

# Information Statement on How Our Remuneration Policy is Consistent with the Integration of Sustainability Risks (the "Information Statement")

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 Fund, FlexShares ICAV and Northern Trust UCITS FGR Fund 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.**

Date of initial publication of this Information Statement: 10 March, 2021

This Information Statement is accurate as at: 31 January 2022

## I. 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 the Company to provide transparency on how they integrate sustainability considerations into the investment process with respect to the financial products they manage.

As stated above this Information Statement has been prepared by the Company for the purpose of meeting the disclosure requirements in Articles 5 of SFDR, that is, specifically, the disclosure requirements applicable to the UCITS Mancos with regard to:

- how the Company's Remuneration Policy is consistent with the Integration of Sustainability Risks

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 the Articles 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.

## II. 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.

## III. 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 Our Remuneration Policy is Consistent with the Integration of Sustainability Risks

#### *Regulatory Requirements in relation to our Remuneration Policy*

The Company is required to ensure that its remuneration arrangements are such that they do not circumvent the remuneration rules set out in the European Communities (Undertakings for Collective Investment in Transferable Securities) Regulations, 2011 (S.I. No. 352 of 2011), as amended, consolidated or substituted from time to time (the "**UCITS Regulations**") and related regulatory guidance.

The Company has a remuneration policy in place (the "**Remuneration Policy**") to outline how it adheres to the remuneration requirements set out in the UCITS Regulations and to demonstrate how it has established and applied remuneration policies and practices that are consistent with, and promote, sound and effective risk management.

The Remuneration Policy provides a clear direction and policy regarding the Company's remuneration policies and practices consistent with the principles in the UCITS Regulations.

#### *Scope of Remuneration*

Remuneration, for these purposes, consists of all forms of payments or benefits made directly by, or indirectly, but on behalf of the Company, in exchange for professional services rendered by individuals at the Company who have a material impact on the risk profiles of the Funds or, where relevant, the Mandates ("**Identified Staff**").

**Fixed Compensation:** Base salaries provide an externally competitive level of fixed compensation in the form of cash paid on a monthly basis, reflecting each employee's position, experience, qualifications, and tenure.

**Benefits:** Provide competitive levels of welfare security for Northern Trust partners and their families. In addition, the retirement programs provide post-employment financial security.

**Variable Compensation:** This is based on a combination of the assessment of the overall results of the group, performance of the business unit and the individual concerned.

#### *Variable Compensation*

Variable compensation is an important tool to incentivise staff. It also gives the Companies flexibility such that, discretionary variable pay pool adjustments can be made to take into account the quality of performance achievement for financial metrics or risk-taking relative to and within established risk tolerances and changes in the external environment and the capital of the Company can be preserved.

In deciding the mix between fixed and variable compensation of Identified Staff, the Company is mindful of the need to ensure that the basic pay of staff is adequate to remunerate the professional services rendered taking into account, inter alia, the level of education, the degree of seniority, the level and expertise and skills required.

### *Remuneration Process*

The factors that may be taken into account in deciding the quantum of the variable compensation in any given period include:

- achievement against objectives relative to the particular role of the individual and whether the individual met or exceeded what was expected of them during the year;
- Company performance and the performance of the Funds or, where relevant, the Mandates; and
- compliance by the individual with all relevant compliance and risk requirements and other policies and procedures.

In addition, and specifically in consideration of how the Companies integrate the consideration of sustainability risks into the remuneration process, the following factor is also taken into account:

- the extent to which the individual has (i) embodied the principles; and (ii) adhered to the fundamental process based elements;
- It is recognised, in relation to each of the factors listed above that these factors may be considered and applied subjectively to an individual, dependent on their role within the Company.

Finally, as an overriding and discretionary factor, the Company will ultimately be mindful of the need to ensure that the remuneration policy promotes sound and effective risk management, does not encourage risk taking that is inconsistent with the risk profiles of the Funds or, where relevant, the Mandates, and is consistent with the Company's approach to the integration of sustainability risks.

Variable compensation awards must in all cases be aligned with the Company's business strategy, objectives, core values, ESG principles and the best interests of the Company.

### **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 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.

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