

# Information Statement

## on our Policy on the Integration of Sustainability Risks in the Investment Decision-Making Process

Issued by:

Northern Trust Fund Managers (Ireland) Limited ("the Company"), acting in its capacity as UCITS authorised Management Company in respect of Northern Trust Investment Funds plc, Northern Trust UCITS Common Contractual and Northern Trust Global Funds plc (each "a Fund" and together "the Funds").

**The Information Statement applies to each Fund under the management of the Company. The Information Statement also applies, where specified below, to each individual portfolio mandate (the "Mandate") managed by the Company.**

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### Sustainable Finance Transparency

The European Union has introduced a series of legal measures (the primary one being the Sustainable Finance Disclosures Regulation (Regulation (EU) 2019/2088)) requiring firms that manage investment funds to provide transparency on how they integrate sustainability considerations into the investment process with respect to the investment funds they manage.

### Our Approach to Sustainable Investment

At Northern Trust, we believe that investors, and asset managers that invest on their behalf, have a responsibility to make their investments in a way that effectively supports a sustainable society.

At the core of our commitment to help our clients achieve their financial objectives is a conviction that this can be achieved by investing responsibly.

We value the importance of integrating Environmental, Social, and Governance (ESG) factors into our investment and risk processes and fundamentally believe that this is aligned with the aim of achieving long-term positive financial performance for our investors. We also recognise and value the fact that this will also support the better functioning of companies we invest in, enhancing behaviour in a wide range of markets and industries and having a positive societal impact beyond the financial markets.

### What is a Sustainability Risk?

In this context a sustainability risk is considered to be an environmental, social or governance event or condition that, if it occurs, could cause an actual or potential material negative impact on the value of an investment.

### Information on How we Integrate Sustainability into the Investment Decision-Making Process

As part of the process to undertake appropriate due diligence on investments, the investment manager of the relevant Fund (the "**Investment Manager**") will generally conduct a level of research on each company or issuer. This may include a consideration of fundamental and quantitative elements such as financial position, revenue, capital structure etc. It may also involve qualitative and non-financial elements such as the company's approach and/or industry relative standing to ESG factors and consideration of Sustainability Risks. The Investment Manager considers that material ESG issues are business issues; when managed well, these factors can position a company for success. When managed poorly, they can lead to negative externalities that can result in reputational and financial risk.

The Investment Manager integrates these ESG factors and this Sustainability Risk assessment into its investment research process, portfolio construction, and/or its risk management process – both initially and on an ongoing basis for the duration of the period the Fund holds an investment or pursues a particular investment strategy.

In respect of the Funds, the Investment Manager's investment approach and decision-making processes are based on clearly defined investment objectives, investment policies, investment strategy, investment restrictions and risk management parameters, as contained in the relevant Supplement.

Using both quantitative and qualitative processes, further details on which may be set out in the relevant Supplement, Sustainability Risk is identified, monitored and managed by the Investment Manager in the following manner:

- Prior to acquiring investments on behalf of a Fund, the Investment Manager uses ESG metrics of third party data providers (“Data Providers”) in order to screen the relevant investment against Sustainability Risk and to identify whether it is vulnerable to such risk. This process incorporates applying both an exclusion policy (whereby potential investments are removed from the investment universe on the basis that they pose too great a Sustainability Risk to the Fund) and integration of additional ESG approaches, where relevant.
- During the life of the investment, Sustainability Risk is monitored through the review of ESG data published by the issuer (where relevant) or selected Data Providers to determine whether the level of Sustainability Risk has changed since the initial assessment has been conducted. Where the Sustainability Risk associated with a particular investment has increased beyond the ESG risk appetite for the relevant Fund, where applicable, the Investment Manager will consider selling or reducing the Fund's exposure to the relevant investment, taking into account the best interests of the Shareholders of the Fund.

Factoring an assessment of the likely impact of Sustainability Risk into the investment design and decision making process has the potential to impact the returns of the Fund. Accordingly, an ESG Orientated Fund or Sustainable Investment Fund may perform differently relative to other comparable funds that do not promote environmental and/or social characteristics.

For more details on how ESG factors are integrated into the investment process please refer to [www.northerntrust.com/Pooledfunds](http://www.northerntrust.com/Pooledfunds).

For more details, please refer to the investment strategy of the relevant Fund as set out in the Prospectus and/or associated investor materials.

#### *Mainstream Funds*

The investments underlying certain Funds do not take into account the EU criteria for environmentally sustainable economic activities (“**Mainstream Funds**”).

The classification of a Fund as a Mainstream Fund means that the Fund does not promote environmental or social characteristics in a way that meets the specific criteria contained in Article 8 of SFDR or have sustainable investment as its objective in a way that meets the specific criteria contained in Article 9 of SFDR.

Accordingly, each Fund that is classified as a Mainstream Fund shall not be expected to pursue an investment approach that explicitly promotes environmental or social characteristics or to have sustainable investment as its objective.

Notwithstanding this classification, the Company still considers that the Mainstream Funds are managed responsibly. The Investment Manager may employ investment restrictions that are in accordance with rules regarding cluster munitions laid down in the relevant national legislation adopting the Convention on Cluster Munitions and, where detailed in the relevant Supplement, Hermes Equity Ownership Services has been engaged to act as the Manager's agent in carrying out corporate engagement with carefully selected companies held within the portfolios of the Mainstream Funds. Certain Mainstream Funds, while not being classified as an ESG Orientated Fund or a Sustainable Investment Fund, may have reference to "ESG" in their names. This is reflective of the fact that such Mainstream Funds, where detailed in the relevant supplement, may evaluate and integrate Sustainability Risks and other relevant ESG factors at multiple stages throughout the investment

process. Factoring an assessment of the likely impacts of Sustainability Risks in accordance with the foregoing processes has the potential to impact the returns of the Mainstream Funds.

### **Article 8 or 9 Mandates**

The Company may offer to manage Mandates that promote environmental or social characteristics as set out below, but do not have sustainable investment as their objective (“**Article 8 Mandates**”) or have sustainable investment as their objective (“**Article 9 Mandates**”).

In making investments on behalf of the relevant clients, the Company may offer to incorporate the NT Custom Environmental, Social and Governance (“ESG”) Screening Methodology (described below) into the investment process of the relevant Mandate at the request of the client and/ or customise the Mandate in accordance with client exclusions, screens and ESG integration requirements. Mandates under these client individual portfolio management agreements will be categorised on a case by case basis according to the SFDR regulation.

The NT Custom ESG Screening Methodology is rules-based and generates a list of exclusions, the Northern Trust Custom ESG Exclusion List, which ensures the worst offenders from an ESG perspective are removed. This key framework allows portfolios to be in line with global norms and ethics and provides portfolios with an initial first ethical foundation.

To create the eligible custom ESG universe, the MSCI parent Index is used as the starting point. The Company then applies the customised criteria that address broad Environmental, Social and Governance issues. These are specifically the exclusion of companies that are involved with tobacco, thermal coal power, extraction and mining, controversial and conventional weapons and violate the U.N. Global Compact principles. An additional Corporate Governance-based exclusion list may also be applied. The Mandate strategy’s investment process is then based on the resulting Custom ESG Index.

### **Important Information**

This Information Statement is issued for information purposes only.

This Information Statement is not intended as investment advice and is not 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 the date of issuance and is subject to change without notice.

We do not make any express or implied warranties or representations as to the completeness or accuracy or accept responsibility for errors.

No risk management technique can guarantee the mitigation or elimination of risk in any market environment.

**Past performance is not a guarantee or a reliable indicator of future results and an investment could lose value. All investments involve risk, including the possible loss of capital.**

Northern Trust Fund Managers (Ireland) Limited registered office is at 54-62 Townsend Street, Dublin 2, Ireland.

Northern Trust Fund Managers (Ireland) Limited is authorised in Ireland and regulated by the Central Bank of Ireland.