

# Statement on the Consideration of Principal Adverse Impacts of Investment Decisions on Sustainability Factors

For year end 31 December 2023

## Financial Market Participant (“FMP”)

**This statement applies to:** Northern Trust Fund Managers (Ireland) Limited (“NTFMIL”)

**Legal Entity Identifier:** 5493007ZMALWMHFY1P34

### Summary

NTFMIL considers the principal adverse impacts (“PAIs”) of its investment decisions on sustainability factors in line with Regulation (EU) 2019/2088 (the “Sustainable Finance Disclosure Regulation” or “SFDR”).

This consolidated statement on PAIs on sustainability factors of NTFMIL covers the reference period from 1 January 2023 to 31 December 2023. NTFMIL has no historical comparison to other reference periods as this is the first such Statement. Comparisons will be included on a go-forward basis commencing with the statement covering the reference period from 1 January 2024 to 31 December 2024. NTFMIL is authorised by the Central Bank of Ireland as an UCITS authorised Management Company to EU domiciled funds (“Funds”) and as an investment manager of segregated managed accounts (“Mandates”). Funds and Mandates together are referred to in this statement as the “Product(s)”.

NTFMIL delegates the portfolio management function of the Products to the Investment Manager, Northern Trust Global Investments Limited (“NTGIL”), who is responsible for the investment decision-making process and pre-trade assessments in accordance with the investment guidelines for the relevant Product. NTFMIL and NTGIL are entities within the Asset Management business of the Northern Trust enterprise. This business is commonly referred to as Northern Trust Asset Management (“NTAM”). This statement details the approaches that NTFMIL uses to mitigate PAIs which include voting, engagement, and negative screening. It addresses the following key areas:

- the approach to assessing and analysing PAIs and how these are disclosed;
- the policies used to identify and prioritise PAIs;
- the approach to engagement and the engagement policies implemented, and;
- details on how NTFMIL’s approach meets international standards.

To note, the aggregate PAI data of NTFMIL captures the PAIs relating to the underlying assets of the Products managed by NTFMIL. Consequently, the aggregate PAI data is determined by client preferences, the size of client assets (and asset flows), and prevailing market conditions.

NTFMIL does not set targets regarding any of the PAIs, however a description of planned actions has been provided in Table 1 below relating to the 18 PAIs of our investment decisions on sustainability factors.

NTFMIL’s Sustainability Risk Policy sets out the framework by which NTFMIL integrates sustainability risks and opportunities into the investment decision-making process and considers the PAIs of investment decisions on sustainability considerations. Please see [here](#) for the Article 3 Information Statement on the Integration of Sustainability Risks in the Investment Decision-Making Process.

## Description of the PAIs on sustainability factors

### APPROACH TO ADVERSE IMPACT INDICATORS

NTFMIL has provided the 18 mandatory indicators required by SFDR in Table 1 below and in addition this statement discloses two additional optional indicators. In scope are Products which NTFMIL manages but have delegated portfolio management function to NTGIL. As per SFDR, the PAIs in Table 1 are used where relevant to that issuer type defined as Corporates (14 Mandatory PAIs and 2 Optional PAIs), Sovereigns (2 PAIs) or Real Estate (2 PAIs).

Table 1 Mandatory and optional indicators reported within this statement referencing SFDR Regulatory Technical Standard (“RTS”) Annex 1 tables and item numbers.

Applicable to	Theme	PAI Indicator	Number
<b>SFDR Annex Table 1 (Mandatory Indicators)</b>			
<b>Investee Companies (Corporates)</b>	Climate and other environment-related indicators	GHG Emissions	1
		Carbon Footprint	2
		GHG intensity of investee company	3
		Exposure to companies active in the fossil fuel sector	4
		Share of non-renewable energy consumption and production	5
		Energy consumption intensity per high impact climate sector	6
		Activities negatively affecting biodiversity-sensitive areas	7
		Emissions to water	8
		Hazardous waste and radioactive waste ratio	9
		Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises	10
	Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises	11	
	Unadjusted gender pay gap	12	
	Board gender diversity	13	
	Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons)	14	
<b>Sovereign and Supranational</b>	Environmental	GHG Intensity	15
	Social	Investee countries subject to social violations	16
<b>Real Estate</b>	Fossil fuels	Exposure to fossil fuels through real estate assets	17
	Energy efficiency	Exposure to energy-inefficient real estate assets	18
<b>SFDR Annex Table 2 Additional climate and other environment-related indicators (Optional Indicators)</b>			
<b>Investee Companies (Corporates)</b>	Emissions	Investments in companies without carbon emission reduction initiatives	4
<b>SFDR Annex Table 3 Additional social and employee, respect for human rights, anti-corruption and anti-bribery matters (Optional Indicators)</b>			
<b>Investee Companies (Corporates)</b>	Human rights	Lack of human rights policy	9

### Issuer Coverage %

For each PAI, this statement includes information to describe *Issuer Coverage %* for NTFMIL’s in-scope assets. These assets include corporates and sovereigns but excludes asset classes such as asset backed securities, cash, municipal bonds due to lack of data availability and industry frameworks. In some cases, a PAI is applicable to a subset of issuers, such as PAI 6 which is only applicable to high impact sectors.

The Issuer Coverage % is documented below in Table 2 for each reported PAI figure and represents the data availability out of the investments made in the applicable, or relevant, type of issuer per PAI for NTFMIL's in-scope assets. As an example, when PAI 13 – “Board Gender Diversity” is measured, “applicable” means the assets under management (AUM) aggregated to the NTFMIL entity level, for corporate issuers.

The Issuer Coverage % denotes for each PAI figure: out of the total “applicable” investments held by the Products managed by NTFMIL, the % AUM of such investments for which our third-party data provider has the relevant PAI data. NTFMIL discloses these indicators, subject to data availability and quality.

### **Approach**

The approach used to avoid or mitigate PAIs can vary and may be influenced by the investment strategy and how we approach a Product. For example, the majority of NTFMIL's Products in scope are index based (i.e., they track a designated index). An index may apply a combination of negative screens (such as our proprietary Northern Trust Custom ESG Screens), positive tilts, scoring or reduction targets to enhance the sustainability profile<sup>1</sup>. Engagement and voting are viewed as tools to help mitigate PAIs with indexed products, as divestment from certain securities is not always possible. NTAM stewardship efforts are undertaken at the company level rather than by Product.

## **METHODOLOGIES TO SELECT THE ADDITIONAL INDICATORS**

NTFMIL has selected the following additional environmental and social related PAIs.

### **Environmental Indicator: Investments in companies without carbon emissions reduction initiatives – Share of investments in investee companies without carbon emission reduction initiatives aimed at aligning with the Paris Agreement<sup>2</sup>**

NTFMIL has selected this additional indicator because investments in companies whose carbon emissions decarbonisation pathways do not align with the Paris Agreement may present a significant negative impact on investment strategies that seek to minimise the environmental impacts of climate change. Government policies, technological innovation, and consumer and investor preferences are driving a material economic transformation through transition risk, while physical climate change risk (e.g., through extreme weather) can also affect asset prices. The data provider uses implied temperature rise (in the year 2100 or later) estimated to be at or below 2 degrees to determine a company's alignment with the Paris Agreement. Room for interpretation and uncertainty exists in how various methodologies utilised by companies advance an emission reduction outcome and the achievement of the companies' commitment.

### **Social Indicator: Lack of a human rights policy – Share of investments in investee companies without a human rights policy**

NTFMIL has selected this additional indicator because without the implementation of certain safeguards there is potential for a company's operations to violate an individual's human rights, which could represent a significant operational and reputational risk to the company. The data provider identifies the companies without evidence of a human rights policy for this PAI. While the indicator itself is binary (i.e., yes or no), the process employed to generate each policy commitment is subjective and based on differing perspectives and governance structures adopted by companies. Room for interpretation and uncertainty exists in how different approaches chosen by companies advance and support chosen policy outcomes and commitments.

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<sup>1</sup> Please refer to product-specific documentation for details on how each NTFMIL Product considers PAIs.

<sup>2</sup> The “Paris Agreement” is a legally binding international treaty on climate change that was adopted by 196 parties at the United Nations Climate Change Conference (COP21), Paris, in 2015. It reflects a global plan to restrict global warming to well below 2°C above pre-industrial levels and pursue efforts to limit the temperature increase to 1.5°C above pre-industrial levels.

**Table 2: Description of the PAIs on Sustainability Factors  
INDICATORS APPLICABLE TO INVESTMENTS IN INVESTEE COMPANIES<sup>3,4</sup>**

**CLIMATE AND OTHER ENVIRONMENT RELATED INDICATORS**

Adverse Sustainability Indicators	Metric	Impact Year 2023	Actions taken, and actions planned and targets set for the next reference period.	
<b>Greenhouse Gas Emissions</b>				
1. GHG Emissions	Scope 1 GHG emissions	<b>2,471,420 tCO2e</b>	<p>PAIs 1-3 are primarily mitigated through negative screening. For those funds which employ the Custom ESG approach, this covers screens on companies involved in thermal coal mining, thermal coal power generation, unconventional oil and gas, and Arctic oil. Certain funds with a climate focus also include carbon intensity reduction targets against a given benchmark as well as further screens such as fossil fuel reserves, oil and gas revenues and oil and gas-based power generation. Those funds tracking Paris-Aligned Benchmarks (PAB) aim to achieve a year-on-year decarbonisation of 7%. PAI 4 is considered explicitly within those funds which screen based on fossil fuel reserve ownership or potential emissions (which acts as a proxy for fossil fuel ownership).</p> <p>More broadly, climate is a key thematic focus area within NTAM. Further details on the actions being taken in this space, including our Net Zero Asset Managers Initiative (NZAMI) commitment are available in our <a href="#">Task Force on Climate-Related Financial Disclosures (TCFD) Report</a>. Our initial interim target for 2030 covers 10.8% of our AUM as of the end of 2022, which represents an important first step on the way to the longer-term commitment. These targets were set in line with the Science Based Target initiative (SBTi) Sectoral Decarbonisation Approach (SDA) and the Institutional Investors Group on Climate Change (IIGCC) Net Zero Investment Framework (NZIF), which were chosen based on the investment approach of the committed assets. The scope will be reassessed annually as NTAM works with asset owners, develops new strategies aligned with net zero, includes additional asset classes, and through stewardship works directly with companies on net zero alignment. Of this 10.8%, 3.5% is committed under the SBTi SDA, whilst the remainder, 7.3%, is covered under the IIGCC NZIF. The initial target only includes Scope 1 and Scope 2 emissions; Scope 3 emissions will be phased in over time when disclosure and methodology improve.</p> <p>As a fiduciary, NTAM wants to ensure long-term capital allocation is executed appropriately to prevent value destruction and grasp opportunities for value creation on behalf of shareholders. When appropriate, and considering the fundamentals of value creation, we encourage our portfolio companies to:</p> <ul style="list-style-type: none"> <li>• Make a net zero commitment.</li> <li>• Set short, medium and long-term greenhouse gas (GHG) reduction targets consistent with limiting the global temperature rise to 1.5°C.</li> <li>• Disclose GHG emissions specifying Scopes 1, 2 and 3.</li> <li>• Develop a credible decarbonisation strategy, disclosing and quantifying the principal actions to deliver the GHG emissions target</li> </ul>	
				71% Coverage
	Scope 2 GHG emissions	<b>771,759 tCO2e</b>		
				71% Coverage
	Scope 3 GHG emissions	<b>19,524,891 tCO2e</b>		
Total GHG emissions	<b>22,768,070 tCO2e</b>	72% Coverage <sup>5</sup>		
		71% Coverage		

<sup>3</sup> The data presented in Table 2 are calculated using information provided by a third-party data provider. The accuracy, completeness, and relevance of the calculated data are contingent upon the accuracy and completeness of the data provided by this third-party vendor. The numbers reported represent our best effort to provide the most accurate calculations in light of the data available. However, there are no warranties or representations, express or implied, regarding the completeness, accuracy, or suitability of this data for any particular purpose.

<sup>4</sup> Impact year n-1 has been excluded from Table 2 as this is the first year NTFMIL has reported. Impact year n-1 comparisons will be made from 2025.

<sup>5</sup> Scope 1 and 2 data is based primarily on company reported emissions, with data provider estimations when this is not available. Scope 3 data is based fully on data provider estimates. As Scope 1 and 2 follow different estimation models to Scope 3, there can be instances when an issuer is not yet covered by both and as such the overall coverage can differ.

Adverse Sustainability Indicators	Metric	Impact Year 2023	Actions taken, and actions planned and targets set for the next reference period.																		
2. Carbon Footprint	Carbon Footprint	<b>333 tCO2e per EUR Million invested</b> 71% Coverage	Certain funds have built-in tilts towards those companies generating 'green revenues', which generally includes revenue derived from alternative energy and energy efficiency. These are also eligible 'Use of Proceeds' categories for Green Bonds, which is relevant for certain of our Fixed Income funds.  NTAM engages with companies with carbon intensive operations both directly and collaboratively through industry groups.																		
3. GHG intensity of investee companies	GHG intensity of investee companies	<b>716 tCO2e per EUR Million revenue</b> 71% Coverage																			
4. Exposure to companies active in the fossil fuel sector	Share of investments in companies active in the fossil fuel sector	<b>5.5%</b> 72% Coverage																			
5. Share of non-renewable energy consumption and production	Share of non-renewable energy consumption and non-renewable energy production of investee companies from non-renewable energy sources compared to renewable energy sources, expressed as a percentage of total energy sources	<b>69.2% of non-renewable energy consumption and production</b> 70% Coverage																			
6. Energy consumption intensity per high impact climate sector	Energy consumption in GWh per million EUR of revenue of investee companies, per high impact climate sector	<table border="1"> <tr> <td data-bbox="680 767 882 815">1. Agriculture, Forestry &amp; Fishing:</td> <td data-bbox="920 767 1061 815"><b>0.73 GWh / EUR Million revenue</b></td> </tr> <tr> <td data-bbox="680 823 815 847">2. Construction</td> <td data-bbox="920 823 1061 871"><b>0.21 GWh / EUR Million revenue</b></td> </tr> <tr> <td data-bbox="680 879 882 954">3. Electricity, Gas, Steam and Airconditioning Supply</td> <td data-bbox="920 879 1061 927"><b>4.29 GWh / EUR Million revenue</b></td> </tr> <tr> <td data-bbox="680 962 837 986">4. Manufacturing</td> <td data-bbox="920 962 1061 1010"><b>0.55 GWh / EUR Million revenue</b></td> </tr> <tr> <td data-bbox="680 1018 792 1066">5. Mining and Quarrying</td> <td data-bbox="920 1018 1061 1066"><b>5.85 GWh / EUR Million revenue</b></td> </tr> <tr> <td data-bbox="680 1074 882 1098">6. Real estate activities</td> <td data-bbox="920 1074 1061 1121"><b>0.45 GWh / EUR Million revenue</b></td> </tr> <tr> <td data-bbox="680 1129 860 1177">7. Transportation &amp; Storage</td> <td data-bbox="920 1129 1061 1177"><b>1.34 GWh / EUR Million revenue</b></td> </tr> <tr> <td data-bbox="680 1185 882 1273">8. Water supply, Sewerage, Waste Management &amp; remediation activities</td> <td data-bbox="920 1185 1061 1233"><b>0.78 GWh / EUR Million revenue</b></td> </tr> <tr> <td data-bbox="680 1281 882 1374">9. Wholesale and Retail Trade and Repair of Motor Vehicles and Motorcycles</td> <td data-bbox="920 1281 1061 1329"><b>0.12 GWh / EUR Million revenue</b></td> </tr> </table>		1. Agriculture, Forestry & Fishing:	<b>0.73 GWh / EUR Million revenue</b>	2. Construction	<b>0.21 GWh / EUR Million revenue</b>	3. Electricity, Gas, Steam and Airconditioning Supply	<b>4.29 GWh / EUR Million revenue</b>	4. Manufacturing	<b>0.55 GWh / EUR Million revenue</b>	5. Mining and Quarrying	<b>5.85 GWh / EUR Million revenue</b>	6. Real estate activities	<b>0.45 GWh / EUR Million revenue</b>	7. Transportation & Storage	<b>1.34 GWh / EUR Million revenue</b>	8. Water supply, Sewerage, Waste Management & remediation activities	<b>0.78 GWh / EUR Million revenue</b>	9. Wholesale and Retail Trade and Repair of Motor Vehicles and Motorcycles	<b>0.12 GWh / EUR Million revenue</b>
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Adverse Sustainability Indicators	Metric	Impact Year 2023	Actions taken, and actions planned and targets set for the next reference period.
<b>Biodiversity</b>			
7. Activities negatively affecting biodiversity-sensitive areas	Share of investments in investee companies with sites/operations located in or near to biodiversity-sensitive areas where activities of those investee companies negatively affect those areas	<b>6.5%</b> 72% Coverage	<p>NTAM supports the best practice disclosure recommendations of the Task Force for Nature-related Financial Disclosures (TNFD), including use of the LEAP (locate, evaluate, assess, prepare) framework to identify and assess nature-related dependencies and impacts. Certain thematic funds include negative screens with relevance to biodiversity, including palm oil cultivation and misalignment with UN Sustainable Development Goals 14 (Life below Water) and 15 (Life on Land).</p> <p>NTAM's 2024 engagement priorities include:</p> <ul style="list-style-type: none"> <li>• Preserve biodiversity: limit environmental damage, discourage deforestation and promote sound practices in water management.</li> <li>• Promote sustainable food and agriculture: minimise environmental damage from animal protein production.</li> <li>• We engage companies on matters relating to biodiversity both directly and through collaborations such as the Farm Animal Investment Risk and Return (FAIRR) initiative.</li> </ul>
<b>Water</b>			
8. Emissions to water	Tonnes of emissions to water generated by investee companies per million EUR invested, expressed as a weighted average	<b>0.23 tonnes of emissions per EUR Million invested</b> 0.5% Coverage	<p>Water as an element of Natural Capital is covered within the emerging focus area of biodiversity. Certain thematic funds include negative screens and tilts based on a company's management of Water Stress.</p> <p>Water management is addressed within the 'Preserves biodiversity' engagement priority discussed for PAI 7.</p>
<b>Waste</b>			
9. Hazardous waste and radioactive waste ratio	Tonnes of hazardous waste and radioactive waste generated by investee companies per million EUR invested, expressed as a weighted average	<b>2.04 tonnes of hazardous waste per EUR Million invested</b> 43% Coverage	<p>Mitigation of this PAI is limited to those funds which include screens and tilts based on a company's management of Toxic Emissions and Waste, as well as negative exclusion of companies involved in controversies related to this topic which are deemed to be in violation of global norms frameworks (as per PAI 10).</p> <p>Engagement is undertaken with companies to encourage them to maximise both their financial savings from improved practices and to enhance their reputations by acting in accordance with best practices.</p>

**INDICATORS FOR SOCIAL AND EMPLOYEE, RESPECT FOR HUMAN RIGHTS, ANTI-CORRUPTION AND ANTI-BRIBERY MATTERS**

Adverse Sustainability Indicators	Metric	Impact Year 2023	Actions taken, and actions planned and targets set for the next reference period.
<b>Social and employee matters</b>			
10. Violations of UN Global Compact principles and OECD Guidelines for Multinational Enterprises	Share of investments in investee companies that have been involved in violations of the UNGC principles or OECD Guidelines for Multinational Enterprises	0.02% 72% Coverage	All NTAM Article 8 and Article 9 funds include a negative screen on companies deemed to be in violation of the UN Global Compact or OECD Guidelines for Multinational Enterprises. This has also been a key part of our proprietary Custom ESG Screening approach since its inception.  At an enterprise level, Northern Trust promotes good conduct through our code of business conduct and ethics, our standards of conduct policy, our corporate sustainability program and our vendor/supplier code of conduct. Coupled with our belief that transparency and accountability promote healthy, stable financial markets, these are intended to help us maintain the highest of standards with regards to our social and ethical responsibilities. For additional information, please see the Northern Trust Modern Slavery Statement and Human Rights Statement.
11. Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises	Share of investments in investee companies without policies to monitor compliance with the UNGC principles or OECD Guidelines for Multinational Enterprises or grievance/complaints handling mechanisms to address violations of the UNGC principles or OECD Guidelines for Multinational Enterprises	0.55% 72% Coverage	When engaging investee companies on human rights, NTAM recognises companies must ensure that the human rights of not only their employees and people within their supply chain are protected, but also the human rights of their customers are protected through adequate product safety. For this reason, one engagement priority theme for 2024 is: to align conduct, culture and ethics with product safety and human rights, and prevent the spread of violent content through stronger corporate policies and adequate governance at social media companies.
12. Unadjusted gender pay gap	Average unadjusted gender pay gap of investee companies	15.48% difference in earnings of female and male as a % of male earnings 59% Coverage	These PAIs are not explicitly targeted within the ESG integration methodology of any NTAM ESG funds. For those funds which integrate ESG ratings, diversity metrics as part of Corporate Governance can be considered when they contribute to the final issuer-level score (both external ESG ratings as well as the proprietary NT ESG Vector Score).
13. Board gender diversity	Average ratio of female to male board members in investee companies, expressed as a percentage of all board members	33.06% female to male Board members 72% Coverage	Strengthening board gender diversity is one of NTAM's engagement priorities for 2024, with an aim to improve governance by ensuring an adequate mix of skills and backgrounds on corporate boards.
14. Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons)	Share of investments in investee companies involved in the manufacture or selling of controversial weapons	0.00% 72% Coverage	All NTAM Article 8 and Article 9 funds include a negative screen on companies deriving any revenue from controversial weapons. This has also been a key part of NTAM's proprietary Custom ESG Screening approach since its inception. This screen includes companies that produce: cluster munitions, landmines, depleted uranium weapons, biological/chemical weapons, blinding lasers, non-detectable fragments, incendiary weapons, and nuclear weapons. For the securities of companies involved in the manufacture of such weapons or components of such weapons are held in a fund which does not apply a controversial weapons screen, engagement is undertaken to encourage such companies to cease production, or, where this is not practicable, to disclose their position to shareholders.

## INDICATORS APPLICABLE TO INVESTMENTS IN SOVEREIGNS AND SUPRANATIONALS

Adverse Sustainability Indicators	Metric	Impact Year 2023	Actions taken, and actions planned and targets set for the next reference period.
<b>Environment</b>			
15. GHG intensity	GHG intensity of investee countries	283.48 tCO2e per EUR Million GDP 85% Coverage	NTAM does not currently have an entity level approach for mitigating this PAI. For Article 8 Fixed Income funds which include Sovereign issuers, NTAM has a proprietary ESG integration approach which targets emissions reductions from the sovereign issuers included in the portfolio compared to a given benchmark. This approach uses targets related to absolute emissions, GDP-based carbon intensity and carbon intensity trend.  NTAM does not currently engage with sovereign issuers.
<b>Social</b>			
16. Investee countries subject to social violations	Number of investee countries subject to social violations (absolute number and relative number divided by all investee countries), as referred to in international treaties and conventions, United Nations principles and, where applicable, national law	<b>Two countries, 4.86% of total investee countries</b> 85% Coverage	NTAM does not currently have an entity level approach for mitigating this PAI. For Article 8 Fixed Income funds which include Sovereign issuers, NTAM has a proprietary ESG integration approach which integrates the World Bank Worldwide Governance Indicators methodology. This covers six governance issues: Control of Corruption; Voice and Accountability; Political Stability and Absence of Violence; Government Accountability; Regulatory Quality; and Rule of Law.  NTAM does not currently engage with sovereign issuers.

## INDICATORS APPLICABLE TO INVESTMENTS IN REAL ESTATE ASSETS

Adverse Sustainability Indicators	Metric	Impact Year 2023	Actions taken, and actions planned and targets set for the next reference period.
<b>Fossil Fuels</b>			
17. Exposure to fossil fuels through real estate assets	Share of investments in real estate assets involved in the extraction, storage, transport or manufacture of fossil fuels	n/a	Not applicable – NTAM did not include physical real estate assets in its portfolios during the reference period.
<b>Energy Efficiency</b>			
18. Exposure to energy-inefficient real estate assets	Share of investments in energy-inefficient real estate assets	n/a	Not applicable – NTAM did not include physical real estate assets in its portfolios during the reference period.

## OTHER INDICATORS FOR PAIs ON SUSTAINABILITY FACTORS

Adverse Sustainability Indicators	Metric	Impact Yr 2023	Actions taken, and actions planned and targets set for the next reference period.
<b>Emissions</b>			
4. Investments in companies without carbon emission reduction initiatives	Share of investments in investee companies without carbon emission reduction initiatives aimed at aligning with the Paris Agreement	<b>30.83%</b> 72% Coverage	<p>For certain sectors, an assessment of transition risk management (including emission reduction initiatives) is included within the NTAM Custom ESG screening approach as a secondary layer to the initial revenue-based screen. This applies to thermal coal power generation, unconventional oil and gas and Arctic Oil producing companies. For more climate-focused strategies, NTAM uses transition risk management scores to tilt the portfolio towards companies with better transition risk preparedness, or as a targeted improvement in an optimisation approach. In general, transition risk scores are sourced from chosen data providers, including the MSCI Low Carbon Transition Score and the ISS Carbon Risk Rating.</p> <p>Engagement in relation to this PAIs falls under the broader climate stewardship approach discussed for PAIs 1-4, with investee companies encouraged to:</p> <ul style="list-style-type: none"> <li>• Make a net zero commitment.</li> <li>• Set short, medium and long-term greenhouse gas (GHG) targets consistent with limiting the global temperature rise to 1.5°C.</li> <li>• Disclose GHG emissions specifying Scopes 1, 2 and 3.</li> </ul> <p>Develop a credible decarbonisation strategy, disclosing and quantifying the principal actions to deliver the GHG emissions target.</p>
<b>Human Rights</b>			
9. Lack of a human rights policy	Share of investments in entities without a human rights policy	<b>6.4%</b> 72% Coverage	<p>All NTAM Article 8 and Article 9 funds include a screen on companies deemed to be in violation of the UN Global Compact or OECD Guidelines for Multinational Enterprises. This has been a key part of our Custom ESG Screening approach since its inception.</p> <p>When engaging investee companies on human rights, NTAM recognises companies must ensure that the human rights of not only their employees and people within their supply chain are protected, but also the human rights of their customers are protected through adequate product safety. For this reason, one engagement priority theme for 2024 is: to align conduct, culture and ethics with product safety and human rights, and prevent the spread of violent content through stronger corporate policies and adequate governance at social media companies.</p>

## Description of Policies to Identify and Prioritise PAIs on Sustainability Factors

### NTFMIL'S APPROACH TO PAIs

NTAM's approach to ESG risks and opportunities is defined in our [Sustainable Investing Philosophy](#).

At an entity-level, NTFMIL has opted to disclose and report on the mandatory PAIs and two optional PAIs for this reporting cycle. At a Product-level, the PAIs that are considered are selected through mapping the binding fund-specific investment criteria to relevant PAIs. This is described in further detail in the relevant pre-contractual, periodic and SFDR Article 10 disclosures for each fund. As described in Table 2, mitigation of PAIs is then implemented through negative screens and fund-specific targets, while opportunities related to the areas covered by the PAIs are captured through positive screening and tilting. Where PAIs are not being specifically addressed through the ESG integration approach, they are mitigated through our engagement approach. See page 64 of the [NTAM 2023 Stewardship Report](#) for further information on how engagements are prioritised within the engagement approach.

### GOVERNANCE AND OVERSIGHT

NTAM's governance structure provides oversight and accountability of sustainability-related risks. Within NTAM, each functional group is responsible for overseeing its own sustainability and climate-related objectives.

#### ***Asset Management Executive Group ("AM EG")***

AM EG is comprised of senior-level executives within NTAM and is responsible for setting priorities, communicating, coordinating, and implementing strategic objectives. This group also oversees business activities, monitors performance against strategic, financial, and risk management parameters, and manages significant issues that may impact the business. The executive sponsor of the sustainable investing practice is a member of AM EG and sets the strategic priorities and implementation of NTAM's sustainable investing and climate-related objectives.

#### ***Sustainable Investing Council ("SIC")***

The SIC is chaired by the Global Head of Sustainable Investing. It provides multidisciplinary oversight across sustainable investing practices. Across NTAM, each legal entity's board provides oversight of senior management who are responsible for setting and executing the business strategy, including ESG objectives where appropriate.

#### ***Global Sustainable Investing ("SI") Team and Stewardship Team***

The SI and Stewardship Teams are comprised of dedicated specialists serving as centers of excellence across NTAM. They are responsible for understanding, implementing and further developing best practices in ESG integration and stewardship. The SI Team provides analysis and insights on emerging ESG themes and monitors critical issues, industry trends, and regulatory developments. The SI and Stewardship teams are each divided into three practice areas with dedicated responsibilities related to client engagement, ESG research and integration, and stewardship.

#### ***NTFMIL***

As the Irish-regulated entity of the global NTAM business, NTFMIL utilises the global governance and teams outlined above.

The NTFMIL Board is responsible for the entity's risk strategy, regulatory compliance and governance arrangements. Specifically, it is responsible for the review and consideration of the entity's risk appetite statement and risk management framework in which sustainability risk aspects are incorporated.

NTFMIL's risk function is responsible for: the implementation of adequate risk controls; measuring and monitoring sustainability risks; and setting relevant risk limits to ensure sustainability risk is accounted for across the funds under management.

### DATA SOURCES

ESG datasets, specifically PAI datasets applicable to investee companies and sovereigns, are sourced from investee companies through third-party data providers. NTAM has elected to purchase data

packages from MSCI due to this provider's robust methodology, coverage and quality with regards to such packages.

Despite improving data availability for selected PAI indicators like climate due to increasing adoption of climate reporting, MSCI continues to rely on estimates and proxies for other PAIs where there is a gap in reported data. This report's PAI indicator calculations include data from MSCI which has been sourced from the latest reported data published by the investee companies where available, or the latest estimated data based on MSCI's internal methodology.

### **Data Limitations**

Data limitations remain a challenge, and the accuracy of the data sourced, researched or estimated cannot be guaranteed. The production of sustainability metrics in this statement is reliant on the provision of third-party data. Consistent with Article 7.2 of the SFDR RTS a 'best efforts' basis has been made to obtain data when not reported, either directly from investee companies, or through additional research making 'reasonable assumptions.'

The quality and coverage of the data sets vary greatly across the corporate, sovereign, and supranational PAI indicators. Disclosures across financial market participants will vary, limiting comparability, as different data sources and methodologies may be used. Data coverage and quality will continue to develop as regulatory requirements drive greater corporate disclosure, and industry standards are adopted.

NTFMIL relied upon MSCI to complete this statement and as a result, is reliant upon the completeness or accuracy of such third-party data (whether actual or estimated).

NTFMIL acknowledges that changes in MSCI's coverage of portfolio company and sovereigns data and their data estimation methodologies may have a significant impact on the calculations of PAI indicators; as such, NTAM will continue to perform periodic reviews of offerings available from third-party data providers to ensure the highest quality data available is used.

## **ENGAGEMENT POLICIES**

NTAM purposely and actively engages with various entities to promote transparency and raise ESG reporting standards with investee companies, policy makers, regulators, vendors, and index providers. Through its sustainable investment and stewardship teams, NTAM seeks to help investors future-fit their investment portfolios, empower them to align their investments with their values, and use its voice to help drive meaningful change at an economic, societal and financial level. Within NTAM, engagement is carried out at an entity rather than product level.

To influence companies to adopt more sustainable practices, NTAM purposely prioritises engagements. That is, activities are identified that pose the greatest threats or opportunities related to sustainability and the focus is on those in which NTAM can seek to make the greatest difference. A key element of the prioritisation process is the establishment of a set of key themes: those that have the most impact on society, the planet, and the robustness and transparency of financial markets, including the environment, and health and fair treatment of people. As a guide, NTAM uses the United Nations' 17 Sustainable Development Goals to improve health and education, reduce inequality, and spur economic growth. Whilst these themes can overlap with PAIs (as described in Table 2), engagements will not necessarily be focused on this explicitly.

For more information on NTAM's Stewardship efforts, please refer to the documents on the [Stewardship page](#). In particular, the [NTAM 2023 Stewardship Report](#) includes further information on how engagements are prioritised and the [NTAM Engagement Policy](#) covers engagement principles and processes. There are currently no plans to adapt the Engagement Policy or other related documents when there is no reduction of PAIs over more than one period.

## **REFERENCES TO INTERNATIONAL STANDARDS**

All NTAM Article 8 and Article 9 pooled funds include a negative screen on companies deemed to be in violation of international norms frameworks. The screen covers the UN Global Compact, OECD Guidelines for Multinational Enterprises and UN Guiding Principles on Business and Human Rights. This screen has been included within the proprietary NTAM Custom ESG exclusion approach since its inception. The indicators used to assess non-compliance are supplied by third-party data providers and are generally derived from company involvement in controversies. These indicators are also used to measure PAI 10 (Violations of UN Global Compact principles and OECD Guidelines for Multinational

Enterprises) for those funds where it is relevant, as well by the NTAM Stewardship team when prioritising engagements.

Within the climate space, NTAM is a signatory to the Net Zero Asset Managers Initiative (NZAMI) and reports climate-related information according to the Task Force on Climate-related Financial Disclosures (TCFD). The NZAMI commitment includes a commitment to support the goal of net zero GHG emissions for our in-scope AUM by 2050 and is by design aligned with the objectives of the Paris Agreement. NTAM's public commitment is available directly on the [NZAMI website](#). In 2023, NTAM conducted an inaugural climate scenario analysis to assess the resilience of its portfolio against a range of Network for Greening the Financial System climate scenarios. The analysis applied to equity, corporate bond and sovereign bond holdings, as of December 31, 2023, and was supported by third-party data provider Planetrics. For more detail, please see the [NTAM 2023 TCFD Report](#).

## DEFINITIONS

"NTFMIL" means Northern Trust Fund Managers (Ireland) Limited, Legal Entity Identifier: 5493007ZMALWMHFY1P34

"NTGIL" means Northern Trust Global Investments Limited

"NTAM" means Northern Trust Asset Management a business unit of the Northern Trust Corporation and its composite entities.

"Financial market participant" covers EU alternative investment fund managers, UCITS management companies, and regulated investment firms providing portfolio management.

Principal adverse impacts ("PAIs") means a list of indicators defined by the Regulation that have negative, material, or likely to be material effects on sustainability factors that are caused, or directly linked to investment decisions and advice taken by the legal entity.

"Product" means funds and/or separate account portfolios.

"SFDR" means Regulation (EU) 2019/2088 of the European Parliament and of the Council on sustainability-related disclosures in the financial services sector.

"SFDR RTS" means Commission Delegated Regulation (EU) 2022/1288 of 6 April 2022 supplementing Regulation (EU) 2019/2088 of the European Parliament and of the Council.

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 September 2024 and is subject to change without notice.

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- Northern Trust Investments, Inc. (NTI),
- Northern Trust Global Investments Limited (NTGIL),
- Northern Trust Fund Managers (Ireland) Limited (NTFMIL),
- Northern Trust Global Investments Japan, K.K. (NTKK),
- NT Global Advisors, Inc.,
- 50 South Capital Advisors, LLC,
- Northern Trust Asset Management Australia Pty Ltd,
- and investment personnel of The Northern Trust Company of Hong Kong Limited (TNTCHK) and The Northern Trust Company (TNTC).

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