

**THE NT EURO INVESTMENT GRADE CORPORATE ESG  
BOND INDEX FUND**

# Supplement dated 14 August 2023 to the Prospectus dated 14 August 2023 for Northern Trust Investment

## The NT Euro Investment Grade Corporate ESG Bond Index Fund

*This Supplement contains specific information in relation to The NT Euro Investment Grade Corporate ESG Bond Index Fund (the "Fund"), a Fund of Northern Trust Investment Funds p.l.c. (the "Company") an open-ended investment company with variable capital established as an umbrella fund with segregated liability between Funds governed by the laws of Ireland and authorised by the Central Bank of Ireland (the "Central Bank").*

**This Supplement forms part of and should be read in conjunction with the Prospectus.**

*The Directors of the Company, whose names appear in the **Management and Administration** section of the Prospectus, accept responsibility for the information contained in the Prospectus, this Supplement and the Annex. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case) such information is in accordance with the facts and does not omit anything likely to affect the import of such information. The Directors accept responsibility accordingly.*

*Words and expressions defined in the Prospectus shall, unless the context otherwise requires, have the same meaning when used in this Supplement.*

*The Fund meets the criteria pursuant to Article 8 of the Sustainable Finance Disclosure Regulation (Regulation EU/2019/2088) as amended ("SFDR") to qualify as a financial product which promotes, among other characteristics, environmental or social characteristics, or a combination of those characteristics and provided that the companies that the Fund invests in follow good governance practices. Please refer to the Annex appended hereto which has been prepared for the purpose of meeting the specific financial product level disclosure requirements contained in SFDR applicable to an Article 8 Fund.*

**An investment in the Fund should not constitute a substantial proportion of an investment portfolio and may not be appropriate for all investors.**

**A typical investor is prepared to accept a degree of low volatility. A typical investor will be seeking to achieve exposure to investment grade corporate debt and will be seeking to achieve a return on investment in the medium to long term.**

**Investment in the Fund may be appropriate for professional or retail investors who have knowledge of, and investment experience in, this particular financial product and understand and can evaluate the strategy, characteristics and risks in order to make an informed investment decision. This Fund is passively**

**managed.**

**The Fund may invest in financial derivative instruments ("FDI") for hedging and efficient portfolio management ("EPM") purposes (as detailed below). See section below titled "Borrowing and Leverage" for details of the leverage effect of investing in FDI.**

## INVESTMENT OBJECTIVE AND POLICIES

### Investment Objective

The investment objective of the Fund is to track the risk and return characteristics of the ICE BofAML Euro Corporate Index (the "**Index**") subject to certain environmental, social and governance ("**ESG**") exclusions and ESG weightings.

Any change of Index shall only be made with the prior approval of the Shareholders.

### Investment Policies

The Fund seeks to achieve its investment objectives through investment primarily in freely transferable Debt and Debt Related Securities including investment grade bonds that are constituents of the Index as described further below in the section entitled "**Index Description**". The Fund may also invest in investment grade bonds issued by corporates that is not included in the Index that are deemed by the Investment Manager to exhibit similar characteristics to securities in the Index and that have a similar risk profile, examples include: recently issued securities that are expected to be included in the Index; securities that have previously been included in the Index and have been deleted due to maturity falling below one year; and, securities that have previously been included in the Index and have been deleted due to an increase in the par amount eligibility threshold of the Index. Investment in such securities will, in all cases, be consistent with the investment objective of the Fund. The bonds which may be fixed or floating rate in which the Fund invests will be of investment grade credit quality at the time of purchase and, although in practice they may be purchased or sold by the Investment Manager on the secondary market, they and all other securities, including exchange traded FDI, in which the Fund may invest (other than permitted unlisted securities) will be listed or traded on a Market within the list in Appendix I of the Prospectus. The average credit rating of the Fund's assets will therefore be approximate to the average credit rating of the Index.

The Fund will exclude securities that do not meet certain ESG criteria such as weapons producers, tobacco producers, thermal coal producers or users and companies that are in breach of the UN's Global Compact Ten Principles, as detailed in the Annex. In addition, securities issued by companies with deteriorating ESG ratings and those involved in any notable ESG controversies may be excluded from investment. The Fund will employ an optimisation methodology proprietary to the Investment Manager to overweight securities issued by companies that are leaders in implementing ESG principles, thereby maximising exposure to securities with higher ESG ratings. The Fund also seeks to reduce carbon emissions and carbon intensity and improve its carbon transition score compared to the Index. Additionally, the Fund aligns to key risks relative to the Index, including duration, yield, option adjusted spread, and credit quality. The optimisation will also seek to maintain country weights, sector weights, and issuer weights which approximate to those of the Index.

The Fund may invest in FDI for EPM purposes. The Fund may be fully or partially hedged back to the Base Currency in accordance with the powers and restrictions set out by the Central Bank in relation to techniques for EPM purposes as further disclosed in the **Efficient Portfolio Management, Financial Derivative Instruments and Securities Financing Transactions** section of the Prospectus. The Fund may invest in FDI as set out in the section titled "**Use of Efficient Portfolio Management**

**Techniques and Financial Derivative Instruments**" below.

### Index Tracking Strategy

The Fund operates an index tracking strategy whereby it seeks to track the risk and return characteristics of the Index through the investment directly in assets that are Index constituents (i.e. a physical replication model). However, the Fund does not seek to fully replicate the Index but instead seeks to match the Fund's investments with Index constituents on a sample based physical replication model within the scope of the general UCITS investment restrictions and the specific investment restrictions set out below. Therefore the weighting of a constituent of the Index held by the Fund cannot exceed the permitted investment restrictions. Accordingly, investment in the Fund should not be considered to provide a direct exposure to the Index. In normal market conditions the Fund can be expected to closely match the performance of the Index. However, in normal market conditions, since the Fund does not seek to fully replicate the Index, an annualised tracking error of 0.15% – 0.40% should be anticipated due to transaction costs and the liquidity impact of the Fund's sampling approach. Employing an optimisation approach (rather than full replication approach) necessarily results in individual security overweights and underweights relative to the Index, as the Fund will not hold every Index constituent but will strive to achieve representative exposure to the more liquid securities and sectors of the Index which are available for purchase.

As the Fund does not pursue a synthetic index replication strategy, there is no corresponding counterparty risk related to the index replication strategy

### Index Description

The Index is provided by Intercontinental Exchange Bank of America Merrill Lynch.

The Index tracks the performance of EUR denominated investment grade corporate bonds publicly issued in eurobond or Euro member domestic markets. Qualifying securities must have an investment grade rating (based on an average of Moody's, Standard & Poors and Fitch) and at least 18 months to final maturity, a fixed coupon schedule and a minimum amount outstanding of EUR250million.

Index constituents are market capitalization weighted. Information concerning constituent bond prices, timing and conventions is provided in the ICE BofAML Bond Index Guide, which can be accessed via (<https://indices.theice.com>), or by sending a request to [iceindices@theice.com](mailto:iceindices@theice.com). The Index is rebalanced on the last calendar day of the month, based on information available up to and including the third business day before the last business day of the month. New issues must settle on or before the calendar month end rebalancing date in order to qualify for the coming month. No changes are made to constituent holdings other than on month end rebalancing dates. The rebalancing frequency will have minimal impact on the strategy of the Fund or on transaction costs associated with the Fund.

Further details on the Index, including constituents and weightings can be navigated to from the following link by establishing a user profile: <https://indices.theice.com> and the methodology from the following:

<https://indices.theice.com/publications/showPublications>. Any member of the public may establish a user profile on a free of charge basis.

## INVESTMENT RESTRICTIONS

The general investment restrictions set out under the heading **Investment Restrictions** in the Prospectus shall apply.

The Fund will not invest in other collective investment schemes.

## USE OF EFFICIENT PORTFOLIO MANAGEMENT TECHNIQUES AND FINANCIAL DERIVATIVE INSTRUMENTS

The Fund may use forwards and exchange traded futures for EPM and hedging purposes.

The Fund may also enter into certain currency related transactions in order to hedge exchange rate fluctuation risks between the denominated currencies of the Fund's assets and the designated currency of the relevant Share Class.

As a result of currency hedging, hedged Share Classes may be exposed to counterparty risk as further detailed in the section of the Prospectus entitled **Credit Risk and Counterparty Risk**.

Further details of the techniques and instruments that the Fund may employ for EPM purposes are set out in the **Efficient Portfolio Management, Financial Derivative Instruments and Securities Financing Transactions** section of the Prospectus.

Collateral or margin may be passed by the Fund to a counterparty or broker in respect of EPM techniques. Please refer to the section of the Prospectus entitled **Collateral Policy** for further details.

The use of FDI for the purposes outlined above may expose the Fund to the risks disclosed under the section of the Prospectus titled **Risk Factors**.

## BORROWING AND LEVERAGE

The Fund may borrow up to 10% of its Net Asset Value on a temporary basis.

Global exposure and leverage as a result of its investment in FDI as described above shall not exceed 100% of the Net Asset Value of the Fund. Global exposure will be measured using the commitment approach.

## RISK FACTORS

In addition to the general risk factors set out in the **Risk Factors** section of the Prospectus, the following additional risk factor applies specifically to the Fund:

### Reinvestment of Cash Collateral Risk.

## DIVIDEND POLICY

### Accumulating Shares

No dividends will be declared in respect of the Accumulating Shares.

### Distributing Shares

In respect of the Distributing Shares, the Directors intend to declare and pay all net income of the Fund attributable to

each class annually as a dividend to the Shareholders of each relevant class of Shares on the register of members as at the close of business on the relevant Dealing Day.

Further details on the distribution policy are set out in Prospectus under the heading **Dividend Policy**.

## KEY INFORMATION FOR BUYING AND SELLING

### Share Classes

Shares may be issued as Accumulating Shares or (where specifically identified as such) Distributing Shares.

### Base Currency

Euro

### Business Day

Any day (except Saturday or Sunday) on which the banks in Ireland are open generally for business, or such other day as the Directors may determine and notify to Shareholders.

### Dealing Day

The Dealing Day for the Fund will be every Business Day or such other day or days as the Directors may determine and notify in advance to Shareholders, provided that there shall be at least one Dealing Day per fortnight. In determining whether a day should be treated as a Dealing Day, the Directors may take into account whether there are sufficient market exchanges open as determined by the Investment Manager to allow the normal liquidity trading of the portfolio. The Investment Manager maintains a list of any non-Dealing Days on the Website.

### Dealing Deadline

In respect of a Dealing Day, the Dealing Deadline is 12.00 p.m. (Irish time) on that Dealing Day.

### Initial Offer Period

The Initial Offer Period in respect of Class EUR G, Class USD H Accumulating, Class C EUR and Class G EUR Shares is closed.

The Initial Offer Period in respect of all other Share Classes will commence at 9 a.m. (Irish time) on 15 August 2023 and will continue until 5.00p.m. (Irish time) on 13 February 2024 or such earlier or later date as the Directors may determine

After the Initial Offer Period, the Fund will be continuously open for subscriptions on each Dealing Day.

### Settlement Date

In the case of applications, proceeds must be received no later than two Business Days after the relevant Dealing Day or as otherwise determined by the Manager.

In the case of repurchases proceeds must be remitted to investors no later than two Business Days after the relevant Dealing Day (assuming the receipt of the relevant duly signed repurchase documentation) or as otherwise determined by the Manager provided that in all cases proceeds are paid within ten Business Days.

### Preliminary Charge

There will be no Preliminary Charge for this Fund.

### Redemption Charge

There is no Redemption Charge for this Fund.

### **Anti-Dilution Levy**

The Directors or the Manager (or their duly appointed delegate) may impose an anti-dilution adjustment as further detailed in the section of the Prospectus entitled **Anti-Dilution Levy**.

### **Valuation Point**

With respect to: (i) currencies and currency-related transactions only, 4pm (London time); and (ii) all other assets, the close of business of the relevant market that closes last on each Dealing Day, which in all cases shall be after the Dealing Deadline.

### **Initial Issue Price**

For Class I Euro shares €100,000 per Share.

For the remaining Euro denominated share classes €100 per Share, for US Dollar denominated share classes \$100 per Share, for Sterling denominated share classes, £100 per Share.

### **Classes of Shares Available**

A, B, C, D, E, F, G, H, I

Each of the above referenced Share Classes are available as Accumulating Shares and Distributing Shares.

### **Currencies Available**

Class I Shares are available in Euro only

Each of the remaining Share Classes are available in Euro, Sterling and U.S. Dollar.

### **Currency Hedged Share Classes**

Each Share Class is available as either a hedged or an unhedged Share Class.

### **Minimum Shareholding**

€100,000 (or its equivalent in the relevant Share Class currency) subject to the discretion of the Directors to allow lesser amounts.

### **Minimum Initial Investment Amount**

€100,000 (or its equivalent in the relevant Share Class currency) subject to the discretion of the Directors to allow lesser amounts.

## **FEES AND EXPENSES**

The Investment Manager will be entitled to receive out of the assets of the Fund an annual fee of up to 0.50% (plus VAT thereon, if any).

Such fee shall accrue and be calculated on each Dealing Day and be payable monthly in arrears. The Investment Manager shall be entitled to be reimbursed out of the assets of the Fund for the reasonable out-of-pocket expenses incurred in the performance of its duties.

The Manager shall not receive a fee but shall be entitled to be reimbursed out of the assets of the Fund for the

reasonable out-of-pocket expenses incurred in the performance of its duties.

The Administrator shall be entitled to receive out of the Net Asset Value of the Fund an annual fee, accrued and calculated on each Dealing Day and payable monthly in arrears at an annual rate which will not exceed 0.08% of the Net Asset Value of the Fund (plus VAT, if any). The Administrator is entitled to be repaid out of the assets of the Fund all of its reasonable agreed upon transaction and other charges (which will be at normal commercial rates) and other out-of-pocket expenses (plus VAT thereon, if any).

The Depositary shall be entitled to receive out of the Net Asset Value of the Fund an annual fee, accrued and calculated on each Dealing Day and payable monthly in arrears, at an annual rate which will not exceed 0.2% of the Net Asset Value of the Fund (plus VAT thereon, if any).

The Depositary is also entitled to be repaid out of the assets of the Fund sub-custodian's fees (which will be charged at normal commercial rates) as well as agreed upon transaction charges (which will be at normal commercial rates) and other out-of-pocket expenses (plus VAT thereon, if any).

In addition to the fees outlined above, the Fund will also be responsible for the fees of Hermes EOS (for its services in respect of the Fund, as described in the Prospectus), up to 0.02% of the Net Asset Value of the Fund per annum. Such fee shall accrue and be calculated on each Dealing Day and be payable quarterly in arrears.

This section should be read in conjunction with the section entitled **Fees and Expenses of the Funds** in the Prospectus.

### **Establishment costs**

The organisational and establishment expenses relating to the creation of the Fund are estimated not to exceed €20,000 and will be borne by the Fund and will be amortised by the Fund over the first five accounting periods of its operation (or such other period as may be determined by the Directors at their discretion) and shall be subject to such adjustment following the establishment of new Funds as the Directors may determine.

## **MISCELLANEOUS**

### **Reporting**

Some Shareholders may receive additional information and/or reports in relation to the Fund on a frequent basis. Any such information will be available to all investors in the Fund on request. Any such information will only be provided on a historical basis and after the relevant Dealing Day to which the information relates. Please contact your relationship manager to discuss any reporting needs.

### **Other Funds**

The other Funds of the Company are listed in the Global Supplement to the Prospectus.

New Funds may be created from time to time by the Directors with the prior approval of the Central Bank in which case further Supplements incorporating provisions relating to those Funds will be issued by the Company.

**Pre-contractual disclosure for the financial products referred to in Article 8, paragraphs 1, 2 and 2a, of Regulation (EU) 2019/2088 and Article 6, first paragraph, of Regulation (EU) 2020/852**

**Product name:**  
The NT Euro Investment Grade Corporate ESG Bond Index Fund  
("the Product")

**Legal entity identifier:**  
549300FPHOV9GXI01264

**Environmental and/or social characteristics**

<b>Does this financial product have a sustainable investment objective?</b>	
<input checked="" type="radio"/> <input type="checkbox"/> <b>Yes</b>	<input type="radio"/> <input checked="" type="checkbox"/> <b>No</b>
<input type="checkbox"/> It will make a minimum of <b>sustainable investments with an environmental objective: _%</b> <ul style="list-style-type: none"> <li><input type="checkbox"/> in economic activities that qualify as environmentally sustainable under the EU Taxonomy</li> <li><input type="checkbox"/> in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy</li> </ul> <input type="checkbox"/> It will make a minimum of <b>sustainable investments with a social objective: ___%</b>	<input checked="" type="checkbox"/> It <b>promotes Environmental/Social (E/S) characteristics</b> and while it does not have as its objective a sustainable investment, it will have a minimum proportion of 10% of sustainable investments <ul style="list-style-type: none"> <li><input type="checkbox"/> with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy</li> <li><input checked="" type="checkbox"/> with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy</li> <li><input type="checkbox"/> with a social objective</li> </ul> <input type="checkbox"/> It promotes E/S characteristics, <b>but will not make any sustainable investments</b>

**Sustainable investment** means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

The **EU Taxonomy** is a classification system laid down in Regulation (EU) 2020/852, establishing a list of **environmentally sustainable economic activities**. That Regulation does not lay down a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.



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

The Product has the following environmental and/or social ("E/S") characteristics: (i) applies environmental, social and governance ("ESG") exclusions that impact the investment universe of the Product; and (ii) excludes companies which have faced controversies pertaining to ESG issues; (iii) tilts towards companies with higher ESG ratings, and (iv) tilts towards companies with lower carbon emissions relative to the ICE BofAML Euro Corporate Index (the "Index").

As its investment strategy, the Product seeks to track the risk and return characteristics of the Index by investing directly in freely transferable debt and debt related securities including investmentgrade bonds that are index constituents – by using a sample based physical replication model.

Please refer to the sustainability indicators stated below for further detail.

**Sustainability indicators** measure how the environmental or social characteristics promoted by the financial product are attained.

***What sustainability indicators are used to measure the attainment of each of the environmental or social characteristics promoted by this financial product?***

Below is a list of sustainability indicators used to measure the attainment of the environmental and/or social characteristics promoted by this Product using the NT Custom ESG screening criteria to exclude:

- i) companies that breach global norms such as UN's Global Compact Ten Principles due to being involved in controversies classified as "very severe" in the areas of Environment, Human Rights and Community, Labour Rights and Supply Chain, or Governance. For further details on the UN Global Compact Ten Principles, please refer to [www.unglobalcompact.org/aboutthegc/thetenprinciples/ind ex.html](http://www.unglobalcompact.org/aboutthegc/thetenprinciples/ind ex.html).
- ii) companies that derive any revenue from the production of tobacco, or 5% or more of their revenue from the distribution of tobacco, supply of key products for the production of tobacco, or the retail of tobacco;
- iii) companies that manufacture controversial weapons, such as cluster bombs, landmines, nuclear weapons, depleted uranium weapons, biological/chemical weapons, (or their strategic components), blinding laser, non-detectable components, or incendiary weapons;
- iv) companies that manufacture civilian firearms or retail civilian firearms and derive 5% or more revenue from this sector;
- v) companies that manufacture conventional weapons or derive 5% or more revenue from weapons sales or from military contracting;
- vi) companies that derive 5% of revenue or more from thermal coal mining;
- vii) companies that derive 30% or more revenue from coal-fired power generation or 5% or more revenue if their transition risk preparedness or carbon management is considered weak;
- viii) companies that derive 5% or more revenue from unconventional oil and gas such as oil sands and shale gas or 1% or more revenue from arctic oil and gas and their management of carbon in their own operations is assessed as weak;
- ix) companies that derive 5% or more revenue from for profit prisons.

referred to hereafter as the "NT Custom ESG screening criteria".

The Product employs an optimisation methodology to overweight securities issued by companies that are leaders in implementing ESG principles, thereby maximising exposure to securities with higher ESG ratings while aligning key risks relative to the Index.

To reduce the carbon footprint and other negative externalities, the Product aims to reduce the operational carbon intensity of the portfolio (weighted average carbon intensity based on tons of CO<sub>2</sub>e/\$M sales); and therefore have a lower carbon footprint relative to the Index.

The Investment Manager shall also ensure that any investments made by the Product are in accordance with rules regarding cluster munitions laid down in the relevant national legislation adopting the Convention on Cluster Munitions.

Hermes EOS has been appointed to carry out corporate engagement with carefully selected companies held within the Product. Please refer to the Prospectus for further detail on this appointment.

These sustainability indicators are non-exhaustive and subject to change.

***What are the objectives of the sustainable investments that the financial product partially intends to make and how does the sustainable investment contribute to such objectives?***

The intended objectives of the sustainable investments are to positively contribute towards any of the environmental objectives defined by the data provider and as listed below. Our definition of positive contribution includes minimum percentage revenues deriving from activities linked with these objectives alongside companies assessed to have credible carbon reduction targets such as The Science Based Targets Initiative ("SBTI").

- alternative energy (renewables),
- energy efficiency,
- green building,
- sustainable water,
- pollution prevention and
- sustainable agriculture.

Investments in these areas help contribute towards the Product's environmental objectives, specifically climate change mitigation and climate change adaptation objectives.

***How do the sustainable investments that the financial product partially intends to make, not cause significant harm to any environmental or social sustainable investment objective?***

In order to deem an investment a sustainable investment, it must not only satisfy the positive contribution test, but also a 'do no significant harm' ("DNSH") test designed to ensure that no significant harm is caused to any environmental or social investment objective.

Our assessment of harm involves the use of a set of diverse environmental and social indicators for example, greenhouse gas emissions ("GHG"), carbon footprint, GHG intensity of investee companies etc. coupled with our own proprietary thresholds. These thresholds represent a value or metric at which we believe there is a risk of significant harm. In practice, this means that an investee company can only be deemed a sustainable investment under our definition if it a) meets our minimum positive contribution test; b) the indicators for harm are under the proprietary thresholds set at specific points in time and lastly c) that investee companies follow good governance practices and are aligned with minimum safeguards such as Organisation for Economic and Cooperation and Development ("OECD") guidelines for Multinational Enterprises.

***- How have the indicators for adverse impacts on sustainability factors been taken into account?***

The Product considers adverse impacts through a range of criteria that form part of the investment strategy; the NT Custom ESG Screening criteria, ESG tilts to maximise exposure to securities with higher ESG ratings and lower carbon emissions to improve the ESG profile. These screens and tilts provide a strong ethical foundation in line with international norms and are regularly updated following our own research, as well as feedback from our clients. Added to this, we have secured access to a range of ESG data providers and datasets to help us to carry out this assessment and ongoing monitoring.

For sustainable investments specifically, and as described above, our assessment of harm involves the use of a set of diverse environmental and social indicators with proprietary thresholds.

Lastly, consideration of adverse impacts form part of our focused engagement and voting activities designed to help influence the business models of investee companies to transition to a more sustainable future.

**Principal adverse impacts** are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.



- *How are the sustainable investments aligned with the Organisation for Economic Cooperation and Development (“OECD”) Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights? Details:*

The Product applies the NT Custom ESG screening criteria to identify and exclude companies that do not adhere to international norms – such as:

- OECD Guidelines for Multinational Enterprises;
- the UN Guiding Principles on Business and Human Rights, including the principles and rights set out in the eight fundamental conventions identified in the Declaration of the International Labour Organisation (ILO) on Fundamental Principles and Rights at Work; and
- the International Bill of Human Rights.

The implementation of these exclusions happens through the use of third party controversy data used as a proxy to assess the negative environmental, social and governance impact of a company’s operations, products and services.

In practice, this means that all investee companies are aligned with these minimum safeguards, not only the sustainable investments.

The EU Taxonomy sets out a “do not significant harm” principle by which Taxonomy-aligned investments should not significantly harm EU Taxonomy objectives and is accompanied by specific EU criteria.

The “do no significant harm” principle applies only to those investments underlying the financial product that take into account the EU criteria for environmentally sustainable economic activities. The investments underlying the remaining portion of this financial product do not take into account the EU criteria for environmentally sustainable economic activities.

Any other sustainable investments must also not significantly harm any environmental or social objectives.



## Does this financial product consider principal adverse impacts on sustainability factors?

- Yes  
 No

The Product considers as part of the investment strategy, the following principal adverse impact (“PAI”) indicators in Annex 1, Table 1 of the SFDR Regulatory Technical Standards (“SFDR RTS”).

- PAI 1: GHG emissions (Scope 1 and Scope 2);  
PAI 2: Carbon footprint;  
PAI 3: GHG intensity;  
PAI 4: Exposure to companies active in the fossil fuels sector;  
PAI 10: Violations of UNGC principles and OECD Guidelines for Multinational Enterprises;  
and  
PAI 14: Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons).

Adverse impacts also form part of our focused engagement and voting activity enabling us to identify where best to utilise resources for maximum social and/or environmental impact.



## What investment strategy does this financial product follow?

The investment strategy guides investment decisions based on factors such as investments objectives and risk tolerance.

The Product is a passive index tracking strategy whereby it seeks to track the risk and return characteristics of the Index - the ICE BofAML Euro Corporate Index - by investing directly in freely transferable debt and debt related securities including investment grade bonds that are Index constituents. The Product seeks to achieve its investment objectives through investment primarily in freely transferable debt and debt related securities including investment grade bonds that are constituents of the Index.

The Index is screened based on ESG criteria selected by the Investment Manager which excludes companies not considered to meet certain sustainability principles. The Product then employs an optimisation methodology to overweight securities issued by companies that are leaders in implementing ESG principles, thereby maximising exposure to securities with higher ESG ratings while aligning key risks relative to the Index. The Product aims to reduce the operational carbon intensity of the portfolio (weighted average carbon intensity based on tons of CO<sub>2</sub>e/\$M sales); and therefore have a lower carbon footprint relative to the Index. Amongst other things, the Product is looking to minimise climate related risks and maximise climate related opportunities by investing in investment grade fixed income securities with higher or improving ESG profiles with a lower carbon footprint relative to the Index.

***What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?***

The binding elements of the strategy used to promote the environmental or social characteristics form part of investible universe. This means that the investment universe is screened according to specific ESG criteria designed to promote specific environmental and/or social objectives and to reduce or avoid adverse impacts. ESG negative screening and carbon emission reduction targets and are coded within our order management system.

Examples of the binding elements include the exclusion of a range of companies, or sectors, typically based on a prescribed revenue threshold and extend to companies that:

- do not comply with UN Global Compact Principles;
- derive revenue from the production or distribution of tobacco;
- manufacture civilian firearms, controversial and conventional weapons;
- derive revenue from thermal coal power and thermal coal mining and for profit prisons.

Please refer to previous response to the question on “sustainability indicators” for a complete list of the custom ESG exclusions that form part of the Product’s binding criteria.

***What is the committed minimum rate to reduce the scope of the investments considered prior to the application of that investment strategy?***

While the Product’s investment universe is reduced as a result of the binding exclusions, it does not commit to a minimum reduction rate. As such, the reduction of the universe may be subject to change.

***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 NT Custom ESG index methodology. In practice, this is achieved through the use of our data provider’s ESG Controversy screen, a proxy framework designed to address governance topics consistent with international norms represented by the UN Declaration of Human Rights, the ILO Declaration on Fundamental Principles and Rights at Work, the OECD Guidelines and the UN Global Compact.

In order to produce the controversy, our chosen data provider assesses the negative environmental, social and governance impact of the investee companies operations, Products and services. It also identifies breaches of international norms through the use of controversy proxies which are assessed based on the scale and severity of the controversy.

Severity may vary depending on the nature of the controversy but generally includes metrics such as:

- the percent of shareholder votes or number of shareholders voicing an opinion,
- number and position of executives or directors involved,
- number and type of external parties voicing an opinion, or
- the portion of the company that is affected or implicated.

For other governance issues, scale is generally measured by:

- the length of time an activity was ongoing,
- the size of the market or government affected, or
- the scale on which either company executives or external parties such as government officials were involved.

Good governance practices include sound management structures, employee relations, remuneration of staff and tax compliance.



## What is the asset allocation planned for this financial product?

**Asset allocation** describes the share of investments in specific assets.

The Product intends to be at least 90% invested in issuers that have improved ESG metrics.

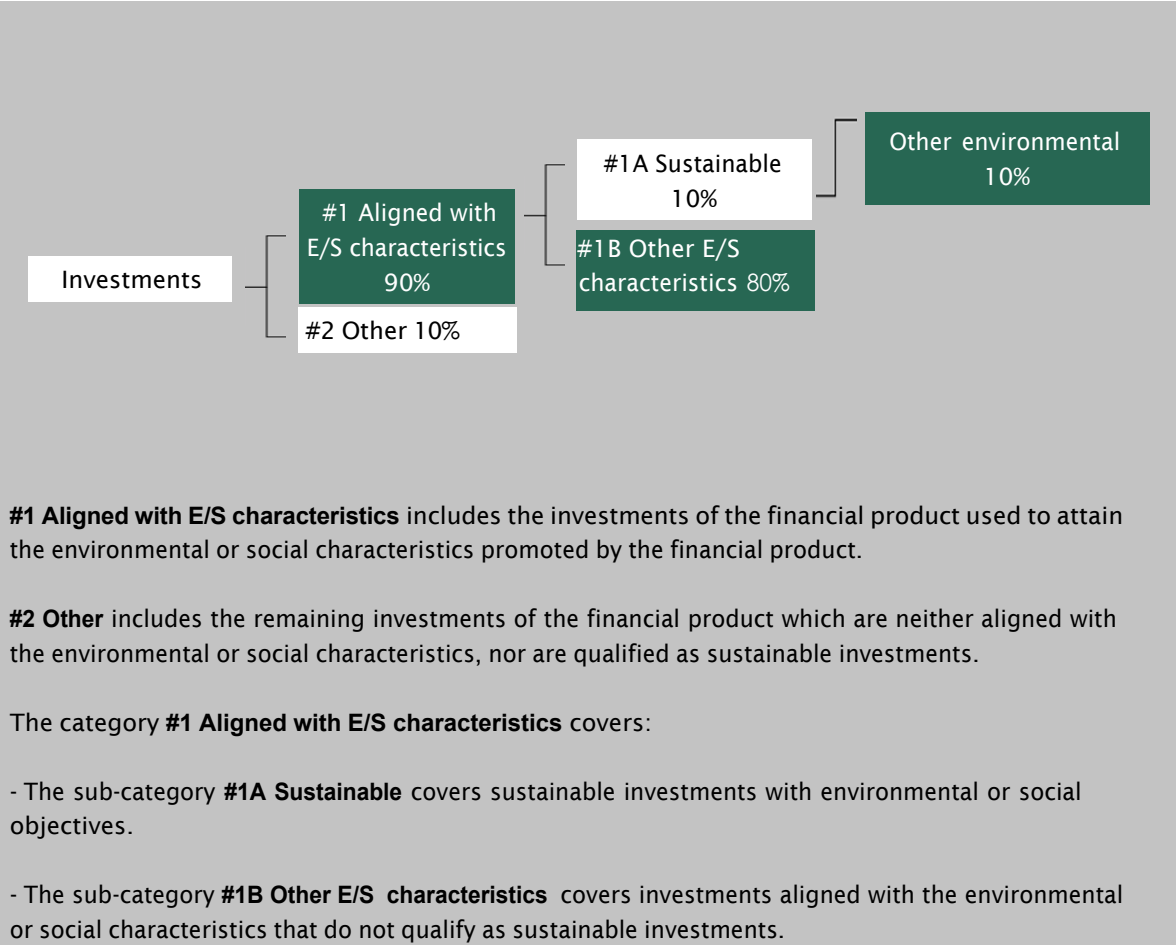
Of this a minimum of 10% will be invested in sustainable investments with an environmental objective.

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 for cash, hedging and other ancillary purposes.

Taxonomy-aligned activities are expressed as a share of:

- **turnover** reflecting the share of revenue from green activities of investee companies
- **capital expenditure** (CapEx) showing the green investments made by investee companies, e.g. for a transition to a green economy.
- **operational expenditure** (OpEx) reflecting green operational activities of investee companies.



### *How does the use of derivatives attain the environmental or social characteristics promoted by the financial product?*

The Product uses derivatives for managing broad market exposure. Derivatives are not used to attain the environmental or social characteristics of the Product and are not subject to any minimum safeguards.



## To what minimum extent are sustainable investments with an environmental objective aligned with the EU Taxonomy?

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.

● Does the financial product invest in fossil gas and/or nuclear energy related activities that comply with the EU Taxonomy<sup>1</sup>?

Yes:

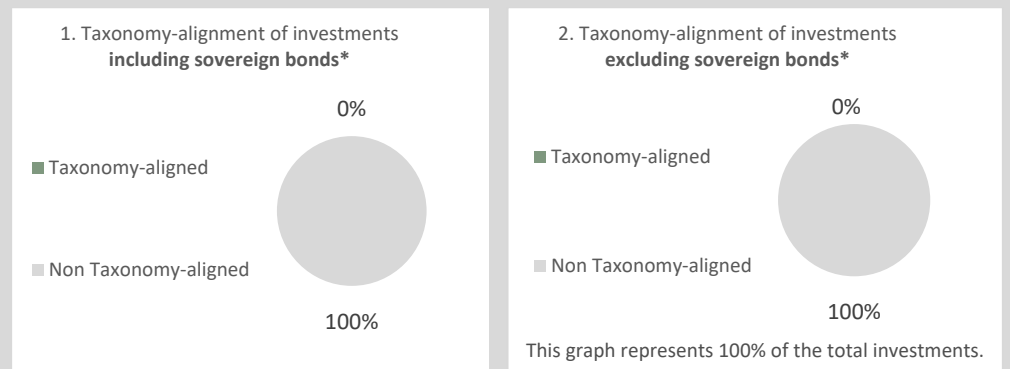
In fossil

gas In nuclear energy

No



*The two graphs below show in green the minimum percentage of investments that are aligned with the EU Taxonomy. As there is no appropriate methodology to determine the Taxonomy-alignment of sovereign bonds\*, the first graph shows the Taxonomy alignment in relation to all the investments of the financial product including sovereign bonds, while the second graph shows the Taxonomy alignment only in relation to the investments of the financial product other than sovereign bonds.*




\* For the purpose of these graphs, 'sovereign bonds' consist of all sovereign exposures.

<sup>1</sup> Fossil gas and/or nuclear related activities will only comply with the EU Taxonomy where they contribute to limiting climate change ("climate change mitigation") and do not significantly harm any EU Taxonomy objective - see explanatory note in the left hand margin. The full criteria for fossil gas and nuclear energy economic activities that comply with the EU Taxonomy are laid down in Commission Delegated Regulation (EU) 2022/1214.

### What is the minimum share of investments in transitional and enabling activities?

This is not applicable as 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, which includes 0% of its assets in enabling activities and 0% of its assets in transitional activities towards climate change mitigation.

 are sustainable investments with an environmental objective that do not take into account the criteria for environmentally sustainable economic activities under the EU Taxonomy.



### What is the minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy?

0% of the Product sustainable investments commitment is expected to be aligned with the EU Taxonomy.



### What is the minimum share of socially sustainable investments?

The Product is not targeting socially sustainable investments hence anticipates 0% investments in socially sustainable investments.



### What investments are included under “#2 Other”, what is their purpose and are there any minimum environmental or social safeguards?

Cash is the only investment type categorised as ‘other’ and neither is aligned with environmental or social characteristics, nor qualify as sustainable investments. Additionally, no minimum environmental or social safeguards are applied.

Investments may be marked as ‘other’ for the following reasons:

- Cash and cash equivalents or money market instruments: The Product may invest in Cash and cash equivalents such as certificates of deposits and time deposits and Money Market Instruments.



**Is a specific index designated as a reference benchmark to determine whether this financial product is aligned with the environmental and/or social characteristics that it promotes?**

**Reference benchmarks** are indexes to measure whether the financial product attains the environmental or social characteristics that they promote.

No, the Product does not have a specific index designated as a reference benchmark with E/S characteristics. The Product is managed against the ICE BofAML Euro Corporate Index; therefore this section is not applicable as the Product has no ESG reference benchmark.

*How is the reference benchmark continuously aligned with each of the environmental or social characteristics promoted by the financial product?*

N/A

*How is the alignment of the investment strategy with the methodology of the index ensured on a continuous basis?*

N/A

*How does the designated index differ from a relevant broad market index?*

N/A

*Where can the methodology used for the calculation of the designated index be found?*

N/A



**Where can I find more product specific information online?**

More specific information regarding the Product can be found [here](#).