

## **THE NT WORLD QUALITY ESG FUND**

# Supplement dated 22 November 2024 to the Prospectus dated 27 August 2024 for Northern Trust Investment Funds plc

## The NT World Quality ESG Fund

*This Supplement contains specific information in relation to The NT World Quality ESG Fund (the "Fund"), a Fund of Northern Trust Investment Funds plc (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").*

**See below section titled "Borrowing and Leverage" for details of the leverage effect of investing in FDI.**

**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 or as otherwise provided herein, 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 medium to high volatility. A typical investor will be seeking to achieve exposure across developed market equities 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 actively managed.**

**The Fund may invest in financial derivative instruments ("FDI") for hedging and efficient portfolio management ("EPM") purposes (as detailed below).**

## INVESTMENT OBJECTIVE AND POLICIES

### Investment Objective

The investment objective of the Fund is to deliver long-term capital growth by investing in securities which exhibit quality and have favourable environmental, social and governance characteristics ("ESG"), and excluding securities that do not meet certain ESG criteria.

### Investment Policy

The Fund seeks to achieve its investment objective through investment primarily in a diversified portfolio of transferable Equity and (where considered by the Investment Manager to be necessary or appropriate) Equity Related Securities issued by companies or linked to companies within the MSCI World Index (the "Index"). The Equity and Equity Related Securities invested in by the Fund will exhibit quality and have favourable ESG characteristics (both as determined based on the Investment Manager's proprietary scoring as further outlined below), whilst constraining the exposure to certain securities in accordance with the ESG criteria. The Fund also seeks a reduction in carbon intensity and potential emissions from fossil fuel reserves (excluding metallurgical coal) relative to the Index. **The Fund does not operate an index tracking or physical replication strategy.**

Further details concerning the Index are set out below.

Such Equity and Equity Related Securities shall be listed on stock exchanges or regulated markets in countries (within the list of Markets set out in Appendix 1 of the Prospectus) comprised within the Index, details of which are set out under the heading Index Description below. The Fund shall not invest in contingent convertible securities. Where direct access to the equity markets in those countries is not practicable, indirect exposure may be achieved through investment in Equities and/or Equity Related Securities listed on markets not comprised within the Index provided they are within the list of Markets set out in Appendix 1 of the Prospectus.

The Fund may from time to time hold Equity and Equity Related Securities which are not included in the Index constituents as a result of corporate actions and other such activities. In such event, the Fund will sell such securities in a reasonable amount of time taking into account the best interests of the Shareholders and no later than the next portfolio rebalance. In addition, certain Equity and Equity Related Securities which the Fund may hold may experience more market price volatility than other securities and could, in certain circumstances, result in high volatility levels. The Net Asset Value of the Fund may reflect this volatility.

The Fund may invest in FDI for EPM purposes and 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 efficient portfolio management 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, Financial Derivative Instruments and Securities Financing Transactions" below.

The Fund may also invest (up to 10% of its Net Asset Value) indirectly in Equities and Equity Related Securities comprised within the Index through holdings in open-ended collective investment schemes ("CIS") (including

UCITS exchange traded funds ("ETFs")). Any such CIS shall be listed/traded on Regulated Markets and will have investment objectives which are materially similar to the Fund.

The investment process is to establish the securities eligible for investment by excluding from the list of securities within the Index, companies that do not meet certain ESG criteria chosen by the Investment Manager, as detailed in the Annex.

The Investment Manager will then apply its proprietary scoring which is constructed using data from multiple sources including company financial statements and historical stock price movements. The scoring is applied to all of the investible securities, assessing quality based on three categories of financial signals (profitability, management efficiency, and cash generation). This enables the construction of an optimal portfolio which maximises expected risk-adjusted performance based on the return forecasts. The bottom quintile of securities ranked by the Investment Manager's proprietary scoring and the companies that do not meet certain ESG criteria chosen by the Investment Manager will typically be removed from the investible universe, subject to specified stock level limits. As noted above, risk is controlled by limiting the exposure to certain securities, exposure by industry and exposure by region and country, as well as exposures to other risk factors relative to the Index. The Investment Manager makes final investment decisions based on the quantitative model described, divesting of securities that no longer score beyond a pre-determined threshold score based upon the evaluation criteria stated above, and to ensure optimal portfolio diversification. The Fund's holdings and exposures are regularly monitored, and, where appropriate, traded efficiently using the aforementioned portfolio construction process to ensure alignment with the investment objectives.

### Index Description

The Index is a free float-adjusted market capitalisation weighted index that captures large and mid-cap representation across Developed Markets.

The valuation function within MSCI is functionally independent of the design of the Index. The Index is reviewed quarterly for any necessary rebalancing – typically in February, May, August and November with the objective of reflecting change in the underlying equity markets in a timely manner, while limiting undue index turnover. The rebalancing frequency will have minimal impact on the strategy of the Fund or on transaction costs associated with the Fund as any rebalancing is not expected to require any higher frequency of position turnover in the Fund than would otherwise be the case.

## INVESTMENT RESTRICTIONS

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

It is noted in particular that the Fund will not invest more than 10% of Net Asset Value in other CIS in aggregate.

## USE OF EFFICIENT PORTFOLIO MANAGEMENT TECHNIQUES, FINANCIAL DERIVATIVE INSTRUMENTS AND SECURITIES FINANCING TRANSACTIONS

The purpose of EPM should be in line with the best interests of Shareholders and is to achieve for one or more of the

following: the reduction of risk; the reduction of cost; or the generation of additional capital or income for the Fund with no, or with an acceptably low level of risk.

The Fund may use forwards and exchange traded futures for EPM and hedging purposes as further described in the Prospectus.

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.

The Fund may carry out securities lending transactions (i.e. Securities Financing Transactions) in accordance with the requirements of SFTR and the Central Bank Rules. 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.

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.

As a result of corporate actions in respect of Equity and Equity Related Securities invested in by the Fund, warrants, share purchase rights, convertible preference shares and convertible bonds, may also be held, traded or exercised when considered appropriate.

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 Investment Manager shall not invest in repurchase/reverse repurchase agreements or Total Return Swaps.

The use of FDI and Securities Financing Transactions for the purposes outlined above may expose the Fund to the risks disclosed under the section of the Prospectus titled **Risk Factors**. In addition, the prices of these instruments may be imperfectly correlated to the prices of the underlying securities, for example, because of transaction costs and interest rate movements and the use of these instruments may further expose the Fund to the risk that the legal documentation of the relevant counterparty may not accurately reflect the intention of the parties.

## **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**

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

## **INVESTMENT MANAGER AND SUB-INVESTMENT MANAGER**

The Manager has appointed Northern Trust Global Investments Limited as the Investment Manager of the Fund. The Investment Manager has appointed Northern Trust Investments, Inc as the sub-investment manager of the Fund.

## **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**

USD

### **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 the Business Day immediately

preceding each Dealing Day. Any applications received after the Dealing Deadline for a Dealing Day will be processed on the next Dealing Day unless the Directors in their absolute discretion in exceptional circumstances, otherwise determine to accept one or more applications received after the Dealing Deadline for processing on that Dealing Day provided that such request(s) have been received prior to the Valuation Point for the particular Dealing Day.

#### **Initial Offer Period**

The Initial Offer Period in respect of Class A USD Accumulating, Class B USD Accumulating and Class C USD Accumulating is closed.

The Initial Offer Period in respect of all other Share Classes shall continue until 5.00 p.m. (Irish time) on 23 May 2025 (or such shorter or longer period as the Manager may determine and notify the Central Bank.

After the close of the relevant Initial Offer Period, the relevant classes 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 (2) 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 (2) 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 (10) 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 a swing pricing adjustment as further detailed in the Prospectus in the section 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 Euro denominated share classes €100 per Share, for USD 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

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

#### **Currencies Available**

Each of the 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**

USD100,000 (or its equivalent in the relevant Share Class currency) subject to the discretion of the Directors to allow lesser amounts.

#### **Minimum Initial Investment Amount**

USD100,000 (or its equivalent in the relevant Share Class currency) subject to the discretion of the Directors to allow lesser amounts.

#### **German Taxation**

The Fund will invest and be managed such that it qualifies as an Equity Fund as defined in the Prospectus.

#### **FEES AND EXPENSES**

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

The Investment Manager will be entitled to receive out of the assets of the Fund an annual fee of up to 0.50% of the Net Asset Value of the Fund in respect of the class A, B, C, D, E, F, G and H (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 its 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 0.08% 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 EUR

25,000. These costs shall be borne by the Fund and will be amortised over the first five accounting periods of its operation (or such other period as may be determined by the Directors at their discretion).

## **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.

## ANNEX

### 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

**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.

**Fund name:** NT World Quality ESG Fund (the "Fund")

**Legal entity identifier:** 635400CKQBBXI9WVOQ04

## Environmental and/or social characteristics

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

- Yes**    **No**
- It will make a minimum of **sustainable investments with an environmental objective**: \_\_\_%
- in economic activities that qualify as environmentally sustainable under the EU Taxonomy
- in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy
- 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
- with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy
- with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy
- with a social objective
- It will make a minimum of **sustainable investments with a social objective**: \_\_\_%
- 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 Fund promotes the following environmental and/or social ("E/S") characteristics:

- i. reduction of operational carbon intensity and potential emissions associated with fossil fuel reserves (excluding metallurgical coal) relative to the Index;
- ii. avoiding investment in unconventional oil and gas exploration;
- iii. reduced exposure, relative to the index, to companies with an MSCI ESG Rating of 'CCC';
- iv. avoiding specific investment in business activities with adverse health and social impacts including tobacco, nuclear weapons, civilian firearms, controversial weapons, conventional weapons, and for-profit prisons; and
- v. human rights, labour rights, supply chain and anti-bribery and corruption as set out in the principles of the UN Global Compact.

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?

The following sustainability indicators are used to measure the attainment of the environmental and social characteristics promoted by the Fund:

- MSCI Red Flag ESG Controversies, defined as very severe, ongoing controversies that a company is directly involved in;

- specific revenue thresholds regarding tobacco, nuclear weapons, civilian firearms, for-profit prisons, unconventional oil and gas, arctic oil, thermal coal mining (not including metallurgical coal), thermal coal-based power generation; and
- any tie to controversial weapons (cluster munitions, landmines, depleted uranium weapons, biological/chemical weapons, blinding lasers, non-detectable fragments and incendiary weapons).

In addition to the ESG screening, the following sustainability indicators are used to measure the attainment of the environmental and social characteristics promoted by the Fund:

- Scope 1 and Scope 2 carbon emissions intensity (t/USD million sales);
- Fossil fuel reserves (excluding metallurgical coal);
- MSCI ESG rating, which is used to identify companies that have demonstrated an ability to manage their ESG risks and opportunities effectively compared to peers; and
- ISS Carbon Risk Rating, an aggregated score indicating a company's overall climate-related risk as a function of company-specific risk exposure and the company's carbon performance score, considering performance development of the company climate targets, measures and strategies to reduce emissions, and emissions along the value chain, from procurement of raw materials to the disposal phase of products.

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

The Product aims for lower carbon emissions, reduced exposure to fossil fuel reserves (excluding metallurgical coal) and an improved ISS Carbon Risk Rating compared to the Index by tilting towards companies better positioned to manage a transition to a low carbon economy.

Hermes Equity Ownership Services 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.

Please also refer to the response below on the binding elements of the investment strategy for further details of the sustainability indicators, including the thresholds applied.

***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 of the Fund are to positively contribute towards the environmental and social objectives including reducing carbon emissions and avoiding business activities with adverse health and social impacts including tobacco, nuclear weapons, civilian firearms, controversial weapons, conventional weapons, and for-profit prisons or human or labour rights violations. An investee company must promote good governance practices without causing significant adverse impact through its products and services.

An investee company is assessed as a sustainable investment using the methodology found here.

***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, the investee company must 'do no significant harm' (DNSH) to the environment or society through its products or services.

The assessment of harm involves a set of diverse environmental and social indicators to assess whether a company with potentially positive environmental or social contributions, has other adverse environmental and/or social impacts.

The Investment Manager considers each of the Principal Adverse Impacts (PAI) indicators within Table 1, Annex 1 of the Regulatory Technical Standards (RTS) of SFDR and applies



a proprietary threshold to each indicator. In circumstances where the Investment Manager feels that the data integrity behind an indicator is lacking, a relevant proxy is applied.

These thresholds represent a value or metric at which the Investment Manager believes there is a risk of significant harm. In practice, this means that an investee company can only be deemed a sustainable investment whereby it:

- (i) does not breach the PAI threshold as set by the Investment Manager;
- (ii) meets the minimum positive contribution test (please see response to "what are the objective of the sustainable investments that the financial product partially intends to make and how does the sustainable investment contribute to such objectives" for further details on the positive contribution test); and
- (iii) follows good governance practices and are aligned with minimum safeguards such as the [United Nations Global Compact](#) and [Organisation for Economic and Cooperation and Development \(OECD\) Guidelines for Multinational Enterprises on Responsible Business Conduct](#).

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

In addition to the DNSH test detailed in the previous response, the Fund considers certain adverse impacts as part of the investment strategy through:

- excluding companies found to be directly involved in violation of international norms;
- excluding certain companies not considered to meet ESG characteristics; and
- excluding certain companies with exposure to carbon emissions intensity and fossil fuel reserves (excluding metallurgical coal).

These criteria may be updated over time as new ESG data providers and datasets arise to help us to carry out this assessment and ongoing monitoring.

For sustainable investments specifically, and as described above, the Fund's assessment of harm involves the use of a set of diverse environmental and social indicators with thresholds that represent a value or metric at which the Investment Manager believes there is a risk of significant harm. Examples include avoidance of controversial weapons and human rights violations, reducing carbon footprint and exposure to fossil fuels.

- *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 Fund applies ESG controversy screening criteria to identify and exclude companies that do not adhere to international norms and conventions – such as:

- OECD Guidelines for Multinational Enterprises, and;
- 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.

The implementation of these exclusions is based on any investee company being directly involved in very severe and ongoing controversies in relation to its operations, products and services.

*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.*

**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.



### 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”):

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

In addition, through the Investment Manager’s direct engagement and voting, as well as engagement activities performed by the Investment Manager’s outside engagement partner, Hermes EOS, the Fund aims to encourage investee companies to improve their ESG practices and disclosures.

### What investment strategy does this financial product follow?

The Fund is an active strategy, that seeks to deliver long-term capital growth by investing in securities which exhibit quality and have favourable ESG characteristics, while excluding securities that do not meet specific ESG criteria.

The Product's investment universe comprises companies within the Index after the exclusion of companies based on ESG criteria selected by the Investment Manager which excludes companies not considered to meet certain sustainability principles.

The Investment Manager applies proprietary scoring to all of the investible securities, assessing quality based on three categories of financial signals whilst aiming for a reduction of the operational carbon intensity of the portfolio and reduced exposure to fossil fuel reserves (excluding metallurgical coal) relative to the Index. The process aims to achieve improvement in ESG characteristics of the portfolio relative to the Index and to tilt towards those companies better positioned to manage a transition to a low carbon economy.

### ***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 following are the binding elements of the investment strategy that are used to promote the environmental or social characteristics.

The application of the following exclusions seeks to attain the environmental and social characteristics promoted by the Fund:

- Companies that are directly involved in ongoing controversies classified as ‘very severe’ in the areas of Environment, Human Rights and Community, Labour Rights and Supply Chain, Customers or Governance;

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

- ii. Companies that derive any revenue from the production of tobacco, or 5% or more revenue from the distribution of, supply of key products for, or retail of, tobacco and tobacco alternatives;
- 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 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% or more revenue from unconventional oil and gas such as oil sands and shale gas or 1% or more revenue from arctic oil; and
- vii. companies that derive 5% or more of their total annual revenues (either reported or estimated) from activities related to for-profit prisons.

In addition, the Fund aims to reduce, relative to the Index, exposure to companies with;

- 1) high annual carbon emissions relative to annual sales;
- 2) potential carbon emissions associated with current fossil fuel reserves (excluding metallurgical coal);
- 3) a low ISS Carbon Risk Rating as a measure of transition readiness; and
- 4) an MSCI ESG Rating of 'CCC'. The MSCI ESG rating is used to identify companies that have demonstrated an ability to manage their ESG risks and opportunities effectively compared to peers.

Any investments made by the Fund are in accordance with rules regarding cluster munitions laid down in the relevant national legislation adopting the Convention on Cluster Munitions.

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

The Fund does not commit to a minimum reduction rate.

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

An assessment of good governance of investee companies of the Fund forms a foundational part of the ESG screening criteria applied. The ESG Controversy screen is 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.

A very severe, ongoing controversy that directly implicates a company through its operations, products and services will result in that company's exclusion from the Fund. The following indicators are used:

- **Bribery and fraud:** issues such as bribery, tax evasion, insider trading, money laundering, tax evasion or avoidance, violations of government sanctions and accounting irregularities;
- **Corporate governance structures:** issues such as shareholder- or board-level objections to pay practices and governance structures, shareholder resolutions seeking change to governance practices, and conflicts of interest or unethical behaviour by, or misrepresentation of, or lack of qualifications on the part of, directors or senior executives.
- **Controversial investments:** issues such as financing projects that are controversial because of their actual or anticipated environmental or social impact, as well as criticism of mining companies, real estate investment trusts and similar companies that receive royalties or own shares in a particular project that they neither own nor operate.

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



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

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

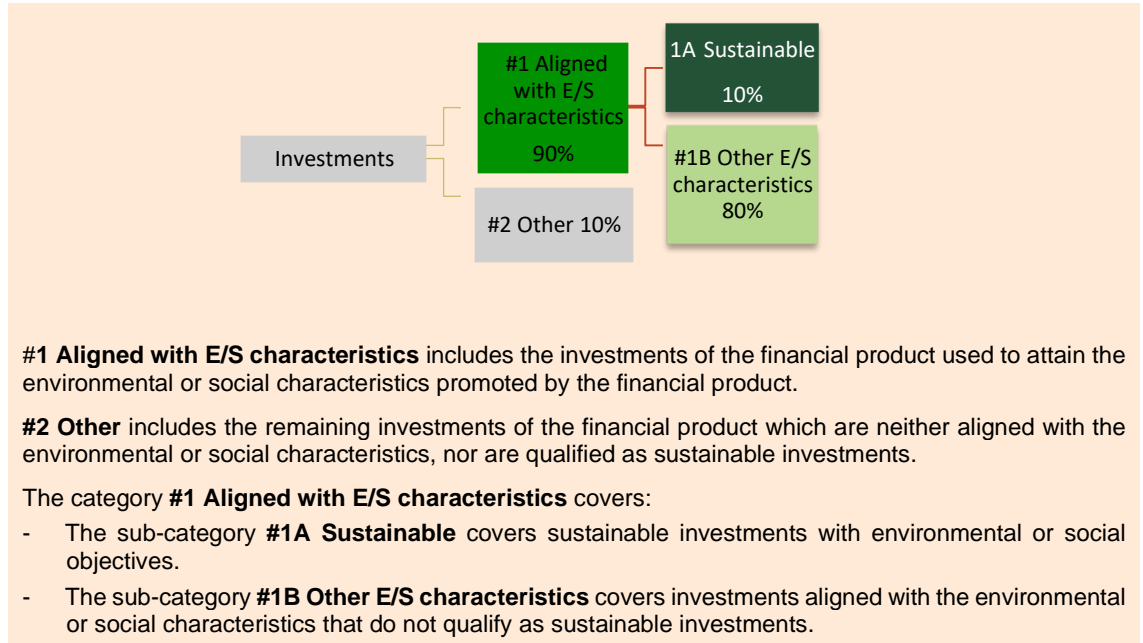
The Fund intends to invest at least 90% of its Net Asset Value in companies that are aligned with the environmental and social characteristics promoted by the Fund.

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

The 'other' assets are expected to be cash and derivatives, for 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?

Derivatives are not used to attain the environmental or social characteristics promoted by the Fund.



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

The Fund invests at least 10% of its Net Asset Value in sustainable investments but commits 0% of its Net Asset Value to sustainable investments with an environmental objective aligned with the EU Taxonomy.

### 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**

To comply with the EU Taxonomy, the criteria for **fossil gas** include limitations on emissions and switching to renewable power or low-carbon fuels by the end of 2035. For **nuclear energy**, the criteria include comprehensive safety and waste management rules.

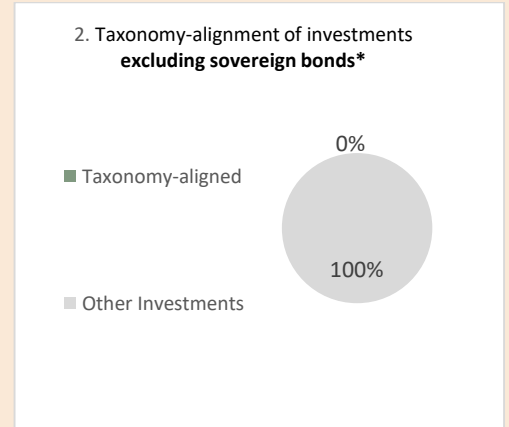
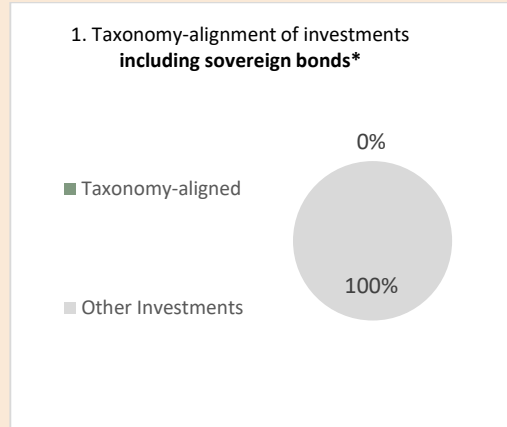
**Enabling activities** directly enable other

<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 Regulations (EU) 2022/1214.

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.

*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*

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 investments in transitional and enabling activities?**

Not applicable. The Fund will not make any investments in transitional and enabling activities.



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

The Fund invests at least 10% of its Net Asset Value in sustainable investments with environmental objectives which are not aligned with the EU Taxonomy.



● **What is the minimum share of socially sustainable investments?**

Not applicable. The Fund does not commit to sustainable investments with a social objective.



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

Derivatives and cash are the only two investment types categorised as 'other' and no minimum environmental or social safeguards are applied.

Investments categorised as 'other' may be used for the following reasons:

- i. Cash and cash equivalents or money market instruments: The Fund may invest in cash and cash equivalents or money market instruments to take advantage of market opportunities as they arise.
- ii. Derivatives: The Fund may use derivatives for hedging purposes and for managing broad market exposure.

● **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?**

The Fund does not have a reference benchmark to determine whether it is aligned with the environmental and social characteristics that it promotes.

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



**Reference benchmarks** are indexes to measure whether the financial

product attains the environmental or social characteristics that they promote.

This is not applicable as the Fund does not have a specific ESG designated Index.

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

As the Fund is an active strategy, this is not applicable.

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

As the Fund is an active strategy, this is not applicable.

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

As the Fund is an active strategy, this is not applicable.

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

More product-specific information regarding the Fund can be found on the website [here](#).

