

# Supplement dated 10 November 2023 to the Prospectus dated 31 January 2022, as amended by addendum dated 29 November 2022 for Northern Trust Global Funds plc

## THE STERLING CONSERVATIVE ULTRA SHORT ESG FUND

*This Supplement contains specific information in relation to The Sterling Conservative Ultra Short ESG Fund (the **Fund**), a fund of Northern Trust Global Funds plc (the **Company**) an open-ended umbrella investment company with variable capital and with segregated liability between funds governed by the laws of Ireland and authorised by the Central Bank.*

*The Fund is not a Money Market Fund and has not been authorised in accordance with the Money Market Fund Regulation (as defined below). Investment in the Fund is suitable for investors seeking to achieve exposure to fixed income securities and a return in excess of money market rates with a low sensitivity to changing market conditions in the short to medium term.*

**This Supplement forms part of and should be read in conjunction with the Prospectus dated 31 January 2022 as amended by addendum dated 29 November 2022.**

*The Directors of the Company whose names are set out under the heading **Management and Administration** in the Prospectus, accept responsibility for the information contained in the Prospectus, Supplement and the below 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.*

### DIRECTORY

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## DESIGNATION OF THE FUND AS NOT BEING A MONEY MARKET FUND

In accordance with the definition contained in Article 1 of Regulation (EU) 2007/1131 of the European Parliament and of the Council on money market funds (the **Money Market Fund Regulation**), a "Money Market Fund" is an authorised UCITS or fund authorised under Directive 2011/61/EU of the European Parliament and of the Council of 8 June 2011 on Alternative Investment Fund Managers that (i) invests in short-term assets (i.e. financial assets with a residual maturity not exceeding two years); and (ii) has distinct or cumulative objectives offering returns in line with money market rates or preserving the value of the investment. A Money Market Fund is also prohibited, under the Money Market Fund Regulation, from participating in borrowing or stocklending, may only use financial derivative instruments for hedging (i.e. it may not use financial derivative instruments for investment purposes or efficient portfolio management) and investing in collective investment schemes other than Money Market Funds.

As disclosed in the Investment Policy section below, in normal market circumstances, the Fund will invest a minimum of 20% of its Net Asset Value in securities with a final maturity over two years. The Fund's portfolio is therefore ineligible for a Money Market Fund.

In addition, the Fund is managed such that (i) it is suitable for investors seeking a return in excess of money market rates; (ii) it has the capacity (subject to the conditions in the Regulations) to engage in borrowing; (iii) may use financial derivative instruments ("**FDI**") for efficient portfolio management ("**EPM**"); (iv) the types of assets it seeks to invest in do not all fall within the scope of short-term assets as permitted under the Money Market Fund Regulation; and (iv) it may invest in collective investment schemes which do not constitute Money Market Funds. Accordingly, the Fund cannot be operated as Money Market Fund within the scope of the Money Market Fund Regulation and as such it has not been authorised in accordance with the Money Market Fund Regulation.

While the Fund is suitable for investors seeking a return in excess of money market rates in the short to medium term, because the Fund does not seek to maintain a stable Net Asset Value per Share the amount invested in Shares may fluctuate up or down and an investment in the Fund involves certain investment risks (including those which may not be associated with Money Market Funds), including the possible loss of principal. For further information on the risks applicable to the Fund see the "Risk Factors" section below and the general risk factors set out in the Prospectus.

### PROFILE OF A TYPICAL INVESTOR

A typical investor will be one seeking to achieve exposure to fixed income securities and a return in excess of money market rates in the short to medium term.

### INVESTMENT OBJECTIVE AND POLICIES

#### Investment Objective

The objective of the Fund is to provide moderate liquidity and maximise income consistent with a high degree of capital preservation by investing in investment grade fixed income securities.

#### Investment Policies

The Fund seeks to achieve its investment objective through investment primarily in investment grade fixed income

securities subject to an environmental, social and governance (ESG) criteria selected by the Investment Manager which excludes certain securities which contravene the Northern Trust ESG Custom Screens as outlined in the Annex as well as optimising the portfolio from an ESG perspective, as discussed further below. It also seeks a significant reduction in carbon intensity relative to the Bloomberg Barclays 1-3 year Sterling Corporate Index (weighted average carbon intensity based on tons of CO<sub>2</sub>e/\$M sales).

The fixed income securities the Fund may invest in can be corporate and government issued, fixed, floating or adjustable rate (the latter being a rate that floats or adjusts periodically based on a predetermined benchmark rate). Types of fixed income securities are bonds, structured notes, mortgage and asset backed securities (i.e. collateralised debt obligations). These instruments shall be listed or traded on regulated stock exchanges and markets as listed in Appendix I of the Prospectus, shall be publicly available and shall not embed derivatives or leverage. Investment may also be made in cash, cash equivalents such as certificates of deposits and time deposits and Money Market Instruments. The Fund may also invest up to 10% of its Net Asset Value in Collective Investment Schemes as a means of achieving broad, indirect exposure to such fixed income securities when considered appropriate. Collective Investment Schemes being a UCITS or other alternative investment fund within the meaning of Regulation 68(1)(e) of the Regulations and which is prohibited from investing more than 10% of its assets in other such collective investment schemes.

Eligible securities must be denominated in GBP.

In buying and selling securities for the Fund, the Investment Manager will use a relative value approach. This approach involves an analysis of general economic and market conditions. It also involves the use of proprietary models that analyse and compare expected returns and assumed risks. This includes fundamental analysis of in-scope securities to assess their value relative to their peers and also carrying out stress testing to ensure the portfolio can adapt to potential changes or shifts in the projected yield curve. Under the relative value approach, the Investment Manager will place an emphasis on particular fixed income securities that it believes will provide a favourable return in light of these risks.

The Fund may invest in FDI for EPM purposes. See section below titled "Efficient Portfolio Management".

#### Portfolio Duration

The Investment Manager will determine the portfolio duration with a neutral target of six months. In normal market conditions, the Fund will invest a minimum of 20% of its Net Asset Value in securities, instruments and obligations with a final maturity over two years and in general will invest only in securities with a duration of three years or less. The Investment Manager may adjust the Fund's holdings based on actual or anticipated changes in interest rates or credit quality, and may shorten the duration of which a security is held below six months based on the Investment Manager's interest rate outlook or adverse market conditions. The Fund may hold securities with features which affect when such securities mature by permitting the issuer or holder to extend or shorten the proposed maturity date. Where such a feature is triggered it will be taken into account for the purpose of determining the maturity of the relevant security. These features do not embed derivatives or leverage.

## Portfolio Exclusions and ESG Integration

The Fund promotes environmental, social and governance characteristics as part of its investment policies and as further detailed below. More particularly in an environmental context, as noted above, the Fund aims within the corporate holdings of the portfolio, for a significant reduction of the operational carbon intensity of the portfolio (weighted average carbon intensity based on tons of CO<sub>2</sub>e/\$M sales); relative to the Bloomberg Barclays 1-3 year Sterling Corporate Index (the "Index") and therefore have a lower carbon footprint relative to the Index.

As referenced above, pursuant to the Northern Trust ESG Custom Screens selected by the Investment Manager, the Fund will promote social and environmental characteristics by not holding securities issued by companies that do not meet certain ESG criteria as detailed in the Annex.

The Investment Manager also systematically integrates ESG throughout the security selection process where market conditions allow and will select securities with higher or improving ESG ratings and will adjust positions to enhance the aggregate ESG profile/score of the portfolio. ESG ratings may be sourced from third party providers such as MSCI. The MSCI ESG Rating is designed to measure a securities resilience to long-term, industry material ESG risks and which uses a rules-based methodology to identify industry leaders and laggards according to their exposure to ESG risks and how well they manage those risks relative to peers. The MSCI ESG Ratings range from leader (AAA, AA), average (A, BBB, BB) to laggard (B, CCC), all securities with an MSCI rating of CCC or equivalent are excluded from the Fund's portfolio. Additional information on the methodology applied by the MSCI ESG Rating can be found at <https://www.msci.com/our-solutions/esg-investing/esg-ratings>.

Additionally, as part of the portfolio construction process, the Investment Manager will monitor ESG ratings and ESG rating trends and take appropriate action to seek to maintain exposure to securities with higher or improving ESG ratings.

## Efficient Portfolio Management

The Fund may also enter into repurchase and reverse repurchase arrangements (i.e. Securities Financing Transactions) in accordance with the requirements of SFTR and the Central Bank Rules for EPM purposes only. Any type of assets that may be held by the Fund in accordance with its investment objective and policies may be subject to such Securities Financing Transactions. There is no restriction on the proportion of assets that may be subject to Securities Financing Transactions and therefore the maximum and expected proportion of the Fund's assets that can be subject to Securities Financing Transactions can be as much as 100%, i.e. all of the assets of the Fund. Use of Total Return Swaps by the Fund is not envisaged. In any case the most recent semi-annual and annual report of the Company will express as an absolute amount and as a percentage of the Fund's assets the amount of Fund assets subject to Securities Financing Transactions. Details of revenues arising and attendant direct and indirect operational costs and fees as well as the identity of any specific repurchase/reverse repurchase agreements counterparties and/or securities lending agents engaged by the Company from time to time shall be included in the semi-annual and annual reports of the Company.

Further details of the techniques and instruments that the Fund may employ for EPM purposes are set out in the

## Efficient Portfolio Management and Securities and Financing Transactions

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

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

## INVESTMENT RESTRICTIONS

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

## BORROWINGS

In accordance with the requirements of the Central Bank Rules the Fund may borrow up to 10% of its net assets on a temporary basis.

## DIVIDEND POLICY

It is the intention of the Directors to declare a dividend annually on 31 January (where 31 January is not a Dealing Day then the next Dealing Day thereafter), in respect of the Distributing Shares of the Fund, where there is a surplus net investment income or otherwise as deemed appropriate by the Directors in their discretion. It is proposed that such dividend will be declared annually out of the Fund's net investment income (i.e. income from dividends, interest or otherwise less the Fund's accrued expenses). Such dividends will be paid annually in cash (except when forming part of repurchase proceeds when such dividends may be paid, at the absolute discretion of the Company, on the relevant Settlement Date), unless the Shareholder elects in writing to receive the dividends in the form of additional Shares. No dividends will be declared in respect of the Accumulating Shares. Accordingly, the price of an Accumulating Share shall rise as income and capital gains accrue in respect of the Accumulating Share.

## VALUATIONS

As the Fund is not a Money Market Fund, its assets and liabilities will be valued in accordance with section (B) as set out under the heading **Valuation of Assets** in the Prospectus and the investments of the Fund shall not be valued at amortised cost.

## KEY INFORMATION FOR BUYING AND SELLING

### Base Currency

Sterling

### Business Day

A Business Day is each day on which retail banks are open for business in London (or such other day or days as the Directors may determine and notify in advance to Shareholders).

### Dealing Day

Each Business Day except where the Net Asset Value determination is temporarily suspended in the circumstances outlined in the section entitled **Temporary Suspension of Valuation of the Shares and of Sales and Repurchases** in the Prospectus unless otherwise determined by the Directors and notified to Shareholders in advance and provided that in all cases there are at least two Dealing Days per calendar month occurring at regular intervals.

### Dealing Deadline

2 p.m. (Irish time) on each Dealing Day.

### Anti-Dilution Levy

An Anti-Dilution Levy can be applied to net subscriptions or net redemptions on any Dealing Day, as set out in the Prospectus. This Anti-Dilution Levy will be charged at the discretion of the Directors. The Anti-Dilution Levy is designed to cover the costs of dealing in the various markets and preserve the value of the underlying assets of the Fund.

### 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 compliance with the requirements of the section entitled **Repurchase Requests** in the Prospectus and the section of the Prospectus entitled **Repurchase Price** shall be deemed amended accordingly with respect to the timing of the payment of redemption proceeds for this Fund) or as otherwise determined by the Manager provided that in all cases proceeds are paid within ten Business Days of the relevant Dealing Day.

An exchange of Shares may be effected as outlined in the section entitled **Conversion of Shares** in the Prospectus on the relevant Dealing Day subject to receipt of the relevant duly signed exchange request documentation.

### Valuation Point

Close of business in the relevant recognised market that closes last on each Dealing Day which in all cases will be after the Dealing Deadline.

### Initial Offer Period

From 9.00 a.m. (Irish time) on 30 November 2022 until 5.00 p.m. (Irish time) on 26 May 2023 or such earlier or later date as the Directors may determine and notify to the Central Bank.

### Issue Price

During the Initial Offer Period, the following Share Classes of the Fund will be initially issued at STG 100 per Share:

Accumulating Shares Class J  
Accumulating Shares Class K

Distributing Shares Class A  
Distributing Shares Class B  
Distributing Shares Class C  
Distributing Shares Class D  
Distributing Shares Class E  
Distributing Shares Class F  
Distributing Shares Class G  
Distributing Shares Class H  
Distributing Shares Class I  
Distributing Shares Class J  
Distributing Shares Class K

On the Dealing Day following the close of the Initial Offer Period for a class of Shares, the subscription price for such class of Shares shall be the relevant Net Asset Value per Share.

The following Share Class has been issued as at the date of this Supplement:

Accumulating Shares Class C  
Accumulating Shares Class E  
Accumulating Shares Class T

### Share Classes<sup>1</sup>

Shares may be issued as Accumulating Shares or Distributing Shares.

### FEES AND EXPENSES

This section should be read in conjunction with the section set out under the heading **Expenses of the Funds** in the Prospectus.

### Fees of the Manager, Investment Manager, the Depositary, any sub-custodian and the Administrator.

The maximum aggregate fees charged by the Investment Manager, Depositary and Administrator shall be 0.50% of the Net Asset Value of the Fund.

The Investment Manager shall be entitled for each Share Class to receive out of the net assets 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 0.40% of the Net Asset Value of the Fund (plus VAT, if any) for the respective Share Class. The Investment Manager shall also be entitled to be reimbursed out of the assets of the Fund for the reasonable out-of-pocket expenses incurred by it in the performance of its duties.

The Administrator shall be entitled to receive out of the net assets 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 0.05% 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 assets of the Fund an annual fee, accrued and calculated on each Dealing Day and payable monthly in arrears, at an annual rate of up to 0.05% 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).

The Manager is entitled to cover its reasonable out of pocket costs and expenses incurred in the performance of its duties. The latest figure will be set out in the most recently published report and accounts of the Fund, or pending publication of the initial report and accounts, will be available upon request from the Administrator. These costs and expenses will accrue and be calculated on each Dealing Day and shall be payable quarterly in arrears.

### Establishment Costs

The cost of establishing the Fund is expected to be approximately €15,000 and shall be borne by the Fund and

<sup>1</sup> Accumulating Share Class T and Accumulating and Distributing Share Class I are only available to investors who have agreed specific terms of business with the Company.

amortised over the first five years of the Fund's operation (or such other period as the Directors may determine).

## **RISK FACTORS**

The general risk factors set out under the heading **Risk Factors** in the Prospectus apply to the Fund.

The value of investments and any income from them will fluctuate and is not guaranteed (this may be partly due to exchange rate fluctuations). Investors may not get back the full amount invested. Investors should note that subscription for Shares in the Fund is not the same as making a deposit with a bank or other deposit taking body, the value of the Shares is not insured or guaranteed, and the Fund does not rely on external support for guaranteeing the liquidity of the Fund or stabilising the Net Asset Value per Share. Investment in the Fund involves certain investment risks, including the possible fluctuation and/or loss of principal.

The Fund's Net Asset Value per Share will vary and reflect the effects of unrealised appreciation and depreciation and realised losses and gains. There is no guarantee that the Fund will not experience redemptions based upon unrealised depreciation, realised losses or other factors.

## **MISCELLANEOUS**

**There are 4 other Funds of the Company currently in existence, namely:**

- **The Sterling Fund**
- **The U.S. Dollar Fund**
- **The Euro Liquidity Fund**
- **The Sterling Ultra Short ESG Fund**

**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 Sterling Conservative Ultra Short ESG Fund ("the Product")

**Legal entity identifier:**

549300EI8J0G7CO0KB03

**Environmental and/or social characteristics**

**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 include a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.

**Does this financial product have a sustainable investment objective?**

<input type="checkbox"/> <input type="checkbox"/> Yes	<input checked="" type="checkbox"/> <input type="checkbox"/> No
<input type="checkbox"/> It will make a minimum of sustainable investments with an environmental objective: __%  <input type="checkbox"/> in economic activities that qualify as environmentally sustainable under the EU Taxonomy  <input type="checkbox"/> in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy  <input type="checkbox"/> It will make a minimum of sustainable investments with a social objective: __%	<input checked="" type="checkbox"/> It promotes Environmental/Social (E/S) characteristics and while it does not have as its objective a sustainable investment, it will have a minimum proportion of 10% of sustainable investments  <input type="checkbox"/> with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy  <input checked="" type="checkbox"/> with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy  <input type="checkbox"/> with a social objective  <input type="checkbox"/> It promotes E/S characteristics, but will not make any sustainable investments



**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 securities which have faced controversies pertaining to ESG issues; (iii) systematically integrates ESG throughout the security selection process where market conditions allow and will select securities with higher or improving MSCI ESG ratings and will adjust positions to enhance the aggregate ESG profile/score of the portfolio. (iv) aims within the corporate holdings of the portfolio, for a 20% reduction of the operational carbon intensity of the portfolio (weighted average carbon intensity based on tons of CO2e/\$M sales); relative to the Bloomberg Barclays 1-3 year Sterling Corporate Index (the "Index") and therefore have a lower carbon footprint relative to the Index.

As its investment strategy, the Product seeks to provide moderate liquidity and maximise income consistent with a high degree of capital preservation by investing in investment grade fixed income securities. The investible universe uses the NT Custom ESG screening criteria on the Index to be in line with international norms and specific ESG criteria.

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

**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 are in breach of global norms such as UN's Global Compact Ten Principles due to being involved in controversies classified as "very severe";
- 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 provide support services to and derive 5% or more revenue from this sector;
- vi. companies that derive 5% of revenue or more from mining thermal coal;
- 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 face asset stranding risk;
- ix. companies that derive 5% or more revenue from For Profit Prisons.

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

This methodology is reviewed annually. These sustainability indicators are non-exhaustive and subject to change.

The Product systematically integrates ESG throughout the security selection process where market conditions allow and will select securities with higher or improving ESG ratings and will adjust positions to enhance the aggregate ESG profile/score of the portfolio ESG ratings may be sourced from third party providers such as MSCI. The MSCI ESG Rating is designed to measure a securities resilience to long-term, industry material ESG risks and which uses a rules-based methodology to identify industry leaders and laggards according to their exposure to ESG risks and how well they manage those risks relative to peers. The MSCI ESG Ratings range from leader (AAA, AA), average (A, BBB, BB) to laggard (B, CCC). All securities with an MSCI rating of CCC or equivalent are excluded from the Product's portfolio.

To reduce the carbon footprint and other negative externalities, the Product aims within the corporate holdings of the portfolio, for a 20% reduction of the operational carbon intensity (weighted average carbon intensity based on tons of CO<sub>2</sub>e/\$M sales) relative to the Index; 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.

***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 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 and pollution prevention and control 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 the Organisation for Economic Cooperation and Development ("OECD") guidelines for Multinational Enterprises.

**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 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 and the enhancement of the aggregate ESG profile/score of the portfolio and the reduction in carbon intensity relative to the Index. The screening criteria provides 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.

***- How are the sustainable investments aligned with the 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 Annex 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).



## 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 an active strategy, that seeks to provide moderate liquidity and maximise income consistent with a high degree of capital preservation by investing in investment grade fixed income securities which systematically integrates ESG throughout the security selection process where market conditions allow and will select securities with higher or improving ESG ratings and will adjust positions to enhance the aggregate ESG profile/score of the portfolio.

The investible universe is screened using the NT Custom ESG Screening criteria based on Environmental, Social and Governance (ESG) criteria selected by the Investment Manager which excludes certain companies not considered to meet certain sustainability principles. Amongst other things, The Product is looking to reduce the carbon intensity of the corporate segment of the portfolio compared 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 the 20% reduction of carbon emissions of the corporate segment of the portfolio 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, thermal coal mining, unconventional oil and gas, 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.

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

### **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 screening criteria. 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.



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

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

The Product intends to be at least 80% invested in issuers that have improved ESG metrics.

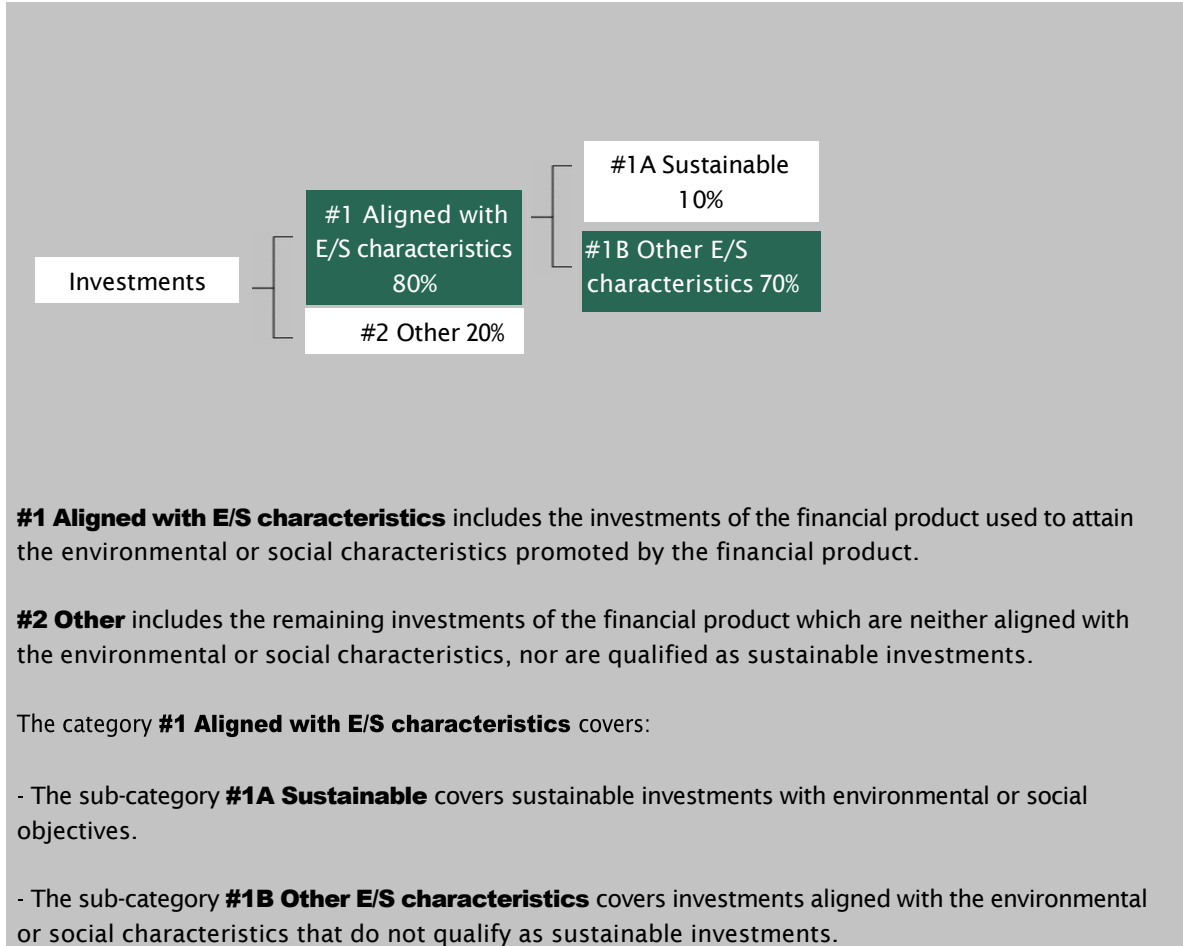
Of this, a minimum of 10% will be invested in sustainable investments with an environmental objective. This allocation is the result of the systematic integration of ESG throughout the security selection process where market conditions allow and selection of securities with higher or improving ESG ratings and adjustment of positions to enhance the aggregate ESG profile/score of the portfolio.

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" 20% 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 does not use derivatives.

**Enabling activities** directly enable other activities to make a substantial contribution to an environmental objective.

**Transitional activities** are activities for which low-carbon alternatives are not yet available and among others have greenhouse gas emission levels corresponding to the best performance.



**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>2</sup>?**

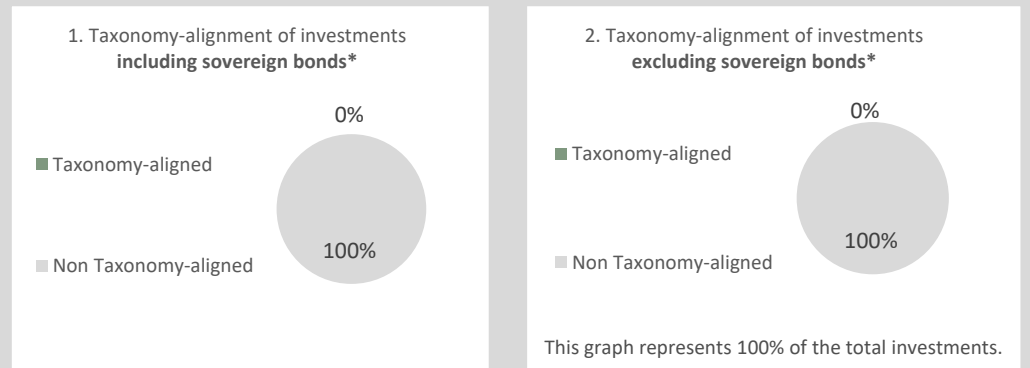
Yes:

In fossil gas     In nuclear energy

No

<sup>2</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.

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.

**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?**

Yes. The Bloomberg Barclays 1-3 year Sterling Corporate Index is used to measure the carbon intensity reduction of the corporate segment of the portfolio.

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

The list of companies to be excluded from the investment universe is based on the selected ESG criteria based on MSCI ESG Research reviewed on a quarterly basis, coinciding with the February, May, August and November Index reviews.

For some securities, such data may not be published by MSCI ESG Research by the end of the month preceding the Index Review. For such securities, MSCI will use ESG data published after the end of month, when available.

We evaluate the ESG criteria with regular reviews to ensure that it continues to be aligned with each of the environmental or social characteristics promoted by the Product.

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

Alignment of the investment strategy is ensured through the codification of the ESG screens and the systematic integration of ESG throughout the security selection process where market conditions allow and selection of securities with higher or improving ESG ratings and adjustment of positions to enhance the aggregate ESG profile/score of the portfolio. This means that the Product is able to own any security in the resultant investible universe (those that do not meet the specific criteria will not appear in the universe).

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

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

The Product does not use a designated ESG index. The Bloomberg Barclays 1-3 year Sterling Corporate Index is a broad market Index used to assess the carbon intensity reduction of the corporate segment of the portfolio.

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

The methodology for the designated index can be found [here](#). Please search by benchmark name.



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

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