope to effect change, opportunities to collaborate. Given the fragmented nature of shareholder ownership we seek to work with our colleagues through industry networks and associations such as the UN sponsored PRI and the Association of British Insurers.

We prefer to engage in private but may use the public voice. We prefer to carry out our engagement activities in confidence, to enable honest, open and frank discussions to take place with the companies we invest in. Nevertheless, where appropriate, we will discuss stewardship issues with other shareholders of a company. There are also occasions, on matters that are public, where we will make our views and concerns known publicly. This may be through attendance at a company's general meeting, or in the context of a requisitioned resolution or general meeting. In exceptional circumstances, where we decide that it is necessary and appropriate, we may comment publicly about a controversial situation at a company. This will generally be in a situation where engagement has proven ineffective in addressing concerns or high profile, event driven controversies.

LEA 02	Mandatory	Gateway	PRI 1,2,3
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LEA 02.1	Indicate your reasons for interacting with companies on ESG issues and indicate who carries out these interactions.
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Type of engagement	Reason for interaction
Individual/Internal staff engagements	<input checked="" type="checkbox"/> To support investment decision-making (e.g. company research) <input checked="" type="checkbox"/> To influence corporate practice (or identify the need to influence) on ESG issues <input checked="" type="checkbox"/> To encourage improved ESG disclosure <input checked="" type="checkbox"/> Other, specify On strategy where appropriate Thematic engagement <input type="checkbox"/> We do not engage via internal staff
Collaborative engagements	<input checked="" type="checkbox"/> To support investment decision-making (e.g. company research) <input checked="" type="checkbox"/> To influence corporate practice (or identify the need to influence) on ESG issues <input checked="" type="checkbox"/> To encourage improved ESG disclosure <input checked="" type="checkbox"/> Other, specify Thematic engagement <input type="checkbox"/> We do not engage via collaborative engagements
Service provider engagements	<input type="checkbox"/> To support investment decision-making (e.g. company research) <input type="checkbox"/> To influence corporate practice (or identify the need to influence) on ESG issues <input type="checkbox"/> To encourage improved ESG disclosure <input type="checkbox"/> Other, specify <input checked="" type="checkbox"/> We do not engage via service providers

Process

Process for engagements run internally

LEA 03	Mandatory	Core Assessed	PRI 2
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LEA 03.1

Indicate whether your organisation has a formal process for identifying and prioritising engagement activities carried out by internal staff.

☒ Yes

LEA 03.2

Describe how you identify and prioritise engagements.

Prioritisation, planning and the scope for collaboration are important factors in shaping our engagement objectives and activities. Engagement areas are identified in a number of ways; such as through our quarterly screening and monitoring of preferred holdings, via the proxy voting process, stock reviews and company events.

The decision to intervene is prioritised based on our assessment of the significance of issues to the company, the risks to our clients, relative holdings, scope to effect change, opportunities to collaborate.

☐ No

LEA 04	Mandatory	Core Assessed	PRI 2
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LEA 04.1	Indicate if you define specific objectives for your engagement activities.
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- ☒ Yes
- ☒ Yes, for all engagement activities
 - ☐ Yes, for the majority of engagement activities
 - ☐ Yes, for a minority of engagement activities
- ☐ No

LEA 04.2	Indicate if you monitor the actions that companies take following your engagements.
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- ☒ Yes
- ☐ Yes, in all cases
 - ☒ Yes, in the majority of cases
 - ☐ Yes, in the minority of cases

LEA 04.3	Describe how you monitor and evaluate the progress of your engagement activities.
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Threadneedle maintains records of our engagements which serve as a means of monitoring progress. Through our research sharing platform we maintain records of company meetings which are distributed to the investment department.

We conduct quarterly screening of our preferred holdings where we will actively review companies the performance of companies with which we have engaged with.

We also maintain watch lists within Bloomberg and ISS Proxy Exchange. The latter allows us to review performance where there have been ESG concerns and to reflect this in our proxy voting research and subsequent action.

Regular meetings with companies also serve to update us on progress. We recognise that some of the issues that we engage on are longer term themes and change can therefore take a number of years.

☐ No

Process for engagements conducted via collaborations

LEA 05	Mandatory	Core Assessed	PRI 2
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LEA 05.1	Indicate whether your organisation has a formal process for identifying and prioritising collaborative engagements.
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☒ Yes

LEA 05.2

Describe how you identify and prioritise collaborative engagements.

Threadneedle are active in the PRI Clearinghouse and we therefore monitor engagements underway. Likewise in our other member organisations we will be informed of collaborative initiatives.

When deciding to undertake a collaborative engagement the GRI team will first review the proposed engagement in the context of our GRI policy and approach, as well as our exposure to the issue or company. A decision will then be taken within the team and where relevant with the appropriate equity desk or analysts to join the initiative.

We will only join initiatives where the interests of our clients are aligned with the wider group and there is a common purpose.

☐ No

LEA 05.3

Additional information.[Optional]

This year Threadneedle has been steering group member and a lead investor in the PRI's Employee Relations and Fracking engagements, as well as joining the PRI water risks engagement. We continue to work collaboratively on a number of governance collaborative engagements most notably in relation to accounting.

LEA 06**Mandatory****Core Assessed****PRI 2****LEA 06.1**

Indicate if the collaborative engagements in which you are involved have defined objectives.

☒ Yes

- ☒ Yes, for all collaborative engagement activities
- ☐ Yes, for the majority of collaborative engagement activities
- ☐ Yes, for a minority of collaborative engagement activities

☐ No

LEA 06.2

Indicate if you monitor the actions companies take following your collaborative engagements.

☒ Yes

- ☒ Yes, in all cases
- ☐ Yes, in the majority of cases
- ☐ Yes, in the minority of cases

LEA 06.3

Describe how you monitor and evaluate the progress of your collaborative engagement activities.

As part of the engagements we maintain records of the companies we have engaged with and any outcomes arising. By virtue of the collaborative engagement there are regular opportunities to review and present outcomes to the wider group.

☐ No

General processes for all three groups of engagers

LEA 09	Voluntary	Additional Assessed	PRI 1,2
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LEA 09.1	Indicate if the insights gained from your engagements are shared with your internal or external investment managers as input for consideration in investment decisions.
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Type of engagement	Insights shared
Individual/Internal staff engagements	<input checked="" type="radio"/> Yes, systematically <input type="radio"/> Yes, occasionally <input type="radio"/> No
Collaborative engagements	<input checked="" type="radio"/> Yes, systematically <input type="radio"/> Yes, occasionally <input type="radio"/> No

LEA 09.2	Additional information.
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Engagement research forms part of company research. Meeting notes are circulated to relevant analysts and fund managers and are maintained on the investment department's central database. Engagements are also reviewed as part of ESG stock reviews and when making voting decisions.

LEA 10	Mandatory	Gateway/Core Assessed	PRI 2
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LEA 10.1	Indicate if you track the number of engagements your organisation participates in.
----------	--

Type of engagement	Tracking engagements
Individual / Internal staff engagements	<input checked="" type="radio"/> Yes, we track the number of our engagements in full <input type="radio"/> Yes, we partially track the number of our engagements <input type="radio"/> No, we do not track our engagements but can provide a reasonable estimate of our engagement numbers <input type="radio"/> No, we do not track and cannot estimate our engagements
Collaborative engagements	<input checked="" type="radio"/> Yes, we track the number of our engagements in full <input type="radio"/> Yes, we partially track the number of our engagements <input type="radio"/> No, we do not track our engagements but can provide a reasonable estimate of our engagement numbers <input type="radio"/> No, we do not track and cannot estimate our engagements

Outputs and outcomes

LEA 11	Mandatory to Report Voluntary to Disclose	Core Assessed	PRI 2
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LEA 11.1

Indicate the number of companies with which your organisation engaged during the reporting year.

	Number of companies engaged (avoid double counting, see explanatory notes)
Individual / Internal staff engagements	131
Collaborative engagements	16

LEA 11.2

Indicate what percentage of your engagements were comprehensive during the reporting year. [Optional]

Type of engagement	% Comprehensive engagements
Individual / Internal staff engagements	<input type="radio"/> > 50% <input checked="" type="radio"/> 10-50% <input type="radio"/> <10% <input type="radio"/> None
Collaborative engagements	<input checked="" type="radio"/> >50% <input type="radio"/> 10-50% <input type="radio"/> <10% <input type="radio"/> None

LEA 11.3

Indicate what percentage of your collaborative engagements you were a leading organisation on during the reporting year. [Optional]

Type of engagement	% Leading role
Collaborative engagements	<input checked="" type="radio"/> >50% <input type="radio"/> 10-50% <input type="radio"/> <10% <input type="radio"/> None

LEA 12**Voluntary****Additional Assessed****PRI 2****LEA 12.1**

Indicate if your engagements in the reporting year covered E, S and/or G issues.

Type of engagement	Coverage
Individual / Internal staff engagements	<input checked="" type="checkbox"/> Environmental <input checked="" type="checkbox"/> Social <input checked="" type="checkbox"/> Corporate Governance <input type="checkbox"/> We do not track this information
Collaborative engagements	<input checked="" type="checkbox"/> Environmental <input checked="" type="checkbox"/> Social <input checked="" type="checkbox"/> Corporate Governance <input type="checkbox"/> We do not track this information

LEA 12.2

Provide an estimated breakdown by E, S and/or G issues.

Individual / Internal staff engagements

% Environmental only

1

% Corporate Governance only

56

% Overlapping ESG issues

44

100%

Collaborative engagements

% Social only

52

% Overlapping ESG issues

48

100%

LEA 12.3	Additional information.
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We note that for a number of companies we have had multiple engagements of varying intensity. For collaborative engagements and thematic engagements we do not track letters sent to companies, only meetings held as a follow up. There are also a number of engagements/company dialogues that we do not track, for example during the year our Head of Governance and Responsible Investment presented to audit committee chairmen on our views on audit quality and the role of the audit committee which we do not capture in our figures.

LEA 13	Voluntary	Descriptive	PRI 2
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LEA 13.1	Indicate whether you have a reliable estimate of the number of cases during the reporting year where a company has changed its practices, or made a commitment to do so, following your organisation's and/or your service provider's engagement activities.
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☒ Yes

LEA 13.2	Indicate the number of companies that changed or committed to change in the reporting year following your organisation's and/or your service provider's engagement activities.
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	Number of company changes or commitments to change
Individual / Internal staff engagements	20
Collaborative engagements	10

☐ No

LEA 13.3	Additional information.
-----------------	-------------------------

Engagement is an on-going, often multi-year, process and as such we have difficulty recording progress within a certain timeframe. However we regularly update our records where we note progress has been made or a commitment to do so. The above engagements are therefore estimated numbers.

LEA 14	Voluntary	Descriptive	PRI 2
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LEA 14.1	Provide examples of the engagements that your organisation carried out during the reporting year.
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☒ Add Example 1

Topic or ESG issue	ESG process
Conducted by	<input checked="" type="checkbox"/> Individual / Internal <input type="checkbox"/> Collaborative
Objectives	Long-term engagement process understand its ESG processes and structures
Scope and Process	<p>Merlin Entertainment carried out its initial public offering on the stock exchange in October 2013. As the firm is a newly listed company coming out of private equity, we have undertaken a long-term engagement process with it to understand its ESG processes and structures. The company was very willing to engage, and through meetings with both the board and the senior management, as well as the people responsible for sustainability, we have been in a constructive twoway dialogue. In addition, we went on a site visit to the firm's London Aquarium Sealife attraction to see its policies in practice. Merlin has a strong health-and-safety culture, including a board-level health-and-safety oversight committee. The firm also has a major focus on community outreach through its Magic Wand programme, which provides free outings to the company's attractions for seriously ill, disabled and disadvantaged children, as well as providing play areas in children's hospitals.</p>
Outcomes	<p>Following our engagement, the company has committed to developing a corporate-responsibility structure and programme through its head of product excellence, as well as to a greater focus on environmental management, such as energy efficiency, water use and waste management. Importantly, Merlin recognises that there are examples of best-in-class practice across the group that they can learn from and better communicate to external stakeholders. We will continue to engage with the company, monitor progress and be a constructive partner.</p>

☒ Add Example 2

Topic or ESG issue	AstraZeneca and the Pfizer takeover approach
Conducted by	<input checked="" type="checkbox"/> Individual / Internal <input type="checkbox"/> Collaborative
Objectives	Engage with Astrazeneca's board on ESG issues
Scope and Process	<p>After first contact in November 2013, Pfizer made an initial indicative approach to AstraZeneca to make an offer for the company in January of this year. That process was rapidly bogged down in what was characterised as a refusal by AstraZeneca to talk to Pfizer. As the headline number bandied around by Pfizer went from £46.61 a share to £50 a share and finally to £55 a share, the disconnection between the press headlines and the underlying nature of the talks taking place became ever more apparent.</p> <p>Amid the furore surrounding Pfizer's approach to AstraZeneca and in the latter part of the process, we made a public statement to the effect that "as longterm shareholders, we continued to be supportive of the AstraZeneca board". This merits some explanation. Our position and statement of support for the board of AstraZeneca was not a rejection of the possibility of a deal, but rather an endorsement of how, in contrast to the press coverage, we thought the AstraZeneca board had actually been handling the approach from Pfizer.</p> <p>The prospective transaction was surrounded by considerable "noise", as well as press reporting that appeared to have been partly orchestrated against AstraZeneca (i.e. suggesting that the board was being unduly intransigent, would not engage and was seeking to sabotage a bid). As you would expect, the underlying issues and dynamic were discussed and reviewed directly with AstraZeneca's chairman, Leif Johansson. It was our view that the criticisms being made did not fairly reflect what was happening, as we saw it, between the two companies, and we felt that there was merit in making the statement.</p> <p>The intended transaction would have been a complicated and contentious one, with significant issues surrounding it, including multi-jurisdictional political, tax and regulatory issues, as well as the attendant timeframes and uncertainties they implied. Such issues can have material implications for the assessment of an offer, the attendant risks and the clarifications and assurances required. This is particularly true where the consideration is other than in cash, as it was in this case. We expect boards to consider and engage on approaches that are made on the basis of both shareholders' best interests and proper due diligence, particularly before making a recommendation. Where boards are seeking to do so, we are inclined to support them, which is the position we took in relation to AstraZeneca.</p>
Outcomes	Our discussions with AstraZeneca have continued as the business's plans and strategy remain of considerable interest.

☒ Add Example 3

Topic or ESG issue	Employee Relations in Retail
Conducted by	<input type="checkbox"/> Individual / Internal <input checked="" type="checkbox"/> Collaborative
Objectives	<p>The purpose of the engagement is to research and engage with a global selection of companies operating in the retail sector regarding their management of labour given we consider this to be a material factor for these companies. Carnstone a research house commissioned by the PRI has identified a group of 40 companies which we will engage with - based on market cap, employee numbers and level of disclosure and performance against a range of labour indicators.</p>
Scope and Process	<p>Threadneedle has been a lead investor in PRI-facilitated collaborative investor engagement on employee relations since January 2013. The purpose of this employee relations engagement is to research and engage with a global selection of companies operating in the retail sector regarding their management of labour, as we consider this to be a material factor in these companies' performance and competitive advantage. There are currently 23 supporting investors, representing US\$1.3 trillion. Academic research has demonstrated that consideration of issues related to human capital has an impact on investment performance.</p> <p>The group has regular calls and investors are invited to join company engagement meetings. During 2014 we engaged with 8 retailers as part of this process.</p>
Outcomes	<p>The academic research and findings to date from this collaborative engagement indicate that successful business models are built through a management focus on both business and employee metrics. Successful retail models are built around delivering customer satisfaction. The companies we have spoken to suggest that customer satisfaction and store performance are positively correlated to employee-engagement scores. We are therefore seeing this renewed focus on employee engagement as a driver of customer satisfaction in UK supermarket retailers. In our conversations with companies, we encouraged greater disclosure around this link to the value created from improving employee engagement.</p> <p>Training is another theme that has been raised during the engagement. Evolving consumer preferences and the multi-channel strategy of retailers is changing the skillset needed in employees, as well as requiring investment in specific skillsets like pharmacy and upskilling for advancing areas like technology for online retail. Training is seen as an important way to engage employees and improve the customer experience.</p> <p>Cross-training of employees was flagged in our research and by retailers as correlating highly to employee and consumer satisfaction. Having a variety of tasks improves skillsets for employees, which is a motivating factor. For the retailer, meanwhile, it has the added benefit of increasing productivity with lower costs. We also note companies citing a changing workforce with demands for more flexibility. There can be performance benefits to this improved flexibility, given the impact on employee satisfaction.</p> <p>Disclosure of performance indicators related to employee issues remains weak, however. Speaking with companies in the UK, US and emerging markets, we have found that there is reluctance to be first movers in improving transparency on key performance indicators given competition concerns. We recognise that there is a balance to be met in providing investors, employees and stakeholders with meaningful data while also protecting these commercial interests, but we are seeking some consistent disclosure on KPIs such as employee turnover, training, engagement, pay and working practices. The collaborative engagement's success in improving disclosure will be evaluated during the course of 2015.</p>

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☒ Add Example 4

Topic or ESG issue	ESG in the Oil and Gas Sector
Conducted by	<input checked="" type="checkbox"/> Individual / Internal <input type="checkbox"/> Collaborative
Objectives	In the final quarter of 2014 we engaged with a number of oil and gas companies around ESG issues in the context of a falling oil price and the debate over stranded assets.
Scope and Process	We reached out to a number of oil and gas players - Shell, Anadarko Petroleum, Suncor Energy, BP and Tullow Oil during Q4.
Outcomes	<p>A key finding was that operational health and safety, regulatory pressure and human-rights issues continue to challenge these businesses.</p> <p>Tullow Oil, for example, has seen deterioration in its operational metrics and as such we requested a call with the company to understand these challenges. On a positive note, Tullow has appointed a new individual to bring together the areas of environment, health and safety, community relations and government affairs, and to improve performance. The company has had to intervene on its assets in Kenya and Ethiopia, because of concerns over health and safety. In Ghana, Tullow has suffered from delays to a gas plant that should have been built and operated by the local Ghanaian government oil company; as a result, Tullow has had to flare substantial amounts of gas. The company is looking to develop an environmental-emissions policy in 2015 and has also invested in community relations and managing expectations following a security breach in October 2013.</p> <p>BP is clearly in a state of change and met with shareholders this quarter to reflect on the challenges for the future. The company is grappling with a low oil price and a changing business model. While it does not yet see substantial demand pressures, it does accept that low carbon-mobility could be a truly disruptive technology. Similarly to Tullow, the company highlights human rights related challenges and work force management as the likely major issues to tackle for the future.</p> <p>Suncor, meanwhile, has engaged with us about the impact that regulation is having on its cost base. Alberta in Canada has put a price on carbon and tightened water regulations to require water treatment by 2021. As a result, Suncor and other industry players are investing in water treatment. Suncor, similarly to BP and Tullow also mention the issue of human rights and note that community relations continue to be a priority focus. Overall, Suncor does set targets on environmental and social issues, and we are encouraged that the company is revising its goals for 2015.</p>

☒ Add Example 5

Topic or ESG issue	
Conducted by	<input type="checkbox"/> Individual / Internal <input type="checkbox"/> Collaborative
Objectives	
Scope and Process	
Outcomes	

- ☐ Add Example 6
- ☐ Add Example 7
- ☐ Add Example 8
- ☐ Add Example 9
- ☐ Add Example 10

Communication

LEA 15

Mandatory

Core Assessed

PRI 2,6

LEA 15.1

Indicate whether your organisation proactively discloses information on its engagements.

- ☒ We disclose it publicly

provide URL

<http://www.threadneedle.com/en/Investment-Capabilities/Governance-and-Responsible-Investment/>

LEA 15.2

Indicate if the information disclosed to the public is the same as that disclosed to clients/beneficiaries.

- ☐ Yes
- ☒ No

LEA 15.3

Indicate what engagement information your organisation proactively discloses to the public.

- ☒ Details of the selections, priorities and specific goals of engagement
- ☒ Number of engagements
- ☐ Breakdown of engagements by type/topic
- ☐ Breakdown of engagements by region
- ☐ An assessment of the current status of the engagement
- ☒ Outcomes that have been achieved from the engagement
- ☐ Other information

LEA 15.4

Indicate how frequently you typically report engagements information to the public.

- ☐ Disclosed continuously (prior to and post engagements)
- ☒ Disclosed quarterly
- ☐ Disclosed annually
- ☐ Disclosed every two years or less
- ☐ Other, specify

LEA 15.5

Indicate what engagement information your organisation proactively discloses to clients/beneficiaries.

- ☒ Details of the selections, priorities and specific goals of engagement
- ☒ Number of engagements
- ☒ Breakdown of engagements by type/topic
- ☐ Breakdown of engagements by region
- ☐ An assessment of the current status of the engagement
- ☒ Outcomes that have been achieved from the engagement
- ☐ Other information

LEA 15.6

Indicate how frequently you typically report engagements information to clients/beneficiaries.

- ☐ Disclosed continuously (prior to and post engagements)
- ☒ Disclosed quarterly
- ☐ Disclosed annually
- ☐ Disclosed every two years or less
- ☐ Other, specify

LEA 15.7

Describe any other differences in the information being disclosed. [Optional]

In our quarterly reports to the public we will also include case studies of engagements.

- ☐ We disclose it to clients and/or beneficiaries only
- ☐ We do not proactively disclose it to the public and/or clients/beneficiaries.

(Proxy) voting and shareholder resolutions

Overview

LEA 16	Voluntary	Descriptive	PRI 2
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LEA 16.1

Provide a brief overview of your organisation's approach to (proxy) voting (including the filing and/or co-filing of shareholder resolutions if applicable).

Proxy voting is managed by the Governance and Responsible Investment team. We actively vote all markets globally and voted at 1,775 meetings during 2014, with dissent votes submitted at 45% of meetings.

We believe that active voting is an important tool in exercising our fiduciary duties and influencing corporate behaviour. We will actively vote all our holdings where we are entrusted with the voting rights regardless of size.

Our global voting activities encompass all markets, with our initial voting analysis and assessments benchmarked against the corporate governance principles set out in our proxy voting policy. These are maintained to provide consistency and context in both our internal discussions and discussions with companies and are written bearing in mind the OECD guidelines on corporate governance. Where relevant and appropriate we aim to raise our voting issues with companies ahead of the General Meeting.

In making our final voting decisions we will have regard to any company specific context and clarifications, as well as local market standards. Equally we are mindful of the role proxy voting has in promoting good standards of corporate governance and signalling areas of potential concern and sensitivity about a company's practices.

We publically disclose our proxy voting policy as well as our voting decisions online via www.threadneedle.com

Process

LEA 17	Mandatory	Descriptive	PRI 2
--------	-----------	-------------	-------

LEA 17.1

Indicate how you typically make your (proxy) voting decisions and what this approach is based on.

Approach

- ☐ We use our own research or voting team and make our own voting decisions without the use of service providers.
- ☒ We hire service provider(s) which make voting recommendations or provide research that we use to inform our voting decisions.

Based primarily on

- ☐ the service provider voting policy signed off by us
- ☒ our own voting policy
- ☐ our clients requests or policy
- ☐ other, explain
- ☐ We hire service provider(s) which make voting decisions on our behalf, except for some pre-defined scenarios for which we review and make voting decisions.
- ☐ We hire service provider(s) which make voting decisions on our behalf.

LEA 17.2	Additional information.[Optional]
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The GRI team uses custom proxy voting policies to benchmark voting against our own default policy position. In addition we have access to proxy voting research produced by ISS and, for UK company meetings, by the Investment Association's IVIS service. This research serves as an additional input and check on our voting analysis and decision making, not least in helping to ensure we haven't missed any potential issues.

We actively review all meetings of companies held within the strategy, form our own recommendations and make vote decisions in conjunction with the fund managers.

The GRI team have responsibility for proxy voting research and analysis with vote execution outsourced to our back office teams at JPMorgan and HSBC.

LEA 19	Voluntary	Descriptive	PRI 2
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LEA 19.1	To ensure that your (proxy) votes are cast and reach their intended destination on time, indicate if you did the following.
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- ☐ Obtain confirmation that votes have been received by the company:
- ☒ Participate in projects to improve the voting trail and/or to obtain vote confirmation
- ☐ None of the above

LEA 19.2	Provide additional information on your organisation's vote confirmation efforts.
----------	--

We track if our votes have been rejected by the custodian but recognise the shortcomings in the proxy voting trail in terms of transparency. During 2014 we did contact a number of companies for particularly contentious issues to ensure our votes had been captured accordingly. In the case of one meeting we noted concerning behaviour related to a specific resolution (requirement to revote) and reached out to our peers in other investment houses to encourage them to contact the company directly to ensure their votes were recorded.

LEA 20	Voluntary	Additional Assessed	PRI 2
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LEA 20.1	Indicate if your organisation has a securities lending programme.
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- ☐ Yes
- ☒ No

LEA 20.3	Additional information. [Optional]
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Threadneedle does not currently engage in security lending.

LEA 21	Mandatory	Core Assessed	PRI 2
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LEA 21.1	Indicate if you ensure that companies are informed of the rationale when you and/or the service providers acting on your behalf abstain or vote against management recommendations.
-----------------	---

☐ Yes, in most cases

☒ Sometimes, in the following cases:

☐ votes in selected markets

☒ votes on certain issues (all markets)

☒ votes for significant shareholdings (all markets)

☒ other, explain

Significant shareholdings and when we are initiating engagement or have been engaging with the company

☐ No

☐ Not applicable as we and/or our service providers do not abstain or vote against management recommendations

Outputs and outcomes

LEA 22	Mandatory	Core Assessed	PRI 2
---------------	------------------	----------------------	--------------

LEA 22.1	For listed equities where you and/or your service provider has the mandate to issue (proxy) voting instructions, indicate the percentage of votes cast during the reporting year.
-----------------	---

☒ We do track or collect this information

	Votes cast (to the nearest 1%)
--	--------------------------------

	%
--	---

99

	Specify the basis on which this percentage is calculated
--	--

☒ of the total number of ballot items on which you could have issued instructions

☐ of the total number of company meetings at which you could have voted

☐ of the total value of your listed equity holdings on which you could have voted

LEA 22.2	If there are specific reasons why you did not vote certain holdings, explain these, and if possible, indicate the percentage of holdings affected by these factors. [Optional]
-----------------	--

During 2014 we voted 1775 meetings of a possible 1815, with a combined total of 21,554 resolutions of a potential 21,857. We actively vote all our holdings in every market, of the 40 meetings where we have not submitted a vote this 39 were due to a late ballot being received and in one instance was due to the sale of the stock with the voting rights attached.

☐ We do not track or collect this information

LEA 23	Voluntary	Descriptive	PRI 2
---------------	------------------	--------------------	--------------

LEA 23.1

Indicate if you track the voting instructions that you and/or your third party have issued on your behalf.

☒ Yes, we track this information

LEA 23.2

Of the voting instructions that you and/or third parties have issued on your behalf, indicate the proportion of ballot items that were:

Voting instructions	Breakdown as percentage of votes cast
For (supporting) management recommendations	<div> <div></div> <div>%</div> </div> 90
Against (opposing) management recommendations	<div> <div></div> <div>%</div> </div> 9
Abstentions	<div> <div></div> <div>%</div> </div> 1

100%

LEA 23.3

For the reporting year, describe your approach towards voting on shareholder resolutions.

During 2014 6% of our dissent votes were registered in favour of a shareholder resolution. The US accounted for 90% of the 128 shareholder resolutions that we supported during the year. Environmental and social issues were less prevalent on the ballots this year, accounting for 17% of the shareholders resolutions that we supported. The majority of our votes supported calls to improve reporting on political lobbying and contributions, establish improved governance practices such as "one share one vote", and amend by-laws related to the right to call special meetings and allow for the right to act by written consent. We also supported calls for independent chairmen and improved remuneration practices.

☐ No, we do not track this information

LEA 23.4

Additional information.

During 2014 Threadneedle voted at 1775 meetings, registering our dissent (opposition, abstention or support of a shareholder resolution) against one or more resolutions at 45% of meetings, compared to 39% during 2013.

LEA 24

Voluntary

Descriptive

PRI 2

LEA 24.1

Indicate if your organisation directly or via a service provider filed or co-filed any shareholder resolutions during the reporting year.

- ☐ Yes
☒ No

LEA 25**Voluntary****Descriptive****PRI 2****LEA 25.1**

Provide examples of the (proxy) voting activities that your organisation and/or service provider carried out during the reporting year.

- ☒ Add Example 1

Topic or ESG issue	Merger
Decision made by	<input checked="" type="checkbox"/> Internal staff <input type="checkbox"/> Service provider
Objectives	Assessment of merger
Scope and Process	<p>On November 10th VIZRT entered into a merger agreement with their parent company Nordic Capital. The merger consideration represented a premium of 32.14 percent relative to the closing price of the share on the date prior to the announcement. Looking further back in time, the offer price represents a premium of 23.75 percent relative to the price share 60 days prior to the date of announcement.</p> <p>The GRI team and equity analysts undertook a review of the proposed deal.</p>
Outcomes	We ultimately opposed the deal after careful consideration as we would have preferred a higher price for the deal. It did however pass with 11% of shares registered in opposition.

- ☒ Add Example 2

Topic or ESG issue	Governance practices, mainly anti-takeover mechanisms, and ESG Disclosure
Decision made by	<input checked="" type="checkbox"/> Internal staff <input type="checkbox"/> Service provider
Objectives	Raise concerns around governance practices and track progress on ESG reporting
Scope and Process	<p>2014 has been our third consecutive year engaging with the Airgas on ESG and governance issues, in particular the anti-takeover mechanisms in place. Following the successful deflection of the Air Products takeover attempt in 2011 the Executive Chairman is committed to retaining a classified board structure and poison pill. We speak annually with him about this and while we are sympathetic to the arguments put forward we do believe that when considered alongside the other concerning governance factors (Founder/Executive Chairman, long tenure of board, weak voting rights, and poor board responsiveness) that there are concerns.</p> <p>Our concern is that while we support management there is a risk that the Chairman may become entrenched, removing the ability to be challenged by minority shareholders, as we also lack majority voting rights for director elections. The board directors are long-serving (average 15 years) with him and therefore we do not consider them to be independent. What is very concerning is that the board has not enacted the shareholder resolution to declassify the board structure which has received majority support from shareholders the past few years and are unlikely to do so.</p>
Outcomes	<p>We therefore this year have supported two shareholder resolutions to declassify the board and to introduce majority voting requirements for director elections.</p> <p>On a more positive note the board has responded to the concerns that we have raised around their sustainability practices and established board level oversight of sustainability as well as establishing a sustainability committee made up of managers from across the business.</p>

☒ Add Example 3

Topic or ESG issue	Remuneration
Decision made by	<input checked="" type="checkbox"/> Internal staff <input type="checkbox"/> Service provider
Objectives	Ensure remuneration policy is in shareholders' interests
Scope and Process	<p>We have been engaging with Development Securities since March 2014 when the company initiated a remuneration consultation. The scheme had some positive elements such as the simplification of three schemes into one and extending holding periods.</p> <p>However we had concerns about weak targets and that there was not a focus on delivery of shareholder returns. We engaged with the board but ultimately they refused to introduce more stretching targets.</p>
Outcomes	We therefore opposed the remuneration policy. In addition we opposed the election of director Barry Bennett who joined the board following the acquisition of Cathedral Group given insufficient board independence levels.

☒ Add Example 4

Topic or ESG issue	Legal Structure Change
Decision made by	<input checked="" type="checkbox"/> Internal staff <input type="checkbox"/> Service provider
Objectives	Understand the risks to shareholders as the company transitions to a KGAA structure
Scope and Process	<p>Prior to the CTS Eventim's EGM to approve their transition to a KGaA structure Threadneedle met with the CEO who is also the founder and majority shareholder. We were concerned with the move to a KGaA governance structure as it would allow the CEO to essentially entrench his power by creating a holding company that would control CTS Eventim. The CEO would have full power over this company, effectively reducing shareholder rights. The structure would also remove accountability as minorities would have no vote on the discharge of management or remuneration. From the company's perspective they would be able to raise additional capital that dilutes shareholders, including the majority shareholder, but the position of control would not be impacted.</p> <p>We were disappointed to note that despite significant shareholder dissent the resolution was approved. We attribute this in part to amendments made to the resolution three days prior to voting cut-off which resulted in a proportion of minority votes not being recast in time to be counted. This is an issue we have raised with the company and other investors and we continue to monitor governance at the company.</p>
Outcomes	Following a number of other dialogues with the company we ultimately opposed the resolution. While we support the company strategy and the role that the CEO has played in creating shareholder value, we considered the risk to and dilution of shareholder rights to be excessive.

- ☐ Add Example 5
- ☐ Add Example 6
- ☐ Add Example 7
- ☐ Add Example 8
- ☐ Add Example 9
- ☐ Add Example 10

Communication

LEA 26	Mandatory	Core Assessed	PRI 2,6
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LEA 26.1 Indicate if your organisation proactively discloses information on your voting activities.

- ☉ We disclose it publicly

	provide URL
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<http://www.threadneedle.com/en/Investment-Capabilities/Governance-and-Responsible-Investment/>

LEA 26.2	Indicate if the information disclosed to the public is the same as that disclosed to clients/beneficiaries.
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☒ Yes

LEA 26.3	Indicate the voting information your organisation proactively discloses to the public and/or to clients/beneficiaries.
-----------------	--

	Indicate how much of your voting record you disclose
--	--

- ☒ All voting decisions
- ☐ Some voting decisions
- ☐ Only abstentions and opposing vote decisions
- ☐ Summary of votes only

	Indicate what level of explanation you provide
--	--

- ☐ Explain all voting decisions
- ☐ Explain some voting decisions
- ☐ Only explain abstentions and votes against management
- ☒ No explanations provided

LEA 26.4	Indicate how frequently you typically report voting information.
-----------------	--

- ☐ Continuously (primarily before meetings)
- ☒ Continuously (soon after votes are cast)
- ☐ Quarterly or more frequently
- ☐ Between quarterly and annually
- ☐ Less frequently than annually
- ☐ Other, specify
- ☐ No
- ☐ We disclose it to clients/beneficiaries only
- ☐ We do not proactively disclose our voting activities to the public and/or to clients/beneficiaries

LEA 26.8	Additional information. [Optional]
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We are transparent around our proxy voting activities and disclose our voting decision 14 days after the general meeting. In addition we provide aggregate quarterly statistics as part of our quarterly ESG report with additional commentary and we also produce an annual voting report.

Customised voting reports are available for clients and include examples of voting decision rationales in some reports as required.

Threadneedle Asset Management Ltd

Reported Information

Public version

Direct - Fixed Income

PRI disclaimer

This document presents information reported directly by signatories. This information has not been audited by the PRI Secretariat or any other party acting on their behalf. While this information is believed to be reliable, no representations or warranties are made as to the accuracy of the information presented, and no responsibility or liability can be accepted for any error or omission.

Overview

FI 01	Mandatory to Report	Voluntary to Disclose	Gateway/Peering	PRI 1
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FI 01.1

Provide a breakdown of your internally managed fixed income investments by passive, quantitative, fundamental and other active strategies. For strategies that account for less than 10% of your fixed income investments, indicate if you would still like to report your activities.

Fixed income – corporate

Strategies

☒ Passive

Percentage of internally managed fixed income - corporate

☒ <10%

Report on your strategies that represents <10% of corporate fixed income

☐ Yes

☒ No

☐ 10-50%

☐ >50%

☒ Active – quantitative (quant)

Percentage of internally managed fixed income - corporate

☒ <10%

Report on your strategies that represents <10% of corporate fixed income

☐ Yes

☒ No

☐ 10-50%

☐ >50%

☒ Active - fundamental and other active strategies

Percentage of internally managed fixed income - corporate

☐ <10%

☐ 10-50%

☒ >50%

Fixed income – government

Strategies

☒ Passive

Percentage of internally managed fixed income - government

☒ <10%

Report on your strategies that represents <10% of government fixed income

☐ Yes

☒ No

☐ 10-50%

☐ >50%

☒ Active – quantitative (quant)

Percentage of internally managed fixed income - government

☒ <10%

Report on your strategies that represents <10% of government fixed income

☐ Yes

☒ No

☐ 10-50%

☐ >50%

☒ Active - fundamental and other active strategies

Percentage of internally managed fixed income - government

☐ <10%

☐ 10-50%

☒ >50%

FI 02

Mandatory to Report Voluntary to Disclose

Peering

General

FI 02.1

Provide a breakdown of your internally managed fixed income investments by credit quality.

Credit quality	Fixed Income - Corporate
Investment grade	<input type="radio"/> 0% <input type="radio"/> <10% <input type="radio"/> 10-50% <input checked="" type="radio"/> >50%
High yield	<input type="radio"/> 0% <input type="radio"/> <10% <input checked="" type="radio"/> 10-50% <input type="radio"/> >50%
Distressed	<input type="radio"/> 0% <input checked="" type="radio"/> <10% <input type="radio"/> 10-50% <input type="radio"/> >50%

Credit quality	Fixed Income - Government
Investment grade	<input type="radio"/> 0% <input type="radio"/> <10% <input type="radio"/> 10-50% <input checked="" type="radio"/> >50%
High yield	<input type="radio"/> 0% <input type="radio"/> <10% <input checked="" type="radio"/> 10-50% <input type="radio"/> >50%
Distressed	<input type="radio"/> 0% <input checked="" type="radio"/> <10% <input type="radio"/> 10-50% <input type="radio"/> >50%

FI 02.2

Provide a breakdown of your fixed income investments between primary and secondary market.

Market	Fixed Income - Corporate
Primary market (new issues)	<input type="radio"/> 0% <input type="radio"/> <10% <input checked="" type="radio"/> 10-50% <input type="radio"/> >50%
Secondary market	<input type="radio"/> 0% <input type="radio"/> <10% <input type="radio"/> 10-50% <input checked="" type="radio"/> >50%

Market	Fixed Income - Government
Primary market (new issues)	<input type="radio"/> 0% <input type="radio"/> <10% <input checked="" type="radio"/> 10-50% <input type="radio"/> >50%
Secondary market	<input type="radio"/> 0% <input type="radio"/> <10% <input type="radio"/> 10-50% <input checked="" type="radio"/> >50%

ESG incorporation in actively managed fixed income

FI 03	Voluntary	Descriptive	PRI 1
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FI 03.1	Provide a brief overview of how you incorporate ESG issues in fixed income investments.
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Fixed Income - Corporate

Our expertise and related research capabilities provide us with the platform and resource to enable ESG factors and risks to be examined within the fixed income asset class, with particular emphasis on corporate debt. The relationship between creditors and issuers is notably different from that between shareholders and issuers, and the use of ESG criteria in the fixed income market is a newer, developing area.

The ability to engage with companies is limited with no voting rights and less frequent access to management. However ESG issues and analysis are relevant in the context of considering the creditworthiness of an issuer. Furthermore there is scope, where appropriate, for dialogue and questions to management in analyst meetings. To the extent that it is available ESG research is included in credit notes in a similar way to equities through MSCI ESG sourced ratings, issuer reviews and sector research.

All fixed income teams have access to and regular contact with the GRI team as well as access to all ESG research generated internally.

Fixed Income - Government

Government debt analysts utilise a range of data sources to incorporate ESG in their investment decisions. Governance is a core factor that is considered in all investment decisions. Analysts rely among other sources on the ease of doing business surveys, the strength of regulation and institutions and corruption rankings, as well as considering political or regulatory reform.

We also systematically consider social factors that are linked to the long run economic performance of a country such as unemployment data and political risk and the social implications. We note that environmental factors tend to be a shorter term factor on bond prices but we will consider the government responsiveness to environmental incidences, these tend to be of more importance in smaller, more vulnerable emerging market countries.

We source MSCI's ESG sovereign ratings which covers 243 countries.

Fixed Income - Corporate

Implementation processes

FI 04	Mandatory	Gateway/Core Assessed	PRI 1
FI 04.1	Indicate (1) which ESG incorporation strategy and/or combination of strategies you apply to your actively managed corporate fixed income investments; and, (2) the breakdown of your actively managed corporate fixed income investments by incorporation strategy or combination of strategies.		

ESG incorporation strategy (select all that apply)

- ☐ Screening alone (i.e. not combined with any other strategies)
- ☐ Thematic alone (i.e. not combined with any other strategies)
- ☒ Integration alone (i.e. not combined with any other strategies)

Percentage of active corporate fixed income to which the strategy is applied (estimate +/- 10%)	<div> <div></div> <div>%</div> </div> 99
---	---

- ☐ Screening + Integration strategies
- ☒ Thematic + integration strategies

Percentage of active corporate fixed income to which the strategy is applied (estimate +/- 10%)	<div> <div></div> <div>%</div> </div> 1
---	--

- ☐ Screening + thematic strategies
- ☐ All three strategies combined
- ☐ No incorporation strategies applied

	Total actively managed fixed income - corporate
--	---

100%

FI 04.2	Describe your primary reasons for choosing a particular incorporation strategy.
----------------	---

ESG integration - we believe the consideration of ESG is relevant in the consideration of creditworthiness of an issuer. This is our primary investment approach and is governed by Threadneedle's responsible investment policy.

Thematic: Threadneedle manages the UK Social Bond Fund in partnership with Big Issue Invest. The fund aims to deliver both financial and social performance and as such we have a thematic focus on social issues.

Screening: We also manage a number of segregated mandates that apply additional screening criteria in addition to our integration approach. These negative screens are determined by client requirements and investments are restricted through coding in our risk system Sentinel.

FI 04.3	If assets are managed using a combination of ESG incorporation strategies, describe briefly how these are used in combination. [Optional]
----------------	---

For client mandates that are managed with a screening approach, these will also benefit from our ESG integration approach which is part of Threadneedle's investment process. Likewise our thematic fund, the UK Social Bond Fund, is also managed with extensive ESG integration and engagement approaches.

FI 05	Voluntary	Additional Assessed	PRI 1
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FI 05.1	Indicate what ESG information you use in your ESG incorporation strategies and who provides this information.
----------------	---

Type of ESG information

☒ Raw ESG company data

	Describe who provides this information.
--	---

Internal research

☒ Issuer-related analysis or ratings

	Describe who provides this information.
--	---

Internal research and externally sourced ESG ratings and research

☒ Sector-related analysis or ratings

	Describe who provides this information.
--	---

Internal research and externally sourced ESG and research

- ☒ Country-related analysis or ratings

	Describe who provides this information.
--	---

Internal research and externally sourced sovereign ESG ratings

- ☐ Screened bond list
- ☒ ESG issue-specific analysis or ratings

	Describe who provides this information.
--	---

Internal research, broker reports, externally sourced thematic/issue-specific reports and analysis

- ☐ Other, specify

FI 05.2	Provide a brief description of the ESG information used, highlighting any differences of sources of information across your ESG incorporation strategies.
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In addition to internal research and analysis, the GRI team sources information and research from a variety of external sources including corporate disclosures& reporting, the Investment Association, Boardex, Bloomberg, national and supra-national bodies, academia, ESG broker research teams, MSCI services, as well as the organisations, networks and initiatives we participate in. Analysts also draw on socio-economic and governance surveys and data.

The fixed income investment teams have access to the GRI team's ESG capabilities and receive weekly updates from the Governance and Responsible Investment team, collaborate in issuer meetings and through discussion of macro-trends. In addition, we source external ESG ratings which are incorporated into the analysis of issuers.

FI 05.3	Additional information. [Optional]
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There is a dedicated ESG research budget for all asset classes.

(B) Implementation: Sustainability themed investing

FI 09	Voluntary	Descriptive	PRI 1
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FI 09.1	Indicate the type of sustainability themed funds or mandates your organisation manages.
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- ☐ Environmentally themed funds
- ☒ Socially themed funds
- ☐ Combination of themes

FI 09.2

Describe your organisation's processes for sustainability themed funds.

Threadneedle manages the Threadneedle UK Social Bond Fund in partnership with Big Issue Invest, the social investment arm of The Big Issue.

The Fund aims to achieve both an investment return and a positive social outcome by investing in fixed income securities of organisations which support socially beneficial activities and economic development. The fund invests in companies, associations, charities and trusts in social intensity areas including affordable housing and property, community services, employment and training, financial inclusion, health and social care, transport and communications, and utilities and the environment.

In making investment decisions, the Fund Manager is guided by a Social Assessment Methodology designed by Big Issue Invest and Threadneedle's GRI team to determine suitable investments. The GRI team review all bonds pre-investment and the social outcome generated by the resulting portfolio will be monitored and verified by a Social Advisory Committee.

There is ongoing monitoring of the social assessment with regular review and debate from the social advisory committee.

(C) Implementation: Integration of ESG factors**FI 10**

Voluntary

Descriptive

PRI 1

FI 10.1

Describe how you integrate ESG issues into investment decision-making processes.

A key aspect of our approach to Governance and Responsible Investment (GRI) focuses on integrating environmental, social and governance (ESG) responsibilities into our investment process and builds on our culture of teamwork, debate and collaboration. Our ESG strategies are applied as appropriate across asset classes, regions and markets. While there is a strong focus on equities in this work, we also draw on it in our fixed income strategies.

Our expertise and related research capabilities provide us with the platform and resource to enable ESG factors and risks to be examined within the fixed income asset class, with particular emphasis on corporate debt. The relationship between creditors and issuers is notably different from that between shareholders and issuers and the use of ESG criteria in the fixed income market is a newer, developing area.

The ability of creditors to engage with issuers is significantly more limited, with no routine voting rights and less frequent access to management. However ESG issues and analysis are relevant in the context of considering the creditworthiness of an issuer. Integrating an analysis of ESG risks into the investment process enables a richer understanding of the dynamics, opportunities and risks inherent in an issuer's businesses and enhances our ability to protect the interests of our clients and the capital they have invested.

Integration of ESG analysis complements the risk-mitigation focus that is key to fixed income investment. Creditworthiness is a function of a company's profitability, productivity, competitive position, as well as estimated future value and cost of capital. All of these elements can be linked to ESG factors. However, unlike equities, where growth can be a key driver, for bond investors, protection of capital is key given losses are difficult to recoup.

Consideration of socio-economic performance and governance systems are important components of our assessment of government debt investments. ESG can also provide an additional quality assessment of a government and be both a positive or negative indicator of reform in a country.

ESG research is included in our credit research in a similar way to equities, through MSCI ESG sourced ratings, issuer reviews and sector research. When we initiate an assessment of an issuer our High Yield team's "Credit Paper" includes an ESG section, likewise our Investment Grade's "Thesis Statement" draws in ESG ratings with poor scores triggering further analysis.

Our ESG rating coverage in the fixed income space encompasses over 9,000 issuers mapped across 260,000 fixed income securities. Analysts have access to the GRI research function and there is regular idea sharing through joint investment meetings (corporates and supra-nationals), thematic and sector reviews, as well as internal research updates. Threadneedle has a shared research database that all analysts can access and in addition all fixed income analysts have access to the MSCI ESG platform

FI 11	Mandatory	Core Assessed	PRI 1
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FI 11.1	Indicate if E, S and G issues are reviewed while researching companies and/or sectors in active strategies.
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ESG issues	Coverage/extent of review on these issues
Environmental	<input type="radio"/> We systematically review the potential significance of environmental issues and investigate them accordingly <input checked="" type="radio"/> We occasionally review the potential significance of environmental issues and investigate them accordingly <input type="radio"/> We do not review environmental issues
Social	<input type="radio"/> We systematically review the potential significance of social issues and investigate them accordingly <input checked="" type="radio"/> We occasionally review the potential significance of social issues and investigate them accordingly <input type="radio"/> We do not review social issues
Corporate Governance	<input checked="" type="radio"/> We systematically review the potential significance of corporate governance issues and investigate them accordingly <input type="radio"/> We occasionally review the potential significance of corporate governance issues and investigate them accordingly <input type="radio"/> We do not review corporate governance issues

FI 11.2	Additional information. [Optional]
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Corporate governance is engrained in our fixed income process and is always a central point of analysis, particularly given risks around ownership structures, affiliated transactions, poor transparency and optionality of shareholders.

Environmental and social issues also form part of our investment process however the focus tends to be on the bigger issues or controversies that have arisen, although we do also look at potential risk factors. The GRI team works closely with fixed income analysts advising on ESG sector risks and conducting in depth reviews of companies where an ESG issue has been escalated for investigation.

FI 12	Voluntary	Descriptive	PRI 1
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FI 12.1	Indicate which processes your organisation uses to ensure that ESG integration is based on a robust analysis.
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- ☒ Comprehensive ESG research is undertaken or sourced to determine companies' activities and products
- ☐ Companies are given the opportunity by you or your research provider to review ESG research on them and correct inaccuracies
- ☒ Company information and/or ratings on ESG are updated regularly
- ☐ A periodic review of the quality of the research undertaken or provided is carried out
- ☐ Other, specify
- ☐ None of the above

FI 12.2

Describe how ESG information is held and used by your portfolio managers.

- ☒ ESG information is held within centralised databases or tools and it is accessible by all relevant staff
- ☒ ESG information or analysis is a standard section or aspect of all company research notes or industry/sector analysis generated by investment staff
- ☐ Systematic records are kept that capture how ESG information and research was incorporated into investment decisions
- ☐ Other, specify
- ☐ None of the above

FI 12.3

Additional information.

ESG research is stored on a central database accessible by all analysts and fund managers. Fixed income staff have access to the external ESG research platform and include ESG ratings where available in their research.

Fixed income - Government

FI 13**Mandatory****Core Assessed****PRI 1****FI 13.1**

Indicate if you incorporate ESG issues in investment analysis and decision making for your government fixed income investments.

☒ Yes

FI 13.2

Indicate for what percentage of your government fixed income investments you incorporate ESG issues in investment analysis and decision making.

- ☐ <10%
- ☐ 10-50%
- ☐ 51-90%
- ☒ >90%

FI 13.3

Indicate if in active strategies, E, S and G issues are reviewed while researching government issuers.

ESG issues	Coverage/extent of review on these issues
Environmental	<input type="radio"/> We systematically review the potential significance of environmental issues and investigate them accordingly <input checked="" type="radio"/> We occasionally review the potential significance of environmental issues and investigate them accordingly <input type="radio"/> We do not review environmental issues
Social	<input checked="" type="radio"/> We systematically review the potential significance of social issues and investigate them accordingly <input type="radio"/> We occasionally review the potential significance of social issues and investigate them accordingly <input type="radio"/> We do not review social issues
Corporate Governance	<input checked="" type="radio"/> We systematically review the potential significance of corporate governance issues and investigate them accordingly <input type="radio"/> We occasionally review the potential significance of corporate governance issues and investigate them accordingly <input type="radio"/> We do not review corporate governance issues

FI 13.4

Describe your approach to incorporating ESG issues in government fixed income investments. [Optional]

Government debt analysts utilise a range of data sources to incorporate ESG in their investment decisions. Governance is a core factor that is considered in all investment decisions. Analysts rely among other sources on the ease of doing business surveys, the strength of regulation and institutions and corruption rankings, as well as considering political or regulatory reform.

We also systematically consider social factors that are linked to the long run economic performance of a country such as unemployment data and political risk and the social implications. We note that environmental factors tend to be a shorter term factor on bond prices but we will consider the government responsiveness to environmental incidences, these tend to be of more importance in smaller, more vulnerable emerging market countries.

Analysts also have access to MSCI's ESG sovereign ratings which covers 243 countries.

☐ No

Outputs and outcomes

FI 15	Voluntary	Descriptive	PRI 1
FI 15.1	Indicate how your ESG incorporation strategies have influenced the composition of your fixed income portfolio(s) or investment universe.		

Fixed Income - Corporate

- ☒ Narrow down or prioritise the investment universe
- ☒ Buy / sell / weight decisions
- ☒ Other, specify

Risk consideration primarily focused on corporate governance and a consideration of how it may affect credit quality

FI 15.1	Indicate how your ESG incorporation strategies have influenced the composition of your fixed income portfolio(s) or investment universe.
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Fixed Income - Government

- ☐ Narrow down or prioritise the investment universe
- ☒ Buy / sell / weight decisions
- ☐ Other, specify

FI 15.2	Additional information.
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We use ESG factors in fixed income corporate to narrow the investment universe in certain sectors - for example in the housing association sector we will not consider investments where the association has less than a G1 rating (governance rating as applied by the HCA).

Across our fixed income investments ESG factors may impact on a case-by-case basis our weighting decisions in the portfolio, and may also present a buy or sell opportunity. Fund managers are more likely to choose to not invest or divest on the basis of ESG issues rather than adjust portfolio weightings given the focus on risk.

FI 16	Voluntary	Descriptive	PRI 1
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FI 16.1	Indicate whether your organisation measures how your approach to ESG issues in Fixed Income investments has affected financial and/or ESG performance.
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- ☐ We measure whether our approach to ESG issues impacts funds' financial performance
- ☐ We measure whether our approach to ESG issues impacts funds' risk or volatility
- ☐ We measure whether our approach to ESG issues impacts funds' ESG performance
- ☒ None of the above

FI 16.2	Describe how you are able to determine these outcomes.
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Given our investments are for multi-year horizons we believe it is a challenge to effectively track performance on the basis of ESG credentials. We also do not believe that it is possible in the majority of instances to strip out ESG criteria from an investment and attribute investment performance or volatility on this basis, although it is an area that we are constantly trying to improve on. Likewise it is not feasible to track the performance of companies that we have not invested in on the basis of ESG issues and determine the impact on fund performance.

We do produce on an ad hoc basis performance attribution reports and ESG style analysis for clients, however this is not systematically applied across funds.

FI 17	Voluntary	Descriptive	PRI 1
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FI 17.1	Provide examples of ESG issues that affected your fixed income investment view and/or performance during the reporting year.
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- ☒ ESG issue 1

	Fixed Income - Corporate and/or Government
<input type="checkbox"/> Corporate <input checked="" type="checkbox"/> Government	
	ESG issue and explanation
<p>Over recent years social and governance issues have been a key consideration in European sovereign bonds, as governments came under scrutiny following the financial crisis.</p> <p>Poor governance, corruption and social unrest were considerations leading to reduced exposure to so-called 'peripheral' countries during the crisis. Since then, we have been keenly watching indicators that suggest an improving picture and social reforms in countries such as Spain and Italy, as supportive arguments for increasing strategic exposure.</p>	
	ESG incorporation strategy applied
<input type="checkbox"/> Screening <input type="checkbox"/> Thematic <input checked="" type="checkbox"/> Integration <input type="checkbox"/> Combination of ESG incorporation strategies	
	Impact on investment view or performance
<p>We continue to monitor these indicators for opportunities to increase our exposure.</p>	

☒ ESG issue 2

	Fixed Income - Corporate and/or Government
<input checked="" type="checkbox"/> Corporate <input type="checkbox"/> Government	
	ESG issue and explanation
<p>In October newspaper reports were published concerning excessive quantum of remuneration paid to an issuer's CEO.</p>	
	ESG incorporation strategy applied
<input type="checkbox"/> Screening <input type="checkbox"/> Thematic <input checked="" type="checkbox"/> Integration <input type="checkbox"/> Combination of ESG incorporation strategies	
	Impact on investment view or performance
<p>Threadneedle initiated engagement with the company finance director and head of HR about the remuneration practices in the company. Following the review we applied a more negative governance view to the investment and in our UK Social Bond Fund changed the perceived social impact score.</p>	

☒ ESG issue 3

	Fixed Income - Corporate and/or Government
<input checked="" type="checkbox"/> Corporate <input type="checkbox"/> Government	
	ESG issue and explanation
During 2014 we noted that one of the issuers in the investment grade universe was facing political pressure to have closer ties with another company. We viewed this development and interference from the state as negative.	
	ESG incorporation strategy applied
<input type="checkbox"/> Screening <input type="checkbox"/> Thematic <input checked="" type="checkbox"/> Integration <input type="checkbox"/> Combination of ESG incorporation strategies	
	Impact on investment view or performance
The governance concerns identified moved the analyst recommendation from a "market perform" rating to negative	

- ☐ ESG issue 4
☐ ESG issue 5

Communication

FI 18	Mandatory	Core Assessed	PRI 2,6
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FI 18.1	Indicate if your organisation proactively discloses information on your approach to ESG incorporation in all fixed income investments.
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- ☒ We disclose it publicly

	Provide URL
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<http://www.threadneedle.com/en/Investment-Capabilities/Governance-and-Responsible-Investment/>

FI 18.2	Indicate if the information disclosed to the public is the same as that disclosed to clients/beneficiaries.
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- ☒ Yes

FI 18.3

Indicate the information your organisation proactively discloses to clients/ beneficiaries and the public regarding your approach to ESG incorporation.

- ☐ Broad approach to ESG incorporation
- ☒ Detailed explanation of ESG incorporation strategy used

FI 18.4

Indicate how frequently you typically report this information.

- ☒ Quarterly or more frequently
- ☐ Between quarterly and annually
- ☐ Less frequently than annually
- ☐ Other, specify
- ☐ No
- ☐ We disclose it to clients/beneficiaries only
- ☐ We do not proactively disclose it to the public and/or clients/beneficiaries

Engagement in fixed income investments

Fixed Income - Corporate

FI 19**Voluntary****Descriptive****PRI 2****FI 19.1**

Indicate if you engage with corporate issuers.

- ☒ Yes

FI 19.2

Describe your organisation's approach to engagement in corporate fixed income.

As bondholders we do not always have the same engagement potential as a shareholder, however we can and do engage with issuers. Engagement related to bond issuance is led by fund managers and analysts, while ESG issues will be lead by the GRI team.

For our holdings in our UK Social Bond Fund we proactively initiate engagement across a range of ESG issues. In addition we engage with regulators, policy makers and credit rating agencies relating to capital market issues.

For example during 2014 we engaged with a number of supra-national bodies and corporate issuers on ESG issues.

We also engaged in the case of one holding when the company reported contractual disputes affecting cash flows which created a risk of default on payments to bondholders. The investment grade team and GRI teams held discussions with the various parties and other bondholders on this issue.

We also engage with regulators, policy makers and standard setters. During 2014 we were signatory to a letter calling for better standards in bond structures, and engaged with the Bank of England and the PRA on bondholder rights.

- ☐ No

Fixed Income - Government

FI 20	Voluntary	Descriptive	PRI 2
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FI 20.1

Indicate if you engage with government issuers such as government departments (national or local), agencies and other entities in order to influence their approach to ESG issues that may affect creditworthiness.

☒ Yes

FI 20.2

Please describe your organisation's approach to engagement in government fixed income.

During 2014 we met with UK local authorities and a number of supranational bodies regarding the issuance of bonds with environmental and social benefits.

☐ No

Threadneedle Asset Management Ltd

Reported Information

Public version

Direct - Property

PRI disclaimer

This document presents information reported directly by signatories. This information has not been audited by the PRI Secretariat or any other party acting on their behalf. While this information is believed to be reliable, no representations or warranties are made as to the accuracy of the information presented, and no responsibility or liability can be accepted for any error or omission.

Overview

PR 01

Mandatory to Report Voluntary to Disclose

Gateway/Peering

General

PR 01.1

Provide a breakdown of your organisation's internally managed property investments by equity and debt.

Property investments instruments

☒ Equity investments

Property investment instruments	Percentage of your internally managed property investments (in terms of AUM)
Equity investments	<input checked="" type="radio"/> >50% <input type="radio"/> 10-50% <input type="radio"/> <10%

PR 01.2

Indicate the level of ownership you typically hold in your property investments.

- ☐ a majority stake (>50%)
☐ a 50% stake
☐ a significant minority stake (between 10-50%)
☒ a limited minority stake (<10%)
☐ a mix of ownership stakes

☒ Debt investments

Property investment instruments	Percentage of your internally managed property investments (in terms of AUM)
Debt investments	<input type="radio"/> >50% <input type="radio"/> 10-50% <input checked="" type="radio"/> <10%

Total 100%

☐ N/A, we manage properties, new constructions and/or refurbishments on behalf of our clients, but do not hold equity or debt in property on their behalf

PR 02

Mandatory to Report Voluntary to Disclose

Gateway/Peering

General

PR 02.1

Provide a breakdown of your organisation's property assets based on who manages the assets.

Property assets managed by	Breakdown of your property assets (by number)
Managed directly by your organisation	<input type="radio"/> >50% <input type="radio"/> 10-50% <input type="radio"/> <10% <input checked="" type="radio"/> 0%
Managed via third-party property managers appointed by you	<input checked="" type="radio"/> >50% <input type="radio"/> 10-50% <input type="radio"/> <10% <input type="radio"/> 0%
Managed by other investors or their property managers	<input type="radio"/> >50% <input type="radio"/> 10-50% <input type="radio"/> <10% <input checked="" type="radio"/> 0%
Managed by tenant(s) with operational control	<input type="radio"/> > 50% <input type="radio"/> 10-50% <input type="radio"/> < 10% <input checked="" type="radio"/> 0%
Total	100%

PR 02.2

Additional information. [Optional]

Day to day management of properties is outsourced to managing agents but with significant oversight responsibility on the part of Threadneedle Asset Management. Asset management remains in-house, so there is greater director control over the negotiation of lease wordings, and crucially, the implementation of ESG principles in relation to refurbishments and the like.

PR 03	Voluntary	Descriptive	General
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PR 03.1

Indicate up to three of your largest property types by AUM.

Types	Main property types (by AUM)
Largest property type	<input type="radio"/> Industrial <input type="radio"/> Retail <input checked="" type="radio"/> Office <input type="radio"/> Residential <input type="radio"/> Leisure/Hotel <input type="radio"/> Mixed use <input type="radio"/> Other, specify
Second largest property type	<input type="radio"/> Industrial <input checked="" type="radio"/> Retail <input type="radio"/> Office <input type="radio"/> Residential <input type="radio"/> Leisure/Hotel <input type="radio"/> Mixed use <input type="radio"/> Other, specify
Third largest property type	<input checked="" type="radio"/> Industrial <input type="radio"/> Retail <input type="radio"/> Office <input type="radio"/> Residential <input type="radio"/> Leisure/Hotel <input type="radio"/> Mixed use <input type="radio"/> Other, specify

PR 03.2

Additional information.

In the last 12 months we have purchased two substantial office complexes with retail units associated with them which have altered the emphasis of large property types within our portfolios. In each case we have made the purchase with a view to refurbishing certain parts of the property to a given standard which will improve the environmental profile of the property by enhancing EPC ratings and improving energy efficiency in the properties

PR 04

Voluntary

Descriptive

PRI 1-6

PR 04.1

Provide a brief overview of your organisation's approach to responsible investment in property where you have equity stakes.

The prime investment driver is one of asset enhancement aimed at providing investors with a profit on their investment over a period of time. Where we have an equity stake in a property our rationale is the same as for assets where we have no equity stake. This is to maximise asset value. If this means that we refurbish to a given energy usage standard then so be it. We are focused upon ensuring that ESG concepts are taken into account regardless of whether we are investing directly or not.

PR 04.2	Provide a brief overview of your organisation's approach to responsible investment in property where you hold debt.
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We do not hold direct debt in property investments, but the rationale for ESG principles is not predicated upon whether we have a direct involvement or not (see comments in 04.1 above).

PR 05	Mandatory	Core Assessed	PRI 1-6
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PR 05.1	Indicate if your organisation has a Responsible Property Investment (RPI) policy.
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☒ Yes

PR 05.2	Provide a URL if your RPI policy is publicly available. [Optional]
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<http://www.threadneedle.com/en/Investment-Capabilities/Governance-and-Responsible-Investment/>

☐ No

PR 05.3	Additional information. [Optional]
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Threadneedle's Responsible Investment policy covers all asset classes, including property.

In relation to our property assets we follow specific guidelines and incorporate ESG considerations around both the purchase of property and its ongoing management. For example, the EPC rating of a property is taken into account in the purchase due diligence process with a view to understanding the likely costs associated with possible improvement of the rating. As part of an ongoing process linked both to the CRC legislation and EPC's, we engage with tenants to assist in reduction of energy usage in those properties that use the most energy. This includes the provision of bespoke energy reports on individual properties to pinpoint areas for improvement.

We also incorporate ESG into our manager due diligence selection process and in the selection of contractors. We have in place energy assessments for a number of the higher energy using properties so that we can work with tenants to reduce the environmental profile of the small number of properties that generate the largest amount of energy use.

Fundraising of property funds

PR 06	Mandatory	Core Assessed	PRI 1,4,6
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PR 06.1	Indicate if your fund placement documents (private placement memorandums (PPMs) or similar) refer to responsible investment aspects of your organisation.
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☒ Yes

PR 06.2

Indicate how your fund placement documents (PPMs or similar) refer to the following responsible investment aspects of your organisation:

- ☒ Policy and commitment to responsible investment
 - ☐ Always
 - ☒ In a majority of cases
 - ☐ In a minority of cases
- ☒ Approach to ESG issues in pre-investment processes
 - ☐ Always
 - ☒ In a majority of cases
 - ☐ In a minority of cases
- ☒ Approach to ESG issues in post-investment processes
 - ☐ Always
 - ☒ In a majority of cases
 - ☐ In a minority of cases

PR 06.3

Describe how your organisation refers to responsible investment for property funds in fund placement documents (PPMs or similar). [Optional]

When raising investment funds for property funds we always include a summary of our ESG activities to allow the client to make an informed decision on whether or not to invest. We also refer to our membership of the UNPRI and the fact that we follow investment guidelines that include reference to investing responsibly.

As of 2014 Threadneedle now also has a corporate responsibility policy and report which we also make available that details our own commitments to the environment and community engagement.

- ☐ No
- ☐ Not applicable as our organisation does not fundraise

PR 07**Voluntary****Additional Assessed****PRI 4****PR 07.1**

Indicate whether your organisation makes formal commitments in fund formation contracts, Limited Partnership Agreements (LPAs) or in side letters relating to responsible investment in property when requested by clients.

- ☐ We always make formal commitment to responsible investment in fund formation contracts, LPAs or side letters
- ☐ In a majority of cases we make formal commitment to responsible investment in fund formation contracts, LPAs or side letters
- ☒ In a minority of cases we make formal commitment to responsible investment in fund formation contracts, LPAs or side letters
- ☐ We do not make formal commitment to responsible investment in fund formation contracts, LPAs or side letters
- ☐ Our clients do not request us to make formal commitments to responsible investment in property

PR 07.2	Additional information.
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Our Low Carbon Workplace Fund is specifically designed to provide low carbon office accommodation to tenants. As such the fund commits to providing a refurbished office that emits a minimal amount of carbon per occupant. In addition we commit to a programme of ongoing communication and assistance to tenants, driven by our partner, The Carbon Trust to ensure that the tenant can maintain an excellent level of carbon performance during the life of his tenancy.

Pre-investment (selection)

PR 08	Mandatory	Gateway	PRI 1
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PR 08.1	Indicate if your organisation typically incorporates ESG issues when selecting property investments.
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☒ Yes

PR 08.2	Provide a description of your organisation's approach to incorporating ESG issues in property investment selection. [Optional]
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The environmental profile of every property is taken into account in the pre-purchase due diligence process. Property with a high risk of causing environmental or socially unacceptable damage is considered generally as not to be purchased unless there is a clear method by which such risks can be managed or mitigated appropriately. Property that has an unacceptable EPC rating with no reasonable prospect of economic improvement before 2018 is considered an unsuitable purchase.

Where significant risks are identified (e.g. flood exposure) this is highlighted to the fund manager as part of the pre-purchase due diligence process. The fund manager must decide whether to proceed based upon his assessment of how much work is necessary to improve the risk. The approach can vary from fund to fund dependent upon the investment and risk strategy for individual funds (see for example below)

☐ No

PR 08.3	Additional information. [Optional]
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Our Low Carbon Workplace Fund is specifically designed to purchase older office accommodation with potentially low EPC ratings and refurbish to a particular standard which improves both the EPC rating and provides tenants with a building which emits a bespoke level of carbon per occupant.

Our selection process for property purchase is risk based and takes into account relative socio-economic factors such as the tenant's business type, the demography of the area in which the property is situated and the long term asset management strategy.

PR 09	Voluntary	Descriptive	PRI 1,4
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PR 09.1	Indicate whether your organisation typically uses ESG advice and research sourced internally and/or externally when incorporating ESG issues into the property investment selection process.
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☒ Internal staff

☒ Specify role

Property Risk Team

- ☒ Specify role
 - Oversight Property Managers
- ☒ Specify role
 - Access to GRI team
- ☒ External resources
 - ☒ Environmental advisors
 - ☒ Social advisors
 - ☒ Corporate governance advisors
 - ☒ Regulatory and/or legal advisors
 - ☐ Other, specify type of advisors/roles
- ☐ No use of internal or external advice on ESG issues

PR 10	Mandatory	Core Assessed	PRI 1,3
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PR 10.1	Indicate which E, S and/or G issues are typically considered by your organisation in the property investment selection process and list up to three examples per issue.
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ESG issues

- ☒ Environmental

	List up to three typical examples of environmental issues
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EPC Rating

Flood Potential

Environmental Impact of Property Use and future investment strategy

- ☒ Social

	List up to three typical examples of social issues
--	--

Physical Risk – E.g. Potential for fire

Impact upon the local community of tenancy

Health & Safety Risks (especially relating to possible refurbishment)

- ☒ Governance

	List up to three typical examples of governance issues
--	--

Requirements of the Land Tenancy act

Health and Safety Regulations

Planning Legislation

PR 10.2	Additional information. [Optional]
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Consideration of any or all of the above can have a significant impact upon the final decision on whether to proceed with a purchase. In all cases we take a risk based approach which allows the fund manager to assess the risk to the fund investment from any one issue. This applies equally to direct ESG issues such as flood exposure, and to indirect issues such as the activity of the tenant which could ultimately have a detrimental impact upon the environment, the value of investment and the reputation of the landlord.

PR 11	Voluntary	Additional Assessed	PRI 1,3
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PR 11.1	Indicate what type of ESG information your organisation typically considers during your property investment selection process.
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- ☒ Raw data from the target property asset/company
- ☒ Appraisals/audits
- ☐ Benchmarks/ratings against similar property asset
- ☐ Country level data/benchmarks
- ☒ Data aligned with established property reporting standards, industry codes and certifications
- ☐ International initiatives, declarations or standards
- ☒ Data from engagements with stakeholders (e.g. tenants and local community surveys)
- ☒ Information from external advisers
- ☐ Other, specify
- ☐ We do not track this information

PR 12	Voluntary	Additional Assessed	PRI 1
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PR 12.1	Indicate if ESG issues impacted your property investment selection process during the reporting year.
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- ☒ ESG issues helped identify risks and/or opportunities for value creation
- ☒ ESG issues led to the abandonment of potential investments
- ☒ ESG issues impacted the investment in terms of price offered and/or paid
- ☒ ESG issues impacted the terms in the shareholder/purchase agreements and/or lending covenants
- ☐ ESG issues were considered but did not have an impact on the investment selection process
- ☐ Other, specify
- ☐ We do not track this potential impact

Selection, appointment and monitoring third-party property managers

PR 13	Mandatory	Core Assessed	PRI 4
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PR 13.1	Indicate if your organisation includes ESG issues in your selection, appointment and/or monitoring of third-party property managers.
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- ☒ Yes

PR 13.2

Indicate how your organisation includes ESG issues in your selection, appointment and/or monitoring of third party property managers.

- ☒ Selection process of property managers incorporated ESG issues
 - ☒ For all third party property managers
 - ☐ For a majority of property managers
 - ☐ For a minority of property managers
- ☒ Contractual requirements when appointing property managers includes ESG issues
 - ☒ For all third party property managers
 - ☐ For a majority of property managers
 - ☐ For a minority of property managers
- ☒ Monitoring of property managers covers ESG responsibilities and implementation
 - ☒ For all third party property managers
 - ☐ For a majority of property managers
 - ☐ For a minority of property managers

PR 13.3

Provide a brief description of your organisation's selection, appointment and monitoring of third party property managers. [Optional]

All third party property managers (managing agents) must undergo a standardised due diligence process which covers a number of aspects of their potential appointment on our behalf. This includes their own ESG credentials such as whether or not they hold an environmental accreditation like ISO14001 or similar.

Monitoring is carried out by our internal Oversight Team and our Risk Management Team which take responsibility for all aspects of the appointment ranging from basic rental collection through to collection of energy usage data and detailed health& safety compliance. All managing agents are required to report upon progress against certain key performance criteria on a monthly basis at the Management Control Report (MCR) meeting. Health and Safety matters are in addition reported separately at monthly meetings with each agent and at a consolidated quarterly meeting.

PR 13.4

Describe how your third party property managers contribute to the management of ESG issues for your property investments. [Optional]

All managing agents are required to monitor energy usage in investment property and pass details to a third party data manager for CRC purposes. In addition, they must identify the highest energy using properties and arrange as necessary, energy audits to identify schemes for reducing usage which are shared with tenants as appropriate. When carrying out refurbishments, or other maintenance works the managing agents must ensure that the works are carried out having regard for ESG values and standards both in terms of the refurbishment itself and the area in which the property is situated

☐ No

Post-investment (monitoring and active ownership)

Overview

PR 14

Mandatory

Gateway

PRI 2

PR 14.1	Indicate if your organisation, and/or property managers, considers ESG issues in post-investment activities relating to your property assets.
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☒ Yes

PR 14.2	Indicate whether your organisation, and/or property managers, considers ESG issues in the following post-investment activities relating to your property assets.
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- ☒ We consider ESG issues in property monitoring and management
- ☒ We consider ESG issues in property developments and refurbishments
- ☒ We consider ESG issues in property occupier engagements
- ☒ We consider ESG issues in community engagements related to our properties
- ☐ We consider ESG issues in other post-investment activities, specify

PR 14.3	Describe how your organisation, and/or property managers, considers ESG issues in post-investment activities related to your property assets. [Optional]
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All managing agents are required to monitor energy usage within those properties that fall inside the terms of the CRC legislation and to engage with tenants in instances where an energy audit has been carried out so as to encourage the reduction of energy usage in the buildings. In our Low Carbon Workplace fund, refurbishments are carried out against specific ESG criteria both in terms of the way in which the work is carried out and the outcome of the refurbishment itself to a low carbon standard. Post completion, we engage regularly with tenants to monitor energy usage as well as other environmental aspects such as the use of water and the creation of waste with the aim being to maintain low carbon emissions across the life of the tenancy. When carrying out a refurbishment project we do so with the local community in mind. For example, last year we completed the rebuilding of a property in North London in which we included clean air filtering in the residential parts of the building. We also insisted that local labour was used for a degree of the rebuild work.

☐ No

Property monitoring and management

PR 15	Mandatory	Core Assessed	PRI 2,3
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PR 15.1	Indicate the proportion of property assets for which your organisation, and/or property managers, set and monitored ESG targets (KPIs or similar) during the reporting year.
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- ☐ >90% of property assets
- ☒ 51-90% of property assets
- ☐ 10-50% of property assets
- ☐ <10% of property assets

(in terms of number of property assets)

PR 15.2	Indicate ESG issues for which your organisation, and/or property managers, typically sets and monitors targets (KPIs or similar) and provide examples per issue.
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ESG issues

☒ Environmental

List up to three example targets per issue

Targeted reduction in energy usage, working with tenants

Target to improve EPC ratings on selected properties

Low Carbon Workplace Fund target to ensure carbon emissions from all of its refurbished buildings do not exceed the low carbon standard

☒ Social

List up to three example targets per issue

Low Carbon Workplace Fund monitors its contractors to ensure that major office refurbishments are done to an agreed standard

Local labour used in some refurbishments

Refurbishment work carried out with respect for the local neighbourhood in terms of timing and for example noise levels.

☒ Governance

List up to three example targets per issue

Targeted compliance with CRC legislation

Health and Safety compliance KPI's are applied to all non-FRI leased properties

Compliance with requirement to improve performance of low rated EPC buildings over a period to 2018.

☐ We do not set and/or monitor against targets

PR 15.3

Additional information. [Optional]

Our overall approach to ESG management and recording remains a combination of risk based, and linked directly to the investment strategies of specific funds. For example, the Low Carbon Workplace has a particular environmental focus, so the attitude to ESG issues for that fund is correspondingly strict both in terms of how it is implemented and the depth of its content.

Funds that have no direct ESG investment strategy tend to take a more generic approach whilst at the same time bearing in mind ESG matters both when investing and on an ongoing basis. This is expressed in terms of compliance with EPC legislation, the Carbon Reduction Commitment and a drive to reduce energy use in buildings.

In recent years some investors have expressed much greater interest in ESG attitudes to property investment which is driving a more co-ordinated approach within our funds. This ranges from completion of the GRESB survey by some funds, through to greater monitoring of performance on an individual property basis, particularly relating to energy use.

We take the view that ESG issues should not be influenced geographically. This largely reflects the fact that our funds own property all over the UK. We prefer to take a targeted approach to those properties that use the greatest amount of energy.

PR 16	Voluntary	Descriptive	PRI 2
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PR 16.1

Indicate whether your property assets are assessed against certification schemes, ratings and/or benchmarks

☒ Yes**PR 16.2**

List the certification schemes, ratings and/or benchmarks your property assets are assessed against and what proportion of your property assets they apply to.

☒ Add certification scheme, rating and benchmark 1

Specify	GRESB
Proportion of property assets these apply to	<input type="radio"/> >90% of property assets <input type="radio"/> 51-90% of property assets <input checked="" type="radio"/> 10-50% of property assets <input type="radio"/> <10% of property assets (in terms of number of property assets)

☒ Add certification scheme, rating and benchmark 2

Specify	EPC
Proportion of property assets these apply to	<input type="radio"/> >90% of property assets <input type="radio"/> 51-90% of property assets <input checked="" type="radio"/> 10-50% of property assets <input type="radio"/> <10% of property assets (in terms of number of property assets)

☒ Add certification scheme, rating and benchmark 3

Specify	BREEAM
Proportion of property assets these apply to	<input type="radio"/> >90% of property assets <input type="radio"/> 51-90% of property assets <input type="radio"/> 10-50% of property assets <input checked="" type="radio"/> <10% of property assets (in terms of number of property assets)

☐ No

PR 16.3	Additional information.
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All of our Low Carbon Workplace Assets are refurbished to the Low Carbon Workplace Standard. This is a bespoke standard of minimal carbon emission for office buildings which is unique to that fund's assets.

Property developments and refurbishments

PR 17	Mandatory	Core Assessed	PRI 2
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PR 17.1	Indicate the proportion of active property developments and refurbishments where ESG issues have been considered.
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- ☐ >90% of active developments and refurbishments
- ☒ 51-90% of active developments and refurbishments
- ☐ 10-50% of active developments and refurbishments
- ☐ <10% of active developments and refurbishments
- ☐ N/A, no developments and refurbishments of property assets are active

(by number of active property developments and refurbishments)

PR 17.2	Indicate if the following ESG considerations are typically implemented and monitored in your property developments and refurbishments.
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- ☐ Minimum environmental site selection requirements
- ☐ Minimum environmental site development requirements
- ☒ Sustainable construction materials
- ☒ Minimum water efficiency requirements
- ☒ Minimum energy efficiency requirements
- ☐ Energy generation from on-site renewable sources
- ☒ Waste management plans at sites
- ☒ Health and safety management systems at sites
- ☒ Construction contractors comply with sustainability guidelines
- ☐ Other, specify

PR 17.3	Additional information. [Optional]
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We do not engage in ground-up development, so all of our projects involve refurbishment. In all cases, our asset managers refurbish to a minimum standard which invariably will include improvements in various environmental related aspects such as sensed lighting and efficient building management systems. Site waste management and health and safety are the responsibility of the contractor but again, these aspects are run against bespoke standards and systems which we insist upon under our own internal processes. The Low carbon Workplace Fund refurbishes to a specific low carbon standard with pre-agreed waste management standards as part of the works. These are monitored closely throughout the life of the project, together with various minimum standards of environmentally friendly construction.

Occupier engagement

PR 18	Mandatory	Core Assessed	PRI 2
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PR 18.1

Indicate the proportion of property occupiers your organisation, and/or your property managers, engaged with on ESG issues during the reporting year.

- ☐ >90% of occupiers
- ☐ 51-90% of occupiers
- ☒ 10-50% of occupiers
- ☐ <10% of occupiers

(in terms of number of occupiers)

PR 18.2

Indicate if the following practises and areas are typically part of your, and/or your property managers', occupier engagements.

- ☒ Distribute a sustainability guide to occupiers
- ☐ Organise occupier events focused on increasing sustainability awareness
- ☒ Deliver training on energy and water efficiency
- ☐ Deliver training on waste minimisation
- ☒ Provide feedback on energy and water consumption and/or waste generation
- ☐ Provide feedback on waste generation
- ☐ Carry out occupier satisfaction surveys
- ☒ Other, specify

Provide energy usage reports on specific properties

PR 18.3

Additional information. [Optional]

We have not increased the number of occupiers with whom we have engaged on ESG issues because we decided to take a targeted approach, looking mainly at the highest energy using buildings. We have established that around 25% of buildings in our portfolio generate about 75% of the energy usage, hence the targeted approach. Once again, in the Low Carbon Workplace Fund, because of the nature of the fund, there is engagement with 100% of the tenants.

PR 19	Voluntary	Additional Assessed	PRI 2
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PR 19.1

Indicate the proportion of all leases signed during the reporting year that used green leases or the proportion of Memoranda of Understandings (MoUs) with reference to ESG issues.

- ☐ >90% of leases or MoUs
- ☐ 51-90% of leases or MoUs
- ☐ 10-50% of leases or MoUs
- ☒ <10% of leases or MoUs
- ☐ 0% of leases or MoUs
- ☐ N/A, no leases or MoUs were signed during the reporting year

(in terms of number of leases or MoUs)

PR 19.2	Additional information.
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We have found that there is not a significant appetite from tenants to sign up to green leases per se. The exception is the Low Carbon Workplace Fund where this is regarded as "business as usual".

Community engagement

PR 20	Voluntary	Additional Assessed	PRI 2
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PR 20.1	Indicate in respect of what proportion of property assets your organisation, and/or your property managers, engaged with the community on ESG issues during the reporting year.
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- ☐ >90% of property assets
- ☐ 51-90% of property assets
- ☐ 10-50% of property assets
- ☒ <10% of property assets

(in terms of number of property assets)

PR 20.2	Indicate if the following areas and activities are typically part of your, and/or your property managers', community engagement.
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- ☐ ESG education programmes for the community
- ☒ ESG enhancement programmes for public spaces
- ☒ Research and networking activities focusing on ESG issues
- ☐ Employment creation in communities
- ☒ Supporting charities and community groups
- ☐ Other, specify

PR 20.3	Additional information.
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There is some engagement with local communities in some funds, which tends to be linked to the type of fund and the type of property. For example, the Low Carbon Workplace Fund will consistently engage with the local community when refurbishing an office so as to ensure that the impact of the work on the local surroundings is minimised and if possible, even enhances the ESG profile of the area.

Threadneedle Charitable Foundation is supported by the Property Business. Several of our employees engaged in charitable volunteering work in the last year. In November, our asset management team led the design and refurbishment of the shower and changing facilities at the Whitechapel Mission for the homeless in East London.

Outputs and outcomes

PR 21	Voluntary	Additional Assessed	PRI 1,2
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PR 21.1	Indicate if your organisation measures whether your approach to ESG issues in property investments has affected financial and/or ESG performance.
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- ☐ We measure whether our approach to ESG issues impacts funds' financial performance
☐ We measure whether our approach to ESG issues impacts funds' ESG performance
☒ None of the above

PR 21.2	Describe how you are able to determine these outcomes.
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We believe that currently there are challenges in determining a direct link between ESG performance of properties and investment returns. Having said this, we believe that in the medium term there is likely to be more negative impact from a failure to embrace ESG principles even if this does not transfer directly to fund performance. For example, in the long term investors may be less inclined to invest in a fund that has no process for applying such principles.

PR 22	Voluntary	Descriptive	PRI 1,3
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PR 22.1	Provide examples of ESG issues that affected your property investments during the reporting year.
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- ☒ Add Example 1

ESG issue	Community Engagement
Types of properties affected	Third Party Building
Impact (or potential impact) on investment	Threadneedle Reputation
Activities undertaken to influence the investment and the outcomes	Re-design and refurbishment of showers and changing facilities at Whitechapel Mission for homeless people.

- ☒ Add Example 2

ESG issue	EPC Legislation
Types of properties affected	All
Impact (or potential impact) on investment	Inability to market low rated properties in 2018.
Activities undertaken to influence the investment and the outcomes	Project to assess how EPC ratings can be improved by energy saving. Assessment of whether certain assets could be sold in advance of 2018 to take advantage of increases in capital values.

- ☒ Add Example 3

ESG issue	Energy Performance of Building
Types of properties affected	Out of Town Office
Impact (or potential impact) on investment	Refurbishment project plus extension to existing structure. Work completed in 2014. EPC rating improved from "F" to "B" and achieved BREEAM rating of "Excellent"
Activities undertaken to influence the investment and the outcomes	Fully let to one tenant on 10 year lease with associated ESG standards being achieved by the tenant.

☒ Add Example 4

ESG issue	Carbon Reduction Commitment
Types of properties affected	All non FRI
Impact (or potential impact) on investment	High energy use generates high CRC costs which may not be 100% recoverable from tenants.
Activities undertaken to influence the investment and the outcomes	Targeted top 25 or so properties in each fund for specific analysis of energy usage and engagement with tenants to help implement reduction methods.

☐ Add Example 5

Communication

PR 23	Mandatory	Core Assessed	PRI 6
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PR 23.1 Indicate if your organisation proactively discloses ESG information on your property investments.

- ☐ Disclose publicly
☒ Disclose to clients/beneficiaries only

PR 23.2 Indicate if your organisation uses property specific reporting standards to disclose information related to your property investments' ESG performance.

- ☐ Global Reporting Initiative (GRI) Construction & Real Estate Sector Supplement (CRESS)
☒ Other property reporting standards, specify
 GRESB survey, PRI Report
☐ No property specific reporting standards are used

PR 23.6

Indicate the type of ESG information that your organisation proactively discloses to your clients/beneficiaries.

- ☒ ESG information on how you select property investments
- ☒ ESG information on how you monitor and manage property investments
- ☐ Information on your property investments' ESG performance
- ☐ Other, specify

PR 23.7

Indicate your organisation's typical frequency of disclosing ESG information to the your clients/beneficiaries.

- ☒ Quarterly or more frequently
- ☐ Semi annually
- ☐ Annually
- ☐ Every two years or less frequently
- ☐ Ad-hoc, specify

PR 23.8

Describe the ESG information and how your organisation proactively discloses it to your clients/beneficiaries. [Optional]

We only report specific ESG performance on the Low Carbon Workplace Fund which reports quarterly to investors including reference to the ESG performance of investments and the relative ESG qualifications of occupiers.

- ☐ No proactive disclosure to the public or to clients/beneficiaries

PR 23.9

Additional information. [Optional]

Where requested, we provide detail of the ESG activity of the business with specific reference to the property investment portfolio. We do not generally publish this information because a great deal of the activity is regarded as "business as usual".