

Northern Trust ESG & Climate High Yield Core Index

The above index is the underlying index for the FlexShares ESG & Climate High Yield Core Index Fund (FEHY) and is designed to measure the performance of a diversified universe of high yield, US-dollar denominated bonds of companies that also possess environmental, social, and governance (ESG) characteristics.¹

Define Eligible Universe

Northern Trust High Yield U.S. Corporate Bond Index²

Apply ESG Exclusions

Sustainability Issues

UN Global Compact ³	Tobacco
Weapons	Thermal Coal
For Profit Prisons	Unconventional Oil & Gas

Optimize

Based on exposure to quantitative factors:

Northern Trust Vector Score⁴



Magnitude

ESG issues that are reasonably likely to impact financial performance



Direction

Forward-looking risk assessment framework

ISS ESG Data⁵

⊕ Carbon Risk Rating < Carbon Intensity

Fixed Income Data

△ Effective Duration⁶ → Option Adjusted Spread (OAS)⁷



Constrain⁶

- Sector +/-7.00%
- Issuer +/-5.00%
- Country +/-50%
- Constituent maximum weight 2.50x the weight in the Eligible Universe
- Turnover limit maximum turnover to approximately 10% on any reconstitution date

Reconstituted Monthly

FlexShares ESG & Climate High Yield Core (FEHY)

To learn more about FlexShares, contact our team at 1-855-FlexETF (1-855-353-9383) or visit our website, www.flexshares.com.

Before investing, carefully consider the FlexShares investment objectives, risks, charges and expenses. This and other information is in the prospectus, a copy of which may be obtained by visiting www.flexshares.com. Read the prospectus carefully before you invest.

Foreside Fund Services, LLC, distributor. FlexShares and Foreside are not related.

Please see back for additional important information.



FOOTNOTES

1. ESG investing is defined as utilizing environmental, social, and governance (ESG) criteria as a set of standards for a company's operations that socially conscious investors use to screen potential investments.
2. The Northern Trust High Yield U.S. Corporate Bond Index is a sub-index of the Northern Trust US Corporate Bond Index. The sub-index is designed to measure the performance of a diversified universe of high yield, US dollar denominated corporate bonds issued by companies who are members of the G12 or G10 Currencies. The Northern Trust US Corporate Bond Index measures the performance of a universe of US dollar denominated corporate bonds issued in the United States.
3. The United Nations Global Compact is a non-binding United Nations pact to encourage businesses and firms worldwide to adopt sustainable and socially responsible policies, and to report on their implementation.
4. The Northern Trust ESG Vector Score is designed to rank companies based on their management of and exposure to material ESG metrics. The Score was designed to align with the Sustainability Accounting Standards Board (SASB) Standards. The SASB Standards were designed for investors, and focus on only financially material issues based on the industry in which the company operates. Based on that structure, the ESG Vector Score is a combination of individual ESG indicators, adjusted for industry membership.
5. Institutional Shareholder Services (ISS) ESG data enables investors to develop and integrate responsible investing policies and practices, engage on responsible investment issues, and monitor portfolio company practices through screening solutions. It also provides climate data, analytics, and advisory services to help financial market participants understand, measure, and act on climate-related risks across all asset classes.
6. Duration is a measure of risk in bond investing and incorporates a bond's yield, coupon, final maturity and call features into one number, expressed in years, that indicates how price-sensitive a bond or portfolio is to changes in interest rates. Effective duration is defined as the approximate percentage change in a security's price that will result from a 100-basis-point change in its yield. For example, the price of a bond with an effective duration of two years will rise (fall) two percent for every one percent decrease (increase) in its yield, and the price of a five-year duration bond will rise (fall) five percent for a one percent decrease (increase) in its yield. Because interest rates directly affect bond yields, the longer a bond's duration, the more sensitive its price is to changes in interest rates.
7. Option Adjusted Spread (OAS) measures the difference in yield between a bond with an embedded option with the yield on Treasuries. Embedded options are provisions included with some fixed-income securities that allow the investor or the issuer to do specific actions, such as calling back the issue. Using historical data and volatility modeling, OAS considers how a bond's embedded option can change the future cash flows and thus the overall value of the bond.
8. All targets are in comparison to the underlying index – the Northern Trust High Yield U.S. Corporate Bond Index.

IMPORTANT INFORMATION

An investment in FlexShares is subject to numerous risks, including possible loss of principal. Fund returns may not match the return of the respective indexes. A full description of risks is in the prospectus. They do not typically grow at an even rate of return and may experience negative growth. As with any type of portfolio structuring, attempting to reduce risk and increase return could, at certain times, unintentionally reduce returns. An ESG investment methodology that includes and excludes issuers and assigns weights to issuers by applying non-financial factors, such as ESG factors, such ESG investment methodology may underperform the broader equity market or other investment products that do or do not use ESG investment criteria.

FlexShares ESG & Climate High Yield Corporate Core Index Fund (FEHY) is a passively managed fund that invests in high yield securities and use a representative sampling strategy to track its underlying index. Use of a representative sampling strategy creates tracking risk where the Fund's performance could vary substantially from the performance of the underlying index along with the risk of high portfolio turnover. Northern Trust does not attempt to take defensive positions in any market conditions, including declining markets.

ESG Investment Risk is the risk that because the Index Provider includes and excludes issuers and assigns weights to issuers in the Underlying Index by applying non-financial factors, the Fund may underperform the broader equity market or other funds that do or do not use ESG investment criteria. Although the Underlying Index is designed to measure a portfolio of companies with certain ESG characteristics, there is no assurance that the Underlying Index or Fund will be comprised of such securities or that companies that have historically exhibited such characteristics will continue to exhibit such characteristics.

Seed Investor Risk is the risk that may result from Northern Trust and/or its affiliates making payments to one or more investors to contribute seed capital to the Fund, such as an Authorized Participant, a market maker and/or another entity. As with redemptions by other large shareholders, redemptions by seed investors could have a significant negative impact on the Fund, including on the Fund's liquidity and the market price of the Fund's shares. **Concentration Risk** is the risk that, to the extent the Fund's investments are concentrated in the securities of issuers in a particular region, country, market, industry, sector or asset class, the Fund may be subject to increased price volatility. **Authorized Participant Concentration Risk** is the risk that the Fund may be adversely affected because it has a limited number of institutions that act as authorized participants. **Derivatives Risk** is the risk that the use of futures and options on futures may pose risks in addition to and greater than those associated with investing directly in securities and other instruments, may be illiquid or less liquid, more volatile, more difficult to value and leveraged so that small changes in the value of the underlying instrument may produce disproportionate losses to the Fund.

Non Diversification Risk is the risk that Fund performance may depend on the performance of a small number of issuers because the Fund may invest a large percentage of its assets in securities issued by or representing a small number of issuers. **New Fund Risk** is the risk that the Fund will not grow to or maintain an economically viable size, in which case it may experience greater tracking error to its Underlying Index than it otherwise would at higher asset levels, or it could ultimately liquidate without shareholder approval.

High Yield Securities Risk is the risk that the Fund will be subject to greater credit risk, price volatility and risk of loss than if it invested primarily in investment grade securities, which can adversely impact the Fund's return and NAV. **Corporate Bond Risk** is the risk the Fund faces because it invests primarily in bonds issued by corporations. **Income Risk** is the risk that the Fund's income may decline when interest rates fall. **LIBOR Risk** is the risk from the expected discontinuation of the publication of the London Interbank Offered Rate (LIBOR), which many debt securities, derivatives and other financial instruments use as the reference or benchmark rate for interest rate calculations, at the end of June 2023. **Liquidity Risk** is the risk that certain portfolio securities may be less liquid than others, which may make them difficult or impossible to sell at the time and the price that the Fund would like, adversely affecting the value of the Fund's investments and its returns.

High Portfolio Turnover Risk is the risk that active and frequent trading of the Fund's portfolio securities may result in increased transaction costs to the Fund. **Tracking Error Risk** is the risk that the Fund's performance may vary substantially from the performance of the Underlying Index. The Fund's performance may vary from the performance of the Underlying Index for a number of reasons including that the Fund incurs operating expenses that the Underlying Index does not and that the Fund accepts custom baskets. **Passive Investment Risk** is the risk that the Fund is not actively managed.