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The NT Global Bond ESG Climate Index Fund ("the Product")

LEI: 635400HOLQF5WECK8B44

Sustainability-related Investment Disclosures

SUMMARY

The NT Global Bond ESG Climate Index Fund (the "Product") promotes environmental or social ("E/S") characteristics but does not have a sustainable investment objective. The Product commits to having a minimum 10% in sustainable investments.

The Product is a passive Index tracking strategy whereby it seeks to track the risk and return characteristics of the Solactive Global Bond ESG Climate Index (the "Index") by investing directly in assets that are Index constituents. The Index is calculated and screened by Solactive and integrates environmental, social and governance ("ESG") and climate data into the sovereign and corporate sectors of the portfolio to increase the ESG profile and mitigate the risk of climate change compared to Solactive Broad Bond Index (the "Parent Index").

The Product's E/S characteristics are achieved through the use of a range of exclusions, using the Northern Trust Custom ESG Screening Criteria (the "NT Custom ESG Screening Criteria") which are applied to the corporate securities. Also for the corporate securities, Northern Trust ESG Vector Score™ which is applied to ensure an uplift in the overall sustainability profile of the Product. The Northern Trust ESG Vector Score™ is a measurement that assesses publicly traded companies in the context of financially relevant ESG related criteria that could impact a company's operating performance.

To reduce the carbon footprint and other negative externalities, the Product aims within the corporate holdings of the portfolio, to reduce the operational carbon intensity and seek a carbon risk rating uplift of the portfolio; and therefore have a lower carbon footprint relative to the Parent Index.

For government securities, the Index will systematically integrate fiscal strength and governance metrics by the application of country level fiscal strength scores and governance scores based on World Bank Governance Indicators ("WGI") to maximise a combined fiscal strength plus governance score ("FWSG") of the Index. Using data from the European Commission's Emissions Database for Global Atmospheric Research, country level carbon measures will then be applied to reduce carbon impact and mitigate the risk of climate change.

The Product intends to be at least 70% invested in sovereign and corporate securities which integrate of ESG and climate data to increase the ESG profile of the Index and mitigate the risk of climate change compared to its parent benchmark. Of this a minimum of 10% will be invested in sustainable investments. The Product presently intends to invest 0% of its assets in investments that contribute to environmentally sustainable economic activities in accordance with the Taxonomy Regulation. The "other" 1%-5% of the Product is expected to be for cash, hedging and other ancillary purposes.

The NT Custom ESG Screening Criteria is list of companies to be excluded from the investment universe based on the selected ESG criteria based on ESG Research data. This is primarily monitored as part of the Product's rebalance with investee names added or divested as appropriate to ensure compliance with the ESG criteria. Where possible, the Product's E/S characteristics are coded into our Investment Management System to enable pre and post trade monitoring. Certain targets and thresholds, that are relevant to the Product strategy, are monitored by the investment team and independently monitored by the Risk team and reported to the Products board of directors.

The Index is designed to maximise ESG scores compared to the Solactive Broad Bond Index by applying: (i) a fiscal strength and governance score (based on Debt/GDP, Deficit/GDP, CAB/GDP metrics and WGI to government bonds and reweighting country allocations based on the scores; (ii) the NT Custom ESG exclusions and the Northern Trust ESG Vector Score™ (a measurement that assesses publicly traded companies in the context of financially relevant environmental, social and governance (ESG) related criteria that could impact their operating performance) to corporate bonds ; (iii) carbon reduction targets to both the government (carbon emissions, carbon intensity and carbon trend at country level) and corporate bonds (carbon emissions and carbon risk rating uplift) to mitigate climate change; and (iv) liquidity and turnover constraints, limits to the weights of securities, exposure by sub-industry, region and country, as well as exposures to other risk factors. The methodology for the Index can be found [here](#).

The investment manager has agreements in place for the use of third party ESG data from a number of preferred providers. We may use one or more of these providers' ESG datasets to attain each of the E/S characteristics in the construction, reporting, research and analysis process of our products.



The primary limitation to the methodology or data source is the lack of corporate disclosure particularly in relation to companies outside of the EU. Additionally, sourcing adequate information on the principal adverse indicator ("PAI") has been challenging. Such limitations have led to the use of proxies, in place of a PAI (s), as part of our assessment of significant harm. We also see divergence in methodology between data providers which can lead to different outcomes.

The due diligence carried out on the underlying assets of the Product begins with the customisation of the Parent Index. Such customisation is designed to reflect the Product's investment objective including its ESG criteria and is based on research from our relevant data provider. The NT Custom ESG Screening methodology is rules-based and generates a list of exclusions which align with international norms, standards, treaties and codes. These exclusions are coded into our investment systems pre and post trade (where applicable) to enable independent.

The holdings of the Product are subject to investment manager's engagement program with Hermes Equity Ownership Services ("Hermes EOS"), providing an opportunity to engage with selective companies and to seek ways to improve their performance. Proposals for engagement, whether generated by Hermes EOS or the Product, usually involve risks and concerns relating to strategic, operational, legal, social, environmental, ethical or governance principles, or a breach of the Hermes responsible ownership principles or its regional policies.

Engagements may relate to longer-term strategic, environmental, social or governance issues, which may not have immediate stock-specific impacts, for example where the company's shares are fully valued, and the intent is to preserve that value. Hermes EOS will escalate its engagement according to the nature and severity of the concerns.

NO SUSTAINABLE INVESTMENT OBJECTIVE

This financial product promotes environmental or social characteristics, but does not have as its objective a sustainable investment.

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

In order to deem an investment a sustainable investment, it must not only satisfy the positive contribution test, but also a 'do no significant harm' ("DNSH") test designed to ensure that no significant harm is caused to any environmental or social investment objective.

Our assessment of harm involves the use of a set of diverse environmental and social indicators for example, Greenhouse Gas emissions ("GHG"), carbon footprint, GHG intensity of investee companies etc. coupled with our own proprietary thresholds. These thresholds represent a value or metric at which we believe there is a risk of significant harm. In practice, this means that an investee company can only be deemed a sustainable investment under our definition if it a) meets our minimum positive contribution test; b) the indicators for harm are under the proprietary thresholds set at specific points in time and lastly c) that investee companies follow good governance practices and are aligned with minimum safeguards such as OECD guidelines for Multinational Enterprises.

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

The Product considers adverse impacts through a range of criteria that form part of the investment strategy; the NT Custom ESG Screening Criteria, application of ESG metrics to maximise the ESG scores and carbon emissions reduction targets. This provides a strong ethical foundation in line with international norms. Added to this, we have secured access to a range of ESG data providers and datasets to help us to carry out this assessment and ongoing monitoring.

For sustainable investments specifically, and as described above, our assessment of harm involves the use of a set of diverse environmental and social indicators with proprietary thresholds.

Lastly, consideration of adverse impacts form part of our focused engagement and voting activities designed to help influence the business models of investee companies to transition to a more sustainable future.

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

The Product applies the NT Custom ESG Screening Criteria methodology to identify and exclude companies that do not adhere to international norms – such as:

- OECD Guidelines for Multinational Enterprises;
- the UN Guiding Principles on Business and Human Rights, including the principles and rights set out in the eight Fundamental conventions identified in the Declaration of the International Labour Organisation ("ILO") on Fundamental Principles and Rights at Work; and
- the International Bill of Human Rights.



The implementation of these exclusions happens through the use of third party controversy data used as a proxy to assess the negative environmental, social and governance impact of a company's operations, products and services.

In practice, this means that all investee companies are aligned with these minimum safeguards, not only the sustainable investments.

ENVIRONMENTAL OR SOCIAL CHARACTERISTICS OF THE FINANCIAL PRODUCT

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

The Index is designed to maximise ESG scores compared to the Solactive Broad Bond Index - the Parent Index.

The Product has the following E/S characteristics: (i) a fiscal strength and governance score (based on Debt/GDP, Deficit/GDP, CAB/GDP metrics and WGI to government bonds and reweighting country allocations based on the scores; (ii) the NT Custom ESG exclusions and the Northern Trust ESG Vector Score™ (a measurement that assesses publicly traded companies in the context of financially relevant ESG related criteria that could impact their operating performance) to corporate bonds ; (iii) carbon reduction targets to both the government (carbon emissions, carbon intensity and carbon trend at country level) and corporate bonds (carbon emissions and carbon risk rating uplift) to mitigate climate change; and (iv) liquidity and turnover constraints, limits to the weights of securities, exposure by sub-industry, region and country, as well as exposures to other risk factors.

As its investment strategy, the Product seeks to track the risk and return characteristics of the Solactive Global Bond ESG Climate Index - by investing directly in assets that are Index constituents – by using a sample based physical replication model. For the corporate securities, the Index is constructed using the NT Custom ESG screening criteria on the Index to be in line with international norms and specific ESG criteria.

Please refer to the Product supplement and annex for a complete list of sustainability indicators used to measure the attainment of the E/S environmental and/or social characteristics promoted by this Product.

INVESTMENT STRATEGY

What investment strategy used to meet the environmental or social characteristics promoted by the product follow?

The Product is a passive Index tracking strategy whereby it seeks to track the risk and return characteristics of the Index - Solactive Global Bond ESG Climate Index by investing directly in assets that are Index constituents. The custom Index is calculated and screened by Solactive and integrates ESG and climate data into the sovereign and corporate sectors of the portfolio to increase the ESG profile and mitigate the risk of climate change compared to its Parent benchmark.

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

An assessment of good governance of sovereign and corporate sectors of the Index forms a foundational part of the Index methodology. In practice, this is achieved for corporate bonds through the use of the NT ESG Vector Score™ and the data provider's ESG Controversy screen, a proxy framework designed to address governance topics consistent with international norms represented by the UN Declaration of Human Rights, the ILO declaration on Fundamental Principles and Rights at Work, the OECD Guidelines and the UN Global Compact.

In order to identify the controversy, our chosen data provider assesses the negative environmental, social and governance impact of the investee companies operations, Products and services. It also identifies breaches of international norms through the use of controversy proxies which are assessed based on the scale and severity of the controversy. For Sovereigns the governance part of the fiscal strength the governance score which is applied at country level measured by WGI methodology to measure quality of governance over sustainability issues.

Severity may vary depending on the nature of the controversy but generally includes metrics such as:

- the percent of shareholder votes or number of shareholders voicing an opinion,
- number and position of executives or directors involved,
- number and type of external parties voicing an opinion, or
- the portion of the company that is affected or implicated.

For other governance issues, scale is generally measured by:

- the length of time an activity was ongoing,
- the size of the market or government affected, or

- the scale on which either company executives or external parties such as government officials were involved.

PROPORTION OF INVESTMENTS

What is the asset allocation planned for this financial product?

The Product intends to be at least 70% invested in sovereign and corporate securities which integrate ESG and climate data to increase the ESG profile of the Index and mitigate the risk of climate change compared to its Parent benchmark. Of this a minimum of 10% will be invested in sustainable investments.

The Product presently intends to invest 0% of its assets in investments that contribute to environmentally sustainable economic activities in accordance with the Taxonomy Regulation. The “other” is expected to be for cash, hedging and other ancillary purposes.

MONITORING OF ENVIRONMENTAL OR SOCIAL CHARACTERISTICS

How are the environmental or social characteristics and the sustainability indicators monitored throughout the lifecycle of the financial product and the related internal/external control mechanism?

Where possible, the Product's E/S characteristics are coded into our Investment Management System to enable pre and post trade monitoring. Certain targets and thresholds, that are relevant to the Product strategy, are monitored by the investment team and independently monitored by the Risk team and reported to the Products board of directors. Other monitoring is undertaken in a variety of ways including but not limited to:

- Reviews to reconcile against data providers to ensure the Index is reflective of ESG Screening Criteria.
- Reviews of the proxy voting policy on a periodic basis, including voting principles in relation to ESG topics. Changes to the policy are presented to the Proxy Voting committee.
- Reviews of the Product to test that the Product is operating in line with disclosures made.

METHODOLOGIES

What are the methodologies to measure how the social or environmental characteristics promoted by the financial product are met?

The Index aims to represent the performance of a strategy that is designed to exclude companies based on various ESG criteria. The Product uses research and data from our third party data providers.

More information on the methodology for the Index can be found [here](#). Please refer to the Product supplement and annex for the methodology used to measure the attainment of the E/S promoted by this Product found [here](#)

DATA SOURCES AND PROCESSING

What are the data sources used to attain each of the environmental or social characteristics? Describe the measures taken to ensure data quality, describe how data are processed and describe the proportion of data that are estimated.

The investment manager's dedicated ESG integration team which is part of our Sustainable Investment and Stewardship team assists in identifying the most relevant and suitable data sources needed to attain the sustainability characteristics of the strategies. The selection of the data provider goes through an extensive due diligence process evaluating them on various parameters including, but not limited to, robustness of data providers research process, methodological approach, quality assurance, coverage.

The investment manager has agreements in place with multiple third party ESG data providers to ensure we have access to diverse views and utilising the best available options. We may use one or more of these providers' as deemed fit to attain each of the environmental or social characteristics in the portfolio construction, reporting, research and analysis process of our products.

Company reported data may not be available for all securities in the investible universe or may not be in a format that allows comparability or aggregation at the portfolio level. As such the investment manager and/or our ESG data provider(s) may use estimated or modelled data as a proxy. It is currently complex to report sufficiently accurate yet broad metrics on the proportion of data that is estimated. The share of modelled data will vary over time and across funds based on the investible universe. We continue to monitor developments in data availability and regularly review the datasets and tools available vis-à-vis new and emerging alternatives in terms of data coverage and quality.



LIMITATIONS TO METHODOLOGIES AND DATA

The primary limitation to the methodology or data source is the lack of corporate disclosure particularly in relation to companies outside of the EU. We do not expect the corporate reporting landscape to change significantly until the anticipated introduction of Corporate Sustainability Reporting Directive ("CSRD") in 2025 and even then, we envisage continued challenges in markets outside of the EU.

Additionally, like other industry participants, adequate information on the PAI indicators has been challenging. To overcome this issue, we leverage multiple data providers to enable us to have a more holistic view from different perspectives. At present, we observe gaps in disclosures of PAI indicators by corporates resulting in the use of certain proxies or estimations by the third-party providers and where we have found limitations, and resorted to a relevant proxy, we have clearly designated it as such.

In terms of methodology, we frequently see divergence in the way that data vendors deal with certain topics. For instance, for GHG emissions, some vendors blend corporate reporting with modelled data. It has been a common experience to note that 'reported' data can vary between providers due to conflicting policies, quality assurance and other case-by-case factors. This has been evidenced by the numerous reports from industry associations and trade bodies such as Irish Funds and the Investment Association on the quality and transparency of ESG data products.

DUE DILIGENCE

Describe the due diligence carried out on the underlying assets of the financial product, including the internal and external controls on that due diligence.

Due diligence is carried out on the underlying assets throughout the life cycle of the Product. Starting from product development, ESG objectives and criteria are determined from the outset with due diligence carried out on the investment universe. As part of its due diligence the investment manager assesses to ensure compliance with these requirements. ESG metrics of third-party data providers will typically be used to conduct this due diligence, based on the product offering documentation. The selection of the data provider goes through an extensive due diligence process evaluating them on various parameters including, but not limited to, robustness of data providers research process, methodological approach, quality assurance etc.

During the life of the product, ESG criteria is monitored through the review of ESG data published by the selected data providers to determine whether the product and its investments remain in line with its ESG objective.

Product level ESG exclusions and screens are coded into our Investment Management System to enable pre and post trade monitoring (where applicable) as well as on-going independent oversight. You can find out more about our sustainability risk policy [here](#).

ENGAGEMENT POLICIES

Describe the engagement policies implemented where engagement is part of the environmental or social investment strategy, including any management procedures applicable to sustainability-related controversies in investee companies

The holdings of the Product are subject to investment manager's engagement program. In addition to our direct engagements in EMEA, we appointed Hermes EOS to act as agent of the majority of our pooled funds in EMEA. Hermes EOS' engagements are focused on ensuring companies are responsibly-governed and well managed to deliver sustainable long-term value as well as improving the lives of employees, promoting diversity and supporting communities.

Proposals for engagement, whether generated by Hermes EOS or the Product directly, usually involve risks and concerns relating to strategic, operational, legal, social, environmental, ethical or governance principles, or a breach of the Hermes responsible ownership principles or its regional policies.

Engagements may relate to longer-term strategic, environmental, social or governance issues, which may not have immediate stock-specific impacts, for example where the company's shares are fully valued, and the intent is to preserve that value. Hermes EOS will escalate its engagement according to the nature and severity of the concerns.

Hermes EOS conducts engagements with companies that are constituents of the Funds to seek positive change for investors, the companies and the societies in which they operate. Hermes EOS adopt their three-year engagement plans to explain their short-and-medium-term priorities and the links to the United Nations' Sustainable Development Goals.

Hermes EOS shall undertake portfolio company-specific engagements where it is believed that:

- Engagement will lead to an increase in the value of a company's shares over the long term; or
- Engagement will prevent or limit a decrease in the value of a company's shares over the long term.



Our engagement policy is available [here](#) for our EMEA pooled funds.

DESIGNATED REFERENCE BENCHMARK

Is a specific index designated as a reference benchmark to determine whether this financial product is aligned with the environmental or social characteristics that it promotes? If yes, how that index is aligned with the environmental or social characteristics promoted by the financial product, and where can one find information with regards to input data, methodologies used to select those data, the rebalancing methodologies and index calculations?

The Product is managed against the Solactive Global Bond ESG Climate Index which integrates ESG and climate data into the sovereign and corporate sectors of the portfolio to increase the ESG profile and mitigate the risk of climate change compared to its Parent benchmark; Solactive Broad Bond Index.

Alignment of the investment strategy is ensured through the codification of the Index methodology which incorporates the various ESG criteria. This means that the Index applies the negative screens to the corporate sector of the portfolio, integrates the ESG scores to the sovereign and corporate sectors of the portfolio to increase the ESG profile and applies the carbon reduction targets to sovereign and corporate sectors of the portfolio; compared to the Parent benchmark.

In addition, investment guidelines and restrictions are coded in our order management system to enable pre and post-trade monitoring.

The methodology used can be found [here](#). Please search by benchmark name.

IMPORTANT INFORMATION

This Information Statement is issued for information purposes only and is not intended as legal or investment advice, an offer or a recommendation about managing or investing assets and should not be used as the basis for any investment decision.

The information contained herein is current as of December 2022 and is subject to change without notice.

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