NORTHERN TRUST
ASSET MANAGEMENT

Information Statement on our Policy on the Consideration of Principal Adverse Impacts of Investment Decisions on Sustainability Factors

Issued by Northern Trust Fund Managers (Ireland) Limited (the "**Company**")

In respect of Northern Trust Investment Funds plc, Northern Trust UCITS Common Contractual Fund, FlexShares ICAV and Northern Trust UCITS FGR Fund (each "a **Fund**" and together "the **Funds**"). The Information Statement also applies, where specified below, to each individual portfolio mandate (the "**Mandate**") managed by the Company.

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This Information Statement is accurate as at: 10 March, 2021

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), "**SFDR**") 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.

This Information Statement has been prepared for the purpose of meeting the disclosure requirements in Article 4 of SFDR, that is, specifically, the disclosure requirements applicable to us as a firm with regard to whether and how we consider principal adverse impacts of investment decisions on sustainability factors.

It is noted that the regulatory technical standards ("**RTS**") to specify the details of the content, methodologies and presentation of the information to be disclosed under Article 4 of SFDR have been delayed and will not be issued when the relevant disclosure obligations in SFDR become effective.

It is noted that the European Commission has recommended that from the effective date of SFDR, firms are recommended to comply with the specific disclosure obligations in SFDR that are reliant on RTS on the basis of a high-level, principles-based approach.

We therefore seek to comply on a best efforts basis with the relevant disclosure obligations and issue this Information Statement as a means of achieving this objective.

It is expected that this Information Statement will be reviewed and updated once the relevant RTS come into effect, noting in particular, that the RTS are expected to contain details on the content, methodologies and presentation of the information to be disclosed and this could therefore require a revised approach to how we seek to meet the SFDR disclosure obligations.

The Information Statement may also be updated to take account of the Regulation on the Establishment of a Framework to Facilitate Sustainable Investment (Regulation EU/2020/852, the "**Taxonomy Regulation**") once it comes into effect (1 January 2022).

For any Fund that is classified as an ESG Orientated Fund or a Sustainable Investment Fund (as defined in the Prospectus of the Funds), the investment manager of the relevant Fund (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 Funds hold an investment or pursues a particular investment strategy.

In respect of these 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 for each specific sub-fund of the Funds.

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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 Funds. 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.

Article 8 or 9 Mandates

In addition, 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 categoried 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. We then apply 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.

Our Approach to Sustainable Investment

We believe appropriate management of environmental, social and corporate governance factors can create long-term shareholder value for our clients. 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 align our business with the fundamental principle of sustainability: meeting the needs of the present generation without compromising the ability of future generations to meet their own needs. Our definition of sustainable investing acknowledges that the long-term financial success of our clients and shareholders is dependent on a healthy global environment; a stable society; and well-functioning, well-governed companies.

We believe that material environmental, social and governance 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.

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 Regarding the Consideration of Principal Adverse Impacts of Investment Decisions on Sustainability Factors

Principal adverse impacts ("**PAI**") are understood as the impacts of investment decisions that result in negative effects on sustainability factors.

Sustainability factors mean environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

PAIs are considered by the firm when we make investment decisions.

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 Funds hold 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 for each specific sub-fund of the Funds.
In resepct of the Mandates, the investment process of the relevant Mandate may, at the request of the client, be customised in accordance with client exclusions, screens and ESG integration requirements
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 Funds.

In order to avoid or reduce any PAIs identified, where these are considered material (taking account of the size, nature and scale of our activities), we may exclude companies which contribute negatively to environmental objectives from further consideration for investment.

However, when these companies are included, we may engage in dialogue with management or board directors to support sustainable long-term value creation. We engage both directly and as part of collaborative engagement initiatives such as Climate Action 100+ with the aim to enhance effectiveness of our engagements.

We may engage with companies as part of our investment due diligence and to clarify or express concerns over potential environmental, social or governance issues at the company or at industry level. Topics range from companies' inputs to climate change and their climate related commitments, to their governance procedures and impacts on human rights. We often issue written guidance on our engagement objectives on specific topics. When we articulate our concerns, we may notify companies that in the case we do not see improvement over a specific period of time, we may take voting action.

A more complete description of these activities can be found in our SRD II [1] compliant Engagement Policy, the Proxy Voting Policies of Northern Trust Asset Management, Procedures and Guidelines, and papers on specific topics of engagement, which can be found here: https://www.northerntrust.com/stewardship.

We adhere to business conduct rules and international standards and support such widely applied frameworks as i the Task Force on Climate-related Financial Disclosures (TCFD), Principles for Responsible Investment (PRI) and Principles for Responsible Banking (PRB).

[1] Regulations transposing the second Shareholders' Rights Directive EU/2017/828 ("SRD II").

Further 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 has its registered office 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.