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The NT EM Local Currency Government ESG Bond Index Fund ("the Product")

LEI: 635400AGE1VPYUCNYG61

Sustainability-related Investment Disclosures

SUMMARY

The NT EM Local Currency Government ESG Bond Index Fund (the "Product") promotes environmental or social ("E/S") characteristics but does not have a sustainable investment objective. The Product does not commit to having sustainable investments.

The Product is a passive Index tracking strategy whereby it seeks to track the risk and return characteristics of the Bloomberg Emerging Market Debt Local Currency Sustainable Low Carbon Index ("the Index") - by investing directly in investible local currency bonds issued by the governments of emerging market countries that are Index constituents – by using a sample based physical replication model.

The Product's E/S characteristics are achieved through the Index methodology which aims to provide a reweighting of each of the constituent countries so as to maximise a fiscal strength and governance score, while aiming to promote environmental factors by reducing exposure to those constituent countries with the highest carbon emissions measured by the carbon emission score and carbon intensity score of each constituent country compared to the Bloomberg Barclays EM Local Currency Government 10% Country Capped B3 Index (the "Parent Index").

The Product intends to be between 95%-99% invested in companies that meet our ESG criteria. 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 used for cash, passive share class hedging and other ancillary purposes.

The Product's E/S characteristics are primarily monitored through the codification of the reweighting of each of the constituent countries so as to maximise a fiscal strength and governance score, while aiming to promote environmental factors by reducing exposure to those constituent countries with the highest carbon emissions measured by the carbon emission score and carbon intensity score of each constituent country.

In addition to this and 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 aims to represent the performance of a strategy that is designed to exclude companies based on various ESG criteria. 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 principle adverse indicator ("PAI") has been challenging. Such limitations have led to the use of proxies, in place of a particular 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 holdings of the Product are subject to the 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, ESG 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

The Product does not have a sustainable investment objective. The Product promotes environmental or social characteristics, but will not make any sustainable investments.

ENVIRONMENTAL OR SOCIAL CHARACTERISTICS OF THE FINANCIAL PRODUCT

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

The Product's E/S characteristics are achieved through the Index methodology which aims to provide a reweighting of each of the constituent countries so as to maximise a fiscal strength and governance score, while aiming to promote environmental factors by reducing exposure to those constituent countries with the highest carbon emissions measured by the carbon emission score and carbon intensity score of each constituent country compared to the Bloomberg Barclays EM Local Currency Government 10% Country Capped B3 Index, the Parent Index.

As its investment strategy, the Product seeks to track the risk and return characteristics of the Bloomberg Emerging Market Debt Local Currency Sustainable Low Carbon Index - by investing in investible local currency bonds issued by the governments of emerging market countries that are Index constituents – by using a sample based physical replication model.

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 - the Bloomberg Emerging Market Debt Local Currency Sustainable Low Carbon Index - by investing directly in investible local currency bonds issued by the governments of emerging market countries that are Index constituents – by using a sample based physical replication model.

The Index methodology aims to provide a reweighting of each of the constituent countries so as to maximise a fiscal strength and governance score, while aiming to promote environmental factors by reducing exposure to those constituent countries with the highest carbon emissions measured by the carbon emission score and carbon intensity score of each constituent country compared to the Parent Index.

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

An assessment of good governance of investee companies forms a foundational part of the Index methodology. In practice, this is achieved through the use of the fiscal strength and governance score.

PROPORTION OF INVESTMENTS

What is the asset allocation planned for this financial product?

The Product intends to be between 95%- 99% invested in companies that meet our ESG criteria. The Product does not commit to having 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 used for cash, passive share class 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 Product is designed to exclude companies based on various ESG and climate change criteria. The Product uses research and data from our third party data providers. 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, ESG 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?

No, the Product does not have a specific Index designated as a reference benchmark with E/S characteristics. The Product is managed against the Bloomberg Emerging Market Debt Local Currency Sustainable Low Carbon Index.

Alignment of the investment strategy is ensured through the codification of the reweighting of each of the constituent countries so as to maximise a fiscal strength and governance score, while aiming to promote environmental factors by reducing exposure to those constituent countries with the highest carbon emissions measured by the carbon emission score and carbon intensity score of each constituent country.

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

The methodology for the Index 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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